



SUSTAINABILITY REPORT

Shaftesbury
2016

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Note: The timeframe of 2016–2017 for implementation of the objectives and targets is consistent with the financial year, which is 1 October 2016 to 30 September 2017.

1 CHIEF EXECUTIVE'S INTRODUCTION



SUSTAINABILITY IS EMBEDDED IN THE MANAGEMENT OF OUR BUSINESS. WE CONTINUE TO DEVELOP OUR STRATEGY AND ITS IMPLEMENTATION ACROSS ALL ASPECTS OF OUR OPERATIONS.

Our strategic focus continues to be the re-use and careful management of existing buildings. We pride ourselves on our ability to extend the economic useful lives of our buildings through changes of use and reconfiguration, within the constraints of legislation, so that they continue to meet the needs of modern occupiers. This emphasis on restoration and repair forms the core of our sustainability strategy and is measured through an increased number of schemes on course to achieve BREEAM* certification.

In an urban location, which is intensively used by huge numbers of visitors and a large working population and residential community, social issues and challenges are bound to arise. We therefore focus on community related activities which help to support organisations that tackle these problems. We are long-term, socially responsible neighbours and investors in our area and are integrated into our community. We measure our continued involvement in line with the London Benchmarking Group methodology.

We remain committed in our support of the United Nations Global Compact (UNGC) and its ten principles in the areas of human rights, labour, environment and anti-corruption. We are implementing programmes internally and across our supply chain with emphasis on engaging with our principal suppliers and how they operate in the management of our portfolio. We are encouraging the payment of the London living wage and are progressing the requirements of the Modern Slavery Act 2015 throughout our supply chain as objectives for 2017.

We have also continued to engage and collaborate with neighbouring owners and other stakeholders to further sustainability objectives in London's West End. We are an active member of both, the Better Building Partnership and the Wild West End biodiversity collaboration. Through the latter we are gaining momentum with the implementation of biodiversity features throughout the portfolio. We are also an associate member of the New West End Company which is working on the Air Quality 2020 initiative - a partnership of London companies concerned about congestion and resulting air pollution issues in the West End.

In the year ahead we will work together with stakeholders to identify and implement practical measures that can contribute to reducing traffic movements, through coordinated delivery and servicing, and consequently reduce air pollution.

This report forms part of our UNGC Communication on Progress against the ten principles. More detail on our strategy and data performance can be found in the following documents on our website:

- Sustainability Policy
- Sustainability Data Report 2016
- 2016 Annual Report
- Our Greenhouse Gas statement is independently assured by Planet and Prosperity. See page 12.

Brian Bickell
Chief Executive

29 November 2016

2 SUSTAINABILITY INDICES

IN ORDER TO MEASURE AND BENCHMARK OUR PERFORMANCE AGAINST OUR PEERS WE HAVE MAINTAINED OUR LISTING IN THE FOLLOWING INDICES.



FTSE4Good

Continued inclusion in the FTSE4Good 84%



G R E S B
★ ★ ★ ★ ★ 2016

GRESB Green Star Scored 68 (2015: 72)



Silver award winner for sustainability reporting (2015: silver).



Continued Member of Ethibel Excellence



CDP - Continued inclusion on Carbon Disclosure Project scoring a grade B



Achieved Oekom prime status

3 MANAGEMENT OF SUSTAINABILITY

SUSTAINABILITY IS AN INTEGRAL ASPECT OF BOTH OUR BUSINESS STRATEGY AND ITS IMPLEMENTATION ACROSS OUR OPERATIONS.

With the growth of our business and the increasing importance that we are placing on sustainability, we have formed a Sustainability Committee. Chaired by the Chief Executive, it comprises members of the management team and the Company Secretary. It meets quarterly to define objectives, agree strategies and review progress. We have a robust Sustainability Policy which is reviewed annually by the Board and is available on our website. This is supported by a materiality framework outlined below.

MATERIALITY

We have based our sustainability strategies and goals on the following core factors:

- Community:** engaging with community groups and charities to ensure we are aligned in our community.
- Stakeholders:** engaging with our tenants, investors and principal advisors ensures that we are aware of their expectations and can respond accordingly. In particular, we work with tenants to identify ways in which they can use our buildings more efficiently and operate in a more sustainable manner.
- Environment:** the re-use and careful management of existing buildings is inherently sustainable. In addition, reducing the running costs of the buildings and improving their operational efficiencies is essential to attract tenants, as well as meet future regulatory requirements.
- Suppliers:** working closely with our suppliers enables us to control our potentially most significant indirect impacts and facilitate better standards of service.
- Employees:** investing in the welfare and development of our employees ensures high standards of performance and continuing low turnover of staff.

We aim to progress towards reporting in line with the Global Reporting Initiative (GRI) G4 requirements and formalise a materiality assessment from an external and internal perspective:

- External review** – a review of external influences, views of investors, benchmarking indices, activities of our peers and other companies to provide the basis for identifying the issues that are material to the business now and in the future.
- Internal review** – the findings from the above were reviewed internally by the Sustainability Committee and then we held an internal workshop to establish the relative importance of the issues to our business, balanced with the importance to stakeholders.

Below is the result of our first assessment which shows a materiality matrix setting out the most significant issues. These were identified as: community, central London air pollution, living wage, health and safety, infrastructure, greenhouse gas emissions, human rights, waste, material use and biodiversity.

Whilst we will continue to consider the core factors as part of our sustainability strategy, we will prioritise these top ten issues and aim to address them in the year ahead.



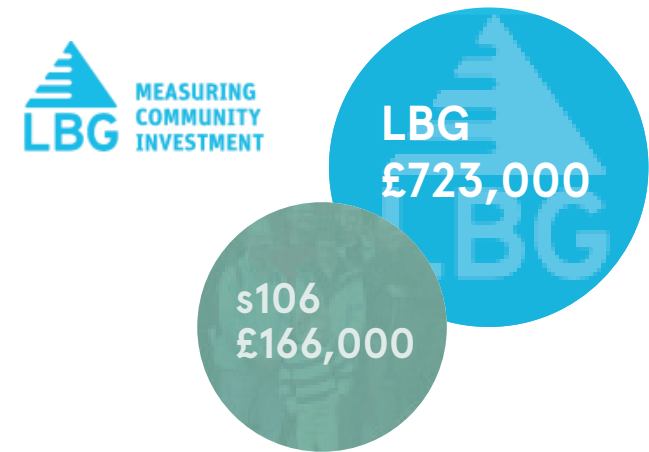
4 COMMUNITY

WE ENSURE OUR ACTIVITIES AND ENGAGEMENT ARE ALIGNED WITH THE COMMUNITY IN WHICH OUR PORTFOLIO IS LOCATED AND IN THE ASPECTS THAT SUPPORT THE WEST END BOTH AS A COMMUNITY AND VISITOR DESTINATION.

We have continued our membership of the London Benchmarking Group (LBG). Our LBG contribution is measured in accordance with their framework and equated to £723,000. The breakdown of the elements that make up this figure are set out opposite.

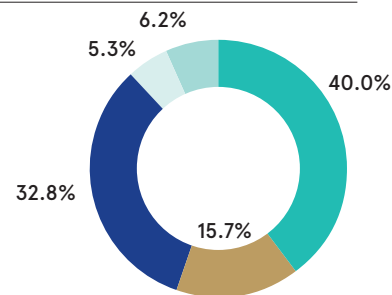
Our Section 106 contributions (an agreement to make a payment to a local authority in respect of planning obligations) were £166,000 giving an overall total of community investment of £889,000.

Our collaborations provided community leverage of £73,000 to stakeholders.



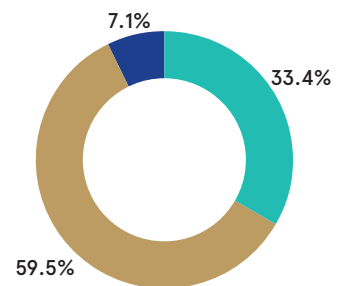
What we contribute

- Cash
- Staff time
- In kind contributions
- Pro bono
- Management costs



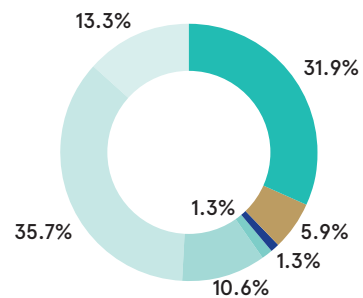
How we contribute

- Charitable gifts
- Community investment
- Commercial initiatives in the community



What we support

- Education
- Health
- Economic development
- Environment
- Arts/culture
- Social welfare
- Other



CHARITY PARTNERS

This year we have continued our relationship with charity partners in our villages. We work with the nominated charity to promote their aims and activities to a wide audience, through events and media activities. We work with other charitable and not-for-profit organisations that we support, as a Group, which reach across a number of our villages. These include:

LandAid
London Law Centre
Sir Simon Milton Foundation (including sponsorship of Westminster City Council tea dance)
Stage One

The Sustainable Restaurant Association/Food Made Good
Westminster Kingsway College
Westminster Tree Trust
Zoological Society of London
University of the Arts
Westway Trust

4 COMMUNITY CONTINUED

Our village charity partners are:

COVENT GARDEN



The Connection at St Martin's, located next to Trafalgar Square in Westminster, is the UK's biggest and busiest homeless centre, open seven days a week, all year round. The Connection helps approximately 200 homeless people every day. Seeing 5,000 individuals a year, the Connection provides an integrated range of specialist services including a day and night centre, outreach for rough sleepers, career advice and training, advice on housing and various programmes of activity, including support for specialist immigration, mental health and addiction.

Other organisations supported in Covent Garden are Covent Garden Community Association, The Seven Dials Trust, Donmar Warehouse, the ENO's community choir and Central St Martins.

CHINATOWN



The London Chinese Community Centre is committed to maintaining and developing services and activities to improve the quality of life and wellbeing of the Chinese community, particularly those who are disadvantaged. Their services include community development services: offering various English, computer, arts and cultural classes; information and advice services; elderly health improvement services; and a youth club.

Other organisations supported in Chinatown include London Chinatown Chinese Association, Chinese Information and Advice Centre and China Exchange.

CARNABY



34 young adults in their 20s and 30s are diagnosed with cancer every day in the UK. Trekstock provides relevant social and practical support, helping young adults navigate their journey through and beyond treatment.

Other organisations supported in Carnaby include the London College of Fashion, Deal Real Legacy, Stage One, The Samaritans and Pride in London.

SOHO



The House of St Barnabas is a charity pledging to break the cycle of homelessness and social exclusion in London. They run a social enterprise, a not-for-profit members' club, to help the people they support back into lasting paid work. Their Employment Academy offers accredited qualifications, on-site work experience, real job opportunities and mentoring.

Other organisations supported in Soho include The Soho Society, Soho Create, Museum of Soho, Soho Parish Primary School and West End Community Trust.

4 COMMUNITY CONTINUED

CASE STUDY

THE HOUSE OF ST BARNABAS EMPLOYMENT ACADEMY – EMPLOYMENT PROGRAMME GRADUATE STORY

STEVEN'S STORY*

“ When I was at a point where I didn't know what I was going to do, I got a phone call from someone I knew at Turning Point, which is a support organisation in London, and she told me about the Employment Academy at The House of St Barnabas.

Before the training started, I was excited about it but I didn't really know what to expect. I thought I might learn how to work in a kitchen.

I found the team building games fun and very positive. The other trainees were very friendly and we were a good group. I thought I would be placed in the kitchen but I left it to the staff to decide what would be best for me and they suggested I become a waiter.

I had good, supportive, members of staff helping me and I enjoyed the work. It was fun, it was a nice environment and I enjoyed talking to people. I definitely felt supported after graduating and I met up with my mentor once a month. It was good to have someone to talk things over with.

I am currently working part-time for Benugo at one of London's leading museums and I will have been there for a year in December. It's a good place to work.

I am happy working in the museum café and I hope to increase my hours in the future.

The whole experience has been very positive and I feel happy and content with my life. Thank you to Shaftesbury for funding my place on The House of St Barnabas Employment Programme. ”

** Steven's name has been changed to remain anonymous.*



5 STAKEHOLDERS

WE CONTINUE TO ENGAGE WITH OUR KEY STAKEHOLDER GROUPS

This year we engaged with the New West End Company, a business improvement district, and their Air Quality 2020 project. Landowners and other stakeholders are working together to identify ways to improve the flow of vehicles, reduce congestion and improve air quality in the West End.

During the reporting period, we commissioned a pilot study to identify potential delivery and servicing consolidation schemes that could be considered by retailers, restaurants and businesses in Seven Dials. Four potential measures were identified: supplier consolidation, re-timing of deliveries, mandating the use of a single approved courier and discouraging personal deliveries. The results of the pilot study will be fed back to participating businesses and the study will be extended to all the restaurants in Seven Dials. The ultimate goal is that through sharing delivery and waste vans, vehicle movements will be reduced, improving traffic flow and consequent emissions, to the benefit of occupiers, residents and visitors to the area.

We have continued our membership of the Better Building Partnership, a collaboration of the UK's largest commercial property owners working together to improve the sustainability of their commercial portfolios. Through this we have the opportunity to engage with peer group companies to identify best practice opportunities appropriate to our operations and to benchmark the performance of a selection of our buildings.

SUPPLIERS

With our outsourcing model, we are concentrating our efforts on transparency within our supply chain in the following areas.

In accordance with the Modern Slavery Act 2015, we have published a statement on our website detailing how we are tackling slavery and human trafficking in our supply chain. We have written to all our first tier suppliers to raise awareness of the legislation, telling them of our plans which include carrying out a due diligence exercise throughout our business to establish the areas of risk, and reviewing all relevant contracts and requesting that our suppliers also contact their suppliers to raise awareness of the legislation.

We have other policies in place which address human rights, whistleblowing and the ethical conduct of our business, all of which are included within our Sustainability Policy. Our policy is provided annually to each member of our supply chain to encourage them to adopt and enforce similar policies in their own business.

An objective last year was to address the implementation of the London living wage throughout our supply chain. We are making good progress with our managing agents reviewing facilities contracts for our portfolio to ensure, as a minimum, that the pay scales meet the national living wage and, where possible, meet the London living wage. We recognise that for refurbishment projects, enforcing the requirement is proving more challenging but our project management teams are aware of the requirement and are disseminating it to contractors and subcontractors.

LOCAL GOVERNMENT

We work together with Westminster City Council and Camden Council on public realm projects in order to improve the areas surrounding our portfolio.

TENANT ENGAGEMENT

We continue to provide subsidised membership of the Sustainable Restaurant Association and this is included in the Heads of Terms for new restaurant tenants. Eleven tenants have signed up this year.

An online Building Guide for commercial tenants is being developed and should be completed shortly. The Guide will cover all management issues relevant to the tenants, such as sustainability advice including fit-out, emergency response, fire protection and recycling facilities within the portfolio.

We have over 800 commercial tenants. We aim for each tenant to have direct contact with at least one director and/or member of the property team and, in addition, full time estate managers are available to deal with day-to-day concerns. As in 2015, we conducted a formal customer satisfaction survey of our tenants in Carnaby and Seven Dials. The feedback for Carnaby was largely positive and an improvement on last year but there was a slight drop in performance at Seven Dials which is being addressed. The exercise will be repeated in the forthcoming year in Carnaby and Seven Dials.

Results of customer satisfaction survey:

PROPERTY NAME	AVERAGE RATING	% SATISFIED
Carnaby - Residential	3.94	81%
Carnaby - Office	4.10	90%
Carnaby - Retail	3.97	83%
Carnaby - Restaurant	3.94	75%

Response rate: 35%

Overall average: 82% (2015: 71%)

PROPERTY NAME	AVERAGE RATING	% SATISFIED
Seven Dials - Residential	3.53	62%
Seven Dials - Office	3.44	67%
Seven Dials - Retail	3.46	69%
Seven Dials - Restaurant	2.75	50%

Response rate: 29%

Overall average: 62% (2015: 77%)

6 EMPLOYEES

WE RECOGNISE THE IMPORTANCE OF THE WELFARE AND PROFESSIONAL DEVELOPMENT OF OUR EMPLOYEES, AS WELL AS ENSURING AN INCLUSIVE CULTURE THROUGHOUT OUR ACTIVITIES.

We employ 27 staff including executive directors. There continue to be five women in senior executive positions (50% of executive staff excluding directors) and three female non-executive directors. Our commitment to promoting gender equality is reflected in our membership of Real Estate Balance, whose objective is to work with both men and women in the real estate industry and with corporate leaders to achieve a greater gender balance at board and executive management level across the real estate sector by supporting, in a practical way, the development of an enduring female talent pipeline. We have also committed to the RICS Inclusive Employer Quality Mark which aims to drive behaviour changes by encouraging businesses in the real estate sector to look carefully at their employment practices and to ensure inclusivity is embedded in their operations.

We believe that training and development of our staff is essential and, this year, each employee underwent an average of 12 hours training. All staff also underwent a personal development review. Flexible working is available and 11% of employees currently work part-time.

This year we organised a training session for all staff, conducted by an external law firm, which covered bribery, giving and receiving of gifts and whistleblowing. There have been no instances of non-compliance with our Anti-Bribery Policy during the financial year.

	2014	2015	2016
Percentage of female staff overall	52%	56%	60%
Percentage of female staff in senior positions	50%	50%	50%
Percentage of female board members	30%	30%	30%
Average training hours per employee	30	19	12
Number of staff receiving professional development review	100%	100%	100%
Average length of service	12	12	12
Staff turnover	0	0	1
Absenteeism (average per employee)	1.4 days	2 days	2 days
Number of staff with flexible working	3	3	3

HEALTH AND SAFETY

The Board has overall responsibility for health and safety.

In our refurbishment projects, responsibility for health and safety is identified within all pre-tender documentation and is monitored by site and project managers. Managing agents oversee day-to-day health and safety matters throughout the portfolio.

There were two reportable health and safety incidents in the managed portfolio. The Accident Frequency Rate for Shaftesbury employees was zero (2015 – zero) and there were no health and safety prosecutions, enforcement actions or fatalities in 2016.

	2014	2015	2016
Number of reportable injuries	0	0	2
Work related fatalities	0	0	0
Number of Enforcement Agency prosecutions or fines	0	0	0
Number of prohibition notices	0	0	0
Employee accidents and incidents	0	0	0
Number of employee days off work from injury	0	0	0

7 ENVIRONMENTAL

WE PROMOTE SUSTAINABILITY THROUGH OUR RE-USE AND CAREFUL MANAGEMENT OF EXISTING BUILDING STRUCTURES, FABRIC AND SPACE BY IMPROVING THEIR OPERATIONAL EFFICIENCIES. WE REDUCE RUNNING COSTS TO THE BENEFIT OF BOTH OURSELVES AND OUR TENANTS.

ENERGY PERFORMANCE

Overall, energy consumption decreased by 7% primarily attributed to the refurbishment of Newport Sandringham and other larger buildings, which in previous years, had high energy consumption.

Absolute energy consumption

USAGE (kwh)	COVERAGE OF APPLICABLE PROPERTIES		2014	2015	2016	2015-2016 % CHANGE
	Total	209 out of 209	3,753,344	4,645,047	4,322,090	-7%

A comparison of like-for-like performance between 2015 and 2016 shows a 21% decrease which reflects the rolling programme of small scale refurbishment as well as variations in occupancy levels.

Like-for-like energy consumption

USAGE (kwh)	NUMBER OF PROPERTIES REPORTED ON		2015	2016	DIFFERENCE	2015-2016 % CHANGE
	2015	2016	3,524,797	2,788,230	-736,567	-21%
Total	180	180				

We continue to purchase green tariff 100% renewable electricity for 75% of the portfolio.

ENERGY SAVINGS OPPORTUNITY SCHEME (ESOS)

In compliance with legislation, we undertook an ESOS audit during 2015. We used an external consultant to conduct the audit which was prepared in accordance with Environment Agency requirements. The audit focused on the landlord controlled areas and a small number of buildings where we are responsible for the purchase of electricity and gas for the whole building. The energy savings identified equate to 558,030 kWh and a carbon reduction of 191.1 tCO₂. We have an ongoing programme to identify and implement energy savings improvements, such as progressive replacement of existing lights with LED spotlights. Improvements identified, such as boiler upgrades, will be considered when the buildings are due for refurbishment. The total budget implementation costs for the recommendations across the portfolio are approximately £129,510 which should provide total estimated annual energy savings of £49,300 with a simple average payback period of 2.6 years.

7 ENVIRONMENTAL CONTINUED

GREENHOUSE GAS EMISSIONS

We report these numbers in accordance with UK legislation. The figures relate to landlord controlled common parts such as staircases. The numbers are therefore minimal.

For the reporting year we have again followed the UK Government environmental reporting guidance and used the 2016 UK Government's Conversion Factors for Company Reporting. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries in terms of landlord and tenant consumption:

SCOPE 1 – direct emissions includes whole building gas data. Fugitive emissions from air conditioning are included where it is the landlord's responsibility within the common parts. There are no company vehicles to report within Scope 1.

SCOPE 2 – indirect energy emissions includes purchased electricity for the head office and landlord controlled common parts areas and a small number of buildings where the occupied areas and common parts are on the same meter. Electricity used in refurbishment projects has also been recorded.

SCOPE 3 – other indirect emissions, which includes emissions associated with electricity losses and generation. It also includes business air travel and rail, but no other business travel as given the central London location this is considered negligible.

Greenhouse gas emissions for the portfolio, head office and refurbishment sites (tCO₂e) are set out opposite and show a significant year-on-year variation. Overall, energy consumption is, in absolute terms, small, covering mainly landlord -controlled areas. The increase in Scope 1 emissions is attributed to increased reporting of gas consumption in Carnaby and Seven Dials and the decrease in Scope 2 emissions is due to the refurbishment of Newport Sandringham.

Data for 2014-2015 is restated for gas consumed as it had previously been reported using the incorrect units. This equates to an increase of 216 tonnes for 2015.

Absolute Scope 1 and 2 GHG emissions

SCOPE 1	2014	2015	2016	2015-2016 CHANGE
Total tCO ₂ e	164	312	376	20.2%

SCOPE 2	2014	2015	2016	2015-2016 CHANGE
Total tCO ₂ e	1,559	1,405	964	-31.4%

Like-for-Like Scope 1 GHG emissions

SCOPE 1	2015	2016	DIFFERENCE	% DIFFERENCE
Total tCO ₂ e	291	185	-106	-36.4%

Like-for-Like Scope 2 GHG emissions

SCOPE 2	2015	2016	DIFFERENCE	% DIFFERENCE
Total tCO ₂ e	1,042	878	-164	-15.7%

Absolute Scope 3 emissions

SCOPE 3	2014	2015	2016	2015-2016 CHANGE
Total tCO ₂ e	199	176	167	-4.85%

The chosen emissions intensity is common parts floor areas, which has been measured in 59 of the 122 reported properties with common parts only and the emissions intensity figure has been obtained of 37.3 kgCO₂e/m² (0.037 tonnes CO₂e/m²), a decrease over last year's 50 kgCO₂e/m² (0.05 tonnes CO₂e/m²).

GHG Intensity by floor area

	NUMBER OF PROPERTIES	COMMON PARTS FLOOR AREA FT ²	FLOOR AREA M SQ FT	KWH (ELECTRICITY)	CONSUMPTION INTENSITY	KG CO ₂ E/M ²
Total	59	34,447	3,200	289,569	90.5	37.3

Assurance statement

Our greenhouse gas emissions data has been subject to an independent assurance process provided by Planet & Prosperity Ltd. A full copy of the verification opinion statement, including the scope and basis of the work, can be found on our website. The final opinion of the assurance provider is summarised below, but readers should be aware of the context within which this statement is made by reading the full statement and opinion.

We have conducted a verification of the greenhouse gas data reported by the above entity in its Annual Report for the period 1 October 2015 to 30 September 2016. On the basis of the verification work undertaken (which is reported in Annex 2 of the full statement and excludes the managing agents' accounting processes) nothing has come to our attention to suggest that these data are not fairly stated with the exception of a small number of non-material issues. We have not checked prior year data that is reported nor the details of the restatement of data for 2012-2015 which resulted from material errors in the primary source data.

7 ENVIRONMENTAL CONTINUED

WASTE

We exceeded our target recycling rate with 51% recycled at Carnaby and Seven Dials and 48% at Longmartin. We encourage composting by our restaurant tenants, and active engagement with tenants has increased the proportion to over 7%. The remaining waste is diverted from landfill to energy from waste.

Absolute waste within operational control

TONNES OF WASTE	TOTAL RECYCLED			ENERGY FROM WASTE			COMPOSTED		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Totals	776	1,000	1,407	1,081	1,286	1,353	63	73	223

PERCENTAGE OF WASTE	TOTAL RECYCLED			ENERGY FROM WASTE			COMPOSTED		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Totals	40.4%	42.4%	47.2%	56.3%	54.5%	45.4%	3.3%	3.1%	7.5%

Our refurbishment projects diverted, on average, over 99% of waste from landfill.

WATER

The extent of water consumption reporting is improving with increased clarity of which properties are within landlord control. Overall consumption across the portfolio has shown a significant decrease primarily attributable to Newport Sandringham undergoing refurbishment. Like-for-like, there has also been a decrease reflecting the reduced occupancy levels in the properties concerned.

In Chinatown, the small volume of water usage for steam cleaning in South Service Yard remained consistent.

Absolute water consumption with operational control

TOTAL USAGE (M ³)	2014	2015	2016	2015 - 2016 CHANGE
Totals	43,134	42,993	18,789	-56.3%

Like-for-like water consumption within operational control

	PROPERTIES REPORTED ON 2015	PROPERTIES REPORTED ON 2016	TOTAL USAGE (M ³) 2015	TOTAL USAGE (M ³) 2016	DIFFERENCE	2015 - 2016 DIFFERENCE
Total	9	9	11,700	10,815	-885	-7.6%

BUILDING CERTIFICATIONS

We have had in place for a number of years an objective to achieve BREEAM Very Good for all new commercial developments of which there have been five over the past six years. Progress has been made over the year to extend the coverage to include refurbishment projects, both domestic and non domestic; four are in progress and are on course to achieve a minimum of our target of Very Good:

- 57 Broadwick Street is on track to achieve BREEAM Excellent against BREEAM for Offices 2008 requirements.
- 39 William IV Street has been registered to BREEAM Domestic refurbishment and has achieved Very Good at the design stage. (see case study).
- 65-75 Monmouth Street is also a domestic refurbishment on track to achieve a BREEAM Very Good.
- 9 Kingly Street is at early design stage and is likely to aim for BREEAM Non Domestic Very Good.

The Energy Act 2011 requires that by 2018 properties at the time of letting should be have an Energy Performance Certificate (EPC) of Grade E or above. There are still a proportion of our properties that are under the threshold or have not yet been assessed. The majority of those that have not been assessed are let under long term leases which have not undergone a lease transaction since 2008 and do not therefore require an EPC at the current time.

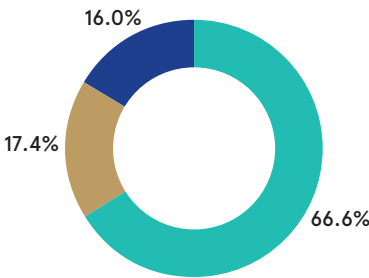
USE OF MATERIALS

We maximise the re-use of materials on site in all our refurbishment projects above a capital value of £150,000, with a significant proportion of the primary structure and external façade retained. Similarly, our approach is to re-use timber where possible. Timber features such as windows, joists, floorboards, staircases and paneling were retained where possible.

For the small volume of timber purchased, 67% was Forest Stewardship Council (FSC) certified and overall 90% was sustainably sourced with full chain of custody which is an improvement in performance. In addition in Carnaby, the principal contractor that works on minor refurbishment work has achieved full FSC Chain of Custody Certification for the sourcing and use of timber products on all projects.

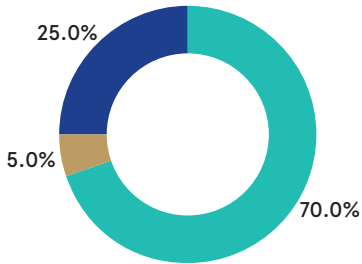
Wholly-owned
(Total count of EPC assessments)

A-E	949
F-G	250
Not done	233



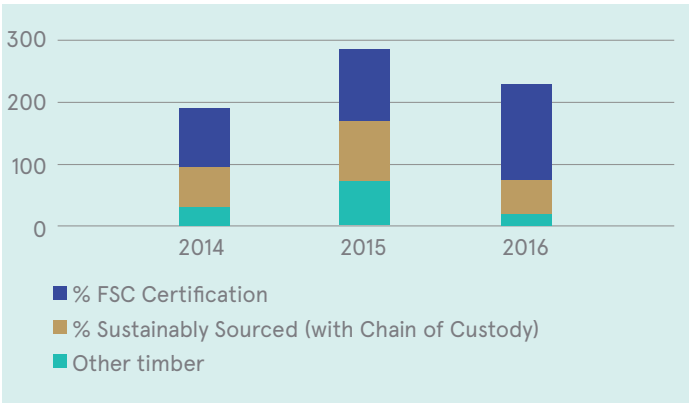
Longmartin
(Total count of EPC assessments)

A-E	93
F-G	7
Not done	33



A proportion of the lower grade properties (just over 40%) are listed and we are consequently limited as to what are considered feasible improvements. Of the remaining properties, the rolling programme of refurbishment is proving effective with over 80% achieving a C rating or above.

Volume timber purchased (m³)



7 ENVIRONMENTAL CONTINUED

CASE STUDY

SUSTAINABLE REFURBISHMENT AT 39 WILLIAM IV STREET

Shaftesbury chose 39 William IV Street to test the feasibility of achieving BREEAM Very Good on domestic refurbishments in older buildings. The completed scheme will deliver 576m² of modern residential accommodation and 405m² of restaurant space, all with high operational efficiency. As a result of the project, Shaftesbury now plans to target BREEAM Very Good on more domestic refurbishments, as well as commercial schemes.

On track for BREEAM Very Good

EPC B

Modern space for residents and restaurants

Extending the building's useful life

“ Our experience at 39 William IV Street has shown that if you introduce BREEAM early enough on domestic refurbishments, it's possible to significantly improve long-term energy performance, without significant additional efforts or costs. BREEAM is helpful in maximising sustainability performance and credentials, which brings benefits both for Shaftesbury and for the people and businesses based in our buildings. ”

Rob Kirk, Portfolio Executive



SITUATION

Through Shaftesbury's active refurbishment programme, the company is improving the long-term sustainability of its buildings. Shaftesbury aims to reduce energy consumption by 3% year on year.

The refurbishment of 39 William IV Street in Covent Garden is a typical example of Shaftesbury's programme to improve buildings, grow rents, and unlock value. Thought to be a 1940s rebuild following bomb damage, the whole building had been occupied by one tenant since the 1970s. The refurbishment retains much of the building's structure and façade, whilst creating two restaurants on the lower levels and seven residential apartments on the upper levels. Works include reinstating the original third floor as residential and introducing an access route to the new apartments via the residential building at 38 William IV Street.

The project team includes architect and project manager Fresson and Tee, structural engineer Franks and Lewin, main contractor Roots Contractors Ltd and BREEAM Assessor RPS. The team started on site in July 2016 and the scheme is due for completion in August 2017.

7 ENVIRONMENTAL CONTINUED

CASE STUDY

ACTIONS

The scheme achieved BREEAM Very Good at design stage, scoring above 70% for Energy, Water and Management and above 60% for Waste. The project team is now working towards BREEAM Very Good for the completed scheme.

Energy

- Applying a 'fabric first' approach – adding wall, floor and roof insulation, as well as installing new party walls, windows with u-values up to 75% better than before and doors with u-values up to 17% better.
- Fitting energy efficient LED lighting internally and externally, with multiple circuits that can be individually controlled and dimmed to minimise consumption.
- Installing motion sensors and timers on external lighting and in common areas.
- Specifying high efficiency gas boilers in each apartment, with dry NOx emissions up to 40mg/kWh, versus 100 mg/kWh for conventional boilers, and new insulated pipework for heating and hot water.
- Installing A+ rated fridge freezers under the EU Energy Efficiency Labelling scheme.
- Introducing energy display devices in each apartment, so residents can monitor and proactively manage their energy use.

Water

- Installing water efficient appliances, such as dual-flush WCs and low-flow taps.
- Fitting individual water meters in each apartment, so residents can proactively manage their water use.

Waste

- Carefully managing the construction process to minimise waste and maximise reuse and recycling, implementing a site waste management plan.
- Targeting 16.9 tonnes of construction waste per £100,000 project cost.
- Including fixed recycling bin with 30-litre capacity in each kitchen to maximise recycling by residents.

Materials

- More than 80% of new building materials and elements responsibly sourced using the BRE Green Guide to Specification.

Management

- Providing Home User Guides for residents, to help them run the new space as efficiently as possible.
- Offering aftercare support to residents for at least 12 months, as well as carrying out site inspections and post occupancy interviews within three months of moving in.

Health and Wellbeing

- Targeting an airborne sound insulation and impact sound insulation 3db better than Building Regulations Part E.
- All decorative paints and varnishes with low VOC emissions.

FINANCIALS

- Approximately £2 million total project cost.
- Energy cost savings for restaurants and residents.
- £10,000 BREEAM assessor and certification costs.

BENEFITS

Benefits for Shaftesbury

- Enhanced occupier appeal, creating modern space that is both attractive and efficient.
- 14% increase in rental space, delivering 980m² of residential and restaurant space, up from 857m².
- Reduced construction costs and environmental impacts by retaining 40% of the building structure and façade.
- Stronger sustainability credentials, targeting BREEAM Very Good and upgrading the EPC to B from F.
- Compliance with the Government's Minimum Energy Efficiency Standards, which come into force in 2018.
- Adding to Covent Garden's residential community, an essential element of the area's character and economy.

Benefits for residents and restaurants occupiers

- Modern space, with excellent thermal comfort levels and air quality.
- Improved energy efficiency, cutting costs and CO₂ emissions.
- 19% less water consumption per person than the minimum BREEAM requirement, at up to 104 litres per person per day.

7 ENVIRONMENTAL CONTINUED

BIODIVERSITY

We recognise the importance of promoting biodiversity. The West End is an intensively used urban area, which needs thriving and connected green spaces. This is important for both wildlife and health and wellbeing of occupiers and visitors.

We have continued our membership of Wild West End (www.wildwestend.london). The West End's largest property owners are working together to encourage birds, bees and bats back, and create greater connections with nature for residents, visitors and workers to enjoy. This year we have undertaken a baseline ecology survey of the portfolio and defined objectives. We promoted the initiative to the public through the Carnaby Street Eat event, a one day food festival, informing visitors at the food festival of the importance of enhancing habitats for pollinators.

This year we installed six green walls as part of ongoing refurbishment projects. We undertook another project to improve the biodiversity of vacant and inaccessible roof tops, by installing sedum pods and planters in such areas in Carnaby and Seven Dials.

We were shortlisted for the Pollinator Award at the CIRIA sponsored BIG Biodiversity Challenge and were awarded a DEFRA Bees Needs Champions for our work in improving the biodiversity of the West End.

We will continue in the year ahead to select similar roofs throughout the portfolio and install larger areas of sedum pods where space allows.



BIRD BOX	GREEN WALL	GREEN ROOF	SEDUM PODS	HANGING BASKETS	INSECT HOME	PLANTERS	TREES	WINDOW BOXES	BEE HIVES	
21	12	7	27	46	2	125	10	880	3	2016
21	6	7	0	46	2	96	13	823	3	2015
0	6	0	27	0	0	29	-3	57	0	Difference

Three trees were irreparably damaged by a vehicle.

7 ENVIRONMENTAL CONTINUED

CASE STUDY

POLLINATORS IN CARNABY

Following the launch of the Wild West End biodiversity collaboration with other property owners, Shaftesbury has implemented a pollinator project across Carnaby. Initiatives include installing 25 mixed-species sedum pods on roofs and planting pollinator friendly species in 635 window boxes, 98 planters and 46 hanging baskets.

Encouraging bees and other pollinators back into London's West End

Creating opportunities for residents, visitors and workers to enjoy nature

Shortlisted for CIRIA's Big Biodiversity Challenge Pollinator Award 2016

“ When biodiversity is planned, our initiatives prove nature can thrive in urban environments. Our Pollinator project in Carnaby shows that even small scale enhancements, such as sedum pods, hanging baskets and window boxes, can enhance biodiversity and create a better environment for people. ”

Penny Thomas, Company Secretary

BACKGROUND

Shaftesbury set an objective to increase the number of biodiversity features across the portfolio in 2016. The focus is on supporting pollinating species. Not only are pollinators, such as bees, popular with people, they also provide vital ecosystem services, pollinating food crops and flowers. However, many pollinator populations are in decline across the world.

ACTIONS

The pollinator project in Carnaby was coordinated by Shaftesbury's management team and implemented by the estate team.

Through the project, 25 sedum pods were installed on roofs. The 1m² pods comprise up to 12 species of sedum for optimal year-round performance. A coarse substrate of recycled organic material acts as a growing medium, all contained within a lightweight, 100% recycled plastic tray.

In addition, pollinator friendly species were planted in 635 window boxes, 98 planters and 46 hanging baskets across Carnaby. The seasonal planting regime includes:

- **Summer:** nectar rich flowering plants, such as geranium, fuchsia, lobelia, bacopa and salvi.
- **Winter:** perennial evergreens, such as ivy, lavender and buxus, with seasonal flowering plants for colour.
- **Spring:** primulas added to provide a food source for bees early in the season.



To engage with the local community, Shaftesbury promoted Wild West End and the Pollinator project during the 2016 Carnaby Street Eat event. Hundreds of visitors to the food festival found out more about the importance of enhancing habitats for pollinators and picked up free sachets of seeds for pollinator friendly plants. They were also able to sample honey from beehives on roofs in Covent Garden.

The newly planted sedum pods, window boxes, planters and hanging baskets create small areas of habitat, which provide stepping stones to larger green areas nearby. These include a well-established green roof at 26 Carnaby Street, installed in 2010. At 22 Ganton Street in Carnaby, where Shaftesbury's head office is located, there is also an extensive green roof, green wall, wildflower areas, bird boxes and insect hotels.

BENEFITS

The project only began this year, but benefits are already apparent. However, through Wild West End, regular surveys and group objectives are proposed to assess biodiversity enhancements, against a baseline survey undertaken in early summer.

Over time, benefits are expected to include:

- **Ecology:** Encouraging bees and other pollinators back into London's West End by increasing food sources, creating green stepping stones and raising community awareness of the importance of habitats for pollinators.
- **Wellbeing:** Creating new opportunities for residents, visitors and workers to enjoy nature in London's West End, fulfilling the instinctive bond between humans and other living systems.
- **Community engagement:** Through events such as Street Eat, enhancing Shaftesbury's reputation with people living and working around this iconic area of London
- **Staff engagement:** Providing regular updates on the Pollinator project to the Shaftesbury management team, based in Carnaby.

8 PERFORMANCE AGAINST TARGETS SUMMARY

WE SET OUT BELOW OUR ACHIEVEMENTS AGAINST THIS YEAR'S TARGETS AND OUR TARGETS FOR THE CURRENT YEAR

OBJECTIVE	ACHIEVED IN 2016	TARGETS FOR 2017
Stakeholders and community		
Maintain membership of various benchmarking indices	Membership of Carbon Disclosure Project and FTSE4Good. Participated in GRESB and achieved a four Green Star rating. EPRA Sustainability reporting Silver award against EPRA reporting requirements Signatory to UNGC	Continue participation in UNGC, GRESB, FTSE4Good, Carbon Disclosure Project and others
Continue to support local community groups and be proactive in identifying and working with charitable and other organisations	Membership of the London Benchmarking Group and use of their methodology for reporting community involvement has continued. Contribution to community and stakeholders (including Section 106 payments) equates to 2.2% of EPRA pre-tax earnings	Continue membership of London Benchmarking and further develop benchmarking measurements for reporting
Continue to maintain regular liaison with tenants	Undertook tenant satisfaction surveys in Seven Dials and Carnaby with a 74% overall satisfaction. Ongoing subsidised offer of membership to the Sustainable Restaurant Association which is included within the Heads of Terms of the leases as a requirement for all new tenants	Repeat tenant satisfaction surveys for Seven Dials and Carnaby and extend to other parts of the portfolio. Promote the 'Close the Door' initiative with retail tenants in the portfolio
Work with other local occupiers, local authorities and the Mayor's office to investigate and promote solutions to reducing air pollution in central London	Associate member of New West End Company lobbying to improve air quality in central London. Commissioned pilot consolidation delivery study for Seven Dials	Review findings of consolidation study and extend to other villages
Principal suppliers to ensure that an appropriate system for remuneration and in compliance with the London living wage is in place within the supply chain	The requirement for the payment of London living wage has been included in new contracts in one village	Increase number of supply chain contracts that include London living wage
Ensure all refurbishment schemes above a specified value are registered with the Considerate Constructors' Scheme and continue to achieve 30 out of 50 (above a 'satisfactory' score)	100% of eligible schemes were registered 87% of schemes achieved the target score on the first visit. The overall average for the sites visited was 33 out of 50	Continue to achieve 30 out of 50 (above a 'satisfactory' score)
Employees		
Ensure there are procedures to minimise risk of reportable health and safety accidents/incidents throughout the portfolio	No reportable health and safety accidents recorded in a refurbishment project Two reportable incidents in the portfolio	Review health and safety policies across the portfolio Aim for no reportable accidents and incidents throughout the Group's activities
Ensure compliance with anti-bribery and corruption policy	Undertook internal training of all staff. No non-compliances or fines	Maintain compliance
Comply in all respects with employment legislation	60% of staff are female of which 50% are in senior positions and 30% of the board are female One person left this year Corporate sponsor of Real Estate Balance in order to promote gender equality in the sector and signatory to the RICS Inclusive Employer Quality Mark	Continue to measure and improve relevant employment metrics and implement an action plan for the RICS Inclusive Employer Quality Mark Continue active involvement with Real Estate Balance including membership of one of task groups

8 PERFORMANCE AGAINST TARGETS SUMMARY

CONTINUED

OBJECTIVE	ACHIEVED IN 2016	TARGETS FOR 2017
Environment		
Full legal environmental compliance	No breaches of legal requirements have been reported	Full legal compliance
Invest in brownfield sites only	100% regeneration of central London sites	Continue to achieve 100% use of brownfield sites
Operate in an environmentally sustainable manner throughout our activities	Of the EPCs assessed, 80% were a grade C or above post refurbishment Four schemes both commercial and residential on course to achieve a minimum of BREEAM Very Good	Extend the useful life of buildings and improve their sustainability by raising the EPC rating of properties being refurbished according to predetermined targets Aim for BREEAM Very Good for all new commercial developments and larger refurbishment schemes both commercial and domestic
Timber to be sourced where possible from well-managed sources, certified by third party certification schemes	Reuse of timber maximized throughout all schemes. Over 90% of timber has been confirmed as sustainably sourced with full Chain of Custody and 67% using FSC timber	Continue to maximize the proportion of timber that is reused. Source a minimum of 70% of all timber from certified sources and ensure all timber is purchased from legal sources
Monitor and, where possible, reduce energy consumption in common parts. Investigate opportunities for the use of renewable energy	A decrease of 7% principally attributed to the refurbishment of Newport Sandringham. Like-for-like performance has shown a 21% decrease 75% of portfolio sourced 100% renewable energy	Achieve a year on year 3% energy reduction throughout the portfolio Purchase green electricity where costs are within 5% of brown electricity Reduce Greenhouse Gas emissions by a rolling target of 5% from the baseline of 2015 by 2020
Manage construction waste to ensure legal compliance and maximise re-use and recycling of non-hazardous waste	All the schemes that reported, achieved an average of 99% diversion from landfill, by weight of non hazardous demolition and construction waste	Aim to reuse or recycle a minimum of 90% non hazardous demolition and construction waste
Recycle a minimum of 40% of tenants' waste at Carnaby and Seven Dials and divert 90% from landfill	In Carnaby and Seven Dials, 51% of tenants' waste was recycled and 5% was sent for composting. The remainder was diverted from landfill to energy from waste	Recycle and compost a minimum of 50% of tenants' waste and divert a minimum of 90% of waste from landfill
Improve biodiversity appropriate to the Group's urban location	Continued membership of Wild West End. Baseline study of biodiversity initiatives. Continuing to maximise the benefits of using planters, sedum pods and window boxes and other features through appropriate species selection	Continue membership of Wild West End and increase number of biodiversity features throughout the portfolio in particular on service roofs