



Our commitment to net  
zero carbon and how  
we get there...

Shaftesbury

NOVEMBER 2021



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*We are at the start of a  
**critical decade for action  
on climate change**, and  
at Shaftesbury we must  
play our part*



# Foreword

## Brian Bickell, CEO



**The world is at the start of a critical decade for action on climate change. If we do not see a dramatic reduction in carbon emissions across the entire economy, catastrophic impacts on society, local communities, wildlife, and financial markets will be unavoidable.**

**As a business, we feel a tremendous responsibility to play our part and help drive this change, not only in our own business, but also for our occupiers, visitors, and communities. This desire to act is heightened by the role our industry plays in carbon emissions in the UK, where 49% of the country's annual emissions are attributable to buildings<sup>1</sup>.**

**That is why we are setting ourselves the target of becoming a net zero carbon business by 2030 and being carbon neutral for our own operations by 2025.**

We recognise the imperative to take urgent action and to play our part in reducing emissions in order to keep global temperature increases within 1.5°C. The science is unequivocal, and our net zero carbon strategy reflects the need to act now. We have set science-based targets which will be the minimum position for our carbon reduction efforts and, while these targets are ambitious, we aspire to go further and faster.

**“We have set ourselves ambitious science-based targets, but aspire to go further and faster”**

A commitment to sustainability is nothing new for Shaftesbury. Over the years, we have placed it at the core of our business, always focusing our efforts on refurbishing buildings and improving energy efficiency while minimising embodied carbon associated with new construction and future-proofing our West End heritage buildings.

Our net zero carbon aspiration will take this even further. It will form the basis of every decision, across every aspect of our business. For us to deliver on our commitment, this approach will be embedded across our operations, and we must ensure it is the foundation upon which all our actions are based. This is clearly a process that will take time and one that I personally will be heavily involved in implementing. We also know that by working in partnership we can have a greater impact than working alone, which is why we will be working closely with our occupiers, suppliers and other stakeholders throughout this journey.

Our transition to net zero carbon needs to go hand in hand with making our business more resilient to the physical impacts of our changing climate. In this document, we set out our roadmap for reaching this ambitious target well ahead of the UK Government's own goals. It sets out our current emissions, defines our targets and highlights the actions that we will take to deliver on our commitment. Our commitment was agreed by the Board in September 2021 and we will be reinforcing it across the business, including factoring it into the remuneration of the senior leadership team.

Importantly, our business presents us with its own set of challenges, not least the way we work with multiple occupiers across a wide range of mixed-use heritage buildings, some of which are protected. To address this, we have long considered influencing and engaging our occupiers an integral part of our sustainability strategy, and we will continue to seek to use our influence to help our occupiers and broader stakeholders reduce their own carbon emissions.

Over the next nine years, to 2030, we will learn and adapt, as we expect to see the rapid evolution of climate related regulation and an even faster change in the expectations of our shareholders, occupiers, and the public more broadly.

Whilst this is our roadmap for today, we understand it may change, both as we address our challenge, and the regulatory and technological backdrop evolves. We will publish our progress and performance, supported by commentary on the lessons we have learnt, the challenges we have faced and the breakthroughs we have achieved, on an annual basis. Importantly, as our knowledge increases and the market evolves, we hope that we can increase the level of our ambition.

This is just the start. Beyond 2030, our long-term goal is to become a climate positive business, and to move towards an aspiration for absolute zero carbon emissions. This roadmap will be instrumental in helping us to achieve this.

I look forward to sharing our progress on this important journey.

<sup>1</sup> London Energy Transformation Initiative (LETI) Design Guide, 2020



# Introduction to Shaftesbury

Shaftesbury is a Real Estate Investment Trust which owns a 16-acre portfolio wholly based in the heart of London's West End. We have a portfolio of around 600 buildings, clustered in high profile locations, which together make a significant contribution to the heritage of this historic part of London.

Our portfolio is focused around five iconic villages: Carnaby, Covent Garden, Chinatown, Soho and Fitzrovia; across our estate there are more than 800 businesses, including retailers, restaurateurs, cafés, bars, and office occupiers. Across our villages, we also have 630 residential apartments.

Our purpose is to contribute to the success of London's West End by curating lively and thriving villages where people live, work, and visit. Our proven management strategy is to create and foster distinctive, attractive, and prosperous locations. We have an experienced management team focused on delivering our long-term strategic objectives, ultimately to deliver a positive, long-lasting impact on the West End.

We have five core values that are fundamental to our behaviour, decision making and the delivery of both our purpose and strategic objectives:

- being human in how we operate
- original in how we nurture talent and think
- community minded in our approach to the West End
- being responsible, and
- long term in our approach to everything.

We recognise the critical challenge presented by the Climate Emergency and the need to take urgent, decisive action. However, making the transition to a net zero portfolio and business raises many significant challenges. We will actively engage with our all of our stakeholders, including shareholders, occupiers, supply chain and investments and neighbouring owners, to seek solutions to tackle our shared challenge and reach net zero carbon by 2030.

## Iconic villages

CARNABY



COVENT GARDEN



CHINATOWN



SOHO



FITZROVIA



## Mixed uses

### Hospitality & leisure



37%

0.7m sq ft

### Offices



20%

0.4m sq ft

### Retail



30%

0.4m sq ft

### Residential



13%

0.4m sq ft

## Our approach

Acting in a responsible and sustainable way is central to the Shaftesbury approach. A key aspect of this is to carefully manage, re-use and adapt our portfolio of mostly smaller, mixed-use and heritage buildings, all of which are in conservation areas and in many cases of listed status.

Through refurbishment, reconfiguration and change of use, we aim to improve our assets by:

- enhancing environmental performance;
- improving income and rental prospects;
- extending their useful economic lives;
- anticipating market trends; and
- adapting our accommodation to meet current occupier requirements.

**This approach not only enables us to avoid the high levels of carbon emissions and waste that are inherent in demolition and new construction projects, but also protect the unique heritage of our West End location.**

**16.0 acres** and 1.9 acres owned in joint venture

**1.9m sq ft** commercial and residential space and 0.3m sq ft in joint venture

**c.600** buildings



# Understanding our carbon footprint

**Figure 1: A breakdown of Shaftesbury's total carbon emissions by Scope**

## Scope 1 emissions

Direct emissions from operations that are owned or controlled by us, such as gas used for heating our own corporate office

1%

## Scope 2 emissions

Indirect emissions from our consumption of purchased energy

3%

## Scope 3 emissions

Indirect emissions (not included in Scope 2) that occur in our value chain but are not controlled by us

96%

**Purchased goods and services such as the materials and construction operations for our refurbishment projects**

74.5%

**Downstream leased assets, such as the emissions from the occupiers' energy use in our buildings**

24%

**Other, including business travel, waste and water**

1.5%

In November each year, we publish a Sustainability Data Report. We have done this for the past 16 years, clearly setting out our carbon footprint. In doing this, we are able to identify the most significant emissions across our operations that need to be prioritised when it comes to reducing our own carbon emissions. For the purposes of this commitment, our carbon footprint is based on data for the year ended 30 September 2018, in order to ensure continuity with the data used for our Science Based Targets (SBTs). More recent reporting can be found in our annual Sustainability Data Report.

**Our total carbon footprint for the year to 30 September 2018 reached 32,045 tonnes of carbon (CO<sub>2</sub>e).**

This is illustrated by Figure 1 on the left. The largest contributors to emissions were Scope 3 emissions, primarily our occupiers' activities (24% of Scope 3 emissions in 2018) and the different refurbishment projects that took place (74.5%) as part of our strategy for continued improvement of the portfolio.

Emissions from landlord-procured energy use – our Scope 1 and 2 emissions – were negligible (4%). 'Other Scope 3' category refers to emissions from employee commuting, business travel, waste and water, another minor contributor. Full details of our Scope 1 & 2 emissions can be found in our Streamlined Energy and Carbon Reporting (SECR) statement in our Annual Sustainability Data Report on our website or in the Sustainability section of our latest Annual Report.

It is clear that we must address our Scope 3 emissions if we are to effectively decarbonise by 2030. This presents us with our biggest challenge, as these emissions are often not directly within our control. To successfully achieve this, we will continue to work in close partnership with our occupiers, suppliers and contractors to make the necessary carbon reductions in order to reach net zero carbon by 2030. Working closely with a wide range of stakeholders is a core tenet of Shaftesbury's approach and is an area that we are well-equipped to deal with.

To calculate our operational emissions, we use metered data where available. However, we currently model our embodied carbon emissions using industry benchmark data. We believe that this modelling is conservative, and we are undertaking additional analysis on embodied carbon to develop a more accurate picture of the actual emissions relating to our refurbishment activities. Our embodied carbon emissions will vary from year to year as they depend on the number and type of refurbishment projects that have taken place during the period. We do, however, believe that the data in Figure 1 demonstrates the key contributors to our emissions, as well as the challenges we face when it comes to tackling Scope 3 emissions specifically.

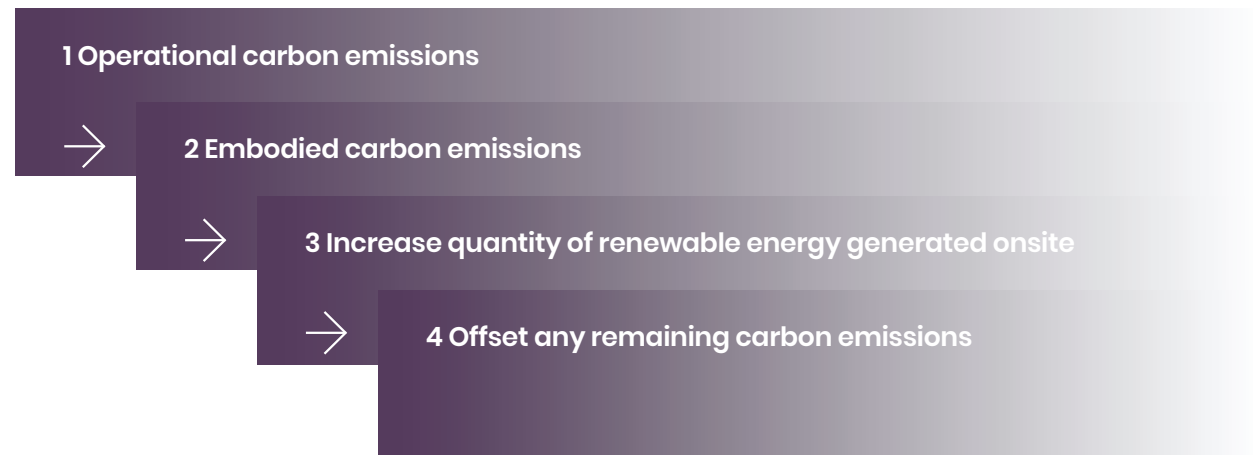
**“It is clear that we must address our Scope 3 emissions, including our occupiers' energy use, if we are to effectively decarbonise by 2030”**



# Our commitment

## Becoming a net zero carbon business by 2030

Figure 2



### How?

We will be a net zero carbon business when the carbon emissions associated with our operations on an annual basis are zero or negative. To do this, our operations need to be energy efficient and powered by renewable energy where possible, our refurbishment operations will minimise embodied carbon, and any remaining carbon emissions will be balanced by high quality and traceable offset schemes. The detailed scope of our commitment can be found in the next section of this report, and within the Appendix.

To achieve our net zero carbon goal, we commit to following the established energy hierarchy, especially through fabric improvements and prioritising efficiency before the generation of renewable energy or utilisation of carbon offsetting. We will, however, always consider the addition of renewable energy where appropriate.

### When?

We need to ensure that we are decarbonising at a rate that is in line with, or even ahead of, what scientists agree is required to limit global warming to 1.5°C and avoid the worst impacts of climate change. Therefore, we have set a science-based target, aligned with a 1.5°C or better scenario, to reduce our absolute Scope 1, 2 & 3 emissions by 50% by 2030, from a 2018 baseline.

Our Scope 1 & 2 emission reductions have been verified by the Science Based Target initiative (SBTi). However, the SBTi does not validate Scope 3 targets for companies with less than 500 employees, irrespective of the scale or type of emissions. Therefore our Scope 3 target has not been included in the SBTi assessment, beyond a commitment to measure and make reductions.

Our science-based targets are the minimum position; we will work to increase our rate of decarbonisation across all our activities.

Our net zero carbon commitment will be effective from the Company's financial year beginning 1 October 2030. However, in the interim, we commit to providing regular updates on our progress towards this target within our annual financial reports. This will include absolute and relative emissions as well as progress against annual targets. Reporting metrics are set out in Appendix 2. Further to this, we will continue to report on our performance after 2030 and will strive to become an absolute zero carbon business over time. We have also committed to becoming carbon neutral for our own corporate emissions (Scope 1, 2 & 3) by 2025.

### The detail

When calculating our carbon emissions, we will continue to report both our location-based and market-based emissions. We purchase Renewable Energy Guarantees of Origin (REGO) backed renewable energy for our own energy consumption and will encourage our occupiers to do the same. However, we recognise the challenge of providing sufficient renewable energy to meet the UK's needs and will prioritise offsite renewable energy in our calculations that can be directly attributed to additional new capacity on the grid.



# Our scope

## Addressing the impacts of our operations

The boundary for our net zero carbon target has been set in accordance with industry best practice and in line with the Greenhouse Gas (GHG) Protocol Corporate Standard and SBTi. In setting this scope, we have followed the methodology laid out in the Better Buildings Partnership (BBP) Climate Commitment, with a few limited exceptions which are explained here.

In summary, our operational emission net zero carbon scope will include:

- corporate emissions relating to our own energy use in buildings, our water, waste and business travel;
- emissions from landlord purchased energy, refrigerants, and water;
- emissions from landlord managed waste;
- our occupiers' emissions from the energy they use in our buildings (with the exception of long leasehold residential assets where we do not have any meaningful control or influence within the timeframe of our net zero carbon goal); and
- emissions attributed to Shaftesbury on the basis of the proportion of the financial ownership of our joint venture.

Looking at embodied emissions, this will include:

- carbon emissions associated with our fitouts, refurbishment projects and developments. This will include the carbon associated with the manufacturing and distribution of building materials and the energy used in the construction process.

The boundary of our net zero carbon roadmap includes all properties within our portfolio directly managed by us or by appointed agents.

We are committed to reducing carbon emissions outside of the scope defined in this roadmap and have identified a number of initiatives and partnerships that can help us reduce emissions across London's West End.

Any new acquisitions will be included in our calculations from the date that we take ownership.

We have set out a broad scope that captures the vast majority of our emissions. However, there are two areas that we are currently excluding:

- embodied carbon associated with occupiers' fitouts. At present, we do not have sufficient information or oversight of our occupiers' fitouts to meaningfully include them in our targets at this stage.
- Long leasehold interests which form a minor part of our portfolio. In these instances, we have little to no control over the operation of the demise.

We will continue to revisit each of these areas with the aim of including them in the future.

*Due to its nature, this is a technical document which contains several detailed regulatory and industry-specific methodology and legislation. For more detail on the scope of our commitment, the methodology and a glossary of terms, please see Appendices 1, 2 and 3 on pages 25 to 29 of this document.*



Refurbishment works at 72 Broadwick



Neals Yard, Covent Garden



# Making a positive impact

## Influencing emissions that fall outside of our scope

Shaftesbury has long considered influence and engagement an important part of our sustainability strategy. There are several areas where we will actively continue to use our influence with stakeholders to help them reduce their carbon emissions and transition to net zero.

To achieve these goals, we will:

- work closely with our occupiers to reduce their waste;
- encourage green transport;
- reduce transport emissions through waste and delivery consolidation;
- continue to increase green space; and
- promote sustainability to the millions of people who visit our iconic villages in the heart of the West End every year.

More details on our proposed actions are set out on page 22.

We will continually review every opportunity that arises so that we can look to include the areas currently outside of our scope in our roadmap in the future.

“We will actively engage with all of our stakeholders to tackle our shared challenges and reach net zero carbon by 2030”



Carnaby Bike Hub



Carnaby x Project Zero Christmas Installation



Water Refill Stations



Pass On Plastic Partnership



# Our unique portfolio

## Challenges and opportunities

We recognise that the road to net zero carbon will present challenges, be it in the form of evolving regulation, adapting our operational approach, or managing the needs and expectations of our occupiers, suppliers and broader stakeholders. Conversely, we see a number of strengths and opportunities for Shaftesbury.

### Challenges

### Our response



Seven Dials in Bloom

## Challenges

### The portfolio

Our portfolio is highly diverse with mainly mixed-use buildings, all of which are in conservation areas and approximately 20% are listed.

We must strike a careful balance between optimising energy performance, including the generation and supply of renewable energy, with our statutory responsibility to protect the important features of historic properties and their associated social value.



Responsible women's fashion brand, Nobody's Child

### Mix of occupiers

Our assets are let to a wide variety of commercial and residential occupiers, with different operational requirements and lease terms.

We find and deliver solutions that meet the needs of all our occupiers, whilst also fulfilling our net zero obligations.



Pop-up of digital clothing app pop-up, Whering

### Occupier engagement

We have limited control over occupier activities, a common challenge for the real estate industry.

We continue to exert positive influence over their actions where we can, for example utilising lease terms where possible or incentives for best practice behaviour. As always, our focus will be on collaboration and early engagement.



Men's sustainable fashion brand, L'Estrange

## Opportunities

### Our expertise and approach

We are specialists in the protection and enhancement of heritage buildings. Our long-established strategy has always been inherently low-carbon given our focus on repurposing and refurbishing existing properties, rather than demolishing and rebuilding them. We will continue to collect data to demonstrate the whole life carbon benefit of preserving buildings as part of the wider business case for sustainability.

### Our track record

The success of our business depends on the success of our occupiers. As an engaged landlord, addressing the Climate Emergency through the transition to net zero carbon provides an opportunity to further strengthen our excellent relationships with our occupiers, support their businesses and minimise environmental impact.

### Driving positive change

This is a real opportunity to be an advocate for change, and actively encourage and support the real estate industry as it responds to the net zero imperative. We will also engage and work with neighbouring property owners who are often responsible for heritage portfolios in the West End, to share good practice and innovative ideas of how to move forward against this evolving backdrop.



# Net zero governance

## Embedding our commitment to net zero carbon across Shaftesbury

**We recognise that climate change and the transition to a low carbon economy presents significant long-term risks and opportunities for our business. We have put governance processes in place – directed by members of our leadership team and Board – to provide accountability and reinforce our commitment to reach net zero carbon by 2030.**

Our established Executive Sustainability Committee will assume responsibility for the execution of our net zero carbon strategy. The Committee is chaired by our CEO and also has oversight of climate-related risks including our policy, regulatory and legal obligations.

The implementation of our net zero strategy is ambitious and will undoubtedly present various challenges, so a separate Board level Sustainability Committee has been established to review our progress and ensure specific deliverables are met as we move towards our net zero carbon target. The Sustainability Committee will report directly to this Board Committee, Risk Committee and Strategy and Operations Executive. This is set out in the 'Our Approach' section of our corporate website.

Our carbon reduction commitments will also be factored into the remuneration of senior managers across Shaftesbury.

Acting responsibly is one of our core values and, to achieve our goal by 2030, everyone across the business will have a part to play as we make progress along our roadmap. We deliver sustainability training to all staff, and have extended this to include the importance of our organisation reaching net zero carbon.

We want to be as transparent and open as possible throughout. We already participate in the CDP, where we retained our B rating in 2020, and have made sure that our carbon reporting aligns with the GHG Protocol Corporate Standard and the Science Based Targets initiative.

We will also incorporate our net zero carbon targets into our Sustainability Policy and Action Plan which are published on our website, where we also define specific roles. Our Action Plan applies to all projects, setting out responsibilities and relevant KPIs. We then annually report against these targets.

Additionally, we disclose our climate risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the details of which can be found in our Annual Report.



### Executive Sustainability Committee Members

The committee members include the Chief Executive Officer, as its Chair and an Executive Director, a Property Director, the Head of Sustainability, our retained environmental sustainability advisor, RPS Consulting, and representation from various other areas and levels within the business





# Our roadmap to net zero carbon 2030

Over the next nine years, our roadmap will focus on ways to continually reduce carbon emissions from our operations, through energy efficient renovations, low carbon materials and working closely with all our stakeholders to encourage energy efficiency. We will investigate how technology can enable us to increase the use of onsite renewables and, only after all other options are addressed, we will utilise impactful and transparent carbon offset schemes.

The actions outlined in this roadmap are the initial steps which will provide the basis for our approach, and upon which we will continue to build. Specific targets and actions will be embedded within our Sustainability Policy and Sustainability Action Plan documents, with annual updates on our progress included in our Annual Report.

To achieve our net zero carbon aspirations with the minimal amount of carbon offsetting, we will focus on the following actions:

- reducing the operational emissions from our buildings by increasing energy efficiency and encouraging our employees and occupiers to adopt low carbon behaviours in order to reduce energy demand
- reducing the carbon emissions from our refurbishment operations by minimising the use of new materials and selecting low-carbon alternatives where possible
- increasing onsite renewable energy generation, where limited opportunities are available
- calculating and minimising any remaining relevant Scope 3 emissions

We will seek to attract and support like-minded occupiers, as well as looking for opportunities to partner with neighbouring organisations in the West End, so that we can work to reduce emissions together.

We will continue to revisit and update this roadmap on an annual basis to ensure it accurately reflects the current state of play.



# Our roadmap to net zero carbon 2030



Financial year end goals	Current position	2022 goals	2025 goals
<b>Operational emissions</b>	<ul style="list-style-type: none"> <li>we have set annual energy and carbon reduction targets for areas within our operational control</li> <li>large development projects (in excess of £1m) are required to achieve a BREEAM rating of at least Very Good</li> <li>any new developments are required to achieve EPC B and all major refurbishments target an EPC B</li> <li>we engage in an ongoing cycle of refurbishment of our buildings, a critical part of which is delivering significant improvements in energy efficiency</li> <li>we are reducing the number of properties that are EPC F/G</li> <li>we are developing our approach to ensure all buildings meet Minimum Energy Efficiency Standard (MEES) requirements for expected changes before 2030</li> </ul>	<ul style="list-style-type: none"> <li>we will introduce a requirement to set carbon reduction targets in our supplier code of conduct</li> <li>we will publish occupier guidelines and responsibilities and support our occupiers to reduce their environmental impact and carbon emissions</li> <li>we will develop an occupier engagement programme to promote low carbon behaviour and encourage data sharing and co-operation</li> <li>we will adopt or develop energy use intensity targets that are relevant to the different types of buildings in our portfolio where practical</li> <li>we will prepare for the move from gas to electricity across the portfolio where practical</li> <li>we will consider utilising the NABERS UK rating approach for major refurbishments and large offices</li> </ul>	<ul style="list-style-type: none"> <li>we will continue to evolve our occupier guidelines and embed them into our estate regulations and leases</li> <li>we will install smart meters across the portfolio to improve data collection and enable more detailed analysis</li> <li>we will require 70% (by direct spend) of our professional service providers and suppliers to commit to science-based targets, validated by the SBTi by 2025</li> <li>we will include carbon reduction targets for 80% of indirect spend in supplier contracts</li> <li>we will continue to promote and support the move from gas to electricity, where practical</li> <li>our carbon emission and climate change commitment will be considered in new tenant selection</li> </ul>
<b>Embodied emissions</b>	<ul style="list-style-type: none"> <li>we have consistently encouraged the re-use of timber and only use sustainably sourced timber from managed sources for all refurbishment and enhancement projects</li> <li>we collect embodied carbon data for all new development and refurbishment projects to enhance our understanding and improve our targets</li> <li>we are prioritising the preservation and improvement of existing buildings</li> </ul>	<ul style="list-style-type: none"> <li>we will undertake whole life carbon audits on any major (above £250k capital value) refurbishments</li> <li>we will require our larger refurbishment projects to set embodied carbon reduction strategies at the design stage</li> <li>we will continue to increase our understanding of emissions relating to occupiers' fitouts</li> <li>we will apply LETI 2030 targets of 500 kg/m<sup>2</sup> for embodied carbon to major refurbishments and new build developments we may take on in future</li> <li>we will consider the end-of-life treatment of timber to maximise its benefit in sequestering carbon</li> </ul>	<ul style="list-style-type: none"> <li>a set of bespoke Shaftesbury budgets for embodied carbon intensity on all refurbishment project types will be introduced</li> <li>we will set embodied carbon targets for all occupier fitouts and agree the verification process</li> <li>we will explore an appropriate shadow price of carbon for new development projects</li> </ul>
<b>Renewable energy generation</b>	<ul style="list-style-type: none"> <li>all new landlord supplies and development projects are on a Renewable Energy Guarantees of Origin (REGO) backed renewable tariff</li> <li>all projects consider the potential to install renewable energy generation at inception</li> </ul>	<ul style="list-style-type: none"> <li>we will continue to improve our knowledge of occupiers' green energy procurement</li> <li>we will assess the opportunities for Power Purchase Agreements (PPAs) which can demonstrate additionality</li> </ul>	<ul style="list-style-type: none"> <li>we will work closely with occupiers to increase the proportion on renewable energy tariffs</li> <li>we will undertake a review on the potential for renewable energy generation across our portfolio</li> </ul>



Our objective is to reduce our absolute **operational carbon emissions** by 50% by 2030 from a 2018 baseline, in line with our science-based target

50%

reduction in our  
absolute operational  
carbon emissions



# Our roadmap to net zero carbon 2030

## Operational emissions



### The backdrop

The foundation of our net zero carbon strategy is the continued reduction in the carbon emissions from our buildings through improvements in energy efficiency. This will come from improvements to the fabric of our buildings, installation of low energy technologies and changes to the behaviour of our occupants.

The nature of our business is such that our own direct emissions are only a small proportion of the total operational emissions from across our portfolio, with the vast majority generated by our occupiers. To address this, we will include emissions from our whole buildings to ensure that the entire operational impact of our portfolio is considered.

### The challenge

Our portfolio comprises mainly of mixed-use buildings, many of which are listed or in conservation areas. We therefore need to balance the improvements in energy efficiency with the need to preserve these protected buildings. We also have limited direct control over our occupiers' behaviours.

We recognise the importance of setting energy use intensities for specific building use types, however at this stage we have not set such targets for individual buildings. The challenge for us is the application of meaningful intensity benchmarks, simply due to the large variability of our assets and the fact that we typically have multiple tenures in a single building.



### The commitment

Our long-established strategy has been a focus on repurposing and refurbishing existing properties, rather than demolishing and rebuilding them. This longstanding approach will continue, and we commit to a cycle of energy efficient retrofits across the portfolio. We will also continue to set stretching annual energy and carbon reduction targets, and we will work in partnership with our occupiers to ensure they have the necessary support to enable them to adopt low energy behaviours.

We will also seek to develop energy use intensity targets for major use classes that are aligned with industry best practice.

If we are to undertake new build schemes, we will seek to align with industry best practice targets for energy intensity and will align with LETI energy use intensities for residential of 35 kWh/m<sup>2</sup>/year and offices of 55 kWh/m<sup>2</sup>/year by 2030.



“Our long-established strategy has been a focus on repurposing and refurbishing existing properties, rather than demolishing and rebuilding them”



# Our roadmap to net zero carbon 2030

## Operational emissions goals

### Actions already underway

- we engage in an ongoing cycle of refurbishment of our buildings, a critical part of which is delivering improvements in energy efficiency
- we have set annual energy and carbon reduction targets for areas within our operational control
- large development projects are required to achieve a BREEAM rating of at least Very Good
- any new developments are required to achieve EPC B and all major refurbishments target an EPC B
- we are reducing the number of properties that are EPC F/G
- we have a set of rated estate regulations which set out our expectations for occupiers; these are enforced through our lease agreements
- we are developing our approach to ensure all buildings meet Minimum Energy Efficiency Standard (MEES) requirements for expected changes before 2030



Responsible fashion brand, Nobody's Child

### By 2022 year end

- we will work with occupiers to reduce their operational energy emissions
- we will introduce a requirement to set carbon reduction targets in our supplier code of conduct
- we will publish occupier guidelines and responsibilities and support our occupiers to reduce their environmental impact
- we will develop an occupier engagement programme to promote low carbon behaviour and encourage data sharing and co-operation
- we will adopt or develop energy use intensity targets that relevant to the different types of buildings in our portfolio
- we will consider utilising the NABERS UK rating approach for major refurbishments and large offices



Kingly Court

### By 2025 year end

- we will continue to evolve our occupier guidelines and embed them into our estate regulations and leases
- we will install smart meters across the portfolio to improve data collection and enable more detailed analysis
- we will require 70% (by direct spend) of our professional service providers and suppliers to commit to science-based targets, validated by the SBTi by 2025
- we will include carbon reduction targets for 80% of the indirect spend in supplier contracts
- we will continue to promote and support the move from gas to electricity, where practical
- our carbon emission and climate change strategy will be considered in new tenant selection



Viet Food





Our objective is to reduce our **embodied carbon emissions** by 50% by 2030 from a 2018 baseline

50%

reduction in our  
embodied carbon  
emissions



# Our roadmap to net zero carbon 2030

## Embodied emissions



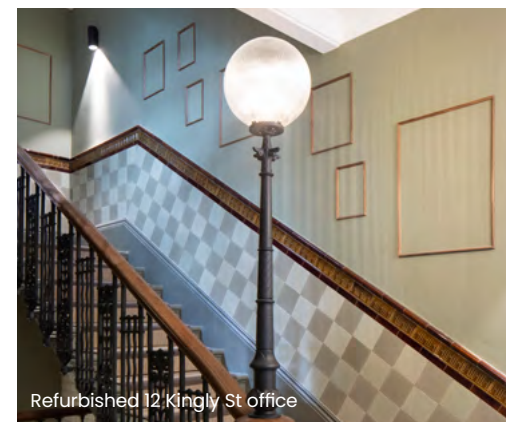
Refurbished 12 Kingly St office



Fouberts Place



Kingly Street



Refurbished 12 Kingly St office

“Our long-established strategy of preserving our historic buildings means we have relatively low levels of embodied carbon emissions”

### The backdrop

Our long-established strategy of preserving our historic buildings means we have relatively low levels of embodied carbon emissions when compared to the demolition and rebuilding of properties.

To establish our initial baseline for emissions, we use an industry accepted benchmark for the data. This approach was required for SBTi at the time of our initial submission. The benchmark is conservative, and we are now collecting embodied carbon data from all of our development and refurbishment activities to further inform our understanding of our emissions. We will review and recalibrate our baseline as we develop a more accurate picture of our actual embodied emissions.

### The challenge

We have, for many years, used a relatively low level of new materials in our refurbishment projects. As a result, we have a limited capacity to make significant ongoing reductions. There is also significant variability in the type and complexity of our refurbishment projects, which can make benchmarking difficult and highlights the importance of considering each project on its own merits.

We are aware that many of the actions taken to reduce our operational carbon will require the installation of equipment or materials which have an associated impact on our embodied carbon emissions. This will be something that we will monitor very closely while we look to reduce the related impact.

### The commitment

We recognise that our greatest opportunity to reduce embodied carbon in refurbishment and refit is at the design stage. In 2021, we completed an embodied carbon assessment on several completed projects which are typical of the types of refurbishments undertaken. Based on this sample, we developed an early indication that our approach to refurbishments is much less carbon intensive than the benchmarks for new build developments in 2030.

By leveraging the insights drawn from the internal audit of our processes, we have now put in place a new policy that requires all new projects to report on embodied carbon (stages A1-A5). We expect that this growing data set will further enhance our baseline data, enabling us to improve our overall approach for this key component of our net zero strategy.



# Our roadmap to net zero carbon 2030

## Embodied emissions goals

### Actions already underway

- we are prioritising the preservation and improvement of existing buildings
- we have consistently encouraged the re-use of timber and only use sustainably sourced timber from managed sources for all our refurbishment and enhancement projects
- we collect embodied carbon data for all new development and refurbishment projects to enhance our understanding and improve our targets

### By 2022 year end


- we will undertake whole life carbon audits on any major (above £250k capital value) refurbishments
- we will require our larger refurbishment projects to set embodied carbon reduction strategies at the design stage
- we will continue to increase our understanding of emissions relating to occupiers' fitouts
- we will apply LETI 2030 targets of 500 kg/m<sup>2</sup> for embodied carbon to major refurbishments and new build developments we may take on in future
- we will consider the end-of-life treatment of timber to maximise its benefit in sequestering carbon

### By 2025 year end

- a set of bespoke Shaftesbury budgets for embodied carbon intensity on all refurbishment project types will be introduced
- we will set embodied carbon targets for all occupier fitouts and agree verification process
- we will explore an appropriate shadow price of carbon for new development projects







*Our objective is to maximise our onsite **renewable energy generation**, reduce the carbon intensity of the energy used and to **support investment in additional renewable energy** capacity on the grid*



# Our roadmap to net zero carbon 2030

## Renewable energy generation and procurement

### The backdrop

Our portfolio is an eclectic mix of heritage properties spanning the West End's most iconic villages, including the vibrant and thriving settings of Carnaby, Soho, Seven Dials and Chinatown.

### The challenge

Due to the nature and location of our portfolio, the opportunity for us to install onsite renewable energy generation within our portfolio is unfortunately limited. This is due to the availability of suitable roof space for PV installations in Central London and the appropriateness of renewable energy technology in light of planning and heritage considerations.

### The commitment

We recognise these limitations, and as a result we have not set a specific target for onsite renewable energy generation, beyond a requirement for all projects to investigate the opportunity to include renewable generation at inception. As our net zero journey progresses, we will undertake a wider review of opportunities across our portfolio, including the consideration of any evolving technology which may create new opportunities for onsite renewable generation such as PV roof tiles or glazing.

### Actions already underway

- all new landlord supplies and development projects are on a Renewable Energy Guarantees of Origin (REGO) backed renewable tariff
- all projects are required to consider the potential to install renewable energy generation at inception

### 2022 year end goals

- we will continue to improve our knowledge of our occupiers' energy tariffs
- we will assess the opportunities for Power Purchase Agreements (PPAs) which can demonstrate additionality

### 2025 year end goals

- we will work closely with occupiers to increase the proportion of renewable energy tariffs
- we will undertake a review on the potential for renewable energy generation across our portfolio





# Our roadmap to net zero carbon 2030

## Carbon offsetting

### The backdrop and challenge

We believe that we can achieve a significant reduction in carbon emissions by 2030 but, despite our best efforts, there will remain emissions that cannot be eliminated by that date. Therefore, offsetting some emissions will be necessary. We will make every effort to reduce emissions across the portfolio before we consider carbon offsetting.

### The commitment

Offsetting carbon is an appropriate way to compensate for residual emissions whilst technology, materials and processes evolve. Therefore, as part of this strategy, we commit to:

- offset carbon emissions in line with industry best practice and Shaftesbury values;
- only select offset schemes that remove carbon from the atmosphere;
- set an internal price of carbon to inform business decisions, which will evolve in line with the Green Book; and
- consider developing carbon offset funds.

As we revisit this roadmap on an annual basis, we hope to be able to report a reduction in the expected carbon offsetting required.

*Our objective is to minimise the need for **carbon offsetting** and to ensure that any required offsets align with industry best practice*



# Influencing outside our scope

We are committed to taking action to remove emissions that fall outside of our scope, and have identified several activities and partnerships that can help to reduce emissions across our villages and the West End. We are at the start of our net zero carbon journey, and we will continue to explore new opportunities throughout this process.

There are several initiatives that we are currently actively engaged in, including:

- **increasing biodiversity across our portfolio.** We are a founder member of the Wild West End, an initiative that brings together some of the West End's largest property owners to encourage birds, bees and bats back into the heart of London, and create greater connections with nature for residents, visitors and workers to enjoy. Through this initiative, we have increased the areas of green space in our portfolio by more than 70% since 2016
- **working with our occupiers to reduce their waste and use of single use plastic.** Through our Blue Turtle accreditation scheme, which was launched in June 2019, we have helped to reduce the levels of single use plastic used by restaurants across Carnaby
- **promoting green transport and addressing air quality across our portfolio and the West End more widely.** We are partnering with neighbouring landlords to consolidate deliveries, reduce vehicle movements and improve occupier engagement with these initiatives



Shaftesbury office rooftop





# Adapting to an evolving climate change challenge

**We are also aware of the impact that a changing climate will have on our operations, those of our occupiers, as well as on the millions of people who visit and live in our iconic villages in the heart of the West End.**

We have established governance processes to ensure that the impact of climate change is considered in business decisions throughout the organisation. The development of our net zero carbon roadmap is an important step in managing our climate risk.

We understand that we are exposed to a wide range of climate-related risks. Our portfolio is wholly located in the West End of London which limits the scope of the risks we face. Principal considerations include:

- requirements to meet regulatory changes
- stakeholder demands for low carbon products and services
- the impact of hotter and drier summers that have been predicted
- we also acknowledge the impact of indirect physical risks such as flooding, that could limit the capacity of the regional transport system

We already disclose further details of climate risks and our corresponding actions, in line with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD), in our Annual Report. We will continue to evolve our disclosures and consider specific climate scenarios for our analysis in our 2021 Annual Report and subsequent reports.





“ We are committed to playing our role to address this challenge and will do so to the best of our ability. However, we recognise that there are significant uncertainties that we need to address in our net zero carbon roadmap. Our approach must therefore be dynamic and flexible, in order to withstand changes in regulation, new technologies, UK grid decarbonisation and changes in occupier and consumer behaviour. Our actions laid out within this report are therefore also subject to development and adjustment, in response to this evolving landscape. ”

**Matt Smith**, Head of Sustainability, Shaftesbury





# Appendix 1

## The detail

### BBP Climate Commitment Scope Table

Business area	Sub area	GHG Protocol Reporting Category	Carbon Scope	BBP requirement	Shaftesbury
<b>Corporate</b>	Head office energy use	Company facilities	1 & 2		✓
	Company vehicles	Company Vehicles	1		✓
	Business travel (excluding commuting)	Business travel	3		✓
	Purchased Goods and services	Purchased goods & services	3		✓
	Operational waste generated	Waste generated in operations	3		✓
	Operational water use	Purchased goods & services	3		✓
	Employee commuting	Employee commuting	3		
<b>Direct Real Estate Holdings (including JVs with management control)</b>	Landlord purchased energy (electricity & fuels)	Purchased electricity, heat and steam	1, 2 & 3	✓	✓
	Occupier purchased energy (electricity & fuels)	Downstream leased assets	3	✓	Currently excluding long lease
	Landlord refrigerant	Purchased goods and services	1	✓	✓
	Occupier refrigerants	Occupier Scope 3	3		
	Landlord purchased water	Purchased goods & services	3	✓	✓
	Occupier purchased water	Occupier Scope 3	3		
	Landlord managed operational waste	Waste generated in operations	3	✓	✓
	Occupier managed operational waste	Occupier Scope 3	3		
	Occupier transport emissions	Occupier Scope 3	3		
	Occupier supply chain emission	Occupier Scope 3	3		
<b>Investments (Indirect Real Estate Holdings e.g. where investments are managed by a third party such as JVs with no management control or investments in other real estate investment vehicles)</b>	Landlord purchased capital goods & services	Purchased goods and services	3	✓	✓
	Landlord purchased energy (electricity & fuels)	Purchased electricity, heat and steam	3	✓	✓
	Occupier purchased energy (electricity & fuels)	Downstream leased assets	3	✓	Currently excluding long lease
	Landlord refrigerant	Purchased goods and services	3	✓	✓
	Occupier refrigerants	Occupier Scope 3	3		
	Landlord purchased water	Investments (proportional to the investment)	3	✓	✓
	Occupier purchased water	Occupier Scope 3	3		
	Landlord managed operational waste	Investments (proportional to the investment)	3	✓	✓
	Occupier managed operational waste	Occupier Scope 3	3		
	Visitor transport emissions	Occupier Scope 3	3		
	Occupier supply chain emission	Occupier Scope 3	3		
	Landlord purchased capital goods & services	Purchased goods and services	3	✓	✓
<b>Development</b>	New development (including those where funding is being provided)	Purchased Goods & Services	3	✓	✓
	Refurbishments	Purchased Goods & Services	3	✓	✓
	Fit-out (landlord controlled)	Purchased Goods & Services	3	✓	✓
	Fit-out (occupier controlled)	Occupier Scope 3	3	✓	Currently excluded
	End of life	End of life treatment of sold products	3		



# Appendix 2

## The detail

### Methodology

Area	Objective	Management Strategy	Reporting Metrics
<b>Governance</b>	Embed our net zero carbon aspirations into our operations and strategic decision making	Progress will be reviewed by our sustainability committee which is chaired by the CEO Regular progress reports will be presented to a Board level sustainability group Embed our targets into Sustainability Policy and Action Plan documents Undertake an annual review of progress	CDP score Annual Report Annual Sustainability Data Report TCFD statement Net Zero Carbon Roadmap Updates
<b>Operational carbon</b>	Reduce our absolute operational carbon emission by 50% by 2030 from a 2018 baseline	Invest in ongoing energy efficient retrofits of our properties Continue to apply annual operational energy, water and waste reduction targets Improve data collection and analysis of occupier-controlled energy Establish energy use intensity milestones Set carbon reduction targets for our supply chain Develop portfolio level emissions reduction plans and an occupier engagement strategy Consider a design for performance approach on major developments	Operational energy KWhe/m <sup>2</sup> intensity Operational energy KWhe/yr absolute Operational Water Operational Waste EPC performance
<b>Embodied carbon</b>	Reduce our absolute operational carbon emission by 50% by 2030 from a 2018 baseline	Prioritise the protection and enhancement of existing buildings Improve understanding of embodied carbon Set embodied carbon targets and reduction strategies for major projects Set requirements for fit out projects	Life Cycle Assessment (LCA) Stages A1-A5 Embodied carbon KgCO <sub>2</sub> /m <sup>2</sup> /yr
<b>Onsite energy generation</b>	Maximise on site renewable energy generation	Require all projects to consider the potential to install renewable energy generation Establish targets for renewable energy generation	Area of installed renewable energy capacity
<b>Renewables procurement</b>	Reduce carbon intensity of energy used and support investment in additional renewable energy capacity on the grid	Continue to purchase REGO backed renewable electricity for landlord supplies Establish a clear hierarchy for renewable energy procurement based on industry best practice Review the feasibility of PPAs for the wider portfolio Encourage the procurement of renewable energy by occupiers	% of landlord supplies on REGO backed tariffs Report carbon emissions on both market and location basis
<b>Offsetting</b>	Minimise offsetting but ensure any required offsets align with industry best practice	Develop a shadow price of carbon Establish policy on carbon offsetting to reflect best practice and company values	Tonnes of CO <sub>2</sub> offset per year Types and quality of offset used Carbon price £/tonneCO <sub>2</sub>
<b>Third-party verification; industry standards and certification</b>	Ensure transparency and clear communication of progress and targets	Third party verification of our SECR statement Validation by the Science Based Targets initiative for our scope 1 and 2 emissions targets	Sustainability Data report Annual Report and accounts



# Appendix 3

## The detail

### Glossary of terms

Term	Definition
<b>Additionality</b>	An energy purchasing contract that has the direct effect of adding new renewable energy generation capacity to the grid.
<b>BBP</b>	The Better Buildings Partnership is a collaboration of the UK's leading commercial property owners who are working together to improve the sustainability of existing commercial building stock.
<b>CDP</b>	The CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.
<b>Carbon Dioxide Equivalent (CO<sub>2</sub>e)</b>	Carbon dioxide equivalent. Each greenhouse gas has its own global warming potential (GWP). The unit CO <sub>2</sub> e allows the impact of any greenhouse gas (e.g. methane, HFCs) to be conveyed in terms of the carbon dioxide emissions with an equivalent impact.
<b>Design for Performance (DfP)</b>	The Design for Performance (DfP) initiative is an industry backed project established to tackle the performance gap and provide an approach, based on measurable performance outcomes, to ensure new office developments deliver on their design intent.
<b>Embodied Carbon (or A1 to A5)</b>	Embodied carbon is the carbon footprint of a material. It considers how many greenhouse gases (GHGs) are released throughout the supply chain and is often measured from cradle to (factory) gate, or cradle to site (of use). A1-A3 refers to The Product Stage, the sourcing and transportation of materials, to manufacturing and fabrication processes. A4-A5 refers to The Construction Stage, the transport to site and construction and installation processes, including waste disposal.
<b>Energy Use Intensity (EUI)</b>	The Energy Use Intensity (EUI) is an annual measure of a building's total energy consumption per unit size, typically expressed in kWh per square metre per year. The measurable floor area can be expressed in terms of Net Lettable Area (NLA) or Gross Internal Area (GIA).

Term	Definition
<b>Green Book</b>	The UK Government guidance for valuing greenhouse gas emissions and energy use. The GHG Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organizations preparing a corporate-level GHG emissions inventory.
<b>Greenhouse Gas (GHG) Protocol Corporate Accounting Standard</b>	Provides standards and guidance for companies and other types of organisation to prepare a GHG inventory. The standard and guidance were designed to help companies prepare a GHG inventory that represents a true and fair account of their emissions, through the use of standardised approaches and principles. This provides a company with the information that can be used to build a strategy to reduce GHG emissions.
<b>London Energy Transformation Initiative (LETI)</b>	LETI is a network of over 1,000 built environment professionals who are working together to put London on the path to a zero carbon future. The voluntary group is made up of developers, engineers, housing associations, architects, planners, academics, sustainability professionals, contractors and facilities managers.
<b>Operational emissions</b>	The term used to describe the emissions of carbon dioxide and equivalent global warming potential of other gases during the in-use operation of a building, most materially from energy use and refrigerants. This usually includes carbon emissions associated with heating, hot water, cooling, ventilation, and lighting systems, as well as those associated with cooking, equipment, and lifts.
<b>NABERS UK</b>	NABERS UK is a simple, reliable system for rating the energy efficiency of office buildings across England, Wales, Scotland and Northern Ireland. NABERS provides a rating from one to six stars for offices, which helps building owners to understand their building's performance versus other similar buildings, providing a benchmark for progress.
<b>PPA-style agreements</b>	Power Purchase Agreement (PPA)-style agreements refer to a long-term electricity supply agreement between two parties, usually between a power producer and a customer.



## Appendix 3 The detail Glossary of terms *continued*

Term	Definition
<b>REGO-backed electricity</b>	Renewable Energy Guarantee of Origin (REGO) certificates provide transparency to consumers about the proportion of electricity that suppliers source from renewable generation.
<b>Renewable energy</b>	The use of energy that is collected from renewable resources, which are naturally replenished, for example on or off-site solar, wind, or geothermal power sources.
<b>Renewable Energy Guarantees of Origin (REGO)</b>	The REGO scheme administered by Ofgem provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation. An equivalent term used in the EU are Guarantees of Origin, or EU GoOs.
<b>Science-Based Target initiative (SBTi)</b>	The SBTi is a partnership between the CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). SBTi facilitates a third-party validation process which assesses whether corporate climate targets are in line with the emissions reductions required by climate science.
<b>Scope 1 emissions</b>	Direct emissions from activities owned or controlled by an organisation, for example, emissions from combustion in owned or controlled boilers, furnaces and vehicles.
<b>Scope 2 emissions</b>	Indirect greenhouse gas emissions associated with an organisation's consumption of purchased electricity, heat, steam and cooling. These emissions are a consequence of an organisation's activities but which occur at sources not owned or controlled by the organisation.
<b>Scope 3 emissions</b>	Indirect greenhouse gas emissions which occur as a consequence of an organisation's actions, at sources not owned or controlled and which are not classed as scope 2 emissions. Examples of scope 3 emissions are business travel, waste disposal, or purchased materials or fuels.

Term	Definition
<b>Task Force on Climate-Related Financial Disclosures (TCFD)</b>	The TCFD has developed a framework to help public companies and other organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes.
<b>Whole life carbon</b>	Whole Life-Cycle Carbon (WLC) emissions are the total embodied and operational carbon emissions resulting from the construction and use of a building over its entire life, including its demolition and disposal. In the RICS guidance, this is structured into stages A1-A5 (Product and Construction Process stages), B1-B7 (Use stage), and C1-C4 (End of Life stage).





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