



MAKING A

SUSTAINABILITY

DIFFERENCE



MAKING A DIFFERENCE: SOCIO-ECONOMIC IMPACT AT THE ANGEL BUILDING

Following the final letting at the Angel Building, Derwent London commissioned a study to evaluate the socio-economic impact of the regeneration of the building on key local stakeholders.

The project

We took a tired, 1980s building of 162,000 sq ft (15,050m²) set back from the road and hidden behind trees and shrubs and transformed it into a thriving hub. We added substantially more floorspace and reconnected the frontage with the streetscape. A striking new façade was clad in a high-performance, double-glazed system with solar shading and restaurants and retail units on the ground floor.

The completed building has attracted a number of awards, including being shortlisted for the prestigious RIBA Stirling prize.

Size

262,000sq FT

Saved in the retained structure
7,400 tonnes CO₂e



- 1 Reflection of the London skyline**
- 2 Before:** Looking south west to the building prior to conversion.
- 3 After:** Same view after the reinvention of the building was complete.
- 4 Angel Kitchen:** The atrium contains a bustling café used by tenants and visitors alike.

Sustainable design features

- Concrete: clever reuse with new concrete using pulverised fuel ash from power stations
- Lifts: use 50% less energy than conventional systems
- Timber: sourced from sustainably managed sources
- Displacement ventilation system: uses heat recovery to generate 44% less CO₂ than fan coil system
- DALI lighting system: sensors adapt to changing daylight and occupancy
- Biomass boilers: can provide 50% of the heating
- Rainwater harvesting and waterless urinals
- Biodiversity: mature trees were retained and additional trees planted
- Cycles: spaces for over 200 with showers and changing facilities



Enhancing the public realm

£935,000 was invested in the public realm through section 106 payments. This included increasing the number of trees and opening up the area in front of the building, providing an attractive pavement area with cafés and plenty of bustling street life.

Public realm investment

£935,000

Fostering economic prosperity

The building, which had been vacant for a number of years, now holds around 1,700 employees, who each spend an average of £620 per year in the vicinity. According to the report this led to a 19% increase in revenue to local businesses. In addition during construction around 60 new local jobs were created or supported.

1,700

Employees

“Love the communal spaces, particularly the roof terrace, the smooth exposed concrete and well-chosen artworks.”

Employee
Cancer Research UK





Awards

The Angel Building has won many awards for the quality of its architecture and design.

- 2011 RIBA Stirling prize shortlist
- AIA Excellence in Design Award
- BCO National Refurbished/Recycled Workplace Award 2011 and the BCI Judges' Special Award 2011. New London Award 2011
- BCO Refurbished/Recycled Workplace Award 2011
- RIBA London Award 2011
- Rejuvenation category of the Concrete Society Awards 2011
- Offices category of the 3RAwards 2011
- New London Architecture Award 2011



Well-being for occupiers

Employees like working in the building. The study found that employees felt 50% more engaged and positive and enjoyed work relationships 20-25% more than in their previous buildings. Light public spaces, well-designed informal spaces with well-chosen artwork all contributes to this sense of well-being.

Local business revenue increased by

19%



5 Café society:

Enjoying the sun outside Jamie's Italian.

6 Roof terrace:

Accessible for all tenants with great views across London.

7 Entrance to the atrium:

Artwork by Teresita Fernández is in the background.

“Overall this scheme has transformed what was a very dreary building which provided very little socio-economic benefits and did little for its context or the setting of historic buildings, into something that is a very positive asset to the area, and which has raised the standard of office and associated public realm provision for Islington. It is also an exemplar of what can be achieved by retro-fit.”

Alec Forshaw
Conservation Planning Officer

Enhancing local communities

According to the study, local residents' well-being has increased by up to 5% since the building was completed, given the improved accessibility and economic mix that the building provides. Crime in the immediate area has fallen by over 35%.

Fall in local crime

35%



8 Atrium:

Seating area for informal meetings.

9 Enhanced public realm:

Extensive planting as part of regeneration.



“Interior is excellent... green forecourt is pleasant.”

Local resident

SUSTAINABILITY

Sustainability has always been at the heart of Derwent London's business model. We endeavour to create buildings that not only offer best-in-class design, but are also efficient and flexible.

Paul Williams
Executive Director



We look at each property individually on its merits, and attempt to retain as much of the building as possible through the regeneration process. This approach not only saves embodied carbon but development cost as well.

We also look beyond the bricks and mortar to ensure our designs have a positive impact on the surrounding community. To this end, we have explored what impacts our developments have from both a social and economic perspective. In 2012, we commissioned a report looking at the socio-economic benefits from one of our recently completed projects, the regeneration of the Angel Building EC1. Details of this are set out in a case study in the preceding pages.

We always look to improve and we value the feedback received from our stakeholders on sustainability matters. In addition to ongoing informal feedback in 2012, we commissioned formal surveys of our employees and tenants to understand more about what is important to them in the sustainability arena and help us shape our evolving sustainability agenda.

We set out below how we have performed against our 2012 targets and what our principal targets for the year ahead will be. I believe that we have performed well and have a solid baseline to work from in 2013. To this end, we welcome our sustainability manager, John Davies. His arrival presents us with the opportunity to redefine our vision and approach and further integrate sustainability into our business model.

In 2013, we are also launching a number of initiatives to reinforce our already strong relationships with the communities in which our buildings are located. For example, we are investing in a community engagement programme in Fitzrovia to support a number of community initiatives in Camden. In addition, we are taking part in a programme with the London Borough of Camden through Fitzrovia Youth In Action providing work experience for two young people aged between 15-19. Moreover, we are supporting the London Evening Standard's "Ladder for London" campaign by taking on an apprentice at one of our buildings.

As with previous years, 2012 has seen us garner external recognition for our sustainability efforts. We received a silver award in the inaugural EPRA Sustainability Reporting Awards and were listed as a sector leader in the European peer group (office sector) in the 2012 Global Real Estate Sustainability Benchmark.

As well as the summary of our sustainability performance set out in the following pages, we also produce a more detailed sustainability report, which can be found online at www.derwentlondon.com/sustainability.

“There is a good reason why sustainable buildings are also known as ‘high-performance buildings’; they not only tend to save on running costs, there is also growing evidence that they can increase productivity and well-being for occupants through improved lighting and air quality.”

**Sustainable Office Design –
A white paper by Beatrice K. Otto**

OUR APPROACH

Sustainability is central to the way we do business; it underpins our business model, creates value for our shareholders and ensures we operate in a responsible way.

We strive to provide spaces that encapsulate sustainability by working with our suppliers and tenants to help us deliver a responsible yet innovative approach.

Our approach to sustainability underpins our business operations and helps us optimise our returns to shareholders. It is characterised and encapsulated in our sustainability policy and strategy, which sets out what is important to our business in terms of sustainability and in turn allows us to prioritise performance targets to measure our success. This provides the basis for our sustainability frameworks for projects and assets, which set out the means to enact the policy in our day-to-day development and asset management activities. Having these frameworks in place allows us to focus our efforts on priority areas and be more transparent and accurate in our reporting.

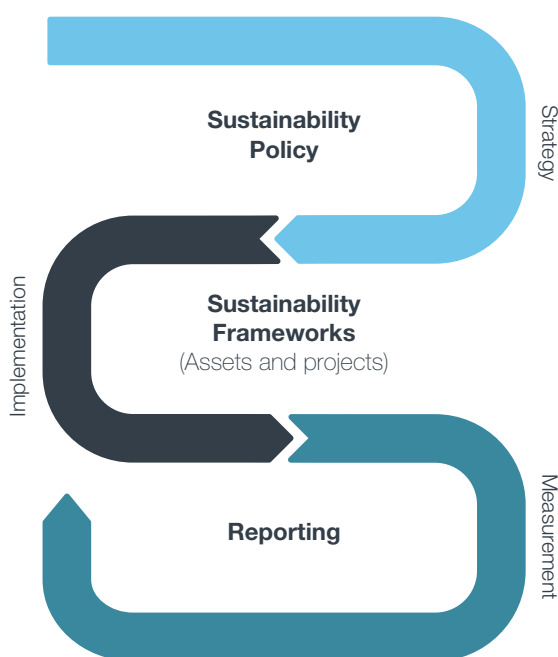
Governance and reporting

The Sustainability Committee meets every quarter to review progress against our sustainability targets and discuss performance across the business. Paul Williams is Chairman of the Committee and a member of the Board of Directors, as a result he reports directly and regularly to the Board on progress.

As well as this summary, we publish a more comprehensive Sustainability Report with full details of our annual performance and data. We also frequently update our website www.derwentlondon.com/sustainability on various sustainability initiatives happening throughout the year.

Coupled with our public reporting we participate in a number of external indices and initiatives in order to benchmark ourselves. For example, we continue to be listed in the FTSE4Good Index; we participate in the Carbon Disclosure Project and take part in the Global Real Estate Sustainability Benchmark.

Our sustainability delivery model



Derwent London Board

Sustainability Committee

Paul Williams
Director responsible for sustainability
Chairman

John Davies
Sustainability manager

Tim Kite
Company secretary

Louise Rich
Head of investor relations

Looking ahead

Whilst we have made good progress with our sustainability approach to date, we believe we can do more. We will be undertaking a comprehensive review of our policy and frameworks during 2013 to help us understand how we can improve further.

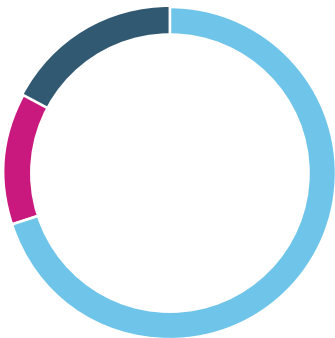
OUR PERFORMANCE

This year we have made good progress in developing our sustainability agenda, meeting most of our performance targets and demonstrating our ongoing commitment to operating our business as responsibly as possible.

The targets set for 2012 have been our most challenging to date. They were designed to build on our past successes but also focus our business on what matters most from a sustainability perspective. Performance was measured in a similar way to that in 2011 against 30 targets, set across a number of themes; management, environment, employees, communities, customers and suppliers. We believe we have performed well this year, and a summary of our performance is set out below. 83% of our targets were either achieved or partially achieved.

References made to our managed portfolio are to the 51 multi-let properties in our portfolio. We do not report on single-let properties or buildings that we do not manage.

Performance %



- Achieved
- Partially achieved
- Not achieved

70
13
17

2012 highlights

Resource efficiency

55%
recycling rate of managed waste across our like-for-like portfolio

4.4%
reduction in water usage across our whole managed portfolio

Customers

42%
of tenants thought we were doing well in improving the performance of our buildings

Suppliers

24
days average invoice payment period

Communities

£250,000
Fitzrovia community investment fund created

£2,950,695
community contributions via planning

Employees

c£50,000
invested in formal staff training

8.6%
employee turnover rate compared with national average of 12.7%

OUR CARBON FOOTPRINT

For more than five years, we have been measuring and reporting carbon emissions. This is the first year we have specifically reported our carbon footprint in the annual report and accounts as we seek to add greater granularity and transparency to our reporting.

This year we are reporting our Scope 1 (direct, controlled¹), Scope 2 (indirect, controlled) and Scope 3 (other indirect) emissions in accordance with international best practice guidance, namely The Greenhouse Gas (GHG) Protocol. This data is also included in our 2012 Sustainability Report. Our Carbon Reduction Commitment (CRC) data is collected in parallel and reported separately in the section below.

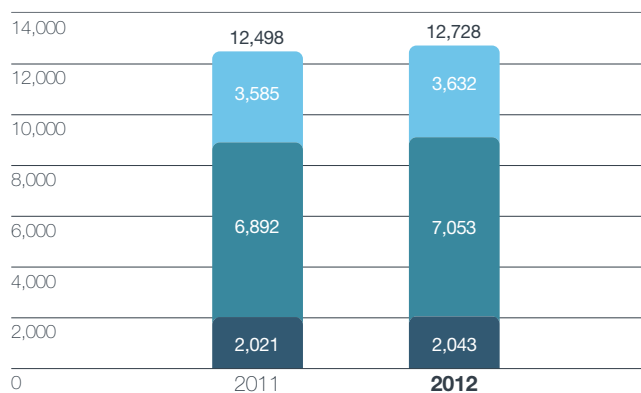
Whilst we have made good progress in many areas of our business, our whole managed portfolio carbon footprint for this year has increased marginally by 1.8%. This is due to a general increase in occupancy levels across the portfolio, as well as the Angel Building now being fully occupied and operational over the whole year. However, with our new space designs such as the White Collar Factory, we are aiming to drive down this footprint as well as increase our interaction with our tenants to influence operational behaviour in our buildings.

Carbon Reduction Commitment

In line with our obligations under the Government's Carbon Reduction Commitment Energy Efficiency Scheme (CRC), we submitted our first report in 2011, which totalled 24,620 tonnes of CO₂.² The CRC is a mandatory scheme for all organisations that have half-hourly metered electricity consumption greater than 6,000 MWh per year. As a result each year we are required to purchase carbon allowances based on our total annual consumption. The price of these allowances is currently £12 per tonne of CO₂.

The first year of operation of the scheme (2010-11) was only a reporting year for all participants; we were not subject to any financial liability. In the 2011-12 reporting year, our reported carbon totalled 24,048 tonnes of CO₂ – a reduction of 2.3% compared with the previous period. This resulted in us having to purchase allowances to the value of £288,576.

Greenhouse gas emissions by source CO₂e



- Scope 1
- Scope 2
- Scope 3

Looking ahead

With the introduction of the Climate Change Act and the accompanying Greenhouse Gas Emissions (Directors' Reports) Regulations, carbon reporting will become mandatory during 2013 for companies that are listed on the London Stock Exchange. We are adopting the regulations early by reporting our carbon footprint within this report.

¹ Does not include our refrigerant losses

² The CRC only requires companies to report in carbon dioxide (CO₂) and not in terms of GHG emissions – expressed as carbon dioxide equivalent (CO₂e). Moreover, the scope of the CRC requires us to report additional carbon related to energy to buildings to which we supply energy, but over which we do not have operational control.

RESOURCE EFFICIENCY

For many years, we have taken a holistic view with respect to energy, water and waste, and have seen them as key resources that interrelate. By focusing on their efficient use and management we aim to not only reduce our costs but also our carbon burden. As part of this focus, we also encourage our tenants to be as resource efficient as possible in order to optimise the operational efficiency of our portfolio.

Energy

In 2012 for the first time we set ourselves an energy/carbon reduction target based on portfolio intensity. We have learned a lot from this, although we have found it difficult to meet. Energy intensity marginally increased by 1.3% in our like-for-like portfolio. As with our carbon footprint, this increase reflects increased occupancy profiles in many of our buildings and some assets becoming fully occupied and operational over a whole year.

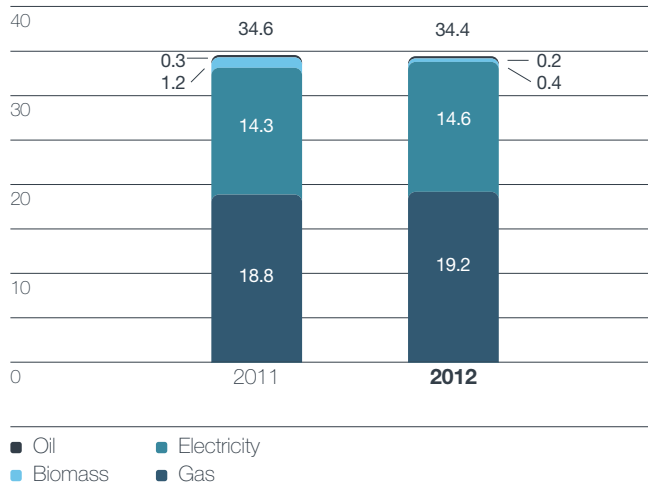
However, we have seen a slight reduction of 0.4% in our overall energy usage across our managed portfolio.

As well as operational carbon, we also continue to try to understand the impact of embodied carbon from our portfolio. Our policy of refurbishing or regenerating rather than building from scratch wherever feasible, as well as not over-specifying, tends naturally to lead to a lower embodied carbon burden from our developments. We have undertaken a number of assessments on some of our latest schemes, which show we can typically achieve a 70% reduction in embodied carbon when compared to a new build solution. We intend to develop further our understanding of our overall impacts and identify opportunities to reduce and/or mitigate where feasible.

Looking ahead

During 2013, we will be undertaking a full review of our management approach and implementing certain measures, which will allow us to understand the impact of greater occupancy levels and identify where we can improve our performance.

Energy usage across the managed portfolio mkWh



0.4%

reduction in energy usage across our managed portfolio

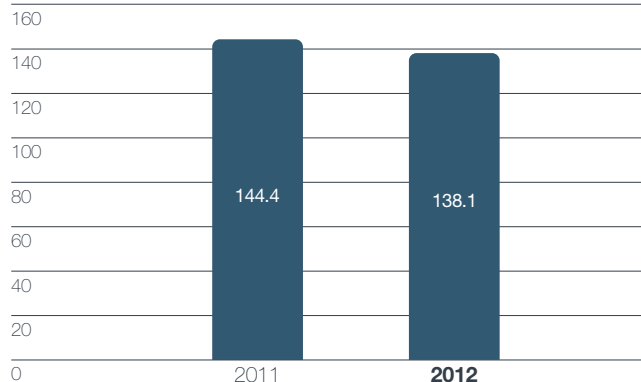
Water

We have always strived to manage our water supplies and usage levels responsibly. This is now increasingly important with water supplies coming under increased stress in London and the South East of England. Wherever possible we look to displace mains water usage with harvested and recycled supplies to reduce our mains water consumption.

During 2012, building on the work carried out during 2011, we undertook a programme of works to drive down water consumption in key buildings across our portfolio. This has seen us realise a 4.4% reduction across our managed portfolio.

This reduction has been achieved by using a range of measures in our managed properties. For example, we have installed waterless urinals at the Angel Building and have reduced toilet flush intensity to six litres at the Johnson Building EC1. Moreover, the rainwater harvesting measures installed at the Angel Building are helping to displace unnecessary mains water use.

Water usage across the managed portfolio '000m³



4.4%

reduction in water usage across our whole managed portfolio

Waste

We believe that it is important not to create waste in the first instance. We look for opportunities to eliminate, reduce or re-use wherever possible. This not only has the immediate benefit of reducing our environmental impact but also reduces our financial exposure to existing and future landfill tax charges.

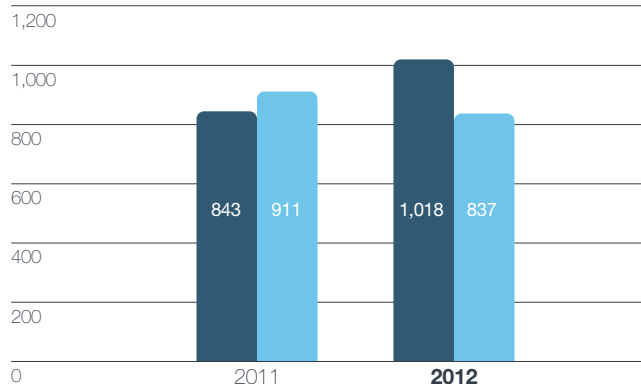
During 2012, we have continued to send no waste to landfill from our managed properties, maintaining our performance from 2011. Whilst our occupancy profiles have grown, we have again effectively engaged our waste management contractors and tenants to deliver this target.

Although our waste tonnages have increased as occupancy rates have risen, we have been successful in increasing our recycling rates in both our managed and like-for-like portfolios and reducing the amount sent for incineration. In 2011, we recycled 47% increasing this year to 54% across our whole portfolio; likewise, we recycled 48% in 2011 rising to 55% this year across our like-for-like portfolio. Across both portfolios we have decreased our use of incineration by 13%.

In terms of construction waste, we sought to divert 95% of construction and demolition waste from landfill for projects with a floor area of 5,000m² or more. This was a new target for 2012 increasing from 90% in 2011.

We found this new target a challenge, achieving an average diversion rate of 92%. Much of our construction waste in 2012 was strip out and fit out waste, elements of which had no other viable disposal route other than to be sent to landfill. Moving forward we will reassess this target to ensure it is sufficiently robust yet practicable.

Managed waste across the like-for-like portfolio Tonnes



■ Tonnes recycled
■ Tonnes incinerated (with energy recovery)

Zero

operational waste from managed properties sent to landfill

55%

recycling rate of operational waste across our like-for-like portfolio

ENGAGING WITH THE COMMUNITY AND EMPLOYEES

The continued strong performance of our business would not be possible without the commitment of our employees and a positive engagement with the communities in which we operate.

Community

We are committed to supporting the communities in which we operate. We seek to engage positively with community stakeholders and work in partnership with them in order to enhance the areas around the properties. We look to support initiatives and charities where there is either a local perspective or where Derwent London has a particular interest.

A good example of this is our ongoing work in Fitzrovia. During 2012 we undertook an extensive piece of community research called "Understanding Fitzrovia" which was an evidence-based research programme working with the London Borough of Camden and designed to help us understand in more detail the issues of most importance to local residents. The outcomes from this research have enabled us to develop a robust community investment strategy, which will be implemented in 2013. We plan to invest a total of £250,000 in the strategy over the next five years.

We also support a number of charitable organisations and good causes, through both financial donation and the investment of our time. One charity we have worked with for many years is the Teenage Cancer Trust and this year we arranged a fund raising lunch for the Trust, which raised £205,000.

Our community contributions via planning have also increased significantly this year from £20,069 in 2011 to £2,950,695 – a result of our increased development activity.

Looking ahead

In 2013 we will be taking part in the London Evening Standard's "Ladder for London" campaign, by providing a long-term apprenticeship opportunity for a trainee building manager at the Angel Building.

Donations to charities and good causes

£144k

2011: £104k

Invested in community initiatives

£327k

2011: £262k

Community contributions via planning

£2,951k

2011: £20k

Employees

The continued strong performance of our business would not be possible without our employees. We provide a stimulating, challenging and rewarding environment in which our people can work and be supported in developing their career paths and skill sets. We employ a small, focused in-house team of just over 100 people who are experts in their chosen fields. This allows us to create an environment which engenders a strong sense of teamwork, pride and passion in all areas of the business. As a result we have a low staff turnover rate of 8.6% – the national average being 12.7%.

We recognise and appreciate that our success stems from the commitment, hard work and loyalty of our employees. This has been externally recognised in Management Today's 2012 Most Admired Companies awards. We were ranked 9th for "Retaining Top Talent" as well as being ranked 7th overall looking at all categories assessed by the awards.

In addition, we also provide a working environment which proactively encourages equality and opportunities for all. As such there is a well-balanced gender ratio at Derwent London.

c£50,000

invested in formal staff training

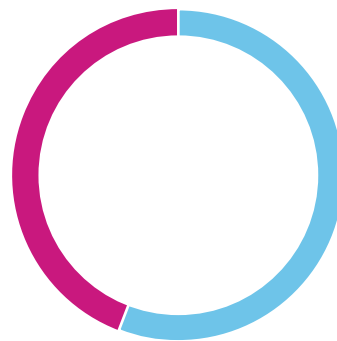
Enhanced training for all employees through knowledge share workshops from four Directors and a development team project presentation programme

Overhaul and improvement of our recruitment process

Piloted our first employee survey

No near misses or RIDDORs involving Derwent London employees

Gender



■ Male
■ Female

56
44

Awards and recognition

Management Today – Britain's Most Admired Companies 2012 – seventh overall. First in the property category for the third year in succession.

Once again for 2012 we have received recognition for the quality of our sustainability reporting.

EPRA Sustainability Awards – Silver Award for our 2011 Sustainability Report.

Carbon Disclosure Project – Disclosure Rating score of 78 – up two points from 2011.

GRESB 2012 – Green Star status and sector leader in the listed European office sector.

New Energy & Cleantech Awards – Developer of the year.

ENGAGING WITH THE COMMUNITY AND EMPLOYEES CONTINUED

Customers

We are a customer-focused business and are always striving to deliver best-in-class customer service in order to maintain high standards of customer care. As well as an ongoing series of tenant feedback exercises to understand how we can improve our service, we are also interested in understanding our tenants' views on sustainability – its impact on them and the buildings they occupy, and how they think we could improve our approach. As a result, during 2012 we surveyed a number of our tenants with a specifically designed sustainability survey, which sought to understand this important issue amongst our tenant community.

The results from the survey, which received a high response rate, have given us a clear indication on the relative importance of sustainability to our tenants, and shows how well we are doing in terms of our sustainability efforts. Some of the feedback included:

- 42% of tenants said that our sustainability activities make their experience as a tenant better than average whilst 53% ranked their experience as average.
- 42% of our tenants thought it was very important to them that we managed our sustainability agenda properly and 58% thought it was important or quite important.
- 47% of our tenants thought we were doing well in improving the sustainability performance of the buildings they occupy whilst nearly 30% thought our performance was average. A further 23% thought we could do more.

We are currently assessing the results of the survey to help us identify areas of further improvement.

Suppliers

Working proactively with all levels of our supply chain enables us to generate value, develop great spaces to a high standard, protect our reputation and deliver our customers' expectations. We have undertaken studies to understand where the risks in our supply chains might lie and are working to address these in a collaborative fashion. Last year we undertook a project to understand the sustainability impacts of our operational supply chains and identify where our suppliers could support us with achieving our sustainability goals. This generated a series of recommendations which we have taken forward with those identified suppliers.

It is incumbent on us as a responsible company to ensure we uphold our financial commitments to all our suppliers – this means honouring our invoice payment period of 28 days. In 2012 we continued to better our payment period of 28 days, with our average this year being 24 days.

Looking ahead

To complement and add to the supply chain work undertaken in the last year we will be undertaking a comprehensive sustainability risk analysis using a "flexible framework". This will allow us to assess exactly what issues and risks there may be within our supply chains and how we might seek to address those in collaboration with our suppliers.

24 days

average invoice payment period

47%

of tenants thought we were doing well in improving the performance of our buildings

OUR 2013 TARGETS

Our 2012 performance targets were our most challenging to date and have helped us raise our performance and develop new processes and approaches, which we will look to embed in our business in the longer term. For 2013, we are looking to build on our past successes and set ourselves further challenges. We set out below our targets for 2013.

Aspect	Target
Management	<ul style="list-style-type: none"> Refresh our corporate Sustainability Strategy, Implementation Plan and Sustainability Frameworks Investigate and trial where appropriate WRAP's new Resource Management Planning approach Develop an appropriate sub-metering and reporting strategy setting a management plan to ensure all managed buildings have readable utilities meters by 2015 Develop a risk management plan to ensure no space available to let in 2018 has an EPC rating of F or G Achieve a minimum of BREEAM Very Good for all major refurbishments >5,000m² Achieve a minimum of BREEAM Excellent for all new build projects Undertake a series of presentations to new tenants in 2013 to raise awareness of the Ska assessment process in order to encourage its uptake Introduce a new BMS and metering system audit and sign off procedure in all new build development briefs
Resource efficiency (energy and carbon)	<ul style="list-style-type: none"> Investigate and develop an appropriate and consistent measurement method for embodied carbon in our portfolio Carry out a post occupancy energy performance evaluation on all new projects >5,000m² once occupied for more than 12 months
Resource efficiency (water)	<ul style="list-style-type: none"> Maintain portfolio mains water consumption below 0.50 m³/m² Report percentage of water usage from rainwater harvesting All projects over 5,000m² to be designed to include water saving systems All new projects to be designed to achieve a maximum mains water usage of 0.50m³/m² or better
Resource efficiency (waste)	<ul style="list-style-type: none"> Send zero waste to landfill from properties for which Derwent London has control over waste management Achieve a 60% recycling rate for managed waste in all properties for which Derwent London has control over waste management Divert 90% of construction and demolition waste from landfill For projects >5,000m² ensure that a minimum of 15% of the total value of materials used contain recycled and/or re-used content, using the WRAP Net Waste Tool as the measure
Travel	<ul style="list-style-type: none"> Review the outcomes from the travel surveys undertaken during 2012 and implement the recommendations where appropriate
Biodiversity	<ul style="list-style-type: none"> Implement the recommendations from the biodiversity action plan on six buildings in the managed portfolio
Suppliers	<ul style="list-style-type: none"> Develop and implement a set of formal sustainability requirements for our construction contracts Develop and implement a sustainability brief for all our suppliers at our managed properties Investigate our supplier staff wage structures and benchmark them against industry best practice
Community	<ul style="list-style-type: none"> Investigate and develop an appropriate and consistent approach to measure our socio-economic impact
Customers	<ul style="list-style-type: none"> Implement a formal, regular programme of customer service training for property and building management staff drawing on feedback from 2011 and 2012 pilots Undertake customer feedback assessments on occupation in all new build and refurbishments >5,000m² Review the outcomes from the customer sustainability survey and implement the recommendations made Undertake a customer satisfaction survey for 2013 to assess the improvement benchmarked against 2011 results
Employees	<ul style="list-style-type: none"> Launch employee volunteering programme working with existing charity partners and communities in which we operate Deliver training to all Development/Asset/Building Management staff on our sustainability approach, commitments and requirements Develop and host two further Director technical presentations as part of the ongoing knowledge-share programme