

Grosvenor Property UK ESG Investment Approach

2023



GROSVENOR

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GPUK ESG Investment Approach

Introduction

Grosvenor is an international organisation whose activities span urban property, food and agtech, rural estate management and support for philanthropic initiatives to deliver lasting commercial, social and environmental benefit.

With a track record of over 340 years, our global property business aims to improve real estate and places across many of the world's leading cities, championing sustainability within the built environment and enhancing the wellbeing of our customers and communities.

Grosvenor Property UK has its roots in London's West End, where we support nearly 1,000 businesses and thousands of residents, workers and visitors each day. We also invest in new neighbourhoods elsewhere in Liverpool and across England.

We are a values-led organisation which represent the Grosvenor family our work shares a common purpose – to deliver lasting commercial, social and environmental benefit – addressing today's needs while taking responsibility for those of future generations.

Thinking long term allows us to give equal weight to the environmental, social and commercial impact of everything that we do. What is now known globally as ESG (environmental, social and governance) aligns with this Grosvenor's long-term purpose and how we live up to our shared values of integrity, trust and respect.

Scope of approach

This ESG Investment Approach reflects our ambition for GPUK to further embed ESG into our activities that support lasting commercial, social and environmental benefit.

It provides guidance to our investment partners to help support, and where possible, accelerate progress on key ESG initiatives, and improve our collective approach to meeting tenant, customer and stakeholder expectations. Our investment partners are those with whom we co-invest – working in both directions, with either the partner investing into any of our business activities or us investing into theirs.

ESG expectations

What we expect of our investment partners

We hold some of the most ambitious ESG commitments in the sector and demonstrate accountability through transparent reporting. We expect the following to be considered alongside commercial decision-making from our co-investors:

Environmental

As an environmental leader and Europe's first property company with a Net Zero Carbon strategy approved by the Science Based Targets initiative, we expect our investment partners to have a strong commitment to decarbonising their own activities alongside other environmental issues. In addition, partners are expected to engage with the following:

- Align to our [Net Zero Carbon Pathway](#) that will see us reduce our emissions 52% by 2030 across scopes 1, 2 and 3, which is consistent with climate science and the requirement to contain global warming within 1.5°C compared to pre-industrial temperatures.
- Align with the environmental ESG requirements of our [Supply Chain Charter](#). These include climate change mitigation and adaptation, materials and waste management, biodiversity and air quality.
- Support the environmental goals outlined in our [Environmental Policy](#) that focuses on zero carbon, zero waste, valuing nature and transformative partnerships.

Social

ESG is central to our business and social impact sits firmly alongside environmental and commercial considerations in our decision making. Partners are expected to engage with the following:

- Align to our company values of integrity, respect and trust.
- Align with our strategic priorities outlined in our [People Positive](#) Social Impact Strategy, including improving wellbeing in the places we make and manage, helping local economies to thrive by championing inclusive growth and diversity, and maximising the positive impact of our people and partners.
- Align with social impact requirements outlined in our [Supply Chain Charter](#). These include health, safety, security, wellbeing, responsible payment, ethical conduct, data privacy, fair employment, diversity and inclusion and community participation.
- Prioritise community engagement activities and where possible, follow our [Positive Space](#) community charter. This is designed to ensure we have an open, honest and transparent relationships with tenants, local businesses and communities.
- Foster a positive work environment based on respect for human rights, valuing diversity and inclusion, and zero tolerance approach towards workplace discrimination, violence or harassment.

Governance

Robust corporate governance underpins our ability to deliver on our environmental and social ambitions and we require investment partners to ensure legal compliance with all local, national and international regulations, laws, and conventions related to our business activities. In addition, we expect investment partners to:

- Conduct business according to high ethical and legal standards, including controls designed to prevent:
 - Fraud and financial crime – including bribery and corruption, money laundering and tax evasion.
 - Modern slavery and forced labour in business activities and supply chains.
 - Environmental crime – including illegal deforestation and pollution to water and land.
- Establish strong stakeholder engagement.
- Maintain effective risk management.
- Incorporate ESG factors when determining corporate strategy, policies and business practices.
- Report transparently on activities and progress towards ESG goals, including where applicable the reporting of climate related risks of investments in line with best practice.
- Avoid conflicts with ESG principles and the expectations outlined in this document.

Property asset/project-specific expectations

We will assess the following against our ESG goals when we look to invest in an asset or project:

Environmental

- Current and potential performance against our building carbon targets such as energy use intensity and embodied carbon as outlined in our [Net Zero Carbon Pathway to 2030](#) and [Sustainable Development Brief](#).
- Potential for on-site or near-site renewable energy generation, and low-carbon technology such as heat recovery and Air Source Heat Pumps.
- Physical climate risk, including flood risk, storm risk and heat stress.
- Approach to circular economy principles including waste reduction, re-use and recycling and major future development work will follow diversion from landfill and maximum waste targets outlined in the [Sustainable Development Brief](#).
- Current and potential biodiversity net gain interventions within the design of the asset. Targets for existing and development assets within GPUK's portfolio are outlined in our [Biodiversity Strategy](#). Previous ecology assessments should be made available to Grosvenor on acquisition.
- Environmental performance assessments: we require an EPC of C for existing assets or redevelopments. We also require all office buildings over 1000m² to achieve a NABERS 4.5* rating

or above by 2025. Certificates and reports of other green ratings and tools should be made available to Grosvenor on acquisition.

- Potential for sustainable water consumption, including efficiency, reuse and rainwater harvesting measures.
- Active and public transport facilitation.
- Occupiers will be expected to help ensure the sustainable operation of the building, using our open-source tools including [green leases](#), and [green fit-out guides](#).

Social

- Accessibility of the asset to ensure it is inclusive of people with both physical and non-physical disabilities.
- Measures to maximise occupant wellbeing such as indoor and outdoor air quality, ventilation, lighting, acoustics, thermal comfort, and amenities. Historic reports, where applicable, should be made available to Grosvenor on acquisition.
- Where appropriate, assets should use wellbeing rating tools and labels, to benchmark and disclose the ESG performance. Previous certificates and reports should be made available to Grosvenor on acquisition.
- Approach to supporting local employment and inclusion including providing apprenticeships and procuring local SME suppliers

Governance

- Transparent reporting on asset performance, providing accurate data on energy and water consumption should exceed standard disclosure requirements. Previous carbon performance should be made available to Grosvenor on acquisition.
- Approval of suppliers involved in an asset with a contract value over £500,000 requires adherence to and reporting against our [Supply Chain Charter](#).
- Project/asset approval requires that its sustainability performance should improve while under our ownership.
- Rigorous health and safety standards with the aim of zero serious safety incidents throughout the partnership.

Case Studies: How we are delivering our ESG ambitions

Closing the performance gap throughout our office portfolio

In 2022, Grosvenor achieved the UK's first NABERS UK rating at Toronto Square, an 87,500 sq ft Grade A office building in the heart of Leeds' commercial business district. Whilst NABERS is already being used to inform the design of buildings under construction, this is the first time in the UK that an existing office has received a NABERS UK rating.

The 4.5 out of 6-star rating was confirmed after 12 months of data from the building was collated and analysed by NABERS UK Licensed Assessor EP&T Global, and independently certified by BRE.



NABERS UK is an adaption of the highly successful rating programme NABERS that has operated in Australia since 1999. Widely considered to be a world leading environmental performance tool for commercial buildings, the initiative has helped customers save an average of 30%-40% on their energy over 10 years in Australia. It plays a vital role in bridging the performance gap between the design and in-use energy performance of offices and creates much needed transparency for the market and allows us to measure, improve and communicate the energy performance of buildings under our management more accurately. This demonstrates whether offices are on a net-zero carbon trajectory and provides investors and occupiers with the confidence that the buildings they own and occupy are aligned with their climate ambitions. GPUK have now committed to all office buildings over 1000m² to have a NABERS UK rating above 4.5* by the end of 2025.

Baking climate resilience into our development projects

Using our Sustainable Development Brief, we designed adaptation into our future developments to prepare for the adverse impacts of climate change. South Molton Triangle is a mixed-use development in the heart of Mayfair's conservation area. It contains New Grade A office floorspace with retail, restaurants, a hotel and affordable private housing, all set amongst a reimagined high-quality public realm.



A detailed review of climate risks associated with the development highlighted potential future risks such as heatwaves and land subsidence due to changes in soil moisture levels. In response, mitigation actions were developed for the project. A Flood Risk assessment and associated drainage strategy have maximised on-site water attenuation, with plant equipment designed to be raised and protected within a bund wall to prevent flood impact. The development also maximises passive design opportunities to increase comfort levels without increasing energy demand. Thermal comfort studies are conducted on both current and future climate change scenarios to ensure comfort is maintained throughout the building's lifetime.

Regenerating a city centre to support the community

Liverpool ONE, a 250,000sqm development developed and now actively managed by Grosvenor, comprises of over 200 shops, more than 500 apartments, three hotels, 25 restaurants, a 14-screen cinema, 3 office buildings and a Green Flag awarded five-acre park.

As one of the most successful urban regeneration projects in the UK this development revived Liverpool's beating heart whilst remaining sympathetic to local needs, history and context.

The scheme created 3,300 construction jobs, led to 5,000 permanent posts and is an environmentally sustainable scheme. Since 2009, the Liverpool ONE Foundation, has donated over £2.5m to community projects across the five metropolitan boroughs.





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