

Net

Zero

Grosvenor Property Europe:
Our 2020 and 2021
pathway update

Introduction

In 2020, our European property business made an ambitious commitment to halve our total carbon impact by 2030. To help us achieve this, we launched our net zero carbon pathway 'Our Goal: Net Zero', which analysed our carbon emissions in a baseline year, 2019, and identified three core areas of focus: cutting energy use in our buildings by one third, reducing the embodied carbon of our developments by 50% and cutting the carbon intensity of purchased goods and services by at least 60%.

Cut carbon by

50%

This strategy was approved by the Science Based Targets initiative (SBTi) in early 2021 and verified in line with the most ambitious trajectory of the Paris Agreement, to limit global warming to 1.5°C. To hold ourselves to account, we agreed to report on our progress annually.

Our first pathway update will report on 2020 and 2021 emissions data collectively. This includes data inevitably skewed by the COVID pandemic in 2020, and data reflective of a year with 'business back to usual' in 2021. Thanks to huge efforts across our teams and partners in 2020 and 2021, we remain firmly on track to achieve our targets and make a positive, lasting environmental and social impact on the communities where our assets are located.

There are several achievements of note that are helping us to progress our pathway; we secured our first green financing deal, voluntarily issued our first climate-related risk disclosure in line with TCFD and trialled several alternative construction techniques and materials, for example locally-sourced timber in Madrid, and fossil-fuel free demolition machinery in Paris.

However, most significant was the acceleration of engagement with colleagues. Building greater awareness, providing enhanced training and room for innovation allowed us to motivate our people to look for environmentally friendly solutions across all our business activities, from office management to our development practices.

This motivated us to support our partners through their own sustainability journeys, and so we developed our Sustainability Partner Charter in 2021. The charter provides guidance on how the people that we work with can influence change more quickly.

We have since made a strategic decision to modify our European investment approach and going forward, instead of investing directly, we will be investing indirectly in Continental Europe through third-party managed joint ventures and funds. The move from direct to indirect investments will be phased and during that period we will continue to invest in and manage our existing European assets to our usual high standards and in their best long-term interest.

We are committed to decarbonising Grosvenor's European property assets and ensuring that the places we have invested in provide long-term social benefit for the community. During 2022, we will do this through continuing to work with our tenants and suppliers on areas we can have the greatest impact to combat climate change. We will particularly engage with tenants to ensure an aligned strategy to secure lasting success. We will continually improve the processes in place to collect high quality data across Scopes 1, 2 and 3, to achieve transparent reporting of our pathway to reducing emissions and improving our real estate investments for the long-term.

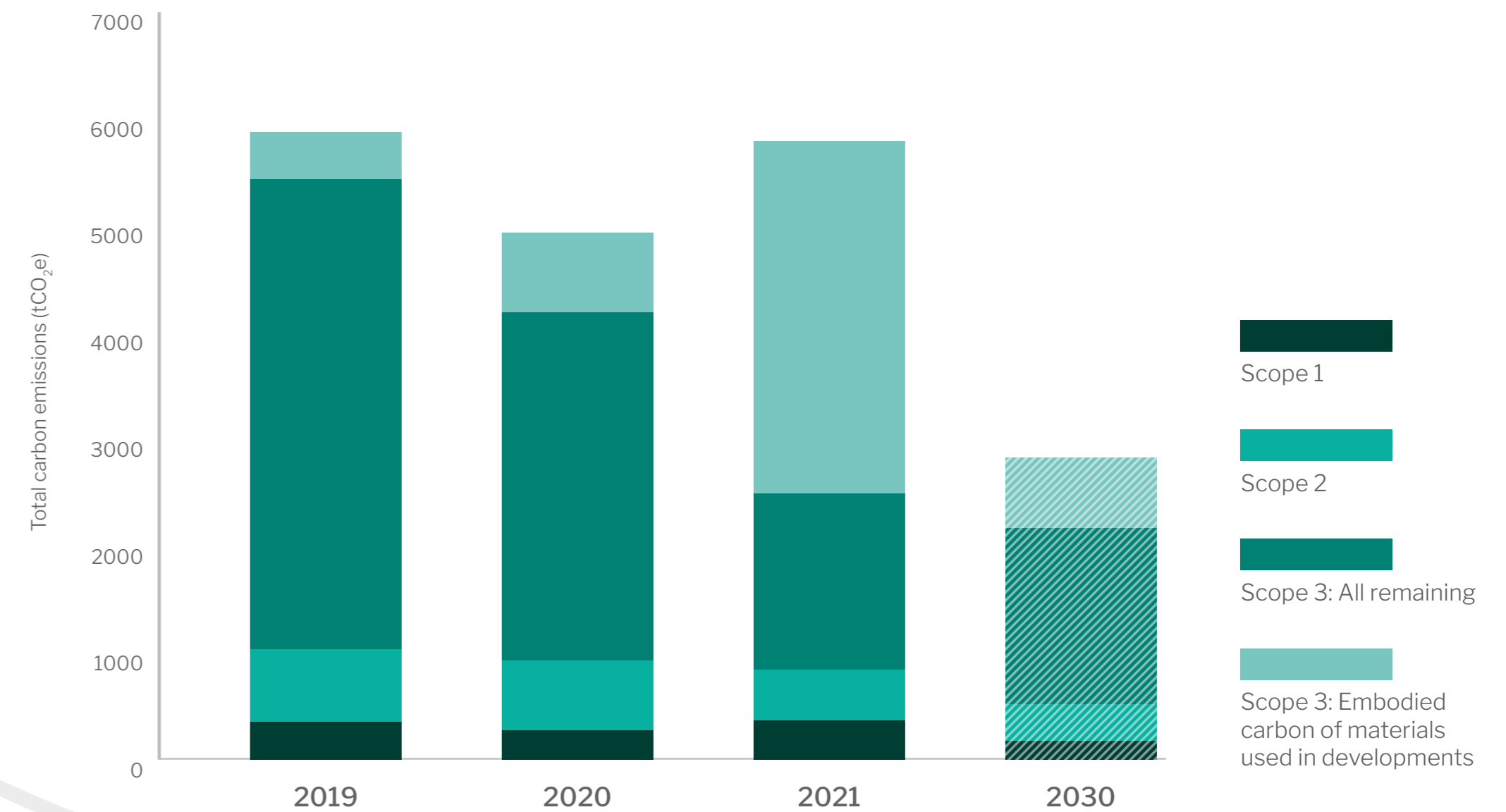
Sara Lucas
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Our pathway update for 2020 and 2021

We have separated our embodied carbon from operational carbon to clearly illustrate the difference between the two aspects of our indirect Scope 3 emissions.

Our baseline year consisted of a small number of developments compared with our projected trajectory to 2030. Therefore, it is important to show progress in other areas that make up Scope 3 emissions, excluding developments and refurbishments, which are highly impactful contributors to carbon emissions.



2020

In 2020, our first reporting year against our 2019 baseline carbon emissions, we reduced our total carbon footprint by 16%, a reduction of 942 tonnes of CO₂.

The reduction was predominantly within categories of Scopes 1 and 3, showing progress against both direct and indirect emissions.

In Scope 3, we report our embodied carbon footprint. Whilst we saw an increase due to a larger floor area of developments across the portfolio compared with 2019, there was enough reduction across other areas of indirect emissions to balance a reduction of 17%.

The reductions in both Scopes are accentuated due to the implications of the Covid-19 pandemic. However, a continuous downward trend is visible as we move to assess progress in 2021.

2021

In 2021, the second reporting year on our pathway, and one less impacted by the effect of Covid-19 on emissions reductions, we reduced our total carbon footprint by 1.5%, a reduction of 83 tonnes of CO₂ against the 2019 baseline.

Progress was made across Scopes 2 and 3, which was in part due to the transfer of Liverpool ONE, a large shopping centre, but also due to progress in energy efficiency initiatives across Spain, France and Sweden.

Visible in the bar chart is the separated embodied carbon, to visually show progress in Scope 3 categories excluding developments, where a substantial increase is shown this year. This increase is predominantly due to a significant office redevelopment in Madrid. In this development we optimised the building materials and operations, to create a low impact project, reflective of a 34% reduction in embodied carbon compared against typical construction methods.

We did increase our Scope 1 emissions during 2021, which was a result of an increase in district heating, largely due to an extremely cold winter in Stockholm.

Our journey so far...

To reduce our total emissions by 50%, we are focusing on three core areas: cutting energy use in buildings by a third; cutting the embodied carbon intensity of our developments by 50%; and cutting the carbon intensity of purchased goods and services by 60%. Our strategy is built around four focus areas:



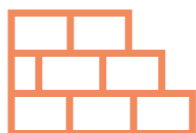
1. Energy use in buildings

We will reduce energy consumption by 1/3 to align with industry-leading net zero carbon building performance definitions.



2. Purchased goods and services

We will reduce our carbon emissions per unit of spend by 60% through decarbonisation of our suppliers and low carbon refurbishments.



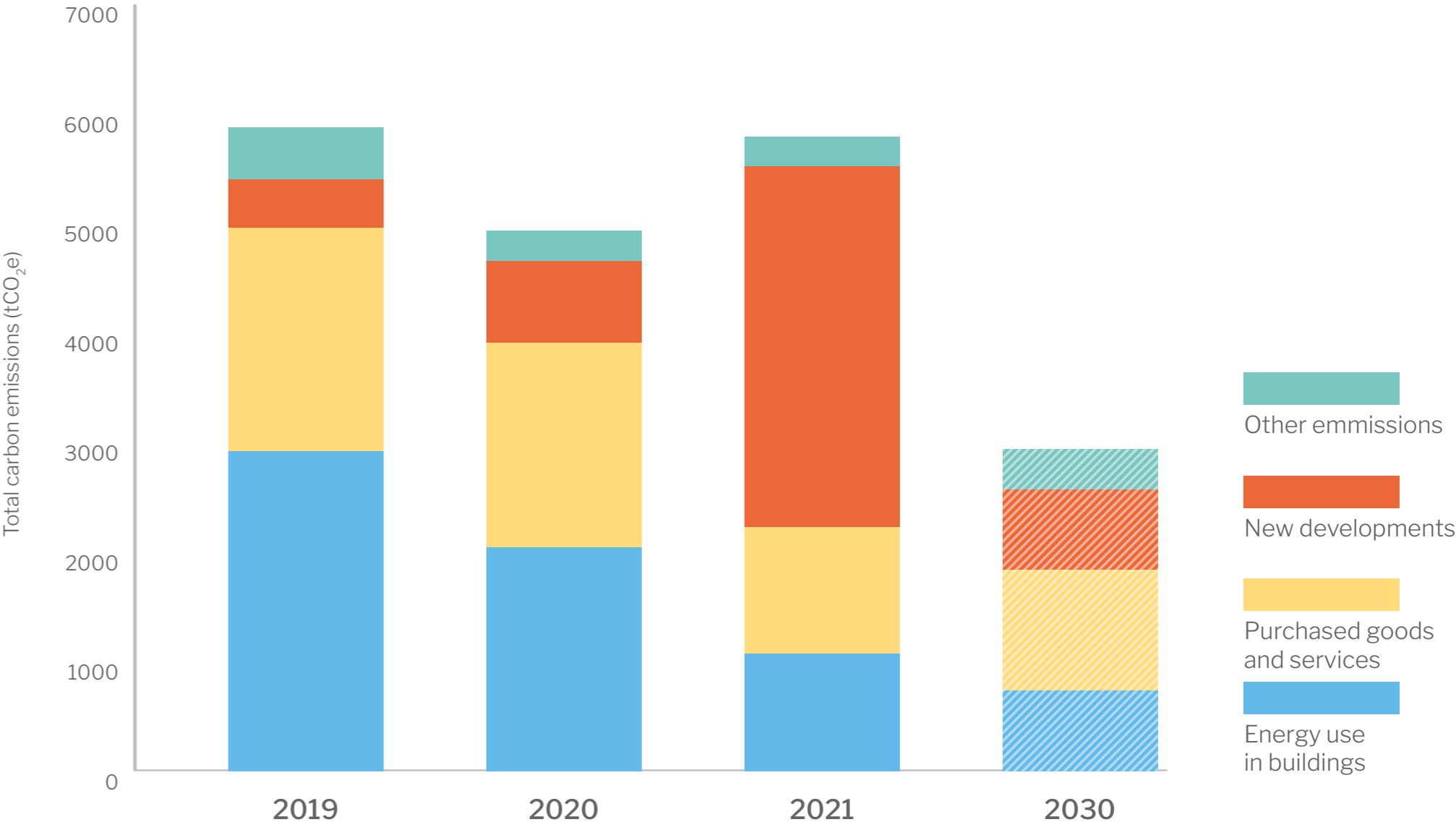
3. New developments

We will aim to reduce embodied carbon per square metre in our developments by 50% compared with typical benchmarks and practice today. We will build to highly energy-efficient performance standards consistent with net zero carbon benchmarks.



4. Other emissions

Covering areas such as business travel, employee commuting, water and waste, we will include these emissions within our overall 50% reduction target.



Naturgy, Avenida de Americas, Madrid

We are conscious of the extent of our Scope 3 emissions and are determined to make progress to achieve our targets. Therefore, we approach each development individually to assess what reductions we can make.

In 2021, we completed the office redevelopment project at Naturgy. Throughout the project we made conscious decisions to choose more sustainable methods and materials to deliver a lower carbon impact development. We instructed an embodied carbon assessment of the project to assess our performance, evaluating the reconstruction of the façade, construction waste, the contribution to the tenant fit-out, roof coating and outside landscaping. We significantly reduced the total carbon impact compared with typical practice construction methods.

-34%

Carbon saved compared with typical practice construction

Our pathway focus areas

Our net zero carbon pathway addresses all material carbon emissions from our operations and supply chain. 93% of our overall carbon impact as a business is in three areas – energy use in buildings, purchased goods and services and the embodied carbon of our developments and refurbishments. In each of these areas we will need to experiment, try new approaches and learn lessons rapidly.

2019
Baseline

2020

-16%

2021

-34%

Energy use in buildings

Our target: We will reduce energy consumption by one third to align with industry leading net zero carbon standards.

Against our 2019 baseline we reduced energy use in our buildings by 16% in 2020 and by 34% in 2021.

Whilst we recognise that the Covid-19 pandemic impacted this reduction, much of our data is from our Swedish shopping centres, which remained open throughout. To contribute to this reduction we have trialled new technology across the portfolio to reduce both energy and carbon. Our new green leases also include clauses that prioritise access to energy and carbon data, which will help us to improve the monitoring of our Scope 3 energy data. Within our Net Zero Carbon targets, we have committed to reduce energy consumption in our buildings by 15% by 2025.



International Space Station tech helps drive sustainability performance

We continue to look for opportunities to improve the environmental performance of our portfolio. At Skärholmen Centrum in Stockholm, we installed software based on technology designed to maximise air flow efficiency on the International Space Station. This software reduces the energy consumption of our air handling units, while continuing to offer excellent air quality. Our trial resulted in estimated energy savings of over 60% per year.

Our pathway focus areas

2019
Baseline

2020

-9%

2021

-44%

Purchased goods and services

Our target: We will reduce carbon emissions per unit spend by 60% through decarbonisation of our suppliers and low carbon refurbishments.

In 2020, our absolute emissions from purchased goods and services reduced by 9% against our 2019 baseline despite an increase in capital expenditure (CAPEX) across our Swedish investment portfolio. In 2021, there was a reduction of 44% against the 2019 baseline.

Although these are absolute figures, we have made good progress towards the 'per unit' target in many areas. To instigate greater change, we have developed a partner charter outlining principles for our suppliers and tenants. This will require them to set their own net zero targets so we can work together to achieve shared goals. Collecting this data will also improve the accuracy of monitoring progress against our targets. Within our 'Sustainable Businesses' targets, we have committed to 40% of suppliers by spend to be signed up to Grosvenor Property Europe's Sustainability Partner Charter by 2025.



Using local timber to reduce supply chain emissions

One of the key features of a large redevelopment project in Madrid was a new glazed north façade that included internal timber, rather than aluminium, profiling. Timber is significantly lower in embodied carbon than other materials and using a combination of wood and aluminium provided a carbon reduction of 41%, compared to implementing a full aluminium façade.

With support from our architect and façade engineer, locally-sourced timber was obtained from a small town 75km north of Madrid, to control our supply chain emissions.

We also selected species native to Spain (*Pinus sylvestris*) and were able to select the timber and ensure replacement trees were planted to support the local biodiversity.

Our pathway focus areas

2019
Baseline

New developments

Our target: We aim to reduce embodied carbon per square metre in our developments by 50% compared with typical benchmarks and practice today.

2020

+69%

Our absolute emissions from embodied carbon in new developments increased by 69% in 2020 against our 2019 baseline. This increase is due to accounting for the full amount of embodied carbon from a residential development project in Madrid, Modesto Lafuente, which completed in 2020. Our 2019 baseline only included the embodied carbon emissions of Jorge Juan, a substantially smaller development. This low baseline

2021

+649%

accentuates the increase in 2021 as well, which was 649% due to the completion two large residential developments and a large-scale office redevelopment, all in Madrid.

In order to achieve our 'per square meter' target, and report accurately against it, we have begun to undertake whole life carbon assessments for development projects and implement various low carbon alternatives, such as timber, low carbon cement and low carbon steel. Within our 'Sustainable Buildings' targets we have committed to new developments achieving LEED or BREEAM certification.



Fossil free machinery reduces construction emissions

We completed the demolition phase at Anatole France 85, our first office development in Levallois-Perret, northwest Paris, in 2021. To reduce our emissions, we salvaged much of the existing building's internal finishes and technical installations, to recycle as much material as possible.

We also utilised fossil-free construction machinery to curb local air and noise pollution and reduce embodied carbon emissions. The new development will utilise the same fossil-free construction technology.

Our pathway focus areas

2019
Baseline

Other emissions

Our target: Covering areas such as business travel, employee commuting, water, and waste, we will include these emissions in our overall 50% reduction target.

2020

-39%

In 2020, we reduced our 'Other emissions' by 39% against our 2019 baseline and in 2021, by 43%. We are aware of the substantial impact that Covid-19 has had on this focus area, for example with lower office occupancy and employee travel. However, during 2021, which saw a return to the offices across all countries and increased business travel, we continued the downward trend.

2021

-43%

We will continue to reduce these emissions by adapting our future business travel requirements and using greener travel options. We also introduced an electric vehicle scheme for employees, whilst continuing to offer cycle-to-work schemes to reduce emissions from employee commuting. Within our 'Sustainable Lifestyles' targets we have committed to creating safe, well integrated spaces that prioritise pedestrians and sustainable transport.



Harnessing our sphere of influence

We recognise that a low carbon economy is a collective effort, and we encourage our people to innovate and make a personal impact on the environment, such as changing old habits. This year, Sara from our Paris office moved house by bicycle rather than traditional vehicles to reduce her impact. The Paris-based removal company deploys electric bikes with 2x2 metre trailers that can haul up to 200kg. During 2020, they cycled 32,438 km and saved 40 tonnes of carbon. Sara's trip saved 6.5kg of this total!

Challenges and opportunities

During the first two years of implementing our pathway, we identified several ways to maximise opportunities and mitigate challenges on our journey to net zero.

Changing market dynamics

As market dynamics change, ensuring our business is adaptable and resilient requires clear strategy, engagement and a forward thinking approach to decision-making.

We actively monitor market definitions, industry research and potential legislation changes to mitigate risk and identify opportunities in the short, medium and long-term. We seek to improve our decision making process, and disclose our approach to climate-related risk in line with the TCFD framework.

Data

High quality data is important to ensure accountability; historically environmental data has heavily relied on estimation and industry benchmarks.

Improving the quality of environmental data and harnessing its potential has been a priority. We have implemented a new system to automate data collection and visualisation, which facilitates transparent reporting and helps us to easily identify areas for improvement.

Employee empowerment

Equipping our staff to understand, implement and take ownership of new sustainability concepts is central to advancing to net zero.

We focus on promoting and recognising education and innovation to empower employees to make an impact. We leverage digital technology to simplify reporting demands and provide interactive learning opportunities.

External collaboration

Approximately 80% of our emissions come from our tenant and supplier activities. By finding areas of mutual interest we can empower our partners to make meaningful progress with their net zero targets.

We have developed a partner charter that will guide our partners on their journey towards net zero. We also implemented green lease causes and pursued opportunities to share knowledge.

 Challenges  Our response