

DERWENT LONDON

“The ongoing flight to quality we see across the London office market aligns with our long-standing commitment to sustainability and our signature brand of ‘long-life, loose-fit, low-carbon’ buildings.” – Derwent

Ticker	DLN (LSE) ²
Headquarters	London, UK
Market Cap	GBP £2.3 billion
Company History	1984 Derwent Valley Holdings 1999 Joined the FTSE EPRA/NAREIT Index 2007 Merged with London Merchant Securities plc
Properties	70 office properties
Total Sq. Ft.	5.5 million
Green Building Certifications	13% of portfolio LEED 34% of portfolio BREEAM

*Data as of December 31, 2022.



Soho Place W1

Source: Derwent London
<https://www.derwentlondon.com>

Recent Awards



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G R E S B

Global Real Estate Sustainability Benchmark
2022 Green Star
Development 5 Stars
Standing Assets 4 Stars



CDP
DISCLOSURE INSIGHT ACTION

CDP 2022
Climate change 2022 'B' rating

London Calling

Greater London is roughly double the size of New York with 9.5 million people in 50 square miles. The city has been occupied for over 2000 years and has been witness to countless historical and cultural events. The city is a showcase of both centuries' old buildings and new skyscrapers. The cosmopolitan city appeals to international workers and multinational companies.

Over the last 20 years the city has invested in infrastructure to encourage Londoners to commute by bike. There is now a vast network of cycle paths traversing the city. Curbing climate change and enhancing human wellbeing go hand in hand since short lived climate pollutants such as methane, black carbon, and hydrofluorocarbons have detrimental effects for both public health and environmental health.³

The Mayor of London often sets the tone for what's next in the city. The Mayor has committed London to be a zero carbon city.⁴ London's buildings contribute around 76% of the capital's greenhouse gases. The new, and stricter, Minimum Energy Efficiency Standard (MEES) requires commercial buildings to achieve an Energy Performance Rating of 'C' by 2027, and then a 'B' rating by 2030 to be eligible to be rented. The change is estimated to affect around 85% of the UK's commercial rented stock, equating to around one million properties.⁵

Derwent is a London-focused office REIT with 99% of the company's portfolio is in central London.⁶ It is a world leader on decarbonization. In February 2020, the company committed to become a net zero carbon by 2030, in line with a 1.5°C climate warming scenario. Derwent were the first UK REIT to publish a pathway to net zero, detailing their framework of principles and actions with the Science-Based Targets Initiative (SBTi) and in their own annual reporting.

Derwent's Decarbonization Strategy

Derwent recognizes that climate change is a material issue for their business. The Board has overall accountability for climate-related risks and opportunities, which it factors into its strategy discussions. They are focused on three main strategies to reduce carbon in their building portfolio:

- Reduce Operational Energy Use
- Reduce Embodied Carbon
- Invest in Renewable Energy

Reduce Operational Energy⁷

Derwent's Net Zero Pathway includes Scope 1, 2, and 3 emissions. Scope 1 refers to company's direct emissions that come from company owned property including properties and vehicles. Scope 2 are indirect emissions from purchasing power for heat or electricity. Most property owners including Derwent attribute nearly half of their emissions to Scope 3 which come from tenant activities they have no direct control over. Reducing the energy consumption of tenants is pivotal to their 2030 net zero carbon commitment.

Derwent identifies opportunities for savings with the building manager, property manager, asset manager and engineering contractors at each property. They examine the feasibility of electrification of heating, i.e. moving from gas to air source heat pumps, and installing LEDs and infra-red sensors for energy-efficient lighting.

They also engage their tenants via green leasing. Many of their tenants are multinational companies like Boston Consulting Group, Burberry, Capital One, and Sony Pictures, who have strong sustainability goals of their own. 63% of their tenants have adopted energy efficiency measures and 45% favor 'greener' clauses in their leases or a 'green partnership' agreement that focuses on reducing emissions alongside Derwent.

Reduce Embodied Carbon⁸

Embodied carbon consists of all the greenhouse gas (GHG) emissions associated with building construction, including those that arise from extracting, transporting, manufacturing, and installing building materials on site, as well as the operational and end-of-life emissions associated with those materials. Any development or renovation of buildings increases embodied carbon emissions.

In 2021 Derwent set ambitious embodied carbon targets for their design teams, aimed at future commercial office developments. They are measuring and accounting for embodied carbon, and have completed this complex task for five properties. They are also looking closely at the potential of new, low carbon alternatives to conventional construction materials, such as low cement concrete and 'green' steel.

Investment in Renewable Energy⁹

Derwent's strategy for renewable energy is two-fold; procure clean energy from existing utilities and build capacity with new developments.

Derwent is a member of RE100 – a corporate group committed to getting to 100% renewable energy. In 2022, Derwent procured 98% of its electricity from Renewable Energy Guarantees of Origin (REGO) and 79% of its gas came from Renewable Green Gas Origin (RGGO) tariffs. Together, 92% of energy (electricity and gas combined) purchased in 2022 was from green contracts.

In 2021, Derwent submitted an application to Glasgow City Council for a giant solar park that could meet up to 43% of the company's electricity needs. The plans call for the installation of over 60,000 photovoltaic

panels across 100 acres of farmland whilst still allowing for sheep grazing. Derwent is also installing a photovoltaic array of around 200 solar panels onto a former barn they are converting to an office. Once in use, the array will render the building net zero carbon both in construction and operation.

Project Spotlight: Brunel Building¹⁰

The Brunel Building is centrally located near Paddington Station. The office tenants include Sony Pictures, Premier League, and Coach.

The building was designed to achieve a 71% improvement in operational energy consumption compared to a similar size office buildings. Low carbon heating and cooling is achieved with an aquifer thermal energy storage (ATES) system. This uses two 180 meter deep boreholes to take advantage of stable underground temperatures. Grey water from the showers is recycled and used to flush the toilets to reduce the potable water demand by up to 30%.

Derwent also lowered embodied carbon by reducing the amount of materials used. They exposed the suspended ceilings which saved 540 tCO₂e of embodied carbon, fly ash replacement in the concrete saved over 1,000 tCO₂e, and the use of self-finishing concrete saved 18 tCO₂e.

The building achieved LEED Gold and BREEAM 2014 Excellent & Wired Platinum.



Notes and Sources:

¹ Derwent London. (2023) "Responsibility Report 2022: Making a Material Difference." <https://reports.derwentlondon.com/responsibility-2022>

² Derwent London, Inc is 0.37% of the Vert Global Sustainable Real Estate Fund (VGSRX) as of March 31, 2023.

³ Katherine Ross and Jessica Seddon, "Curbing Climate Change and Preventing Deaths from Air Pollution Go Hand-in-Hand," World Resources Institute, October 29, 2018, <https://www.wri.org/insights/curbing-climate-change-and-preventing-deaths-air-pollution-go-hand-hand>

⁴ Farnell, B. (2023 January 4.) "United Kingdom: It's all about the MEES." Baker McKenzie. https://insightplus.bakermckenzie.com/bm/real-estate_1/united-kingdom-its-all-about-mees

⁵ Mayor of London. (n.d.). "London Building Stock Model". Mayor of London. <https://www.london.gov.uk/programmes-and-strategies/environment-and-climate-change/energy/energy-buildings/london-building-stock-model>

⁶ Derwent London. (2023) "Responsibility Report 2022: Making a Material Difference." <https://reports.derwentlondon.com/responsibility-2022>

⁷ Derwent London. (2023) "Responsibility Report 2022: Making a Material Difference." <https://reports.derwentlondon.com/responsibility-2022>

⁸ Derwent London. (2023) "Responsibility Report 2022: Making a Material Difference." <https://reports.derwentlondon.com/responsibility-2022>

⁹ Derwent London. (2023) "Responsibility Report 2022: Making a Material Difference." <https://reports.derwentlondon.com/responsibility-2022>

¹⁰ Derwent. (n.d.). "Brunel Building, 2 Canalside Walk W2". Derwent London. <https://www.derwentlondon.com/properties/brunel-building>

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