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**CFO LEADERSHIP
NETWORK**

ENGAGING THE BOARD AND EXECUTIVE MANAGEMENT ON SUSTAINABILITY

Case study: British Land



THE PRINCE OF WALES'S
CHARITABLE FUND



**British
Land**





BRITISH LAND: ENGAGING THE BOARD AND EXECUTIVE MANAGEMENT ON SUSTAINABILITY

WHAT?

British Land is a UK property company that manages £12.7 billion of assets. We launched our new sustainability strategy in May 2020. Our specific commitments include transforming our portfolio to net zero carbon by 2030 and introducing a new Transition Vehicle to accelerate progress towards this goal. By demonstrating a strong business case for more sustainable buildings and close alignment with our corporate strategy, our Board has been engaged and supportive from an early stage.

This approach has enabled us to integrate sustainability considerations into business planning, reporting and decision making. To deliver on our goals more effectively, members of our Executive Committee (Exco) have clear sustainability objectives and these are cascaded down to staff at all levels of the business. Underlying this is a strong belief that to be successful, sustainability should be considered part of everyone's role, from the Board down.

WHY?

Sustainability matters to our customers who are increasingly concerned about the environmental and social impact of the buildings they occupy and our investors who think about the long-term value of their real estate investments. We need to mitigate the physical climate-related risk that our properties are exposed to, and we need to work closely with local communities to develop places where people want to visit, work and live.

This strong business case for sustainability is recognized at board level so sustainability is embedded in strategy and risk management. At a broader level, the property industry is a significant producer of carbon emissions, so we are aware we have a real responsibility to reduce our carbon footprint.

HOW?

Our then CFO, now CEO, played a key role in demonstrating the business case for sustainability and its relevance to a range of business areas. As a champion and sponsor for our sustainability strategy, he raised the profile of sustainability at board level and across the organization. Sustainability is increasingly part of everyone's role at British Land, and individuals focused on sustainability sit across the wider finance and development teams.

We engage our Board and Exco members on sustainability across four areas of activity: business strategy and planning; governance and risk management; corporate development and investment; and financial reporting and internal controls. We have summarized our work in these areas on the following pages.



BOARD ACTIVITY 1: BUSINESS PLANNING AND STRATEGY

The commitments we have made in our [2030 Sustainability Strategy](#) – including to be net zero carbon by 2030 – have implications for the way we invest in, develop and manage our assets. We have also introduced a Transition Vehicle to accelerate progress towards net zero carbon in our standing portfolio.

SECURING BOARD APPROVAL

We approached the end of our 2020 Sustainability Strategy as climate change was rising up the national agenda and becoming more relevant to our key investors. Benefiting from our own experience, the experience of others and using the [United Nation's Sustainable Development Goals](#) as a framework, we were well placed to design a comprehensive but targeted new strategy for 2030. Recognizing that sustainability touched every area of our business, we established a cross-function working group to embed sustainability within our corporate strategy more effectively. We were able to identify a clear business case on both the environmental and the social side, with more and more businesses looking to occupy space which is sustainable and to be based in places which support local communities. Together these factors strengthened the case for our new 2030 Sustainability Strategy, which we tested and refined with our board-level CSR Committee.

SUSTAINABILITY OBJECTIVES

To support the new strategy, objectives have been set and allocated to our Exco members. Finance has been central to developing these objectives. This approach is cascaded down throughout the organization, so that sustainability becomes part of performance management for all leadership and staff. All Board and Exco members are set sustainability objectives against which they are evaluated so progress on sustainability directly influences their compensation.

In this way, we are embedding sustainability as a central concern throughout the organization. Our goal is for sustainability 'champions' to become unnecessary as sustainability becomes business as usual and part of everyone's role.



BOARD ACTIVITY 1: BUSINESS PLANNING AND STRATEGY

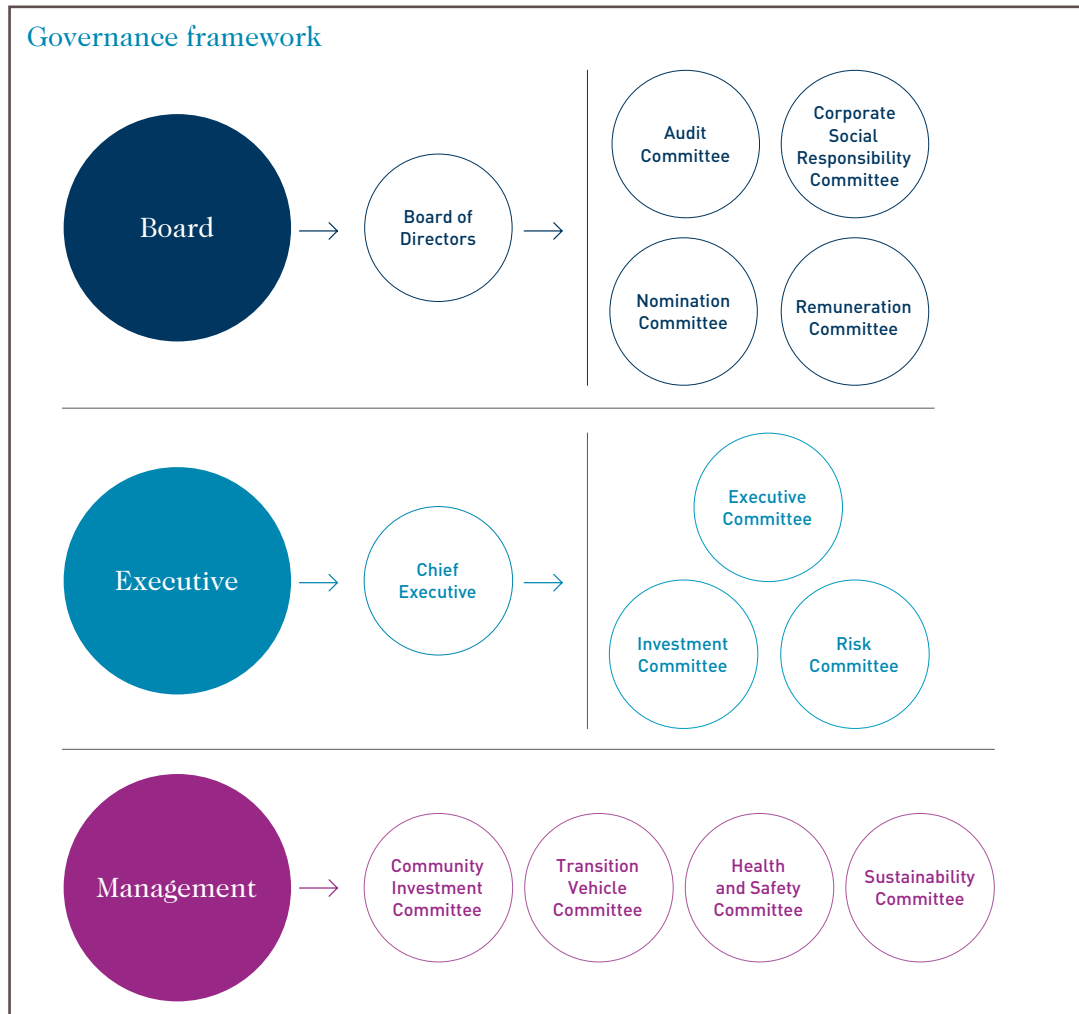
TRANSITION VEHICLE

We have an internal carbon price of £60 per tonne, of which one third is used to acquire certified offsets and the remaining two thirds is allocated to an internally ring-fenced Transition Vehicle for retrofitting properties. The Board recognizes the fund as an innovative and effective way of increasing the sustainability of our property portfolio.

To make the Transition Vehicle work, we need a clear and rational approach to allocating money for retrofit projects. The finance team has developed funding criteria, payback targets and identified clearly what we will – and will not – invest in, providing a clear structure for allocating funds. Template application forms have been developed to simplify the process for staff who identify investment opportunities which make our buildings more sustainable.

Finance is responsible for setting up the Transition Vehicle, tracking the spending over time and reporting to our CSR Committee. The structure of approvals depends on the project value: low-value projects may be approved by the Transition Vehicle Committee whereas high-value projects may need to be authorized by the Investment Committee. We will also report on the activities of the fund as part of our wider financial reporting, creating transparency on progress towards our 2030 goal.

BOARD ACTIVITY 2: GOVERNANCE AND RISK MANAGEMENT



Source: British Land Annual Report and Accounts 2021, p.93



BOARD ACTIVITY 2: GOVERNANCE AND RISK MANAGEMENT

GOVERNANCE STRUCTURE

The CFO is the sponsor of our sustainability strategy and is supported by dedicated sustainability experts across the wider finance function, including treasury and investor relations, and the development team.

The Sustainability Committee, chaired by the CFO as a board member, is responsible for delivering our sustainability programme. Management staff from across the business – including finance, strategy, asset management, leasing, and development – are represented on this committee. It operates as a working group, reviewing and refining our strategy, and reports to the board-level CSR Committee.

The CSR Committee meets three times a year. One of its priorities is to steer British Land to behave in a sustainable way towards the community and the environment. The committee members are non-executive directors, who oversee the successful delivery of our sustainability strategy.

We have set out our roadmap to implement the Task Force on Climate-related Financial Disclosures (TCFD) recommendations fully in 2022. We have established a TCFD Steering Committee which has undertaken two climate-related scenario workshops. These focused on four distinct scenarios for 2040 and our exposure to climate-related risks and opportunities in each case. The board-level Risk Committee holds operational responsibility for climate-related risks to ensure that these risks are integrated into our corporate risk management procedures. The full requirements of TCFD have been presented to the committee.



BOARD ACTIVITY 3: CORPORATE DEVELOPMENT AND INVESTMENT

To ensure that the Board takes account of our impact on the community and the environment, and to fulfil the requirements of [section 172 of the Companies Act 2006](#), we have a process in place to embed sustainability in board-level decision making. This includes a section 172 checklist we have developed for papers going to the Investment Committee, Exco or the Board.

By following the checklist, the Board considers the impact of our decisions on our wider stakeholders to ensure that British Land acts fairly between stakeholders, including shareholders, employees, suppliers, customers, the community and the environment.

As a property company, we know that we need to consider our impact on the local community and the surrounding environment. We work closely with local communities in our development projects, so we can create spaces which have a positive impact – spaces which provide opportunities for education and employment, and support local business and wellbeing. The section 172 checklist also helps us to consider these key factors in our development and investment decisions. Our adoption of a place based approach means we will focus our activities on a key local issue, where we can deliver the greatest positive impact. This aligns us more closely with the interests and aspirations of the communities where we operate, increasing their influence.



BOARD ACTIVITY 4: FINANCIAL REPORTING AND INTERNAL CONTROLS

The annual reporting process, including our sustainability reports is led by finance. The sustainability team is integrated within the finance function and development team, and this is reflected within our reporting.

This structure also strengthens how we communicate internally and externally about sustainability issues. Regular financial reports are presented to Exco and the Board, and we are currently working to integrate sustainability KPIs into our quarterly reports.

The finance team, through its role in managing the Transition Vehicle, will be involved in monitoring the internal carbon price over time and how this fee is allocated between offsets and the Transition Vehicle. The finance team ensures that controls are in place so that the Transition Vehicle is used appropriately, and all financial information is tracked and reported.

“The Board wanted to have the sustainability strategy completely embedded into the corporate strategy. Since finance speaks to all stakeholders across the business, including the Board and commercial divisions, and understands their particular motivations, we played a key role in supporting the sustainability team to get buy in from the business and to present the commercial case to the Board. With the strategy in place, finance is involved in setting sustainability objectives, from the Board through to Exco and all staff, and monitoring progress against them on an ongoing basis. Another area where finance adds value is embedding sustainability into decision making. An example of this is by ensuring that the price of carbon is factored into our property investment and development decisions.”

Simon Carter, CEO (former CFO), British Land



TOP TIPS

HAVE A SUSTAINABILITY CHAMPION

Our CEO (former CFO) is a champion for sustainability within our organization. He attended The Prince of Wales's Business & Sustainability Programme organized by The Cambridge Institute for Sustainability Leadership soon after assuming his position. He acts as the Board sponsor for sustainability at Exco and oversees the implementation of the sustainability strategy. Having a committed member of senior management helped to move sustainability up the agenda and position it as central concern for the business. Although we want to get to a point where 'champions' are no longer needed, having a committed, engaged CFO was essential to getting us to where we are today.

MAKE A STRONG BUSINESS CASE

Building a persuasive business case has been critical for demonstrating to the Board and Exco that sustainability is relevant to, and important for, British Land. Customers increasingly ask for more sustainable buildings and staying ahead of this demand enables us to achieve higher rents and lower vacancy rates. By showing the extent of interest in sustainability from customers, investors and regulators, we have achieved strong buy in from senior leadership and our finance team has taken the lead on this.

TAP INTO ENTHUSIASM FROM YOUR STAFF

Buy in on sustainability also works from the ground up. We have raised awareness of sustainability among staff through 'lunch and learn' sessions. These have included presentations on a range of sustainability topics in general and our sustainability strategy in particular. We have found that our staff are engaged on this subject and we are leveraging their interest to spread awareness of sustainability throughout the organization. An employee-led network, SustainaBLe, has been set up to promote sustainability internally and build a more sustainable organization at every level.

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