



A4S

**CFO LEADERSHIP
NETWORK**

SETTING OUR PATHWAY TO NET ZERO

Practical example: British Land



THE PRINCE OF WALES'S
CHARITABLE FUND





WHAT

British Land is a UK property company with £13.7 billion of assets under management. In December 2020, we published our 'Pathway to Net Zero Carbon', which lays out our targets, delivery strategy and reporting metrics for achieving net zero carbon emissions across our portfolio by 2030.

The main elements to our pathway are:

- Reducing embodied carbon – emissions generated in the production, maintenance and deconstruction of properties in our portfolio.
- Reducing operational carbon – emissions from operating the properties, such as emissions from energy use.
- Financing the retrofitting of our standing portfolio through our Transition Vehicle.¹
- Offsetting residual emissions when we have done everything we can to eliminate carbon emissions.

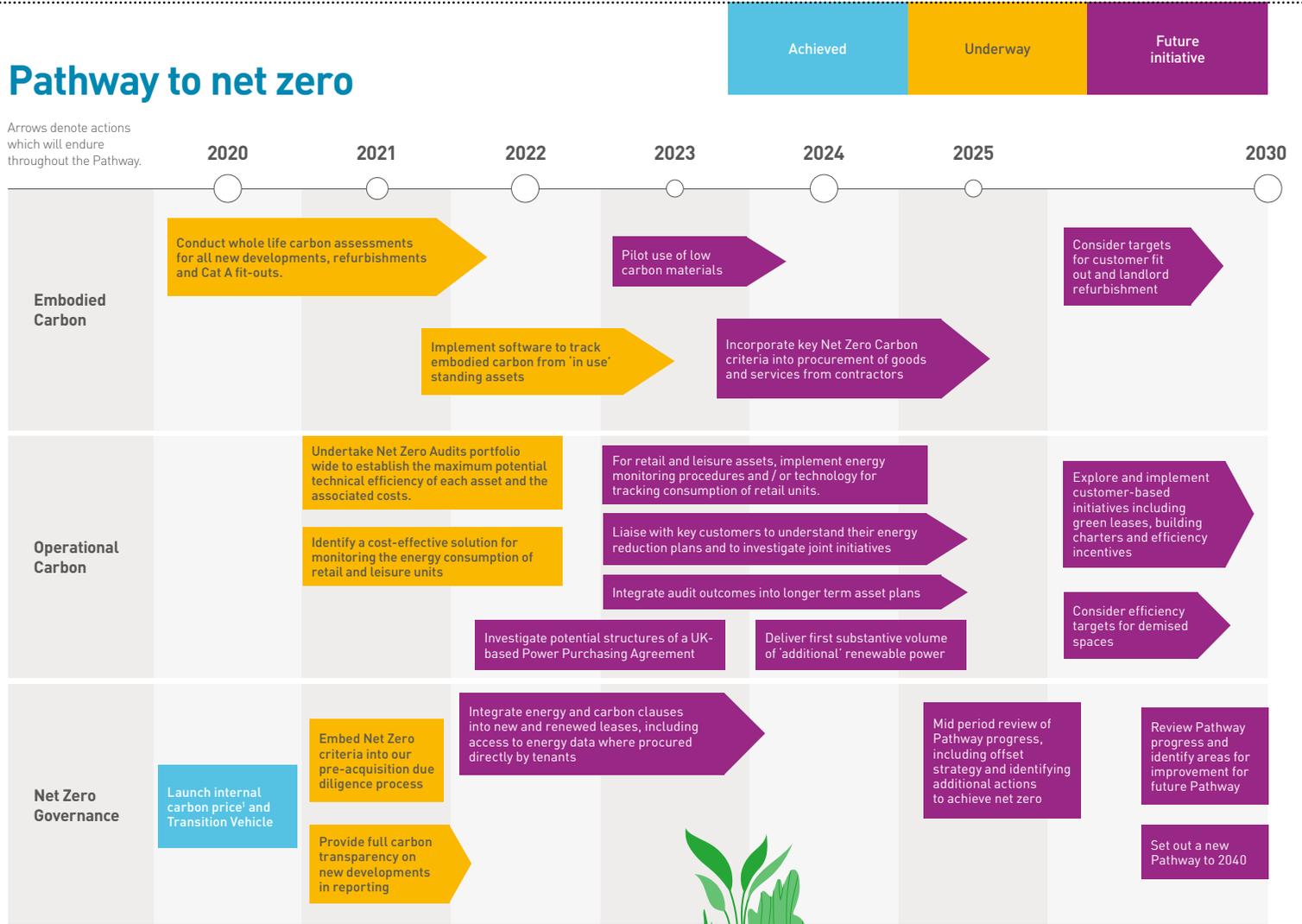
Finance plays an integral role in delivering key projects within the pathway, including:

- Launching and running the Transition Vehicle which provides funding for interventions to transform the energy performance of our existing assets.
- Establishing reporting metrics and communicating progress to the market.
- Demonstrating a clear alignment between the commercial and environmental case for sustainability.

¹ We created a bespoke Transition Vehicle to ring-fence the funding required to retrofit our standing portfolio, improving its energy efficiency. This is funded by an internal carbon levy set initially at £60 per tonne of embodied carbon in our developments. (Source: <https://www.britishland.com/sites/british-land-corp/files/sustainability/reporting/latest-reporting/pathway-to-net-zero.pdf>)

Pathway to net zero

Arrows denote actions which will endure throughout the Pathway.



¹ Carbon price to be reviewed annually by our CSR Committee



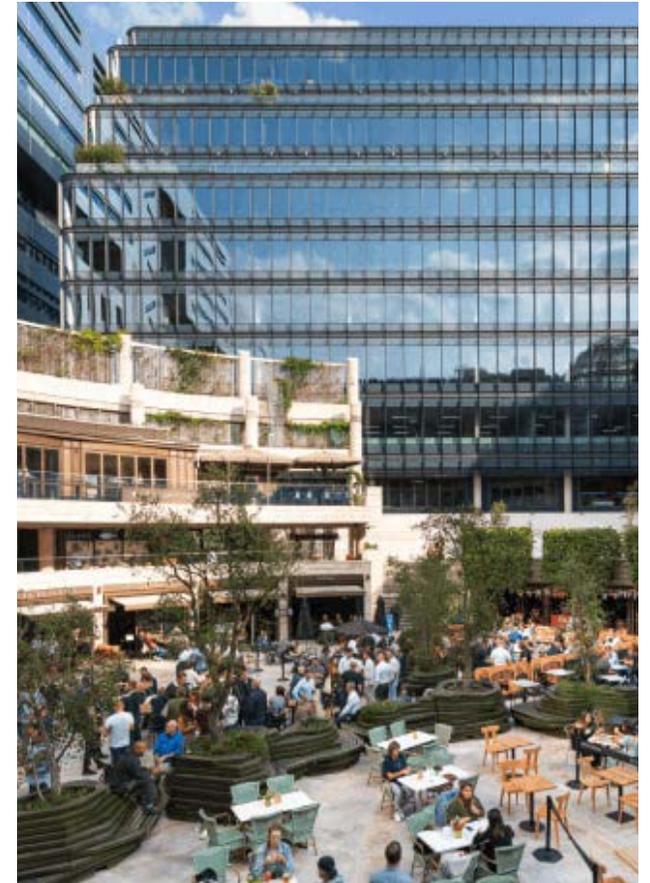
Source: British Land 'Pathway to Net Zero Carbon' P.9, December 2020

WHY?

Our net zero commitment is part of a sector-wide initiative from the British Property Federation. The real estate sector is coming to a shared understanding that because property is a major driver of carbon emissions, Real Estate Investment Trusts (REITs)¹ have a clear responsibility to play our part in tackling climate change.

The interests of our shareholders and customers also create a strong commercial case for setting and pursuing environmental targets. Shareholders are tracking corporate ethical behaviour more closely now than ever before, and our net zero pathway is a tangible way of demonstrating to shareholders that we are committed to being a more sustainable business. At the same time, customers increasingly demand higher quality, sustainable spaces in many cases, reflecting their own corporate sustainability objectives – and for those committing to new space, net zero buildings are an increasing priority.

We think these market trends will only become more important, making it ever harder to lease buildings that do not have the right credentials. Working towards net zero is not just the right thing to do, it is an important business strategy.



¹ A Real Estate Investment Trust (REIT) can be either a single-company or group REIT that owns and manages property on behalf of shareholders. REITs may contain commercial and/or residential property but not owner-occupied buildings.



HOW?

Our starting point was committing to a net zero ambition and then agreeing the scope, targets, approach and metrics we would adopt. From here, we developed our net zero pathway, which sets out specific actions that we will take between 2020 and 2030.

Here are some of the actions that finance is working on:

IDENTIFYING A COST EFFECTIVE SOLUTION FOR MONITORING THE ENERGY CONSUMPTION OF RETAIL AND LEISURE UNITS (UNDERWAY)

We had already made good progress in improving our carbon intensity for the spaces we control. However, most of our operational emissions come from tenant-controlled spaces. To get to net zero, our work needs to encompass the whole building – a major increase in scope.

As a start, we need to know the amount of energy that is being used in all of our units. The finance team is working on cost effective ways to monitor tenants' energy use so that we can set a baseline and then track our progress.

EMBEDDING NET ZERO CRITERIA INTO OUR PRE-ACQUISITION DUE DILIGENCE PROCESS (UNDERWAY)

Working with colleagues from across the business, the finance team has developed a checklist for our property acquisitions to include net zero criteria. Finance has coordinated much of this activity to ensure that the checklist is in place as part of the due diligence process.

PROVIDING FULL CARBON TRANSPARENCY ON NEW DEVELOPMENTS IN REPORTING (UNDERWAY)

There are different ways that we can calculate and report on our metrics. Finance is collaborating with the sustainability team to prepare and present this data in a way that is both appropriate and digestible for users of our reports. Alongside the reported metrics, finance is also working on ways to make the supporting narrative engaging and useful for our investors and our people.

LAUNCHING INTERNAL CARBON PRICE AND TRANSITION VEHICLE (ACHIEVED)

In this finance-led project, we first set up a committee, chaired by our interim CFO, to oversee the Transition Vehicle and how it is managed. The committee includes representatives from teams across the business, including finance, treasury, development and property management. Finance staff drafted the terms of reference and the user guide for the vehicle.

The Transition Vehicle is funded through a carbon price that is levied on embodied carbon for our newly developed properties, supplemented by a £5 million annual float. Using a carbon levy incentivizes our development team to reduce emissions on their development projects, which will help us to reach net zero. We have set the carbon price at £60 per tonne, which will be reviewed each year by our board-level CSR committee.



Funds in the Transition Vehicle are allocated towards energy efficiency improvements and more environmentally friendly sources of energy. Our teams who are responsible for retrofitting our standing portfolio, carrying out low-carbon research and development and helping customers fit out their space with minimal environmental impact, are encouraged to identify suitable projects and to apply to the Transition Vehicle for funding. The treasury team led an internal roadshow to spread awareness of the vehicle throughout the organization and explain the application process.

We also plan to use the funds to purchase carbon offsets. Although we are working to get our carbon emissions as low as possible, there will be some emissions that we cannot completely eliminate. To get us to net zero, we will offset these residual emissions through certified offsets that meet the Better Buildings Partnership and UK Green Building Council guidelines. This will be approved by the Transition Vehicle committee.

The finance team will track the income and expenditure for the Transition Vehicle. We will report on our progress in both our annual report and sustainability accounts.



NEXT STEPS

Now that we have put our pathway in place, we are focusing on delivering against it and reporting on our progress. We also know that our strategy may need to evolve between now and 2030. For instance, if we discover that we are hitting our targets ahead of time then we can make those targets more challenging.

We have found having a detailed roadmap on net zero very useful for planning activities and holding ourselves accountable.



TOP TIPS

SET EXECUTIVE TARGETS

To get the whole organization working towards net zero, we set targets for our executive committee that then cascade down. Every staff member has their own sustainability objectives. This can encourage and accelerate activity throughout the organization.

GET BUY IN AT A SENIOR LEVEL

The support of our former CFO – now the CEO – in setting our sustainability strategy and signing up to a net zero commitment helped us to get things moving. Having buy in from a senior executive was crucial in driving this work forward.

LEARN FROM PEERS

Signing up to an industry-level commitment from the British Property Federation has been a real driver for change. It has also given us a push to link up with our peers, so we can share ideas and best practice. In this space, learning from others helps us all to work towards a common goal.

ENGAGE THE WHOLE ORGANIZATION

In launching the Transition Vehicle, finance set up a committee which includes representatives from across the business and led an internal roadshow to spread awareness of the vehicle throughout the organization. We also have an employee-led network, SustainaBLe, that is committed to building a more sustainable organization at every level. We have found that there is a lot of enthusiasm from our people for reducing our carbon emissions. If you find a way to engage your staff and get them involved, you can accelerate your progress.

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