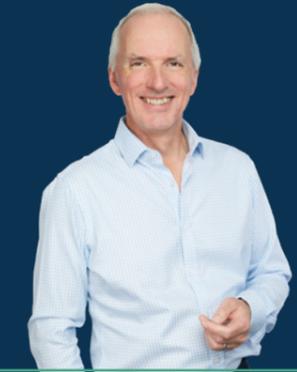


Responsible Investment Report

Actively investing for the future

2021



A message from our Managing Partner

Philip Gadsden,
Managing Partner

I am pleased to share with you the progress we have made during 2021 on responsible investment.

Buildings that positively impact the communities and environments in which they sit generate stronger investment performance. A bold statement but one which we believe to be true based on evidence from asset management outcomes we are delivering across our client portfolios. That's why we concluded that the 2050 target for achieving net zero set by the Paris Climate Agreement and the amended UK Climate Change Act was not enough. So we have accelerated by 20 years our commitment to become a net zero carbon business for corporate and landlord emissions and refurbishments - now to 2030 - and accelerated by 10 years our commitment to become a net zero carbon business for occupier emissions and fit outs – now to 2040. We are among the first real estate asset managers in the UK to target these earlier dates, and significantly we have gone beyond best practice by extending our net zero carbon pathway to include Scope 3 emissions. You can read more about our net zero carbon pathway on page 14 of this report.

COP26, the UN global climate change conference, underlined the urgency of halving global carbon emissions by 2030 and the pivotal role that real estate has to play, with 40% of global emissions coming from the built environment. With that in mind, I am proud we are making our second disclosure of how we are assessing, managing and measuring climate risks in our business in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on page 34 of this report. We have also joined the Better Buildings Partnership Climate Commitment and the Net Zero Asset Managers Initiative so we can contribute to how the industry can best manage climate-related risks.

During 2021 we have also addressed other key environmental, social and governance issues. In particular this year we launched our first Responsible Procurement Charter which is aligned to the outcomes of the UN Sustainable Development Goals and builds on our Responsible Managing Agent Standard which we launched in 2020. Our Responsible Procurement Charter provides a framework for us to engage third parties on a consistent basis having considered their approach to ethics, fair working conditions, health and safety, diversity, community engagement and their environmental impact.

We have also developed and launched our bespoke Project Sustainability Principles which include the net zero carbon hierarchy, energy use intensity targets and embodied carbon targets. The Principles are not limited to reducing carbon emissions but extend to other considerations including the circular economy, wellbeing, biodiversity, community investment, transport, pollution, water and materials.

Furthermore, we have comprehensively updated our business, Investment and Asset Management policies and procedures in response to recommendations from our 2020 climate risk analysis, using this as an opportunity to address a range of issues including our net zero carbon targets, climate risks, diversity, equality, agile working, remuneration and ethics.

Rightly, there is increasing scrutiny of how investment managers integrate ESG issues into their investment strategies. Capital allocated globally to funds with a sustainability based strategy almost doubled during the second and third quarters of 2021¹ – a record increase – at the same time as UK and EU regulators turn up the heat on investment managers who are making green claims. We note their intention by the end of 2022 to create a UK “Green Taxonomy” which intends to define the requirements for financial investments to be deemed environmentally sustainable. I believe the progress we have made in 2021 as it relates to our own governance, responsible investment targets, transparent reporting and third party assured measurement puts us in a strong position to evidence that we are doing what we say.

I am fortunate to have a passionate team around me which has enabled Orchard Street to get people and processes in place so that we can strive to achieve ambitious targets for reducing carbon emissions whilst also ensuring we act with responsibility towards all our stakeholders in everything that we do. Indeed, we report our progress transparently to our clients and work closely with them in supporting their own ESG commitments. Responsible Investment has brought change to UK real estate. This is set to continue in 2022 and beyond and I am determined Orchard Street remains at the forefront of that change.

I hope you enjoy reading our 2021 report.

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About this report

At Orchard Street Investment Management, responsible investment is embedded into every aspect of how we manage and enhance our clients' capital and real estate portfolios.

Our commitments and activities are driven by our fiduciary responsibility to clients to deliver resilient and sustainable investment performance. By supporting the outcomes of the UN Sustainable Development Goals, actively managing environmental, social and governance issues, including climate-related risks and opportunities, and partnering with industry initiatives, we contribute to a more clean, just and sustainable world for our stakeholders and value for our clients.

In this report, we tell you about the progress we have made against our 2020/2021 responsible investment targets, the projects we have completed across the focus areas of environment, social and governance (ESG), and our ambitions to drive forward our progress in the years to come.

welcome

1. <https://esgclarity.com/global-sustainable-fund-assets-almost-double-to-near-4trn/>

Who we are

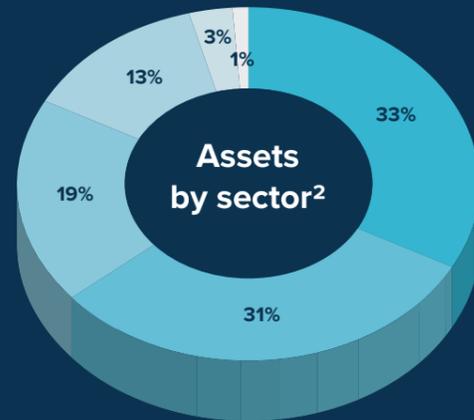
Orchard Street is a leading commercial real estate investment manager committed to supporting institutional clients worldwide by responsibly protecting and enhancing their real estate portfolios and property assets in the UK.

Responsible investment is vital to our business and we are confident that a responsibly managed portfolio leads to stronger performance for our clients, especially when combined with the hands on management style at which Orchard Street excels. Collaboration with our clients, suppliers, peers and government are fundamental to our approach. Our responsible investment strategy ensures we manage the material environmental, social and governance risks and opportunities at every level of operation, from Board to Investment Committee to reception desk.

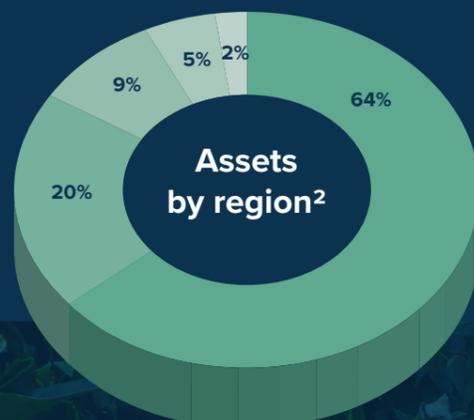
"Our success is testament to the relationships we have built with all our stakeholders, who trust us to act responsibly and take the lead on addressing key ESG risks."



Lora Brill,
Head of Responsibility & ESG



- Industrial
- Offices
- Retail Warehouses
- Leisure/Other
- Standard Retail
- Shopping Centres



- South East⁴
- North
- Midlands & Wales
- Rest of South
- Scotland

² Figures as at 30 September 2021
³ Number of let units plus those with agreements for lease, excludes vacant units and those units under development
⁴ Including central London and Cambridge

£3.8^{bn}
Total value of assets under management (AUM)²

£2.07^{bn}
Invested over the last seven years²

140
Total number of assets²

1,006
Total number of tenancies^{2&3}

80%
of our 2020/21 targets were achieved, of which 20% were partially achieved and will continue to be delivered in 2022

2030 AND 2040 NET ZERO PATHWAY
Published our net zero carbon pathway and committed to be a net zero carbon business by 2040, with an interim 2030 target for our direct emissions

515MWh
Estimated annual renewable electricity generation from solar PV projects completed in 2020/21

2020/21 Responsible Investment Highlights

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
Completed our second response in line with the TCFD recommendations

GREEN APPLE AWARD
Awarded for improving biodiversity infrastructure across 31 industrial assets

320
Hours of volunteering to local charities and initiatives

MEASURED APPROACH
Measured the social impact of priority initiatives in our ESG Asset Tracker

PROPERTY WEEK AWARD
Bauhaus was recognised as Highly Commended in the Health and Wellbeing initiative category at the 2021 Property Week Awards

68
Value-weighted average Energy Performance Certificate score across 1,084 units, equivalent to a mid-C rating⁵

⁵ Calculated as a value-weighted average by unit. An English equivalent rating has been used for Scottish EPCs where available. For the 53 ratings where an English equivalent is not available, we have used the Scottish EPC rating

Responsible business

Our responsible investment approach underpins how we operate as a business and navigate the evolving ESG risks created by a rapidly changing world. We've placed climate change at the centre of our approach to ensure we can embed resilience across our environmental, social and governance focus areas and deliver strong, long-term performance for our clients.

Recognising our role as a real estate investment manager and the part our industry can play in curbing global carbon emissions, we work to improve the sustainability credentials of assets that we manage and to understand their environmental and social impacts.

We have built an in-depth knowledge of ESG risks and opportunities, which we use to guide decision making and activities across all aspects of our business, from investment to asset management and development. We believe strongly in the aims of the UN SDGs, embedding their objectives into our own targets and strategy to deliver on our promise to positively impact the lives of our employees, the people who work in and visit our properties every year, and the communities surrounding our assets.

We have identified eight United Nations Sustainable Development Goals (UN SDGs) where we can make a significant impact through our responsible investment strategy and our core business activities.

Environment

To accelerate action to tackle the climate crisis, we set sector-leading targets to become a net zero carbon business by 2040, with an interim 2030 target for direct emissions. We formally support and respond to the TCFD. We have mapped our material climate risks and opportunities, furthering their integration across our governance, strategy, and risk management processes as well as our targets.

We reduce the environmental impact of our assets under management to achieve our environmental targets and contribute to our material SDGs by focusing on the key intervention points across our acquisition, asset

management, refurbishment and development processes. This includes achieving 100% renewable energy for all landlord procured electricity, identifying opportunities for on-site renewables, setting environmental standards for all refurbishments and developments, engaging with occupiers to increase recycling, and ensuring we invest in cycling and EV charging facilities to support a lower carbon society.



Social

The assets we manage provide high quality commercial real estate across the UK, which aids local economies, businesses and job creation. We uphold our responsibility to support the wellbeing of our occupiers, and the opportunity to use our assets and supply chain to improve our local communities through responsible procurement. We set the standards through our Project Sustainability Principles for refurbishments and developments to ensure they positively contribute to social issues

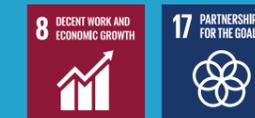
such as wellbeing, community investment and sustainable transport. Importantly, our people are our greatest asset and where we can have the greatest direct social impact, so we foster a positive working environment that supports their wellbeing and personal development.



Governance

Integrity, transparency and the highest standards of governance and risk management are fundamental to instil confidence for our clients and stakeholders. Our Responsible Investment Policy along with our Responsible Procurement Charter, Project Sustainability Principles, Bribery and Anti-corruption Policy, Anti-money Laundering Policy and IT Security Policy are part of a comprehensive set of business compliance policies and procedures. The implementation of these are at the heart of how we operate.

We contribute to international frameworks to ensure our investors and clients have an objective analysis of our performance. We engage in global and cross-sector initiatives, working with industry organisations, clients and government to support the sharing of best practice and working towards common ESG goals.



SUSTAINABLE DEVELOPMENT GOALS

Our responsible investment targets 2021/22

75 Farringdon, London

| Short-term Targets | Deadline | Medium-term Targets | Deadline | Long-term Targets | Deadline | | | |
|--|--|---------------------|--|-------------------|--|------|---|------|
|  <p>Environment</p> | Commission a climate change flood risk review for a sample of existing properties under management | 2022 | 50% tenant energy data collection measured by floor area by 2025 | 2025 | 80% tenant energy data collection measured by floor area by 2025 | 2030 | | |
| | Achieve a 70% recycling rate and 99% diversion from landfill for landlord provided waste services ⁶ | 2022 | | | 25% reduction in Scope 1, 2 and 3 carbon intensity (tCO ₂ e/m ²) by 2025 ⁷ | 2025 | 16% reduction in whole building energy intensity (kWh/m ²) ⁷ | 2030 |
| | Set a water consumption target for landlord-controlled water meters in line with industry best practice benchmarks, utilising the improved data from the "smart" water meter rollout | 2022 | 90% by value of assets under management to be green certified by 2030 (EPC B or above, NABERS, BREEAM, etc.) | 2030 | | | Install 10MW of solar PV by 2030 | 2030 |
| | Achieve 90% automated meter reading (AMR) "smart" data coverage of all landlord-controlled energy meters | 2022 | | | | | 60% reduction in Scope 1 and 2 carbon intensity (tCO ₂ e/m ²) by 2030 ⁷ | 2030 |
| | Pilot an electric vehicle (EV) charging partnership on selected retail parks to support the transition to lower emissions travel | 2022 | 50% by value of assets under management to be green certified by 2025 (EPC B or above, NABERS, BREEAM, etc.) | 2025 | | | | |
| | Conduct a biodiversity net gain exercise across a sample of 10 cross-sector sites | 2022 | | | | | | |
|  <p>Social</p> | Offer a paid internship or work experience opportunity | 2022 | | | | | | |
| | Support 150 hours of volunteering through Orchard Street volunteering programme | 2022 | | | | | | |
|  <p>Governance</p> | Establish a Climate Change Resilience Strategy by December 2022 in line with the Better Buildings Partnership Climate Commitment | 2022 | | | | | | |
| | Refresh Responsible Investment Strategy in line with the UN SDGs (rolled over from 2021) ⁸ | 2022 | | | | | | |
| | In support of COP26 ⁹ , join the UN Race to Zero via the Net Zero Asset Managers initiative | 2022 | | | | | | |
| | Provide biodiversity training for investment and asset management teams | 2022 | | | | | | |

6. In 2020/21, our recycling rate and diversion from landfill was 57% and 99.7% respectively
 7. Percentage reductions are based on a baseline year of 1 October 2018 – 30 September 2019
 8. This target is ongoing from 2020/21, please see our Target performance progress on page 38 for more information
 9. The 26th United Nations Climate Change conference brought nations from around the globe together in Scotland in November 2021 to reach an agreement on tackling climate change

Environment



80%

of our environmental targets due to be completed in 2020/21 were achieved¹⁰

We have positioned ourselves at the forefront of the property sector's response, most notably our recent commitment to become a net zero carbon business by 2040, with an interim 2030 target for direct emissions, 10 years earlier than the UK government's 2050 binding commitment. As well as paving the way for how we address environmental issues holistically, our commitment puts us on the front foot to ensure our clients' assets are resilient to future regulatory standards and the impacts of climate change, and are positioned favourably with prospective occupiers.

With climate change at the centre of our response, we have a robust approach to environmental management, which we use as an effective tool to reduce operational risks covering the property lifecycle, from acquisitions to asset management, developments and major refurbishments. In 2020/21, we have made tangible strides to reduce our carbon footprint, assess and manage our climate risks and opportunities, and improve the ESG credentials of our portfolio through enhanced occupier engagement.

Our approach is underpinned by stretching targets, supported by our Responsible Investment Policy that integrates environmental and social factors into our asset and property management strategy. Together, they reinforce our overriding objective to enhance the fund and asset performance of our clients' real estate portfolios through active ESG management.

As we drive forward our progress, we will continue to set challenging targets. Our focus will be on achieving our interim net zero carbon targets and improving the water and waste performance of our portfolio. To support our efforts, we will continue the roll-out of technologies including smart meters and EV charging and look to amplify our impact through partnerships, which focus on key environmental issues such as biodiversity.

For detailed information on our target progress in 2020/21, please see 'Our target performance' on pages 38 and 39.

The environmental agenda has dominated public debate in recent years as governments, the private sector and the investment community respond to the long-term risks posed by the climate crisis and destruction of our natural environment.

Environmental management through the asset lifecycle

We identify potential environmental and social risks and opportunities as part of our acquisition process. We updated our acquisition checklist this year, based on the findings of our climate risk scenario analysis undertaken in 2020, to ensure that climate-related risks and opportunities such as EV charging grid availability, energy use intensity, flooding, environmental certifications, energy and water efficiency and overheating are evaluated at the acquisition stage. ESG is embedded into the investment team's due diligence process and the risks of lower performing assets are accounted for by including refurbishment costs into our pricing models. Information gathered during the due diligence process informs post-acquisition investment and management decisions by feeding into our asset business plans.

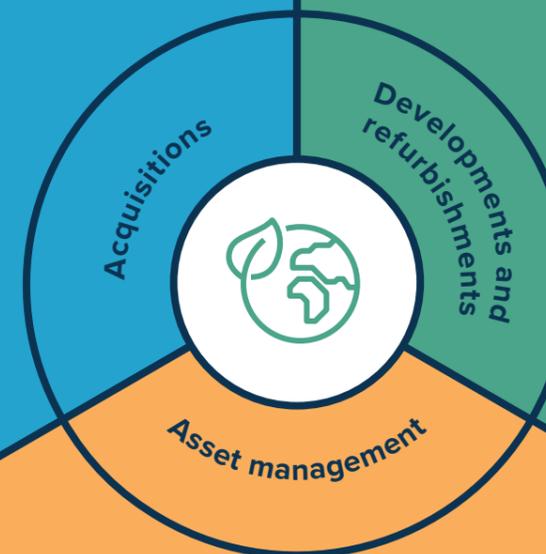
We use refurbishments to improve the sustainability of our assets, integrating low-carbon design, water and energy optimisation measures, use of low-VOC emitting materials, recycling of construction waste and installing electric car charging points and cycling facilities. This year, we strengthened our approach by creating bespoke Project Sustainability Principles for refurbishments and developments across all sectors to define a set of standards across ESG topics including energy use intensity, embodied carbon, circular economy, wellbeing, biodiversity, community investment, transport, pollution, water, and materials. In addition, all major refurbishments and developments must achieve a minimum B EPC rating, with an aspirational target of A+, and a minimum BREEAM Excellent or Very Good rating (depending on the sector) with an aspirational target of BREEAM Outstanding. Minor refurbishments have a target to achieve an EPC rating of B. In addition, these projects have ambitious energy and carbon reduction targets to support our commitment to net zero carbon.



Acquisitions



Developments and refurbishments



Asset management

We identify and track opportunities to improve the environmental performance of our assets, working closely with our occupiers, and reducing investment risk as part of our standard approach to asset management. All asset business plans include sustainability objectives, and property and asset managers use our ESG Asset Tracker to drive social and environmental initiatives at the asset level including opportunities to improve biodiversity, install renewable energy generation and host wellbeing days and local charitable events.

Environmental performance monitoring

Our focus on transparently monitoring and reducing our portfolio's environmental footprint aligns with our responsible investment priorities to enhance the fund and asset performance of our clients' real estate portfolios. We report in line with the methodology established by the EPRA Sustainability Best Practice Recommendations (sBPR) to provide a consistent and comparable framework to monitor our performance.

We have established a baseline (using 2018/19 data) to track our environmental performance, and for the first time, we are reporting three full years of landlord energy, water, and waste data. We submit our data to an independent third-party for assurance against the AA 1000 Assurance Standard, increasing the accuracy and credibility of our reporting to our clients and wider stakeholders, whilst enabling us to proceed with confidence towards our net zero carbon ambitions. Please see the assurance statement on page 40 and our [Environmental Data Annex](#) for further details.

Setting targets to drive our performance

Reduced capacity and footfall as well as business closures resulting from the impacts of COVID-19 continue to influence environmental performance in the real estate sector.

Occupier emissions account for the majority of our operational emissions and are therefore integral for progressing our net zero carbon commitment. Yet across the industry, collecting occupier environmental data is challenging for many reasons including occupiers' reluctance to share data and uncertainty as to whether the data is reliable and accurate. We have implemented a formal engagement process between occupiers and managing agents to improve occupier energy, water and waste data collection and influence occupiers to consider renewable energy tariffs. To track our progress, we have set targets to increase the collection of actual occupier energy consumption data to 50% (by floor area) by 2025 and 80% by 2030.

In action: Improving our data collection and management

To improve our data collection processes and enable more effective analysis of energy and water consumption, we are rolling out energy and water smart meters across our assets. To date, over 90% of electricity consumption is measured by smart meters and gas consumption is not measured by smart meters. Overall, 60% of landlord-controlled energy is currently measured by smart meters. We have set a combined target for landlord-controlled energy meters (including gas and electricity) to cover 90% of landlord energy by the end of 2021/22. We are separately implementing a smart water meter roll-out, as water consumption was not previously measured by smart meters.

In action: Installing on-site renewable energy

Scoping opportunities will play a key role in reducing our carbon footprint and increasing the proportion of clean energy, aligned with the targets of SDG 7. In 2020/21, we reviewed the capacity for solar PV installations across all of our assets under management. In 2020/21, six solar projects have been completed, five planned or instructed and six are in feasibility assessment. The estimated annual renewable electricity that will be generated from solar PV projects we completed in 2020/21 is 515 MWh.

Our key performance indicators

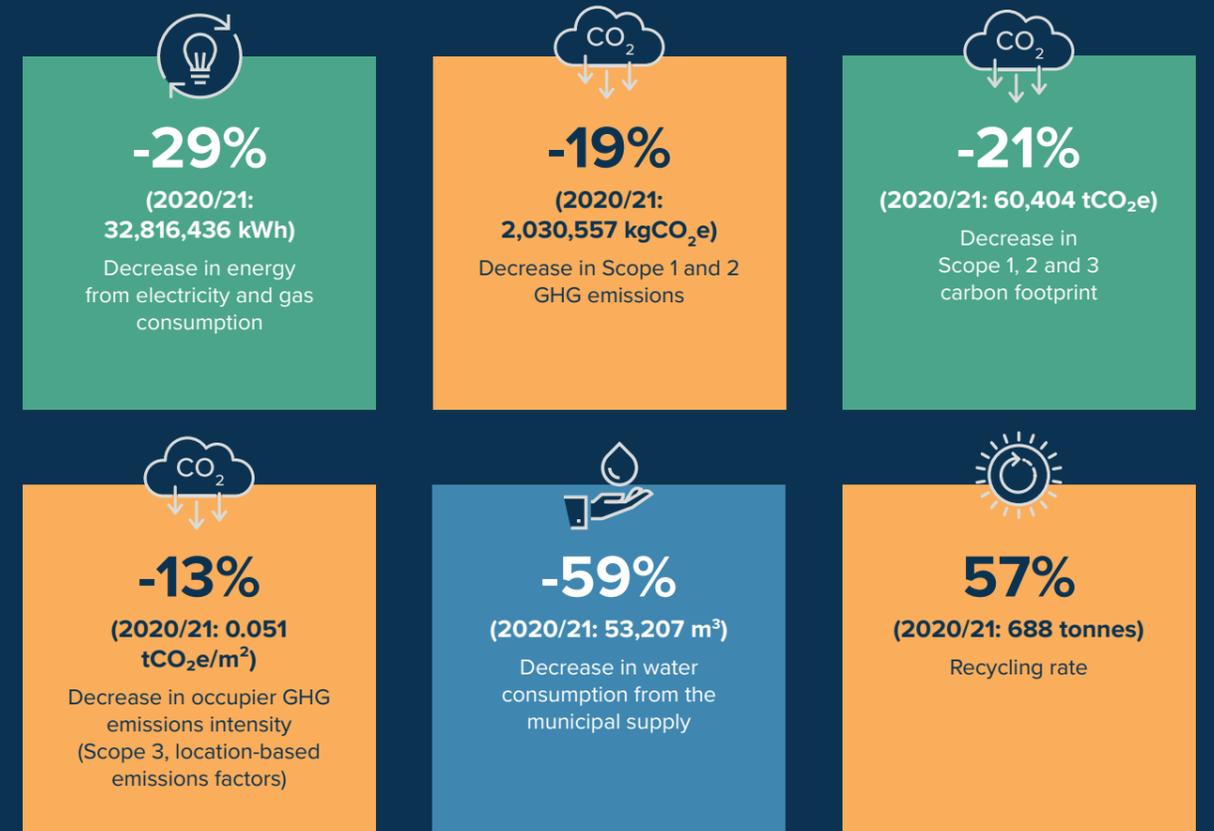
Our key performance indicators compare our environmental performance in 2020/21 to our 2018/19 baseline. Unless otherwise stated, all indicators reflect landlord-obtained consumption across our portfolio under management and emissions are calculated using the market-based method. For more information on our scope, boundaries and performance, please see our [Environmental Data Annex](#).

In 2020/21, landlord energy, water and GHG emissions all decreased very significantly compared to 2018/19, our baseline year. Lower occupancy due to COVID-19, supplemented by our efforts to increase the environmental efficiency of buildings led to these reductions. Energy, emissions and water intensity measured by floor area have also all reduced significantly. More detail is available in our [Environmental Data Annex](#).

The reductions in occupier GHG emissions that we are reporting in 2021 are mainly the result of UK grid decarbonisation (electrifying plant and equipment enables assets to benefit from grid decarbonisation), portfolio change, on-site PV generation and obtaining actual occupier data. We will continue to reduce occupier emissions through engagement, refurbishment upon vacancy and installation of solar PV panels in 2022. We also purchase 100% REGO backed renewables for landlord-purchased electricity and do not currently procure "green" gas.

As the UK continues to transition to a new normal, we expect energy, water, and waste consumption at our assets under management to increase in 2022 compared to 2021, as occupancy returns to pre-pandemic levels. Our focus in 2022 will be on improving environmental performance in line with our net zero carbon pathway and with reference to external benchmarks such as the Better Buildings Partnership (BBP) rather than by comparison to 2021's consumption. We are particularly proud of our recycling rate of 57% - in the top third of participants in the BBP's 2021 Real Estate Environmental Benchmark - and have set a challenging target to achieve a 70% recycling rate for landlord provided waste services in 2022.

We are using 2018/19 as our baseline as it is the most representative recent year due to COVID-19 restrictions in 2020 and 2021.



Spotlight on net zero

Our net zero carbon commitment:



By 2030, all operational landlord emissions, corporate emissions and embodied carbon from refurbishments and fit-outs achieve net zero carbon



By 2040, occupier operational building energy emissions and embodied carbon from occupier fit-outs, including FRI assets, achieve net zero carbon

The latest Intergovernmental Panel on Climate Change (IPCC) Climate Report has signalled “code red for humanity” as the world looks set to exceed the 1.5°C global warming limit set out in the Paris Agreement. There remains a small window of opportunity to stabilise rising temperatures, but rapid action is needed to reduce carbon emissions.

We are proud to be among the leading real estate investment managers in the UK to commit to being a net zero carbon business (you can read more about our commitment in Orchard Street's [net zero carbon pathway](#)). Significantly, the commitment covers both our Scope 1 and 2 emissions, and extends to our Scope 3 emissions from our occupiers and embodied carbon from refurbishments and fit-outs. We aim to become a net zero carbon business for corporate and landlord emissions and refurbishments – the scope over which the business has the most influence – by 2030, and to become a net zero carbon business for occupier emissions and fit-outs by 2040. The targets are 20 and 10 years before the 2050 deadline set through the Paris Climate Agreement and the amended UK Climate Change Act.

We have defined a net zero carbon pathway and targets aligned with the BBP's Climate Commitment Framework Guidance and the Net Zero Asset Managers Initiative to demonstrate leadership and be transparent about our commitment. We have adopted the BBP definition of net zero carbon, that the carbon emissions emitted from all activities associated with the development, ownership and servicing of a building are zero or negative. We have also chosen to go beyond BBP scope and include Orchard Street's own corporate emissions.

Our belief is that a net zero carbon portfolio will lead to stronger performance in the medium to long-term. We will mitigate risks to short term performance through our milestones and targets and embed this in our portfolio strategy. At the same time, we are supporting our clients to meet their own commitments, futureproof their assets, and reduce potential future offsetting liability.

Our pathway is supported by a detailed plan of targets and guidance along every stage of the net zero carbon hierarchy that prioritises the reduction of embodied carbon¹¹ associated with refurbishments, followed by reducing operational energy consumption; installation of on-site renewables; offsite procurement of high-quality renewables, and finally offsetting residual emissions through externally verified offset schemes. Additionally, we are currently exploring the options for an internal carbon pricing mechanism to support our net zero carbon targets.

Through our membership of the BBP's Net Zero Asset Managers Initiative and UN Race to Zero, and as a signatory to the BBP Climate Commitment, we are collaborating with our peers, sharing best practice, and taking the sector forward to achieve the step changes required to achieve net zero carbon.

| Net Zero Carbon Hierarchy | Greenhouse Gas Reporting Scopes | Actions | | | | Milestones and Targets ¹² | | | |
|---------------------------|---------------------------------|---------|--|---|---|--|---|---|---|
| | | 2025 | Net Zero Carbon 2030 Landlord + Construction + Corporate | Net Zero Carbon 2040 Landlord + Occupier + Construction + Corporate | | | | | |
| | Reduce embodied carbon | 3 | Refurbish and maintain assets in line with our Project Sustainability Principles | Trial internal shadow price of carbon | Engage occupiers on sustainable fit-outs | 300 kgCO ₂ e/m ² embodied carbon on major refurbishments | 210 kgCO ₂ e/m ² maximum embodied carbon on refurbishments | 2035 and 2040 targets will be set in 2030 to ensure they are sufficiently ambitious and reflect current best practice This is in line with the Net Zero Asset Managers Initiative five year interim target schedule We will revisit our net zero carbon pathway at least every five years | |
| | Reduce operational carbon | 1, 2, 3 | Increase smart meter coverage Building management optimisation | Remove fossil fuels and minimise energy use intensity through refurbishment | Occupier engagement Green leases and supporting occupiers' own ESG goals | Maximise low carbon business travel ¹³ | 25% ¹⁴ reduction in Scope 1, 2 and 3 carbon intensity (tCO ₂ e/m ²) 50% of actual occupier energy data collected 50% of assets by value green certified ¹⁵ | | 16% ¹⁴ reduction in whole building energy intensity (kWh/m ²) 60% ¹⁴ reduction in Scope 1 and 2 carbon intensity 30% ¹⁴ reduction in Scope 3 carbon intensity (tCO ₂ e/m ²) 80% of actual occupier energy data collected 90% of assets by value green certified ¹⁵ |
| | Maximise renewable energy | 1, 2, 3 | Increase on-site renewable energy and occupier PPAs | 100% 'High-Quality' landlord renewable electricity | Influence occupiers to procure 'High-Quality' renewable electricity | Monitor off-site renewable Power Purchase Agreement market | Renewables roll-out across all assets under management | | 10 MW of PV capacity installed |
| | Offset residual carbon | 1, 2, 3 | Monitor and engage in the improvement of the UK offsetting market | Support clients by offering a high quality offset programme aligned to best practice principles | | | No offsetting | | Landlord operational emissions from standing assets held for at least three years, embodied carbon from landlord refurbishments/developments and fit-outs and Orchard Street's business operation emissions |

11. As much as 50% of whole life carbon emissions in a building come from embodied carbon. Source: <https://www.wbcsd.org/Programs/Cities-and-Mobility/Sustainable-Cities/Transforming-the-Built-Environment/Decarbonization/news/Construction-industry-needs-whole-life-carbon-understanding-to-hit-net-zero-new-report-shows>
 12. Our net zero carbon pathway provides more detail on the scope and boundaries of our commitment and the process for arriving at our targets
 13. Orchard Street's own corporate business travel
 14. Baseline year is 1 October 2018 – 30 September 2019
 15. Green certified includes NABERS UK, BREEAM, EPC B or above and equivalent standards

Our pathway to net zero carbon in action



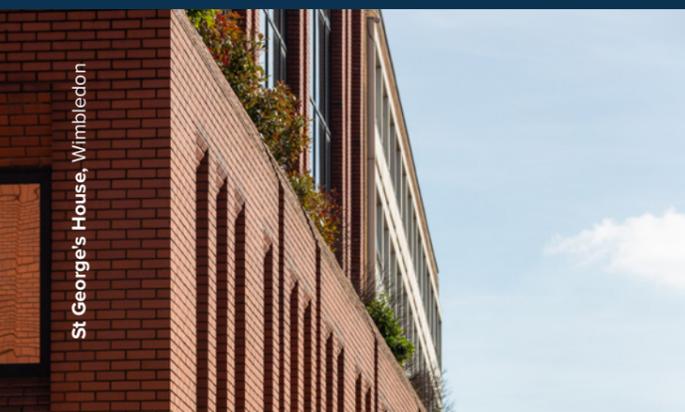
St George's House, Wimbledon



In preparation for the replacement of the chillers and the refurbishment of the third-floor offices, reception, shower and changing facilities at St George's House in Wimbledon, we commissioned a comprehensive review of the planned works from both a whole life carbon and wider ESG perspective.

Part of the review included an assessment of the replacement chiller specification against best practice energy efficiency and sustainability metrics and Cradle to Gate¹⁶ material selection to reduce the amount of carbon associated with the project as well as the overall environmental impact. The latter refers to the product stages regarding raw material supply, transport, and manufacturing as these typically constitute the majority of upfront embodied carbon.

The specialist sustainability consultant compared the selected materials against industry benchmarks and qualitatively assessed them against their whole life performance relating to durability whilst in-use, as well as recoverability and recyclability at end of life. The new design will achieve significant carbon savings of 25%, equal to 1,491 kgCO₂, as a result of the materiality review. Several enhancements were made to the original specification including a chiller with low Global Warming Potential (GWP) refrigerant as well as leak detection, a cooling strategy capable of dealing with increased temperatures caused by climate change and the incorporation of energy efficient pumps. The review is also a significant step in understanding and reducing the embodied carbon and wider environmental impact of Orchard Street's fit-out process.



St George's House, Wimbledon

Whole life carbon refurbishment review

25%
carbon savings¹⁷

1,491 kgCO₂
avoided¹⁷

Gildersome Spur Industrial Estate, Leeds

In September 2021 we completed the refurbishment of an 18,000 sq ft industrial unit at Gildersome Spur Industrial Estate in Morley, Leeds. This 1970s unit was functional but highly inefficient. By completing a comprehensive refurbishment, Orchard Street improved the unit's EPC rating from a D to an A, and secured a pre-let to a new occupier.

All light fittings were replaced with LEDs, and panel heaters were replaced with efficient modern versions. Where fittings could be retained (e.g. sanitaryware) they were updated/deep cleaned as appropriate, which minimised unnecessary redevelopment waste. Electric car charging points were installed externally, both modernising and futureproofing the unit.

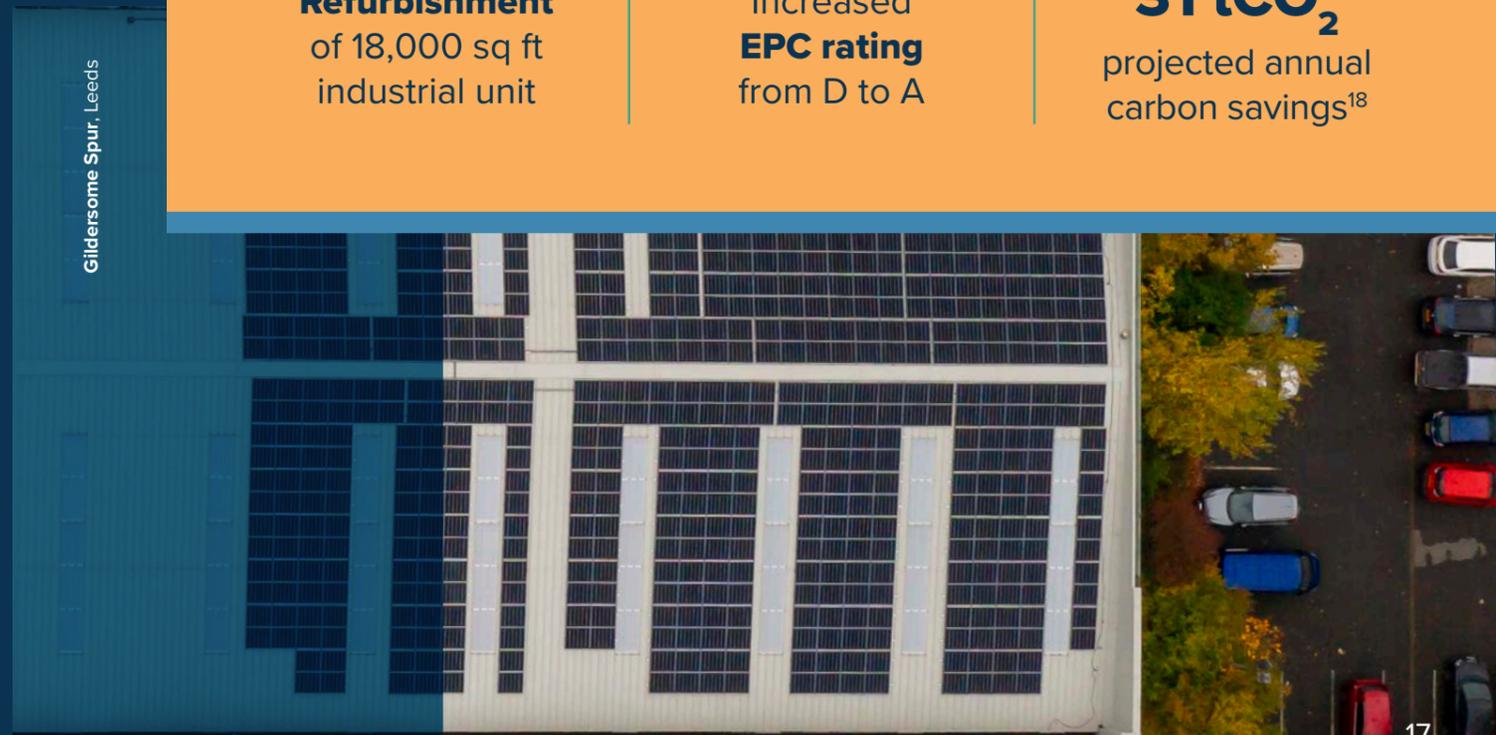
A new 10-year lease has been signed by an existing occupier on the estate, facilitating their expansion and supporting the growth of a regional SME. The PV array on the roof is sufficient to supply the majority of the occupier's annual electricity requirements, resulting in an annual projected saving of 31 tonnes of CO₂. The landlord benefits from further income generated from a PPA (Power Purchase Agreement) whereby the occupier is able to buy the electricity produced at a discount to the market rate.

The refurbishment specification had environmental performance at its heart, which informed the specific investments that were made. These included a full replacement of the roof with a modern, insulated system and an extensive solar PV panel array to generate electricity on site. Other elements of the unit were replaced with modern, high thermal performance products including the windows and curtain walling system, and an air source heat pump was installed to provide heating and hot water.

Refurbishment
of 18,000 sq ft
industrial unit

Increased
EPC rating
from D to A

31 tCO₂
projected annual
carbon savings¹⁸



Gildersome Spur, Leeds



16. Cradle to Gate (Product stages A1-A3) includes the raw material supply, transport and manufacturing. These product stages were selected as information is readily available and they typically constitute the majority of upfront embodied carbon
 17. St George's House Refurbishment Sustainability Review by Greengage Environmental Consultants
 18. Carbon savings projections provided by Solarsense Renewable Energy

Our pathway to net zero carbon in action

141 Wardour Street, London

Once complete, 141 Wardour Street in London will become one of the first truly net zero carbon office buildings in the West End. Acquired in 2018 and consisting of 34,000 sq ft of office and retail space, Orchard Street has placed our net zero carbon commitment at the centre of this refurbishment.

The works will include a comprehensive embodied carbon and operational carbon assessment in line with the UK Green Building Council's Net Zero Carbon Buildings Framework to ensure opportunities to limit energy use and carbon are captured from the very start of design. The refurbishment will benefit from on-site renewable energy technology to offset any remaining energy use and a communal roof terrace to create enhanced social spaces for building users, bringing them closer to nature and the outdoors in the heart of the city.

141 Wardour Street will also target a number of best-in-class sustainability ratings such as BREEAM Outstanding, AirScore Platinum and NABERS 4 star UK Design for Performance.

The project is currently in the planning pre-application stage and it is due to be completed during 2022.



30 King Street, London

We implemented circular economy¹⁹ principles and worked with occupiers to reduce our carbon footprint as part of our active asset management at 30 King Street, a 35,433 sq ft multi-let office in London.

New fan coil units were needed across the 4th and 5th floors of 30 King Street and we saw an opportunity to reduce the project's embodied carbon by choosing a refurbishment over new units. As well as taking a third less time to complete, choosing to refurbish the fan coil units, rather than buy new, resulted in less waste being generated due to the secondary air ductwork, chassis and coil being reused. With the increasing cost of copper and steel, the refurbishment avoided

unnecessary new purchases, which could result in delays, an excellent example of how integrating circular economy principles into a project can deliver environmental and financial savings.

Other aspects of our active investment in ESG through regular asset management have included the installation of automated meter reading (AMR) water meters that allow for the collection of water consumption data, which enables the data to be analysed and issues identified. LED lighting has also been installed in all the common areas. However, with occupier areas responsible for the majority of building emissions, we went further, agreeing with one occupier that they would upgrade all of the lighting in their two floors of occupation to LED technology as part of the renegotiation of their lease.

141 Wardour Street, London



34,000 sq ft net zero carbon refurbishment

Targeting 4* NABERS UK Design for Performance rating

Targeting BREEAM Outstanding certification

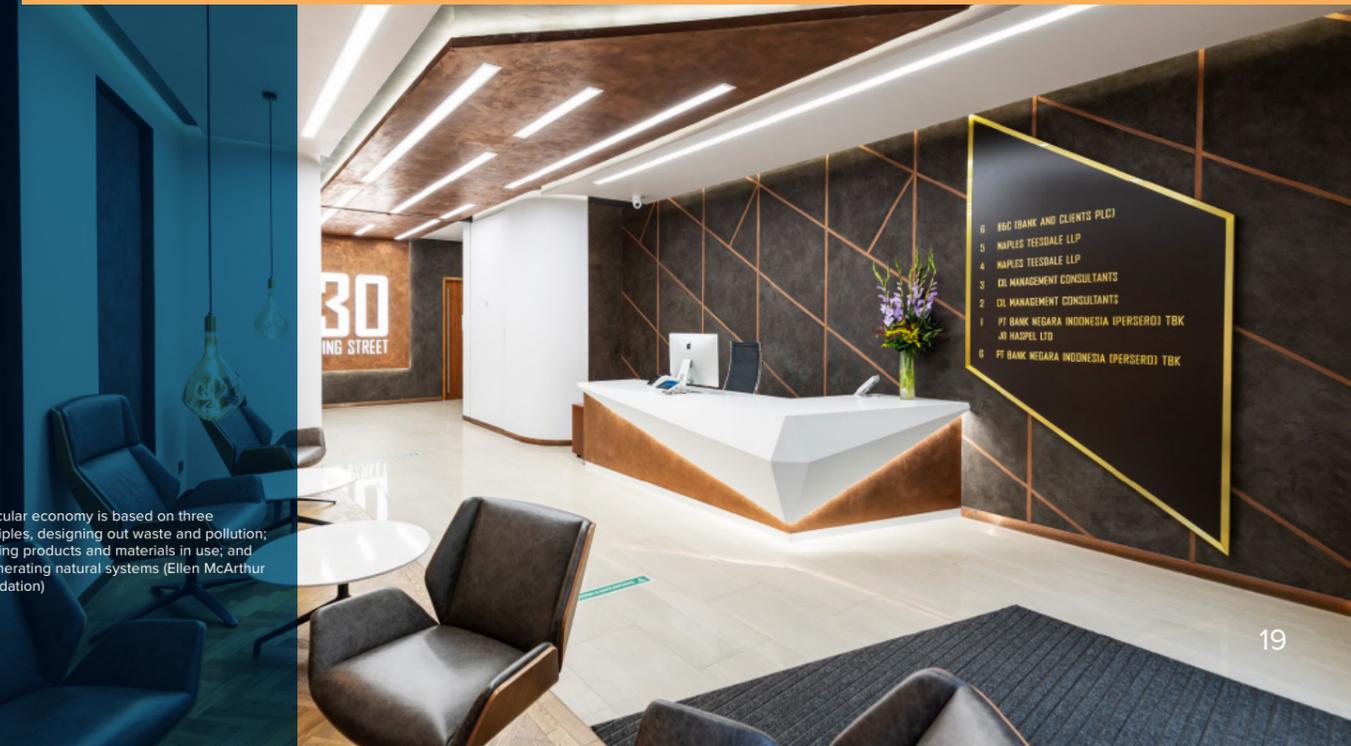
30 King Street, London

Refurbishment with circular economy¹⁹ principles

Less waste generated

Smart water meters and LED lighting

¹⁹ A circular economy is based on three principles, designing out waste and pollution; keeping products and materials in use; and regenerating natural systems (Ellen McArthur Foundation)



Social



We believe that building strong relationships with our employees, occupiers and the communities we operate in creates a sustainable and responsible business.

Our assets under management can have a meaningful impact on the lives of many, from the people who work in our offices, logistics centres and warehouses, to the customers who visit, shop and spend their leisure time in our shopping centres and retail parks.

We also make a positive social contribution to our own people, through engaging them in training and development, promoting their wellbeing and encouraging them to give back to their local communities through our volunteering programme.

We recognise the importance of climate change as a context to address social issues and the impact it has on our local communities. We are focused on widening our people's knowledge and understanding of climate change through training to better meet our clients' needs.

Across our assets and through our supply chain we ensure we are consistently operating responsibly. We also promote the wellbeing of our occupiers and contribute to the communities in which they are based. This year, we instructed research into the social value of four assets under management to better understand the social impact of these properties and our ESG Asset Tracker initiatives.

For detailed information on our target progress in 2020/21, please see 'Our target performance' on pages 38 and 39.

Monitoring our gender-pay gap

Although we have no regulatory requirement to do so, as part of our commitment to diversity and inclusion, we assessed our gender pay gap in 2020/21.

Due to the nature of being a small business, short term swings in the gender pay gap can be considerable as staff leave or join or gain a promotion to Partner thereby ceasing to have salaried remuneration.

Going forwards, we will calculate our gender pay gap twice a year, with monitoring by our Executive Committee.

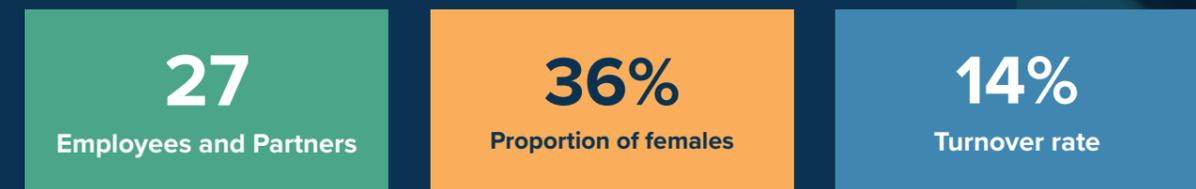
"A successful business starts with its employees. Our employee value proposition centres around empowering our people through training on critical skills and industry trends, fast tracking their development and prioritising their wellness, which supports us in retaining the best talent. Through our volunteering program, we give them the platform to have a positive impact in their communities."

Barney Rowe,
Partner, Board Member,
Chair of Responsible
Investment Committee



Our people²¹

We place a high degree of trust and professional responsibility in our employees, and in return we offer a stimulating and dynamic work environment with competitive levels of compensation and benefits including performance related bonuses, which in part reflect ESG objectives, and annual leave above the statutory minimum.



Training and development

We make training accessible for all our people to enable them to build their competencies and embrace the evolving trends within the real estate sector. Training is key to engaging our people with our Responsible Investment Policy and ensuring its objectives are embedded across our business.

These sessions covered crucial topics like anti-money laundering, IT security, climate risk, net zero carbon and social value, providing employees with the knowledge and skills required to apply these concepts in their every-day roles. We provided 64 hours of net zero carbon and climate-related risk training to further enhance our employees' preparedness for the changing environment.

This year, we continued to deliver training and introduced a number of new sessions, including those specific to ESG, delivered by a variety of in-house and external specialists.

Looking forward, as we continue to respond to the effects of the pandemic, we will aim to conduct more training this year and development opportunities for our people as they return to the office and expand on our sustainability training program.



Employee engagement

As a business with a small workforce, engagement is encouraged and is a continuous process with employees. We have a culture of openness and collaboration, and we promoted this further during the lockdowns of 2020 and 2021 by hosting weekly digital Town Halls to share news with all employees.

Everyone in the business has access to Partners and the Responsible Investment Committee, in addition to their line managers, to raise concerns and share ideas. We will be conducting interviews and a formal survey to engage employees in updating our Responsible Investment strategy, a project that is currently underway.



Health and wellbeing

We recognise the importance that the workplace and our people’s mental and physical health have on their productivity and engagement and so we have various initiatives to support the wellbeing of our employees.

In 2021, we began trialling a new Agile Working Policy and updated our Flexible Working Policy to support our people to achieve a better work-life balance. As we respond to the changing environment, we believe that by empowering our people to work in the way that works best for them, we can raise morale, reduce absenteeism, improve staff retention and allow the business to operate more efficiently.

All staff were enabled to work from home in line with government advice and strict health and safety procedures were undertaken throughout the pandemic, including lateral flow testing, hygiene, ventilation, spacing and control of the number of occupants in the office.

Our ongoing response to COVID-19

Supporting the vaccine roll-out

In response to the ongoing pandemic and to support the demand for the COVID-19 vaccine, our site at The Arena, Stockley Park let out a unit to be used as a vaccination centre by Howletts, a local pharmacy in 2021. The lease has since been extended to 2022.

In addition, Colne View Retail Park hosted an NHS screening van to promote public health in the area.

Prioritising health and wellbeing

Wellgate shopping centre produced "Wellgate Wellbeing Bags", which were handed out at the local foodbank and at a local soup kitchen to support those living in the area. The bags contained a facemask, hand sanitiser, tissues, anti-bacterial wipes and soap and a message of hope from the Workplace Chaplain, along with five tips on how to manage mental wellbeing during the pandemic.

Spotlight on wellbeing in our portfolio



Bauhaus, Manchester

On an asset level, we promote the health and wellbeing of our occupiers and were Highly Commended at the Property Week Awards in the Health and Wellbeing initiative category for our Bauhaus office in Manchester.

To improve the wellbeing of the building’s occupiers, we provide excellent air quality with live digital monitoring to ensure air in the building meets the WELL Building Standard’s exacting criteria. A dedicated exercise space underneath a pergola on the roof terrace provides room for activities such as yoga, pilates and workout classes. We also introduced high quality facilities including a dedicated drying room and towel service to encourage running and cycling to the building and exercise during the day.

To promote a healthy working environment, part of the ground floor offices were converted to create “Ourhaus”, a multi-purpose area to provide occupiers co-working, meeting, entertaining and breakout space. A biophilic designed roof terrace was also created with seating areas for informal meetings and space for occupiers to relax. Encouraging good health and wellbeing in the workplace is increasingly important, it improves employee productivity and presenteeism and can reduce the cost of absenteeism and staff turnover.

Bauhaus achieved the WELL Gold Core & Shell certification in December 2020, which makes it the first refurbished building in the UK to have received the accreditation, following its repositioning in 2019.

3,000 sq ft
**biophilic
designed roof
terrace**

Highly Commended
for Health and
Wellbeing at the
Property Week Awards

**WELL Gold Core
& Shell
certification**



The Arena, Stockley Park



Bauhaus, Manchester

Spotlight on volunteering

We recognise the importance of engaging with and having a positive influence on both our employees and the people who use, visit and live near our assets.

The Orchard Street Charitable Committee manages all charitable giving and volunteering activities that our people get involved in. Through our volunteering programme, our people engage with their colleagues to provide meaningful support to their local communities. As evidence of the value we place on social engagement, we set a target to support 300 hours of volunteering in 2020/21.

In 2020/21, the COVID-19 pandemic meant we had to adopt a flexible approach to achieving this target, recognising that some employees could give more time than others.

Across the UK, our people have given their time for worthy causes to aid the communities closest to them. Due to the ongoing effects of COVID-19, many of our people have used outdoor volunteering opportunities as a safe and accessible way to support local communities in need whilst also allowing them to come together as a group.

In 2021/22, we will be offering employees the same number of official volunteering hours, but reducing our corporate target to 150 hours, taking on board employee feedback on what is achievable and supportive. Our Charitable Committee will organise regular, meaningful, volunteering events within the constraints of any COVID-19 restrictions for those staff who wish to volunteer as part of a team. Employees will continue to have discretion to support charities and local initiatives of their choosing with their Orchard Street supported volunteering hours.

“I believe it’s important to help the next generation to fulfil their potential and to promote the role that they could play in changing the planet for the better through the multitude of careers available in property.”

Mark Long,
Head of Strategy, Speaking about his volunteering experience at Bromley High School Careers Evening



This year, our employees gave their time to several different initiatives to support those in need. These included giving blood, shopping for their shielding neighbours and volunteering to have friendly phone calls with the elderly, who became increasingly isolated during the pandemic.



320 hours

Volunteering to local charities and initiatives

14 of our people came together to give their morning to complete gardening work in Kensington Gardens. The group cleared vegetation to support the healthy growth of the trees in the park so it can continue to be enjoyed by the local community.



Our Retail Asset Management team took part in a litter pick as part of the Tidy Britain campaign in the village of Wheathampstead in Hertfordshire. The team reported that the opportunity to spend time outside of the office with their colleagues had reduced stress and boosted their mental wellbeing after what had been an isolating year.



Since Christmas 2020, 10 of our office assets have been working together to combat food poverty in the UK by taking part in the “Let’s Can Hunger” campaign. They have delivered a total of 2,871 food donation parcels to those in their local communities that need it most.



“After 8.5 brutal days on the bike, we did it! 950 miles, over 53,000 feet of climbing and countless energy bars later, I am proud to say I have completed the End to End challenge, cycling from John O’Groats to Lands’ End in aid of The Salvation Army. Not only was it an incredible experience, I am thrilled to say that we also raised nearly £6,000 for charity.”

Ed Bales,
On completing the End to End challenge in aid of The Salvation Army



Spotlight on social value at asset level



The Drapery, 115-126 Briggate



Creating social value through our assets allows us to contribute to stronger and more resilient local communities in the areas where we operate.

Earlier this year, we announced that we received planning permission to repurpose a former Debenhams store on Briggate, Leeds, into a new mixed-use asset. We will be converting the former department store into 124 high quality studios and circa 45,000 sq ft of flexible retail and leisure space in the heart of the city's shopping district that will better meet the needs of the local community.

The scheme has been designed to meet the demand and local need of the city's high student population, driven by its five city-centre based universities, with 38,000 students who are currently unable to access purpose-built student accommodation.

By repurposing the former department store, students will now have access to accommodation in the city's leisure and shopping district and will be minutes away from cultural and commercial attractions and public transport links. Introducing more residents to the city centre will also benefit local businesses by increasing traction and footfall in the area.

The planned redevelopment will preserve the architecture of the listed building, while also incorporating a number of wellness and sustainability initiatives in line with our responsible investment approach. These include a rooftop sky lounge and a wellness courtyard to maximise the use of outdoor space for residents.

The project will enable us to revitalise the former department store whilst adding vibrancy to the area and will provide an innovative example of how developers and city councils can improve and adapt city centres that have faced a number of challenges following the COVID-19 pandemic.

124 high quality purpose built student apartments

45,000 sq ft of flexible retail and leisure space

Rooftop sky lounge and wellness courtyard

The Drapery, Leeds



St Catherine's Walk, Carmarthen

St Catherine's Walk is situated in the prime centre of Carmarthen, Wales, and is a contemporary open air shopping centre that has attracted several leading UK retailers into the local area. We understand the importance of enhancing the lives of our occupiers, customers and the local communities that surround our assets. We support Carmarthenshire's Wellbeing Objectives through asset level engagement and employee-led initiatives, and we work closely with the local Business Improvement District (BID), the local Chamber of Trade and the Carmarthenshire Business.

Supporting the local community

We create a positive impact for our local communities and our stakeholders by engaging with people to understand the needs and priorities of the local area. St Catherine's Walk supports local and national charities, including The Salvation Army, and occupiers are encouraged to do the same.

We supported a local college and let out space in the centre to allow the students to host their end of year fashion show and to showcase their work, which otherwise would have been restricted to the college campus. The students were able to perform and display their creations to their families and guests.

"Y Sied has been part of the scene at St Catherine's Walk for the past 12 months. It's been a tough year in the hospitality and retail industry, however being part of a successful shopping centre in the heart of Carmarthen, has given us great exposure and we have really benefited from being part of a centre filled with larger national businesses. As an independently owned family business, it's given us the confidence to think 'big' and examine the possibility of becoming a permanent retailer in the centre. We have also encouraged other small local businesses to consider taking units, making the most of the greater footfall and the high level of security and maintenance offered by the centre and the team."

Lisa Fearn,
TV Chef

Supporting customers living with disabilities

We support Purple Tuesday, which raises awareness of the value and needs of disabled customers. We host events and initiatives to promote how the customer experience can be improved for those living with disabilities. Our centre employees, including security and cleaning staff, have also received specialist training to support customers with dementia, disabilities, and autism.

Supporting local entrepreneurs

Business in Focus

Business in Focus (BIF) is a regional government supported charity who provide support and advice to start-up businesses. BIF's planned dedicated unit in St Catherine's Walk will be specifically used to help start-up businesses access grants and start-up loans, provide training and business development and support the businesses to host pop up launches for their partners.

Y Sied Goffi

Y Sied Goffi is a successful local business located in St Catherine's Walk that is run by TV chef, author, cookery teacher and entrepreneur, Lisa Fearn. Y Sied Goffi's unit consists of a coffee shop, deli and shop and was opened as an extension of their cookery school and shop that sits out of the town centre.



Governance



66%

of our governance targets due to be completed in 2020/21 were achieved²²

Our focus on climate change has prompted us to undertake a comprehensive review of our governance procedures, from climate risk and anti-money laundering to supply chain engagement and responsible procurement, to ensure we have the procedures and policies in place to deliver our client mandates and responsible investment ambitions.

With an increasing amount of sustainability-related legislation and regulatory standards coming into force now, and expected in the future, our corporate governance and management of ESG risks has never been more important. We apply a comprehensive set of business compliance policies and procedures, centred around our Responsible Investment Policy, that ensures our business and people are guided by a common set of standards and values dedicated to improving ESG-related performance.

Strong governance is the foundation of our business, it is vital that we have integrity and transparency in the way we operate and manage our clients' assets. Our Responsible Investment Policy demonstrates to our stakeholders how we actively manage material ESG risks and opportunities as part of our fiduciary duty to deliver value for our clients and our responsibility as a landlord and developer.

22. See assurance statement on page 40



Communication Park, West London

Responsible Investment Committee

Board



Managing Partner



Barney Rowe
Partner, Board Member,
Investment Committee
Member



Helena Redding
Asset Manager



Sarah O'Connell
Asset Manager,
Associate



Lora Brill
Head of Responsibility
& ESG

Responsible Investment Committee

“The Orchard Street Responsible Investment Committee exists to take the best and most relevant responsible investment principles and convert them into our day-to-day practice. We take a hands-on approach, with every member actively involved in implementation, policy and reporting.”

Helena Redding,
Asset Manager



Partnership for the goals



We work closely with our managing agents, clients and the wider industry to support the net zero carbon transition of the property sector and to improve the social and environmental performance of buildings.

In 2020/21, we increased our ESG engagement within the industry through the commitment we made to a number of external organisations and partnerships.

We joined the BBP and the BBP Climate Commitment, allowing us to work with our industry peers to share knowledge, shape common approaches to further sustainability in commercial property and respond to government consultations. We have engaged with MSCI to develop their climate risk and TCFD benchmarks. We have participated in government research on the development of net zero carbon certification standards and the next stage of the Minimum Energy Efficiency Standards regulation in England and Wales.

Through the Net Zero Asset Managers initiative, we joined the UN Race to Zero in November 2021 to demonstrate our commitment to a net zero carbon recovery and to further collaborate with our peers to drive progress within the industry.

We made our second submission to the UN Principles for Responsible Investment (PRI) to benchmark our progress and provide our clients and stakeholders with a clear and transparent view of responsible investment at Orchard Street. We have also provided feedback on the new PRI framework to continue to support the need for a more sustainable finance industry. Due to issues with PRI's online platform, the organisation was not able to provide a rating for any signatories in 2021 and our latest score will be published in 2022.

Key initiatives we support



As a signatory of PRI since 2018, we publicly support responsible investment and the need for a more sustainable financial system. Our latest PRI rating will be published in 2022.



We are an official supporter since 2020, reporting in line with the TCFD recommendations for the second year, enhancing our climate-related disclosures and enabling informed decision making.



We are members of the BBP and a proud signatory of the BBP Climate Commitment, committing us to work with property owners and investment managers to improve the sustainability of existing commercial building stock.



Following the launch of our net zero carbon pathway, we joined the UN Race to Zero via the Net Zero Asset Managers initiative to demonstrate our commitment to a zero carbon recovery and to collaborate with our peers to drive industry-wide progress.

Embedding responsible procurement

Our impact extends beyond our immediate influence and business operations to our supply chain through the companies that we choose to work with. Ensuring our suppliers share our ethos of operating responsibly is paramount for mitigating our business risks, meeting the expectations of our stakeholders, and collaboratively driving ESG progress in line with our responsible investment ambitions.

Our recently launched Responsible Procurement Charter, aligned to the outcomes of the UN SDGs, defines the expectations of all retained suppliers contracted directly by Orchard Street on behalf of our client mandates as well as the minimum standards required to maintain a working relationship with our business.

Our expectations are clearly communicated during the tender process and throughout the due diligence process. Suppliers need to demonstrate that the policies and procedures they have in place, and their track record where applicable, meets the standards and KPIs set out in the Charter.

Importantly, we believe in working in partnership with our supply chain, treating them with fairness and respect, to continuously improve their performance. Suppliers failing to meet the expectations set out in the Charter will need to demonstrate plans to do so, to ensure progress can be monitored. Through knowledge sharing and training, we will support our suppliers to gain the skills they need to improve their performance, embed sustainability, and enhance their positive impact.

Spotlight on Orchard Street's ESG Asset Tracker

Orchard Street has developed its ESG Asset Tracker to deliver continuous ESG improvements across all our assets.

With a focus on improving the environmental performance and social impact of our assets, we have embedded continuous engagement between our property and asset managers, supported by an ESG Asset Tracker, to identify and integrate ESG objectives at an asset level.

The asset management team and property managers work together to set quarterly ESG initiative targets for individual assets, which define the unique program of initiatives to further the asset's social and environmental performance on a quarterly basis. Using the ESG Asset Tracker, progress is formally reviewed every three months to track initiatives, their status, progress, and performance metrics from an individual project. The initiatives are diverse and cover a range of social and environmental topics including biodiversity, energy efficiency, renewable energy, waste management, community, occupier engagement, education, and health and wellbeing.

“Our ESG Asset Tracker is central to driving continual ESG improvements across our assets, ensuring environmental, social and governance principles are embedded in the day-to-day management process.”

Sarah O'Connell,
Asset Manager, Associate



Examples of the initiatives in action:

Enhancing biodiversity value

We take every opportunity to enhance nature and biodiversity at our assets, having installed 124 bird boxes and 70 insect hotels at over 40 of our properties during the last year, encouraging wildlife in the areas where we operate.



In recognition of our efforts, an International Green Apple Environment Award was awarded in 2021, specifically for a project which created 74 bird boxes, 46 insect hotels, three log piles for stag beetles, seven wildflower areas and the planting of 2,200 spring bulbs across 31 sites. Each site has a specific biodiversity improvement plan based on site requirements and evidence of quantifiable biodiversity value is tracked on an ongoing basis.

We also received the Westhill in Bloom Award for the Best Community Space at Westhill Shopping Centre. The award recognised our efforts, together with the local community and primary school, to undertake extensive planting activities around the centre.



Installing life-saving equipment

In 2020/21, we installed a further 42 defibrillators across our industrial estates, retail sites and offices, which have been well received by both our occupiers and the public. The increasing presence of these devices at our sites ensures that they are readily available to provide potentially life-saving action quickly and effectively. The survival rate for cardiac arrests outside of hospital is just one in 10. When used within the three to five minutes of a cardiac arrest, a defibrillator can improve the survival rate by up to 74%.

As evidence of their value, one defibrillator was used successfully to assist in saving the life of an occupier at one of our industrial estates. In addition, we have placed a further 10 emergency services grab bags across our assets, which contain essential equipment for the emergency services should an incident occur at or nearby to our assets.

Encouraging sustainable transport

To encourage sustainable modes of travel for those visiting and working at our assets, we have installed capacity for over 1,000 bikes to be safely parked at any one time across more than 50 of our assets. In addition, we are adding e-bicycle charging points to support longer distance cycling.

Many of the assets have also installed cycle repair stations, which enable cyclists to easily carry out basic repairs and maintenance including adjusting their brakes and adding air to their tires, providing added reassurance and confidence for those looking to use this active, low carbon mode of transport.



Responding to the Task Force on Climate-related Financial Disclosures

We are embedding climate resilience across our organisation and reporting annually in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This year we have made significant strides towards meeting our climate-related ambitions. We have structured our response around the four key pillars of TCFD: Governance, Strategy, Risk Management, and Metrics & Targets. This helps us detail the ways in which we govern, identify, assess, and manage climate-related risks, and report on the metrics we use to track our performance against climate-related targets.

Governance

Board and management oversight of climate-related issues

Our Board has full oversight of climate-related risks and opportunities. The Board has delegated management of climate-related risks to the Managing Partner. The Managing Partner has established the Responsible Investment Committee, accountable for all climate-related matters, which provides updates to the Board on a quarterly basis.

The Responsible Investment Committee is responsible for the ongoing monitoring and management of climate-related risk. The Chair of the Responsible Investment Committee is a Board Member and a Member of the Orchard Street Investment Committee.

The Responsible Investment Committee advises the Managing Partner and Orchard Street's Investment Committee on climate-related risks. The Investment Committee is responsible for all the Investment and Asset Management decisions taken in the management of our clients' assets.

This year, we formalised the Responsible Investment Committee's responsibilities into our Responsible Investment Committee Charter, including the ongoing monitoring of climate-related risks and the implementation of risk management actions. The Committee reviews our climate risk register and is responsible for updating it every six months and ensuring risk ownership is assigned to appropriate people. The Responsible Investment Committee and Investment Committee work together to ensure climate-related considerations are considered at all stages of the property lifecycle, including pre-acquisition. Once acquired, Investment and Asset Management teams are responsible for ensuring that any climate-related issues raised in acquisition due diligence are reviewed.

For more detail on how responsible investment is governed at Orchard Street, visit our [Responsible Investment Policy](#) and see the governance chart on page 29.

Strategy

Understanding climate-related risks against two climate scenarios

To understand physical and transition climate-related risks to our business, in 2020 we instructed JLL Upstream Sustainability Services, a real estate specialist sustainability consultancy, to conduct qualitative climate scenario analysis. JLL's climate scenario analysis research used credible climate literature from, but not limited to, the Environment Agency, World Bank, International Energy Agency, Bloomberg Green and Bank of England. We considered the IPCC RCP 4.5 and RCP 8.5 scenarios, in alignment with TCFD recommendations to analyse distinct scenarios, one of which aligns with a pathway to keep the average global temperature rise below 2°C. RCP 4.5 represents a scenario aligned with the Paris Agreement to keep average temperatures below 2°C of warming, while RCP 8.5 is a high emissions scenario where policy action has been insufficient to limit warming, leading to increased physical risk. The literature covered time horizons between now and 2100, with milestones of 2030 and 2050, accounting for the fact that climate-related risks materialise over the medium to long term.

By considering two distinct RCP scenarios, we were able to understand a breadth of climate risks across uncertain future climate pathways. We have identified the most material risks to our business, assessed their implications and identified actions to mitigate these.

Our top physical risks identified were fluvial flooding, extreme weather events and heat stress, which pose implications of increased insurance costs, increased capital expenditure costs to repair damage from physical climate events, resulting in reduced rental or asset values. In 2021, we reviewed the current flood risk of all assets under management. No high flood risk properties were identified by this internal review. Measuring exposure to extreme weather and heat stress is more complicated than flooding, we will be looking at this in the context of a climate change resilience strategy.

As we look to strengthen our understanding of our assets' exposure to climate risks, we have set a target to undertake a forward-looking flood risk review for a sample of properties in the coming year. We plan to further enhance our management of climate risks through the development of a climate change resilience strategy in 2022.

Our top transitional risks identified were increasingly stringent climate-related building standards and the increased demand for on-site renewables. Demand for on-site renewables is also a significant opportunity for enhanced income and valuations. The potential implications of these risks were identified as fines and void periods due to legislative non-compliance, reputation damage or reduced asset values for assets that lag sector performance standards and increased operational energy costs.

In order to mitigate these risks, we set ambitious targets for our net zero carbon pathway, conducted a renewable energy feasibility study on 100% of standing assets and developed Project Sustainability Principles with green certification targets for minor and major refurbishments. We reviewed the current Energy Performance Certificate (EPC) ratings of all assets under management. Fourteen non-exempt units in England or Wales were identified with F or G EPCs and these will be improved before the 2023 Minimum Energy Efficiency Standards for non-domestic properties in England and Wales. A different EPC calculation and regulatory regime applies in Scotland so these are not fully comparable. When we commission new Energy Performance Certificates in Scotland we specify the inclusion of an English equivalent rating to increase comparability across our portfolios going forwards. We also updated our acquisitions process and checklist, and lettings, renewals and regears and capital expenditure proformas to include Energy Performance Certificates and/or certification targets, referencing the government's stated target for a minimum EPC of B for non-domestic properties by 2030. The full details of this regulation and how it will apply to existing versus new leases has not been provided by the government.

Risk Management

We used our 2020 climate risk review to inform key actions to enhance climate resilience, including key processes to further embed climate risk management into our operations. See also the 'Governance' section on pages 28-33.

We updated proforma documentation for key lifecycle stages, including pre-acquisition, refurbishment and disposal to embed sustainability into everyday actions. We included sustainability criteria in our acquisition checklist in 2018 and have enhanced these in 2021 to include more detailed climate-related criteria, including feasibility for PV installation, EV charging and grid capacity.

We developed minimum sustainability standards and guidance for refurbishments, including setting the expectation for property managers and contractors to safeguard the sustainability performance of our assets.

We have developed a Responsible Procurement Charter, which defines the expectations of all retained suppliers contracted directly by Orchard Street on behalf of our client mandates as well as the minimum standards required to maintain a working relationship with our business. This includes ensuring our procurement does not have adverse environmental impacts.

We continue to enhance our ESG Asset Tracker, which assigns responsibility to individuals to oversee the implementation of climate-related initiatives and track progress.

We continue to monitor climate-related legislation and regulation.

We are proud to collaborate with the wider industry to improve mainstream approaches. Orchard Street representatives sit on BBP working groups including climate change, green leases and occupier engagement. We also collaborated with MSCI in piloting a number of assets in the development of its climate VAR tool, which quantifies potential impacts of several climate-related risks and provides asset-level insights.

Our net zero carbon pathway

Publishing a net zero carbon pathway helps us to mitigate a number of climate-related risks, allowing us to respond to:

- Growing market demand for best-in-class, net zero carbon assets
- Increasing level of policy and investor scrutiny over our carbon emissions
- Reputational and litigation risks that could arise if we are perceived to adversely impact our environment
- Our clients' exposure to potential increases in energy cost or carbon emissions taxation
- Manage the impacts of heat stress by focusing on energy efficient ventilation and cooling

Metrics and Targets

We report against the EPRA sBPR²³ to provide a consistent, comparable disclosure of environmental performance, including Scope 1, 2 and 3 emissions. We now report three full years of landlord energy, water and waste data to highlight performance trends. Please see our [Environmental Data Annex](#).

Our occupier emissions account for the majority of our operational impact. We have implemented a formal engagement process with occupiers and managing agents to support environmental data collection and our asset managers engage with occupiers on improving the sustainability credentials of assets.

Our net zero carbon pathway provides full details of our carbon-related targets and metrics. For more detail, please see page 14.

Reducing our energy consumption

We are implementing several actions to improve data collection and management. We have set a combined target for landlord-controlled energy meters (including gas and electricity) to cover 90% of landlord energy by the end of 2021/2022. This is an increase of 50% compared to 2020/21. We are separately implementing a smart water meter roll-out as water consumption was not previously measured by smart meters. We have set a 2030 target to reduce whole building energy intensity (kWh/m²) by 16%, across all assets under management, including occupier and landlord procured energy.

Green building certifications

We track EPCs and green building certifications, helping us understand our ability to meet shifting market and legislative demands. In 2021, at a property level, 23% of our assets by value were EPC B or above, 70% were EPC C or above and 36% were either BREEAM or WELL certified or had an EPC over B. On an individual unit basis, 28% of our units by value (ERV) had an EPC rating of B or above. We will continue to track and report improvements in EPC performance and seek to gain green building certifications where appropriate.

Our 2022 targets outline a number of key climate-related targets (included on page 8 and 9 of this report). These, coupled with the implementation of our net zero carbon pathway, are important steps to uphold our Responsible Investment Policy over the longer term and safeguard our assets' resilience to both physical and transitional climate-related risks.

| Reported metrics and targets | Reference |
|--|--|
| GHG Emissions: Absolute Scope 1, Scope 2, and Scope 3; emissions intensity | Environmental Data Annex |
| Water and waste performance data: Intensity ratios and historic data provided | Environmental Data Annex |
| Climate-Related Opportunities: % of assets by value by EPC rating | Environmental Data Annex |
| Climate-Related Opportunities: % of assets with renewable energy feasibility study conducted | 'Task Force on Climate-related Financial Disclosures', page 36 |
| Calculation methodologies | 'Methodological Notes', Environmental Data Annex |
| Key climate-related targets | '2021/22 Responsible Investment targets', page 9 |

23. The European Public Real Estate Association Sustainability Best Practices Recommendations (sBPR) are intended to raise the standards and consistency of sustainability reporting for listed real estate companies across Europe.

Our target performance

Status key: ●●● Achieved ●●○ Partially Achieved ●○○ Not Achieved

| | Target | Achievement | Status |
|---|--|--|--------------------|
|  <h2>Environment</h2> | Assess how the climate emergency will affect business operations and profits and continue to report in line with TCFD | As well as completing our second response to the TCFD, in 2021, we assessed current flood and EPC risk and on-site solar PV feasibility for all assets under management. | ●●● |
| | Implement the recommendations from our comprehensive 2020 climate risk scenario analysis, in line with TCFD | Building on the recommendations of our climate risk scenario analysis, we have implemented a climate risk register, aligned our ESG Asset Tracker initiatives to climate risks, and integrated ESG and climate-related risks into quarterly board reports. More information can be found in our TCFD response on page 34. | ●●● |
| | Reduce occupier carbon intensity by 25% by 2025, equivalent to an annual reduction of 5% against a 2018/19 baseline. To be reviewed annually | Compared to our baseline year of 2018/19, we have achieved a cumulative 13% reduction in occupier carbon intensity to date using a location-based methodology. If a market-based methodology is used, accounting for renewable energy procurement, the cumulative reduction is 23%. This is supported by an annual location-based reduction of 6% between the 2019/20 and 2020/21 reporting years or 17% if a market-based methodology is used. This reduction is mainly the result of UK grid decarbonisation, portfolio change, on-site PV generation and obtaining actual occupier data. | ●●● |
| | Implement a formal occupier engagement process to improve sustainability credentials including the collection of actual occupier energy consumption data from 10% of assets where occupiers procure their utilities directly. Review and set a follow-on target for 2022 based on experience in 2021 | A formal occupier engagement process has been established. All asset managers have formal objectives to undertake occupier engagement on sustainability. Activities include improving the collection of occupier energy data and EPC ratings, ESG training, refurbishment projects for improving the sustainability credentials of the site, and the inclusion of green lease clauses. Occupier data was collected by managing agents on behalf of Orchard Street through a combination of letters, letters with incentives, phone calls and meter readings. In 2020/21, our occupier engagement process enabled us to achieve 3.3% coverage of occupier energy consumption by floor area. | ●○○ |
| | Publish a 2030 net zero carbon strategy in line with industry best practice and international benchmarks | We are proud to be among leading real estate fund managers in the UK to commit to being a net zero carbon business. More information on our strategy can be found on page 14 of this report and in our net zero carbon pathway . | ●●● |
|  <h2>Social</h2> | Increase our social impact through a high level of employee participation in Orchard Street's new volunteering programme, with an aggregate of 300 hours donated (equivalent to 1.5 days per employee) | This year, 27 of our employees and Partners were able to give their time to the community through our volunteering programme. In total, our people gave 320 hours volunteering to local charities and initiatives. | ●●● |
| | Measure and report the financial, environmental and/or social value generated by our Responsible Investment activities | We commissioned social valuations on four of our assets as well as our key ESG Asset Tracker initiatives and reported financial returns and costs data in a case study published via the BBP case studies. | ●●● |
|  <h2>Governance</h2> | Improve our UN PRI score in 2021 | Due to issues with PRI's new framework and online platform, PRI was not able to provide a rating to any of the participating companies in 2021 despite Orchard Street submitting its response on time. Our latest score will be available in 2022. | No longer in scope |
| | Refresh Orchard Street's responsible investment strategy in alignment with the UN SDGs | Our strategy review is currently underway and due for completion in the first part of 2022, noting our decision to prioritise the publication of our net zero carbon pathway ahead of COP26 in 2021. | ●○○ |
| | Develop guidance for sustainable refurbishments and developments across all sectors | We developed bespoke Project Sustainability Principles for refurbishments and developments across all sectors, setting standards across a range of ESG topics including energy use intensity, embodied carbon, circular economy, wellbeing, biodiversity, community investment, transport, pollution, water, and materials. | ●●● |
| | Develop a sustainable procurement charter | We distributed our Responsible Procurement Charter in 2021 in line with our Responsible Investment Policy. | ●●● |

Independent Assurance Statement

TO: THE STAKEHOLDERS OF ORCHARD STREET INVESTMENT MANAGEMENT

Independent assurance statement by Upstream Sustainability Services, JLL (“Upstream”) to the stakeholders of Orchard Street Investment Management LLP (“Orchard Street”) concerning the data for the period 1st October 2020 to 30th September 2021 and the 2020/21 Responsible Investment Targets as stated in the Orchard Street 2021 Responsible Investment Report.

SCOPE OF WORK

Orchard Street engaged Upstream to provide independent assurance of energy, water, and waste performance information and eleven Responsible Investment Targets for 2020/21 relevant to its Responsible Investment Report. The engagement was ‘Type 2 moderate assurance’ in accordance with the AA1000AS v3 standard which consisted of:

A. Evaluation of Orchard Street Investment Management’s adherence to the AA1000 AccountAbility Principles (AA1000AP 2018) of Inclusivity, Materiality, Responsiveness and Impact;

B. Evaluation of the reliability of the specified sustainability performance information and associated data collection and management processes and systems;

C. Evaluation of evidence demonstrating progress made by Orchard Street towards their 2020/21 Responsible Investment Targets.

RESPONSIBILITY

The management of Orchard Street is responsible for the final publication of the Responsible Investment Report and all statements and figures contained therein. Upstream’s responsibility was to complete the assurance process, prepare this assurance statement and to provide a report on its findings for the management of Orchard Street Investment Management. See section, ‘Independence of Assurance’ for further information on Upstream’s involvement with Orchard Street Investment Management.

LEVEL OF ASSURANCE AND LIMITATIONS

Upstream provided a moderate level of assurance which included a desktop review, management and property-level data verification and evidence gathering from internal sources and third parties. The verification did not include financial data, technical descriptions of or information relating to buildings or other information not related to sustainability.

The scope of our data testing was limited to the reporting period of October 2020 to September 2021. We chose a robust, representative sample of data points (meters/waste disposal routes) from a total of 92 directly managed assets within Orchard Street that are reporting environmental data in the Responsible Investment Report, as well as Orchard Street’s headquarters in London.

The scope of AA1000 Assurance is limited based on the amount of interaction and information provided. Material collected as part of the evidence included policies, checklists, internal documents, reports, statements of methodology, and other formal documentation. Other key evidence reviewed included publicly accessible information on the company website.

A: EVALUATION OF ORCHARD STREET’S ADHERENCE TO THE AA1000 ACCOUNTABILITY PRINCIPLES (AA1000AP 2018) OF INCLUSIVITY, MATERIALITY, RESPONSIVENESS, AND IMPACT

Based on the scope of work described above, nothing has come to our attention to suggest that Orchard Street did not adhere to the criteria under the principles of Inclusivity, Materiality, Responsiveness and Impact.

Further observation and recommendations can be found in the full assurance statement [here](#).

B: EVALUATION OF THE RELIABILITY OF THE SPECIFIED SUSTAINABILITY PERFORMANCE INFORMATION AND ASSOCIATED DATA COLLECTION AND MANAGEMENT PROCESSES AND SYSTEMS

Based on the scope of the work described above, nothing has come to our attention that gives cause to believe that the specified performance for Energy (electricity and gas), Water and Waste is not fairly stated by Orchard Street Investment Management.

Further observation and recommendations can be found in the full assurance statement [here](#).

C: EVALUATION OF THE ACTIONS AND PROGRESS MADE BY ORCHARD STREET INVESTMENT MANAGEMENT IN MEETING THEIR RESPONSIBLE INVESTMENT TARGETS FOR 2020/21.

Based on the scope of the work described, it is Upstream’s opinion that 8/11 of 2020/21 targets were achieved. 2/11 targets were partially achieved, and 1/11 target was not in scope of assurance due to the timing of this assurance engagement.

Further observation and recommendations can be found in the full assurance statement [here](#).

INDEPENDENCE OF ASSURANCE

Due to our expertise and experience with non-financial information, sustainability management and social and environmental issues, we have the competencies required to conduct this independent assurance engagement. We are bound by the JLL Code of Business Ethics and are independent as defined by AA1000AS v3. Upstream is a consultant to Orchard Street and provides support on their environmental and sustainability programme, however the assurance team has not been involved in the delivery of these other services for Orchard Street and we do not consider that there is any conflict of interest between these other services and this assurance and verification engagement.



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