



Great Portland Estates plc

# Sustainability: It's Imperative

Investor & Analyst Call

3 March 2021



# 2021 Capital Markets Day

## Sustainability



### 2020 Capital Markets Day

#### Occupiers want more: GPE evolving and innovating

- Flex / flexibility
- Services
- Tech: Sesame

#### Prospects for London positive

- Committed to the Capital
- GPE well positioned

#### Sustainability touches everything we do

- An economic and strategic imperative
- An opportunity

### Today

#### Occupier trends accelerating; GPE focussed on:

- **Choice:** offices must be magnetic
- **Service:** hospitality
- **Flexibility:** in all ways
- **Health & Wellbeing:** Covid secure / amenity
- **Sustainability:** pragmatic and progressive

#### London to bounce back

- Global cultural and business centre
- We remain committed to the Capital
- GPE well positioned

#### Sustainability: It's Imperative

- Economic: leasing and value premia
- Strategic: what to buy, build, hold and sell



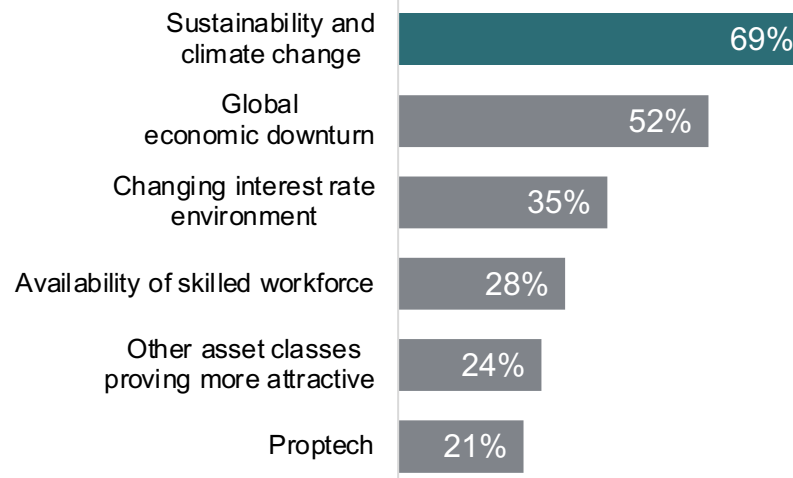
## Why?

- 1. Occupiers will demand buildings of highest sustainability credentials**
  - Space defines their brand
  - Employer of choice for tomorrow's talent
- 2. Regulatory environment changing**
  - EPC B minimum by 2030
  - c.80-90% of London commercial real estate C or below
- 3. Investor focus**
  - On all businesses

## Consequences?

- 1. Sustainability best vs rest: assets & owners**
  - EPC A/B = rents +10%<sup>1</sup> relative; BREEAM premium = 8%<sup>1</sup>
- 2. The best get stronger**
  - GPE launch Sustainability Statement of Intent: The Time is Now (Feb 2020)
  - GPE launch Roadmap to Net Zero & Decarbonisation Fund (Nov 2020)
  - GPE puts Sustainability and Social Impact Director onto Executive Committee
- 3. An Opportunity**
  - To differentiate our product; to acquire orphaned assets

## Long term trends with greatest impact on UK Real Estate<sup>1</sup>



# Agenda



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# The Occupier's Perspective

## Changing Attitudes



### Increasing focus on sustainability:

**240 Blackfriars Road, SE1 (2011 design)**  
Benefits marketed as 'reduced utility costs'



**2 Aldermanbury Square, EC2 (2021 design)**  
Front foot holistic marketing

### Degrees of Maturity:

Some see it as badge to add to their collection  
– tick box or to gain a competitive edge

For others, it's fundamental – an essential fabric of  
their business and culture – no compromise

### Changing our interaction with occupiers:

Less Cat A delivery  
Occupiers no longer passive  
Partnership is key

More shell & core/fitted  
Increased collaboration/innovative design  
The prevalence of pre-letting

**Office experience must be 'worth it'**  
**Health & Wellbeing front & centre**

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# Statement of Intent

The four pillars; inextricably linked



1.

Decarbonise  
our business  
by 2030



2.

Design climate  
change resilient  
and adaptable  
spaces



3.

Create a  
lasting positive  
social impact in our  
communities



4.

Put health  
and wellbeing  
front and centre





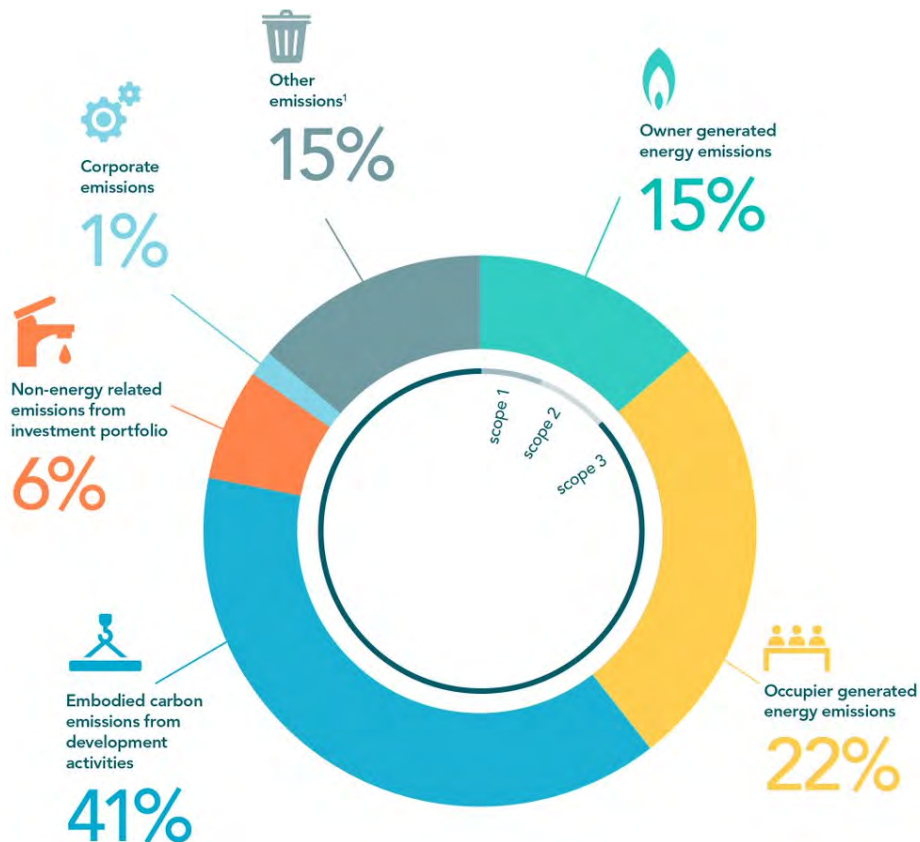
# 1. Decarbonise our Business by 2030

## Our carbon footprint



- Only 15% of our carbon emissions are directly controlled by us (Scope 1 & Scope 2)
- The remaining emissions (Scope 3) sit within our value chain, extensive collaboration will be required with:
  - Our occupiers: 22%
  - Our supply chain: 41% from developments

GPE Carbon Footprint: 2019



Our Roadmap to Net Zero sets out how we will transition to become net zero carbon by 2030

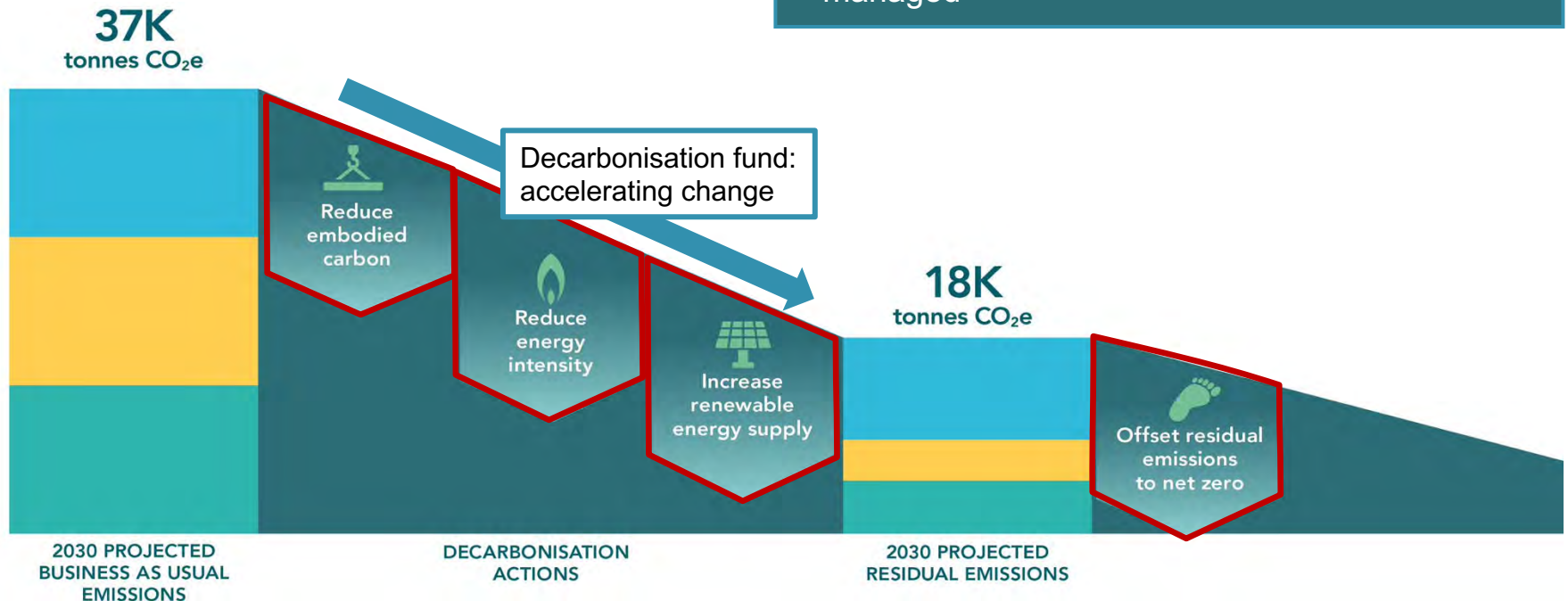
# 1. Decarbonise our Business by 2030

## Roadmap to Net Zero

- Our ambitious energy and carbon targets will halve our footprint
- Further accelerated by our Decarbonisation Fund
- Any residual emissions will then be offset to net zero

This will be a **significant challenge**:

- **Innovate**: new materials & construction techniques needed, circular economy a must
- **Retrofit**: challenge and opportunity
- **Data must improve**: what gets measured gets managed





# Reduce Embodied Carbon



The majority of a building's embodied carbon is emitted during construction

- c.40% of our footprint
- Equates to c.40 years of operational carbon

**Target: to reduce our embodied carbon emissions by 40% by 2030<sup>1</sup>**

## How are we doing it: 2 Aldermanbury Square

- Design for **longevity** and **adaptability**
- Challenge **status quo**: specification
- **Technology**: inc. BIM and prefabrication
- **Specify low carbon**; throughout supply chain
- **Circular economy**: end of life recycle/reuse
- **All developments from 2030 to be net zero**

1. New non-financial KPI, influences: cost of debt (via ESG linked RCF) & executive pay



Operational energy emissions are 37%<sup>1</sup> of our carbon footprint

Green tariffs are not enough:

- Improve energy efficiency
- Close the performance gap
- Keep ahead of future Minimum Energy Efficiency Standards

**Target: reduce our energy intensity by 40% by 2030<sup>2</sup>**

**How are we doing it:**

- **Behavioural change**; collaboration with occupiers
- **Utilise technology**: real time energy consumption and carbon emissions data
- **Engage our supply chain**

1. Combined 15% owner generated energy emissions and 22% occupier generated energy emissions

2. New non-financial KPI, influences: cost of debt (via ESG linked RCF) & executive pay





# Increase Renewable Energy



- Power our heating and cooling through renewable energy supplies
- Utilise on-site renewable energy generation

Target: **Generate 600MWh of renewable energy across the portfolio p.a. by 2030**

## How are we doing it:

- Including renewable and low carbon energy supplies in all our new developments
- Reviewing our roof spaces to retrofit photovoltaic panels
- Using biodiversity to create solar shading
- Supplement with investment in local renewable energy schemes
- Connect to local energy networks

Supported by our Decarbonisation Fund and Carbon Offsetting





# Decarbonisation Fund

## Accelerating change



### Near term:

#### Internal carbon price: £95 per tonne

- Charged against annual Scope 1 and 2 emissions
- Levied on embodied carbon from developments at practical completion

#### Funds used to support deep retrofitting:

- Meeting occupier needs
- Increasing resilience

**Estimated c.£6m in first five years**

**50 Finsbury Square, EC2:**  
Development contribution: **c.£600,000**

### 2030 and beyond:

- Offset all emissions to net zero as last resort
- Strategy will focus on community offsets to maximise our social impact



### Wells & More, W1:

- Lighting upgrade
- Retrofit Solar photovoltaic panels
- Heat pump installation

Potential saving: 160 tonnes CO2e p.a.



# Statement of Intent

The four pillars; inextricably interlinked



1.

Decarbonise our business by 2030

- Reduce embodied carbon
- Reduce energy intensity
- Increase renewable energy supplies
- Offset as a last resort

2.

Design climate change resilient and adaptable spaces

- Design for longevity and adaptability
- Prioritise renewables
- Deep retrofitting
- Create resilient and adaptable buildings
- Increase biodiversity

3.

Create lasting positive social impact in our communities

- Carbon offsetting strategy supports social value
- Reduced materials use at developments supports improvements in local air quality
- Increased biodiversity improves air quality
- Create £10 million in social value by 2030

4.

Put health and wellbeing front and centre

- Real time energy, comfort and air quality information provided to occupiers
- A living wall can reduce indoor temperature by 5 degrees.
- Green space supports the health and wellbeing of our occupiers.

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# The Hickman, E1

Delivering on all Four Pillars



- Acquired 2017; embedded project team
- Focus on Functionality, Sustainability and Smart Building Technology





# The Hickman, E1

First completion since publishing our Statement of Intent

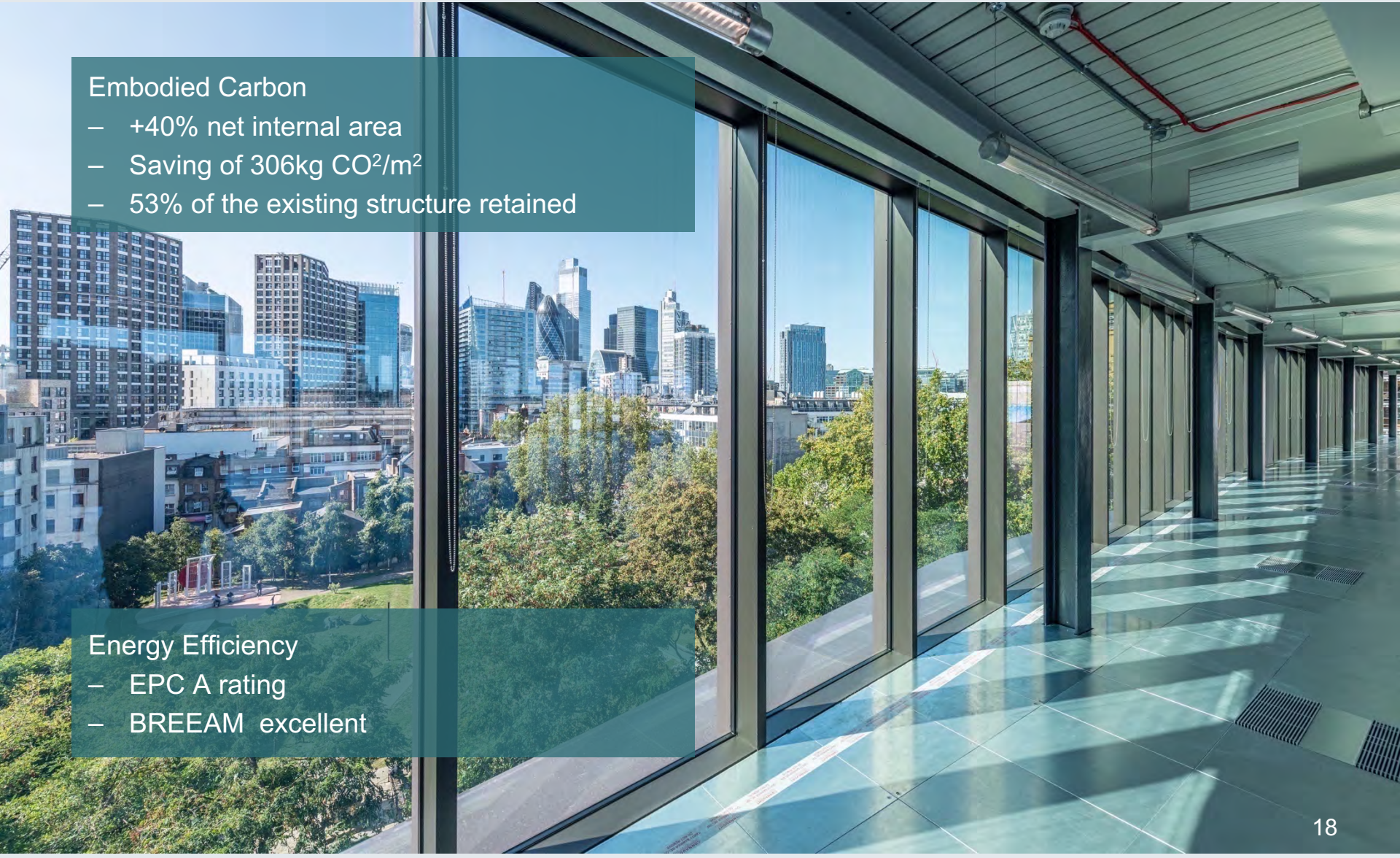


## Embodied Carbon

- +40% net internal area
- Saving of 306kg CO<sub>2</sub>/m<sup>2</sup>
- 53% of the existing structure retained

## Energy Efficiency

- EPC A rating
- BREEAM excellent





# The Hickman, E1

## Functional & flexible spaces



### Higher User Experience

- Fibre install; 3 carriers
- Wifi throughout common parts
- Aerials / satellite

### Variety of outside spaces

- 9,000 sq ft of outside space
  - Including terraces and courtyard
- 12% of building area

### Biodiversity

- Planting a priority
- Green roof, bug houses, landscaped courtyard



# The Hickman, E1

## User experience

- Collaborative space: café
- Variety of meeting areas

### Sesame / Integrated Technology

- **No reception desk**; frictionless access
- **Extended functionality**: meeting room booking; transport updates; media content; local promotions & events; lighting control
- **WiredScore** Platinum
- **Air quality**; real time feedback



# The Hickman, E1

## Four Communications



"Designed for the new ways we are working  
– with collaboration, creativity and socialising at the core."

The Hickman melds an old industrial building with the best in  
technology and environmental standards."

**Nan Williams**  
Group Chief Executive  
Four Communications

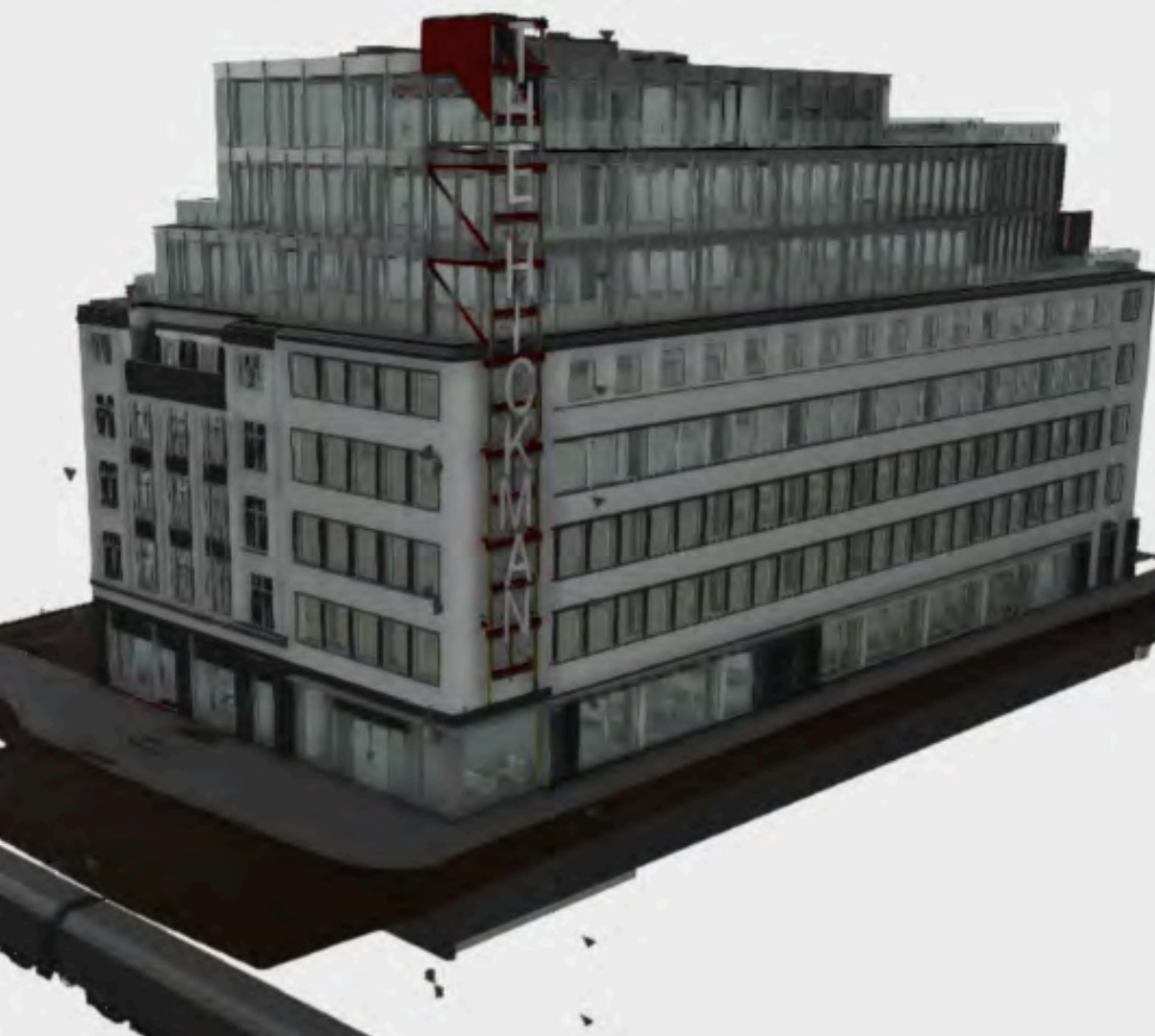


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# Continuously Innovating

To support sustainability performance and meet occupier expectations



KEYWORD

# Ideal



33 CAVENDISH SQUARE



WEATHER | LONDON

Temperature 10.4°C  
Humidity 82%  
Wind 6.2m/s ↗



FINE PARTICLES | 33 CAVENDISH SQUARE

**6.4×**  
BETTER THAN  
OUTDOOR

**1.0**  
INDOOR PM 2.5 ( $\mu\text{g}/\text{m}^3$ )  
**6.4**  
OUTDOOR PM 2.5 ( $\mu\text{g}/\text{m}^3$ )



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# 50 Finsbury Square, EC2

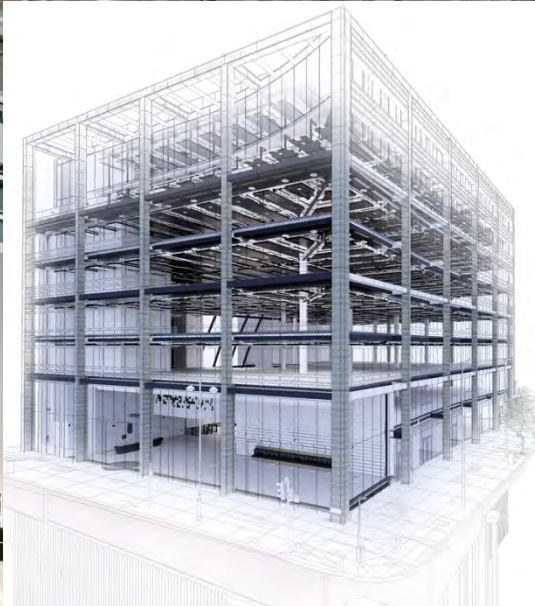
Newest Committed Development





# 50 Finsbury Square, EC2

## Embodied Carbon



**+80% structured embodied carbon saved**  
Retained structure; recycled cladding;  
reuse glazing; BREEAM Excellent

**Decarbonisation Fund contribution £0.6m**

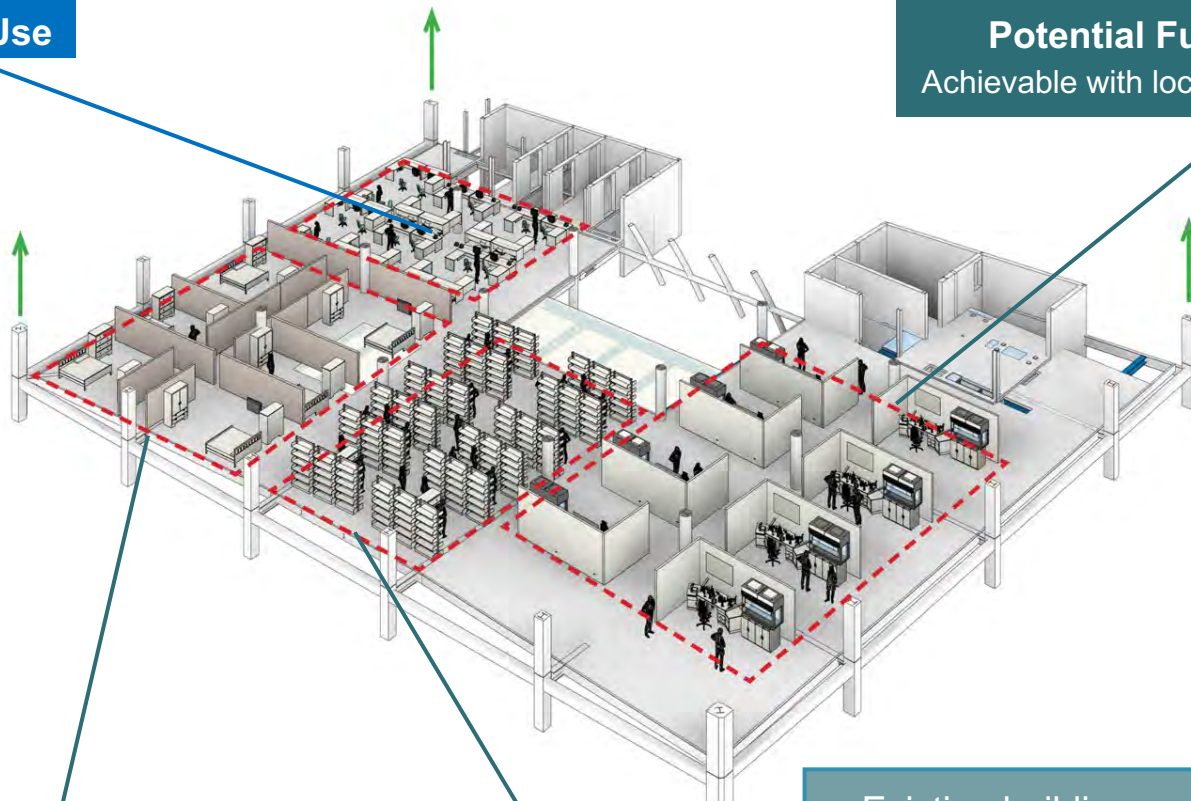


# 50 Finsbury Square, EC2

Designed for Adaptability and Longevity

Office Use

Potential Future Use: Life Science  
Achievable with localised structural adaptations



Potential  
Additional Floors  
Using existing  
columns & foundations

Potential Future Use:  
Residential / Hotel

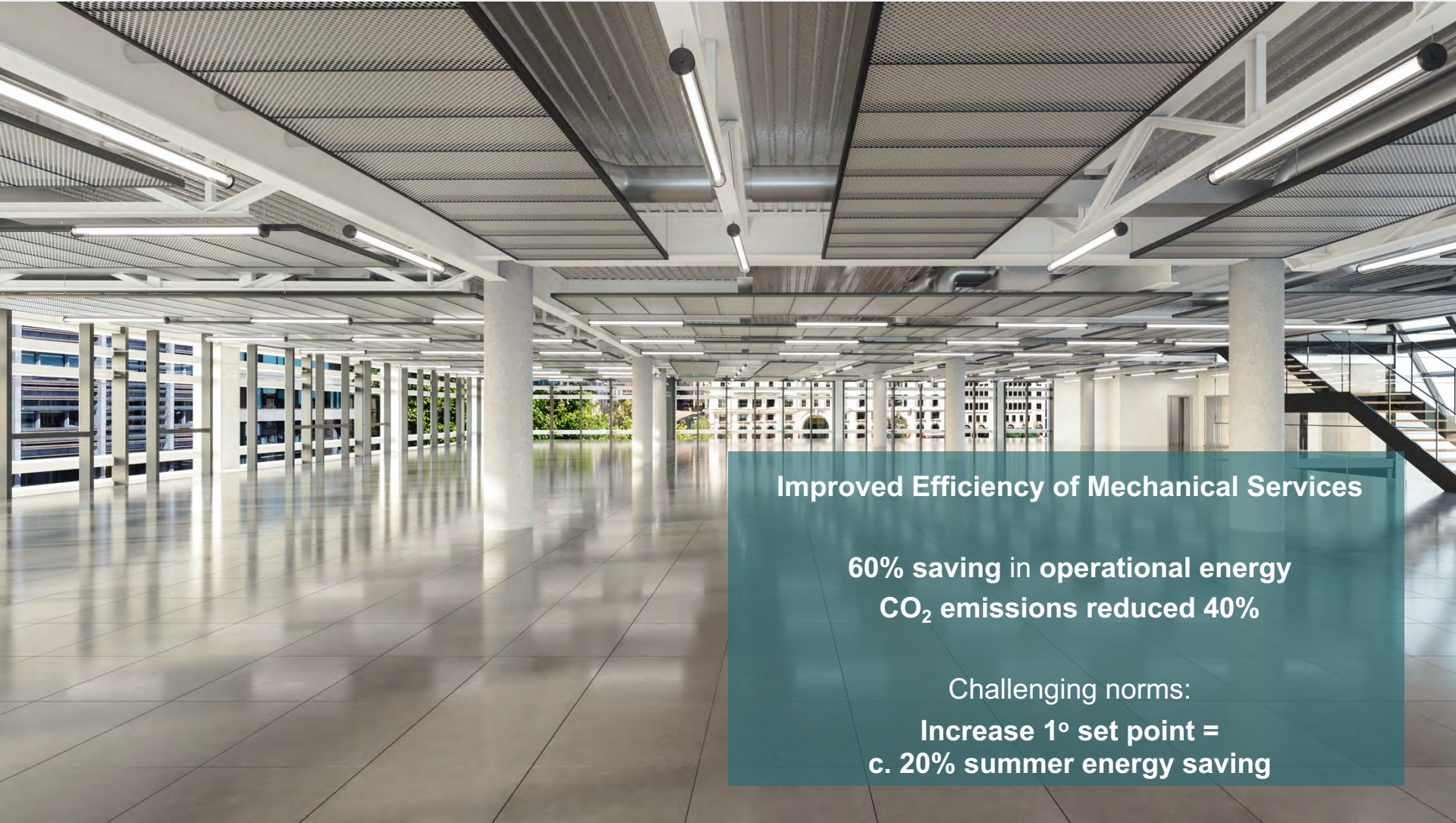
Potential Future Use:  
Retail

Existing building well suited to be adapted  
for a wide range of potential future uses,  
rather than being demolished



# 50 Finsbury Square, EC2

## Minimising Operational Carbon



### Improved Efficiency of Mechanical Services

**60% saving in operational energy  
CO<sub>2</sub> emissions reduced 40%**

Challenging norms:  
**Increase 1° set point =  
c. 20% summer energy saving**



# 50 Finsbury Square, EC2

## Enhanced Occupier Wellbeing



### Variety of workplaces:

Co-working space with cafe in office entrance; atrium - 'town hall'; roof top amenity

### Wellness: WELL enabled

High levels of greening throughout  
Increased volume / circulation of fresh air



# 50 Finsbury Square, EC2

## Social Impact & Technology



### Social Impact:

Groundwork London

Local schools air quality scheme

Job placement, apprenticeship opportunities

### Application of technology:

WiredScore Platinum

Smartest building to date:  
reducing performance gap

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# Sustainability Touches Everything We Do



## Driving our behaviours

- Evident across our portfolio, technology and supply chain
- Embedded in our culture and decision making
  - GPE team rising to the challenge and “learning together”
- Aligned with our debt costs and remuneration

## Collaborating for Success



## Continuing to measure our strong performance

ESG Benchmarks	<p>AA Rated</p>	<p>Since 2006</p>	<p>3 years</p>
	<p>5 star 5+ years<sup>1</sup></p>	<p>Since 2014</p>	<p>B rated</p>
Asset level	<p>Sustainability</p>	<p>Energy Efficiency</p>	<p>Wellbeing</p>

# Next Steps

Long term ambitions supported by near term actions



1.

Decarbonise our business by 2030

Hit targets in ESG-linked RCF when first measured in May 2021

Deploy decarbonisation fund for first time in FY2022

2.

Design climate change resilient and adaptable spaces

Enhance TCFD reporting in FY21 Annual Report

Deliver Climate Change Resilience strategy in FY22

3.

Create lasting positive impact for our communities

Enhance reporting in line with National Framework on social value

Social Impact Strategy to be launched in FY22

4.

Put health and wellbeing front and centre

Integrating wellbeing brief into flex space

Continued roll out of wellbeing technology

Updated wellbeing brief due for launch in FY22

Sustainability: economic and strategic imperative



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thrive

Great Portland Estates plc

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# Climate Change Resilient and Adaptable Spaces

GREAT  
PORTLAND  
ESTATES

Future proof against physical, financial and transitional risks of climate change:

- develop adaptable spaces
- implement principles of circular economy
- urban greening to reduce overheating, improve air quality, support biodiversity and enhance wellbeing
- transition to non-fossil fuel systems
- retrofit for resilience
- prevent stranding of assets due to increasing legislative and occupier requirements

**Target: increase biodiversity net gain across our portfolio by 25% by 2030<sup>1</sup>**



# Climate Change Resilient and Adaptable Spaces

## How are we doing it: 2 Aldermanbury Square, EC2

### Roof

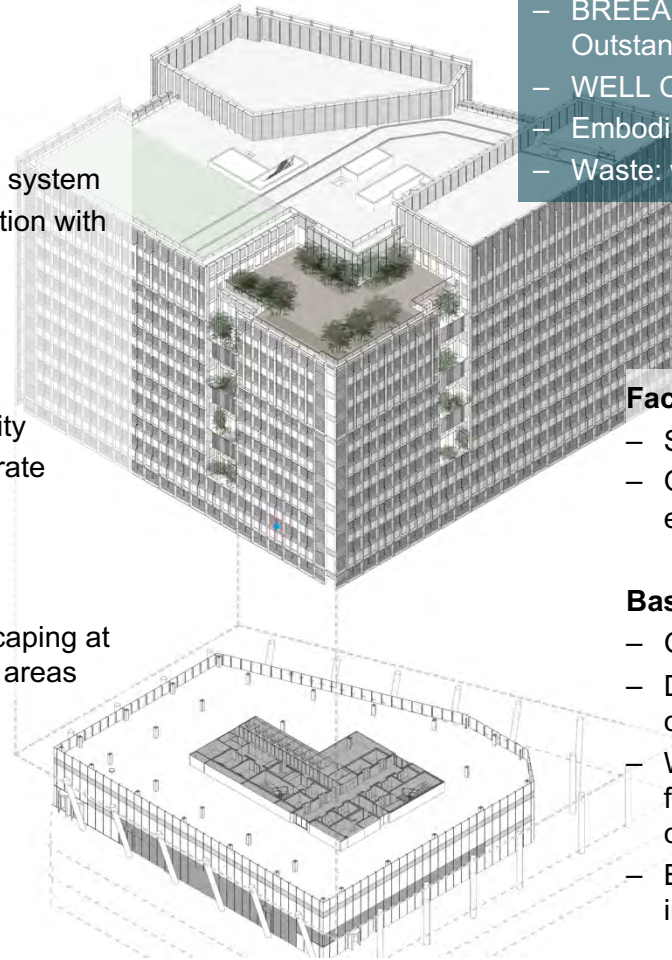
- Air Sourced Heat Pumps
- Landscaped green terraces
- Blue roof rainwater attenuation system
- Centralised mechanical ventilation with heat recovery thermal wheels
- Photovoltaic panels

### Office floors

- WELL standard indoor air quality
- Enhanced fresh air ventilation rate
- Energy efficient lifts

### External

- Enhanced biodiversity – landscaping at ground level and neighbouring areas



### Sustainability targets and Credentials:

- BREEAM Target: Excellent (planning), Outstanding (project)
- WELL Core Gold 'ready'
- Embodied Carbon Target: 572 kgCO<sub>2</sub>e/m<sup>2</sup> (GIA)
- Waste: whole life approach / circular design principles

### Facades

- Solar shading
- Optimised façade design (including thermal / embodied carbon optimisation)

### Basement

- Greywater harvesting
- District heating connection and electrical connection (no gas connection)
- Water-sourced heat pump (hot water generation from rejected heat and district heating connection)
- Basement raft construction allowing for to increase building adaptability



# Create a Lasting Positive Social Impact in our Communities



UNIVERSITY OF WESTMINSTER

Unlocking skills and employment, supporting education



Partnering with local charities working to address London's challenges



Listening to our communities to help them become healthier, safer and more resilient



Contributing to local schemes to support London's journey to net zero carbon



'Thank you so much for keeping Redcross open. It's been my solace over the past few weeks. I live in a flat locally so consider this to be my little garden that I share with others and where I take my daily exercise... nature is so therapeutic and without Redcross lockdown would have been unbearable for me. For those living on our own and shielding, it's been really important.'

# Put Health and Wellbeing Front and Centre



## Occupiers

- Air quality sensors to be deployed at all of our buildings
- Sesame app monitors health and wellbeing indicators
- Access to outdoor space prioritised
- Indoor greening



## Community

- Creating biodiverse spaces for our communities
- Supporting Southwark community through COVID by keeping local green spaces open
- Support of Camley Street Nature Park an outreach and outdoor learning centre



## Our People

- 96% would recommend GPE as a great place to work
- Wellbeing Webinars and virtual yoga classes during the pandemic
- Working hours relaxed to support those with home schooling commitments
- 11 qualified mental health first aiders



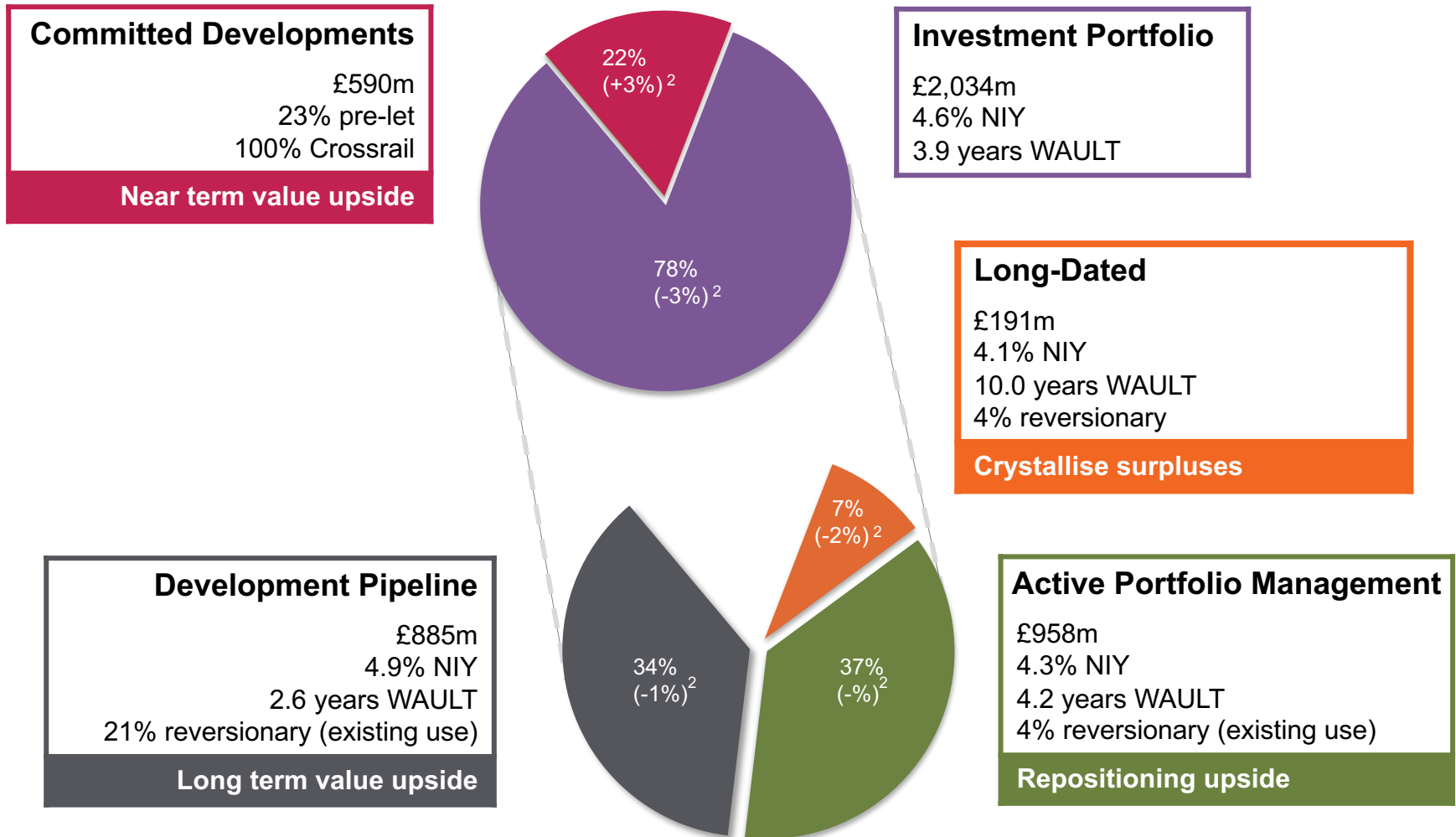
## Our Suppliers

- All direct supply chain partners in our investment portfolio are London Living Wage employers
- Ethical Labour Audits undertaken at active construction sites
- Construction contractors employ occupational health support on site



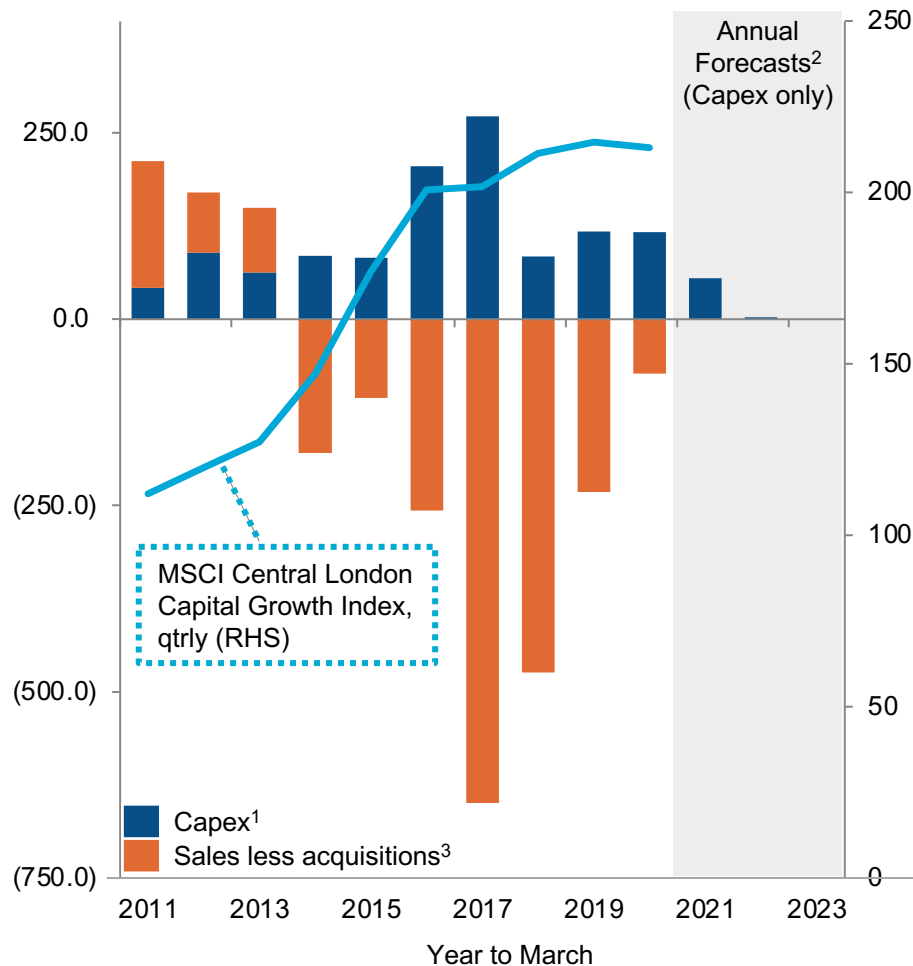
# Opportunity

## Long term organic growth<sup>1</sup>



1. Portfolio breakdown by value as at May '20 2. Change since November '19

## GPE Portfolio (£m)<sup>1</sup>



### Sales & Acquisitions

- Near term: monitor signs of distress, pricing
- Beyond: expect to be net buyers

### Development

- Finish 3 Committed: £59.9m to come
- Prepare 3 Near-Term for start Q1 '21 to Q1 '22

### Portfolio Management

- Customer services and rent collection
- Refurbishment opportunity
- Opportunity to grow Flex offering

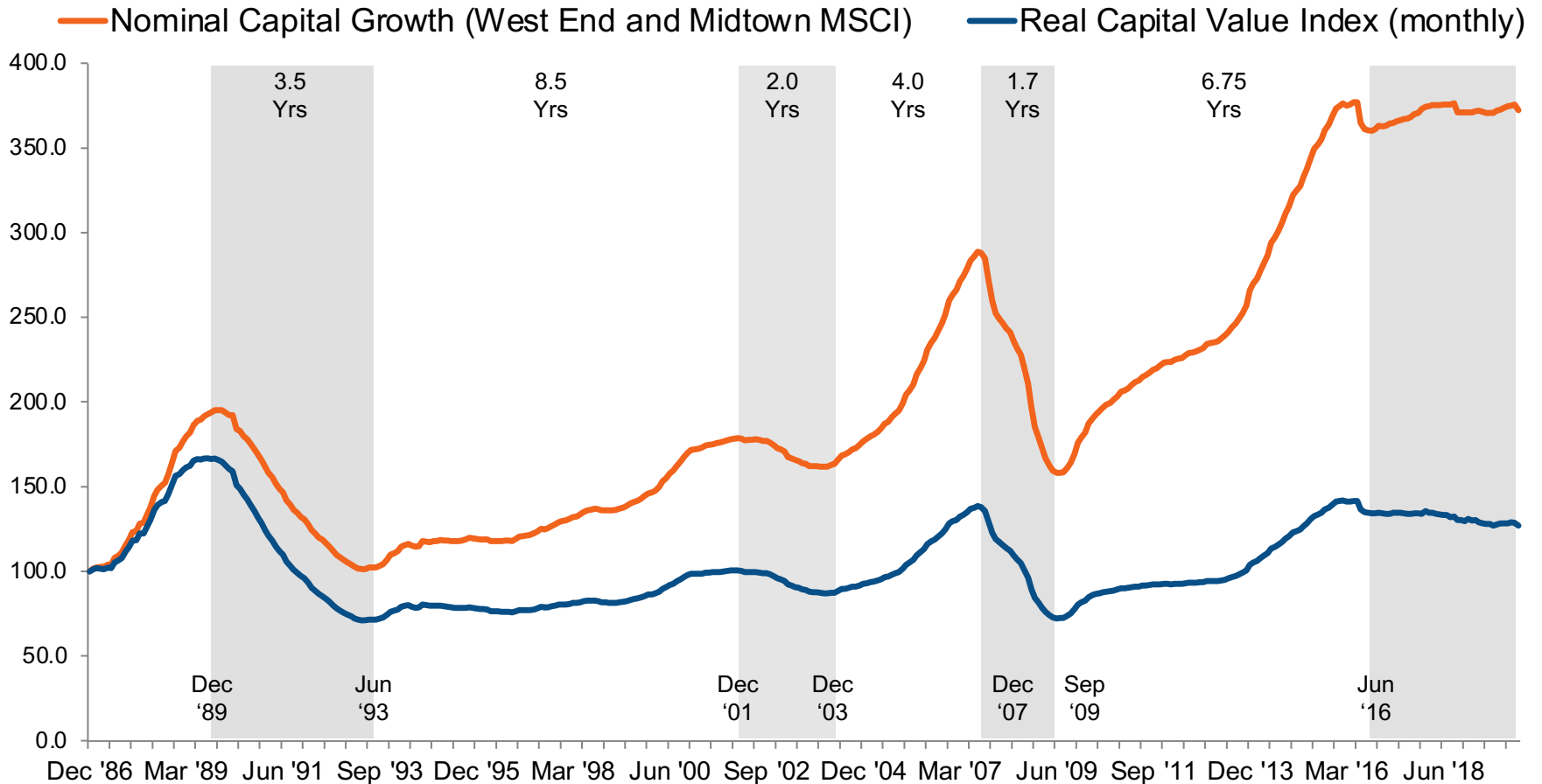
### Focus on Sustainability

1. Capex = incurred / committed 2. Only includes exchanged or completed sales 3. At year end



# The Cycles So Far

## Midtown & West End Capital Growth



# Financial Strength

## Extensive capacity for future investment

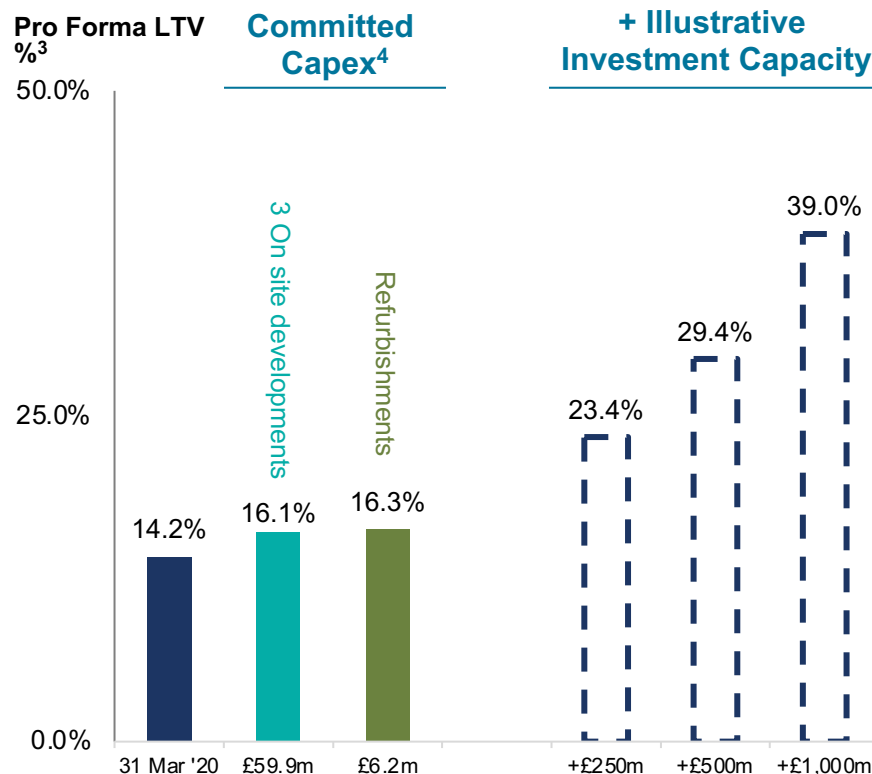


### Significant Covenant Headroom

Group Covenants <sup>1, 2</sup>	Covenant Measure	31 Mar 20 Actuals	Headroom
Net Debt / Net Equity	≤1.25x	0.16x	Further valuation fall 73%
Inner Borrowing	≥1.66x	4.3x	Further valuation fall 70%
Interest Cover	≥1.35x	n/a	Fall in EBIT n/a

Interest cover of 14.3x if exclude benefits of capitalised interest; Headroom for fall in EBIT of 90% on this basis

### Significant Investment Capacity



**Extremely well positioned for all market eventualities**

1. Identical covenants for Group Revolving Credit Facility and US Private Placement Notes 2. Secured debt with separate covenants are (i) non-recourse loan in GVP joint venture (£40m GPE share) with LTV covenant of 65.0% (v 54.4% based on 31 March '20 valuation) and ICR covenant of 160% (v 200% at 1 April '20) and (ii) Group debenture (£22m outstanding) with asset cover covenant of 1.66x (vs 5.14x at 31 March '20) and ICR covenant of 1.00x (vs 3.94x at 31 March '20)

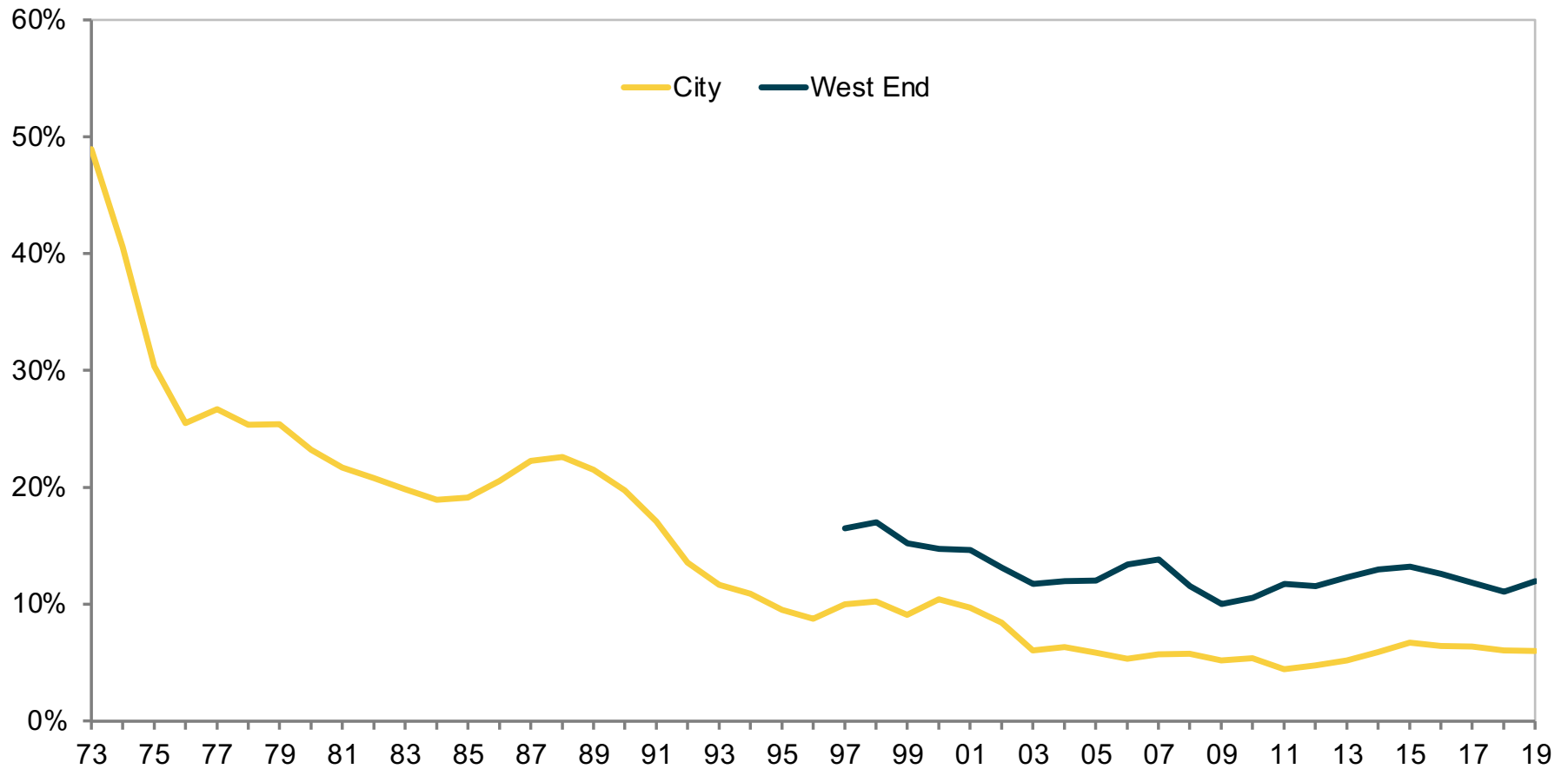
3. Assumes constant values and excludes development surpluses 4. As at 31 March '20



# Office Rent as a % of Salary Costs



Rent as % of salary



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