



**Sustainability Progress  
Report 2019**

# Sustainability

We have again made great progress against our sustainability targets this year, fully achieving 89%.

68

2018 GRESB score



G R E S B  
★ ★ ★ ★ ★ 2018

44%

reduction in CO<sub>2</sub>e since 2015/16

# A new sustainability vision

McKay Securities is pleased to present the Group's sustainability activities and performance for the year to 31st March 2019.

### Introduction

As well as working hard to achieve our targets, another important action undertaken this year has been the in-depth review and reframing of our sustainability strategy. Our existing sustainability framework of Creating Sustainable Buildings, Managing Sustainable Buildings, and Engaging Stakeholders has served us well since it was first launched in 2013. However, as we were developing and moving forward into the next ambitious phase of our business strategy, we felt it was timely to look also at our sustainability ambitions over the next 5-10 years. The pace of technological, social and environmental change is breathtaking and therefore there is also rapid change in tenant, community and shareholder expectations in this area. We want to make sure our business is future-proofed, resilient and able to respond to these changing expectations. We completed our detailed sustainability strategy development process in March 2019 and will set out our new strategy later in the sustainability update together with our new sustainability targets for 2019/20.

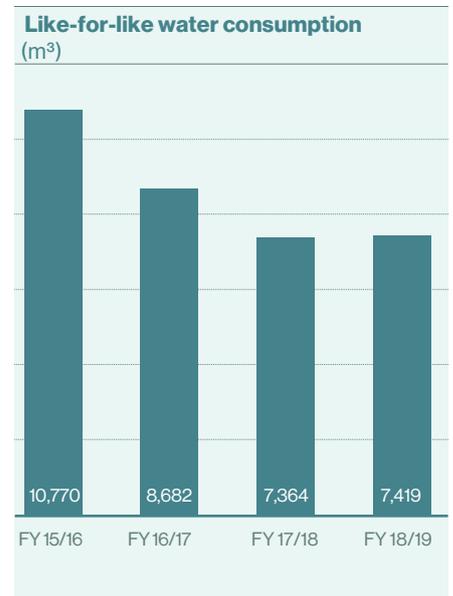
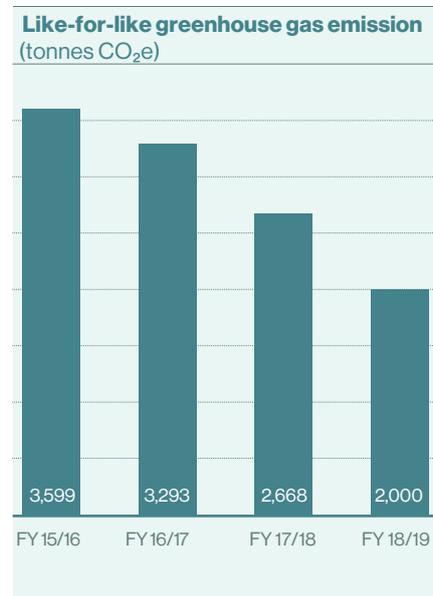
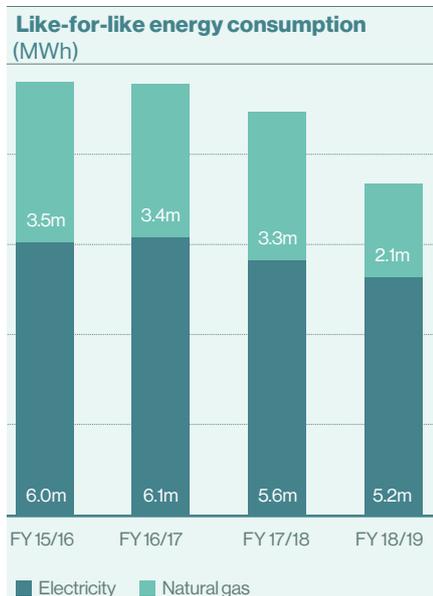
In the meantime, the following pages provide an update on all our activities and achievements during 2018/19 against our existing objectives and targets.



### Our progress to date

Since the launch of our sustainability strategy in 2013, the Company has delivered some notable achievements, including:

- High sustainability ratings for all new developments and major refurbishments, including a BREEAM 'Outstanding' rating for 9 Greyfriers Road, Reading and BREEAM 'Excellent' ratings for Prospero, Redhill and 30 Lombard Street, EC3
- A **13%** reduction in like-for-like landlord-controlled electricity consumption and a **41%** reduction in like-for-like landlord-controlled gas consumption between 2015/16 and 2018/19
- A **31%** reduction in like-for-like landlord-controlled water consumption in the same period



# Sustainability continued

- A **44%** reduction in carbon footprint over four years (far surpassing our original target which was to reach a 16% reduction by March 2020). A great leap forward was made in the 2018/19 period in particular, as we agreed supply contracts for renewable electricity across the portfolio such that all landlord-supplied electricity is now zero carbon, which equates to an **84%** reduction in carbon footprint from 2017/18
- An Environmental Management Programme running over a period of several years for the five most resource intensive assets in the portfolio, where the Company has implemented energy and water saving measures. Energy consumption at those five assets has been reduced by **26%**
- Significant improvement in our GRESB score, from 37 in 2014 to 68 in 2018, equivalent to a three-star rating

## Creating sustainable buildings

As well as the importance of a low carbon development, evidence of the connection between healthy office buildings and workforce productivity continues to build, pushing developers to integrate health and wellbeing features into building design and corporate occupiers to specify space which demonstrates these credentials. Within McKay's own portfolio, demand for sustainable buildings has been evidenced by the positive market response to our recent office developments in Redhill and Reading. The fact that 78% of our occupiers rank the total cost of occupancy as one of the most important attributes of a building also underlines the significance of promoting a design and management approach that balances a reduction in resource consumption with an increase in occupier wellbeing.

## A sustainability success story

- Prospero, Redhill achieved BREEAM 'Excellent' and EPC 'A' ratings upon completion in November 2016. The building features significant levels of natural light, LED lighting and a highly energy efficient building envelope
- These design features meant that electricity consumption was predicted to be 60% lower than a typical UK office building, thereby reducing annual occupancy costs and greenhouse gas emissions
- This was already a great news story for McKay and for tenants, but energy modelling on the building in-use has revealed that its real energy performance even surpasses these excellent design stage expectations, enabling us to save around £20,000 this year on our electricity bill in spite of an increase in the unit cost

Composition of total annual predicted energy bill

Building	Total Annual Predicted Energy Bill (£)
Typical UK office	~275,000
Prospero, Redhill	~55,000 (£2 per sq ft)

### Progress against development targets

New development targets	Status
Continue to monitor the compliance of contractors with McKay's Sustainability Requirements for Development and Refurbishment Projects, ensuring that sustainability is consistently integrated as part of the tendering process.	Achieved
Ensure all new developments and major refurbishments achieve minimum BREEAM 'Excellent' and an EPC rating of at least 'B'.	Achieved
Follow up on the results and recommendations of the post-occupancy evaluation of Prospero, Redhill, to ensure that all aspects of operational performance meet design intent.	Achieved

In the year ending March 2019, we completed one new office development at 30 Lombard Street, EC3 and embarked upon the development of the Theale Logistics Park in Reading. McKay maintains a commitment to ensure that all new developments and major refurbishments achieve minimum BREEAM 'Excellent' and an EPC rating of at least 'B'. Our development standards also help ensure that all five of the material issues for our portfolio identified in our recent strategy review are managed for our development pipeline. For both the 2019 developments our Sustainability Requirements for Development were included in the tendering process, forming a pre-requisite to appointment of contractors and involving engagement on an ongoing basis with contractors to support their implementation.

### Managing sustainable buildings

We set ourselves two targets in relation to occupier engagement for completion during the year ending March 2019. One of these was already achieved, and the other was still in progress as at the end of March, as we were holding off designing the building awards until we had received customer feedback through our occupier survey.

### Progress against occupier engagement targets

Occupier engagement targets	Status
Include information about assets' sustainability, including energy efficiency and health and wellbeing features, within marketing materials, highlighting their benefits for occupiers.	Achieved
Introduce a building awards/ competition to encourage uptake of sustainability practices amongst tenants.	In progress

### Occupier survey

In late 2018 and early 2019, we sent a satisfaction survey to 118 occupiers, receiving responses from 27%. We asked occupiers to rate their overall satisfaction with McKay as a landlord, as well as a range of other aspects including:

- McKay's understanding of their business needs
- Their experience of the leasing process
- Quality of relationship with McKay's management teams
- Presentation of the property
- Their own sustainability priorities

The survey captured both quantitative and qualitative feedback and provided very useful insights on McKay's current performance as a landlord and areas for further action.

We were particularly proud that 85% of responses stated they would be very or highly likely to recommend McKay as a landlord. Moreover, 94% indicated that they were satisfied with McKay's understanding of their business needs, with 75% rating this attribute as 'strong' or 'exceptional'. McKay's approach to occupier engagement and the quality of its relationships with customers was also indexed well, suggesting that McKay's overall approach to customer service is working well and should be maintained.

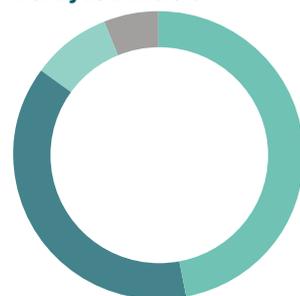
In terms of sustainability, employee health, wellbeing and productivity stood out as being of greatest importance to occupiers. Occupiers' assessment of the relative importance of these issues has been reflected within McKay's sustainability strategy review, and objectives have been set to steer future action in relation to each one.

### Monitoring and improving the environmental performance of our portfolio

By taking action to increase efficiencies wherever possible within our assets, particularly the largest contributors to our environmental footprint, we have made significant improvements in the energy and water consumption and carbon emissions of our portfolio over the last few years as shown in the charts in the introduction and in the table overleaf.

### Snapshot of occupier survey results

#### How likely are you to recommend McKay as a landlord?



Highly likely	47%
Very likely	38%
Likely	9%
Somewhat likely	6%
Unlikely	0%

#### How well does McKay understand your business needs?



Strong understanding	50%
Exceptional understanding	25%
Good understanding	19%
Little understanding	6%
No understanding	0%

# Sustainability continued

## Progress against environmental performance targets

Environmental performance targets <sup>1</sup>	Status	Performance
Achieve a 12% reduction in like-for-like landlord-controlled electricity consumption relative to a 2015/16 baseline.	Achieved	13% reduction
Achieve a 12% annual reduction in like-for-like landlord-controlled gas consumption (adjusted for heating degree days) relative to a 2015/16 baseline.	Achieved	41% reduction
Achieve a 12% reduction in like-for-like landlord-controlled carbon emissions, against a 2015/16 baseline.	Achieved	44% reduction
Achieve a 9% reduction in like-for-like landlord-controlled water consumption, against a 2015/16 baseline.	Achieved	31% reduction
Maintain 100% of operational waste diverted from landfill for landlord-managed portfolio.	Achieved	100% diversion
Increase the recycling rate across all properties for which the Company has management control to 48% by 31st March 2019, in line with 'Good Practice' according to the Real Estate Environmental Benchmark ("REEB").	Not achieved	35% rate

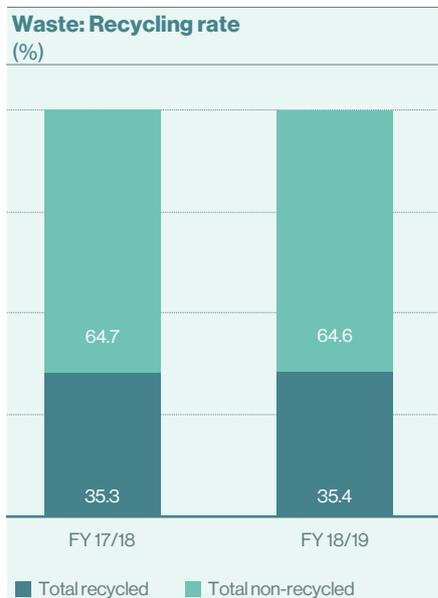
1. Like-for-like analysis takes into account occupancy rates across the portfolio in the gas, electricity and water consumption trend calculations. It also incorporates 'heating degree day' analysis to normalise gas consumption. The water like-for-like analysis has excluded a very large proportion of the portfolio due to missing data and should be viewed with significant caution. Calendar year 2018 recycling rate and disposal routes are taken as an approximation of the financial year 2018/19 recycling rate and disposal routes

We also continue to send zero waste direct to landfill across our portfolio as per the chart illustrating our waste disposal routes. Unfortunately, as the table to the right shows, we have not been able to increase the recycling rate of the properties where we have management control in line with the REEB for 'Good Practice', so our waste recycling rate is still lower than our target.

We are already working to improve on this. In autumn 2018 we commissioned a waste review to identify potential solutions to boost recycling rates across our directly managed portfolio and followed up on the recommendations in early 2019 through engagement with waste contractors. We hope that with due attention to this aspect we will be able to improve recycling rates in line with our target.

## Progress against environmental management targets

Environmental management targets	Status
Pilot an innovative energy-saving technology at one of the Company's major energy consuming assets.	Achieved
Pilot an innovative water-saving technology at one of the Company's major water consuming assets.	Achieved
Continue to review EPC risk associated with new purchases and create improvement plans for any asset with an 'E' rating or below, to bring it up to at least a 'D' rated EPC.	Achieved
Roll out phase two of the Company's Renewable Energy Review Strategy, which will involve conducting detailed studies into the feasibility of incorporating solar PV panels at five properties, and then select at least one property at which to take forward an installation, subject to commercial viability.	Achieved



## Employee training

To engage and inspire our workforce to create and manage sustainable buildings, we organise Continuing Professional Development (“CDP”) on these themes. In the year to March 2019, this included two separate training sessions on both environmental and health and wellbeing certification standards. Following these sessions, we have introduced health and wellbeing initiatives for occupiers at 329 Bracknell as a pilot project, including the offer of weekly exercise classes with a personal trainer.

We are also organising further building tours for our employees to explore examples of successful tenant engagement programmes focused on sustainability.



One of the reasons for the observed improvements in energy and water performance across the portfolio is that McKay implemented a rolling programme of upgrades and improvements across the portfolio.

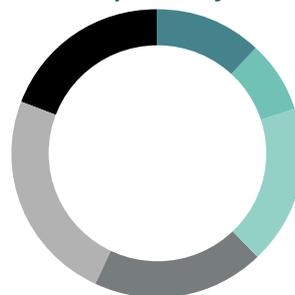
As part of any refurbishment programme, energy and water efficiency upgrades are made wherever the cost-effective opportunity arises. The most significant reductions in energy consumption between 2015/16 and 2018/19 have been achieved at The Mille, Brentford and One Crown Square, Woking, due to the upgrades carried out to multiple aspects of HVAC and lighting, among a raft of other improvements.

Recent upgrades at Corinthian House, Croydon have included individually mounted PIR urinal flushing sensors and sensor hand basin taps installed in newly refurbished toilets, replacing old automatic cisterniser flushing and traditional taps. We will look to roll out this new water-saving technology across the portfolio wherever we are refurbishing toilets. We have also benefited from an award-winning new lift system created by Kone, called NMX, which is 28% more energy efficient than the current equivalent, and includes an EcoDisc hoisting motor and regenerative drive, standby power saving and LED lighting.

Our improvement programme also helps us to manage portfolio EPC risk. The minimum energy efficiency standard (“MEES”), which

originates from the Energy Act 2011, came into force on 1st April 2018, making it unlawful to let any properties in England and Wales with an EPC rating of ‘F’ or ‘G’. Having taken a proactive approach to managing EPC risk, working with our asset managers and development team to improve our EPCs at every opportunity, less than 0.5% of the assets within the Company’s portfolio (by ERV) are currently ‘F’ or ‘G’ rated.

### Breakdown of EPC rating across the portfolio by ERV



■ No EPC held	12%
■ A	8%
■ B	18%
■ C	19%
■ D	24%
■ E	19%
■ F	0%
■ G	0%

As well as increasing our assets’ energy efficiency, we have also been proactive in assessing the viability of installing renewable energy systems within its existing sites. In 2018/19, we commissioned some more detailed technical and commercial feasibility studies on assets where initial surveys had indicated potential for installing solar photovoltaic panels (“PV”) and we are now reviewing the results of these assessments.

### Engaging our stakeholders

We have continued to make good progress in this area of our strategy, and details are provided below.

### Progress against stakeholder targets

Investor and employee engagement targets	Status
Maintain or enhance GRESB performance relative to 2017.	Achieved
Hold a minimum of two sustainability-related CPD sessions to increase awareness of key sustainability issues amongst employees.	Achieved
Continue to organise annual sustainable building tours to inform and inspire employees.	Achieved
Continue to ensure compliance with the Company’s Responsible Procurement Policy through the agreed annual auditing process.	Achieved

### Industry benchmarking

We continue to participate in the GRESB and in 2018 were particularly proud to obtain a GRESB score of 68, a six-point increase on our 2017 performance and an improvement of over 30 points since our first year of participation in 2014. Reflecting the ongoing evolution of our approach and delivery of management and performance targets, we have now moved from a 2-star to 3-star GRESB rating.

### Health and safety management

Although not forming part of our sustainability targets, health and safety (“H&S”) is a critical element of the Company’s oversight of the portfolio, and as such, is a key item to update on here. The Company’s H&S Policy and Procedures reflect legislation and latest best practice; a copy of the General Statement is available on the Company’s website and has been shared with all suppliers and employees. Implementation of the Company’s H&S is managed by the Safety Management Company (“SMG”). The SMG meets monthly when it

# Sustainability continued

reviews any legislative changes that may affect the Company and its portfolio and takes appropriate action on any risks highlighted to actively reduce the Company's risk profile. A programme of health and safety training has been implemented for employees, alongside a programme of training with the Company's contractors and consultants to ensure they are working to the same standard. For the year to March 2019, there have been no accidents of a nature reportable to Health and Safety Executive.

## Modern slavery and sustainable procurement

The Modern Slavery Act 2015 ("the Act") was introduced with the objective of reducing human trafficking and slavery. The Company is not obliged to report under the Act as its turnover is well below the £36 million turnover threshold. Despite this, the Company has in place a number of policies supporting a zero-tolerance approach to slavery, human trafficking, as well as bribery and corruption which accord with the Act's objectives. These include our policies on responsible procurement, health and safety, equal opportunities and other staff policies in place in respect of bullying, harassment, grievance and whistleblowing. As part of the regular review of these policies, the Company will look to improve and enhance this framework.

Suppliers and contractors play a fundamental role in delivering McKay's sustainability objectives and we updated our Responsible Procurement Policy and pre-qualification questionnaires with more ambitious social and environmental requirements in 2017/18. Building on that, over the past year, we have created a supplier assessment questionnaire covering aspects such as the Real Living Wage, environmental policies and management procedures and the use of products with lower environmental impact and we have sent that out to a sample of our suppliers to check on their performance.

## Supporting local communities

At present, McKay engages with local communities principally through the planning process and its community investment activities. Community investment activities are co-ordinated by our Charity Committee and focus on supporting local children's charities.



## Low carbon design in practice at Theale Logistics Park

Theale Logistics Park will be a new, high quality, 134,430 sq ft industrial/ distribution unit located next to Junction 12 of the M4 in Reading. McKay is undertaking works to deliver a self-contained, high specification warehouse unit. The project is on track to achieve BREEAM 'Excellent' for Industrial New Construction, Core and Shell, and boasts a range of integral features designed to reduce carbon emissions and resource consumption, as well as lower our impact on the surrounding environment, and support occupier health and wellbeing.

For example, building materials with high Green Guide ratings and responsible sourcing certification have been specified, and we have selected prefabricated steel frames to reduce resource consumption and waste. The site falls within the Berkshire Biodiversity Action Plan area, and wildlife friendly planting will be installed as well as bird and bat boxes. Most significantly, an 800 sq ft array of PV panels will be installed on the building, providing an annual electrical output of 7,875 kWh and reducing building CO<sub>2</sub> emissions by 21%.

The office areas have been designed to maximise daylight levels, thereby supporting better occupier health and wellbeing, as well as reducing lighting requirements. Indoor air quality will be enhanced through locating air intakes and exhausts a significant distance apart and far from the main road. Sustainable mobility is also encouraged by the provision of cycling facilities and a 70-space cycle park, as well as the site's proximity to Theale train station.

## Mandatory carbon reporting

We fulfil our statutory obligations for corporate reporting, which includes disclosure of the Company's carbon footprint. Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, quoted companies are required to report their annual emissions in their Directors' report. McKay's Mandatory Greenhouse Gas Emissions Reporting statement covers the reporting period 1st April 2018 to 31st March 2019 and has been prepared in line with the main requirements of the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard and ISO 14064-1:2006. The table below provides the relevant data with the accompanying explanatory notes.

The significant reduction in the Company's overall carbon footprint in 2018/19 is due to three key aspects: 1) gas consumption decreased by 35% compared to last year's usage; 2) 'location-based' electricity emissions reduced due both to improvements in energy efficiency and to the ongoing decarbonisation of the grid; and 3) in FY 2018/19, the Company procured 100% renewable electricity, resulting in the complete decarbonisation of its Scope 2 and 3 emissions (calculated using the 'market-based' method).

Sources of greenhouse gas emissions			2018/19 tonnes of CO <sub>2</sub> e (location-based calculation <sup>1</sup> )	2018/19 tonnes of CO <sub>2</sub> e (market-based calculation <sup>2</sup> )	2017/18 tonnes of CO <sub>2</sub> e
Scope 1 emissions	Energy	Gas (EPRA sBPR fuels-Abs)	451	451	706
	Fugitive emissions	Refrigerant emissions	De minimis	De minimis	De minimis
Scope 2 emissions	Energy	Landlord-controlled electricity (EPRA sBPR Elec – Abs)	1,942	0	2,091
Scope 3 emissions	Energy	Landlord-obtained energy sub-metered to tenants and all transmission and distribution losses (EPRA sBPR 3.6)	233	0	294
<b>Total</b>			<b>2,626</b>	<b>451</b>	<b>3,091</b>
Carbon Intensity <sup>3</sup> : Scope 1+2 emissions of tCO <sub>2</sub> e/£m adjusted profit before tax			258	49	302

### Data qualifying notes

- This is the Company's sixth year of disclosure under the Mandatory Greenhouse Gas Emissions Reporting regulations
- The Company's emissions for the year to March 2018 have been restated due to Q4 2017/18 data not being available at the time of reporting in 2018; this final period of data is estimated in every Annual Report. For the financial year to March 2019, 27% of energy consumption, and therefore carbon emissions, is estimated. FY 18/19 Q4 accounts for 99% of this estimated data
- This statement has been prepared in line with the main requirements of the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064-1:2006. For the first time this year, Scope 2 dual reporting was undertaken, which discloses one Scope 2 emission figure according to a location-based method and another according to a market-based method
- Within Scope 1 emissions, refrigerant-related emissions for the period were de minimis
- An operational control consolidation approach has been adopted

- For the 'location-based' method of emissions calculations, standard emissions factors from the UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting 2018 were used
- For the 'market-based' method, the Company's contractual instruments for the purchase of certified renewable electricity were accounted for, resulting in a significant reduction in the Company's real carbon footprint
- Carbon intensity only includes Scope 1 and Scope 2 emissions in the calculation

## Looking to the 2020s: A new sustainability vision

Five years on from our first sustainability strategy, environmental and social trends have continued to evolve apace, and new sub-trends have risen up the agenda. Coupled with this, we are actively pursuing our ambitions to reposition our brand, engage more deeply with occupiers and grow our portfolio. Hence we decided that 2018/19 was an appropriate time to review and refresh our sustainability strategy in line with the latest trends and the Company's strategic direction.

### The Right Choice for a Sustainable Business

Our mission is to work in partnership to deliver quality, innovation and growth. As a specialist REIT focused on London and the South East, we need to anticipate and prepare for the future evolution of our market and the trends that affect our customers' prosperity.

By harnessing innovations in office designs and technologies to create low carbon, resource efficient and healthy buildings we aim to help people feel positive and businesses to thrive.

### Strategy review process

In autumn 2018, McKay kickstarted the process of refreshing its sustainability strategy with support from external adviser JLL. This involved six 'materiality tests', which covered a review of McKay's baseline activities and achievements to date; assessments of future trends, peer practices and legislation to gauge future market direction; a tenant survey to understand occupiers' sustainability concerns; and a review of investor expectations, focusing on the requirements of GRESB and the Task Force on Climate-related Financial Disclosures ("TCFD").

The findings of these tests enabled us to refocus our sustainability strategy and vision, and pinpoint 14 'material' sustainability issues which underpin our new focus areas and suite of objectives.

# Sustainability continued

## Our new framework

Our new sustainability vision – The Right Choice for a Sustainable Business – is fully aligned to our corporate vision, mission and purpose and is supported by a strategic framework based around three focus areas.

**Sustainability Strategy Framework**

### The Right Choice for a Sustainable Business



**A customer-focused and flexible landlord**



**Low carbon, resource efficient and healthy buildings**



**A progressive and transparent business**

We have defined ten objectives which will guide our annual target setting, motivate our employees and provide clarity to investors, occupiers and other stakeholders as to the wider ambitions of our business and the contribution that we can make towards key sustainability trends. Our objectives are also aligned to our 14 'material' sustainability issues. The details of our programme and our 2019/20 targets are provided below.



### A customer-focused and flexible landlord

### Our approach

Delivering outstanding customer service is paramount to our business, and this principle is reflected in our approach to sustainability. By actively marketing our sustainability credentials to attract and retain customers we can demonstrate that we are the right choice of landlord for businesses which have their own sustainability goals. By anticipating, understanding and acting upon feedback from our customers, we can bolster our reputation as a business partner and support business growth.

#### Material issues

- Tenant attraction and retention
- Technological innovation
- Diversity, equal opportunity and inclusivity

#### Objectives

- Provide outstanding customer service by being an approachable, responsive and proactive landlord
- Invest in digital infrastructure that enables our customers to be better connected, more productive and have a lower environmental impact
- Seek to ensure that our assets support modern workplace requirements and continue to engage our existing customers

#### 2019/20 targets

1	Create and implement a follow-up action plan in response to the 2019 customer survey
2	Implement the building awards/competition to encourage uptake of sustainability practices amongst our customers

3	Undertake a gap analysis of a selection of current assets' digital infrastructure provision against good practice references, aiming to define a minimum standard for digital infrastructure provision for different asset types, and to trial smart technology in one property
4	Develop questions to be included within the next customer survey, to ask more specifically about customers' needs and expectations with regard to building-related features and amenities to support diversity and inclusivity



### Low carbon, resource efficient and healthy buildings

### Our approach

Creating low carbon, resource efficient and healthy buildings will be essential to meet a range of stakeholder requirements in the 2020s. We are pleased that over the last five years we have already made great strides in this area as reported above, which we can further build on to continue to ensure our portfolio is future-proofed and fit for purpose in the coming decade.

#### Material issues

- Energy and carbon
- Building health, wellbeing and productivity
- Waste and resource management
- Water
- Building labels and standards

#### Objectives

- Actively participate in the transition towards a low carbon economy by increasing our assets' energy efficiency, generating and procuring renewable sources of energy and providing infrastructure for electric vehicles
- Pursue a circular approach to resource use that reduces construction and fit-out costs, increases the flexibility of our buildings, benefits local communities, reduces operational costs and reduces environmental impacts from waste
- Put health at the forefront of our property development and management strategy to help our customers' businesses prosper and the people using our buildings to feel fit and well

#### 2019/20 targets

5	Ensure the electricity procured for any new asset acquired in the 2019/20 period is shifted to a renewable electricity tariff by the end of the year, to maintain McKay's 100% zero carbon electricity procurement status
6	Achieve a year-on-year 4% reduction in like-for-like landlord controlled electricity and gas consumption and work towards 20% reduction in carbon emissions by FY 2024/25 from FY 2019/20
7	Proceed with the implementation of new energy saving technologies at a minimum of one asset
8	Secure approval for the implementation of PV panels on at least one new development or major refurbishment, following the results of the Renewable Energy Strategy Review

9	Continue to ensure that all new developments and major refurbishments achieve minimum BREEAM 'Excellent' and an EPC rating of at least 'B'
10	Define and approve an ambitious 2030 carbon reduction target and action plan to achieve this through a combination of energy efficiency measures, on-site renewables and purchase of green energy tariffs
11	Identify a development/refurbishment project (if a suitable opportunity arises) where McKay could seek to achieve net zero carbon (as a pilot) before 2022
12	Increase the recycling rate across all properties for which the Company has management control to at least 52% by 31st March 2020, in line with 'Good Practice' in office assets according to the latest available REEB
13	Implement the recommendations of the waste review at assets where McKay has management control
14	Organise at least one CPD session on the circular economy to provide information and inspiration to employees on this topic
15	Achieve a year-on-year 4% reduction in like-for-like landlord-controlled water consumption, and work towards 20% reduction by FY 2024/25 from FY 2019/20
16	Proceed with the implementation of new water saving technologies in a minimum of two assets
17	Undertake a gap analysis of a selection of current assets' health and wellbeing features against good practice references, aiming to define a minimum standard for health and wellbeing that can be applied to all assets (by type), aligned to an appropriate certification standard (e.g. WELL or Fitwel).
18	Undertake a post-occupancy evaluation at a suitable asset, to identify the extent to which occupier experience matches with the design intent
19	Develop questions to be included within the next occupier survey, to ask more specifically about occupiers' perceptions of their demised area and common parts building areas in relation to health and wellbeing
20	Organise at least one tour of an exemplary sustainable building for health and wellbeing, to inform and inspire employees



## A progressive and transparent business

### Our approach

We are proud of our brand and reputation as the leading property specialist in our region, and it is of utmost importance for us to maintain our status as a progressive and transparent business that is open and responsive to trends within both the investor community and wider society. Whilst we continue to uphold high standards of corporate governance, procurement and health and safety management, we will also be sharpening our focus on the management and disclosure of sustainability risk and unlocking the

social value that our business can create in the communities where we operate. This will enable us to preempt pressure from investors and prepare our business for more demanding planning and/or regulatory requirements on these aspects.

### Material issues

- Investor attraction and retention
- Transparent disclosure
- Corporate governance
- Community health and wellbeing
- Sustainable procurement
- Health and safety

### Objectives

- Protect and enhance the value of our assets and future-proof our business by anticipating and responding to evolving environmental and social trends
- Communicate clearly and directly with our stakeholders and maintain our culture of sound corporate governance
- Identify opportunities to support the resilience of local communities around our assets, co-creating places where people and business can thrive
- Monitor and report transparently on our sustainable business performance by using KPIs linked to each of our focus areas, and maintain our position in the GRESB

### 2019/20 targets

21	Continue to ensure that sustainability health and wellbeing are integrated into asset marketing and communications, including asset websites and asset profiles on the corporate website
22	Create asset-level sustainability scorecards which can be used to track asset performance, with this performance data also used in asset marketing
23	Review and update McKay's acquisitions and developments checklists in line with the sustainability trends and material issues identified through the 2018/19 strategy review
24	Define the brief for a review of the portfolio (and local transport links) against key climate risk criteria – looking out to 2030
25	As part of McKay's rebranding, integrate our new sustainability vision into our value proposition and corporate website content
26	Over a two-year period, identify key locations and a shortlist of projects/charities focused on community resilience which McKay could support
27	Maintain or enhance GRESB performance relative to 2018
28	Take forward the recommendations of the gap analysis undertaken against the requirements of the TCFD
29	Aim to increase environmental data coverage with a focus on tenant energy, GHG emissions and water data, in line with GRESB requirements

# Sustainability continued

## A BREEAM 'Excellent' development in the heart of the City of London

30 Lombard Street, EC3 is located in the City of London and McKay completed the redevelopment in January 2019. This triggered the completion of the pre-let of the entire building to one financial services tenant.

Awarded a BREEAM 'Excellent' rating and an EPC 'B', the building was fitted with a well-performing façade and highly efficient LED lighting system, incorporating daylight dimming.

Supportive of occupier comfort and productivity, the building also features a HVAC system zoned such that the BMS is able to keep the temperatures of the indoor environment well controlled across the floorplate. Occupants have access to a planted roof terrace with views across the City, and public transport links, the walkability of the area, and local amenities are all excellent.

