

Sustainability and stakeholders

Our goals are:

- The environmentally sustainable re-use and management of existing buildings
- Invest in the local community
- Effective stakeholder engagement
- A fair and ethical framework for employees and our supply chain

Benchmark indices



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At the heart of our sustainability strategy is a focus on extending the economic useful lives of our buildings. Through changes of use and reconfiguration, within the constraints of legislation, our buildings can continue to meet the needs of modern occupiers.

In an urban location, which is intensively used by huge numbers of visitors, a large working population and residential community, social issues and challenges are bound to arise. We therefore focus on community-related activities which help to support organisations that tackle these problems.

The Wild West End collaboration, which promotes biodiversity, continues to gain momentum. Working with other neighbouring landowners, we are increasing the number of biodiversity features throughout our portfolio, with the consequent associated benefits of improved health and well-being for tenants, residents and visitors. The concept won an EPRA sustainability award for its outstanding contribution to society.

Our non-financial information statement is set out on page 146.



Management of sustainability

The Sustainability Committee meets quarterly to define objectives, agree strategies and review progress. We have a robust and effective Sustainability Policy which is reviewed annually by the Board and is available on our website.

We continue to base our sustainability strategies on our core goals:

Stakeholders: engaging with our tenants, investors and other stakeholders ensures that we are aware of their expectations and can respond accordingly. In particular, we work with tenants to identify ways in which they can use our buildings more efficiently and operate in a more sustainable manner.

Environment: re-use and careful management of existing buildings. In addition, reducing the running costs of buildings and improving their operational efficiency is important in attracting tenants, as well as meeting regulatory requirements.

Working closely with our supply chain enables us to control our most significant impacts and facilitate better sustainability standards throughout.

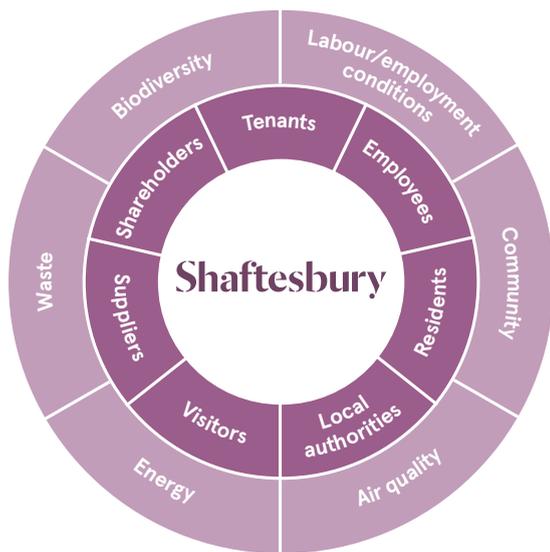
Community: engaging with local groups and charities to ensure we support our community.

Employees: investing in our employees to support their development and encourage retention.

During 2018, we reviewed our materiality assessment which identifies the sustainability key issues and challenges which we should be addressing in the year ahead. Our broad strategic goals remain relevant and will continue to form the framework of our approach. Community, central London air pollution, living wage, health and safety, greenhouse gas emissions and infrastructure continue to be key issues, both internally and externally, and human rights, waste, material use and biodiversity are all increasing in significance.

Stakeholders

As a long-term business in the West End, we have developed relationships with an extensive range of stakeholders with whom we work across a range of activities.



We work closely with our suppliers and hold an annual sustainability seminar which considers environmental and community matters and ensures that our supply chain is aligned with our values. For the first time this year, we held a similar seminar for the construction companies and project managers in our supply chain, which was received very positively.

We hold an annual community breakfast which is a networking opportunity for our local partners – community groups, charities, not-for-profit organisations and local government which operate in our areas.

Our employees work closely with our local community including local organisations, groups and statutory authorities with responsibility for particular issues in our local environment such as safety and policing.

Modern slavery and human rights

We have policies in place which address human rights, modern slavery and the ethical conduct of our business, all of which are included within our Sustainability Policy which is updated annually. We respect international principles of human rights and have been a signatory of the UN Global Compact since 2015.

Our Sustainability Policy is also provided to organisations in our supply chain to encourage them to adopt and enforce similar policies in their own businesses. We ask our principal advisors and suppliers to commit to the Universal Declaration of Human Rights with respect to all employees and sub-contractors employed by them.

We promote the human rights of our employees through equal opportunity and in our recruitment process, regardless of their sex, sexual orientation, age, race, disability, marital status, religion and nationality.

As a consequence of our outsourcing model, the effective communication of our policies and objectives throughout our supply chain is important to ensure that an ethical and sustainable approach is adopted to the employment of labour and the purchase of goods and services on our behalf.

We ensure our Supplier Code of Conduct is circulated to our principal suppliers for inclusion in contracts. Our Code requires payment of the London living wage and compliance with the Modern Slavery Act 2015 throughout our supply chain.

We have recently launched a new supplier engagement process which includes our expectation that suppliers commit to our Sustainability Policy and Supplier Code of Conduct.

As part of our 2017 Modern Slavery Statement, we committed to seek accreditation with the Living Wage Foundation which we have successfully achieved. It covers payment of our own employees as well as those within our immediate supply chain.

We have updated our whistleblowing policy and expanded our commitment to facilitate the reporting of inappropriate business behaviour through a dedicated and confidential whistleblowing hotline for employees and our supply chain.

Health and safety

The Board has overall responsibility for health and safety.

In our refurbishment projects, responsibility for health and safety is identified within all pre-tender documentation and is monitored by site and project managers. Managing agents oversee day-to-day health and safety matters throughout the portfolio.

There were no reportable health and safety incidents in the portfolio. The accident frequency rate for Shaftesbury employees was zero (2017: zero) and there were no health and safety prosecutions, enforcement actions or fatalities in 2018.

57 Broadwick Street

An office refurbishment scheme which is on track to achieve BREEAM Excellent post construction.

The use of the existing structure provided the opportunity to reduce the amount of new materials used within the construction process while reducing the environmental impact caused by the development.

The building incorporates a variety of energy and water efficiency measures within both the building fabric and the services installation including:

- Enhancements to the building fabric envelope thermal performance by introducing thermal insulation to achieve lower capacity heating systems, thereby reducing energy consumption
- Providing new high performance glazing in order to reduce solar heat and reduce the cooling plant required
- Providing occupancy detection and automatic daylight dimming within the lighting control system
- Using low energy, high efficiency light sources
- Maximising the use of daylighting within the building
- Including water appliances within the building that reduce water consumption.

The 5th floor roof area includes a green roof and planters that have been planted with species in accordance with the objectives of Wild West End and provide both biodiversity benefits as well as reducing potential water run-off compared with the original building.

Environment

We improve and extend the useful economic life of our buildings through refurbishment, change of use and reconfiguration.

All our portfolio is located in Conservation Areas and around 20% of our buildings are listed. Within these constraints, we strive to provide environmentally efficient commercial and residential accommodation as well as advice to occupiers, to minimise the overall impact of our business on the environment.

Waste

We achieved a recycling and composting of food waste rate of 55% for Carnaby and Seven Dials. We encourage composting by our restaurant tenants, and active engagement with tenants has increased the proportion to 18%. The remaining waste is diverted from landfill to energy from waste schemes.

Our refurbishment projects diverted, on average, over 98% of waste from landfill.

Air quality

We recognise the decline in air quality in central London and although we cannot directly influence this, we are promoting measures that will contribute to an improvement. We promote to occupiers the benefits of delivery consolidation and the use of a zero-emissions vehicle through our nominated suppliers. Through this initiative, there was a saving of 2.9 tonnes of carbon over the course of the year – equivalent to 6,838 miles driven. Biodiversity measures also help with improving air quality.

Single-use plastic

This year we have engaged with our tenants to address the environmental issue of single-use plastic that is affecting both the local and global environment. Initiatives have included the installation of a water fountain at Kingly Court as part of the #OneLess and Mayor of London initiative. To date, the equivalent of over 20,000 500ml plastic bottles have been avoided.

We hosted a two-week public exhibition to raise awareness of single-use plastic and had a visit from Plasticus The Whale. The Carnaby arch was themed for WWF's Earth Hour 2018 and our Street Eat food festival in August was entirely single-use plastic free.

Building certifications

Our objective is to achieve BREEAM Very Good for all larger commercial and domestic refurbishment schemes with three schemes completing during the reporting period and a number of others are in progress with the majority on course to achieve at least Very Good. In total over 10% of the portfolio by floor area is on course to be BREEAM certified.

Energy consumption

Energy consumption has been largely unchanged year-on-year reflecting fluctuations in tenant numbers and occupancy. Due to the increased use of renewable energy in the national grid, greenhouse gas emissions decreased by over 16% from 1,316 tonnes to 1,099 tonnes.

EPCs

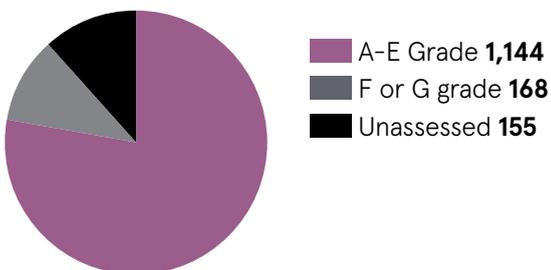
We continue to make good progress against the Government's Minimum Energy Efficiency Standards (MEES). From April 2018, demised areas at the time of letting are required to have an Energy Performance Certificate (EPC) of grade E or above.

Properties that have in the past been assessed at Grades F or G are currently occupied. Once they become vacant, we will carry out such works as are necessary to improve their rating to above the minimum level.

A number of properties have not been assessed yet as they are let on long-term leases which have not been subject to an expiry since 2008, when EPCs were introduced. They will be scheduled for works, to meet or exceed the requirements of MEES, when the leases expire.

Of the EPCs assessed after refurbishment, over 80% were a grade C or above.

Number of leases



Use of materials

We maximise the re-use of materials on site in all our refurbishment projects, with a significant proportion of the primary structure and external façade retained. Similarly, our approach is to re-use timber. Timber features such as windows, joists, floorboards, staircases and panelling are retained where possible.

For the small volume of timber purchased, 89% was Forest Stewardship Council (FSC) certified and, overall, 96% was sustainably sourced with full chain of custody.

Biodiversity

We recognise the importance of promoting biodiversity. The West End is an intensively-used urban area, which needs thriving and connected green spaces. This is important both for wildlife and the health and well-being of occupiers and visitors.

This year we made further progress with our goal to improve the biodiversity of empty and inaccessible roof tops. Through installing additional features throughout the portfolio, including green roofs, sedum roofs, window boxes, bird boxes and insect homes, we have increased total area coverage by 33% from 9,524 sq. ft. to 12,644 sq. ft.

We promoted Defra's Bees' Needs Week again this year, by installing a bee-themed Carnaby Street arch and hosted a pop up 'Hive' on Carnaby Street, which helped to promote bee conservation organisations and research. Our work was recognised by DEFRA with an award as a Bees' Needs Champion 2018 for raising public awareness of the needs of pollinators.

We have installed two bee hives in Carnaby, making a total of five across our portfolio.





Community

Our activities are aligned with the area in which our portfolio is located and community engagement is embedded at all levels of our organisation. We have a long record of close involvement with local charities and not-for-profit organisations which work on initiatives in these communities. Not only are they our neighbours, but the work of our local partners ensures that the West End continues to be a vibrant and diverse destination which supports residents, businesses and cultural organisations and welcomes growing numbers of domestic and international visitors.

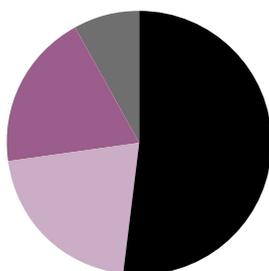
Our community investment committee oversees the strategic direction and effectiveness of our community giving. Reporting directly to the Board, the committee strengthens our community engagement through its focus on developing our relationships with key community partners and expanding participation opportunities.

We have continued our membership of the London Benchmarking Group (LBG). Our contribution is measured in accordance with their framework which provides a standard and comparable methodology.

The total contribution comprises more than just cash - it is time given by employees and the cost of properties used for charitable or educational purposes. We provide space to charities and other not-for-profit organisations on a short-term basis to assist in promoting their charity or cause in our areas or provide cost-effective space for organisations in our central locations. The chart shows the breakdown of these elements of our contribution. Our community contribution amounted to £0.89 million which equates to 1.7% of EPRA earnings.

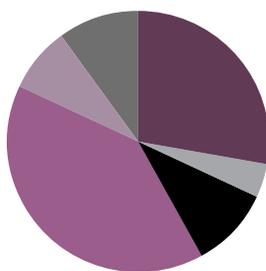
We support a wide range of organisations, a number of which are showcased throughout this annual report. Others not mentioned elsewhere include: London College of Fashion, ZSL, Phoenix Gardens, St Anne's Church, China Exchange, Trekstock and the Chinese Information and Advice Centre.

How we contribute



- Cash **52%**
- Employee time **21%**
- In-kind contributions **19%**
- Management costs **8%**

What we support



- Social welfare **28%**
- Education **40%**
- Arts/culture **10%**
- Environment **10%**
- Health **8%**
- Other **4%**

Key activities

CEO Sleepout for The House of St Barnabas
Staff, including our Chief Executive, took part in the CEO Sleepout raising funds for The House of St Barnabas, a charity which works to break the cycle of homelessness. A total of £24,000 was raised.

Founding Partner of the Young Westminster Foundation

As a founding partner, we support the Foundation's mission to create opportunities for children and young people in Westminster enabling the next generation to fulfil their potential. In this role, we encourage the local community, visitors, occupiers and partners to engage with the initiative.

Westminster Lion accreditation

A new initiative from Westminster City Council which recognises businesses that work hard to make a positive impact in their communities.



Recognised by
Westminster City Council
as a responsible business
delivering a City for All

businesswestminster.com/business-enterprise/csr

Our fifth community breakfast

We work with many not-for-profit organisations in the local area. To enable them to meet each other and network, we host an annual community breakfast.

More than 80 people attended the breakfast from 30 organisations spanning the arts, education, health, food, organisations for the homeless and elderly, environment, business improvement districts and local councils.

Brian Bickell welcomed guests and introduced Councillor Nickie Aiken, Leader of Westminster City Council, who spoke about local issues and the City Council's priorities.

Employees

Our team

We have a team of 30 full and part-time permanent employees. We operate on an outsourcing business model whereby day-to-day activities are devolved to long-term external advisors, agents and suppliers. Decision-making and strategic functions are not outsourced.

Employees by department

| | | |
|---|---|----|
|  | Executive Directors/company secretarial | 5 |
|  | Property (including marketing) | 15 |
|  | Finance | 4 |
|  | Administration | 6 |

Fairplace Award 2017

We became the first FTSE 250 real estate company to win the prestigious Fairplace Award, an ethical workplace accreditation from property charity the Ethical Property Foundation. The award recognises good policy and practice in the community in terms of funding local projects, carbon footprint and sustainability, and landlord and tenant engagement.

Our culture

Our culture is open and inclusive. We encourage individuality and independence and we treat others with respect. Our roles are interesting and varied, providing a breadth of experience and interest.

Another essential ingredient in making Shaftesbury a good place to work is our culture of encouraging innovation and embracing new ideas. Decisions are made efficiently and employees can see their ideas coming to life.

As a business, we make long-term decisions and are proud of our reputation for being a responsible landlord and an integral part of our local community. We care about our impact, aiming to create legacies that sustainably improve our locations. This attracts people to work, and stay working, with us. This is borne out by the fact that our average length of service is 11 years and our employment turnover in 2018 was zero.

Diversity and inclusion

We are committed to diversity within our team, recognising that diversity of thought, skills and personal attributes contribute to a successful business. As a signatory to the 30% Club, gender diversity at senior levels of our organisation is important but we also recognise that diversity is not just limited to gender. Hence, we also support Real Estate Balance which seeks to address the gender imbalance in property.

Our approach is reflected in our recruitment procedures where we ensure that we recruit from the widest talent pool and consider a full spectrum of attributes and backgrounds.

We support the Pathways to Property programme which aims to improve diversity in the property sector by introducing students from less-advantaged and non-traditional backgrounds to the industry.

Pay and benefits

We offer our employees competitive remuneration packages which recognise their contribution to our business. Everyone, regardless of their role or level of seniority, receives the same benefits, including participation in our LTIP scheme, a generous pension scheme and a tailored development programme.

Volunteering leave was introduced last year and 14% of employees have taken advantage of the flexible working arrangements we offer which are designed to accommodate different working patterns.

Training and development

Investment in the training and development of our employees is essential to our long-term success. All employees have access to training and development tools and support that they require for their day-to-day roles and for their career progression.

We offer a wide suite of training opportunities which can comprise psychometric analysis, 360-degree assessment, external courses, internal training and professional development. This year, we have partnered with Henley Business School to enable senior employees to undertake more intensive development training.

We have engaged a human resource specialist to assist with our strategic approach to employees and to formalise procedures we have in place. As we are part way through this work, we expect to be able to report more extensively next year.

For the first time, we have undertaken an employee survey, so that we can be aware of our working environment and the expectations of employees. The results of this will be reported in next year's annual report.

| | 2018 | 2017 |
|--|------|------|
| Number of employees | 30 | 29 |
| Female | 60% | 59% |
| Females on Executive Committee (excluding executive directors) | 57% | 57% |
| Percentage of female board members | 30% | 30% |
| Average training hours per employee | 19 | 16 |
| Average length of service (years) | 11 | 12 |
| Employee turnover (number) | 0 | 1 |
| Absentee rate (EPRA calculation) | 1.6 | 0.96 |
| Employees with flexible working arrangements | 14% | 14% |

