PROPERTY

RESPONSIBLE PROPERTY
INVESTMENT REPORT 2024

For professional clients/qualified investors only, not suitable for retail clients

ROYAL LONDON
ASSET MANAGEMENT

Contents

Monfort Manor, Ashford

Foreword

Our Responsible Property Investment (RPI) Report provides an update on the progress made during 2024 towards implementing our RPI Strategy. RPI continued to be fully embedded within Royal London Asset Management Property's investment strategy, forming a key part of our decision-making process across the different stages of the asset lifecycle.

With investing in the long-term being core to our approach, ensuring our property portfolio is futureproof to changes in the market and evolving stakeholder expectations is critical. With sustainability continuing to grow in importance, demonstrated by an emergence of reporting frameworks and regulation in 2024, we have remained committed to integrating RPI within our investment decision-making, with the ultimate aim of delivering positive returns to our clients. This report provides accountability as we pursue this continual improvement, positive results and ever-increasing transparency for our stakeholders.

During 2024, the combination of climatic milestones, regulatory developments and political transition highlighted the increasing importance of adopting a responsible approach to asset management. Global data providers have reported that 2024 not only surpassed 2023 as the hottest year on record, but marked the first time the planet's average temperature was more than 1.5°C above pre-industrial levels[1]. The passing of this symbolic threshold emphasises the need for portfolios to have the resilience and adaptability for the challenges ahead. This has been a priority for us over the last year, with our asset management activities including assessing our properties against various physical climate risks in both the present day and in the future under various climate change scenarios. Understanding, addressing and monitoring these risks is critical to maintaining a robust property portfolio.

Furthermore, political measures emerged in the context of several significant changes to regulations and reporting frameworks. Of particular importance to Royal London Asset Management Property was the release of a pilot version of the UK Net Zero Carbon Buildings Standard in September 2024. For the first time, this gives UK companies a cross-industry standard with which to label built assets as net zero carbon via a single methodology. Since publication, we have been focused on understanding the standard's requirements and aligning our processes accordingly, particularly across our new build and major refurbishment activities. By undertaking a proactive approach to assessing the standard's implications, we will be well-prepared for its adoption across the built environment, ensuring our property portfolio remains resilient to potential changes.

1 https://climate.copernicus.eu/copernicus-2024-first-year-exceed-15degc-above-pre-industrial-level

Over the last year, nature has continued to be a core focus for us, with significant progress made on the development of a bespoke property biodiversity strategy. The introduction of the Biodiversity Net Gain (BNG) regulatory requirement in February 2024, stipulating that all developments must deliver a minimum of 10% BNG,[2] emphasised the importance of having a robust nature strategy. Additionally, in June, the Taskforce on Nature-related Financial Disclosures (TNFD) updated its guidance for financial institutions[3] which subsequently led to the Better Buildings Partnership releasing its own publication aimed at supporting real estate owners to apply the TNFD framework[4].

With this surge in regulation and resource, it will be fundamental that we fully embed our new biodiversity strategy within our investment approach in order to respond effectively to these shifting government and investor priorities.

In this report, our third annual RPI Report, we provide insights into the work undertaken across our portfolio that highlights our commitments to RPI, shown through a combination of data-driven metrics and qualitative case studies.

Mark Evans, Head of Property and Commercial Development

Holborn Viaduct, London

2 www.gov.uk/government/collections/biodiversity-net-gain
3 www.tnfd.global/publication/additional-disclosure-guidance-for-financial-institutions/
4 www.betterbuildingspartnership.co.uk/bbp-releases-new-publication-tnfd-uk-commercial-real-estate

Document map

This document aims to highlight the progress made on our RPI Strategy. Helping us to achieve our strategic objectives is a suite of documents and guidance notes disclosing the standards we are aiming to reach for new and existing assets, as well as detailed statements of achievements against these. The map below sets out this wider suite of supporting documents.

Our reporting suite

This report forms part of our wider Responsible Investment and Property-specific reporting suite:

Responsible Investment

Stewardship & Responsible Investment Report 2024
Our report as part of our commitment to the UK Stewardship Code

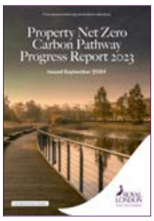
Royal London Climate Report 2024
This report in line with the Task Force on Climate-related Financial Disclosures (TCFD)

Royal London Asset Management Property

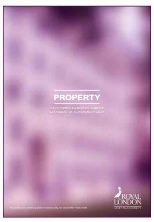
Responsible Property Investment Strategy 2021 to 2025
Sets out our RPI strategic framework and how we embed RPI across our portfolio

Property Net Zero Carbon Pathway 2021
Sets out our strategy to achieving net zero carbon by our target years

Responsible Property Investment Report 2023
Highlights our progress of delivering against our RPI strategic framework over 2023



Property Net Zero Carbon Pathway Progress Report 2023
Highlights our progress over 2023 towards achieving our net zero carbon goals



Property Development & Refurbishment Statement of Achievement 2024
Sets out our performance highlights against our New Construction and Major Refurbishment Sustainability Standards

New Construction and Major Refurbishment Sustainability Standards 2025
Our development standards mapped against eight sustainability categories

For more information, please visit rlam.com/uk/institutional-investors/responsible-investment and rlam.com/uk/institutional-investors/our-capabilities/property/responsible-property-investment.

About us

Royal London Asset Management is part of Royal London, the UK's largest life, pensions and investment mutual. We have been investing in property on behalf of Royal London and third party institutional clients for decades and are currently one of the largest UK landlords, with £8.5bn of assets under management (AUM)[5]. At the core of our property approach is our commitment to RPI, underpinned by our long-term investment approach to maximising value.

In 2021, we published our RPI Strategy. This provided our strategic framework and associated action plan up until 2025, outlining how we will address our material RPI issues and deliver against the four pillars that underpin our framework. That same year we also published our Net Zero Carbon Pathway Report that defined a detailed, seven-step pathway to net zero. We are targeting achieving net zero carbon by 2030 for our directly managed assets and developments, and 2040 for our indirectly managed assets[6]. To support this commitment, Royal London Asset Management joined the Net Zero Asset Managers Initiative (NZAM)[7] and became a signatory to the Better Buildings Partnership Climate Commitment.

This report provides an update on progress over 2024 against our RPI framework, highlighting key initiatives, case studies and our strategic aims for next year. Whilst we recognise that our property portfolio contributes towards climate change, we have a responsibility to minimise the impact that our properties have on the local and global environment. We see this report as an opportunity to engage and be transparent with our stakeholders on our annual RPI performance, highlighting how we are working towards reducing our impact, along with truly demonstrating our belief that integrating RPI is critical to delivering long-term value to our stakeholders and futureproofing our property assets.

5 Total assets as at 31st December 2024 (excludes Cash).
6 Directly managed assets are those over which Royal London Asset Management has complete operational control, greater than 50% equity share and joint ventures where they would cover the proportionate amount of emissions. Indirectly managed assets are either partially managed by Royal London Asset Management or managed wholly by the occupier. Developments are any new development or major refurbishment that comes online from 2030 onwards.
7 At the time of report writing, the NZAM was reviewing the initiative to ensure it remains fit for purpose in the new global context.

The Distillery, Bristol

Footnote under the above 3 pillars: All data is accurate as of 31 December 2024

Our funds

RLPPF

Managed by Royal London since 2001, RLPPF is a balanced UK real estate fund with 127 investments diversified across the office, industrial, retail and alternative (hotel, leisure, healthcare and residential) sectors with over 900 tenants and a total AUM of £5.4bn.

ROYAL LONDON UK REAL ESTATE FUND (RLUKREF)

Launched in October 2017, RLUKREF is a balanced, Core Plus open-ended fund. The fund holds 63 assets predominantly within the office, retail and industrial sectors plus some leisure and hotel assets, supporting over 310 tenants, with total AUM of £2.7bn.

ROYAL LONDON PROPERTY FUND (RLPF)

Launched in 1999, RLPF is an open-ended investment company. The fund holds 26 assets, supporting 93 tenants, with total AUM of £338m.

All data is accurate as of 31 December 2024 (excludes Cash)

Royal London Asset Management's corporate property Environmental, Social and Governance (ESG) and climate ambitions do not guarantee any particular property fund will try to meet that objective individually. If you are seeking a particular outcome, always remember to check the fund objectives to ensure it will meet your needs.

RPI journey to date

2007
Implemented Property's first Environmental Policy

2008
Became a signatory to the United Nations Principles of Responsible Investment (UN PRI)

2015
Implemented an ISO14001-aligned Environmental Management System (EMS); updated annually with environmental objectives and targets

2018
Creation of the New Construction and Major Refurbishment Sustainability Standards; updated annually

15-18 Rathbone Place, London

2020

Royal London Asset Management's first report in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD); reported annually

2021

Launched our RPI Strategy

Developed our first Property Net Zero Carbon Pathway, as part of our pledge to the Better Buildings Partnership Climate Commitment

Signed up to NZAM, part of the UN-convened Race to Zero

2023

Published our first RPI Report and Net Zero Carbon Pathway Progress Report; updated annually

2024

Became signatories of the Westminster Sustainable Cities Charter

RPI Strategic Framework

Investing in a resilient portfolio

Applying future-proofed investment decisions seeking to shape resilient portfolios within which the assets meet the evolving needs and aspirations of our occupiers and investors.

Developing for the future

Creating thriving buildings and places through sustainable development and refurbishment which have enduring appeal for occupiers and add value to local communities.

Managing assets for positive impact

Working in partnership with our occupiers and local stakeholders to deliver social value and positive environmental outcomes through our assets.

Responsible decision-making

Drawing from trusted partnerships with a diverse range of stakeholders to make forward-thinking decisions that address our material issues and ensure transparency.

Our material issues

- Transition to net zero carbon
- Climate resilience, adaptation and risk mitigation
- Safeguarding natural resources
- Biodiversity and green infrastructure
- Progress to a circular economy
- Purposeful construction and placemaking
- Sustainable transport and connectivity
- Health, safety and wellbeing
- Diversity and inclusivity
- Building certification

1 New York Street, Manchester

Our 2024 highlights

Completed a further **17** net zero carbon audits across our assets

Completed a portfolio-wide physical climate risk screening

13% utility data coverage through Automatic Meter Reading (AMR) devices across the portfolio[†]

19% reduction in Scope 1 and 2 emissions compared to our Net Zero Carbon Pathway baseline year (2019)[‡]

Generated **507** MWh of onsite renewable energy

Undertook a desk-based baseline audit of biodiversity and natural capital across our property portfolio

Completed **698** Energy Performance Certificate (EPC) Building Upgrade Reports

Undertook an independent review of our ESG-related data[¥]

Continued to maintain ISO 14001 accreditations across all buildings within our Environmental Management System[Δ]

Standing Investments: 3-star ratings for RLUKREF, RLPPF and RLPF

Development: 5-star rating for RLUKREF and 3-star rating for RLPPF

Achieved our first NABERS UK Energy for Offices rating of 3 stars and NABERS UK Design for Performance (DfP) rating of 4 stars

18% of our portfolio certified to BREEAM[†]

RLUKREF shortlisted for the AREF Outstanding Fund Achievement Annual Award

† By floor area
‡ Absolute changes
Δ In place since 2015
¥ Data used for ESG reporting purposes.

RPI objectives and portfolio targets

During 2022, we developed a set of RPI portfolio targets to address the material topics identified in our RPI Strategy, accompanied by a set of KPIs. This year will mark the second year reporting of these KPIs which will be measured annually and tracked internally to monitor progress.

Over 2024, they have continued to be used for engagement internally as well as externally with stakeholders, including our property managers and occupiers, to drive improvements across the portfolio.

Transition to net zero carbon

Operational

Achieve net zero carbon across our directly managed property assets and developments by 2030

Achieve net zero carbon across our indirectly managed property assets by 2040

Generate up to 9.5 GWh (equivalent of 11.2 MW of capacity) of renewable energy onsite per year by 2040

Development

Aim to achieve a reduction in embodied carbon (A1-A5)[8] across all new build and major refurbishment projects in line with our New Construction and Major Refurbishment Sustainability Standards

Climate resilience, adaptation & risk mitigation

Operational

Explore forward-looking climate risk assessments and commence across all assets from 2024

Development

Commence forward-looking climate risk assessment at design stage and integrate adaptation solutions within the design on all new build and major refurbishment projects from 2024

Safeguarding natural resources

Operational

Achieve a 30% reduction in Energy Use Intensity across our directly managed portfolio by 2030, against a 2019 baseline

Aim to align with UKGBC Paris-proof Energy Use Intensity target of 70 kWh/m^2 by 2030 across our directly managed offices

Development

Target the UKGBC Paris-proof Energy Use Intensity target across all office new build and major refurbishment projects of 90 kWh/m^2 by 2025, and 70 kWh/m^2 by 2030[9]

Aim to incorporate water efficiency measures and/or water recycling to reduce mains use by 40% compared to the BREEAM baseline across all new build and major refurbishment projects[10]

8 Within the whole life carbon assessment, life cycle stages A1-A5 cover the embodied carbon to practical completion of a building, comprising the product and construction stages. Source: Whole life carbon assessment for the built environment, Royal Institute of Chartered Surveyors (RICS), 2nd edition, July 2024

9 Through undertaking operational energy modelling using CIBSE TM54 methodology. This target also applies to offices designed from either 2025 or 2030.

10 This excludes residential projects.

Biodiversity and green infrastructure

Operational

Develop a biodiversity baseline and produce a Biodiversity Strategy in 2023

Development

Exceed 10% Biodiversity Net Gain on all new developments and major refurbishments

Sustainable transport and connectivity

Operational

Explore options for improving sustainable transport options across our industrial assets and retail parks

Development

Aim to meet local planning requirements for the proportion of vehicle spaces that are designated to electric modes of transport across all new build and major refurbishment projects

Progress to circular economy

Operational

Achieve a minimum 60% recycling rate across our managed portfolio by 2030

Development

Aim for 30% of materials by value to be derived from recycled/reused content by 2030 across all new build and major refurbishment projects

Health, safety and well-being

Operational

Aim for zero reportable health and safety incidents across the managed portfolio

Development

Aim for zero reportable health and safety incidents on construction sites across all new build, major and minor refurbishment projects

Purposeful construction and place-making

Operational

Develop a Social Value Framework to begin implementation in 2024

Development

Aim to support a minimum of two apprenticeships or work experience students during construction, and one site visit for local schools/residents across all new build and major refurbishment projects

Building certification

Operational

Aim to align with UKGBC NABERS UK Energy for offices with 5-star rating for all directly managed offices by 2030

Aim to have 25% of the total portfolio[11] certified to BREEAM In Use by 2030

Development

Undertake UK NABERS Design for Performance (DfP) certification and aim to achieve a NABERS 5-star rating from 2023 across all office new build and major refurbishment projects[12]

Target BREEAM Excellent and develop a pathway to achieving BREEAM Outstanding across all new build and major refurbishment projects

11 By Net Lettable Area (NLA).
12 Applicable for projects over 2,500 sqm.

Renaissance, Croydon

Pillar One: Investing in a resilient portfolio

Objective: Applying future-proofed investment decisions seeking to shape resilient portfolios within which the assets meet the evolving needs and aspirations of our occupiers and investors.

Performance highlights

507 MWh of renewable energy generated	Physical climate risk screening undertaken across our whole property portfolio	Updates to our Sustainable Acquisition Checklist are underway	EPC Building Upgrade Reports undertaken across 698 assets with an EPC below a B rating

Throughout 2024, we maintained our strategic focus on integrating resilience across our portfolio. Responsible practices increasingly underpin the value of portfolios, which in turn places greater emphasis on both short- and long-term challenges when taking business decisions.

This has been critical with growing environmental risks across the globe, in particular physical and transitional climate change. The scientific community issued further warnings last year of more challenging weather over the medium term, while UK insurance claims for weather damage reached a record £1.4bn in Q2 2024[13]. All of which illustrates how adapting and upgrading assets is critical to reducing long-term risk.

Energy Performance Certificate (EPC) compliance continued to be among our principal priorities over the past year, in line with the expectation that commercial property will be mandated to achieve a minimum B rating by 2030.

The UK Government confirmed during 2024 that private rented domestic properties will require an EPC of C or higher by 2030 under the Minimum Energy Efficiency Standard (MEES)[14]. However, the industry is still awaiting a policy update regarding non-domestic properties, nearly four years after the consultation on enforcing EPC B by 2030 concluded.

We nevertheless remain focused on achieving EPC B ratings across our portfolio and assessing the capital expenditure needed to achieve this. In doing so, we have further minimised our transition risk in relation to future legislative updates.

Last year also saw the ongoing development of a solar photovoltaic (PV) specification guide aimed at aligning with best practice, minimising insurance-related risk and ensuring consistency in landlord and occupier installations. This guide will provide vital support towards achieving our portfolio target for onsite renewable energy production, the importance of which was underscored by the UK Government's funding increase for clean energy.

13 www.edie.net/uks-quarterly-weather-damage-insurance-claims-reach-record-1-4bn-as-climate-crisis-bites/
14 www.edie.net/miliband-firms-up-plans-for-energy-efficient-rented-homes-explores-grid-buildout-to-ease-renewables/

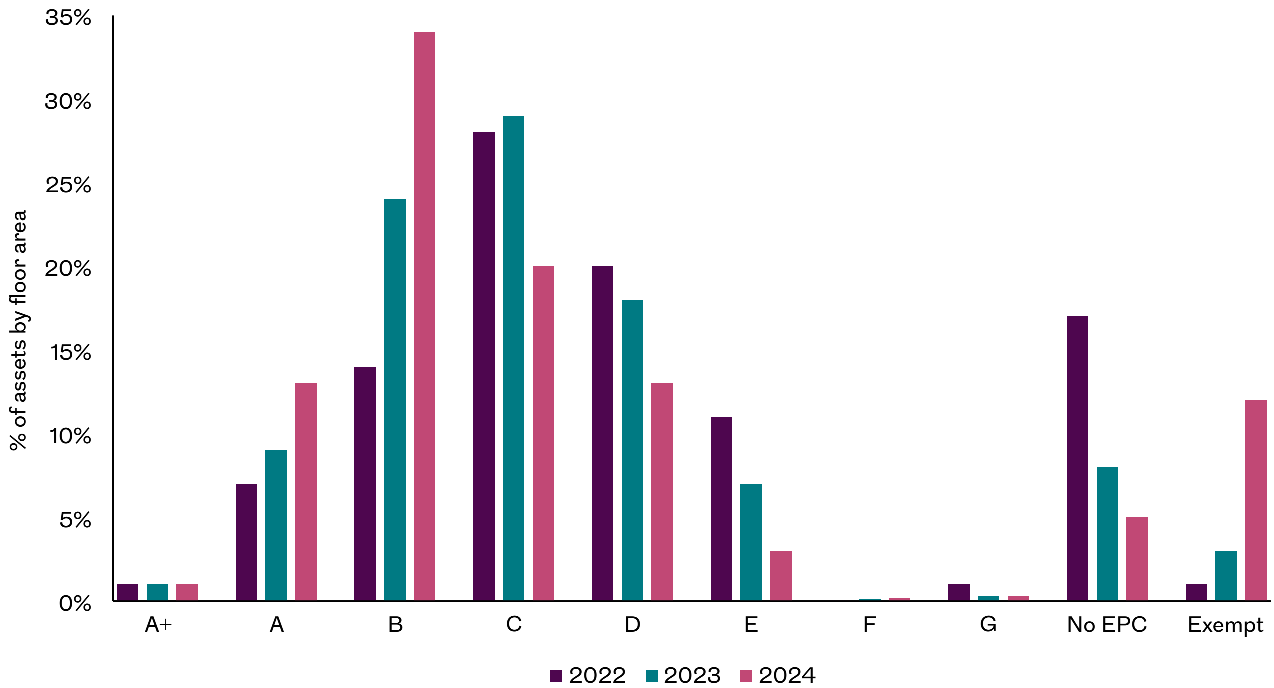
Progress to date

EPC Programme

In 2024 we completed our enhanced EPC programme for the entire portfolio, which had been running since 2022. With the government expected to mandate a minimum EPC rating of B for commercial assets by 2030, the programme has served to futureproof our assets and reduce transition risk.

Compared to 2022 when the programme began, the proportion of our portfolio by floor area with an EPC A+, A or B rating has increased from 22% to 47%. Furthermore, the proportion of C to G ratings has been reduced from 60% to 36%. As part of this programme, we have undertaken 698 EPC Building Upgrade Reports (BURs) on assets with EPC ratings below B. These assessments produce recommendations that feed into Asset Business Plans, which are implemented by the asset manager, with delivery monitored by the fund manager.

EPC Key Progress



Following the successful completion of this programme, we will:

- **Continue to monitor the national register of EPCs to check our own data is up to date.**
- **Adopt a systematic approach to improving our ratings by planning upgrades around lease profiles and ensuring scope-of-work checks include the minimum EPC requirement.**
- **Ensure checks are completed against BUR recommendations and monitor the progress of those assets still working towards a B rating.**

Assessing Physical Climate Risk

Flood Risk Assessments

Informed investment decisions require us to understand the detailed flood risk profile of our assets and undertake deeper analysis of how various physical climate risks could affect our portfolio.

In 2023, new flood risk assessments were undertaken across all properties. These scored properties against overall risk and against each flood source, assessing both their current level of risk and future risk based on the most extreme scenario under the Representative Concentration Pathway (RCP) climate model, with the aim of understanding the worse-case scenario (details can be found in our RPI Report 2023).

Building on this, 2024 saw additional in-depth assessments undertaken at 19 assets whose previous scores exceeded the target risk threshold. These detailed evaluations analysed site-specific flood risks and potential consequences, which informed recommendations for mitigation measures. Scores were revised accordingly, with each asset's profile now reflecting the risk for the whole site as well as the building. All 19 assets received an action plan outlining immediate, medium-term and long-term measures, as well as details of supporting evidence and required stakeholders. These measures will be fed into Asset Business Plans during 2025 for implementation, along with any necessary divestment decisions if the asset's flood risk remains above the threshold.

Physical Climate Risks

Broader physical climate risks have also come under further scrutiny, as the challenges posed by extreme weather more generally become increasingly clear. In 2024, climate change risk assessments (CCRAs) were undertaken across eight assets as part of a pilot programme. These evaluated each asset against six physical climate risks and provided ratings to reflect their short-term (2030), medium-term (2050) and long-term (2080) resilience, employing two climate scenarios: RCP 4.5 (global temperature increase of <2°C) and RCP 8.5 (>4°C). The CCRAs recommended mitigation measures for each of the three timeframes against each climate risk. Our pilot approach helps to ensure the CCRAs are tailored to our requirements and their recommendations delivered seamlessly.

Following these pilot CCRAs, we undertook an initial portfolio-wide climate risk screening against the six physical climate risks, under the RCP 8.5 scenario only to determine each asset's own risk rating. This screening will inform decisions on which assets require a CCRA, building on the initial eight pilot properties and ensuring a strategic approach to how we best embed climate resilience across our portfolio.

2 City Place, Gatwick

Sustainability Due Diligence

When evaluating potential acquisitions, comprehensive sustainability due diligence is essential to minimise risk, build resilience into our portfolio and ensure assets align with our strategy. Since we established our Sustainable Acquisition Checklist in 2022, our portfolio has expanded and best practice regarding Environmental, Social and Governance (ESG) strategies has evolved. In addition, last year saw the Better Buildings Partnership publish updated guidance that further underlined the importance of reviewing our checklist and ensuring its continued alignment[15]. As a result, in 2024 we commenced a thorough review of our checklist to identify potential updates and enhancements.

Our approach has involved updating existing and integrating additional due diligence questions into our checklist using the updated Better Buildings Partnership Acquisitions Sustainability Toolkit. It is clear that this toolkit has an increased focus on particular themes, including regulation, climate resilience and net zero carbon. Therefore, we are ensuring our updated checklist will sufficiently address these topics. We have also used the latest toolkit to modify the categorisation of our due diligence questions, specifically those that are 'investment critical' or have a 'capital expenditure implication'. With Royal London Asset Management Property investing for the long-term, it is key that we adequately assess all material ESG issues, particularly those that could have a financial impact. When making these revisions, the RPI team will engage with asset management sector specialists, fund managers, and our procurement and operations teams.

45 Church Street, Birmingham

15 www.betterbuildingspartnership.co.uk/acquisitions-sustainability-toolkit

Case study: Asset Management Business Planning

Pasadena Close, Hayes

Integrating RPI into our business-as-usual

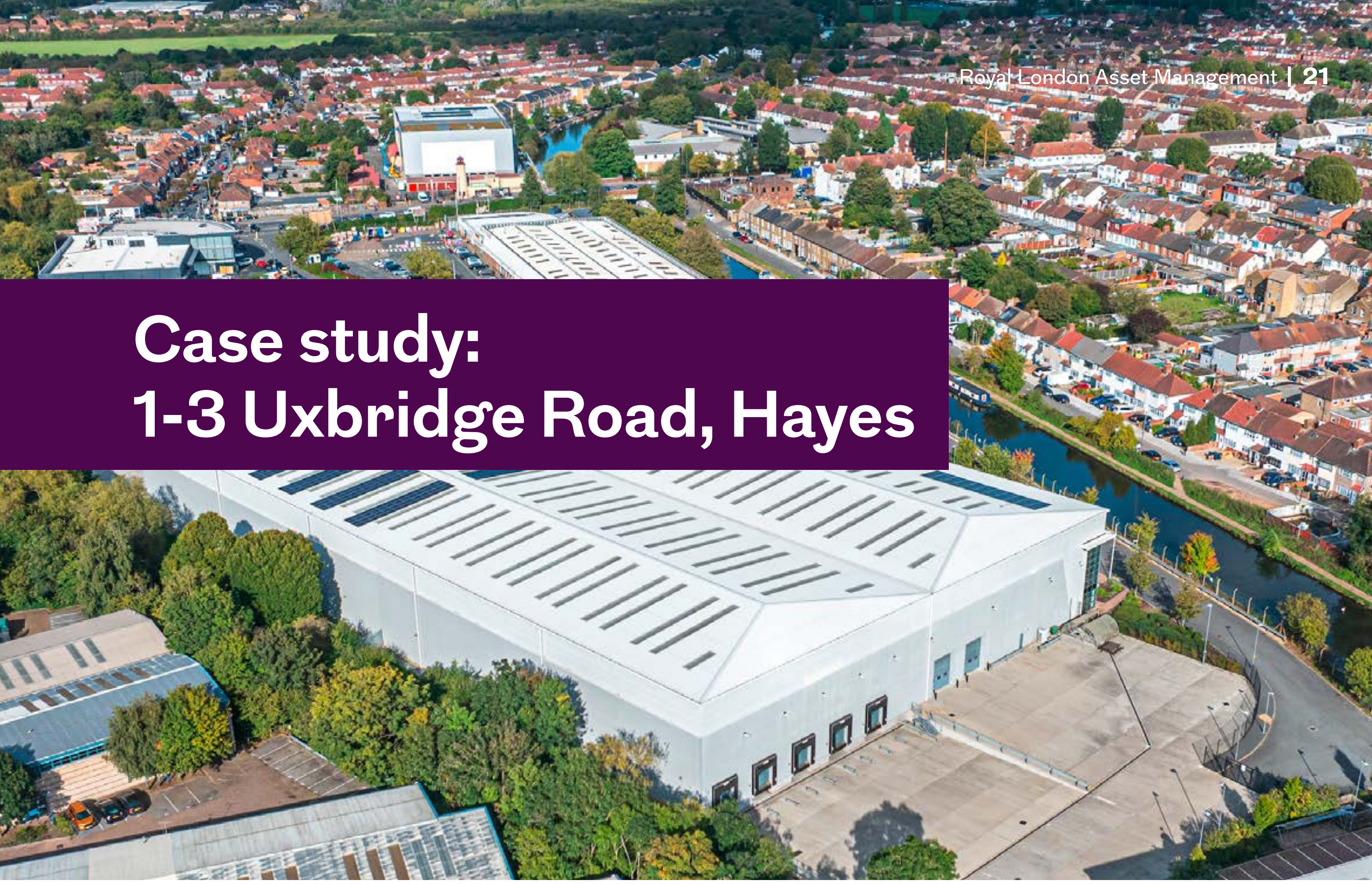
Annually, and reviewed quarterly, the asset manager responsible for each asset produces an Asset Management Business Plan: a strategic roadmap of both short-term and long-term proposals for each property. These include measures aimed at improving a building's performance while embedding resilience, with each plan reviewed bi-annually to maintain its effectiveness. Asset Management Business Plans form the basis for decisions regarding forthcoming programmes of work, such as the most appropriate interventions for a particular asset, or whether a building requires refurbishment or redevelopment.

Expectations around ESG continue to rise among both occupiers and investors, as they increasingly prioritise futureproofed assets. In light of this ongoing trend, as well as our own long-term approach to investment, we recognise the importance of further integrating ESG into our asset planning and decision-making.

To support this, key ESG metrics are fed into the Asset Management Business Plan, such as energy usage and greenhouse gas (GHG) emissions, with key benchmarks overlaying these metrics, such as the Carbon Risk Real Estate Monitor (CRREM) 1.5-degree pathway, to provide context to the asset's performance. Additionally, we have developed Asset Sustainability Plans in collaboration with our property managers.

These plans cover various aspects of ESG including net zero carbon, biodiversity and social value. Asset Sustainability Plans are designed to create a more consistent, portfolio-wide approach to ESG integration, while also helping to monitor progress towards our overarching targets. These plans outline actions to be taken to improve a property's ESG performance. These actions are integrated into the Asset Management Business Plans. This ensures all decisions relating to asset management give due consideration to RPI initiatives and it becomes business-as-usual. More information on Asset Sustainability Plans can be found on page 32.

Moving into 2025, we will continue to integrate RPI into our management processes. More broadly, trends and developments relating to ESG in the wider industry will be monitored and, where appropriate, embedded into our strategic planning. Our collaborative partnerships with property and facilities managers will be further enhanced, as we work together to implement Asset Sustainability Plans and set challenging but achievable RPI targets on flagship assets. We will also continue to track and assess real-time ESG metrics, while working to increase the accuracy of this data to support decision-making.



Case study: 1-3 Uxbridge Road, Hayes

Obtaining improved EPC ratings

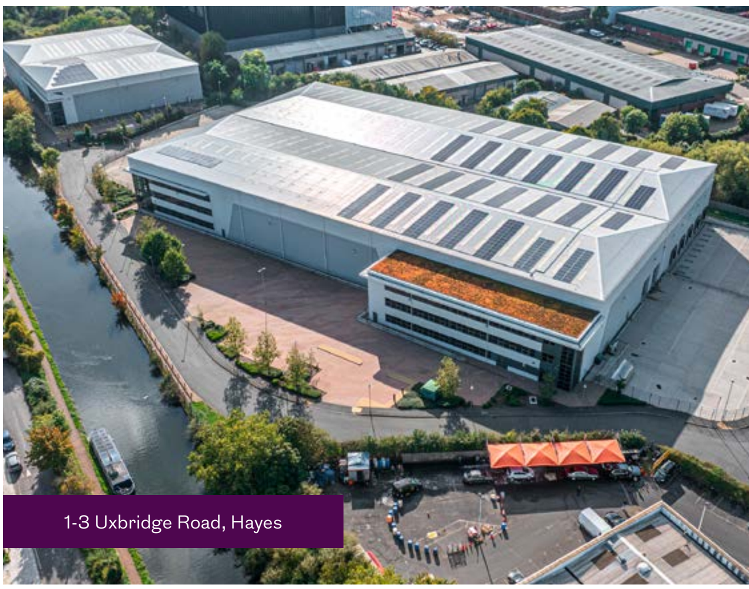
Reducing the use of fossil fuels is a key tenet of our portfolio strategy, reflecting not just UK government policy but the aspirations of occupiers who increasingly seek buildings with exceptional ESG credentials. The comprehensive refurbishment of two industrial units in Hayes offers a strong example of how this strategy is being applied.

The two units on Uxbridge Road cover 107,000 sq. ft. of a four-unit site totalling 176,000 sq. ft. Their refurbishment prioritised ESG considerations from the outset, with a particular focus on eliminating fossil fuel usage. Equipment that used natural gas was removed, with the existing heating and hot water systems replaced by variable refrigerant flow (VRF) technology that provides both heating and cooling for the units' office sections. As a result, both units are now fossil fuel-free – a crucial step towards net zero carbon status.

The team specified a 304 kWp solar PV array for the roof comprising approximately 710 solar panels. Generating this renewable energy on site reduces the site's reliance on the national grid, which would otherwise have increased due to the all-electric upgrades installed.

Electric panel heaters were deployed in the bathroom facilities, the hot water for which is now supplied by all-electric systems. LED lighting was installed throughout the units, while 10 dual-point EV charging points were added to the exterior space.

Following these extensive measures, the combined units are targeting an EPC A+ rating, the highest available. Removing fossil fuel use and installing the PV array played significant roles in this achievement, while also increasing the asset's appeal to occupiers and resilience to future changes.

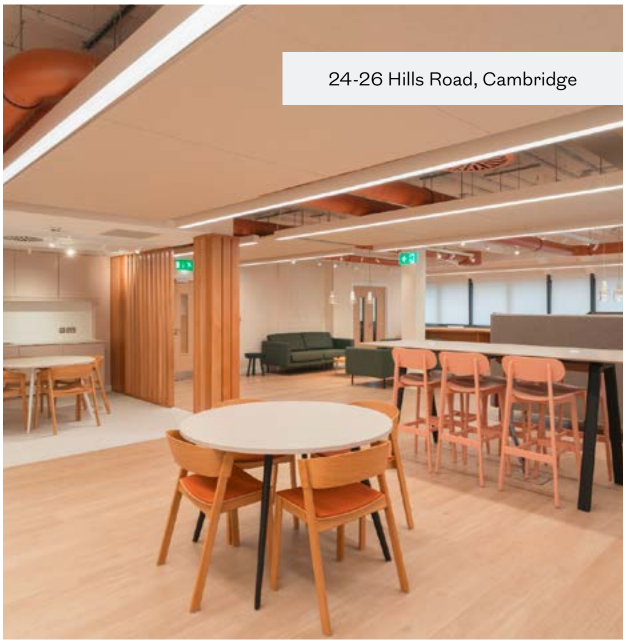


1-3 Uxbridge Road, Hayes

Case study: 24-26 Hills Road, Cambridge

Continuing to minimise our transitional risk

In 2023, we undertook a net zero carbon audit at 24-26 Hills Road, a 11,000 sq. ft. office in Cambridge. The purpose of the audit was to determine the asset's operational performance against industry benchmarks, including the CRREM 1.5-degree pathway, and assess its building characteristics, including lighting, fabric and mechanical and electrical (M&E) equipment. This analysis informed a series of initiatives to implement to improve energy efficiency and meet our net zero carbon objectives.


24-26 Hills Road, Cambridge

Over the last year, the 2nd floor of 24-26 Hills Road underwent a refurbishment, incorporating the recommendations of the net zero carbon audit. These covered both operational optimisation and capital expenditure initiatives and included:

- Adjusting the hot water supply temperature set point from 60°C to 55°C.
- Installing LED lighting using control models with inherent time scheduling to be adjusted by the occupier.
- New VRF heating and cooling system using a lower global warming potential (GWP) refrigerant, R32.

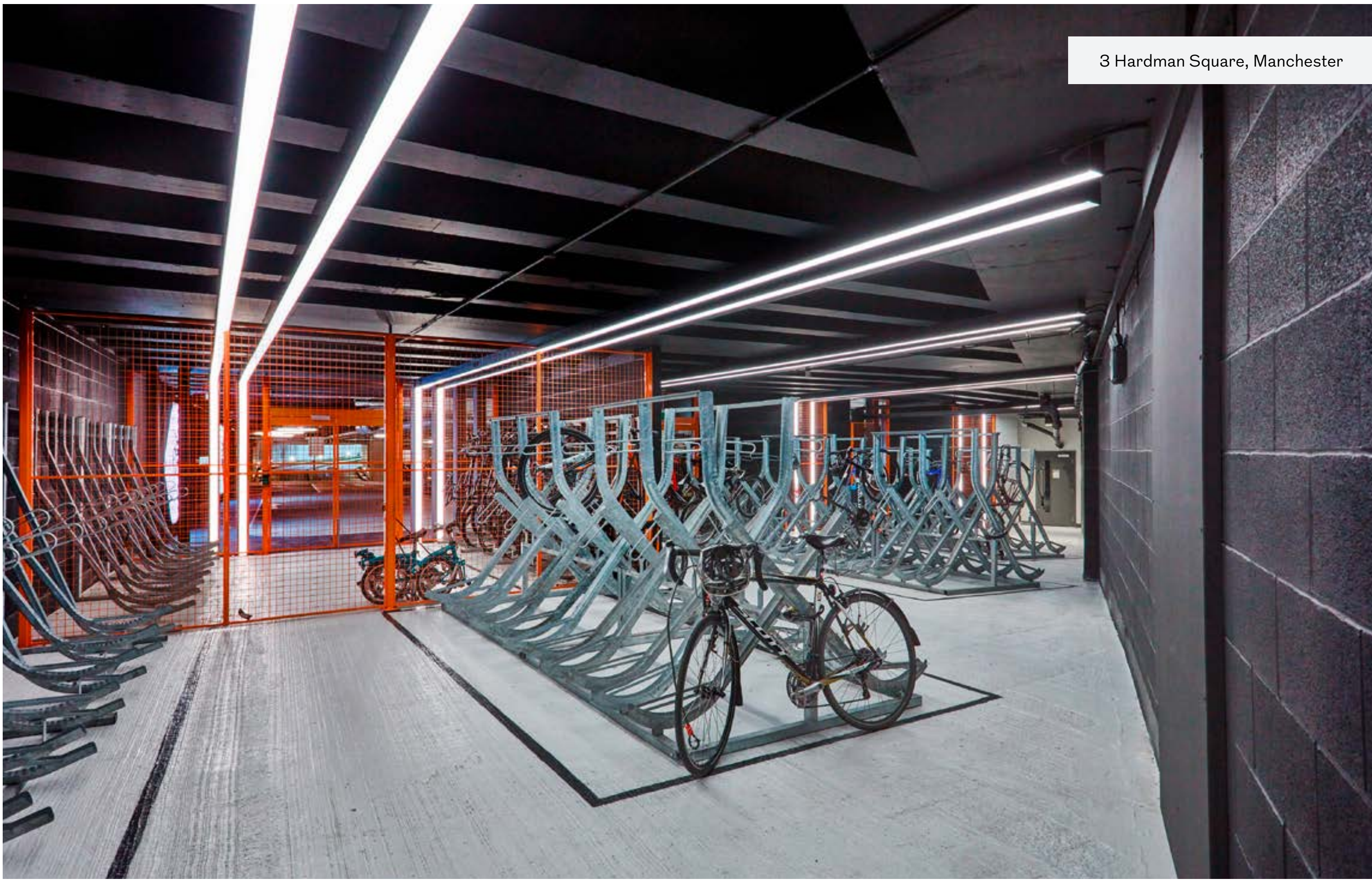
Through implementation of these efficiency initiatives, the EPC rating of the building improved from a C to a B, minimising the asset's transitional risk. Going forward, we will continue to track the asset's operational performance to monitor its pathway to net zero carbon.

Looking forward

During 2024, we worked to develop a solar PV specification guide to ensure occupiers adhere to best practice. This was driven in part by the growing demand among occupiers for solar PV panels on buildings, along with our aspirations regarding onsite renewable energy generation. In 2025, we will focus on finalising this guide and supporting asset managers to implement it. The guide will be a tool for engaging occupiers; ensure consistency in design, installation and maintenance of PVs; and serve as a cornerstone for discussions around PV installation and the stakeholder relationships these require. We will also be exploring whether other clean energy technologies, such as solar car ports within retail parks, could further contribute to renewable generation.

Optimising our use of data is critical to these measures and will remain a key focus during 2025. Data is central to making well-informed investment decisions at both the asset and the fund level. ESG performance and regulatory compliance depend on robust data reporting, which in turn allows us to accurately track the progress of our strategies. Optimal data processing is also fundamental to our communications with stakeholders – underpinning the answers to investor due diligence questions or the responses to ESG benchmarks like GRESB, for example.

With these factors in mind, we are moving to a new ESG data platform which will further optimise our capabilities and synchronise several different workstreams. The new platform will enhance our ability to track the implementation of Asset Business Plans in real-time, as well as provide detailed oversight of subsequent outcomes. Users will be able to see the impact of each measure on an asset's ESG performance, including carbon emissions and energy efficiency, data which can then be integrated into overall performance data.



3 Hardman Square, Manchester

Pillar Two: Developing for the future

Objective: Creating thriving buildings and places through sustainable development and refurbishment which have enduring appeal for occupiers and add value to local communities.

Performance highlights

First NABERS UK Design for Performance (DfP) rating of 4 stars achieved

1 BREEAM Outstanding rating and 2 BREEAM Excellent ratings achieved

Two workshops on Circular Economy and the UK Net Zero Carbon Buildings Standard

Submitted two assets to the UK Net Zero Carbon Buildings Standard pilot scheme

We are committed to delivering high-quality assets that generate exceptional outcomes for our occupiers and our communities. We want to develop properties that enhance social and environmental wellbeing by achieving the highest possible ESG standards, creating spaces in which occupants can thrive.

Our New Construction and Major Refurbishment Sustainability Standards (hereafter 'Development Sustainability Standards') to evolve, ensuring we are constantly driving up sustainability performance, adhering to industry best practice and keeping pace with regulatory developments. These standards are supported by a suite of other sustainability documents, providing guidance to project teams and other stakeholders to ensure ESG is embedded across our activities.

We currently have over 60 developments being worked on at various life cycle stages, including:

- Holborn Viaduct, London
- Atlantic Park Phase 1, Liverpool
- 1 Triton Square, London

Two milestones during 2024 carried particular significance for our portfolio's ESG performance. New Biodiversity Net Gain (BNG) requirements came into force in February, with all developments now required to deliver a minimum gain[16]. And in September, a pilot version of the UK Net Zero Carbon Buildings Standard was finally unveiled.

16 https://www.gov.uk/government/collections/biodiversity-net-gain

We have additional policy and project documents for our development and refurbishment activities. These provide guidance to our design teams, whilst ensuring our sustainability targets and commitments are adhered to.

New Construction and Major Refurbishment Sustainability Standards framework suite of documents

Commitment

- Development and Refurbishment Sustainability Strategy

Document

- Development and Refurbishment Sustainability Standards

Project Documents

- Sustainability Procurement Guide
- Sustainability Building Standards
  - Circular Economy Brief
  - Approach to Net Zero
  - BREEAM Alignment Document
  - Lessons Learnt Document
- Sustainability Standards Tracker
  - Sustainability Tracker
  - Under £5 million Developments Tracker
  - Sector Specific Sustainability Standards

Leonardo Hotel, Bristol

Progress to date

UK Net Zero Carbon Buildings Standard

If the UK built environment is to decarbonise effectively, it requires a clear, industry-wide definition of net zero carbon. The proliferation of ESG standards and reporting frameworks in recent years has risked greater bureaucracy and inconsistency, as well as increasing the potential for greenwashing across the sector. Since the launch of its technical consultation in June 2023, anticipation has been rising that the new UK Net Zero Carbon Buildings Standard could finally offer a solution to this challenge.

September 2024 marked a significant milestone with the unveiling of a pilot UK Net Zero Carbon Buildings Standard programme. We have reviewed this first iteration in detail to fully understand its definition of net zero carbon, including what will need to be reported on, the data that this will require and the targets that will need to be met. Following this initial assessment, we undertook a review of our 2024 Development Sustainability Standards against the requirements of the pilot UK Net Zero Carbon Buildings Standard, looking specifically at our sector-specific embodied carbon limits and energy use intensity limits.

The outputs from this review will be reflected in our 2025 Development Sustainability Standards, as we work to align our targets and processes with the pilot regime. We are committed to supporting a consistent cross-industry approach to net zero carbon, backed by this proactive approach to integrating UK Net Zero Carbon Buildings Standard principles into our own.

As part of this commitment, we have submitted two of our assets to be considered as a trial project for the pilot programme. Into 2025, we will be monitoring the standard's evolution closely as pilot testing continues ahead of the release of UK Net Zero Carbon Buildings Standard version 1 later in the year.

New Construction and Major Refurbishment Sustainability Standards

Each year we undertake a review of our Development Sustainability Standards to ensure their continued adherence to best practice. These reviews also factor in potential regulatory changes, as well as the broader evolution of our RPI Strategy and its portfolio targets. Key updates in our 2024 Development Sustainability Standards for our new build and major refurbishment projects included:

- Measuring and reporting whole life carbon (A-C, excluding B6 & B7)[17]. Please see Appendix 1 for the full definition of whole life carbon.
- Eliminating the use of fossil fuels for heating, hot water and cooking on these projects, where possible.
- Undertaking a Climate Change Risk Assessment (CCRA) during the design stage.

Looking ahead, we will remain vigilant of further changes to market trends, industry regulation and material ESG concerns. Future iterations of the Development Sustainability Standards will be guided by these factors and updated accordingly.

Heatherton House, Derby

17 Whole life carbon includes upfront carbon during the construction phase, in use and end of life. This excludes operational carbon and user carbon. Source: Whole life carbon assessment for the built environment, Royal Institute of Chartered Surveyors (RICS), 2nd edition, July 2024

Healthcare Portfolio

Having launched our healthcare strategy in 2022, we expanded further into this sector over the course of 2024. This included the acquisition of a further seven care homes, comprising both new developments and operational assets. We also continued to implement our bespoke healthcare sustainability documents, our Sustainable Development Brief for our new build assets, and our Sustainable Asset Management Brief for our operational assets.

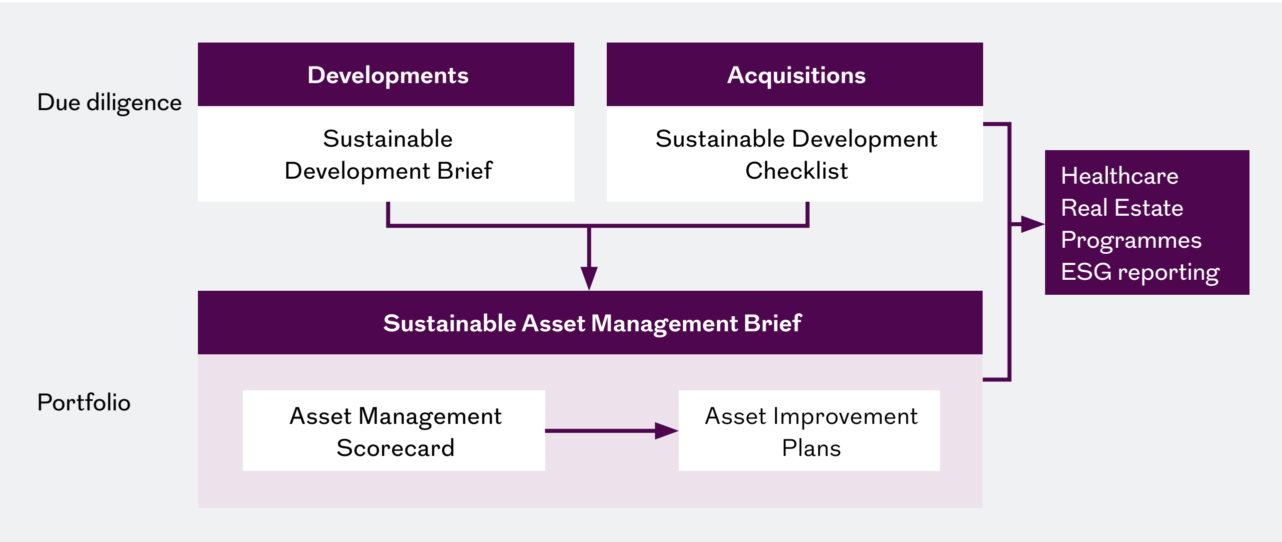
Key achievements over the last year included the following:

- All new healthcare developments in were fossil fuel-free, driven by the deployment of onsite PV arrays and air source heat pumps.
- AMR devices were successfully installed across 11 operational healthcare properties in 2024, with installations planned for all remaining care homes in 2025, enabling us to collect real-time electricity, gas and water usage data to analyse the operational performance of each asset.
- Development of our Asset Improvement Plans for all operational healthcare assets, ensuring all properties have a bespoke roadmap that sets out how they will meet all of the ESG KPIs set out in our overarching healthcare sustainability briefs.

During 2025, we will:

- Implement the Asset Improvement Plans.
- Engage with occupiers on how best to apply the various recommendations to achieve our ESG KPIs.
- Use our total electricity data coverage to analyse trends and ensure continual improvement.
- Aim to achieve 100% water consumption data coverage.

Healthcare sustainability framework



Case study: 5 St Philips Place, Birmingham

Development Sustainability Standards in action - maximising social value through the construction process

In March 2024, we completed the full refurbishment of 5 St Phillips Place in Birmingham. The 77,000 sq. ft. office has been transformed into modern commercial premises complete with state-of-the-art facilities. As part of a holistic approach to ESG standards, social value took precedence on this project from conception to completion.

Developed in collaboration with Birmingham City Council and contractor Willmott Dixon Interiors a Social Value Plan was embedded across the refurbishment. It focused on delivering social value in four priority areas:

- Education
- Local social initiatives
- Employment and skills
- Local small and medium enterprises, and community projects.

The team developed targets to address these areas and identified organisations with whom they could work collaboratively to maximise social value for the community.

This included local training partner, JTL, where 'Building Lives Academies' were run. These academies offer young people in the community who are NEET (Not in Education, Employment or Training) the opportunity to gain construction qualifications and become work ready over the course of a five-week programme.

The focus on employment included creating opportunities for disadvantaged people, which resulted in full-time equivalent (FTE) contracts for three new recruits who had been classed as long-term unemployed. The team organised five site visits for school children and local residents to support education and community engagement, as well as 1,550 hours of support work for young people that provided interview and general career advice.

Stakeholder engagement forms a crucial part of any social value strategy. To this end, the team published monthly newsletters with project updates, held open days to showcase proposals, and collaborated with the council to organise community events. We believe the positive feedback received across these initiatives demonstrates the long-term advantages of placing social value at the heart of every project.

Case study: 111-117 New Bond Street, London

Embedding circular economy principles

Sitting within the Mayfair Quarter, 111-117 New Bond Street comprises 34,000 sq. ft. of high quality retail space in central London. We are looking to commence construction of best in class retail accommodation in Q1 2025. Ahead of these works, a post-demolition audit was undertaken last year. With our commitment to embedding circular economy principles across our construction activities, a post-demolition audit enables us to take a more sustainable approach to waste management processes, identify opportunities to minimise our environmental impact, such as recycling and reuse, and avoid sending waste to landfill.

111-117 New Bond Street, London

The post-demolition audit revealed 639 tonnes of waste was generated through the strip-out and demolition process, comprising of seven products including gypsum, mixed metal and timber. Of this total tonnage, zero waste was sent to landfill, with 78% recycled, 20% used for energy recovery, and 2% reused. This aligns with the project's target of diverting 95% of non-hazardous waste from landfill. The approaches undertaken to achieve this included reprocessing the mixed metals to then be manufactured into new products, and offering all timber to non-profit social enterprises, including the South London Wood Recycling Project, Solo Wood, who specialises in reusing wood that would otherwise be sent to landfill.

In our view, this responsible approach to demolition waste management contributes towards minimising the environmental impact of the development project, reducing carbon emissions generated.

Looking forward

In 2025, we will publish our new 2025 Development Sustainability Standards. This update will:

- Ensure our embodied and operational energy targets are aligned appropriately with the UK Net Zero Carbon Buildings Standard.
- Require pre-demolition audits are undertaken, supporting circular economy principles.
- Consider the use of material passports, a concept that is becoming more common in the industry to further promote circularity in the development process.
- Require residential projects valued at over £20m to develop a Social Value Strategy.
- Raise the target NABERS UK DfP rating on office projects from 5 stars to 5.5 stars.

In addition to publishing updated standards, we intend to conduct a full review of our supporting documents for sustainability and developments. This will identify refinements to existing materials and will cover our Sustainability Procurement Guide, Approach to Net Zero Guide, and our BREEAM Alignment Document following the delayed release of BREEAM Version 7.

We will also look to develop bespoke sustainability standards for projects in the residential sector, into which Royal London Asset Management Property is increasingly expanding. Similarly to our healthcare portfolio, we are seeking to develop sector-specific sustainability briefs which consider both new builds and existing assets. Nevertheless, these new briefs will still remain consistent with our overarching RPI objectives, processes and procedures, helping support their seamless delivery.

Renaissance, Croydon

Pillar Three: Managing assets for positive impact

Objective: Working in partnership with our occupiers and local stakeholders to deliver social value and positive environmental outcomes through our assets.

Performance highlights

Completed a further 17 net zero carbon audits, following 22 undertaken in 2023

Utility data coverage through Automatic Meter Reading (AMR) devices has extended to 13%[18]

Calculated the biodiversity baseline of our whole property portfolio

Achieved our first NABERS UK Energy for Offices rating of 3 stars

Over the course of 2024, we made significant progress across various initiatives aimed at achieving positive environmental and social outcomes for our stakeholders. Delivering these outcomes requires a detailed understanding of our portfolio's operational performance, which is a key driver behind our ongoing net zero carbon audit programme. A further 17 assets underwent audits last year, building on the 22 completed in 2023. These provide critical information as we configure decarbonisation pathways both at asset level and for the portfolio as a whole.

Decarbonisation requires us to optimise operational performance, a process we are supporting through the use of pioneering technologies. One such innovation is Hank, our AI-based Building Management System software that enhances Heating, Ventilation and Air Conditioning (HVAC) performance by creating a digital twin and analysing how the equipment operates. Hank was deployed at a further two assets in 2024, helping to cut energy consumption by making real-time micro-adjustments.

We also installed smart motor technology, Turntide Induction Motors, in six assets over the course of last year. Turntide has improved the energy efficiency of these properties by replacing the standard induction motor within the HVAC system, which in turn lowers emissions and operating costs.

Maintaining collaborative relationships with our occupiers underpins these various programmes and forms the basis for our occupier engagement strategy, which made further in-roads during 2024. We continued work on sustainable fit-out guides for occupiers, which are being developed across three key sectors. A draft guide was trialled with one occupier, who responded positively and provided valuable feedback on further refinements. We will aim to mobilise these guides in the next year, gaining valuable insights into occupier adoption and hopefully opening up more conversations to further strengthen these important relationships.

18 By floor area.

Progress to date

ESG database and Asset Sustainability Plans

The development of our central ESG database continued last year, with its coverage now extending to the office, industrial and retail assets in our managed portfolio. Given the influx of data from our properties over recent years, the importance of consolidating it within a robust and accessible platform has increased significantly.

The database contains a common area to document the key ESG criteria of each asset. Creating a streamlined approach to this platform has relied on effective partnerships with asset managers, property managers and facilities managers, harnessing their unrivalled knowledge of their buildings.

Further details of the configuration of our ESG database can be found in our RPI Report 2022.

As a result of the progress made by this programme during 2024, all managed assets are now covered by the ESG database, which comprises 118 buildings. The database is updated bi-annually to assess its development and identify key drivers behind any improvements. Outputs from the database are visualised in our Asset Management Business Plans, which enables asset managers to understand their building's ESG performance and how it can be further enhanced.

Developed in collaboration with our property managers, our Asset Sustainability Plans use information in the ESG database to create a tailored, structured plan to improve ESG performance at a property-level. These plans were produced for priority buildings during 2024 and are set to be rolled out for the remaining managed property assets in the database by the end of 2025.

Social Value Framework

In 2024, we defined social value as the social, economic and environmental benefit that we purposefully deliver for individuals and communities through our activities. With this concept at its core, we developed a Social Value Strategy and immediately set about applying it to our property portfolio. To simplify its implementation, this framework builds upon existing initiatives and documents, rather than introduce entirely new processes. As a result, social value is now fully embedded across different disciplines, departments and decision-making processes, such as Sustainable Acquisition Checklists, Asset Business Plans and our Development Sustainability Standards.

To test and refine the strategy, we are piloting its application on several assets that are broadly representative of our portfolio. Individual local needs analyses were undertaken in line with the new framework. Using this output and in collaboration with key stakeholders, we then set meaningful social value goals for each asset which have been embedded into the Asset Business Plans to ensure accountability for their delivery. Quarterly KPIs have also been established to track progress and create a consistent reporting framework.


15-18 Rathbone Place, London


Springfield Business Park, Chelmsford

Looking at our healthcare portfolio, we recognise that assets in this sector carry an inherent social value. Nevertheless, we are exploring ways to further enhance the societal benefits of our healthcare assets and are currently developing a bespoke strategy for this sector. This framework will consider our level of operational control on these assets – namely the length and structure of their leases. While this strategy is being developed, social value on our healthcare assets will continue to be considered through our Sustainable Development Brief and Sustainable Asset Management Brief.

Biodiversity Strategy

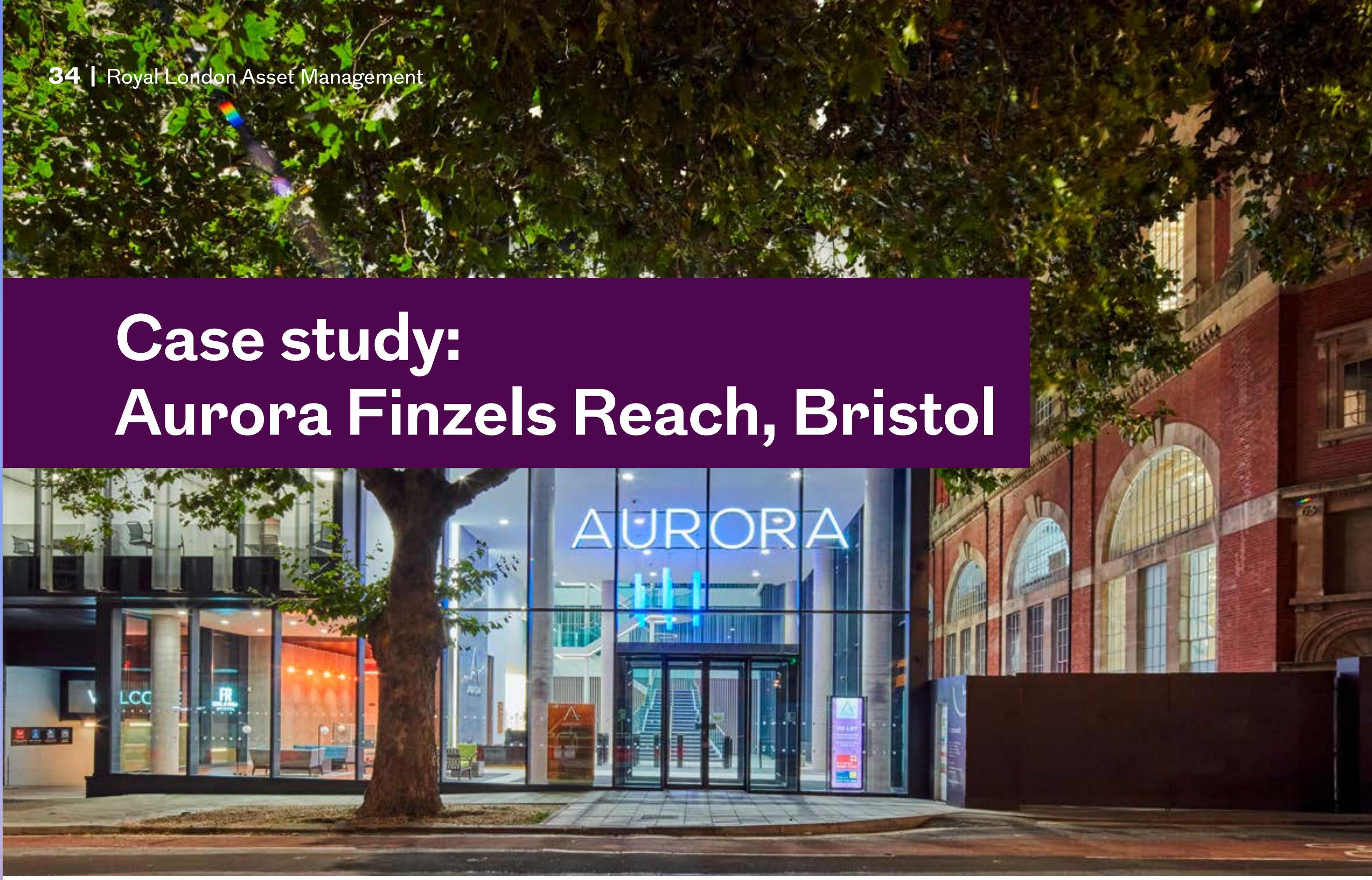
Across the industry, there is increasing recognition of the benefits that enhanced biodiversity delivers. Assets located in more biodiverse environments boast greater climate resilience through improved cooling, shading and flood mitigation. Occupier wellbeing is increased thanks to better air quality, while green initiatives that engage local communities can boost social value. And for built environment businesses, biodiversity is expected to play an ever-greater role in reporting frameworks, such as the TNFD.

In partnership with our ecology consultants, in 2024 we undertook desk-based audit of biodiversity and natural capital value across the whole portfolio, with a sample of sites across all eight of our sectors audited onsite. The resulting data is expressed as habitat units[18] and hedgerow units[19].

The audits revealed the full extent of possible biodiversity improvements at these sites, highlighting opportunities for green infrastructure upgrades and nature-based solutions (NBS) across each sector. To support this, we are now developing four distinct NBS guides, grouping our eight sectors based on relevant commonalities. Our ecology consultants have also analysed the audits' green infrastructure and NBS recommendations to quantify their biodiversity value, with the ultimate aim of generating sector-by-sector biodiversity targets for the portfolio.

19 Habitat units are biodiversity of areas such as woods or heathlands.
20 Hedgerow units are biodiversity of linear habitats, such as hedges.

Case study: Aurora Finzels Reach, Bristol



NABERS UK Energy for Offices 3 star rating

One of the first steps when targeting net zero carbon is examining a building's operational usage and maximising its operational performance, before considering capital expenditure. With this strategic focus, we embarked on undertaking its first NABERS UK Energy for Offices rating at Aurora Finzels Reach (hereafter 'Aurora') a 95,000 sq. ft. core office asset located in Bristol. NABERS UK ratings measure actual energy performance, providing the asset with a star rating out of a maximum six stars. We therefore saw undertaking a NABERS UK assessment as a key initiative to aid with understanding the current energy performance of Aurora, enabling us to baseline the property and identify potential improvements through the assessment to maximise efficiency and minimise carbon emissions.

Aurora was awarded with a 3-star NABERS UK Energy for Offices rating. This forms the cornerstone of our net zero carbon strategy by helping us understand how our offices are currently performing. The assessment of Aurora will shape a clear roadmap of how to further improve its energy performance and increase its NABERS UK ratings year-on-year.

This achievement also provides us with the opportunity to discuss the rating and its implications with the property's occupiers, including minimising operating costs. By working collaboratively, we can build on the outputs of our NABERS assessment to drive up operational performance. The results of these efforts will be tracked and reassessed to ensure continual year-on-year improvement.

The outputs of the assessment also identified opportunities to improve the asset's sub-metering. This would increase data granularity, allowing for more in-depth analysis of energy consumption patterns at Aurora and so our ability to identify opportunities to maximise energy performance. Gaining a more detailed understanding of the asset will support the development of its net zero carbon roadmap, along with working towards Royal London Asset Management Property's target of aligning the managed office portfolio to a 5-star NABERS UK rating. Our learnings from Aurora will be applied across our other office assets in seeking further opportunities to gain NABERS UK ratings.

Case study: Mayfair Quarter, London

Supporting small businesses

We are continually exploring new and innovative ways to utilise assets and build relationships with key stakeholders, with the aim of delivering positive social and environmental outcomes. The Mayfair Quarter, comprising 92,000 sq. ft. of high-quality retail space in central London, offers a prime example of this forward-thinking approach to our assets. During 2024, several vacant units within the Mayfair Quarter were transformed into retail pop-ups for leading online brands. In collaboration with retail consultancy Someday Studios, this initiative formed part of Westminster City Council's Meanwhile On platform to use empty shops in new and exciting ways. The Mayfair Quarter units were let on a cost-free basis to several emerging online retailers throughout 2024.

This initiative enables up-and-coming brands to establish a physical retail presence in one of the world's most desirable shopping districts, while adding to the visibility and appeal of the site. These exciting pop-up events also make a valuable placemaking contribution to the area, as well as enhancing our relationship with Westminster City Council. Delivering social value through this initiative also helps deliver against our newly established Social Value Strategy, enabling us to put this into practice.

Amy Anderson, Founder of Kindred of Ireland, stated "This programme has been incredibly beneficial for us, significantly boosting our confidence that we offer something truly unique that people genuinely love. Through this experience, we have met remarkable individuals and forged invaluable connections. Remarkably, around 85% of our sales have come from customers who had never heard of us before. This has reinforced our commitment to building on this success with further popups, ultimately aiming for a permanent retail presence in London."

Following the success of these pop-ups in 2024, we will continue supporting this innovative platform into next year, with By Rotation remaining in 31 Brook Street until April 2025.

July 2024	September 2024	October 2024	November 2024
31 Brook Street **Kindred of Ireland** Heritage linen-wear brand	31 Brook Street **Hades** Independent knitwear brand	31 Brook Street **By Rotation** Luxury fashion rental platform	35 Brook Street **Beauty Pie** Premium cosmetics retailer

Looking forward

Our programmes to enhance social and environmental outcomes will continue to gather momentum as we move through 2025. We will continue rolling out social value initiatives across the portfolio guided by the findings of our pilot programme, taking a pragmatic approach in selecting which assets to focus on. Additionally, we will seek to finalise our biodiversity strategy over the next year, including hosting a team training day in 2025 to help embed the new strategy. There is also clear scope for integrating our biodiversity programme with overlapping strategies, such as those covering social value and physical climate resilience. Taking a co-ordinated approach to these initiatives will produce efficiencies and significantly enhance their effectiveness.

Occupier engagement will remain a central priority in 2025. We will continue to use AMR devices to maximise utility data coverage, while ensuring these measures are taken in partnership with occupiers to secure their buy-in. Updates to our green lease clause using last year's updated Better Buildings Partnership toolkit will also be completed[21]. To make our green lease clause programme more strategic, we will examine how it can help us better understand an occupier's ESG and net zero carbon goals. This will enable a more mutually supportive approach towards achieving both our own targets and those of our occupiers.

Having initially been undertaken on our managed office assets, net zero carbon audits will be expanded into the industrial park and retail park sectors during 2025. This presents challenges including the size of these sites and lack of occupier utility data, but also presents opportunities to engage with our occupiers and work collaboratively to establish decarbonisation pathways across these assets. This strategy will be vital in determining the investment and interventions required to reach net zero carbon.

Ashford Designer Outlet, Ashford

21 www.betterbuildingspartnership.co.uk/green-lease-toolkit-0

Pillar Four: Responsible decision making

Objective: Drawing from trusted partnerships with a diverse range of stakeholders to make forward-thinking decisions that address our material issues and ensure transparency.

Performance highlights

Successfully held quarterly RPI training sessions for the Property team	Independent review of our ESG-related data	Became signatories of the Westminster Sustainable Cities Charter	RLUKREF was shortlisted for the AREF Outstanding Fund Achievement Annual Award

Integrating our RPI Strategy across our business requires a robust corporate governance structure. This is vital not only for effective deployment of ESG initiatives, but also to ensure decision-making processes are well-informed and inclusive of all our stakeholders.

Good governance demands transparency, as highlighted over the past year by the introduction of the Financial Conduct Authority (FCA) anti-greenwashing rule along with its Sustainability Disclosure Requirements (SDR) labelling regime. We recognise the significance of this in promoting transparency within the sustainable finance market and the ever-growing importance on collecting and reporting on robust, accurate ESG data. This drove us to undertaking an independent ESG data review last year which helped ensure we remain confident with our reporting to various stakeholders, whilst providing key recommendations on how we can promote continuous improvement.

Transparency in relation to ESG rating agencies also received a boost during 2024, with the government unveiling proposals for a new law to regulate these organisations[22]. Investors are increasingly using these agencies to inform their investment decisions; understanding the methodologies that underpin these ratings is therefore crucial. The draft legislation includes a proposal for all such agencies to require FCA authorisation; we will monitor its progress over the course of 2025.


85-87 Jermyn Street, London

22 www.esgtoday.com/uk-launches-proposed-law-to-regulate-esg-ratings-providers/

Progress to date

Governance and ESG Integration

Maintaining a strong and effective corporate governance structure remains a key focal point for Royal London Asset Management. Effective governance provides the basis for trusting relationships with our stakeholders, while also supporting the consistent application of our RPI Strategy across all programmes and investments.

As part of this commitment, in 2024 we undertook a review of our RPI Working Group that has been meeting quarterly for the past two years. The review examined whether the group's Terms of Reference required adjusting to ensure they remain as relevant as possible. Royal London Asset Management Property has evolved considerably over those past two years, in particular the diversification of our property portfolio. The working group itself has also evolved since its inception. This represents a valuable contribution to the group's effectiveness, helping synchronise portfolio-level and fund-level RPI initiatives while keeping fund managers as well informed.

Governance also played a central role in our independent ESG data review programme during 2024. Robust data is increasingly critical as demand for effective reporting rises, driven by the development of ESG disclosure frameworks and the desire for transparency from investors. Conducted through an external consultancy, this independent review of all our ESG-related data examined not only our processes but how these are overseen and the accountability structures in place. This is vital to ensure roles and responsibilities are clearly defined and accuracy maintained across our ESG data programme. Please see page 40 for more details.

GRESB

We once again submitted all our property vehicles to the GRESB Real Estate Assessment in 2024. As the global ESG benchmark for real estate assets, the GRESB assessment collects performance data for our properties and evaluates how ESG is managed across our organisation.

The GRESB Real Estate Standard underwent significant changes in 2024, incorporating new data and adjusting methods to align with the priorities of the governing GRESB Foundation. This included the introduction of new building certification criteria and benchmarking strategies, as well as updated methods to assess asset performance data. Consequently, scores from 2024 are not directly comparable to those from previous years.

While these scores have served as useful indicators in the past, the most valuable insight stems from the detailed information within the GRESB benchmark report. This includes indicators and performance metrics, all of which enable us to track year-on-year progress and enhance investment performance. The report pinpoints opportunities to improve ESG outcomes, particularly in terms of occupier utility data coverage and like-for-like energy performance across assets in each property vehicle.

Looking at the different classifications within the GRESB report, our RLPPF and RLUKREF funds both recorded improved scores in the Development section for 2024. This reflects measures taken to deliver best-in-class buildings and embed our Development Sustainability Standards over the previous year.

3 Hardman Square, Manchester

Standing Investments section

RLUKREF

Out of 100

2020	2021	2022	2023	2024
79	80	82	83	81

Peer comparison

17th out of 100

United Kingdom of great Britain and Northern Ireland
Diversified | Core | Tenant Controlled
★★★☆☆

RLPPF

Out of 100

2020	2021	2022	2023	2024
73	79	77	81	79

Peer comparison

29th out of 100

United Kingdom of great Britain and Northern Ireland
Diversified | Core | Tenant Controlled
★★★☆☆

RLPF

Out of 100

2020	2021	2022	2023	2024
69	75	73	76	72

Peer comparison

5th out of 6

United Kingdom of great Britain and Northern Ireland
Diversified - Office/Industrial | Core | Tenant Controlled
★★☆☆☆

Development section

RLUKREF

Out of 100

2020	2021	2022	2023	2024
89	90	92	94	97

Peer comparison

5th out of 14

United Kingdom of great Britain and Northern Ireland
Diversified | Core | Tenant Controlled
★★★★★

RLPPF

Out of 100

2020	2021	2022	2023	2024
87	91	94	91	92

Peer comparison

4th out of 9

United Kingdom of great Britain and Northern Ireland
Diversified | Core | Tenant Controlled
★★★☆☆

Quarterly RPI Training

In 2024 we introduced mandatory RPI training sessions for the whole property team.

Led by an external consultancy, these events have further enhanced RPI understanding while also providing the team with regular updates on ESG developments within the industry. Each of the year's four sessions focused on a distinct aspect of our RPI Strategy: net zero carbon, occupier engagement, social value and biodiversity.

Participants were encouraged to view these key areas in the context of their own assets, working in teams to determine how to integrate RPI values and initiatives at their properties. This approach made the training more relevant and strengthened cross-team collaboration.

In 2025, we will continue to use these training sessions to mobilise new strategies and emerging programmes as we continue to embed RPI across all levels of the business.


The Earnshaw, London

Case study: ESG Data Review

Cambridge Research Park, Cambridge

Enhancing the robustness of our ESG-related data

The introduction of the FCA's anti-greenwashing rule this year came against a backdrop of increasing numbers of reporting frameworks coming into effect. With stakeholder expectations growing accordingly, the need for robust data has never been greater. We are committed to ensuring our data is as accurate and complete as possible, backed by effective processes and strong administration. As the volume of data we monitor expands, these commitments will be increasingly crucial in ensuring we continue preventing issues from arising.

We are constantly examining ways to build on our existing processes and further refine our data handling. In 2024, we engaged a consultancy to undertake an independent review of all our ESG-related data, our governance processes and our accountability structure. The consultancy team reviewed a significant number of our ESG data sources, both those held internally and externally. This examined how we process documents, undertake analysis and oversee administration.

The team also held a half-day workshop with key internal and external stakeholders, which aimed to assess each party's responsibilities, review current processes, explore possible enhancements and agree best practice.

The review has produced a manual detailing key ESG processes, as well as a data report into the consultancy's findings that includes recommendations to further refine our approach. These outputs will be used during 2025 to enhance existing processes, ensuring they are clear and even more efficient for all stakeholders. Recommendations will be embedded across the Property Team, which will be particularly important for asset managers as they take on greater responsibility for data on their buildings. We recognise that this decentralisation of our processes will increase the need for consistent, streamlined approaches. As these developments progress, we will continue to undertake regular audits to ensure our processes remain exemplary.

Looking forward

Moving into 2025, Royal London Asset Management Property will be focused on several critical developments. We will monitor any future changes to the GRESB Real Estate Assessment. GRESB has already published its updates for 2025, which included new criteria for embodied carbon, renewables, biodiversity and certifications. We will pay close attention to how these and any further updates progress, ensuring we retain a complete understanding of how to maximise our assessment outcomes, while keeping track of GRESB's perspective on the evolution of ESG more broadly.

Q1 2025 is expected to see the publication of the new UK Sustainability Reporting Standards (SRS), which will cover FCA-regulated companies such as Royal London Asset Management – initially on a voluntary basis. The new standards are expected to lean heavily on the International Sustainability Standards Board (ISSB)'s IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures). We look forward to engaging with the UK SRS framework as part of our support for the streamlining of ESG reporting. Such positive steps are vital to help stakeholders compare performance and to boost transparency throughout the industry.

In keeping with this commitment to transparency, Royal London Asset Management will continue to develop its Climate Transition Plan (CTP) during 2025. This initiative follows the government's publication of the Transition Plan Taskforce disclosure framework in 2023. This looked to give companies a framework for composing and reporting their own transition plans, which can also help stakeholders understand an organisation's pathway to net zero. Royal London Asset Management is also working with its parent company, Royal London Group, to publish a group-wide CTP in 2025. We are dedicated to delivering a climate transition journey that is open, transparent and communicated effectively. Though it is not yet mandatory to produce a CTP, we are committed to being transparent with clients in our valued role as a responsible decision-maker.

A similar degree of focus will be given to the UK Green Taxonomy consultation, which closes in February 2025[24]. Any such taxonomy would be driven by investors and likely form a key component of their decision-making, as it would enable them to compare environmental performance between companies and investment funds. It is therefore vital that we observe the results of this consultation closely, analysing its outcomes for indicators of stakeholder sentiment.

The Distillery, Bristol

24 www.gov.uk/government/consultations/uk-green-taxonomy

Appendix 1

Appendix 1 – Terminology and Acronyms

Methodology

The following table lists key defined terms used throughout the report.

Word/Phrase	Definition
1.5° Aligned/ 1.5° Pathway	A target, commitment or reduction pathway which, if applied globally, will ensure global warming is either limited to 1.5°C above pre-industrial temperatures, or allow them to return to 1.5°C above by the year 2100 (following an overshoot). See also 'Paris-aligned'.
Asset Manager	Individual who manages investment properties within the property portfolio, with the aim of strategically maximising the financial performance of the property.
Asset Owner	An individual or organisation allocating capital for the acquisition, development or operation of a building – potentially as part of a pension fund, endowment or foundation, or for high-net-worth and retail investors who own underlying real assets but charge the management of those assets to asset/investment managers.
Base Building	Areas of a building managed by the landlord, rather than the occupier.
Biodiversity Net Gain	An approach to development, and/or land management, that aims to leave the natural environment in a measurably better state than it was beforehand.
BREEAM	Building Research Establishment Environmental Assessment Model (BREEAM) is a green building certification used to assess, rate and certify the sustainability of a building.
Carbon Offsetting	Actions or investments made at a building or organisational level to facilitate another party to reduce or avoid emissions, or absorb atmospheric carbon. Often used as a means of compensation for emissions generated elsewhere. This is in the context of the built environment.
Circular Economy	The circular economy prioritises the reuse of materials, preventing the over extraction of natural resources and the number of usable materials that end up in landfill.
Circularity	Optimising the use of resources throughout the lifecycle of the building in order to minimise waste sent to landfill.
Climate Change Mitigation	Actions or investments made at a building or organisational level to reduce or prevent the emission of greenhouse gases.

Word/Phrase	Definition
Directly Managed Property Assets	Property assets where Royal London Asset Management has complete operational control and greater than 50% equity share, and joint ventures where they would cover the proportionate amount of emissions.
Embodied Carbon	Greenhouse gas emissions associated with building construction, including those arising from extracting, transporting, manufacturing, and installing building materials, in addition to the operational and end-of-life emissions of the materials.
Energy Hierarchy	A principle which prioritises the improvement of energy performance above all other carbon mitigation/compensation methods and allows offsetting to be used only as a last resort in any net zero carbon definition.
Energy Use Intensity	The measured unit of consumption (kWh) per unit of floor area (m^2) for a property.
Environmental Management System	An internal framework that structures all procedures, projects and initiatives into a collective programme which aligns the sustainability efforts at entity level.
Fitwel	A global building certification system used to assess, rate and certify a building based on its promotion of health and wellbeing within buildings.
Fund Manager	Individual who oversees and manages a real estate investment fund, consisting of a portfolio of properties. Their responsibilities include decisions on acquisitions, divestments and operational management of properties, with the ultimate aim of delivering value to investors.
Global Warming Potential	Measure of how much energy the emissions of 1 ton of gas will absorb over a given period of time, relative to the emissions of 1 ton of carbon dioxide (CO_2). The higher the global warming potential, the more that given gas warms the Earth compared to CO_2.
GRESB	Formerly the Global Real Estate Sustainability Benchmark, GRESB is a global sustainability benchmark for commercial real estate and infrastructure.
Indirectly Managed Property Assets	Property assets that are either partially managed by Royal London Asset Management or managed wholly by the occupier.
ISO 14001	International standard for designing and implementing an Environmental Management System.
Landlord	An individual or organisation responsible for the ownership of a building which is rented or leased to an individual or organisation.
Material Passports	Digital document that stores key information on construction materials and products to help support the recovery and reuse of these materials over their lifecycle.

Word/Phrase	Definition
NABERS UK	Green building certification that uses the actual operational performance of a building to assess, rate and certify the sustainability of a building.
Net Zero Carbon Building	A building-level status whereby the building has undergone steps to improve the energy performance and reduce inefficiencies. Building-level status is also achieved on completion of national grid decarbonisation. Residual emissions are offset.
Occupier	An organisation residing in/operating from a building.
Operational Carbon	Greenhouse gas emissions associated with the operational stage of a building's lifecycle, mostly attributed to emissions from energy use.
Paris-Aligned	A target, commitment or reduction pathway which is aligned with the requirements of the Paris Agreement (2015) – synonymous with 1.5° aligned.
Paris-Proof	A concept pioneered by the Dutch Green Building Council basing energy reduction requirements on the future zero carbon energy generation capacity. Paris Proof targets set out the expected magnitude of energy efficiency improvements required by 2050.
Pre-demolition Audit	Survey undertaken on an existing building prior to its demolition or major redevelopment to help maximise the recovery of materials and components for reuse or recycling, minimising waste sent to landfill.
Property Manager	Third party service, procured by the asset owner, who manages the operational stage of a building lifecycle.
Refrgerants (Fugitive Emissions)	Emissions that are not produced intentionally – within the built environment, this is usually attributed to leakage of refrigerants from cooling systems and heat pumps.
Renewable Energy Guarentees of Origin (REGO) Certificate	A certificate issued by the Office of Gas and Electricity Markets (Ofgem), certifying that the electricity in respect of which the certificate is issued, was electricity produced from renewable energy sources. This is in the context of the built environment.
Scope 1 Emissions	All direct emissions from sources that an organisation owns or controls directly, such as emissions associated with fuel combustion in boilers.
Scope 2 (location-based) Emissions	Indirect emissions from electricity purchased and used by the organisation. Emissions are based on the average emission factor of the UK National Grid.
Scope 2 (market-based) Emissions	Indirect emissions from electricity purchased and used by the organisation. Emissions are based on the emission factors of the chosen energy contract.

Word/Phrase	Definition
Scope 3 Emissions	All other indirect emissions from upstream and downstream activities of the organisation, occurring from sources that they do not directly own or control.
Stranded Asset	Stranded assets are properties that will not meet future energy efficiency standards and market expectations, increasing their risk of a reduced financial value.
Whole Life Carbon	Greenhouse gas emissions associated with the full lifecycle of a building, from materials and construction through to demolition, combining embodied carbon, operational carbon and any other sources of emissions. Whole life carbon is broken down into the building's lifecycle into stages and modules. These are as follows: • Module A: A0-A5: Upfront Carbon. This covers the construction phase. • Module B: – B1-B5: In Use. This covers the use of the building including its maintenance, repair and refurbishment. – B6 & B7: Operational carbon. This covers the operational energy and waste usage of the building. – B8: User carbon. This covers activities by the occupier not covered in B1-B7. • Module C: C1-C4: End of life: This covers the deconstruction/demolition of a building and disposal of any waste generate during this process. (Source: Whole life carbon assessment for the built environment, Royal Institute of Chartered Surveyors (RICS), 2nd edition, July 2024)

Acronyms

The following table includes a list of acronyms used throughout the report.

Abbreviation	Meaning
AI	Artificial Intelligence
AMR	Automatic Meter Reading
ASHP	Air Source Heat Pump
AUM	Assets Under Management
BBP	Better Buildings Partnership
BMS	Building Management System
BNG	Biodiversity Net Gain
BUR	Building Upgrade Report
CO_2e	Carbon Dioxide Equivalent
CRREM	Carbon Risk Real Estate Monitor
CTP	Climate Transition Plan
DfP	Design for Performance
EMS	Environmental Management System
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
EU	European Union
EUI	Energy Use Intensity
FCA	Financial Conduct Authority
FTE	Full-time Equivalent

Abbreviation	Meaning
GHG	Greenhouse Gas
GI	Green Infrastructure
GRI	Global Reporting Initiative
GWP	Global Warming Potential
HVAC	Heating, Ventilation and Air Conditioning
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
ISSB	International Sustainability Standards Board
KPI	Key Performance Indicator
kWh	Kilowatt hour
kWp	Kilowatt peak
LED	Light-emitting Diode
MEES	Minimum Energy Efficiency Standard
MW	Megawatt
NDC	Nationally Determined Contribution
NLA	Net Lettable Area
NZAM	Net Zero Asset Managers Initiative

Abbreviation	Meaning
NZC	Net Zero Carbon
PIC	Property Investment Committee
PV	Photovoltaic
RCP	Representative Concentration Pathway
REEB	Real Estate Environmental Benchmark
REGO	Renewable Energy Guarantees of Origin
RI	Responsible Investment
RIBA	Royal Institute of British Architects
RPI	Responsible Property Investment
SDG	Sustainable Development Goal

Abbreviation	Meaning
SDR	Sustainability Disclosure Requirements
SME	Small and Medium Enterprises
SRS	Sustainability Reporting Standards
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPT	Transition Plan Taskforce
UKGBC	UK Green Building Council
UN PRI	United Nations Principles for Responsible Investment
VRF	Variable Refrigerant Flow

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