



# Real Estate ESG Report 2023

November 2024



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## Welcome

At Federated Hermes, we believe real estate can help facilitate dynamic and positive change across our society – a view that has informed our approach to enduring, responsible wealth creation since our origin in 1983.

From our assets and occupiers to the communities where we invest, we understand that the built environment is closely connected with the wellbeing of people and the planet.

Today, we are operating in an era where the impacts of climate change, resource depletion and social inequality are reshaping the real estate industry and wider world. We believe that investing responsibly is the best way to manage these risks and sustain long-term outperformance – which is why ESG factors have always been deeply integrated throughout our real estate portfolio, forming an essential part of our asset management and investment processes.

This year, we focused on creating a framework to decarbonise our new developments and existing portfolio, setting ambitious embodied carbon and credible net zero transition plans.

As we continue decarbonising our portfolio and increasing positive social outcomes in the communities our work touches, we are dedicated to pioneering innovation, delivering best-in-class real estate and working closely with the industry to address shared challenges.

We are committed to delivering resilient real estate which is relevant to its local market, recognising that applying rigorous principles of responsible investment is the best way to provide our clients and other stakeholders with improved risk management and significantly enhanced returns.



**Chris Taylor**  
CEO Real Estate &  
Head of Private Markets

Our focus on building upon our legacy of ESG implementation and mobilising our expertise mean we remain firmly on track to meet our net zero target by 2035.

During 2023, we carried out strategic interventions such as creating low embodied carbon developments, pioneering innovations in social impact and improving data quality produced real results.

Through 2024, we have been pressing for change because it is clear to us that the only way to accelerate our sector's efforts to meet the required ESG commitments is for the industry to work as one team.

This is why one of our objectives is to adopt a Connected Approach – alongside our commitment to being Nature Positive and delivering lasting Social Impact. We aim to

connect with the industry by supporting research, influencing our supply chain, engaging with occupiers on sustainability, and enabling our best practice approaches to be shared across the built environment.

We understand that it is our responsibility to lead the necessary change in real estate and contribute towards a sector which provides solutions to climate resilience, achieves a just transition and creates the much-needed vision and action for our era of decarbonisation.



**Katerina Papavasileiou**  
ESG and Responsibility director



## Who we are

### Who we are

Federated Hermes is a global leader in active, responsible investment management, guided by the conviction that investing responsibly is the best way to create long-term wealth. Our Real Estate team forms part of our Private Markets business and manages a range of investment solutions for our clients.

### What we do

- As a **fund manager**, we oversee performance at fund level, including investment transactions, portfolio management, risk management, governance and delivery of client-led real estate solutions for our investors.
- As an **asset and investment manager**, we oversee performance at property level, including operational strategy, tenant leasing transactions, and capital expenditure, refurbishment and active management programmes.
- As a **development manager**, we build meaningful places that deliver positive environmental, social and economic impact.

### Why we do it

We know that investing responsibly over the long term is the best way to protect asset value, sustain outperformance and contribute to the most beneficial outcomes for investors, companies, society and the environment, which is why we have been proactively embedding ESG across our real estate portfolio ever since our formation four decades ago.

Today, our world is facing a series of critical social and environmental challenges. With nearly 40% of global carbon emissions coming from the built environment<sup>1</sup> and social inequality on the rise across the UK, we're committed to ensuring our assets are part of the solution.

### Where we work

Our investments and assets are diverse and geographically spread to help reduce risk and optimise returns, with a balanced portfolio that includes commercial and industrial real estate, as well as retail, residential properties and science and technology parks.

We're behind some of the biggest place-making and regeneration schemes in a number of the UK's largest cities including Birmingham, Manchester, Bristol and Leeds, but our commitment to responsibility isn't limited to our flagship initiatives – we're also creating positive change in our operational assets right across the country.

### Our Real Estate portfolio at a glance

- £6.3 billion AUM<sup>2</sup>
- 156 assets under management<sup>3</sup>
- Place-making schemes in major UK cities
- A diverse portfolio including industrial, commercial, office and residential
- ESG is integrated throughout our **entire asset lifecycle**

<sup>1</sup> Source: UN Environment Programme, 2023.

<sup>2</sup> As at 30 September 2023, including our BTPS portfolio, FHPUT fund, MetroPUT fund and JVs.

<sup>3</sup> As at 31 December 2023.





# Highlights





## 2023 Highlights

### Net Zero



# 15%

reduction in EUI against  
2018 baseline (LfL)



# 30%

reduction in absolute  
emissions compared to  
2018 baseline



# 191%

increase in on-site  
renewables since 2018



# 8%

increase in on-site  
renewables since 2022

# 393,622 kWh

energy savings due to  
smart technology installs

# 99%

of landlord procured  
electricity is from  
renewable sources

Decarbonomics™  
used across

# 27%

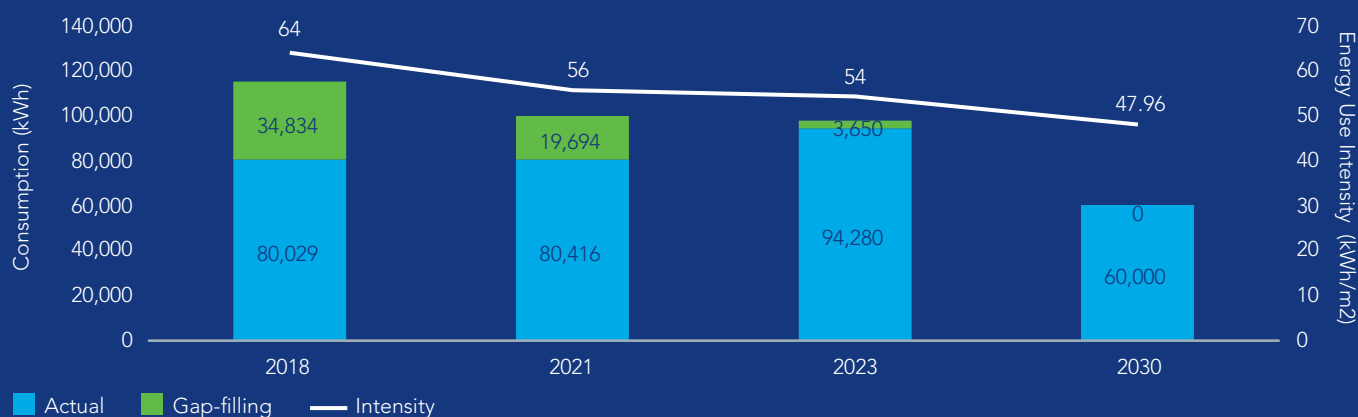
of the portfolio to assess  
the actions and investment  
required to get to net zero

Net zero audits  
completed across

# 50%

of our portfolio

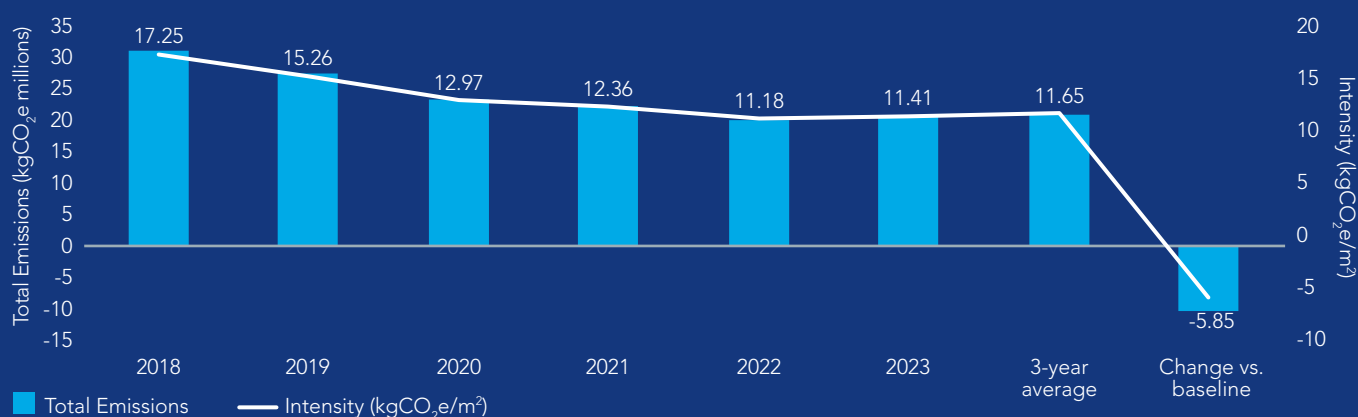
Energy consumption and intensity progress



### Commentary

- Emissions are correlated to a decrease in energy usage. Importantly, the proportion of actual data has continuously increased since 2018 to reach just under 4% of estimated landlord data (down from 30%).
- Intensity has decreased 15% since 2018 to reach 54kg/m² – targeting 66% by 2035.

Portfolio like-for-like emissions







## Nature & Biodiversity

### BNG & ecology assessments:

Operational portfolio: **17** Placemaking schemes and developments: **6**



New bespoke nature strategy designed which will set clear targets for developments and operational assets to accelerate implementation



New landscaping contractor requirements developed in line with strategy to encourage and challenge site teams to enhance nature on-site



Training completed for the whole team on nature and biodiversity

## Social Impact



Began measuring our impact with the Social Value Portal across two regeneration schemes: Wellington Place and NOMA.

**£394,163**

Social and Local Economic Value delivered in 2023

Social value assessment pilot with CBRE consultancy across **6** assets

## Global Real Estate Sustainability Benchmark (GRESB)

All our AUM are entered into GRESB. In 2023 this included **11** operational and **7** development funds



Our Wellington Place and NOMA developments achieved 100/100 in 2023



of GRESB entries scored higher in 2023 than in 2022



of GRESB entries outperformed peer groups in 2023

## Climate Resilience



coverage on flood risk assessments



coverage for transition and physical climate risk using MSCI



of new developments complete embodied carbon assessments and life cycle analysis

Climate X appointed to map our physical climate risks in different scenarios

## Green Certifications

NABERS Design for Performance: our pioneer projects 11-12 Wellington Place, Leeds and 4 Angel Square, Manchester both achieved a 5-star rating

BREEAM In-Use:

**38**

BREEAM in construction and refurbishment:

**28**

Fitwel:

**5**

assets

ActiveScore:

**6**

assets

## 5/5 \* UNPRI Rating



and a score of

**98/100**

for Real Estate

**18**

ESG awards won

Detailed ESG performance data displayed in the Performance section





# Approach & Objectives

Milton Park, Oxfordshire





## Approach

We believe that investing responsibly is the best way to sustain long-term outperformance and contribute to beneficial outcomes for investors, companies, society and the environment.

We don't see ESG as a separate category of investing. Instead, we believe material ESG risks and opportunities should inform everything we do. That's why our Real Estate team integrates ESG considerations throughout our investment decision-making and asset management processes.

Our **ESG Checklist** ensures the appropriate sustainability due diligence is carried out on all ESG factors when we acquire new assets, encompassing issues like climate resilience and flood risk.

Our **Design Innovation Standard and Responsible Property Management Guide** set out a series of guidelines for our investment and development managers to follow. This ensures a consistent, start-to-finish approach to sustainable development and refurbishment that makes use of key RIBA Stages<sup>1</sup> and BREEAM principles;<sup>2</sup> and embeds ESG into asset design, construction and operation.

Since 2019, we have been a member of the Better Building Partnership's **Climate Change Commitment**. As part of this initiative, we have issued our **Net Zero Pathway**, which sets out both the targets and approach to reaching net zero emissions by 2035 across our UK real estate portfolio.

Our Real Estate team completes **Global Real Estate Sustainability Benchmark (GRESB)** reporting to benchmark our real estate assets against our peers. Our 2023 performance can be viewed at [Appendix A](#).

We conduct strategic and operational **sustainability benchmarking** of our real estate funds, deploy active **data management systems** for utilities and waste, and **monitor our performance** with continuous feedback between property managers, investment managers and sustainability experts.

We also apply stringent **risk and safety requirements**, offer a range of **community and occupier engagement tools and programmes**, and ensure **third-party verification** is carried out for specific assets.



<sup>1</sup>The Royal Institute of British Architects (RIBA) Plan of Work organises the process of briefing, designing, constructing and operating building projects into eight stages and explains the stage outcomes, core tasks and information exchanges required at each stage.

<sup>2</sup>BREEAM is the Building Research Establishment (BRE) Environmental Assessment Method, first launched in the UK in 1990. It sets best practice standards for the environmental performance of buildings through design, specification, construction and operation.



## Objectives



### Social Impact

Create places where people thrive and feel happy

#### Objectives

##### Equality of opportunity

- Inclusive regional growth and affordability
- Employment and skills
- Just transition

##### Enhance communities

- Targeted approach based on local area needs

- Create opportunities for social innovation and ground-up initiatives to flourish
- Resilient and healthy communities

##### Responsible procurement

- Influence our supply chain



### Connected Approach

Making our assets part of the solution

#### Objectives

##### Purposeful partnerships

- Develop impactful partnerships for climate and community resilience
- Collaborate with our occupiers and supply chain to work towards our mutual sustainability ambitions

##### Deploy our real assets and expertise to solve global challenges

- Create and adopt new processes and / or products that add value to our portfolio and the wider industry
- Support academic research and industry participation



### Nature Positive

Create a positive impact on nature

#### Objectives

##### Climate Resilience

- Become net zero in developments and operations by 2035.
- Map and plan to mitigate our physical and transitional climate risk

##### Enhance Biodiversity

- Achieve a net-positive impact on biodiversity

- Reduce deforestation risk throughout operations and supply chain

##### Embed Circularity

- Promote adaptability and ensure that our assets are fully utilised, reused and repurposed
- Incorporate circularity principles in developments and operations





## Social Impact

We are committed to delivering lasting social impact in the communities where we work. By measuring the social value our assets provide, we can better understand the impact we are already having and identify ways to further benefit communities in future. Some of our successes are:

- Delivering sustainable homes with our residential platform Hestia
- Measuring our social impact at NOMA and Wellington Place
- Creating opportunity for all at the centre:mk
- Empowering young minds at Silverstone Park



### DELIVERING SUSTAINABLE HOMES WITH OUR RESIDENTIAL PLATFORM HESTIA



Our Hestia platform focuses on curating residential assets that have a positive impact on the environment and communities in which they reside.

Since its inception in 2014, Hestia has embodied our Responsible Property Investment agenda by operating and delivering accessible homes and building inclusive communities which target local needs and address the housing crisis, while aligning to our net zero carbon pathway.

Operational assets are spread across the UK, and include the Cargo Building in Liverpool, Pomona Wharf in Manchester, Madison West Mercer East in Leeds, Crescent Road in Kingston, Silver Road in Lewisham and The Hyde in Hendon.

All Hestia developments integrate specific ESG targets in the development specification, driven largely from our Design and Innovation Standard, from design and development through to operation.

All Hestia BTR schemes have pet friendly apartments to make them accessible and inclusive to more renters, while community spaces such as resident lounges, gyms and co-working desks add social value by enabling residents to work and socialise onsite.

Most Hestia developments also include features such as cycle storage, EV charging points, food composting and recycling facilities.

Given this range of amenities, residents tend to settle in Hestia developments for the long term: the average stay lasts between two and four years. One Pomona Wharf resident has been with the development since its completion in 2017.

We are delivering on this commitment by ensuring that we take a fabric first approach to design, new buildings are fossil fuel free and include on-site generation, ambitious whole life carbon targets are in place and smart metering is installed to ensure high quality data coverage when the buildings are in operation.

#### Highlights:

- The Cargo Building, our 324-unit residential scheme in Liverpool, achieved a world-first BREEAM In-Use (BIU) Residential certification.
- Hestia's 2023 GRESB scores showcase our commitment to ESG, achieving a 5\* rating and score of 89 for operational assets and a 3\* rating and score of 88 for developments.



## MEASURING OUR SOCIAL IMPACT

During 2023, Social Value Portal measured the social impact of two of our assets: NOMA in Manchester and Wellington Place in Leeds.

## NOMA



NOMA is a carefully curated, community-focused neighbourhood in Manchester city centre and the largest redevelopment project in the North West.

Last year saw the launch of PLANT, an initiative aiming to inspire a new generation of urban gardeners and bring more biodiversity and beneficial green spaces to Manchester.

This year, our key activities included Shared Futures, a partnership with local primary school and higher education institutions to provide opportunities for knowledge exchange.

Social Value Portal's TOM's framework – encompassing Themes, Outcomes and Measures – indicates that our activities at NOMA generated

**£306,343**

worth of social and local economic value during 2023, which included:

**£127,445**

was given in donations or in-kind contributions to local community projects



*This year, we have engaged with approximately 8,500 local people on site and our Living City initiatives have helped generate a biodiversity net gain of 54%. You cannot build a neighbourhood any more than you can build a tree; you can only create the conditions, plant the seed, care for it, and wait. That's exactly what we're doing at NOMA.*

– Ben Young, Informal Urbanist, Altogether Otherwise at NOMA

**£88,290**

worth of value was dedicated to supporting green spaces, biodiversity or ecosystems

**£21,460**

worth of value went towards measures to enable healthier, safer and more resilient communities





## MEASURING OUR SOCIAL IMPACT CONTINUED

## Wellington Place



Wellington Place in Leeds has transformed into one of the UK's most successful city-centre regeneration projects.

Through our collaboration with Ahead Partnership, we have developed an extensive community engagement programme at the site, with a series of events to inspire and empower young people from all over the city – particularly those facing barriers, disadvantage and under-representation.

Our annual Women of the Future event saw nearly 50 local students learning valuable career skills from 68 inspirational female volunteers from businesses across the development.

Social Value Portal calculated that in total, our activities at Wellington Place generated:

**£87,820**

worth of social and economic local value during 2023:

**£49,454**

worth of value went towards measures to promote local skills and employment

**£17,927**

worth of value went towards community health or wellbeing initiatives

**£14,800**

was given donations or in-kind contributions to local community projects

**£9,621**

was spent through contracts with local MSMEs

**£971**

worth of value went towards measures to safeguard the environment

During 2023 our collaboration with Ahead Partnership was rolled out to all sites managed by MEPC, our development and asset management arm, resulting in:



**24**  
new events



Engagement with  
**2,128** young people



Involvement from  
**59** businesses



Support from **140**  
community volunteers



## CREATING OPPORTUNITY FOR ALL AT THE CENTRE:MK



Blacksheep Collective Busking programme, The Place Between installation and European Robotics League competition

The Centre:MK is a pioneering example of how retail can be a forum for social, cultural and creative exchange. Over the past year, the centre delivered an array of world-class arts projects, community-based initiatives and fundraising activations supporting the city and beyond.

Almost

**£500,000**

in monetary and in-kind donations were generated and

**784**

different community events and initiatives took place.

The centre also showcased The Place Between, an immersive installation as part of Milton Keynes International Festival. Immersive soundscapes were created capturing biodata from the plants, which visitors could listen to via headphones as they walked through the installation.

Breakout is an Action4Youth initiative, funded by the Centre:MK, for young people facing exclusion from school, or those who have already been identified as engaging in crime or anti-social behaviour.

During 2023 the centre also hosted Milton Keynes' Smart City Robotics Competition, demonstrating the latest in technology and AI and showcasing a variety of robots designed to take on challenges that support everyday life.

“

*The Place Between gives me an incredible opportunity to connect with the people and nature of Milton Keynes, working with different communities and organisations to find out more about their relationships with their environment and what nature means to them.*

– Jason Singh, participant in The Place Between

### The Centre:MK – 2023 awards and accreditations:

- The Centre:MK won Best Sustainability Initiative at the 2023 Revo Awards;
- Was the first shopping centre in the world to achieve Social Value Accreditation by Social Value International, in recognition of its innovative work with the local arts community;
- Received International CSR Awards for Supporting the Arts and its 'The Place Between' installation.



## EMPOWERING YOUNG MINDS AT SILVERSTONE PARK

Silverstone Park is an engineering, technology and research business park at the heart of the UK's high-tech cluster.

Over the last five years, Silverstone Park's Schools Programme has been providing local secondary students with advice about high-tech career types and pathways, simultaneously broadening their horizons and igniting a passion for future career opportunities while addressing the local skills gap.

More than a dozen companies – many of them operating in advanced engineering and manufacturing – came forward to offer careers advice as part of the programme in 2023, which saw more than 800 young people participating.



In June, Silverstone Technology Cluster, of which Silverstone Park is a founding member, and after instigating the independent research that unearthed the tech cluster around the park, won a Gold Award at the International Corporate Social Responsibility Excellence Awards.

“

*We're really proud to be working with Silverstone Park to manage this exciting programme, which is engaging hundreds of local young people with careers and skills development opportunities. The programme gives students first-hand insight into how businesses on their doorstep are helping to develop technologies of the future, enabling young people to understand how they can pursue rewarding careers in this space.*

– Stephanie Burras CBE, Chief Executive of Ahead Partnership at Silverstone Park



## Nature Positive

Over the last year we have focused on implementing innovative approaches to have a positive impact on the environment we operate in. Decarbonisation, energy efficiency and biodiversity are the areas in which we have made a huge progress on. Our 2023 successes include:

- Decarbonising our portfolio
- FHPUT Portfolio: Key progress during 2023
- Reducing embodied carbon at 11&12 Wellington Place, Leeds
- Using smart technology to drive energy efficiency
- Pioneering the BBP's New Managing for Performance Framework
- Protecting and enhancing biodiversity
- Helping biodiversity to flourish at Horizon Hurley
- Milton Park: Working with nature to support occupier health and wellbeing



### DECARBONISING OUR PORTFOLIO



Centrus Business Park, Hertford



Efforts to decarbonise our portfolio have accelerated during 2023, as part of our target to reach net zero in our developments and operations by 2035.

To achieve this, we are partnering with Decarbonomics™ from AtkinsRéalis in some of our key portfolios – FHPUT,<sup>3</sup> Milton Park and Silverstone Park – to develop carbon baselines, understand the risks and opportunities and develop roadmaps to net zero.

Turning strategy into delivery has been a key priority this year, with Decarbonomics™ helping our investment managers understand our current carbon expenditure. Following initial reviews, attention has now turned towards identifying the costs associated with decarbonisation, enabling us to prioritise all future investment decisions through a carbon lens.



### FHPUT PORTFOLIO: KEY PROGRESS DURING 2023



Round Foundry Marshalls Mill and Christopher Place shopping centre

Our FHPUT portfolio's indicative operational carbon has now been identified, along with the capital costs associated with interventions, and the net zero roadmap is complete. Our investment management team are now looking at prioritised assets and carrying out more detailed surveys to validate the interventions and move forward towards delivery.



*Working with Federated Hermes during 2023 has been a very collaborative and enjoyable experience. The leadership and engagement from their investment management team has been excellent and we look forward to working together during 2024 to move strategy into delivery.*

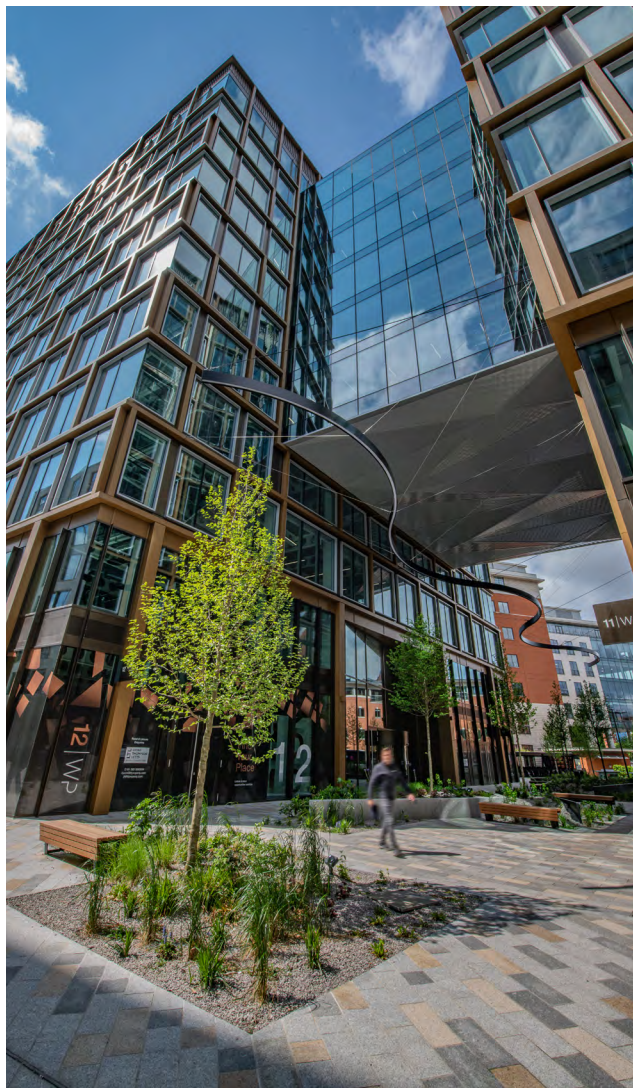
– Peter Dunn, MRICS CIOB  
Regional Director, PPS Sustainability and Asset Management  
Advisory, AtkinsRéalis

<sup>3</sup>Federated Hermes Property Unit Trust





## REDUCING EMBODIED CARBON AT 11 &amp; 12 WELLINGTON PLACE, LEEDS



11 &amp; 12 Wellington Place, Leeds

Located in Leeds' city centre, 11 & 12 Wellington Place is one of the UK's most sustainable office buildings.

Through careful product specification and detailed analysis, the development's original embodied carbon forecast of 866kg CO<sub>2</sub>e/m<sup>2</sup> was significantly reduced to 533kg CO<sub>2</sub>e/m<sup>2</sup> at practical completion,

representing a saving of

**333kg CO<sub>2</sub>e/m<sup>2</sup>**

This brings the development well below industry benchmarks such as the Royal Institute of British Architects' (RIBA) 2025 Build Target of <970kg CO<sub>2</sub>e/m<sup>2</sup> for materials linked whole life carbon emissions.

By analysing the development from design all the way through to practical completion and including supply chain data in calculations, it was possible to identify clear opportunities for embodied carbon reduction and deliver the best results for the project.



*Reducing embodied carbon is a key priority for Federated Hermes, which is why we set ambitious targets and work closely with the industry to challenge existing ways of doing things. 11 & 12 Wellington Place is not only a brilliant example of what's possible, but is set to revolutionise sustainable construction elsewhere at the scheme.*

– Paul Pavia, Co-Head of Development

### What does 333kg CO<sub>2</sub>e/m<sup>2</sup> saving look like?



**3,458**

Long-haul flights

A typical long-haul flight per person will equal 3 tonnes.



**2,075**

Family car trips

10,000 miles driving in a typical family petrol car will equal 5 tonnes.



**6,915**

UK homes heated

Heating a typical UK home for a year will equal 1.5 tonnes.



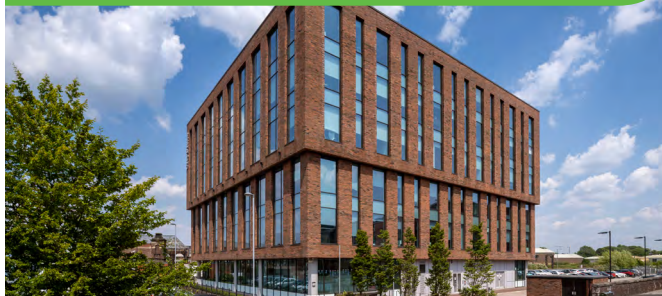
**2,804**

Trees

Based on a 40 year tree saving 3.7 tonnes.



## USING SMART TECHNOLOGY TO DRIVE ENERGY EFFICIENCY



One City Place, Chester

Reducing carbon emissions and improving the energy efficiency of our assets has remained a key priority for us this year.

Since 2016, as part of our commitment to accelerate progress towards net zero, we have been introducing smart optimisation technologies across 14 of our highest energy-consuming properties.

Last year, we were one of the first in the industry to trial Workman's Intelligent Building Operating System (IBOS) to further enhance energy efficiency at three of our assets: One City Place in Chester, One Croydon and 26-28 Hammersmith Grove in London.



*Federated Hermes is committed to staying at the forefront of the smart building space and this has been pivotal for transforming their buildings into intelligent, interconnected assets. Through collaboration with the Federated Hermes team, we have supported their ambitious net zero goals, identifying significant energy and carbon savings.*

– James Hallworth, Partner at Workman LLP

Over the past 6 months, at these three assets we have achieved:



an **11%** reduction in energy vs the same period in 2022/23<sup>1</sup>



a saving of **608,922 kWh** vs the same period in 2022/23<sup>2</sup>



a saving of **131,440 Kg CO<sub>2</sub>** vs the same period in 2022/23<sup>3</sup>

Going forward, we will be using smart technology across more of our assets to help drive energy efficiency and support our net zero pathway.



## PIONEERING THE BBP'S NEW MANAGING FOR PERFORMANCE FRAMEWORK



One America Square, central London; Wellington Place, Leeds.

The Better Buildings Partnership (BBP) has launched a transformative Managing for Performance Framework to drive optimal in-use energy performance of commercial buildings.

We were excited to pioneer this new framework during 2023, trialling it across four of our assets.

These assets were specifically chosen by our property managers CBRE and Workman to help capture the impact of different locations, building ages and management styles.

The framework aims to enhance collaboration among property owners, facilities managers, occupiers and suppliers, providing a structured approach and actionable steps to achieve optimum energy performance and identify key areas for investment to reduce greenhouse gas emissions.

For example, at One City Place, we created a tracker to capture all inputs required and worked with the site team to collect as much data as we could. This showed the asset to be performing well, with detailed information to hand and clear consideration having been given to its efficient operation.



*It's fantastic to see Federated Hermes pioneering this practical and collaborative new approach to driving energy efficiency and reducing emissions. They are setting an excellent example to others in the industry by demonstrating how the framework can be implemented.*

– Carl Brooks, Global Head of ESG – Property Management at CBRE and Co-Chair of the BBP's Managing for Performance Working Group



*We're delighted to see Federated Hermes utilising our Managing for Performance Framework, demonstrating how it can be used in practice to narrow the divide between buildings' expected and in-use energy performance.*

– Sarah Ratcliffe, CEO of the Better Buildings Partnership

<sup>1</sup> On average across the three assets over a 6-month period, 1 October 2023 – 31 March 2024

<sup>2</sup> In total across the three assets over a 6-month period, 1 October 2023 – 31 March 2024

<sup>3</sup> In total across the three assets over a 6-month period, 1 October 2023 – 31 March 2024





## PROTECTING AND ENHANCING BIODIVERSITY

Biodiversity is essential for the creation of healthy, climate-resilient places. It is also an important factor in the provision of ecosystem services, which are crucial for our day-to-day health and well-being, our ability to adapt to the impacts of climate change, and to address diverse challenges such as air quality, noise pollution, flood risk and the effects of urban heat islands. When designing, building and managing new and existing spaces, it is vital to consider nature's role.



*Enhancing nature and increasing biodiversity to create positive impacts for the environment and society remains a key priority for us. We are developing our approach to nature, building on our continuous work in this area, and setting clear but ambitious targets for our developments and operational assets. We are also looking to measure our impact on nature more consistently, enabling us to track progress and identify priority sites to focus on in future.*



– Ellie Stonestreet, ESG Manager, Real Estate



## HELPING BIODIVERSITY TO FLOURISH AT HORIZON HURLEY



At our Horizon site in Hurley near Maidenhead, we have been implementing a programme of works to protect nature and increase biodiversity since 2019, supported by our property managers JLL.

Since 2022, we have been developing a nature walk to bring more plants and wildlife to the area, and a picnic area that creates a vibrant outdoor environment to help enhance occupier wellbeing. Biodiversity education tours have also been offered to Horizon's occupiers so they could see the work taking place.

This year, the nature walk has been extended and a new seating area created away from the building, closer to the neighbouring fields and sheep. Bug hotels have also been installed to provide biodiverse habitats and attract insects.

Meanwhile, pollinator flowers – specially selected for their large, open heads which allow bees and butterflies to access the pollen and nectar they need to thrive in early spring – have been planted all along the nature walk, creating interest and a calm haven for occupiers and wildlife alike.



*Horizon Hurley is a great site with a wide range of sustainability opportunities. We want our occupiers to feel like they work somewhere that welcomes nature, rather than being separate from it, and we want them to be engaged with the process.*

– Richard Jestico, Lead Facilities Manager at JLL





## MILTON PARK: WORKING WITH NATURE TO SUPPORT OCCUPIER HEALTH AND WELLBEING



At Milton Park, a science, business and technology community near Oxford, our biodiversity-boosting initiatives are providing inspiration for the world-leading scientists who work there.

Since 2020, in recognition of the critical role wildflowers play in promoting biodiversity, Milton Park has been moving away from formal lawns and borders and implementing a wildflower planting programme. There are now 2,900m<sup>2</sup> of wildflower meadows at the park, creating a pleasant place for occupiers and providing a reliable food source for bees.

There are currently six bee hives at Milton Park, and occupiers are regularly offered the opportunity to engage with the bees and wildflowers through Meet the Bees, Honey Harvest and wildflower planting events.

Milton Park is proud to partner with Happy Earth Soil, a local Oxfordshire company, to collect green waste from across the estate and convert it into organic compost for the park's plants and urban garden plots.

The park's eight onsite lagoons not only create a sense of tranquillity, but also provide a valuable habitat for breeding pairs of mallard duck and moorhens. To help keep them safe from foxes, several floating nesting islands have been installed, which have proved a big hit with the ducks!

As part of our commitment to engaging with occupiers on sustainability, a series of urban gardens has also been created, enabling people to grow fruit, vegetables, herbs and other plants while they're at work, enhancing wellbeing and work-life balance.

“

*Working surrounded by nature has transformed my experience of work and has become essential for my well-being. One of the most noticeable changes is how it affects my mood. Instead of feeling trapped inside four walls, I now find myself refreshed by the greenery and fresh air.*

– Gabriela Vilema Enríquez, Senior Cell Biologist at Adaptimmune, a Milton Park occupier



## Connected Approach

Today's global ESG challenges are highly complex and organisations cannot address them in isolation. Collaboration is vital when it comes to implementing innovation such as establishing the UK's first autonomous bus route or creating new processes to reduce embodied carbon. In the next section, we have highlighted how we work with various organisations in the built environment sharing knowledge and expertise.

- Memberships, Pledges and commitments
- Award winning industry engagement and collaboration
- Green apple award winners
- BBP members visit Paradise, Birmingham
- Establishing the UK's first autonomous bus route
- UCL Master's research collaboration – reducing embodied carbon in urban regeneration
- Adopting a connected approach to ESG at Capital Square



### INDUSTRY PARTICIPATION



### Working in partnership to help transform the wider Real Estate industry.

Effective cooperation among investors, developers, occupiers, local communities and industry bodies enables alignment among organisations and facilitates the sharing of expertise. Such partnerships are instrumental in driving innovation, enhancing resource efficiency and scaling sustainable practice across the industry. By fostering a collaborative ecosystem, stakeholders can collectively advance ESG goals, ultimately leading to more resilient, ethical and future-proofed real estate developments.

This year, we have actively engaged with the industry in a variety of ways – from piloting new tools to measure social value, to participating in industry working groups through organisations such as the Better Buildings Partnership and UK Green Building Council, to presenting at major events such as UKREiIF.

As part of our connected approach, we strive to learn from and collaborate with peers and technical experts, as well as specialists within the Federated Hermes business, to ensure our real estate adapts to new innovations and remains at the industry's leading edge.

#### Memberships

- Academy of Real Assets
- Better Buildings Partnership (BBP)
- Institutional Investors Group on Climate Change (IIGCC) – Real Estate Working Group
- International Corporate Governance Network (ICGN)
- Natural Capital Investment Alliance (NCIA)
- UK Green Building Council (UKGBC)
- Climate Action 100+
- 30% Club
- Investor Alliance for Human Rights
- Real Estate Balance (REB)
- UN Guiding Principles Reporting Framework

#### Pledges and Commitments

- BBP Climate Change Commitment
- Net Zero Asset Manager Initiative (NZAMI)
- UN Principles for Responsible Investment (PRI)
- UN Environment Programme Finance Initiative (UNEP FI)
- UN Sustainable Development Goals (SDGs)
- Montreal Climate Pledge
- Portfolio Decarbonisation Coalition (PDC)
- Task Force on Climate related Financial Disclosures (TCFD)
- UN Global Compact (UNGC)
- Financial Reporting Council's UK Stewardship Code
- UK Modern Slavery Act (2015)





## AWARD-WINNING INDUSTRY ENGAGEMENT AND COLLABORATION

Selected ESG-related awards:



### Wellington Place

- **Placemaking Award** at Property Week's 2023 Property Awards. The judges praised the development's "commitment to long-term placemaking", its "ESG commitment" and the inclusion of "bold social impact initiatives."
- **Commercial Development of the Year** at the 2023 Yorkshire Business Insider Property Awards for its sustainable design and commitment to the local community.
- For its outstanding environmental efforts, the asset won the **ESG Excellence Environmental award** at the Yorkshires Commercial Real Estates Awards.



### Milton Park

- Bee House, a flexible workspace at our Milton Park development, won the **Workplace of the Future Award** at the Thames Valley Property Awards 2023. Anna Fletcher, Senior Marketing and Communications Manager at Milton Park, said: "There's a great ecosystem of people working here. We designed the kitchens to help bring people out of their offices – this is how innovation happens and there's a real buzz!"



## GREEN APPLE AWARD WINNERS



In 2023, a number of our assets won Green Apple Awards which recognise, reward and promote environmental best practice. Entries are submitted by our property management teams to showcase our environmental performance, how we are using resources efficiently, and how we are achieving wider sustainable development goals such as social benefits for our occupiers, teams and the wider community.

Award	Activity	Asset
Winner	'Company on the way to green glory' award	Paradise, Birmingham
Gold	Installation of solar panels	Boundary House, London
Gold	Recycled garden project	Milton Park
Silver	Carbon reduction	Centre:MK
Silver	Chemical-free cleaning	Centre:MK
Bronze	Reducing single use plastic waste	Federated Hermes: portfolio-wide
Bronze	Nature walks, biodiversity projects and occupier engagement	Horizon, Hurley
Bronze	Biodiversity projects and occupier engagement	Mitcham Road, Westgate Industrial Estate, Durban Park Industrial Estate, Forgewood Industrial Estate, Capital Square
Commended	Biodiversity projects and occupier engagement	South Marston Park



## BBP MEMBERS VISIT PARADISE, BIRMINGHAM



As part of our connected approach, we are committed to sharing lessons with the industry and using the assets we manage to help address collective challenges. In November, we invited members of the Better Buildings Partnership to our Paradise scheme in Birmingham.

Participants learned about the design brief and how for 3 Chamberlain Square, NABERS UK is being used to qualify and quantify how the building will achieve net zero carbon in operation and its targeted 5\* design rating.

The benefits of early contractor involvement were also highlighted, enabling sustainable outcomes to be delivered across the supply chain – driving day-to-day decisions around material choices, ensuring a collective focus on reducing embodied carbon and encouraging long-term thinking to consider repurposing at end of life.



*One of the core aims of the Better Buildings Partnership is to improve professional understanding through knowledge sharing. Our site visit to Birmingham's Paradise development did just that! It was particularly interesting to learn how the Federated Hermes Design Innovation Standard has provided a pioneering framework to deliver against 3 core aims of Sustainability, Wellbeing & Place across the Paradise Estate, building on lessons learnt from their other developments including NOMA Manchester and Wellington Place Leeds. A big thank you to all involved.*

– Jonathan Hulbert, Head of Programme Management, The Better Buildings Partnership



## ESTABLISHING THE UK'S FIRST AUTONOMOUS BUS ROUTE



During 2023, Milton Park hosted the UK's first fully electric autonomous bus service trials, carried out by the Centre for Transport and Society (CTS).

The trials featured an autonomous minibus, initially on a circular route around Milton Park, and then on a shuttle bus service route to Didcot Parkway station, as well as electric bike sharing.

Over 1,000 Milton Park employees took part in the trial, which provided unique insights into the future of this emergent technology and saved 1.5 metric tonnes of CO<sub>2</sub>.<sup>8</sup>

More than 50% of those travelling to Milton Park in 2023 are now using sustainable modes of commuting such as by bus, bike and car sharing, rather than single occupancy cars.

Improving access to green travel has been a key topic this year at The Greener Workplace Forum, where we engage Milton Park's 250+ occupiers on a range of sustainability issues.



*Milton Park is privileged to be home to so many innovative occupiers, so it's fitting the Park has been chosen as a living lab for this landmark trial – the first time autonomous technology has been used to deliver a fully electric public bus service in the UK. The feedback received to date has been invaluable in advancing the sector's knowledge of sustainable, autonomous transport.*

– Veronica Reynolds, Sustainability and Community Manager at Milton Park

<sup>8</sup> Compared to a diesel-engine bus.





## UCL MASTER'S RESEARCH COLLABORATION: REDUCING EMBODIED CARBON IN URBAN REGENERATION



NOMA, Manchester

In 2023, we collaborated with University College London's MSc in Sustainable Resources: Economics, Policy and Transitions, offering the opportunity to support a research project as part of a student's dissertation.

The research focused on ways to reduce embodied carbon in urban regeneration, and called for unified industry frameworks and policy to support the continued decarbonisation of urban regeneration projects.

The analysis examined the practices and decision-making process in place to develop low embodied carbon buildings at our placemaking schemes in Wellington Place, Leeds and NOMA, Manchester. Through interviews with site team members including engineers, architects, contractors, the MEPC development team and ESG and embodied carbon specialists, the findings highlight:

- the importance of systematic decision-making frameworks including clear targets for delivery teams and the adoption of best practices;
- the role of innovation and technology, including advances in construction materials, methods and carbon accounting tools;

- the power of stakeholder mapping and engagement in successful implementation, resulting in a dynamic, responsive project development process.

The findings are critical for us as well as the wider industry, identifying key barriers to achieving net zero whilst also demonstrating practical ways to accelerate the transition and pioneer change.



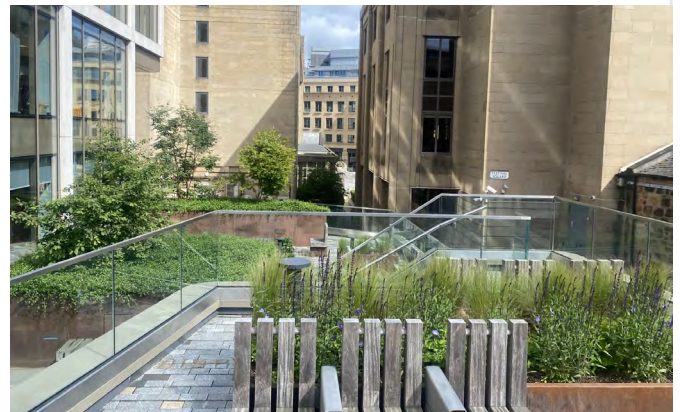
*The adoption of systematic approaches to sustainability across Wellington Place and NOMA has reinforced Federated Hermes' position as a leader in sustainable urban development, positively impacting business through innovation and compliance with ESG criteria. For local communities, it has promoted urban spaces and activities that enhance quality of life. Significant reductions in embodied carbon emissions have also been achieved through collaborative practices across the urban development value chain.*

– Matthew Dunne, UCL, MSc Sustainable Resources: Economics, Policy and Transitions





## ADOPTING A CONNECTED APPROACH TO ESG AT CAPITAL SQUARE, EDINBURGH



Capital Square is a seven-story, multi-occupancy office block in Edinburgh city centre. From the beginning, we have adopted a connected approach to integrating ESG at the site, delivering best practice across a range of areas. This holistic approach has attracted likeminded occupiers for whom ESG is also a major priority.

### Managing sustainably

Capital Square is designed to offer low energy and water consumption: it is rated BREEAM 'Excellent' and has an EPC A rating. The Building Management system enables us to schedule plant operating times, tailoring them to occupier needs and switching them off when not in use.

LED lighting has been installed, as well as a dimming system ensuring that optimum lighting is achieved with the lowest amount of energy. Smart water systems, low-energy dryers and dual flush WCs are also in place.

### Engaging with occupiers

We engage with Capital Square occupiers in several ways, continuously monitoring energy consumption and providing news and opportunities through a regular newsletter.

There are 149 cycling spaces for occupiers onsite to encourage green commuting, and we have supported two occupiers to achieve prestigious WELL-accredited fit outs which promote health and wellbeing.

We have also recently installed a digital weighing scale for refuse with an online portal, providing occupiers with instant access to accurate waste data for their business.

### Encouraging nature and biodiversity

Since city centres are often hostile environments for nature and wildlife, we initially commissioned a biodiversity study to enhance the habitat for birds and insects.

We have since installed four beehives on site and run regular 'Meet the Bees' events for occupiers and local nursery school children. Our plants and flowers are also chosen with insect pollination in mind and we have removed the use of chemical pesticides.

This holistic approach to integrating ESG means that Capital Square remains among the most sought-after office accommodation in Edinburgh.



*A big part of why we chose Capital Square was its approach to ESG, which after 18 months on site, has lived up to our high expectations. Capital Square's ESG approach is now used as the bench post for all our new offices around the UK.*

– Capital Square occupier Stantec, an international engineering consultancy.





# Performance



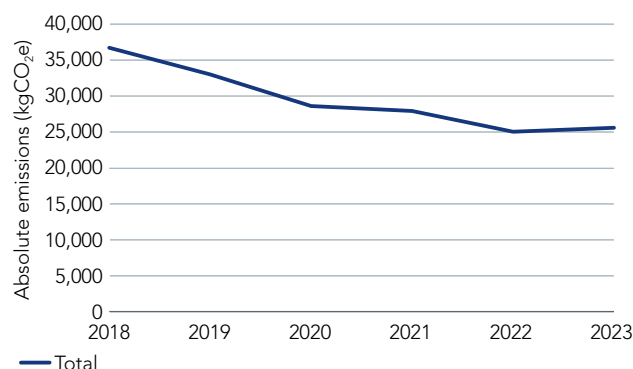




## Whole Portfolio

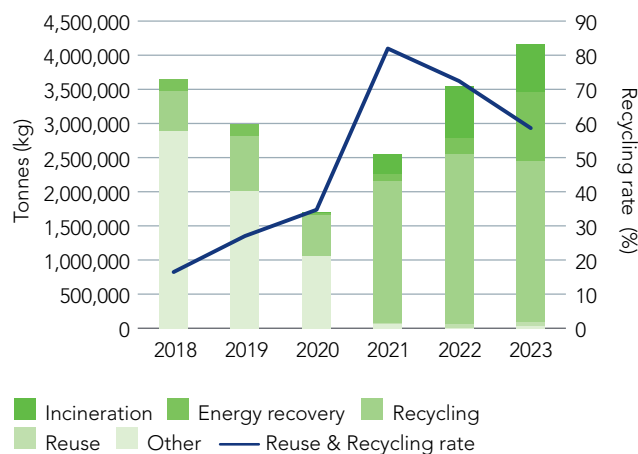
### Carbon Emissions

#### Absolute carbon emissions



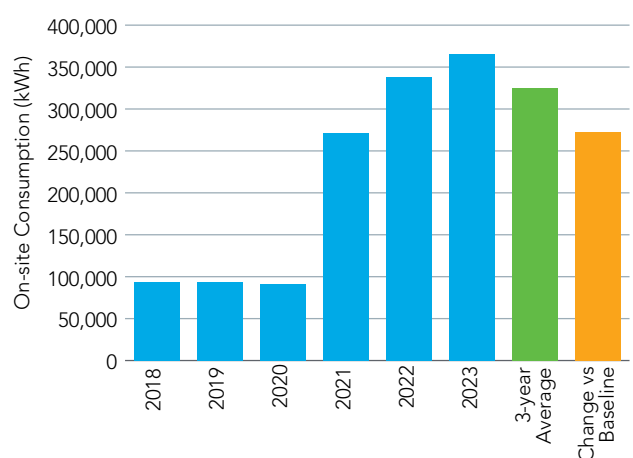
### Waste & Recycling

#### Waste volume, waste stream, and recycling rate



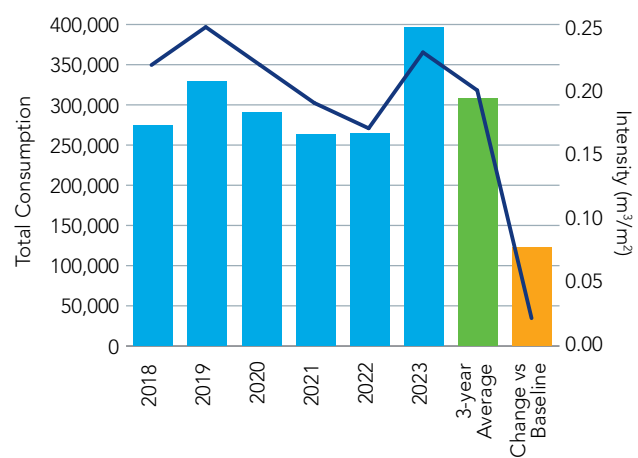
### Renewables

#### On-site renewable consumption



### Water

#### Water consumption and Intensity



**191%** increase in on-site renewables since 2018

**8%** increase in on-site renewables since 2022

Water coverage has increased to reach **60%** from a **37%** baseline in 2018

Target to reach **100%** by 2025 for all properties with mixed control





## Verification statement from our ESG data consultant Deepki

“

The data has been validated, verified for outliers and variances to ensure quality and consistency. Data completeness and coverage has increased where possible even going back to historic data. The data is now aligned to internationally recognised reporting standards such as EPRA and INREV and has been validated using ISAE 3000 standards.

– **Loic Gailhouse, Senior ESG Consultant at Deepki.**

### Whole Portfolio

	2018	2019	2020	2021	2022	2023	3-year Average	Change vs Baseline
<b>Energy</b>								
<b>Absolute</b>								
# of assets	186	182	178	176	173	172		
Consumption (kWh)	137,127,677	134,297,671	124,237,295	126,326,237	120,032,366	121,729,775	122,696,126	(15,397,901.4)
Intensity (kWh/m <sup>2</sup> )	58.87	58.94	53.78	55.17	53.00	54.22	54.13	(4.7)
<b>Like-for-like</b>								
# of assets	137	137	137	137	137	137		
Total consumption (kWh)	114,862,591	111,078,903	100,685,093	100,109,534	96,115,651	97,929,304	98,051,496	(16,933,286.7)
Intensity (kWh/m <sup>2</sup> )	63.94	61.83	56.05	55.73	53.51	54.20	54.48	(9.7)
<b>Renewables</b>								
On-site Consumption (kWh)	93,336	93,938	91,289	271,041	337,794	365,599	324,811	272,263.2
<b>Emissions</b>								
<b>Absolute</b>								
Total Emissions	36,723,356	32,985,928	28,648,537	27,875,043	24,997,697	25,595,733	26,156,157	(11,127,623.3)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	15.77	14.48	12.40	12.17	11.04	11.40	11.54	(4.4)
<b>Like-for-like</b>								
Total Emissions	30,992,163	27,404,367	23,298,698	22,208,314	20,076,175	20,609,400	20,964,629	(10,382,763.2)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	17.25252478	15.25529299	12.96977458	12.36278628	11.1758804	11.40723217	11.64863295	(5.8)
<b>Water</b>								
<b>Absolute</b>								
Total Consumption	273,863	328,931	290,604	263,134	263,890	396,821	307,948	122,957.9
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.22	0.25	0.22	0.19	0.17	0.23	0.20	0.02
<b>Waste</b>								
<b>Absolute</b>								
Total Consumption	3,893,474	3,465,489	1,860,804	2,705,180	3,778,090	4,273,838	3,585,702	380,363.6
Intensity (kg/m <sup>2</sup> )	2.34	2.14	2.06	0.63	0.98	0.97	0.86	(1.4)



## Regeneration schemes

### Wellington Place, NOMA and Paradise

	2018	2019	2020	2021	2022	2023	3-year Average	Change vs Baseline
<b>Energy</b>								
<b>Absolute</b>								
# of assets	21	21	23	23	23	25		
Consumption (kWh)	16,594,240	18,760,738	21,333,611	24,980,936	23,396,966	24,472,598	24,283,500	7,878,357.9
Intensity (kWh/m <sup>2</sup> )	77.09	87.15	85.86	100.54	94.17	83.62	92.78	6.5
<b>Like-for-like</b>								
# of assets	17	17	17	17	17	17		
Total consumption (kWh)	12,452,839	13,037,041	12,773,159	13,398,629	12,790,231	11,308,177	12,499,012	(1,144,662.4)
Intensity (kWh/m <sup>2</sup> )	60.50	63.34	62.06	65.10	62.14	54.94	60.73	(5.6)
<b>Emissions</b>								
<b>Absolute</b>								
Total Emissions	4,346,066	4,511,096	4,822,914	5,316,959	4,776,452	5,137,099	5,076,837	791,032.8
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	20.19	20.96	19.41	21.40	19.22	17.55	19.39	(2.6)
<b>Like-for-like</b>								
Total Emissions	3,316,093	3,173,302	2,906,049	2,871,790	2,615,138	2,374,292	2,620,407	(941,800.8)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	16.11	15.42	14.12	13.95	12.71	11.54	12.73	(4.6)
<b>Water</b>								
<b>Absolute</b>								
Total Consumption	14,192	24,143	15,301	25,372	19,553	32,755	25,893	18,563.3
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.17	0.29	0.13	0.21	0.16	0.16	0.18	(0.01)
<b>Like-for-like</b>								
Total Consumption	14,192	24,143	14,699	23,573	17,754	31,621	24,316	17,428.7
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.17	0.29	0.15	0.23	0.17	0.20	0.20	0.03
<b>Waste</b>								
<b>Absolute</b>								
Total Consumption	20,356	38,724	34,705	28,264	609,766	1,499,472	712,501	1,479,116.3
Intensity (kg/m <sup>2</sup> )	3.70	2.18	1.60	0.36	3.31	5.58	3.08	1.9
<b>Like-for-like</b>								
Total Consumption	20,356	38,724	16,127	34,524	60,325	145,174	80,008	124,818.3
Intensity (kg/m <sup>2</sup> )	3.70	2.18	0.75	0.44	0.33	0.54	0.44	(3.2)





## Hestia

	2018	2019	2020	2021	2022	2023	3-year Average	Change vs Baseline
<b>Energy</b>								
<b>Absolute</b>								
# of assets	2	2	2	6	6	6		
Consumption (kWh)	2,371,447	2,371,984	2,366,903	2,368,616	2,376,339	2,424,125	2,389,693	52,678.3
Intensity (kWh/m <sup>2</sup> )	83.01	83.03	82.86	31.12	31.22	31.85	31.40	(51.2)
<b>Like-for-like</b>								
# of assets	2	2	2	2	2	2		
Total consumption (kWh)	2,371,447	2,371,984	2,366,903	2,368,616	2,376,339	2,424,125	2,389,693	52,678.3
Intensity (kWh/m <sup>2</sup> )	83.01	83.03	82.86	82.92	83.19	84.86	83.65	1.8
<b>Emissions</b>								
<b>Absolute</b>								
Total Emissions	708,588	630,473	579,418	531,280	494,754	520,702	515,579	(187,886.3)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	24.80	22.07	20.28	6.98	6.50	6.84	6.77	(18.0)
<b>Like-for-like</b>								
Total Emissions	708,588	630,473	579,418	531,280	494,754	520,702	515,579	(187,886.3)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	24.80	22.07	20.28	18.60	17.32	18.23	18.05	(6.6)
<b>Water</b>								
<b>Absolute</b>								
Total Consumption			450	541	1,336	18,523	6,800	18,523.3
Intensity (m <sup>3</sup> /m <sup>2</sup> )			0.02	0.02	0.05	0.65	0.24	0.65
<b>Like-for-like</b>								
Total Consumption			450	541	1,336	18,523	6,800	18,523.3
Intensity (m <sup>3</sup> /m <sup>2</sup> )			0.02	0.02	0.05	0.65	0.24	0.65
<b>Waste</b>								
<b>Absolute</b>								
Total Consumption	2,512	137,482	144,921	150,459	150,512	111,513	137,495	109,001.3
Intensity (kg/m <sup>2</sup> )	0.09	4.81	2.54	3.99	5.27	3.90	4.39	3.8
<b>Like-for-like</b>								
Total Consumption	2,512	137,482	144,921	150,459	150,512	111,513	137,495	109,001.3
Intensity (kg/m <sup>2</sup> )	0.09	4.81	2.54	3.99	5.27	3.90	4.39	3.8

### Commentary:

- Increase in the number of managed assets
- Hestia absolute intensity skewed by 4 assets with no data purchased in 2021: Preston Road, Mercer West Madison East, Axion House, & Kingston Riding School



## FHPUT

	2018	2019	2020	2021	2022	2023	3-year Average	Change vs Baseline
<b>Energy</b>								
<b>Absolute</b>								
# of assets	73	69	66	60	59	57		
Consumption (kWh)	29,607,463	29,821,341	29,102,041	29,300,160	28,437,262	25,794,736	27,844,053	(3,812,726.9)
Intensity (kWh/m <sup>2</sup> )	52.26	57.81	55.91	60.28	58.91	61.83	60.34	9.6
<b>Like-for-like</b>								
# of assets	41	41	41	41	41	41		
Total consumption (kWh)	23,480,048	22,686,666	21,561,774	22,079,121	21,989,782	20,859,754	21,642,886	(2,620,294.6)
Intensity (kWh/m <sup>2</sup> )	84.28	81.43	77.40	79.25	78.93	74.88	77.69	(9.4)
<b>Emissions</b>								
<b>Absolute</b>								
Total Emissions	8,226,027	7,545,545	6,849,626	6,488,149	5,916,909	5,461,017	5,955,358	(2,765,009.5)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	14.52	14.63	13.16	13.35	12.26	13.09	12.90	(1.4)
<b>Like-for-like</b>								
Total Emissions	6,642,012	5,802,417	5,124,139	4,856,081	4,573,860	4,427,980	4,619,307	(2,214,031.6)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	23.84	20.83	18.39	17.43	16.42	15.89	16.58119563	(7.9)
<b>Water</b>								
<b>Absolute</b>								
Total Consumption	36,234	46,095	28,021	24,603	55,791	64,469	48,288	28,234.7
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.48	0.40	0.25	0.19	0.32	0.24	0.25	(0.23)
<b>Like-for-like</b>								
Total Consumption	21,755	21,037	10,268	10,858	17,658	44,477	24,331	22,721.2
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.36	0.26	0.13	0.12	0.12	0.19	0.14	(0.17)
<b>Waste</b>								
<b>Absolute</b>								
Total Consumption	1,562,010	1,390,479	653,172	1,050,838	1,073,319	770,096	964,751	(791,913.9)
Intensity (kg/m <sup>2</sup> )	15.24	8.27	4.65	2.74	4.09	2.11	2.98	(13.1)
<b>Like-for-like</b>								
Total Consumption	1,420,803	1,213,194	550,847	921,495	844,645	645,280	803,806	(775,523.5)
Intensity (kg/m <sup>2</sup> )	16.97	14.82	5.35	3.56	4.02	2.18	3.25	(14.8)





## Milton Park and Silverstone Park

	2018	2019	2020	2021	2022	2023	3-year Average	Change vs Baseline
<b>Energy</b>								
<b>Absolute</b>								
# of assets	57	57	58	59	59	59		
Consumption (kWh)	21,550,529	21,039,559	17,989,560	17,293,453	16,684,601	16,573,547	16,850,534	(4,976,982.3)
Intensity (kWh/m <sup>2</sup> )	25.00	24.41	20.75	19.51	18.83	18.70	19.01	(6.3)
<b>Like-for-like</b>								
# of assets	57	57	57	57	57	57		
Total consumption (kWh)	21,550,529	21,039,559	17,989,560	17,293,453	16,684,601	16,573,547	16,850,534	(4,976,982.3)
Intensity (kWh/m <sup>2</sup> )	25.00	24.41	20.87	20.06	19.35	19.23	19.55	(5.8)
<b>Emissions</b>								
<b>Absolute</b>								
Total Emissions	6,001,150	5,301,860	4,229,925	4,202,229	3,658,032	3,508,420	3,789,560	(2,492,730.4)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	6.96	6.15	4.88	4.74	4.13	3.96	4.28	(3.0)
<b>Like-for-like</b>								
Total Emissions	6,001,150	5,301,860	4,229,925	4,202,229	3,658,032	3,508,420	3,789,560	(2,492,730.4)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	6.96	6.15	4.91	4.87	4.24	4.07	4.40	(2.9)
<b>Water</b>								
<b>Absolute</b>								
Total Consumption	28,252	31,935	90,546	44,999	25,161	43,327	37,829	15,075.4
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.04	0.05	0.14	0.07	0.04	0.06	0.05	0.02
<b>Like-for-like</b>								
Total Consumption	28,252	31,935	90,546	44,999	25,161	43,327	37,829	15,075.4
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.04	0.05	0.14	0.07	0.04	0.06	0.05	0.02
<b>Waste</b>								
<b>Absolute</b>								
Total Consumption				186,516	195,895	162,935	181,782	162,935.0
Intensity (kg/m <sup>2</sup> )				0.49	0.75	0.45	0.56	0.4
<b>Like-for-like</b>								
Total Consumption				186,516	195,895	162,935	181,782	162,935.0
Intensity (kg/m <sup>2</sup> )				0.11	0.18	0.14	0.14	0.1



## Other managed assets

### Funds: Core, CMK, HCLLP, SMLP

	2018	2019	2020	2021	2022	2023	3-year Average	Change vs Baseline
<b>Energy</b>								
<b>Absolute</b>								
# of assets	33	33	29	28	26	25		
Consumption (kWh)	67,003,998	62,304,049	53,445,180	52,383,072	49,137,197	52,464,770	51,328,346	(14,539,228.5)
Intensity (kWh/m <sup>2</sup> )	102.00	94.85	82.77	88.35	86.01	91.55	88.64	(10.5)
<b>Like-for-like</b>								
# of assets	20	20	20	20	20	20		
Total consumption (kWh)	56,046,635	52,989,595	47,033,127	46,019,870	43,295,465	47,783,625	45,699,653	(8,263,010.5)
Intensity (kWh/m <sup>2</sup> )	118.54	112.07	99.47	97.33	91.57	98.90	95.94	(19.6)
<b>Emissions</b>								
<b>Absolute</b>								
Total Emissions	17,441,524	14,996,954	12,166,654	11,336,425	10,151,550	10,968,494	10,818,823	(6,473,030.0)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	26.55	22.83	18.84	19.12	17.77	19.14	18.68	(7.4)
<b>Like-for-like</b>								
Total Emissions	3,316,093	3,173,302	2,906,049	2,871,790	2,615,138	2,374,292	2,620,407	(941,800.8)
Intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )	7.01	6.71	6.15	6.07	5.53	4.91	5.51	(2.1)
<b>Water</b>								
<b>Absolute</b>								
Total Consumption	195,185	226,758	156,286	167,620	162,216	237,746	189,194	42,561.3
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.44	0.48	0.39	0.41	0.31	0.51	0.41	0.06
<b>Like-for-like</b>								
Total Consumption	179,457	208,673	147,357	157,154	146,703	232,112	178,656	52,654.9
Intensity (m <sup>3</sup> /m <sup>2</sup> )	0.43	0.48	0.39	0.40	0.30	0.51	0.40	0.07
<b>Waste</b>								
<b>Absolute</b>								
Total Consumption	2,308,597	1,898,803	1,028,006	1,289,103	1,748,598	1,729,822	1,589,174	(578,775.1)
Intensity (kg/m <sup>2</sup> )	419.43	106.72	47.52	16.39	9.49	6.44	10.77	(413.0)
<b>Like-for-like</b>								
Total Consumption	2,203,871	1,597,434	971,324	1,262,339	1,720,156	1,729,704	1,570,733	(474,167.9)
Intensity (kg/m <sup>2</sup> )	1.47	1.21	1.47	0.61	0.77	0.66	0.68	(0.8)





# Looking ahead

Milton Park, Oxfordshire



We believe the real estate industry and wider business community need to take urgent action on sustainability – which is why we’re committed to trialling new approaches, constantly adapting to change and never growing complacent.

### Our key areas of focus for 2024:



#### Improving data quality

Improving our data coverage and quality has been a key priority in 2023 and we will continue focusing on this area during 2024. We have appointed a new data management and reporting platform, Deepki, which will provide the solutions we need to leverage our data intelligence and implement relevant ESG strategies. This will offer even greater clarity on our current performance, so we can better understand the journey we still need to take to meet our ESG commitments.



#### Driving efficiency

Driving efficiency throughout our operations and development processes is one of our key priorities for 2024. From energy efficiency and smart metering to finding innovative ways to reduce embodied carbon, we are committed to enhancing our performance so we can meet our ambitious 2035 targets.



#### Thinking holistically

We understand that environmental, social and governance issues are not distinct from each other and are most effectively addressed in the round. Our future approach will focus on how we can find synergies across decarbonisation, nature integration and community development.



#### Leading the industry

Building on our industry-leading work this year trialling the Better Building Partnership’s new Managing for Performance Framework, we look forward to using our assets and expertise to continue addressing key social and environmental challenges in 2024.





# Governance







## Ensuring a culture of effective stewardship

We believe that creating long-term wealth sustainably through active investment and ownership delivers the best outcomes for our clients. We therefore take several actions to ensure our investment beliefs, strategy and culture enable effective stewardship and that this remains at the heart of our work.



### Responsibility and Stewardship

The internal structure of key stewardship oversight functions of FHL

- Long-standing history in delivering successful ESG integration
- Tracking our ESG-related data since 2006
- Bespoke annual ESG reporting since 2007
- Three ESG specialists responsible for implementing the ESG programme
- Real Estate directors oversee integration of the ESG programme
- Chief Operating Officer has overall responsibility for ESG
- Progress is reported to the Federated Hermes Responsibility office and Governance committee
- Executive committee and Investment committee



### Building our ESG Capability

- ESG resource within all property management teams
- Regular engagement with our investors on ESG
- Monthly training is in place for the whole Real Estate team utilising internal specialists and external consultants / training to the investment managers, development team and fund managers
- We have two working groups: our ESG Working Group and Net Zero Working Group
- Our Sustainability Investment Centre supports the development of our firm's responsible investment capabilities. It facilitates monthly conversations between teams across the business to pool the best ideas in the sustainable space and supports our focus on long-term sustainable wealth creation
- Everyone in the Real Estate team is responsible for progressing ESG at the assets they manage, and each investment professional has specific ESG targets



### Monitoring our Progress

- A process to set targets at fund level, development level and asset level is in place to continuously track our progress
- We set targets on a range of ESG considerations and more specifically on carbon emissions, energy intensity, biodiversity, and social value as appropriate. A comprehensive monitoring programme is in place to measure, monitor and report on our ESG performance against our targets
- All data used in ESG reporting is verified and assured by a third party in accordance with the relevant industry standards
- Detailed progress on Net Zero pathway released publicly on an annual basis
- All 11 funds (all buildings and developments) submitted to GRESB in 2023:
- Average GRESB score of 86/100 in 2023
- Submitting data to GRESB since 2011
- UNPRI score in 2023: 98/100 (5/5 stars)



# Appendices







# Appendices

Click the titles below or above to navigate easily between sections.

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**Appendix A: 2023 GRESB scores**

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**Appendix B: Reporting Methodology**

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**Appendix C: Adviser statement**

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**Appendix D: EPCs**

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**Appendix E: GRI Index**





## Appendix A: 2023 GRESB scores

Global Real Estate Sustainability Benchmark (GRESB) scoring results for 2023 are tabulated below.

Fund	Score	Peer group average score	Peer group comparison	GRESB Rating	GRESB Peer group
STANDING INVESTMENTS					
<b>BTPS Direct Real Estate portfolio</b>	85	64	1/12	★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Diversified   Value-added
<b>Federated Hermes Property Unit Trust (FHPUT)</b>	75	73	53/113	★ ★	United Kingdom of Great Britain and Northern Ireland   Diversified   Core
<b>Hermes Central London (HCLLP)</b>	85	86	4/6	★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Office: Corporate: Mid-Rise Office   Non-listed
<b>Metro Property Unit Trust</b>	76	64	3/9	★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Diversified – Office/Industrial   Non-listed   Tenant Controlled
<b>Centre:MK</b>	92	74	1/9	★ ★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Retail: Retail Centres   Non-listed
<b>Hestia (UK Residential)</b>	89	70	2/16	★ ★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Residential: Multi-Family   Non-listed
<b>NOMA</b>	76	81	9/12	★ ★ ★	Northern Europe   Diversified – Office/Retail   Value-added
<b>Paradise</b>	82	82	6/10	★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Office: Corporate   Value-added
<b>Silverstone Park</b>	69	65	3/6	★ ★	United Kingdom of Great Britain and Northern Ireland   Industrial: Industrial Park   Non-listed
<b>Milton Park</b>	71	64	5/12	★ ★	United Kingdom of Great Britain and Northern Ireland   Diversified   Value-added
<b>Wellington Place</b>	92	86	1/6	★ ★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Office: Corporate: Mid-Rise Office   Non-listed
DEVELOPMENTS					
<b>BTPS</b>	96	83	3/15	★ ★ ★ ★ ★	Europe   Diversified – Office/Residential   Non-listed
<b>HESTIA (UK Residential)</b>	88	78	7/14	★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Residential: Multi-Family   Non-listed
<b>Milton Park</b>	92	92	5/9	★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Office   Value-added
<b>NOMA</b>	100	92	1/8	★ ★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Office: Corporate   Value-added
<b>Paradise</b>	92	92	5/9	★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Office: Corporate: Mid-Rise Office   Non-listed
<b>Silverstone Park</b>	84	89	9/11	★ ★	United Kingdom of Great Britain and Northern Ireland   Industrial   Non-listed
<b>Wellington Place</b>	100	83	1/8	★ ★ ★ ★ ★	United Kingdom of Great Britain and Northern Ireland   Office: Corporate: Mid-Rise Office   Non-listed



## Appendix B: Reporting Methodology

### Report coverage, material aspects and boundaries

Our 2023 ESG Annual Report for Real Estate is designed to show how we integrate responsibility throughout our portfolio, including governance, strategy, risk assessment and management. We focus on issues which are material to both our business and our stakeholders.

We actively engage with investors on the sustainability performance of our indirectly held property portfolios and incorporate feedback from the Global Real Estate Sustainability Benchmark (GRESB).

We have made no significant changes to the scope of the materiality assessment since publishing the last annual report in this report, we describe both directly managed assets and indirectly held assets in our portfolio globally for the period from 1 January to 31 December 2023.

We report key environmental and social data for UK assets over which we have management control for the same period. Engaging with stakeholders and supply chain is critical to our success. These stakeholders include the investors who own the assets, the contractors we appoint through direct service agreements to work on our properties, the tenants that occupy our assets, and the wider communities in which our properties are based.

We also screen all our new suppliers in the UK across environmental, social, human rights and modern slavery criteria. To date, we have no evidence of potential social harm in our directly controlled supply chain.

We also work with selected real estate and financial sector organisations to help transform the industry and engage with policymakers in the UK and the European Union.

**For more details on our ESG activities, please visit:**  
**[www.hermes-investment.com](https://www.hermes-investment.com)**

## Appendix C: Adviser statement

Verco independently assured our data for 2023 and will be doing so going forwards on a quarterly basis.

Verco has provided independent ESG verification services to the international business of Federated Hermes during the reporting period. The verification engagement covers the operational energy consumption, energy-related greenhouse gas emissions, water consumption, and waste production of real estate assets under management by Federated Hermes, to a limited level of assurance.

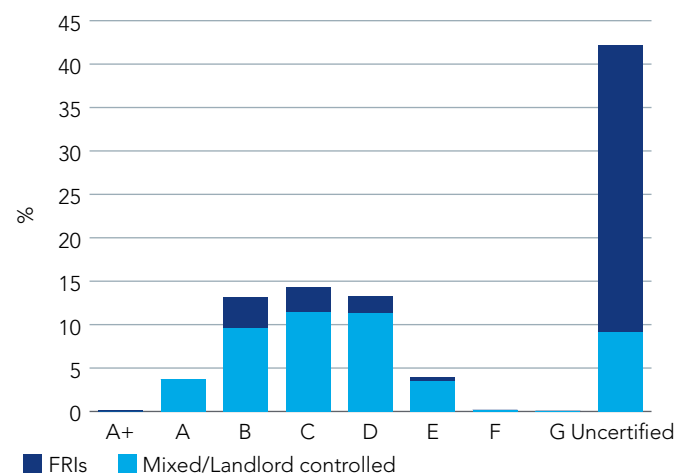
The verification was carried in alignment with ISAE 3000 (Revised), and with reference to the following standards for the respective environmental data types:

Type	Standard
Energy	ISO 50002
Greenhouse Gases	ISO 14064-3
Water	ISO 14046
Waste	ISO 19011

**Dave Worthington,**  
Managing Director, Verco

## Appendix D: EPCs

### EPC distribution by surface area



- Data is now accurate and complete for all landlord or mixed controlled assets
- We are seeking to get 100% coverage of tenant-controlled assets over the next 12 months
- Many 'uncertified' EPCs are exempt



## Appendix E: GRI Index

This report has been prepared in accordance with, and is aligned to, the GRI Sustainability Reporting Guidelines at the core level. A detailed GRI index for material indicators is provided below.

Section	Areas	Scope of application	Section title
<b>2-1</b>	Organizational details	Portfolio wide	Who We are
<b>2-2</b>	Entities included in the organization's sustainability reporting	Portfolio wide	Report Coverage, Material Aspects and Boundaries
<b>2-3</b>	Reporting period, frequency and contact point	Portfolio wide	Report Coverage, Material Aspects and Boundaries
<b>2-4</b>	Restatement of information	Portfolio wide	No restatement required in this reporting period
<b>2-5</b>	External assurance	Portfolio wide	Adviser statement
<b>2-6</b>	Activities, value chain and other business relationships	Portfolio wide	Who We are
<b>2-7</b>	Employees	Portfolio wide	Welcome
<b>2-16</b>	Communication of critical concerns	Direct managed portfolio	Not reported
<b>2-28</b>	Membership of associations	Portfolio wide	Connected Approach
<b>2-29</b>	Approach to stakeholder engagement	Direct managed portfolio	Approach & Objectives
<b>2-30</b>	Collective bargaining agreements	Portfolio wide	Not reported
<b>201-1</b>	Direct economic value generated and distributed	Portfolio wide	Who we are
<b>203-1</b>	Infrastructure investments and service supported	Portfolio wide	Not reported
<b>203-2</b>	Significant indirect economic impacts	Portfolio wide	Not reported
<b>301-1</b>	Materials used by weight or volume	Portfolio wide	Performance
<b>301-2</b>	Recycled input materials used	Portfolio wide	Performance
<b>302-1</b>	Energy consumption within the organisation	Portfolio wide	Performance
<b>302-2</b>	Energy consumption outside of the organisation	Portfolio wide	Performance
<b>302-3</b>	Energy intensity	Portfolio wide	Performance
<b>302-4</b>	Reduction of energy consumption	Portfolio wide	Performance
<b>303-3</b>	Water withdrawal	Direct managed portfolio	Performance
<b>305-1</b>	Direct (Scope 1) GHG emissions	Direct managed portfolio	Performance
<b>305-2</b>	Indirect (Scope 2) GHG emissions	Direct managed portfolio	Performance
<b>306-1</b>	Waste generated	Direct managed portfolio	Performance
<b>308-1</b>	New suppliers screened using environmental criteria	Portfolio wide	Not reported
<b>308-2</b>	Negative environmental impacts in the supply chain and actions taken	Portfolio wide	Not reported
<b>403-1</b>	Workers' representation in formal joint management-worker health and safety committees	Portfolio wide	Not reported
<b>403-2</b>	Types and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Portfolio wide	Not reported
<b>404-1</b>	Average hours of training per employee per year	Portfolio wide	Not reported
<b>413-1</b>	Operations with local community engagement, impact assessments, and development programs	Portfolio wide	Social Impact



**The value of investments and income from them may go down as well as up, and you may not get back the original amount invested. Any investments overseas may be affected by currency exchange rates. Past performance is not a reliable indicator of future results and targets are not guaranteed.**

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## Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns and, where possible, to contribute to positive outcomes that benefit the wider world.

## Federated Hermes Private Markets

With a Private Markets track record spanning four decades, we have developed capabilities that bring investors closer to the companies, assets, communities and environments in which they invest.

Through a combination of heritage and innovation, we seek to connect investors to the industry's leading Private Markets opportunities in pursuit of delivering relevant, resilient investment returns over the long term.

Since our first Private Markets investment in 1983, our close connections, partnership mindset and deep understanding of client needs continue to define our client-focused approach across the asset classes and capabilities.

**Private Equity | Private Credit | Real Estate | Infrastructure | Natural Capital**

## Closely Connected

For enhanced outcomes

For more information, visit [www.federatedhermes.com/private-markets](https://www.federatedhermes.com/private-markets) or connect with us on social media:  