

Date: 23 March 2023

Item: **TTL Properties Limited Environmental, Social and Corporate Governance (ESG) Strategy**

This paper will be considered in public

1 Summary

- 1.1 This paper summarises TTL Properties Limited's (TTLP) Environmental, Social and Corporate Governance (ESG) Strategy. It provides a framework for success that balances financial, economic, environmental and societal factors.
- 1.2 This strategy will be the basis for more detailed policies, standards and plans which will address the opportunities and challenges across our business.
- 1.3 We will continue to refine and improve the contents of the strategy with a view to sharing a finalised version with the Committee ahead of the official launch of TTLP under its new name later this year.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Background

- 3.1 For TTLP, ESG encapsulates 'how' we go about operating our organisation and delivering our business plan, working in tandem with our shareholder, TfL, to realise great outcomes for London. This includes:
 - (a) taking a customer-first approach, building deep relationships with our occupiers and local communities;
 - (b) measuring, managing and improving our environmental and social impact;
 - (c) significant investment in public transport enhancements, new homes and affordable places to live and work;
 - (d) coordinating between our sectors to drive multi-dimensional approaches which put people at the heart of place-making, rather than built assets;
 - (e) demonstrating targeted innovation, digital connectivity and thought leadership to drive change, within and beyond our organisation;
 - (f) investing in skills, partnerships and emerging sustainable asset classes; and

- (g) growing a TTLP team that is truly reflective of the diversity of London.
- 3.2 The aspiration and intention of our ESG Strategy responds to the multiple complex challenges faced by London, and the shifts that are starting to happen, or need to happen, to address these. As articulated in our Corporate Strategy, these challenges and changes include the urgent need for decarbonisation and climate adaptation; growing inequality and deterioration of quality of life; changing occupier, consumer and passenger expectations and requirements; and skills and labour shortages.
- 3.3 Key themes are emerging in aspirations, policies, and practices for a transition to a more diverse, equitable, innovative, and productive city, and the real estate industry is starting to adapt in response. TTLP can and will be an enabler to these. For example, supporting sustainable population growth through the provision of affordable housing and promoting a diverse community of Small-Medium Enterprise (SME) businesses to flourish through our workspaces, investing in green energy, and working with an enterprising supplier base,
- 3.4 The ESG Strategy will be as applicable to our existing property portfolio, our property development programme, our own TTLP teams, and our customer, supplier and partner networks.
- 3.5 Given the nature, extent and diversity of TTLP's portfolio, our aspirations are considerable. Across all our activity there are opportunities to support and enhance movement and mobility, whether restoring the vitality of shops on High Streets, uncovering new walking routes by transforming runs of railway arches into bustling public spaces, creating a network of future-proofed and diverse offices within transport hubs, or delivering thousands of affordable homes through the creation of dynamic, multi-use, zero-carbon neighbourhoods.
- 3.6 We recognise that to realise the opportunities available to us, we will not always achieve the highest possible short-term financial returns, but we can act as a leader in the industry to deliver long-term value, delivering outcomes that are good for TTLP and good for London.
- 3.7 TTLP's ESG Strategy informs and reflects the opportunity to deliver a holistic total return for our shareholder, TfL, subject to its legal obligation to obtain best financial value from its property assets. This will include a financial dividend that is reinvested in public transport infrastructure, asset value growth, and direct investment in operational improvements that enhance mobility, inclusivity and accessibility. These all contribute to TTLP's role in creating public value for London.
- 3.8 Whilst this is our first over-arching TTLP ESG strategy, TTLP is taking a lead in building a better London through many of our existing initiatives and delivering tangible benefits through our existing projects.
- 3.9 We have demonstrated our partnership approach in our support for occupiers on our existing estate, and their support for their communities,

during the coronavirus pandemic. We have also become public sector leaders in development joint ventures, which has enabled us to deliver thousands of affordable homes.

- 3.10 TTLP's Sustainable Development Framework (SDF) has guided the organisation to already become one of the most sustainable property developers in the world. This has been recognised for the second year running through TTLP securing a five-star GRESB rating, being ranked first in the UK for a diversified developer and third globally, thus demonstrating industry-wide leadership on transparent and rigorous impact measurement.
- 3.11 TTLP's construction skills programme has trained over 3,000 Londoners and supported more than a 1,000 people into long-term work in the built environment. 65 per cent of trainees were from ethnic minority communities, and 20 per cent were young people not in education, employment, or training.
- 3.12 TTLP's approach to design, engagement and innovation has demonstrated an ability to set standards and expectations, and to take a lead in testing new concepts and technology. TTLP has, for example, published Design Principles and developed an Arches Design Guide. TTLP also utilises a Community Engagement Handbook and Customer Handbooks.
- 3.13 TTLP is also delivering tangible benefits through existing projects, for example:
 - (a) facilitating improvements to Edgware bus garage, including supporting bus electrification works, as part of the delivery of thousands of new homes within a mixed-use community;
 - (b) partnering to build three well-connected, sustainable and inclusive workspaces at Southwark, Bank and Paddington which will be constructed on the basis of Net Zero Carbon and through collaboration with future tenants target BREEAM Outstanding and Platinum WELL v2 Core ratings;
 - (c) providing space to the Camden Collective at Buck Street on a meanwhile basis, enabling the provision of affordable workspace for young businesses and innovators;
 - (d) funding a new public square as part of the Connected Living London Build to Rent project at Arnos Grove; and
 - (e) through a retrofit demonstrator, TTLP is installing light-emitting diode lighting in car parks supporting TfL's operational decarbonisation objectives and reducing operating costs.
- 3.14 From this foundation TTLP is now able to expand the scope, remit and reach of its sustainability ambition. This will require a shift towards a systems thinking approach – cross-team working, open dialogue, strategic thinking and a recognition of the importance of research, learning and development. These are increasingly part of TTLP's culture – and will be further embedded through the People Plan. The establishment of the TTLP Strategy and

Planning function has been the first step towards this – ensuring clear leadership of pan-TTLP priorities, including ESG, and championing cross-departmental working and collaboration. As an organisation we have the energy, ambition and talent to achieve the outcomes of our ESG Strategy and will continue to build our capability and capacity to do more.

- 3.15 We have taken inspiration from an array of sources, including some of the most exciting and innovative projects and communities in London to global examples. We are also inspired by our established industry partners, and cross-industry bodies that we work with. These include, but are not limited to, the UK Green Buildings Council, the Better Buildings Partnership, the Institute for Customer Service, New London Architecture, the Urban Land Institute, Property X-Change, Cross River Partnership, Public Practice and the Mayor’s Design Advocates. We will continue to build these partnerships, including with other members of the Greater London Authority Group and public sector, infrastructure providers – reviewing our property holdings to find opportunities to realise synergistic value.

4 ESG Strategic Themes and Principles

- 4.1 TTLP’s vision is to move London forward with thriving, connected places. We recognise the societal, environmental, and economic challenges that we face however, and the need to work differently. The ESG Strategy is underpinned by the hypothesis that better places for people will deliver better commercial returns, while respecting the planet is a prerequisite for us, our partners and our future customers.
- 4.2 TTLP’s ESG ambition is to deliver positive social and environmental change for London and Londoners, playing a proactive role in delivery against Mayoral objectives for good growth. Becoming recognised as an important leader and partner across London, TTLP can set the standard for how other public authorities, developers and asset managers act and deliver in the city.
- 4.3 TTLP’s ESG themes build upon the work done to date:
- (a) Partnerships: Utilise TTLP’s partnership skills to expand our influence over our supplier, customer, contractor and partner network to convene collective action towards a more sustainable and inclusive London.
 - (b) People: Embed customer-first across the value chain to become sought out as a purpose-driven landlord – embrace customer partnerships to facilitate local prosperity, provide enterprise support, and in turn grow our sustainable, resilient revenue-stream.
 - (c) Planet: Supporting the decarbonisation of London by taking a lead in net zero carbon in transport-oriented development and retrofit for ‘hard-to-tackle’ buildings – building an efficient, collaborative, and innovative supply chain.

- (d) Place: Embed a holistic approach to place design, experience, and management, maximising the benefits we can have on sustainability, housing, public value, safety and customer experience exemplified at our multi-use hubs (see 5.4 below).
- (e) Productivity: reflecting, responding to and anticipating the changing nature of consumption, production and services, we will align the opportunities of rapid digitisation with the physical qualities of our portfolio and transport connections to support more entrepreneurial and agile forms of productivity.

- 4.4 The ESG Strategy will guide our business activities in line with the following principles. Continuing to forge effective, trusting and innovative partnerships will be one of our key mechanisms to deliver on our commitments.
- 4.5 On People, we will seek to improve the health and wellbeing of occupants and local communities, with a focus on enhancing the quality of the public realm to improve customer and local experience, health and wellbeing, unlocking co-benefit with TfL. We will also continue our partnership approach with our tenants, understanding and supporting their needs and expectations so that they feel a greater sense of local pride and belonging, while contributing fully to making vibrant places where communities can flourish. We will also develop and support local economies to drive fair and inclusive prosperity – through our management of high-quality places, fostering long-term job creation and support the growth of the array of SME occupiers across our estate. We will continue to use our network to celebrate, encourage and promote these businesses, helping them and the communities around them to prosper.
- 4.6 On Planet, we will be supporting London's transition to net zero carbon, reducing built environment emissions in line with a science-based trajectory, and decreasing reliance on offsets over time – delivered through both retention and retrofit of existing buildings, and multi-modal decarbonisation unlocked by development. We will also mitigate the effects of the climate and ecological emergency by integrating nature into our built environment to deliver environmental net gain within and beyond the red line of our property boundaries to create healthy, climate resilient neighbourhoods. We will also make the environmental performance of our buildings fit-for-the-future – optimising and improving building energy, carbon, water and waste performance, and embracing circular economy principles throughout development, construction and for the entirety of the building lifecycle. We now use our Sustainable Development Framework as a tool to set and measure our progress against development project targets which seek to align with and where possible exceed policies and standards.
- 4.7 On Place, we will create well-connected, smart neighbourhoods which deliver maximum impact for London and its communities. We will create dynamic inclusive and accessible places that make a positive contribution to neighbourhoods – acting as convenor of our partners and like-minded organisations to ensure joined up, focused action to drive better outcomes. We will also foster inclusivity and improve the liveability of London's

neighbourhood, creating and contributing to places that are physically and financially accessible to all.

- 4.8 On Productivity, our well-connected, smart neighbourhoods will champion and facilitate the activities which are best conducted in person, whilst harnessing digital connections to exchange ideas and innovation, across London and beyond. In this way we can better support the growth of small businesses across our estate, and we will invest in data and technology, which is accessible to our partners, to enable this. Our unique relationship to London's public transport network provides opportunities for us to respond differently to hybrid working for example, across the growing variety of working and living sectors.
- 4.9 Will translate the themes above into policies, standards and guidance. These will be embedded within our sector strategies and asset plans.
- 4.10 We are transitioning from delivering sustainable projects to enshrining sustainability in our operational DNA and identifying strategic opportunities to support the future of London. TTLP can unlock and deliver substantial benefits for TfL and London – and we will achieve this ambition through a coordinated and systematic approach.
- 4.11 We have a targeted set of priority objectives for the coming year, to which we have aligned current workstreams, and we will expand these commitments, particularly in respect to our existing estate:
- (a) achieve net zero carbon by 2030 across all developments as outlined in our net zero carbon pathway and Better Buildings Partnership Climate Commitment;
 - (b) maintain our development portfolio's current five-Star Rating and status as European Sector Leader in GRESB;
 - (c) complete and publish a comprehensive Taskforce for Climate Related Financial Disclosures (TCFD) report;
 - (d) enhance construction industry skills within our development programme; and
 - (e) advance social value, environmental sustainability, and improved transport and mobility across our existing estate.

5 Delivery of the Strategy

- 5.1 TTLP has a diverse portfolio of town centre hubs; mixed-use, commercial and residential developments; and station, High Street and local retail and arch locations. TTLP also has access to a wealth of data, networks, and insights to inform activities and investments. Through our insights and engagement, we will more deeply understand the places in which we work, recognising the challenges and opportunities of a diverse, expansive property portfolio within a polycentric city.
- 5.2 This knowledge will enable us to put together a blend of activities and uses that best respond to each place and its people. This need to design for the experience, led by knowing the people, is at the heart of the ‘always meanwhile’, ‘placemaking’ or ‘connected’ approach that we take and that is also adopted by our leading peers.
- 5.3 Whilst further work is needed to develop our approach, this will be framed around:
- (a) Engagement: ensuring we access the hardest to reach voices;
 - (b) Local context: understanding and reflecting the economic context and inequality challenges, the existing local delivery infrastructure and capacity, and target our actions to address the greatest need;
 - (c) Collaboration: alignment with Mayoral and borough policies and approaches, measuring cumulative impact of wider regeneration;
 - (d) Scope: looking beyond TTLP’s ownerships, driving wider value and complementing not duplicating local resource; and
 - (e) Tracking impact: understanding values, priorities and benefits.
- 5.4 The ESG Strategy will be exemplified at multi-use hubs. These are mixed-use assets of significant scale that offer long-term sustainable revenue for TTLP in net zero neighbourhoods, while maximising customer impact and enhancing the transport network.
- 5.5 Sites of scale with immediate proximity to public transport offer a significant opportunity to deliver urban renewal that has a lasting positive impact on life in London. By investing in these locations and where appropriate increasing densities of urban living, we can spur design innovations and new ways of sharing urban space in a way that enhances social value and unlocks decarbonisation. If established in a way that maximises social value, rejuvenation, redevelopment and development will ensure social mobility, safe, healthy and pleasant streetscapes and environs, good, locally based services, and a range of work and leisure opportunities.

- 5.6 At a city-wide scale, taking an ecosystems approach, we can bring together real estate and infrastructure, with development proceeds supporting the decarbonisation of the public transport network, and taking a connected view of green energy, intelligently shared between a mix of uses.
- 5.7 Our multi-use hubs are an opportunity to bring together expertise from across TTLP and TfL. Through collaboration we will embed a holistic approach to designing, delivering and managing our places. Customer experience, social value and design of our places around people is at the heart of that approach.
- 5.8 For this strategy to be successful it must be embedded within our financial planning, decision making and governance regimes. Our latest GRESB score of 97 per cent reflects the strong environmental, social and governance performance of our property development programme. In the future our intention is to expand our submission to include our existing estate.
- 5.9 Corporately, as TTLP is fully established operationally, we are prioritising completion of our first TCFD report to inform how we manage climate risks and opportunities from the outset, reflecting the urgent drive to net zero. Beyond reporting, undertaking this exercise will require us to plan more broadly for how we incorporate a governance structure for sustainability-related risk and opportunities. The TTLP TCFD will be incorporated within the TfL disclosure for 2023.
- 5.10 TTLP's approach to sustainability risk-management is aligned with TfL where relevant, and TTLP has direct representation within the TfL Sustainability Executive Committee Sub-Group.
- 5.11 Work is underway as a priority to comprehensively update and advance our net zero carbon roadmap. To support this, we are currently completing Energy Performance Certificates across all relevant existing assets to improve our baseline and ensure regulatory compliance. This will test, refine, and clearly articulate our net zero commitments. This is being compiled alongside evolution of the UK Net Zero Carbon Buildings Standard. Our net zero carbon roadmap will be published in line with our Better Buildings Partnership commitment.
- 5.12 With respect of customer performance, we undertake an annual survey and measure customer satisfaction, net promoter score and trust. We also track the outputs of our Construction Skills and Educational Engagement programme against metrics, including diversity and representation.
- 5.13 The financial implications of the commitments the ESG Strategy will make to measuring, monitoring and reporting our impacts and outcomes will be reflected in the new Business Plan, reflected in increased expenditure to establish strategic, robust and consistent approaches.

6 Impact and Measurement

- 6.1 The ESG Strategy provides an opportunity for TTLP to lead the built environment sector. The whole industry needs to move beyond standard social value metrics and one-dimensional measures of environmental impacts, which fail to recognise the breadth of challenge in terms of biodiversity, habitat protection and natural capital. For TTLP this also encapsulates the operational benefits for TfL.
- 6.2 TTLP's SDF provides a robust tool for guiding design and delivery of our development-led projects and driving site specific impact. TTLP will build on this by broadening the scope of impact assessment to consider pan-London and organisational impact alongside local project results. We will adapt the approach to be relevant across both the managed asset and development portfolios and incorporate greater consideration of longer-term outcomes – both within and beyond our ownerships.
- 6.3 We consider a broader definition of 'value' to have four components – economic, financial, social and environmental. We will target, measure and monitor across these to enable us to take a balanced view of impact, and are building a measurement process accordingly.
- 6.4 We will measure our impact with Outcomes and Deliverables at three levels, with our emerging approach summarised below:

Purpose	Activity	Measures	Potential Outcomes
<ul style="list-style-type: none"> • Embedding a balanced approach to value at corporate and board level 	<ul style="list-style-type: none"> • Set ambitious targets • Recognise and reflect upon best practice • Communicate to the wider industry 	<ul style="list-style-type: none"> • Targets that deliver enhanced consideration of value • Annual Impact Report • Industry benchmarking 	<ul style="list-style-type: none"> • Demonstration of industry-leading practice • Staff buy-in to value principles • Credible demonstration of the value TTLP delivers beyond the market and potential future contribution

Purpose	Activity	Measures	Potential Outcomes
<ul style="list-style-type: none"> • Embedding public value into delivery • Incorporated within sector and business unit strategies and plans 	<ul style="list-style-type: none"> • An outcome focused approach • Balance different types of value • Expand our role as a public sector partner 	<ul style="list-style-type: none"> • Systematic approach to collecting evidence of impact • Qualitative and quantitative evidence, from a range of sources • Adoption of new and adaptive behaviours across TTLP team 	<ul style="list-style-type: none"> • Delivery against Mayoral priorities • Aggregated impacts delivered via development and asset management activities across London • Aggregated impacts of pan-London policies and programmes which are not place-specific
<ul style="list-style-type: none"> • Enhancing the delivery of specific projects – place-based approach incorporated within our Asset Plans 	<ul style="list-style-type: none"> • Building an adaptive, locally tailored approach • Understand the local baseline • Enable local partners • Innovate locally e.g., community-based budgets • Influence tenant behaviour 	<ul style="list-style-type: none"> • All place-based projects measured to assess their specific impact – focus on ultimate outcomes • Measured against locally specific goals • Scale of measurement to reflect scale / stage of project 	<ul style="list-style-type: none"> • Set of core measures used for all projects through the lifecycle • Wider set of lifecycle measures, selected on a project-by-project basis • Clear evidenced response to key challenges at local level

6.5 The ESG Measurement Framework will sit alongside our approach to financial analysis. The aim is to fully understand the impact of sustainable measures on our financial metrics, striving to maximise the overall portfolio performance while ensuring it delivers resilient financial returns for investment in London’s transport system. To do this we need to better assess and monitor the environmental, social and economic impacts, opportunities and risks of our investments and actions. We must establish robust systems for a holistic understanding of value and impact, holding ourselves to account to monitor against these whilst always ensuring we reconcile these aspirations with our legal obligation to achieve financial 'best value'.

6.6 Investment to adapt and future-proof the property portfolio will also be essential. Responding to and striving to go beyond existing and anticipated regulation, including Minimum Energy Efficiency Standard, this investment will support the resilience of our revenue streams, and deliver opportunities for sustainable income and value growth. To achieve this significant

ambition, we need and want to work with a diverse and entrepreneurial supply chain and partners. For example, we can provide technical and enterprise support to our SME occupiers to support their transition to low-carbon operations, and through scale provide those businesses with access to green energy which would typically be uneconomical or impractical.

- 6.7 TTLP's ESG Strategy will also direct and inform TTLP's investment priorities. In many instances this will align with our Investment Strategy, for example targeting our multi-use hubs where we have an agglomeration of core assets around transport nodes or focusing on making better use of our assets; and will align with our People Strategy, for example growing our own talent through investment in training.
- 6.8 In the near-term, we anticipate some adverse cost and programme implications, due to historical under-investment in our existing assets. This will be mitigated in future through the early inclusion of requirements in assumptions, briefs and financial planning.
- 6.9 We will also lead with a series of demonstrator projects, pursuing targeted innovation which addresses our strategic challenges, harness the scale and reach of our profile. These will involve the allocation of funding at risk initially. Current examples across a range of scales include adopting circular economy principles into the asset management lifecycle, using the GlobeChain reuse marketplace, trialling Q Flow to record waste disposal within our Connected Living London construction projects, and testing the potential to unlock electrification of London's bus network through financial receipts from property development. As a promoter of innovation, and proactive creation of networks and spaces to incubate and test ideas, TTLP can help to drive the transition of the real estate industry towards the sustainable, equitable growth of London. Working with and encouraging an increasingly diverse customer base and supply chain, we can build collective purchasing capacity and act as a much wider catalyst.

List of appendices to this report:

None

List of Background Papers:

None

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