

Date: 3 July 2024

Item: **Enterprise Risk Update – Environment Including Climate Adaptation (Places for London-L0-5)**

This paper will be considered in public

1 Summary

- 1.1 Like any organisation, Places for London must anticipate the impact of changing climate on its business, including an increased likelihood of flooding, extreme weather events and excessive summer temperatures. This paper provides an overview of our approach.
- 1.1 IA paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda.**

3 Context

- 3.1 Having been guided by the TfL equivalent version, Places for London have undertaken an environment and climate risk assessment of the portfolio. There are already some interventions in place, with more being implemented to reduce expose to future climate events. These are set out in the section below.
- 3.2 This risk relates to the environment and the potential impact of Places for London not meeting its commitments, its compliance obligations, or Places for London being unable to operate as a business due to climate change. From a regulatory and value perspective, this risk could lead to financial penalties and potentially result in prosecution for not meeting environmental and energy standards or obligations.
- 3.3 In developing this risk, we identified four interlinked causes for it being realised:
 - (a) lack of awareness and capability in our workforce, particularly in how to incorporate environmental considerations into core business processes;
 - (b) a failure to achieve an appropriate balance in decision-making between environmental, financial, and social factors;
 - (c) non-compliance in a complex and changing regulatory environment; and

- (d) lack of financial resources to invest in appropriate environmental initiatives.
- 3.4 The risk of not complying with legislation combined with the risk of not achieving Places for London's wider sustainability targets could have a significant effect on the overall value of Places for London's assets through space not meeting the regulatory requirements for letting or having a reduced value due to poor attractiveness in the market.
- 3.5 This risk could also have consequences from a finance and lending perspective. Holding stranded assets (assets with lower or no value due to poor environmental performance) could impede preferential borrowing or funders' appetite to invest as well as putting at risk the delivery of environmental commitments made during borrowing. This in turn could affect the reputation of Places for London as a partner, employer, or landlord, affecting our performance and potentially reducing the dividend we pay to TfL.

4 Controls and Mitigations

- 4.1 There are a range of initiatives either in place or in the process of being put in place which will help control this risk. These fall into three broad categories: strategies and frameworks, governance and structure, and specific project deliverables. These include our three key mitigations which are set out under 4.2(b) and 4.3(b)-(c).
- 4.2 Our strategies and frameworks include:
- (a) the Places for London Sustainability and Inclusivity Strategy, which sets clear targets, objectives, and actions to create environmentally friendly assets from a development and management perspective – the Strategy also sets out how we will put in place robust governance and reporting, achieve cultural change and upskill our people in this important area;
 - (b) incorporating Environmental, Social and Governance (ESG) considerations in Places for London Investment Group decision making; and
 - (c) the Places for London Sustainable Development Framework (SDF), which supports Places for London and its partners in considering long-term climate scenarios in the design, construction and operation of new assets delivered through our Property Development programme – the effectiveness of the SDF as a forward-looking overarching set of principles is reflected in Places for London's five-star Global Real Estate Sustainability Benchmark (GRESB) rating – the highest rating and recognition for being an industry leader for new build property.
- 4.3 On governance, structure and capability, key controls include:
- (a) Taskforce for Climate-Related Financial Disclosures (TCFD) reporting – Places for London compiled a comprehensive TCFD report in 2023 which covered a variety of the mitigations in this paper, and these included carrying out a high-level mapping exercise to identify properties most at risk, and the establishment of the Sustainability Steering Group;

- (b) our Sustainability Steering Group, which provides insight and leadership from across the Places for London business, sets our ESG priorities and supports the embedding of ESG in all we do;
 - (c) the Places for London scorecard, which incorporates specific ESG metrics and milestones, including devising science-based targets for reducing carbon emissions, starting our programme of Net Zero Carbon retrofit demonstrators, and completing a portfolio-wide climate risk assessment;
 - (d) augmenting our current capability and capacity with best-in-class partners including our newly appointed Real Estate Partner, Savills – our partners will also support us in understanding and managing the dynamic and changing legislative landscape of net zero and environmental policy; and
 - (e) engaging and upskilling our teams in environment-related disciplines, for example on Carbon Literacy, and by including sustainability-related training in individual development objectives.
- 4.4 Project deliverables which will actively help to mitigate this risk include:
- (a) our Net Zero Carbon roadmap, the current version of which was published in December 2023 as part of our climate change commitment through the Better Buildings Partnership – we intend to expand and improve this, setting targets which take us through to 2030 and putting in place detailed plans for each of our delivery businesses, aligned to wider industry standards, including the emerging UK Net Zero Buildings Standard; and
 - (b) a high-level climate risk assessment, developed in conjunction with our insurers and the TfL Safety, Health and Environment team, which will identify the properties that are most at risk from climate change, helping us to plan climate adaptation measures for our portfolio, and how we can utilise and optimise nature-based solutions.

List of appendices to this report:

Exempt supplementary information on Part 2 of the agenda.

List of Background Papers:

Places for London Sustainability and Inclusivity Strategy
Enterprise Risk Update - Financial Sustainability (Places for London L0-3)

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