

Long Harbour

# Group Environmental, Social and Governance Policy

January 2020

# INTRODUCTION

## Who we are

Long Harbour (“LH”) is primarily an Alternative Asset Management firm that specialises in originating long-dated, high quality, asset-backed investment opportunities across a range of geographies and sectors. However, within the group there are also companies which directly manage property assets to which this Group policy will also apply as appropriate.

The main focus of LH is real estate, social infrastructure and renewable energy. As an Investment Advisor, Long Harbour’s primary responsibility is to deliver superior, competitive returns to its investors. Whilst striving to continue its track record of outperformance, Long Harbour is committed to responsible investment, and has a robust Environmental, Social and Governance (“ESG”) policy in place to support its commitment.

Long Harbour aims to ensure that its ESG policy is appropriately applied and, where necessary, tailored to each investment product that is offered to our investors or tenants. Long Harbour regularly reviews and aims to keep up-to-date its ESG policies and related initiatives regularly to ensure they remain relevant and ambitious. As part of LH’s commitment to responsible investment, LH aims to become a signatory to the UN Principles for Responsible Investment (UN PRI).

## The policy

The policy will, necessarily, be implemented in different ways and to different degrees within the various assets which LH manages to the extent that is feasible or possible. It is acknowledged that not all assets can follow all the aims described in this policy, due to their age or previous construction. However, the aim is to continuously improve wherever possible.

Long-term investment in tangible assets that are also people’s homes provides significant opportunities for integrating ESG factors throughout the investment and asset management process. This policy was prepared to ensure that LH maximises investment opportunities and positive impacts on the communities within which our assets are located, whilst minimising any adverse effects of our investments.

The document outlines the overarching standards that LH adheres to in relation to ESG issues. It acts as the blueprint for integrating ESG considerations into our investment management decision-making and transactional processes.

It provides all LH staff with ESG-related guidelines and principles to follow in their respective roles. In addition, the policy describes our commitment to maximising the benefits to our key stakeholders, including investors, tenants, employees, and suppliers.

By applying the standards and principles in this document, we aim to:

1. Recognise long-term investment management horizons and ensure these are not compromised by meeting short-term goals;
2. Ensure responsible ownership and landlord practices to enhance our tenants’ quality of life and promote sustainable lifestyles; and
3. Enrich and regenerate the communities that our assets form a part of.

# OUR COMMITMENT TO THE ENVIRONMENT

At Long Harbour, environmental sustainability means minimising the environmental impact from our operations and investment activities. Our priority is to deliver buildings that are designed and finished to a high standard with minimal environmental impact. Our aim is for our assets to be built with a holistic sustainability view, making them adaptable to suit changing lifestyles well into the future.

LH also seeks to improve the environmental performance of standing investments. We recognise that sustainable asset management is not only in line with our commitment to responsible investment, but also provides long-term efficiencies and cost savings that can improve overall investment performance.

LH'S environmental sustainability focus areas and the related commitments and initiatives are outlined below.

## Resource management and disclosure

- In seeking to minimise our environmental footprint, LH aims to establish relevant quantifiable year-on-year reduction targets (for example, waste generation, water and energy use, and CO2 emissions) across the landlord-obtained consumption and on a like-for-like basis.
- LH intends to commission a feasibility review for implementing a fund-level Environmental Management System (EMS), with a view to meet the ISO 14001 certification standards.
- In order to benchmark performance against industry best practice, LHIF undertook its first submission to the Global Real Estate Sustainability Benchmark (GRESB) in 2019 and plans to undertake this annually.
- Group-wide environmental targets and KPIs will be measured and monitored by LH's ESG committee.

## Energy

- LH aims to explore further pathways to improve energy efficiency and reduce greenhouse gas emissions across our portfolio by:
  - Aiming to replace appliances and systems with energy efficient options if feasible during all major refurbishments or renovations.
  - Performing energy audits across our standing investments at regular intervals to identify cost-effective energy reduction opportunities.
  - In our managed premises, we will aim to reduce energy consumption to the lowest practical level

commensurate with the operational needs of the company and to satisfy the current and future requirements of our tenants.

## Waste

- LH strives to achieve best practices in waste management by following the 'reduce, reuse, recycle' waste hierarchy, avoiding purchasing materials that are unable to be recycled or reused, and diverting as much waste from landfill as possible. LH will also continue to undertake all reasonable precautions to avoid pollution and contamination from waste generated by the assets we manage.
- We aim to complete waste audits for all our assets. By measuring and monitoring the waste produced by our assets, we aim to be able to more effectively manage and reduce waste.
- We aim to minimise waste directly produced at the assets we manage by engaging with tenants around this topic and introducing incentives for changing behaviour if appropriate.

## Water

- We strive to minimise indoor and outdoor water consumption at all our assets. We work to continuously increase our water management efforts and identify new opportunities for water savings. We plan to do this through:
  - Measuring and monitoring water use at our assets.
  - Minimising water use in any extension or refurbishment activities by ensuring that efficient water management processes are put in place before any alterations start.
  - Investigating the feasibility of installing rainwater and/or grey water harvesting systems in all new buildings.
- Additionally, we strive to prevent water contamination at our assets. It is important to us that all our employees and tenants have access to safe, clean water sources.

## Climate change adaptation and resilience

- With climate change being one of the biggest challenges our society faces, LH is committed to ensuring that our assets are resilient, and our people are protected and prepared for a variety of natural disaster scenarios. Within the overall built environment for which we are responsible, we will aim to minimise the impacts of

extreme weather events upon our properties and the surrounding communities. To do so, we aim to:

- Perform sustainability due-diligence assessments upon all new acquisitions, which cover items such as environmental and physical climate change risk, energy and water efficiency and biodiversity.
- Develop natural disaster plans for the assets we manage.

### **Biodiversity and ecology**

- We aspire to minimise the harm caused to the natural environment by our company's activities and to take advantage of opportunities to enhance it where possible. This will be done by integrating biodiversity considerations into our activities, identifying good working practices, and engaging with our communities and partners to preserve the natural environment. For new developments we aim to do this through:
  - Using landscape design to enhance local ecology.
  - Developing site-specific Biodiversity Strategies or Action Plans for all our managed assets.
  - Undertaking ecological surveys prior to development.
  - Undertaking ecological monitoring surveys post-construction.
- To facilitate biodiversity in urban areas, LH will strive to implement a minimum of one of the following green spaces and/or biodiversity features in the assets we manage:
  - Bird boxes
  - Communal herb gardens
  - Beehives
  - Green walls or roofs.

### **Materials**

- We will ensure our contractors source materials in accordance with our Brand Standards.
- The materials used to construct and maintain our assets can have a big impact on the environment. LH aspires to perform life-cycle assessments on all new developments and aims to consider the embodied carbon of materials used in refurbishments and developments to reduce our overall carbon footprint.

### **Design, development and refurbishment**

- We have put in place a Design Code that outlines the quality and sustainability requirements for all new assets. We will continue to review and develop the Code to ensure it remains relevant and robust. Key goals include:
  - All apartments and commercial units will aim to

achieve an Energy Performance Certificate (EPC) level of A unless otherwise agreed upon between LH and the developer.

- A minimum 80% of building materials by volume shall aim to achieve a Green Guide rating of A or A+.
- A minimum 90% of on-site waste generation shall aim to be diverted from landfill.
- Selected building materials shall maximise recycled content and be sourced locally where feasible.
- We will actively work with our contractors to find and implement ways to measure and reduce CO2 emissions, energy use, unnecessary transport, water use and waste generation on development site.
- We aim to only partner with third parties that have in place, at a minimum, an environmental sustainability policy.
- We will install smart meters into all new developments, and all new existing assets will be fitted with appropriate building monitoring systems.

### **Our buildings and tenants**

- To communicate our commitment to sustainability and to encourage sustainable behaviour, LH aims to:
  - Publish updates on building performance and potential improvements on each asset's online portal. This will include a Sustainable Living section addressing issues such as energy efficiency, recycling, and sustainable transportation.
  - Arrange information campaigns and events around sustainability issues and initiatives in the building and the wider local community.
- To facilitate environmentally sustainable lifestyles and consumer choices, LH will:
  - Provide waste segregation and recycling facilities within individual flats and in communal areas in all of our new buildings;
  - Provide cycle storage facilities in all new buildings;
  - Work with our tenants to promote water- and energy-saving opportunities;
  - Encourage our tenants to purchase energy efficient appliances;
  - Aim to implement landlord-sponsored car sharing schemes where possible, and install electric vehicle charging points in a number of the assets we manage;
  - Investigate the feasibility of decentralised energy production (e.g. rooftop solar photovoltaics) in all new buildings, as well as select standing investments.

# COMMUNITIES AND WELLBEING

Social sustainability for Long Harbour means actively considering how our key stakeholders are impacted when making investment decisions. LH aims to take into account the interests of all our investors, tenants, suppliers, contractors and the local economy. We strive to always make a positive contribution, creating jobs in the areas in which we invest.

## Suppliers and contractors

- All main contractors on our development sites must be registered with the “Considerate Contractors Scheme” and actively encourage this for sub-contractors also.
- We will monitor and ensure our supply chain adheres to our business ethics, human rights, environmental product and on-site occupational safety standards. In doing so we will review the policies of our partners and their contractors where there is a direct link to our assets or development sites.
- Going forward, we will seek to integrate supplier sustainability assessment into our formal selection process.
- Where possible, we will engage with local suppliers and service providers to stimulate local economies and foster job creation.

## Tenants

Insofar as it is possible within the buildings which LH manages, we aim:

- To promote a sense of community and wellbeing within the assets we manage, we aim to:
  - Provide communal spaces and facilities in our buildings, where possible. This may include common rooms, libraries, meeting rooms, communal gardens, and exercise and wellbeing facilities.
  - Organise events within the building promoting issues around social sustainability, for example: diversity and culture, tenant-led activities, healthy lifestyles and lifestyle services, and local businesses and charities.
  - Where appropriate amenities will be available to facilitate the formation of tenant groups and activities, such as book clubs and exercise groups.

- To gauge satisfaction and to focus our improvement efforts going forward, we will collect feedback from our tenants on their quality of living and sense of community annually. Examples of issues included in the surveys are:
  - Sense of security
  - Health & Wellbeing
  - Success of communal facilities and initiatives, and
  - Design quality and functionality of our assets.
- We aim to ensure that all our tenants and visitors are safe and secure at the assets we manage. We evaluate all risks at the asset level and instate safety measures and procedures accordingly. We strive to constantly improve our security measures and engage with our tenants to make sure all safety concerns or issues are addressed promptly. We will design and operate developments in a way that minimises security risks and maximises safety, for example by having in place robust security systems in all of our developments.
- We aim to incorporate green clauses into our leases to ensure maximum engagement around our sustainability efforts.

## Community

- In order to understand what, if any, impacts our investments have on the socio-economic development of local communities, we will commit to undertaking social sustainability assessments of a selection of our land investments and BTR schemes. We then aim to develop specific Community Engagement Plans for each of our assets, taking into account the unique socio-economic characteristics of each neighbourhood, focusing on community outreach and supporting local charities.
- All of our assets aim to commit to supporting a local charity, or other relevant organisations.
- We will strive to create aesthetically designed and functional buildings to accent place-making in the local communities.

# GOVERNANCE AND TRANSPARENCY

Long Harbour acknowledges that strong corporate governance is critical to protecting investors' capital and ensuring that only the highest quality and most relevant investment opportunities are considered. As a result, Long Harbour and all of its funds and companies operate under a robust framework of policies and procedures as described in the Group Corporate Governance Policy.

In line with the Long Harbour Group Corporate Governance Policy, LH is committed to ensuring rigorous governance in order to continue to operate successfully in the long-term. Ultimately, our aim is to become one of the most successful and sustainable residential businesses in Britain. We recognise that this involves managing a variety of risks and materialising opportunities, both internally as well as for external stakeholders.

We believe that whilst financial performance is one of our key drivers, there must be a balance between financial success, contributing to society, and protecting the environment. To ensure we have an up-to-date understanding of key ESG-related risks and opportunities, we have committed to an annual review of this policy together with our designated sustainability advisors.

## Governance processes

- Our financial governance principles and goals include the following:
  - Retaining our balance sheet strength in order to remain financially stable and deliver on all our commitments
  - Achieving excellent returns on investor equity in accordance with the level of risk
  - Acquire and develop operational assets
  - Ensuring all suppliers and service partners go to competitive tender.
- Prior to making investments and/or incurring significant capital expenditure, a number of formal review procedures must be followed. These are detailed in the Long Harbour Corporate Governance Policy.
- Both transactional as well as portfolio management activities require internal and investor approvals. Depending on materiality, approvals may be sought at various stages and levels, such as within the LH team, at the Long Harbour Investment Committee level and at the LH General Partner level.

## Transparency and stakeholder engagement

LH is committed to collaborating and sharing information with our internal and external stakeholders, including investors, employees, tenants, suppliers and contractors, and national and local governments. We will communicate to all parties through an annual sustainability report. The report is produced in line with the rigorous GRI reporting standards.

Specific priorities and activities with regards to transparency and communication with the aforementioned stakeholder groups are described in the following section.

### Investors

- We aim to keep our investors informed about our business activity and performance. We plan to update our investors on our ESG progress annually through a sustainability report. We believe that this engagement with our investors will help to reflect the value generated by sustainability and responsible investment
- We are looking to establish new ways to engage with our investors on ESG matters and demonstrate that our approach to sustainability adds value to our business.

### Employees

- LH is actively working to ensure all our employees fully understand and engage with our efforts to improve our performance in ESG issues. To do so, we plan to provide staff with annual sustainability and ESG training.
- We believe it is key that our employees feel they are able to influence and have ownership over the LH ESG framework and its outcomes. Accordingly, we welcome comments from all employees on our approach and formally invite feedback at a minimum of twice a year.

### Customers

- LH's reputation amongst our customers is critical to securing lets, increasing tenant renewals and enhancing our reputation within our sectors. To meet the commitments outlined in this policy and to provide our customers with high quality sustainable homes and, we will:
  - Ensure transparency of our sustainability performance via our annual sustainability report and other communication channels.
  - Conduct periodic customer surveys, as outlined in the previous section.

**Suppliers and contractors**

- We will encourage the uptake of sustainability activities for our contractors and provide guidance in line with our ESG framework where requested.

**National and Local Governments**

- LH actively seeks out opportunities to work with all levels of government to inform their approach to sustainability. This includes responding to Government consultations, liaising with Councillors on planning matters, engaging with Members of Parliament (MPs) and hosting visits to our assets and sites.
- We participate in continued development of the sector by:
  - Engaging with relevant industry bodies and meeting with a number of non-governmental organisations (NGOs) relevant to our work
  - Helping to develop an industry-wide private rented sector (PRS) code of best practice.

## Contact information

### **James Aumonier**

Chief Operating Officer and Chair of the ESG Committee

[jsa@longharbour.co.uk](mailto:jsa@longharbour.co.uk)

+44 (0) 7931 382421

### **Tabitha Perry**

Marketing & Communications

[tjp@longharbour.co.uk](mailto:tjp@longharbour.co.uk)

+44 (0) 7917 893139

### **Long Harbour Ltd**

33 Wigmore Street

London

W1U 1QX

+44 (0) 207 723 8881

[www.longharbour.co.uk](http://www.longharbour.co.uk)