1 CLIMATE CHANGE AND ENERGY

Improving our monitoring, measuring and reporting across our portfolio remained a priority in 2008. We continue to work towards a longer-term target to reduce carbon emissions in the managed portfolio by 19% in the UK and by 11% in France by 2010, against a 2006 baseline.

ENERGY CONSUMPTION

Our year-on-year changes in CO_2 emissions in 2008 have contributed to reductions against our 2006 baseline across the portfolio.

Year-on-year changes in CO_2 emissions from UK and French shopping centres (kg CO_2/m^2/year):

↓10%

REPORTING

As part of our commitment to improving monitoring, measuring and reporting, Hammerson took part in the 2008 Carbon Disclosure Project (CDP6). We were ranked top in our sector, and third overall in the FTSE350.

Carbon Disclosure Leadership Index (CDLI) Score in CDP6 (Third-highest ranking company in FTSE350)

96

CARBON-REDUCING INITIATIVES

In 2008 we put in place an in-house forum to capture new CR ideas from employees involved in the day-to-day management of our properties. Primarily focused on improving environmental performance and reducing outgoings, we estimate that these initiatives resulted in a saving of 3,000 tonnes of carbon per annum across the portfolio, equating to a cost saving of £500,000 for Hammerson and our customers.

Carbon saving across portfolio as a direct result of new initiatives:

3,000 TONNES

We made considerable progress in reducing the carbon footprint of our existing properties in 2008 against our 2006 baseline.

Our objectives relating to climate change and energy are twofold. On an ongoing basis, we seek to reduce the carbon footprint of each of our properties, ensuring we meet, and preferably exceed government targets relating to energy consumption. In our development activities, we seek to design buildings which minimise energy consumption in their construction, and are designed to be efficient in their operation. A longer-term objective is to adapt our buildings where necessary to minimise the effects of climate change, and ensure our investment strategy takes into account the possible negative impact of changes in weather patterns.

We made considerable progress in reducing the carbon footprint of our existing properties in 2008 against our 2006 baseline. Since our baseline year of 2006, we have reduced our energy intensity (expressed as carbon emissions normalised by m^2) at our UK shopping centres by 15.6%, UK offices by 4.8%; French shopping centres by 17.8% and French offices by 6.7%. We added around 210,000 m^2 of space to the investment portfolio during the year as a result of the opening of two shopping centres (Cabot Circus in Bristol and Highcross, Leicester); a major extension to O'Parinor, a shopping centre to the north of Paris, and 125 Old Broad Street, an office building in the City of London. However, because all but one of these buildings opened in the second half of the year, the effect on total energy consumption was low. Total energy consumption therefore also fell during 2008.

Our success in this area is dependent on rigorous measuring and reporting in both the UK and France. In the UK, we appointed a full-time Sustainability Advisor with responsibility for monitoring and reporting across the UK retail portfolio and identifying areas for improvement. As a result, we discovered inaccuracies in previous years' data, which we have now restated.

OBJECTIVES

- → To reduce the carbon footprint of each of our properties
- → To adapt our buildings to minimise the impact of climate change

Performance against targets

43% ACHIEVED

50% IN PROGRESS

7% NOT ACHIEVED

ACHIEVED

- Review carbon emissions and develop metering, monitoring and reporting to ensure baseline is known by November 2008, to establish plan for reduction in 2009.
- Measure the carbon footprint (including energy and transport emissions) for Hammerson's head office and its Paris office at Washington Plaza.
- Develop a strategy to reduce the carbon footprint at Hammerson's offices at 10 Grosvenor Street and Washington Plaza.
- Deliver Diagnostics of Energy Performance (DEPs) for all managed shopping centres and offices.

IN PROGRESS

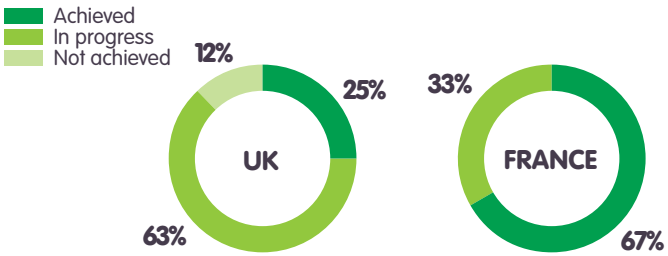
- Prepare a report on climate change mitigation and adaptation to inform the Sustainability Implementation Plans for development.
- Prepare a report on climate change mitigation and adaptation to inform the management of all managed assets.
- Obtain Energy Performance Certificates for all managed shopping centres and offices.
- Measure the carbon footprint (including both energy and transport emissions) of six managed properties.
- Target a 30% reduction on energy efficiency standards below 2006 Building Regulations Part L.

NOT ACHIEVED

- Investigate the business case for offsite renewables.

UK
France

In 2009, we aim to continue to improve accuracy in this area. In France, this is the first year we have reported environmental data, although we have been collecting data internally since 2006. As a result of an increased focus on monitoring and reporting, we also uncovered errors in previous years' data. We have now improved metering, measuring and monitoring systems, installing sub-metering in five of our seven French shopping centres, and have a comprehensive plan for reductions in 2009.



Expenditure on sustainability initiatives in 2008 totalled £1.4 million (UK and France), a proportion of which is rechargeable to occupiers. Initiatives in both countries focused on the installation of low-energy T5 lights in shopping centres and more energy efficient air conditioning and cooling. Initiatives in the UK were assessed by our recently-created Sustainability Forum for Innovation, which reviews social and environmental initiatives against economic criteria.

As a result of these initiatives, we are on track to reduce energy consumption by 19% for UK shopping centres, 19% for UK offices and 11% for France by 2010 against a 2006 baseline.

Targets relating to our longer-term objective to minimise the impacts of climate change were in progress: we commissioned a report from Hyder Consulting into climate change mitigation and adaptation for managed assets and developments in the UK and France. This report will be completed in 2009.

CASE STUDY
HOW TO BE EXCELLENT

Hammerson submits all new developments for assessment by the Building Research Establishment (BRE), the worldwide environmental certification body for the real estate sector. Developments are rated according to a points system across seven categories ranging from energy and transport to land use, materials and waste. Schemes receive an overall BREEAM (BRE Environmental Assessment Method) rating from "Pass" to "Excellent".

Since the beginning of 2008 we have completed our first BREEAM Excellent projects: Cabot Circus, Bristol and 60 Threadneedle Street. These are particularly strong achievements as we only decided to aim for the highest BREEAM rating after beginning construction work.

As a starting point, we assessed the sustainability profile of each project at the beginning of 2007, then created a list of opportunities to improve the score. Each item on the list was first costed, then reviewed in terms of sustainability benefits. Items ranged from rainwater capture to biomass boilers, photovoltaic cells and green roofs. In this way we were able to identify which items offered greatest value for money. In total The Bristol Alliance invested an additional £275,000 at Cabot Circus, and Hammerson invested £115,000 at 60 Threadneedle Street to bring the schemes up to Excellent standard.

But this is not the optimum way to create a BREEAM Excellent scheme. The key to scoring Excellent at little or no additional cost is to set the target at the outset and ensure that the internal team, consultants and suppliers all remain focused on the objective. We run the system alongside our own framework for development, the principal outcome of which is the Sustainability Implementation Plan (SIP). SIPs cover all aspects of sustainability, from energy and water to employment and training. For our future development projects, we hold stakeholder engagement sessions at an early stage, and design workshops throughout the design process, which feed into our constantly-evolving SIPs.

We have created a simple traffic light diagram which assesses the value for money of items for inclusion: green items are included in design; amber represents low cost or no cost items for inclusion; and red represents items which have a high price tag attached or which for other reasons are hard to achieve or simply not viable for that particular project.

As an industry standard, BREEAM is an extremely good tool for measuring and benchmarking. In 2009 we will be completing a BREEAM rating for one of our future projects in France, using the new BREEAM Europe system, and comparing this with its ranking according to HQE ("Haute Qualité Environnementale"), the green building standard in France.

We do however recognise the limits of BREEAM. For example at 125 Old Broad Street, our major redevelopment of the former Stock Exchange tower in the City of London, we retained a 27-storey structure. In terms of both waste produced in demolition, and conservation of embodied energy, this is clearly positive. However, according to the BREEAM points system, it ranks on the same level as installing bicycle racks. We do not believe that this is a true reflection of the sustainability benefits of conserving an existing building.

Stephen Marshall
Senior Project Manager

Robin Dobson
Director, UK Retail Development

CASE STUDY
ESPACE SAINT QUENTIN

At Espace Saint Quentin, a shopping centre to the south of Paris, Hammerson France succeeded in improving energy and water efficiency in 2008 by investing in new equipment and matching resource use to needs.

The team's programme to reduce energy use was focused on the centre's two car parks, which together provide 2,600 spaces over several levels, and are open 24 hours a day. By monitoring actual usage of the car parks' levels, the team were able to identify periods of low usage and adapt lighting requirements accordingly. In this way, they were able to cut electricity usage by 6.7% (175,000 Kwh). In addition, the refurbishment of an area accommodating 600 spaces introduced low energy T5 lighting. The benefits of this were twofold. First, light intensity increased by 30%, resulting in a more secure environment for consumers. Second, energy consumption was reduced by 35%. This refurbishment programme will be extended in 2009 to an area providing a further 400 spaces. In total, the two energy efficiency programmes at Espace Saint Quentin resulted in an annual saving of €12,800 on the centre's electricity bill.

A separate initiative was aimed at improving the efficiency of the centre's air-conditioning system. The open tower coolers, which had been in place for a number of years, consumed a large amount of water, and also required frequent attention to ensure they met hygiene standards. They were replaced by a new dry cooler system, thereby eliminating hygiene risks – an important consideration for a centre in the middle of a large conurbation – and reducing water consumption by 9,500m^3 each year. Overall, water consumption at Espace Saint Quentin was reduced by 12% in 2008.

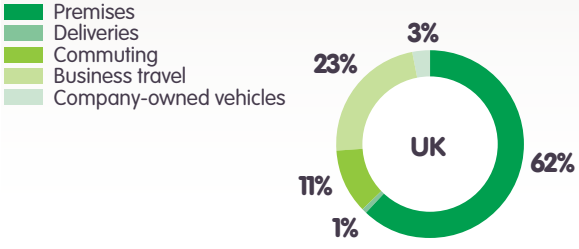
CASE STUDY
CARBON FOOTPRINTING

At our UK head office, we have measured our carbon footprint for two years, this year reducing our footprint from 1,046 tonnes to 777 tonnes. We re-commissioned the lighting system, which now switches off automatically at night, coming back on when it detects a presence. We also increased staff awareness about turning off computers and lighting. We continue to offset our carbon emissions from our UK head office, paying £9,700 to The Carbon Neutral Company in 2008.

For the first time in 2008 we also measured our carbon footprint at our Paris office at Washington Plaza, Paris 8ème. We have put in place a plan for reduction from the current level of 612 tonnes. Three areas of focus were chosen: transport; building management; and Hammerson activities.

In 2008, we also measured the carbon footprint for WestQuay, Southampton. In 2008, we also measured the carbon footprint for Westquay, Southampton. For Greenhouse Gases protocol scope 1 and 2 the total carbon footprint is 3,053 tonnes CO_2 but when we include scope 3 (visitor, supplier and staff transport) this rises to 72,487 tonnes CO_2, clearly highlighting the need to engage with all stakeholders on green travel plans. It is our intention to roll out footprinting across our portfolio in 2009. This was part of a target to measure the footprint of six managed properties. As this target was deemed to be "in progress" in 2008, we have rolled it into 2009.

Emissions by source



Emissions by source