

HEAD OF SUSTAINABILITY

By building on our progress to date, further developing our education and training programmes and sharing the benefits among stakeholders, we will not only embed sustainability in the way we do business but also ensure our role as a partner of choice for investors and customers.

Paul Edwards
Head of Sustainability



WHAT VALUE SUSTAINABILITY?

Now, more than ever, this is a question business leaders are asking themselves as they face the challenge of managing companies at a time of weak economic activity. For the Hammerson team, sustainability means responding to the environmental and social challenges facing the business and making the most of opportunities. Sustainability supports our efforts to meet our economic targets. It is integral to the way we do business and remains key to our future licence to operate a business that creates, and manages, important parts of the environment in which many people work and live.

2008 was a landmark year for Hammerson. The Company completed four major development projects. Each of these in some way demonstrated leadership in sustainability: at 125 Old Broad Street in the City of London we retained the existing building, enlarged it, re-clad it, and dramatically improved its environmental performance; at Cabot Circus, Bristol and Highcross, Leicester instead of relying solely on artificial lighting and installing air conditioning we introduced natural light and natural ventilation, reducing future energy consumption while improving the quality of the space. We ran skills and training programmes for the 6,000 jobs we created, engaging with over 75,000 local people across those two projects. At O'Parinor to the north of Paris, we recycled over 85% of waste produced during demolition and introduced rainwater harvesting for use within the extended scheme.

These are landmark projects for which we have already gained significant recognition in the form of environmental ratings, notably a BREEAM Excellent rating for Cabot Circus, the first ever such rating for a UK shopping centre. We were also rewarded a BREEAM Excellent rating for 60 Threadneedle Street in the City of London, an office scheme we completed in January 2009.

But some of our most important achievements in 2008, which truly underpin our approach to sustainability, are much less visible. Primarily focused on our assets, most of these initiatives are designed to improve environmental performance and reduce outgoings. They range from the relatively simple – changing to more energy efficient lighting, a programme that saved over 1,600 tonnes of CO₂, to the truly innovative, including the purchase of a Superlizzy Waste Compacting Machine to reduce our waste to landfill. Collectively we

estimate these efforts have resulted in a saving of over 3,000 tonnes of carbon per annum across our portfolio, providing cost savings of around £500,000 for Hammerson and its customers. This annual benefit will grow as payment both for carbon emissions and waste production increasingly features as mainstream Government policy.

I am pleased that many of these initiatives were identified by my colleagues involved in the day-to-day management of our properties. At the end of 2007 we created an in-house forum to identify new ideas in the CR area of our business and assess them against economic, environmental and social benefits. This process means that we can capture the expertise of a large number of staff that benefits all parts of our business.

The real estate industry cannot afford to focus solely on development. Firstly, the economic climate is not going to support significant development for some time. But even setting aside economic cycles, the existing stock of property is going to be with us for a very long time and there are legal and economic imperatives to address how those buildings use natural resources. Our occupiers face tough challenges to sustain their own businesses. Energy costs have been volatile but will continue to rise over the medium term as legislation in both the UK, and France targets corporates' energy consumption/ carbon emissions as an environmental issue. Waste is set to become the next legislative target. In the UK, landfill tax is set to increase year-on-year until 2011. As landfill sites fill up we might expect even more stringent regulations. In France, the cost of sending waste to landfill has almost doubled since the beginning of 2009. The combined result is that our occupiers are keener to enter a dialogue with us and other property owners on energy, water and waste. At Hammerson, following the introduction of a Green Lease in 2007, we have now signed over 370 such agreements with our retail and office tenants.

The success of this lease lies with its approach. It is not prescriptive: instead it seeks to build partnerships with occupiers and share solutions. We are now rolling out this initiative in France, both on new deals and on lease renewals. As a founding member of the Better Building Partnership, Hammerson has been heavily involved in the design of a memorandum of understanding which aims to provide a structure for owners and occupiers to work together to improve buildings and businesses' environmental performance. We are

already in discussions with several of our tenants to commence partnerships based on this structure.

The efforts are already having a direct impact on service charges. We are on track to deliver a 19% reduction in energy consumption in the UK and 11% in France against a 2006 baseline, thereby containing increases in service charge as a result of energy price rises in recent years.

In last year's report I highlighted that we were working towards a common approach to sustainability in the UK and France. I am pleased to say that during 2008 we made substantial progress in this area and now adopt the same strategy and targets across our business. Philippe Bouveret, an asset manager with over seven years' experience with Hammerson, has taken on the role of Sustainability Director in France and has added significantly to our CR efforts across the whole business. He offers his views on progress to date and some of the challenges he faces on pages 11 and 12.

Measuring, monitoring and reporting remain key to our ongoing management of sustainability, and we recognise that we still have room to improve. At the beginning of 2008, Carl Brooks, an employee of Hammerson's management services subsidiary in Reading, assumed responsibility for monitoring and reporting energy, waste and water across the UK retail portfolio and identifying areas for improvement. Carl's work in this area has increased the accuracy of our reported data, in some cases highlighting areas where we have fallen down in the past. Similarly, in France, our focus on measuring and reporting in 2008 has meant that we have identified data unreported in previous years. With additional input from Bureau Veritas, engaged for the first time in 2008 as a "critical friend" to Hammerson's reporting process, I believe we are set to make further progress in this area.

2009 will represent a major challenge for the CR industry as the tough economic conditions force a re-appraisal of every investment decision in most businesses. However, against this difficult background, I believe that we will better identify the cost and benefits of the sustainability opportunities that present themselves. At Hammerson our approach is to ensure that our investment in sustainable initiatives is properly costed, and designed to add value to the business at all stages. It is against this background that we have adopted the Connected Reporting Framework as a reporting tool. This aims to enable stakeholders to evaluate the link between environmental or social sustainability and economic outcomes.

In 2009 our focus remains on sustainability solutions which reduce costs for our occupiers and for ourselves. By building on our progress to date, further developing our education and training programmes, and sharing the benefits amongst all our stakeholders we will not only embed sustainability in the way we do business but assure our role as a partner of choice.



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↓26%

REDUCTION IN CARBON EMISSIONS

10 GROSVENOR STREET

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. In 2008, we measured our carbon footprint at our Paris office for the first time and have put in place a programme to reduce carbon emissions in 2009.

85%

PROPORTION OF WASTE RECYCLED DURING DEMOLITION

O'PARINOR

In September 2008, Hammerson completed a 25,000 m² extension to O'Parinor, a major shopping scheme to the north of Paris. During the demolition phase, 85.4% of waste was recycled. Going forward a target of 55% has been set for construction waste in France.

83%

FSC TIMBER USED IN CONSTRUCTION

60 THREADNEEDLE STREET

Hammerson has an objective to measure and report on the use of timber that is certified to FSC standard or equivalent. At 60 Threadneedle Street, a recently completed office scheme in the City of London, 83% of timber used was certified to FSC standard.

125,000

LEICESTER RESIDENTS ATTEND THE OPENING OF HIGHCROSS

HIGHCROSS

When Highcross, our major Leicester retail scheme, opened to the public in September 2008, 125,000 people attended opening day festivities. Displays included the "River of Silk", a procession made up of a flowing river of 24 silk banners carried by community groups such as Action Deafness, the Chinese Community Centre and Hind Leys Community College; and the "Parade Illuminare", a procession by children from across the region carrying lanterns made in a creative workshop Summer School in August.

8

GREEN LEASES

FRENCH SHOPPING CENTRES

Following the successful introduction of a Green Lease in the UK, Hammerson made comparable revisions to its standard lease in France, and a Green Lease was introduced in October 2008. Eight such leases have since been signed in the French shopping centre portfolio.