Being responsible

The Board is responsible for setting the guiding principles of the Group including leading on environmental, social and corporate governance. We aim to be transparent in our approach to performance reporting, to ensure stakeholder engagement, and seek to embed sustainability within our day-to-day business activities.

Stakeholder engagement

We value the contributions made by the whole Picton team. We have a strong and open company culture, with values that were co-created by our employees. We aim to have a positive business environment consistent with our values, with equal opportunities for all. Unlike many similar businesses, all of our employees share in the success of Picton through participation in the Long-term Incentive Plan and Deferred Bonus Plan.

We run a regular programme of communication and shareholder engagement including one-to-one meetings with large shareholders as well as group meetings at the time of results announcements. All directors normally attend the Annual General Meeting and are available to meet with shareholders.

One of our key priorities is to work with our occupiers, so that we can understand their needs and aim to meet their current and future requirements. We use our expertise in asset management to provide modern flexible space that is safe, clean and energy efficient. We believe that it is important to engage with our occupiers on sustainability. In this way we can constantly strive to reduce our environmental impact.

We are committed to improving the impact of our buildings on local communities, whether providing space to local businesses, improvement of local areas or minimising the environmental impact of buildings themselves. We also support local communities through our occupier led charitable matched giving initiative.

OUR STAKEHOLDERS

Our people

Our shareholders

Our occupiers

Local communities

The picton promise

At Picton, we are always seeking to improve our occupiers' experience, which is why we created the Picton Promise: five key commitments that underpin every aspect of the occupier experience we provide.

⚙ ACTION

Our personal, hands on approach and attention to detail ensures you experience excellent customer service. You can always speak to a dedicated Picton team member and be assured we respond promptly to your enquiries and act on feedback as quickly and effectively as possible.

🌐 TECHNOLOGY

We are committed to improving the digital infrastructure of our portfolio and work with all our occupiers to enable transparency and informed decision making, ensuring your connectivity requirements are met.

✺ COMMUNITY

We want you to feel part of something. We run regular occupier meetings and facilitate introductions across our occupier community. We also support different regional charities to help drive social change at a local level and we offer each of our occupiers charitable matched giving for their community fundraising efforts.

🌍 SUSTAINABILITY

We believe strongly in sustainability as an integral part of our business model and strategy. We have in place a framework for conducting business in a way that makes a positive contribution to society and our stakeholders, whilst minimising the negative impact on the environment.

✤ SUPPORT

We are committed to providing flexible business focused solutions to enable you to run your business. We are proactive in helping you to 'rightsize' your business space, helping support your changing needs.

Our people

Our people

Diversity

We recognise the benefits of diversity and the value this brings to the Group. We aim to maintain the right blend of skills, experience and knowledge within the Board and the Picton team. At the date of this Report, the number of men and women employed by the Group were:

BOARD

PICTON TEAM
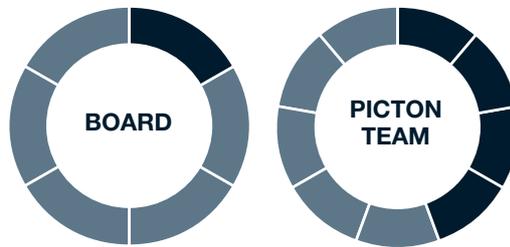
■ 5 women
■ 10 men

Fairness and equality

We value the contributions made by all of our employees and believe that a diverse workforce is key to maximising business effectiveness. We aim to select, recruit, develop and promote the very best people and are committed to creating a workplace where everyone is treated with dignity and respect, and where individual difference is valued.

This is accomplished by:
- Ensuring equal opportunities in the recruitment process
- Having fair and competitive salaries and benefits
- Having appropriate family and well-being policies
- Being opposed to any form of less favourable treatment, whether through direct or indirect discrimination, harassment or victimisation, accorded to employees and applicants for employment on the grounds of sex, sexual orientation, marital or parental status, disability, race, religious beliefs, age, ethnic or national origin, or any other protected characteristic.

Performance and development

We aim to provide a business environment that inspires our employees and encourages them to realise their full potential by giving them access to development and training opportunities.

This is attained through the following key principles:
- Development should be continuous; employees should always be actively seeking to improve performance
- Regular investment of time in learning is seen as an essential part of working life
- Development needs are met by a mix of activities, which include internal and external training courses, structured 'on the job' work experience and through interaction with professional colleagues

All of the Group's employees have a formal performance appraisal on an annual basis, together with a mid-year-review of their progress against objectives set at the start of the year.

Health and well-being

Health and well-being is critical to the business, both within the property portfolio and also within the office environment.

Our commitment to providing a safe and healthy working environment for our employees is achieved by:
- Adhering to the appropriate health and safety standards
- Providing a working environment that enables employees to work effectively and free from unnecessary anxiety, stress and fear
- Offering private health benefits to all employees
- Ensuring employees can report inappropriate behaviour or concerns through the whistleblowing policy
- Having appropriate family friendly policies

CHARITY, LOCAL COMMUNITIES AND THE ENVIRONMENT

Charity and local communities

We continue to support a variety of charities, principally through The Funding Network, whose aim is to achieve long-term social change. The Funding Network enables individuals to join together to support social change projects and have raised over £12 million for over 1,900 diverse local, national and international projects.

For the year ended 31 March 2019 the Group made charitable donations totalling £10,000.

Our new Responsibility Committee encourages our employees to play a positive role in community activities and is working with a local children's charity to provide team volunteering opportunities. As well as offering our employees individual charitable fundraising through the process of matched giving, we additionally now offer our occupiers charitable matched giving, to support charitable activities undertaken in their local communities.

The environment

It is recognised that commercial buildings in the UK are a key source of emissions and that as a responsible landlord we have a duty to control and reduce the environmental impact of our assets. We continue to assess the environmental performance of our portfolio through our consultants at CBRE who engage with property managers and occupiers to implement sustainability improvements.

In the workplace it is our policy to:
- Constantly strive to reduce the amount of paper used
- Encourage employees to use public transport where possible to reduce CO_2 emissions
- Pick products wisely such as using recycled paper and avoiding disposable or non-biodegradable items
- Recycle by offering accessible recycling bins in the office
- Use energy-efficient products and appliances and reduce consumption where possible

Our sustainability reporting is for the year ended 31 December 2018, with comparatives for the year ended 31 December 2017. This year we will prepare a separate report setting out a full breakdown of our ESG strategy and performance during the year. The 2019 Sustainability Report will be available on our website during June 2019. Here we report on the key environmental initiatives that we have undertaken during the year.

This year we can report a further reduction of our carbon footprint. Our Scope 1 and 2 GHG emissions for 2018 were 3,971 tCO_2e, a reduction of 12.9% compared to 2017 in absolute terms. We have continued our work to obtain more reliable Scope 3 emissions by working with our occupiers to collect non landlord-controlled data. There have been two disposals during 2018 with no new acquisitions; Tower Wharf, Bristol, acquired in 2017, now has a full reporting year's worth of data.

Local communities

PLAN BEE

The Funding Network
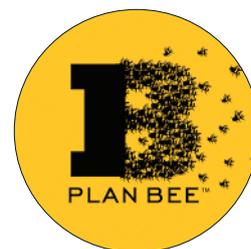
! Read more in our Sustainability Report

Targets

We have set a number of targets, both short and long-term, across a range of ESG measures, so that we are able to track our progress in these areas. These are set out fully, together with our progress against them, in the 2019 Sustainability Report.

Energy and GHG Emissions

2018 saw an 8.2% reduction in tCO_2/m^2 compared to 2017 which has increased our total reduction to 28.4% against our 2016 baseline. The decarbonisation of the national grid has assisted in these large reduction figures although we have also seen a 6.8% reduction in kWh/m^2 since 2016. While our performance against our waste target has seen a 20.6% reduction against our 2016 baseline, 2018 saw an increase in landfill waste. We are looking to correct this in 2019 by switching to a waste provider with greater recycling options, and that will be able to provide more accurate data.

We are targeting high energy intensity sites through a series of energy audits and occupier engagement campaigns. We are developing a refurbishment checklist to ensure all refurbishments are carried out to the same high standard dependent on the property's ambition level. Due to the nature of our business a limited amount of the energy use is within our control, which means occupier engagement is key. To address this issue, we will be holding occupier workshops to assess how we can assist our occupiers in reducing their energy consumption. The workshops will be a targeted approach on the highest consuming sites, but to ensure we are assisting all our occupiers, we have developed an occupier satisfaction survey. The survey will look at general satisfaction, as well as energy performance of the property and energy efficiency measures, where we can work with our occupiers in joint ventures.

Environmental initiatives

We have now installed Asset IQ at two high end office locations. Asset IQ is a tool which analyses each meter's usage to identify inefficiencies in plant and equipment run hours. 50 Farringdon Road has seen an increase in absolute consumption during 2018 due to increased occupancy rates. 180 West George Street, where Asset IQ has been newly installed, has seen a 22% reduction in its energy use. We continue to look for more opportunities were Asset IQ can be installed. We have conducted energy reduction projects at Atlas House, including upgrades to the building management system. Accuracy of data is key to our reporting and in line with improving this area of reporting, we have reduced our estimated consumption to 1.4%. During 2019 we plan to roll out a series of ESG audits at key large consuming sites to assist with our energy reduction targets and occupier engagement.

Our 50kWp solar panel array at 401 Grafton Gate has been operational for three years. Each year the panels have increased their output with 2018 seeing a 5.2% increase by generating 46,340 kWh. The energy production continues to be fed back to the occupiers, providing them with lower electricity costs. The panels have produced a total of 132,465 kWh, which has saved 59.60 tCO_2e; the equivalent of 3,585 incandescent lamps switched to LEDs.

We have installed two bee hives with a population of 20,000 bees at Queen's House in Scotland. Honeybees are essential for pollinating trees, plants and flowers with one third of UK's food being pollinated by bees. With Scotland seeing a decline in honeybees, urban roof tops can provide bountiful foraging opportunities for bee colonies. Picton worked with Plan Bee who are a bee hive management company to organise the necessary pre-assessment checks required for installing the bee hives. Plan Bee presented to the occupiers in Queen's House on the life of the bees, including a hands-on experience to learn more about the important role bees play in our environment. Occupiers were able to sample some honey and take away a jar. Due to the success of the project we have already started risk assessments at a further site.

Our EPC risk project has mitigated the risk posed under the Minimum Energy Efficiency Standards (MEES) that came into force from April 2018. During 2018 we began updating our expiring EPCs with a majority of 2019 EPCs already addressed. This process has highlighted properties where potential improvements could be made, and these sites will have strategies put in place during 2019. We have 98% of units with a valid EPC, with action plans in place for the remaining assets.

Picton recognises the importance of being transparent on ESG issues with our stakeholders, so they can make informed decisions. We continue to report in line with EPRA, expanding the scope of our reporting and improving our score year-on-year. We now have also reported to GRESB for the second year running, seeing a 53% increase in our score. We believe that through initiatives implemented during 2018 that we should see further improvements in both our GRESB and EPRA scores.

Working with the CBRE Energy and Sustainability team, we are developing a programme to provide a greater level of data collection, engagement with occupiers and protection against future market risks.

Reporting against EPRA sustainability best practice

The following EPRA sustainability measures are reported in the 2019 Sustainability Report:

Energy

Sustainability performance measures

Total electricity consumption
Like-for-like total electricity consumption
Total fuel consumption
Like-for-like total fuel consumption
Building energy intensity

Greenhouse gas emissions

Sustainability performance measures

Total direct GHG emissions
Total indirect GHG emissions
Like-for-like total direct GHG emissions
Like-for-like total indirect GHG emissions
GHG intensity from building energy

Water

Sustainability performance measures

Total water consumption
Like-for-like total water consumption
Building water intensity

Waste

Sustainability performance measures

Total weight of waste by disposal route
Like-for-like total weight of waste by disposal route

Business travel

Sustainability performance measures

Total business travel emissions

Governance

Sustainability performance measures

Composition of highest governing body
Process for nominating and selecting the highest governing body
Process for managing conflicts of interest

Social

Sustainability performance measures

Employee gender diversity
Employee training and development
Employee performance appraisals
New hires and turnover
Employee health and safety
Asset health and safety assessments
Asset health and safety compliance

Read more in our Sustainability Report

Greenhouse gas emissions

The table below provides our GHG emissions covering the last three years. Where it states "N/A", this is because data was not previously collected, calculated or available. In our 2019 Sustainability Report we detail our GHG emissions for the last five years, showing how our reporting has evolved since 2014.

Emission source	GHG Scope	2018		2017		2016	
		Absolute GHG emissions (tCO$_2$e)	GHG Intensity (tCO$_2$e/m²)	Absolute GHG emissions (tCO$_2$e)	GHG Intensity (tCO$_2$e/m²)	Absolute GHG emissions (tCO$_2$e)	GHG Intensity (tCO$_2$e/m²)
Combustion of fuel and operation of facilities	1	1,219	0.006	1,251	0.006	1,503	0.007
Electricity, heat, steam and cooling purchased for own use	2	2,752	0.015	3,305	0.015	4,655	0.022
Business travel	3	7	N/A	7	N/A	8	N/A
Occupier data	3	5,274	0.003	9,566	0.005	9,536	N/A
Office premises	3	10	N/A	13	N/A	12	N/A
Landlord water and treatment	3	55	0.001	53	0.001	61	0.000
Landlord waste	3	21	0.000	21	0.000	24	0.001
Total		**9,337**	**0.021**	14,216	0.032	15,799	0.036

Scope 1

Scope 1 emissions account for 1,219 tCO$_2$e of our total emissions, which is a decrease of 3% from 2017. This is due to the implementation of energy efficiency measures, an increase in data quality and the disposal of sites in 2017 and 2018. Excluding the impact of acquisitions and disposals, like-for-like scope 1 emissions have decreased by 7% due to building management system upgrades implemented at Atlas House during late 2017.

Scope 2

Scope 2 emissions account for 2,752 tCO$_2$e, which is a decrease of 17% from 2017. Scope 2 emissions have seen the greatest impact from the decarbonisation of the national grid. With Scope 2 emissions being the largest contributor to our emissions which we can directly control, it is positive to also see a 19.7% decrease in like-for-like emissions. This is largely thanks to energy efficiency projects at Atlas House and 180 West George Street. We hope to see further improvements in 2019 when the projects will have had a full reporting year to realise their benefits.

Scope 3

Scope 3 emissions account for 5,523 tCO$_2$e, which is a 42.8% decrease from 2017. For 2018, we have collected 44.5% of our occupier-controlled spaces by area which is a small decrease on 2017. Due to the variance in occupier data that we receive it is difficult to read too much into the large decrease in Scope 3 emissions, with Scope 1 and 2 emissions remaining our priority for improvement measures. We have seen increases in water and waste figures which we will look at improving on during 2019 as we switch to single suppliers to improve reliability of data.

Methodology

We have reported on all the emission sources required under the core requirements of EPRA's 'Best Practices Recommendations on Sustainability Reporting' 2017, and have voluntarily disclosed business travel, occupier and own premises consumption (Scope 3) emissions. An operational control approach has been adopted and all of our properties are included. Figures presented are absolute for utility and waste consumption and relate only to landlord-obtained utilities and waste removal. Occupier-obtained consumption is included where possible.

We have calculated and reported our emissions in line with the GHG Protocol

Corporate Accounting and Reporting Standard (revised edition) and used emission factors from UK Government's GHG Conversion Factors for Company Reporting 2017. Where data was unavailable in kg or tonnes for waste, we used average volumes to convert to tonnes.

Intensity measurements are based on the individual property's Gross Internal Area (GIA), regardless of the specific area served by the supply. This is an accurate way of covering 95% of our consumption but will be less useful for our industrial vacant units; due to the comparatively low consumption and large floor areas typically associated

with vacant industrial units. We are continually improving the reporting process so that we can continue producing increasingly useful normalisation and intensity metrics.

Picton has continued to voluntarily report on Scope 3 vehicle emissions. Vehicle emissions were calculated using Picton's vehicle expenses reports and the vehicle emission factors from the UK Government GHG Conversion Factors for Company Reporting 2017. We have included occupier and own premises consumption within the Scope 3 emissions, using emission factors from UK Government's GHG Conversion Factors for Company Reporting 2017.