

YOU SAID, WE DID: BUILDING SUSTAINABLE COMMUNITIES

MATERIALITY

In September 2021, London Square engaged the services of PwC to undertake a robust materiality review of the residential development market, to support the development of the Company's ESG (Sustainability) strategy. The market analysis was undertaken, along with interviews with key internal and external stakeholders. The resulting report helped shape the future direction of the Company's Sustainability strategy and the targets for building sustainable communities, both of which are reviewed annually and fed into London Square's overall Company strategy, or as we call it: The Five-Year Plan.

The materiality review highlighted the following contextual factors, which influence the future direction of London Square and the development industry as a whole:

- Government driven targets and introduction of regulation requiring significant progress around energy efficiency, emissions, affordability, safety and other sustainability criteria, including the 2025 Future Homes Standard and the Environmental Bill, amidst a national housing shortage;
- Increasing societal demand for properties with positive impact on the environment and local communities, whilst delivering cost efficiencies for the homeowner;
- Fund managers and financial institutions increasingly considering sustainable criteria in their investment decisions, which may lead to better and lower cost access to 'green finance' capital for businesses that demonstrate high sustainability performance;
- Greater scrutiny of corporate governance, particularly on the back of rising awareness of ethical business practices such as diversity and inclusion and modern slavery from the public. Plus, challenges around management pay for other residential developers; and
- An assessment of the United Nations Sustainable Development Goals, of which the Company aligns wholly or in part with 12 of the 17 goals. Meaning that London Square will focus on aligning existing initiatives and any developed in the future with the delivery of these Goals.

Whilst sustainability is rising on the strategic agenda of the residential development sector, it is still often seen as a regulatory compliance consideration rather than a source of commercial or operational advantage. Nevertheless, businesses that proactively pursue sustainability performance improvements can gain a longer-term advantage by staying ahead of the rapidly evolving expectations of customers and investors, as well as mitigating potential reputational or operational risks that can be caused by sustainability-related failures.



STAKEHOLDERS

In 2023 London Square surveyed customers to understand their views on sustainability and what matters most to them, when buying or renting a new home. In addition, staff and key stakeholders were asked to respond to a survey which asked their views on the Company's approach to building sustainably. The results are summarised below and have been fed into the Square Future Framework, ensuring our strategy for a sustainable future is aligned to our Stakeholders views.

RESULTS

Rank #	Customers	Staff	Stakeholders
1	Purchase Price and affordability	Purchase Price and affordability	An honest housebuilder with high customer satisfaction
2	Community, local area, schools, amenities and green spaces	Community, local area, access to schools, amenities and green spaces	Purchase Price and affordability
3	An honest housebuilder with high customer satisfaction	Low cost, energy and water efficient homes	Community, local area, access to schools, amenities and green spaces
4	Low cost, energy and water efficient homes	An honest housebuilder with high customer satisfaction	Low cost, energy and water efficient homes
5	Local transport, commuter links and car free initiatives	Living close to nature and protecting the local habitat	Housing that promotes the creation of an inclusive community
6	Living close to nature and protecting local habitats	Local transport, commuter links and car free initiatives	Sustainable materials with lower impact on the planet and/or can be recycled at the end of the building's life

The results show a clear alignment between the views of customers and our staff. There are some differences when we compare to external stakeholders, who from an investment perspective favour inclusion and sustainable materials over the more practical elements of transport and the health and wellbeing benefits of living close to nature. That said, the survey has given a clear indication of the priorities to which London Square must align.

Whilst London Square will continue to focus on all 15 KPI's, the views of our stakeholders have been used to identify the six priority areas for the Company, which link to 11 of the 15 KPI's, still giving a broad spectrum of sustainable priorities, as follows:

PURCHASE PRICE AND AFFORDABILITY



KPI 13 – COMMUNITY AND CUSTOMER ENGAGEMENT

- The percentage of homes completed in the year that are social rented, affordable rented, rent to buy, shared ownership and discounted sales.
- Percentage of affordable homes completed over the past year that were delivered over the minimum local authority requirements for development.

COMMUNITY AND LOCAL AREA



KPI 6 – ECOLOGY

- Biodiversity Net Gain (BNG) target, without the use of offsets.
- Expansion of BNG target to identify ways to calculate Environmental Net Gain (ENG).
- Percentage of developments completed with a BNG of 10% or 20% and a plan to ensure biodiversity is maintained for the next 30 years.
- No developments within areas of nutrient stress.

KPI 13 – COMMUNITY AND CUSTOMER ENGAGEMENT

- Guidelines are used for community engagement in the design of developments and are used on all projects, with reference to best practice.
- Percentage of developments completed in the last year where the company has put in place initiatives to promote community wellbeing, based on stakeholder engagement to assist local needs.
- Measurement of the impact of community initiatives.

COMMUNITY AND LOCAL AREA (CONTINUED)



KPI 14 – DESIGN AND PLACEMAKING

- Design teams included a registered architect and urban designer.
- Company can demonstrate best practice placemaking.
- Use of an internal system to integrate sustainable community considerations into the design and planning stage.

KPI 15 – SOCIO-ECONOMIC DEVELOPMENT

- A social impact target.
- Achievement in the area of job creation, including graduates, apprentices, returners and upskilling opportunities.
- A diversity and inclusion strategy with clear objectives.
- Systems in place to support the use of smaller, local subcontractors.

AN HONEST BUILDER



KPI 1 – COMPANY STRATEGY AND GOVERNANCE

- A stand-alone sustainability vision.
- A signed and dated board approved sustainability policy.

KPI 2 – REPORTING

- Reports to all 48 criteria of the Social Housing Sustainability Reporting Standards.
- Submits a TCFD report.

KPI 13 – COMMUNITY AND CUSTOMER ENGAGEMENT

- Customers receive support in the use of sustainability feature of homes, in particular heating, cooling systems and smart thermostats.
- Average Net Promoter score is above 50.

LOW CARBON HOMES



KPI 3 – FUTURE PROOFING

- Company pursues ongoing research activity to increase the environmental sustainability of homes.
- Commitment to a Just Transition.
- Percentage of homes subject to building performance evaluations.
- The number of homes built using modern methods of construction.

KPI 5 – DESIGN STANDARDS

- A set of in-house minimum design standards which are applied to all new homes built.
- Company requires an improvement on building regulations or planning requirements for carbon and water efficiency.
- Minimum sustainability standards for water, surface water run-off, waste storage, pollution, sound insulation, daylight, inclusivity and ventilation.

KPI 7 – ENERGY AND CARBON

- Net Zero Carbon target.
- Company has a Net Zero Carbon target for homes.
- The average SAP ratings for completed homes are <86.
- Company records the percentage of homes supplied by non-fossil fuel sources.
- Company has initiatives in place to compare predicted and actual energy consumption.
- Company builds Net Zero Carbon homes.

KPI 8 – WATER

- Company has set a water reduction target.
- Company measures the reduction in normalised water consumption year-on-year.
- Average lpppd of new homes is <95.

LOCAL TRANSPORT, COMMUTING AND CAR FREE INITIATIVES

KPI 10 – TRANSPORT



- All homes have access to secure cycle storage.
- All developments have initiatives to reduce car dependency, e.g. car clubs.
- New homes are built within 1,000m of a public transport node.

NATURE AND NATURAL HABITATS

KPI 6 – ECOLOGY



- Biodiversity Net Gain (BNG) target, without the use of offsets.
- Expansion of BNG target to identify ways to calculate Environmental Net Gain (ENG).
- Percentage of developments completed with a BNG of 10% or 20% and a plan to ensure biodiversity is maintained for the next 30 years.
- No developments within areas of nutrient stress.

KPI 14 – DESIGN AND PLACEMAKING

- Design teams included a registered architect and urban designer.
- Company can demonstrate best practice placemaking.
- Use of an internal system to integrate sustainable community considerations into the design and planning stage.
- Company measures the percentage of units completed in the past year where there has been an active contribution to publicly accessible community infrastructure.
- It is pleasing to see that our stakeholders value community so highly, given that London Square is built upon an ethos of creating exceptional community living for all.

The You Said, We Did priorities will shape the Company's Sustainability focus and feed into our five-year plan, helping London Square to deliver what our stakeholders have told us matters most. We will continue to review these priorities for relevance every two years.

For more information on London Square's sustainability performance, please refer to Building Sustainable Communities. For a detailed report on our KPI performance, the London Square NextGeneration Sustainability Benchmark report for 2023 provides an annual review of the Company's progress against our KPI's.