



# Environmental, Social and Governance

## Strategy Into Action

October 2023

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# Foreword



**D2 Real Estate (D2RE) are aware of the need to demonstrate ethics and responsibility relating to both our environmental and social activities together with our governance.**

We believe this is demonstrated by: strong leadership, setting the right culture within the organisation, effectively working with our clients and supply chain, challenging inappropriate behaviours, and providing disclosure on successes and failures.

This relates to both our internal arrangements and those arrangements that we put in place on behalf of our clients.

Our business activity relates to the provision of services across the complete spectrum of the commercial property lifecycle, and we are aware that the property sector can lead to significant environmental and social challenges.

We use the extensive findings and recommendations from our regulator, The Royal Institution of Chartered Surveyors (RICS), which has taken a lead in the area of ESG recommendations from the work and joined forces with the United Nations to tangibly map the relevance of the UN Sustainable Development Goals against the context of the land, construction, and real estate sector.

*“It’s easy to talk about ESG, but tangible actions are important. Our team are fully engaged in delivery, and indeed the development of this document was one of many suggestions arising from one of our regular internal staff surveys.”*

It’s easy to talk about ESG, but tangible actions are important. Our team are fully engaged in delivery, and indeed the development of this document was one of many suggestions arising from one of our regular internal staff surveys.

In this publication, we aim to explore the current drivers behind ESG and demonstrate how we are delivering against them – on behalf of our occupiers, the building owners, and investors.

**Grant Irvine**

*Director, Head of Property Management, D2 Real Estate*



# Current Drivers for Real Estate

**Energy Performance Certificates (EPCs) are a hot topic in the UK. Until very recently it was expected that it would be unlawful to let a building if its EPC rating was below a grade C in 2027, rising to a grade B in 2028. Jersey Energy Performance Assessments (JEPAs) are being implemented in Jersey in 2026 with minimum standards applying to all sales and lettings by 2028. Guernsey is a little further behind, but D2RE are anticipating similar legislation to be introduced at some point.**

## OWNER

Owners are seeking buildings with strong environmental credentials as they are seen to be more attractive to both occupiers and investors. Failure to meet expectations that are now becoming 'business as usual' will ultimately have a negative effect on the time a building takes to let, lengths of leases achieved, rental values and the desire of occupiers to renew leases as they end or break.

## OCCUPIER

Occupiers are becoming aware that the buildings they occupy can have a negative impact on their own ESG aspirations. Studies have shown links between environmentally sustainable buildings and increased employee productivity and satisfaction. Added to this is the concern of rising total property occupancy costs, not just in terms of rent and rates but also service charges and utilities costs. Sustainable buildings and good property management (for example D2RE's capital replacement programmes and planned preventative maintenance regimes) supports occupiers in reducing operational costs, providing better working environments for employees - ultimately helping occupiers to deliver against elements of their own ESG commitments.

## INVESTOR

Investors are increasingly interested in the sustainability performance of property funds. The current and expected growth in environmental legislation in the Channel Islands together with the growing demand from occupiers for sustainable buildings (both described above) are proving to have an increasing influence on investment decisions. Property funds that show that they have considered this (and have property managers that are equipped to deal with it) and that have built positive occupier relationships (through, for example, the D2RE Occupier Engagement Programme) are likely to be considered a lower investment risk.

Based on research from the Better Buildings Partnership



### OWNER

- Increase of demand from occupiers
- Need to attract investors
- Requirement to meet regulatory demands
- Desire to maintain/improve asset value



### OCCUPIER

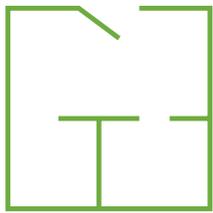
- Aim to reduce operational costs
- Desire to improve working environment and thus staff productivity and satisfaction
- Desire to meet own ESG objectives



### INVESTOR

- Wish to reduce investment risk
- Increase of demand from customers
- Requirement to meet regulatory demands
- Aim to protect asset into future

# Measuring Sustainability Impact: Key Metrics For D2RE



**1.85m+**

Total sq footage under management



**20m+**

Total kWh of electricity annually used in D2RE managed properties



**70k+**

Total m<sup>3</sup> of water annually used in D2RE managed properties



**150+**

Number of occupiers



**15**

Number of Green Lease Memorandums



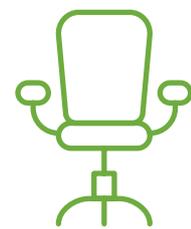
**4.4**

Tonnes of carbon offset for D2RE in 2023



**20+**

Number of energy savings initiatives in our portfolio in the last 12 months



**500+**

Items of furniture recycled

# Measuring Sustainability Impact: Key Metrics For D2RE Continued

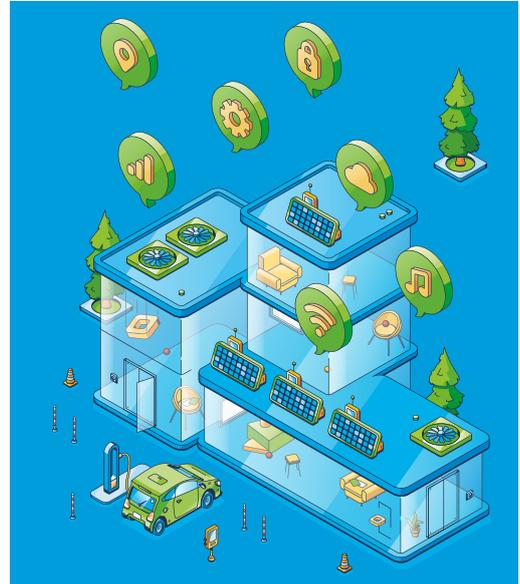
## BUILDING MANAGEMENT SYSTEMS (BMS)

At D2RE we have an expert team who have a thorough understanding of the buildings and their systems. This is crucial if the building is to be run at optimum efficiency throughout its lifetime.

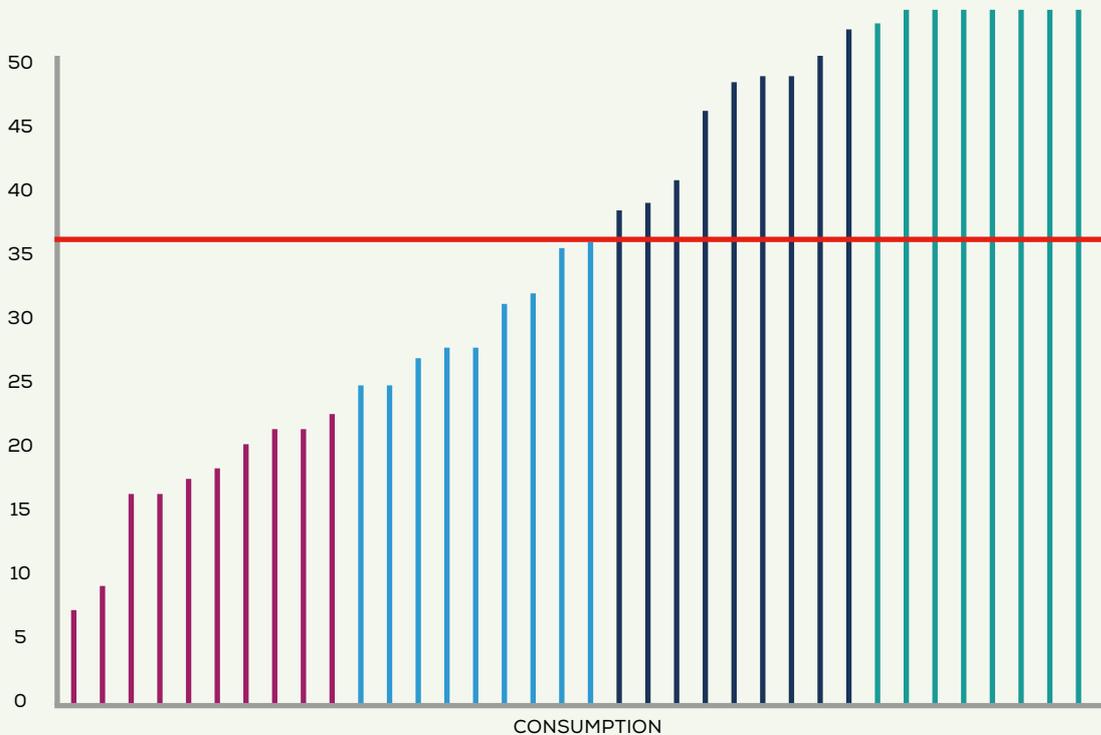
A recent example at D2RE was when we onboarded a new property management instruction and it was apparent that the BMS had not been adjusted since its original handover from the contractor, with the air conditioning system running 24/7. By adjusting the BMS we managed to make a 30% energy saving.

## BENCHMARKING

On a similar topic, our management team benchmark the performance of our buildings on a quarterly basis. This ensures our buildings are operating to an industry standard of efficiency compared to buildings of a similar age both in the relevant jurisdiction and also the UK. Any anomalies can then be investigated. The data extracted as part of this process is becoming increasingly important for our Occupiers for their reporting needs.



Electrical Consumption Benchmarking



# Driving Change: D2RE's Initiatives And Strategies

## ENVIRONMENTAL



### BIKE MONTH CHALLENGE

D2RE team members embraced the spirit of sustainability and healthy living by participating in Jersey's Bike Month Challenge – intending to encourage Islanders to get active and reduce their carbon footprint by cycling.

On the transport hierarchy, cycling is one of the best modes of travel to reduce our impact on the environment.

The D2RE team pedalled their way to a total of 433 miles and finished 1st on the leaderboard for companies in our size category.

### ROUND TABLE DISCUSSIONS ON GREEN LEASES

As part of their ongoing series of round table discussions on matters of mutual interest, D2RE's senior management team has hosted sessions on the subject of Green Leases.

The discussion focused on the implementation and benefits of Green Leases in promoting sustainability within the real estate sector.

The round table discussion served as a valuable platform for industry professionals to exchange ideas and deepen their understanding of Green Leases.

*For more information about Green Leases see page 6.*



### ENERGY EFFICIENT LIFT REPLACEMENTS

Research shows that lifts account for up to 5% of the energy consumption of a building. When D2RE replace obsolete and unserviceable lifts they work with industry-leading partners (consultants and suppliers) to do so with energy-efficient alternatives. Some lift technologies have been found to reduce energy consumption by as much as 75%. This is achieved through: the use of regenerative energy (recapturing the energy that is normally wasted when a lift starts and stops), using more energy-efficient motors, reduced lighting energy use through LEDs, and reducing idling time ensuring lifts are not left running when they are not in use.

### TRAVEL INITIATIVES

D2RE are always keen to explore ways of increasing the use of sustainable and healthy ways to travel to and from the buildings that they manage.

Organising Evie bike stations, cycle racks, and shower facilities for our Occupiers at our managed properties, together with their promotion, is key in assisting in this aim.

D2RE also have their own e-bike for travelling to and from their managed properties and facilitate the installation of e-charging points for Occupiers by drafting Licences for Alterations free of charge. To date more than ten have been installed.



# Driving Change: D2RE's Initiatives And Strategies

## GREEN LEASES

### What is a Green Lease?

A lease with additional clauses included which provide for the management and improvement of the environmental performance of a building by both Owner and Occupier(s). They are legally binding with provisions that remain in place for the duration of its term.

### What is a Memorandum of Understanding?

A document, not legally binding, that typically provides a faster route to agreement than a green lease. It's a written agreement setting out how a building's environmental performance will be managed and improved.

### Why are they both important?

Because commercial buildings contribute significantly to the Channel Islands' energy and water consumption, waste generation and the impacts of accommodation re-fits and refurbishments.

### Why are they sometimes seen as contentious?

Because of a lack of understanding as to how they work and what they are seeking to achieve. Clients may be incorrectly advised not to consider a green lease or MoU for fear of the lease terms becoming onerous.

Based on an article published by the Better Buildings Partnership

# Social



## GENERATOR SET RECYCLING TO UKRAINE

An old generator from one of our sites in Guernsey was donated to a hospital in Ukraine. This significantly enhanced the hospital's electricity supply reliability and provided valuable support to its operations.

D2RE was supported by our supply chain partners in restoring the generator, co-ordinating its delivery, and for sanctioning its donation.

## BERESFORD STREET KITCHEN

Beresford Street Kitchen is a café and social enterprise providing training and employment for people with learning difficulties and/or autism.

Beresford Street Kitchen is a busy café, meeting point, and social hub located in St. Helier's bustling town centre. The D2RE team opened up receptions in three of our managed buildings to showcase their work and raise funds.



## POPPY SHOP IN ST HELIER

With the generosity of one of D2RE's Clients, coupled with the hard work of one of D2RE's Surveyors, we were pleased to facilitate the creation of a Poppy Shop in St Helier.

Poppy Shops are a major part of The Royal British Legion's fundraising efforts. D2RE are pleased to assist them in their work in supporting serving and ex-serving personnel all year round.

## RUGBY

D2RE is proud to have had two members of the team play in the Siam Cup (the second-oldest rugby trophy in the world).

D2RE have supported Evan Whitson and Charlie Davies throughout their respective seasons with Jersey Rugby Club and Guernsey Raiders.



## JERSEY AND GUERNSEY MARATHON

As a corporate team working together to take on the Relay Race, D2RE is proud to have participated in this fantastic event in both islands.

# Governance

**D2RE adopts a responsible and ethical approach to all areas of statutory compliance including health, safety and environmental and preventing and detecting financial crime.**

**D2RE is regulated by the RICS, Jersey Financial Services Commission (JFSC) and Guernsey Financial Services Commission (GFSC).**

In respect of health safety and environmental compliance the Board regularly review its strategy and policy. On a monthly basis members of the Board meet with the Property Management team to review performance against targets. A formal written review is submitted to the Board for consideration on a quarterly basis.

In addressing its financial crime exposure, the Board conduct and record a business risk assessment. With the support of its risk committee, D2RE considers, on an ongoing basis, its risk appetite and the extent of its exposure to financial crime risks by reference to the following four key areas:

- **Organisational structure**
- **Customers**  
(including countries and territories connected to customers)
- **Services**
- **How those services get delivered**

In support of its business risk assessment, D2RE has established a formal strategy to counter financial crime.

Considering the business risk assessment and strategy conclusions, the Board organises, controls, and has implemented adequate and effective systems and controls (including policies and procedures) within its "three lines of defence".

## **1ST LINE OF DEFENCE OPERATIONAL MANAGEMENT**

– **establishing policies and procedures that give employees ownership of risk management**

## **2ND LINE OF DEFENCE RISK MANAGEMENT AND COMPLIANCE**

– **building a compliance function to interpret rules, provide training and advise the business**

## **3RD LINE OF DEFENCE - AUDIT**

– **use of a third party auditor to uncover any governance issues and avoid surprises**

D2RE has recruited an independent regulatory consulting firm to support its second line of defence and audit testing the above statements on an ongoing basis through its third line of defence. This is in relation to our systems, controls, and risk approach.



# SUSTAINABLE DEVELOPMENT GOALS

Our regulator, RICS, as a participant of the UN Global Compact - the world's largest corporate sustainability initiative - is committed to supporting delivery of the UN's 17 Sustainable Development Goals (SDGs) in the land, construction, real estate and infrastructure sectors.

RICS have translated the Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption into the property sector's language so their professionals can implement the goals into direct actions.



To find out how we can support your real estate strategy in respect of ESG initiatives please contact the team:

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Local market experts  
with a global mindset



An alliance member of  
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