

# Carbon Offset Strategy

2021



GROSVENOR

**Definitions**

We align to the industry recognised definitions from the Science Based Targets initiative.

As these definitions evolve, we will update our strategy accordingly.

**Net Zero Carbon** requires emission reduction pathways that limit warming to 1.5°C. Companies must also neutralise the impact of any residual emissions by permanently removing an equivalent amount of atmospheric carbon dioxide.

**A Climate Positive Approach** to net zero provides an opportunity for companies to contribute to the broader social and environmental agenda via bringing forward compensation offsets as part of their net zero journey, to accelerate society's net zero transition beyond their value chain.

**Carbon Neutral** is where the sum of the greenhouse gas emissions (CO<sub>2</sub>e) produced is offset by natural carbon sinks and/or carbon credits.

# Foreword



Globally, emissions need to be cut by more than half by 2030 if we're going to stand any chance of meeting the Paris Agreement target of limiting global warming to 1.5 degrees.

To make that happen, we need to use every tool at our disposal. We must reduce emissions as fast as possible and also take responsibility for the emissions we, and our value chain, produce today. And that means offsetting.

We are going to be just as radical about offsetting as we are about emissions reduction and this strategy commits us to become carbon neutral across all scopes in 2025 – five years earlier than planned.

While the offset market is still maturing, we do not see this as a reason to wait until 2030 to act. Planned and governed well, carbon offsets are a robust and measurable way for us to take responsibility for our footprint.

Acting early also makes good commercial sense, enabling us to build effective long-term partnerships and invest intelligently in future carbon removal technologies, reducing the risks associated with a nascent and rapidly evolving market.

So while we ramp up our efforts to reduce emissions in our buildings, developments and value chain, we'll fast-track the benefits of our offset investments.

I genuinely want this strategy to help others in our industry take similar steps in addressing their own impact.

So as always, we will share our progress openly and encourage others to join us on a journey that could not just reduce but remove the environmental impact of the built environment sector.

**James Raynor**  
CEO, Grosvenor Britain & Ireland





*Reducing emissions is our number one priority*

# Our net zero carbon pathway



Our Net Zero Carbon Pathway (NZCP) takes full responsibility for the carbon emissions associated both with our direct activities (scope 1 & 2), as well as our indirect activities including our value chain (scope 3).

As a business, emissions reduction is our priority. Between 2019 and 2030 we will deliver a minimum 52% absolute reduction in carbon emissions, a trajectory which is approved by the Science Based Targets initiative and in line with limiting global warming to 1.5°C.

Our pathway focuses on 3 key areas, reducing our emissions, maximising renewable energy production, and offsetting the remainder of our carbon emissions.

Our carbon offsetting strategy is therefore the final piece of our net zero journey. It will allow us to create a positive impact far beyond the boundaries of our operations and our supply chain. It will demonstrate climate leadership beyond the built environment sector and help instigate corporate change at a level demanded by the climate emergency.



# Our Pathway to net zero

**59.1k**  
tonnes CO<sub>2</sub>e



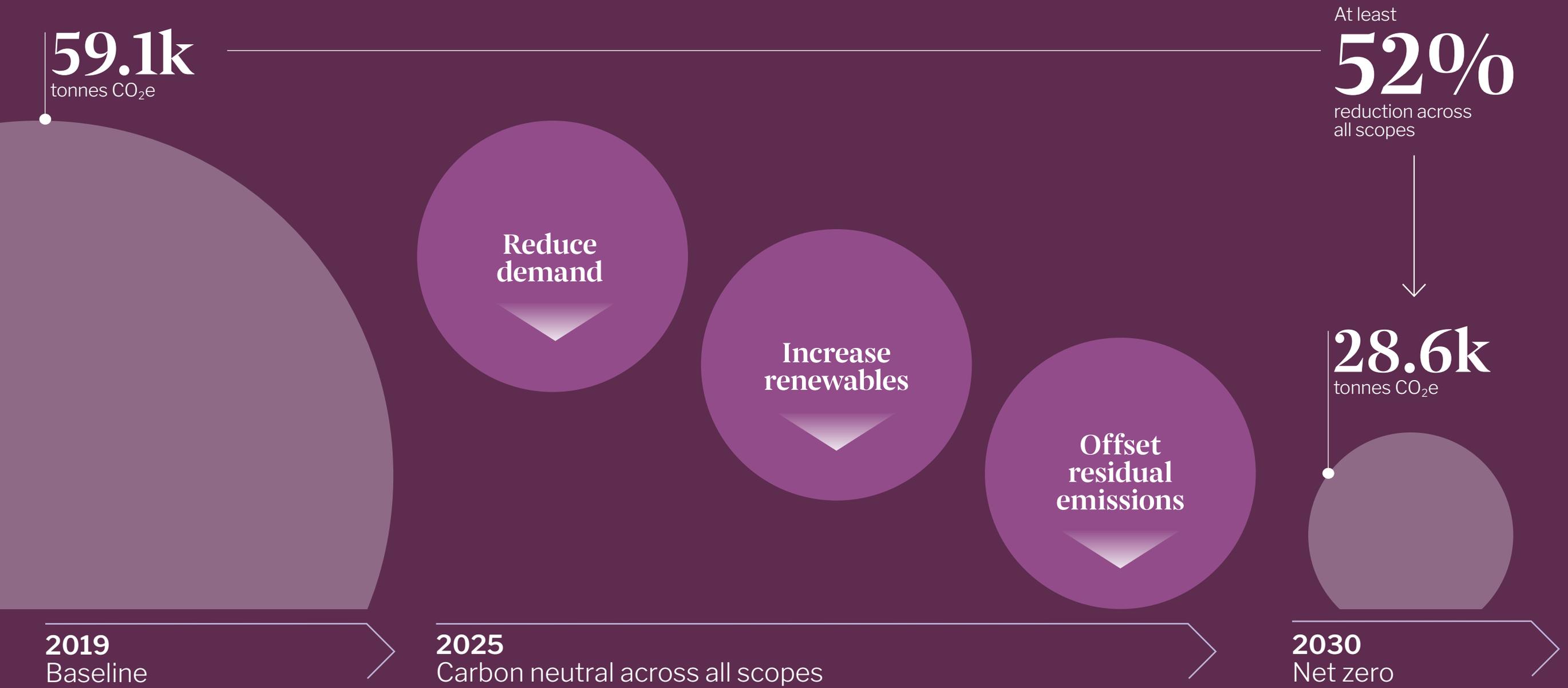
At least  
**520%**  
reduction across  
all scopes

**28.6k**  
tonnes CO<sub>2</sub>e

**2019**  
Baseline

**2025**  
Carbon neutral across all scopes

**2030**  
Net zero



# What is carbon offsetting?



Carbon offsetting is an invaluable tool to help the global economy decarbonise by providing direct private financing to climate-action projects that would not otherwise be deliverable.

It allows individuals and companies to invest in environmental projects around the world which reduce carbon dioxide in the atmosphere, to negate their own carbon footprints.

The voluntary carbon market (VCM) is fragmented and poorly regulated. This means that there is a wide range in the quality and cost of carbon offsets available.

A low-quality offset may not realise the stated carbon emission reduction offered, may be double counted, and have no environmental or social co-benefits such as biodiversity protection, pollution prevention, public-health improvements, and job creation.

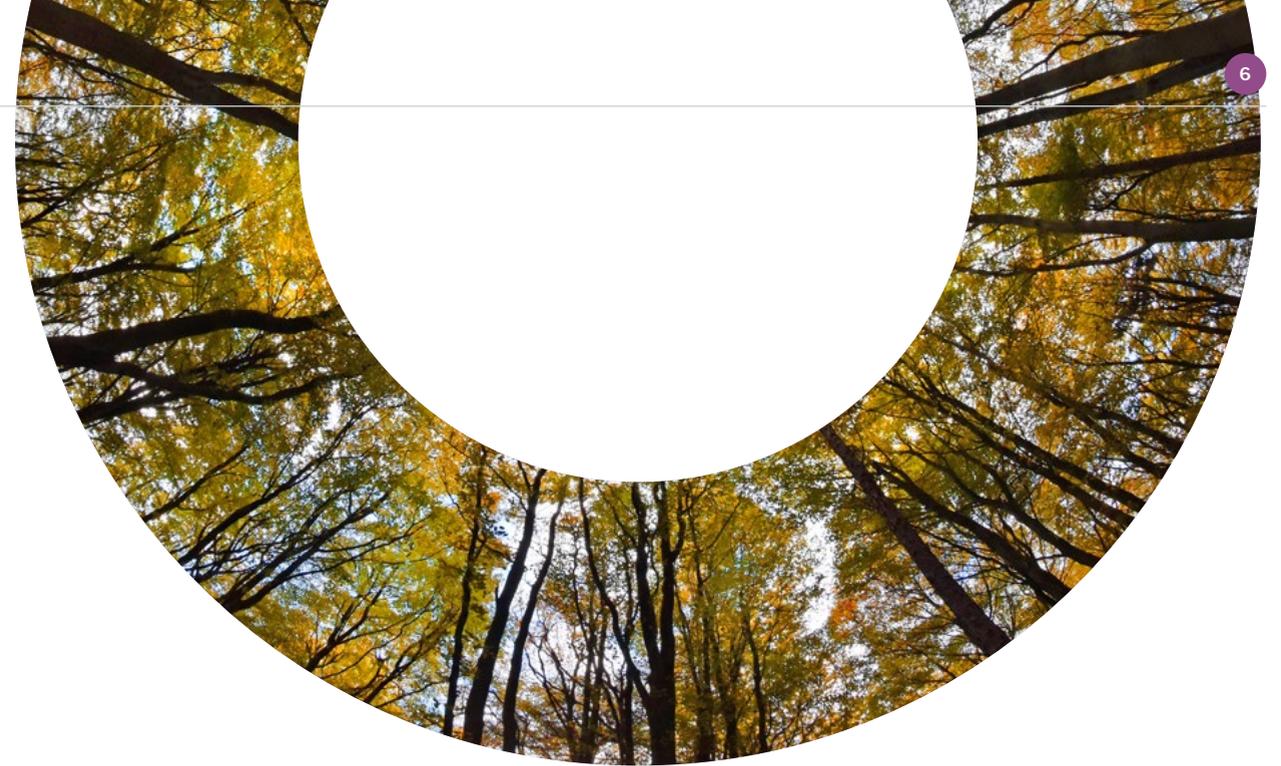
A high-quality offset on the other hand will be accurately calculated and verified, it will be provided by a reputable source, and create significant social or environmental co-benefits. A high-quality offset will tend to have a cost premium on the open market.

The Taskforce on Scaling Voluntary Carbon Markets, spearheaded by Mark Carney, former Governor of the Bank of England and convener of the Financial Stability Board's

*Carbon offsetting is an invaluable tool to help the global economy decarbonise*

Task Force on Climate-Related Financial Disclosures, estimates that global Voluntary Carbon Markets must grow 15-fold by 2030 and 100-fold by 2050 to meet the carbon reduction targets outlined in the Paris Agreement.

With this growth in the market there is also expected to be a sharp rise in carbon offset prices traded on the market, and therefore entering the market and creating partnerships now will allow us to more accurately forecast the price to offset in the future.



# Different types of carbon offsets



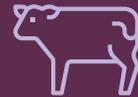
There are different types of carbon offsets, and adhering to The Oxford Principles for Net Zero Aligned Carbon Offsetting these can be organised into the following three categories.

All have an important part to play in carbon offsetting, however some provide a more permanent solution to carbon removal and are therefore considered the long-term solution to carbon offsetting.

Due to the nascent nature of the market, partnering with organisations helping to enhance the regulation and compliance within the market (and in doing so increase trust in offsetting) is a vital part of responsible offsetting and the transition to a low carbon economy.



Renewable projects



Animal management



Forest fire prevention



Clean cookstoves



Deforestation prevention

Emissions reductions with short-lived storage



Reforestation



Soil carbon enhancement



Ecosystem restoration

Carbon removal with short-lived storage



Carbon capture and storage

Emissions reductions and carbon removal with long-lived storage

# Our offset strategy



Rather than waiting until 2030 to begin our offsetting activities in earnest, we are accelerating our timeline by 5 years, and becoming carbon neutral across our entire carbon footprint by 2025. This is because we see our Carbon Offset Strategy as an opportunity to accelerate our transition to a low carbon economy and increase our climate ambitions.

It will help us both reduce the environmental impact of our operations, as well as reduce risk to the business.

Importantly it also provides an opportunity to enter long term partnerships now, as well as help the UK's low carbon transition by investing in nascent technologies.

In the first year of delivering our NZCP and engaging with our suppliers and occupiers, we have seen that there is an appetite for swifter action in tackling the climate emergency. Significant steps on our pathway to 2030 will help engage our value chain and encourage others on this journey.

This year, we will offset all of our corporate emissions (emissions from our direct corporate activities and offices) and commit to all new developments to be net zero carbon as a key step to achieving carbon neutrality.

We are taking responsibility for our actions and seeking to mitigate their impact now, whilst achieving our absolute emissions reduction target, in order to have the maximum impact.

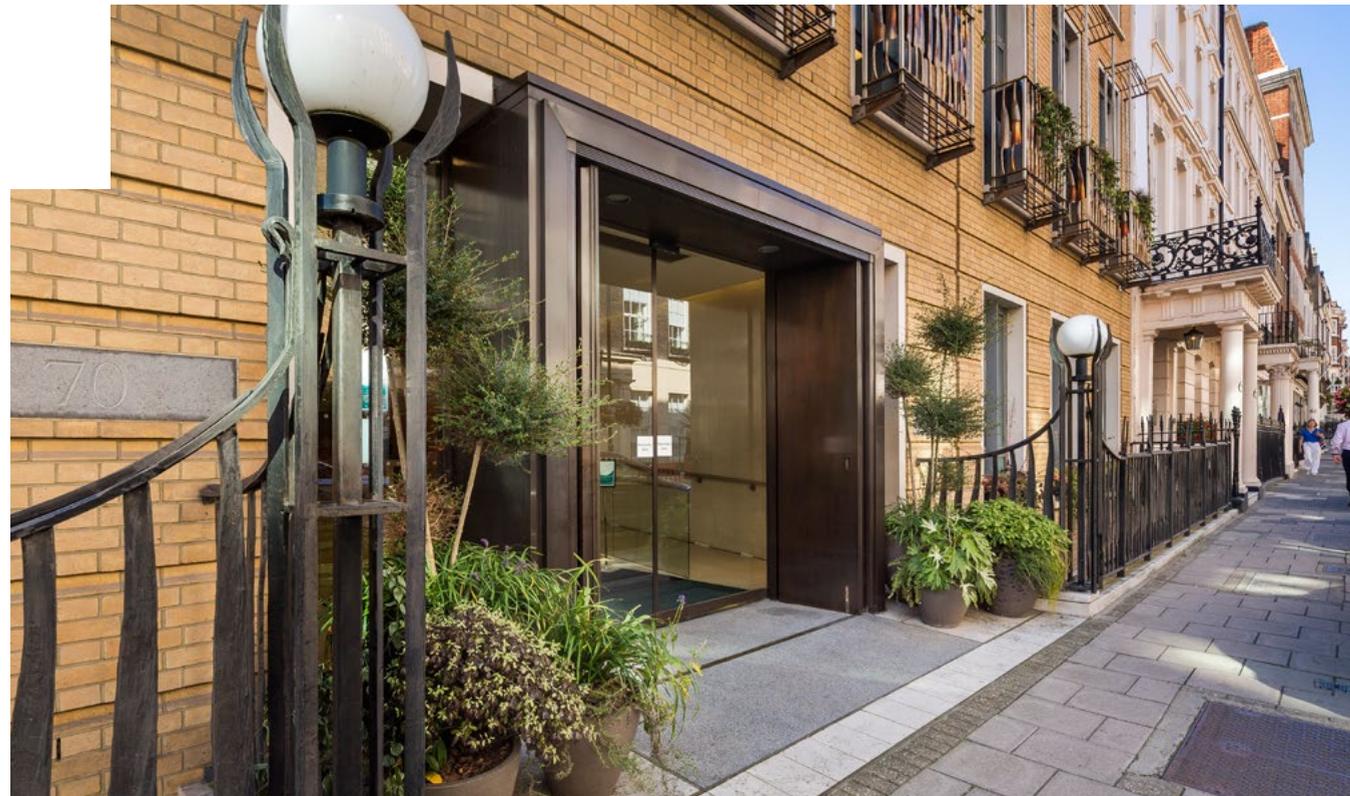
*We'll become carbon neutral across all scopes by 2025*



From 2021, all new developments, will be net zero carbon on completion



We'll also offset all corporate emissions from 2021 including energy from our direct activities and offices





This chart shows how our offset strategy aligns to our absolute emissions reduction commitment and commits us to:

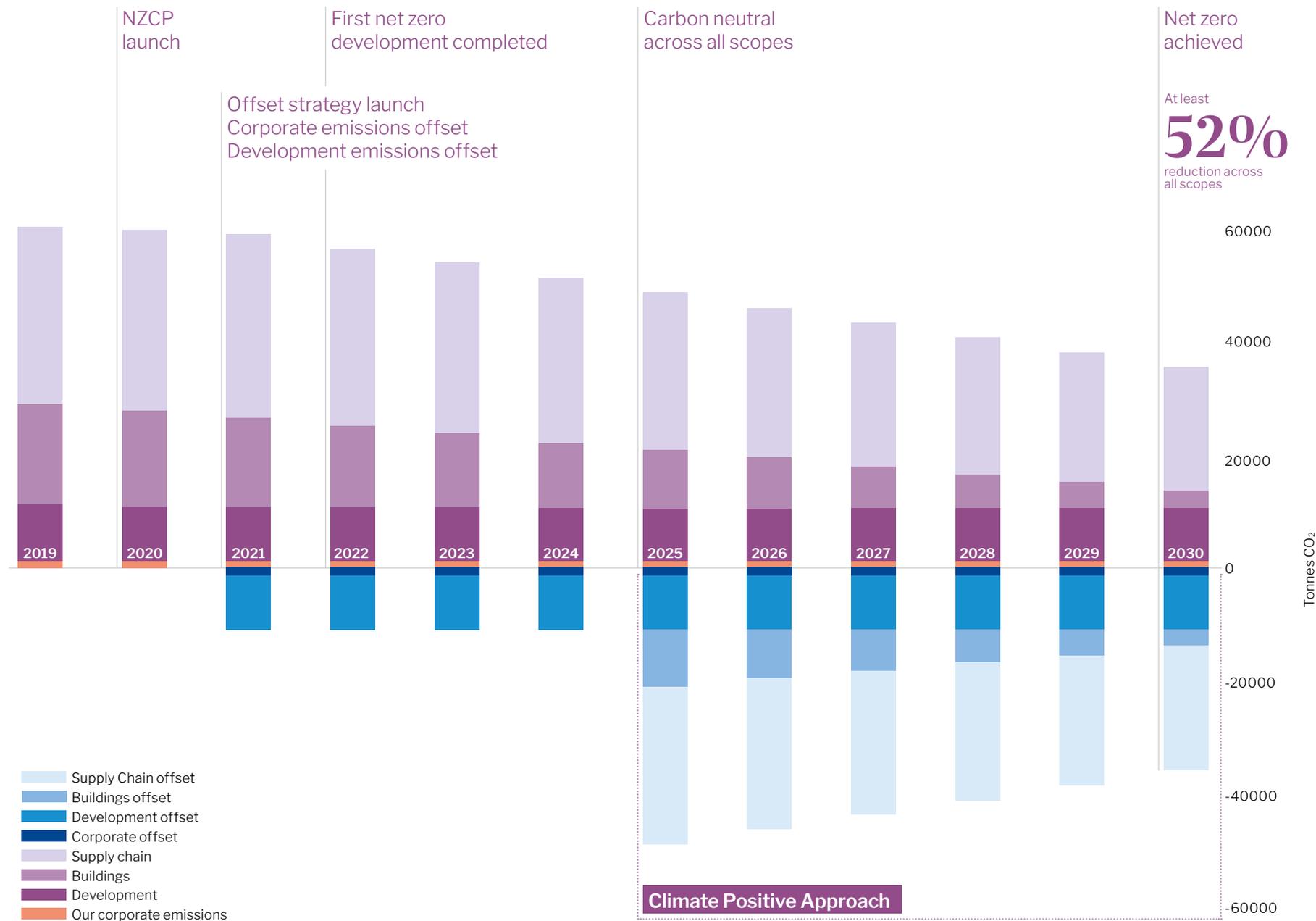
- From 2021 we will be carbon neutral for our corporate emissions.
- From 2021 all new development projects will be net zero. Where possible all in-flight projects will be upgraded to net zero, and as a minimum become carbon neutral.
- By 2025 we will be carbon neutral across all our direct (scope 1 & 2) and indirect (scope 3) activities.
- By 2030, as we continue our decarbonisation trajectory, reducing our absolute emissions by over 52%, we will achieve net zero carbon across our entire activities.

Furthermore, we will invest in VC funds and directly in businesses that will accelerate the transition towards a low carbon economy.

This combination of activities means that we are taking a **Climate Positive approach** with our carbon offsetting ambition. Our approach plays a critical role in accelerating the transition to net zero as it addresses the need for absolute carbon reduction whilst also supporting carbon offsetting via reduction and removal activities through significant offsetting investment.

Footnotes for chart

1. This chart is based on our net zero pathway with development activity averaged over the period. Our actual pathway will look different depending on our development pipeline
2. The bar for 2020 represents our pathway, rather than actual 2020 emissions



*Offsetting early will enable us to focus on long term high quality opportunities and partnerships which will have the greatest impact*

#### **What we expect from our offsets**

To ensure our strategy results in the development of high-quality offsets, we have set a number of requirements to help guide our decision making. Our offsets will be:

- Verifiable and robust (with no double-counting or poorly calculate emission potential).
- They must prove the additional emissions reductions or carbon removal they have created (i.e., accurate and realised).
- There will be co-benefits, including a positive social or broader environmental impact.
- They will champion innovation (i.e., through supporting technology, delivery or reporting).
- They will be sourced from partners with integrity who align with our values.

#### **We have three core pillars to our carbon offset strategy:**

##### **Do it now**

Why it's important to act now and what we are already doing

##### **A collaborative approach**

How we plan on engaging with key stakeholders to deliver our ambition

##### **Invest in a low carbon future**

How we are thinking long-term in our ambition to deliver an innovative range of different offsetting opportunities

There are six reasons why we have decided to act now, and create a climate positive approach:

1. **We have less than a decade to get this right and only rapid and drastic reductions in greenhouse gases will prevent a climate breakdown.** Our absolute emission reductions form part of the solution, however we also need to begin offsetting. For Grosvenor Britain & Ireland to operate with integrity, respect and trust, we are taking a stance to no longer have a negative impact on the climate.

2. As long-term stewards of the communities in which we operate, we need to ensure that through our business approach **we will make our communities ready for a low carbon future.** Helping our tenants and wider community both to reduce their impact and offset residual emissions will help de-risk their business in the future.

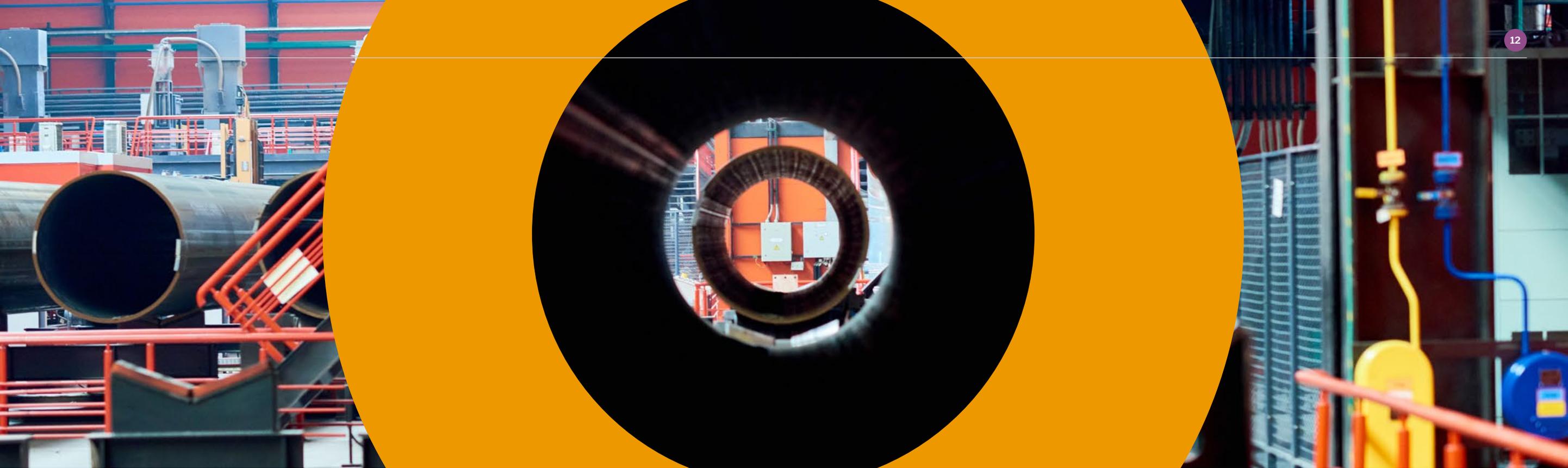
3. We work with some of the hardest to abate industries, notably concrete and steel with our development pipeline. **Through investment we will support the development of low-carbon and zero-carbon construction materials** and support carbon capture and storage for these industries.

4. We see the voluntary carbon market as nascent and there are financial opportunities to enter the market now, and invest in long term opportunities. **Early action will also help build maturity and trust in the voluntary carbon market.**

5. **In a quickly evolving market, there is a significant risk in waiting to offset,** both from price variability, as well as demand side risk with an increasing number of corporates looking to enter the market towards 2030. We predict there will be a challenge in finding high-quality robust offsets in the congested market if we wait until 2030.

6. By showing our supply chain and tenants there is a business case for offsetting as part of our net zero journey, **we will help to shape demand in the market for carbon offsetting.** This will accelerate the industry on its net zero journey and enhance the ambitions of our value chain in taking responsibility for their actions.

# Do it now



## What are we already doing?

We have already started on this journey, with some examples of our activities on the right. We will build upon these foundations as we further develop our offsetting approach.



A new approach to supply chain engagement on steel use and design is showing promising potential carbon, programme and cost savings.

### UKGBC Advancing Net Zero programme

We are founding partners of the Advancing Net Zero programme, and support the development of their definitions of net zero for buildings, including offset criteria.

### Net Zero masterplan pilot

A pilot on our Trumpington South development scheme looks at the embodied carbon of a residential masterplan, and the offset needs to achieve net zero.

### SteelZero

We are founding signatories of SteelZero and we are piloting their supply chain engagement advice on our South Molton Triangle development, which requires 3,000 tonnes of steel.

### Carbon neutral materials

We are using low carbon products on several of our construction sites to negate offsetting - such as low-carbon cement, cemfree.

### Creating our own carbon offsets

Grosvenor's rural estates team have already planted enough trees to create 1,000t worth of annual carbon offsets, and plan to expand this significantly.

### Delivering our ambitions on our projects

We have launched our first net zero development project at Holbein Gardens which is due to complete in 2022.

We are maximizing the opportunities to address our direct impacts. However, due to the nature of our operations, the indirect impacts from our value chain make up 94% of our emissions between now and 2030.

As our net zero carbon pathway takes full account of both our direct and indirect impacts, it is clear that we cannot address this challenge alone. A key part of our offset strategy is engagement and collaboration with our partners. We see there is real value in being clear with our stakeholders in what this strategy means to them, and why it is so important.

# A collaborative approach

This table shows some of the measures in place to help engage our stakeholders and drive change across our value chain. Our partners are critical to our success, and we hope our strategy will also help them transition to a low carbon future.

|  | What we will do  | Why it's important  |
|--|--|---|
| <b>Our corporate emissions</b>   | <p>Become carbon neutral from 2021.</p> <p>Develop tools to support our employees.</p>   | To be operating as carbon neutral and help the industry transition to a low carbon future.        |
| <b>Our buildings</b>   | <p>Provide tools to reduce barriers to offsetting for our tenants so they can offset their emissions.</p> <p>Continue working with tenants through Green Leases and our Tenant Forum.</p>  | Support tenants in their net zero transition and share learnings for the benefit of the industry. |
| <b>Our developments</b>  | <p>Deliver net zero new developments with embodied carbon under 500kg/m<sup>2</sup>.</p> <p>Promote retrofitting over new build.</p> <p>Promote carbon neutral and carbon negative materials.</p>  | Continue to support low-carbon construction materials and promote circular economy principles.    |
| <b>Our supply chain</b>  | <p>Ensure a minimum of 25% of suppliers have a Science Based Target by 2025, rising to 40% by 2030.</p> <p>Aim for all new contracts over £1m from 2023 to be with a supplier with a Science Based Target.</p> <p>All suppliers with a contract value over £0.5m are required to report their emissions.</p> <p>Provide tools to reduce barriers and provide vehicles for suppliers.</p> | Give the market a clear steer of the demand for carbon neutral and net zero suppliers.            |
| <b>Industry partners</b><br>UK Green Building Society (UKGBC)<br>Better Building Partnership (BBP) | Engage to promote sector leadership for earlier commitments to carbon reduction and offsetting.  | Raise the profile and urgency for offsetting within the Built Environment sector.                 |
| <b>Government</b><br>(i.e. Local Authorities,<br>National Government)                              | Lobby Government and support the ambition for improving the voluntary carbon market, and corporate offsetting requirements.  | Government action is essential for the transformative change that is required.                    |
| <b>JV partners</b>   | Ensure our partners support the delivery of our offsetting strategy.   | Expand the reach of strategy across all our partners.   |

To help mitigate risk in the offset market, we will explore a range of opportunities to enter the market.

Using multiple offset delivery methods will ensure that we are not fully dependent on one solution, or one provider. This will allow us to better understand market fluctuations in the coming years and find the best quality and value in the market.

We are taking a long-term view on our offsetting requirements and will champion nature-based solutions to provide short to medium term offsetting requirements, as well as support the development of the technological solutions such as carbon capture and storage that are required in the long term.

# Invest in a low carbon future

# Routes to offsetting

## Opportunities within our Group

### What we are doing

Grosvenor Estate have rural landholdings in the UK with the potential for tree planting, peatland restoration and other land management offset opportunities. Here, over 1,000t of CO<sub>2</sub> per year of carbon offsets have already been approved by the Woodland Carbon Code, with many more planned.

### Why

We are maximising the opportunities within our current portfolio for the benefit of tackling climate change. We will be able to accurately monitor their performance and ensure the savings have been realised.

## Investing in long term solutions

We will invest in VC funds and directly in businesses that will accelerate the transition towards a low carbon economy.

This includes the opportunity to pursue direct investment in businesses delivering innovative, high quality carbon capture & storage solutions that can be relevant to our business activities i.e. steel and concrete manufacturing processes.

We are also looking at UK based renewable energy projects to bring additional renewable electricity supply to the grid, and reduce the amount we would be required to offset.

Innovation is key in delivering the technological solutions needed to avert a climate breakdown, and we see great potential for long term investment. Investing will give us access to better offsetting rates in the long term and the potential to generate financial returns through their business growth.

## Buying on the open market

We are in discussion with a number of offset providers to enter long term partnerships to support the development of innovative, and robust approaches to offsetting.

This will help provide offsets both in the near term, but also show a long-term commitment to the voluntary carbon market.

Developing relationships early ensures consistency and builds trust and transparency.

←  
Peat land restoration undertaken by Grosvenor Group at Abbeystead, Lancashire

# Finance, governance & reporting

## The cost of offsetting

We have analysed the current VCM and modelled projected costs. The current cost of a high-quality carbon offset in today's market is £20 per tonne, we project this will rise to £40 by 2030. However, with significant market volatility, prices could range from £20 to over £85 per tonne by 2030.

With such uncertainty, there is a high financial risk in waiting to enter the market in 2030. Our approach should help minimise this uncertainty, while maximising our impact in tackling the climate crisis.

*We will revisit our strategy annually to ensure that it aligns with the latest best practice guidance.*

## Governance and reporting

Our offset strategy will be governed by an internal Carbon Offsetting Steering Group. This Group will contain representatives from key parts of the sustainability and finance functions. This Group will report directly into Grosvenor Britain & Ireland's CEO due to its business-critical role in delivering a transparent and robust offset strategy.

Our offset investments and progress towards carbon neutrality, net zero and ultimately becoming a climate positive business will be reported on annually.

This will ensure transparency and accountability as well as offer us the opportunity to share our learnings with our peers and the wider industry. As we develop our offsetting strategy, we will partner with a third party to enhance the accountability and transparency of our actions, while ensuring our approach is robust and progressive.

We have aligned our work with the following organisations to ensure that our approach is credible. We expect significant change in the offset market in the near future as

it matures, and we will revisit our strategy annually to ensure that it aligns with the latest best practice guidance.

### University of Oxford Principles

We have aligned with the definitions of a good quality offset, and our long-term approach focuses on a move to removal offsets with long term storage.

### Science Based Targets initiative

We have aligned our approach with the SBTi definition of a Climate Positive decarbonisation approach.

Our absolute emissions reduction target is approved by the SBTi. We are also signatories of the Race to Zero. With the upcoming launch of SBTi's Net Zero Standard for Corporates, we will assess the implications of this on our NZCP in 2022.

### UKGBC

We are partners of the Advancing Net Zero programme and align to the UKGBC's definition of a Net Zero Building. We also adhere to their guide to offsetting and renewable energy procurement.

# What happens next?

Over the course of the next 12 months we will deliver against the following key steps.

- 1.** Confirm an industry partner to support with the development and transparency of our offsetting strategy.
- 2.** Appoint our first long-term carbon offset provider.
- 3.** Procure high quality offsets through our industry partner for our first net zero development at Holbein Gardens, and share lessons learnt.
- 4.** Verify Grosvenor Britain & Ireland's direct emissions for 2021 and offset their impact.
- 5.** Develop an offsetting tool for Grosvenor Britain & Ireland's employees.
- 6.** Communicate our activities to enhance transparency and learnings.



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