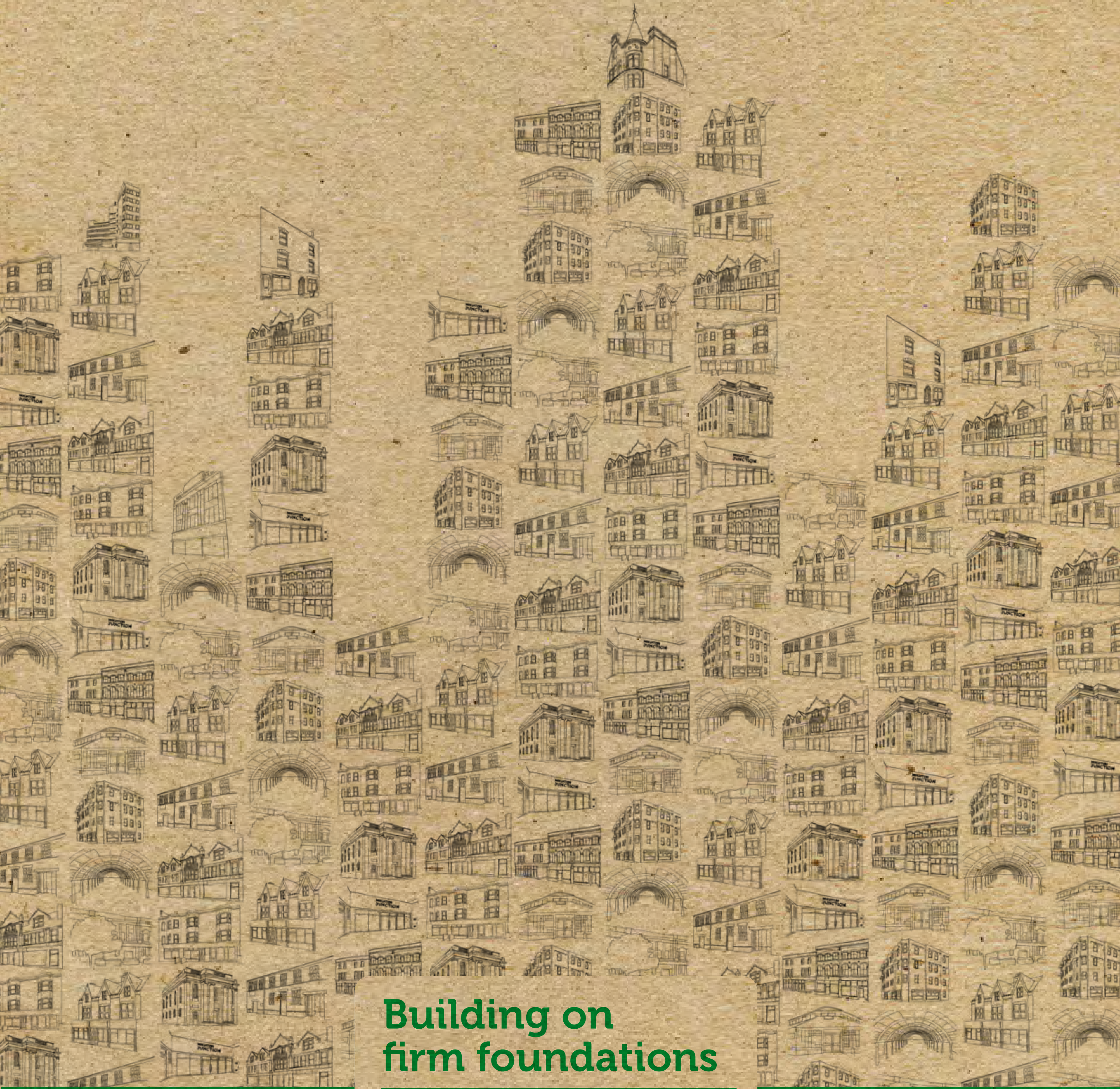
ethical PROPERTY
INVESTING IN SOCIAL CHANGE

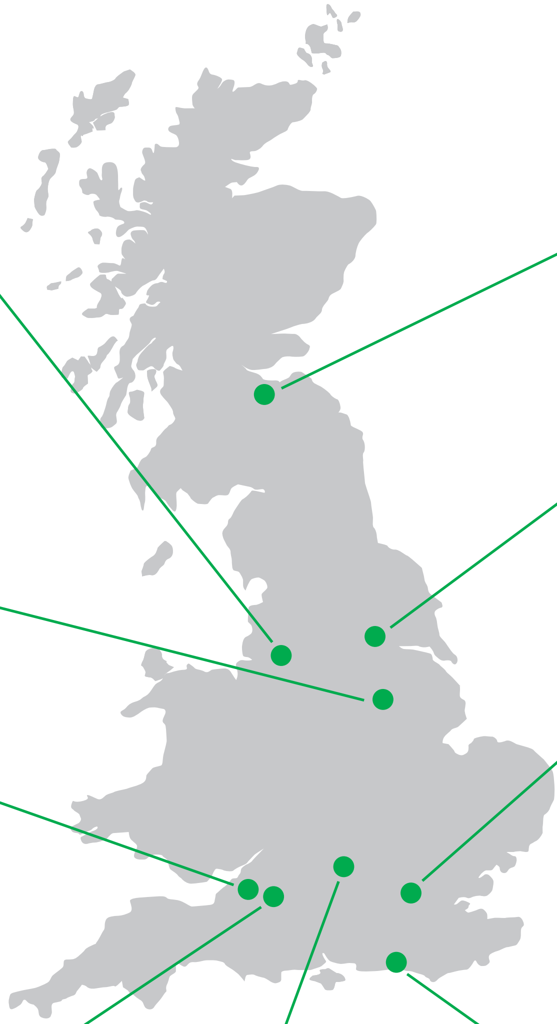
Supplement



Building on firm foundations

Ethical Property Company
Annual Report 2012/13

Our centres



Manchester

- Green Fish Resource Centre

Edinburgh

- Thorn House

Leeds

- Roundhay Road Resource Centre

Sheffield

- Scotia Works

Bristol

- Brunswick Court
- Colston Street Centre
- Picton Street Centre

Managed centres:
- The Unitarian Chapel
- St. Michael's Parish Hall
- SNAP Studios

London

- Archway Resource Centre
- Development House, Old Street
- Durham Road Resource Centre
- Grayston Centre, Old Street

Managed centre:
- Resource for London, Holloway

In development:
- The Foundry, Vauxhall

Bath

- Green Park Station

Managed centre:
- Friends Meeting House

Oxford

- The Old Music Hall

Brighton

- Brighton Eco-centre
- Brighton Junction

Managed centre:
- Brighton Community Base
- Brighton Open Market

This document

Having produced a traditional Annual Report since 1998, 2012/2013 marks the second year that we have taken advantage of the flexibility offered by digital media to make changes to the format of our social and environmental reporting.

To make these sections of the Annual Report more accessible and engaging, we have used the main printed report to present an overview of our performance including in depth financial analysis, whilst publishing more detailed social and environmental data and technical explanations in this supplement.

We hope that this approach will encourage more people to take an interest in our reporting whilst enabling us to improve our transparency by ensuring that our claims are fully supported by data. It will also save money and resources by using less paper and making the printed document less bulky to distribute.

Social performance

As a company driven by values as well as profit, it is a fundamental principle that we should only engage in business activities which have a positive impact on society. We seek to achieve this by:

1. Working with organisations that aim to create a more equal society or to protect the environment
2. Providing good value premises and supportive property management services to such organisations
3. Contributing to local economies in areas of deprivation
4. Being an ethical employer
5. Being fair, honest and transparent with all our stakeholders.

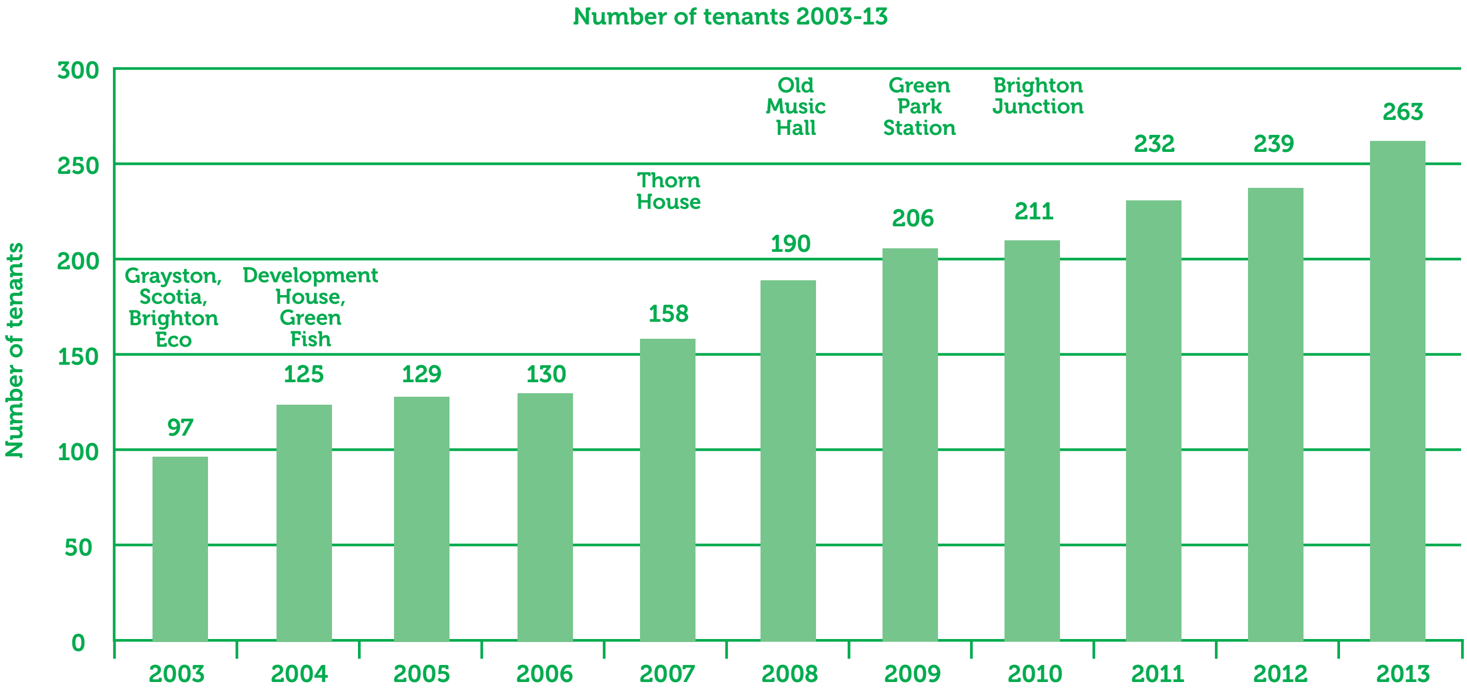
Here we set out in more detail how we fulfil each of these objectives.

Our tenants

At the end of the financial year, our 15 owned centres provided office or retail space for 263 tenants. Tenant turnover during the year is summarised in the table below.

Tenant numbers	2013	2012
Full-time tenants	256	231
Part-time desk tenants	7	8
Total tenants	**263**	**239**
Net increase from previous year:	24	7
Represented by:		
Tenants moving in:	84	57
Tenants moving out:	60	50
Tenants increasing space during the year	20	21
Tenants decreasing space during the year	15	13

The chart below shows the steady increase in our tenant numbers over the last 10 years, with a note of the new buildings we have opened during the period. What is particularly notable is the growth over the last four years, despite the size of our building portfolio having remained unchanged since 2010.



The growth in tenant numbers reflects a trend of increasing demand for smaller office spaces and this year can largely be attributed to three factors:

- We have had particular success this year in marketing our single desk spaces in Brighton Junction and The Old Music Hall, as a result of increased focus on this area by our expanded Sales and Marketing Team. In these two buildings we now have 28 desk users, compared with 12 last year.
- Two large offices in Brunswick Court which housed one tenant each have been reconfigured and now provide space for six smaller organisations.
- A five year government-funded drugs project in The Old Music Hall came to an end in June this year, releasing about 40% of the building – we have filled most of this space almost immediately with five new tenants.

We believe that the tendency towards smaller offices is at least partly the result of the current financial climate for the social and voluntary sector – many organisations have had to reduce staff numbers and/or use their space more efficiently. Although the reasons for this are regrettable, we are pleased that we have been able to respond to the sector's changing needs by adapting what we offer.

Organisation type

This year, for the first time, fewer than half our tenants were registered charities, with a further 12% being other types of not-for-profit organisation. Although the absolute number of charity tenants has remained very steady over the past five years, as tenant numbers have increased we have seen much more growth in other sectors, particularly trading organisations. These are businesses working in the social sector, such as consultancies and service providers, or small local businesses. We have seen particular growth in the latter category in our desk spaces in Brighton and Oxford. These are particularly attractive to small, start-up enterprises and lone workers such as writers, consultants and researchers.

Organisation type	2013	2012
Charity	127 (48%)	126 (53%)
Other not-for-profit	31 (12%)	29 (12%)
Public body	1 (<1%)	0
Community Interest Company	2 (1%)	1 (0.4%)
Trading organisation	99 (38%)	80 (33.3%)
Political party	3 (1%)	3 (1%)
Total	**263**	**239**

Area of work

Our tenants' work covered a wide variety of activities, as the following table indicates (though several organisations could be seen as fitting into more than one category).

Area of work	Number of tenants in September 2013	% of tenants
Civil rights	5	2%
Community arts	14	5%
Community development in the UK	11	4%
Environment	39	15%
Ethical finance	2	1%
Global justice	10	4%
Health	36	14%
Homelessness	5	2%
Human rights	16	6%
International development	23	9%
Local business	31	12%
Mainstream business	1	0%
Organisational support	47	18%
Peace and conflict resolution	12	5%
Refugee and ethnic minority issues	7	3%
Women's rights	4	2%
Total	**263**	100%

Size of organisation

We usually measure the size of our tenants by looking at their annual income as represented by their turnover. We strive to keep our services accessible to smaller organisations by making a variety of spaces available and by offering single desks and part-time desks on very flexible terms.

Targets:

- **At least 20% of tenants with an income of less than £50,000 a year**
- **At least 75% of tenants with an income of less than £500,000 a year**

The table below shows the annual income of the tenants responding to our tenant survey this year.

Annual income (turnover) of tenants

	Respondents	
Annual income	Number	%
£0-£50K	29	23%
£50K-£500K	66	53%
£500K+	29	23%
Total	124	100%

Ethical criteria for tenancy

Before offering space in one of our centres, we check that the potential tenant meets our ethical criteria, which are set out in *the Quintessentials*.[1] During the year we turned down space enquiries from nine organisations because they did not meet these criteria, for instance because they were a global business or a missionary religious group.

Our buildings and services

We aim to:

- Provide our tenants with well-resourced and professionally managed office or retail space in convenient locations
- Set charges which are affordable and good value
- Grant leases or licences on terms that are fair and supportive to our tenants
- Encourage collaboration and resource sharing between our tenants

Our primary means of assessing the extent to which we are achieving our aims in this area is our annual Tenant Satisfaction Survey - see page 5 for more information.

[1] www.ethicalproperty.co.uk/ourquintessentials

What our centres offer

We aim to provide our tenants with excellent quality work-space in pleasant, well-managed and well-maintained buildings and to support them through efficient services and facilities which leave them free to focus on their own core activities without the distractions of building management.

87% of respondents reported that being in an Ethical Property Centre had a positive or very positive impact in terms of fulfilling their strategic objectives. As in previous years, the location of the centres, the ethos of Ethical Property and the presence of like-minded organisations were seen as particularly positive factors. 81% were positive or very positive about its impact on their day-to-day operations.

Overall, the average satisfaction score for all our buildings was 3.8 on a scale of 1 to 5, where 1 is Very Dissatisfied and 5 is Very Satisfied. This was the same as last year and there were no significant changes in satisfaction levels with any particular areas of our work, as the summary on page 5 shows. We had hoped to increase satisfaction with communal facilities and internal decorations this year, but the timing of the planned improvements was such that most of them took place after the Tenant Survey was completed, although still within the financial year. The improvements that we have undertaken are described on page 12 of the main Annual Report.

Affordability and value

We review our tenants' charges annually, balancing the costs we have to meet against the need to keep our prices competitive and affordable. This continues to be very difficult in some cities, because of the precarious funding position of many of our tenants and the highly competitive rental market. A number of the 60 organisations that moved out during the year did so because of financial difficulties and/or the availability of cheaper premises elsewhere. However, 84 new tenants moved in during the year.

It is disappointing that only 67% of survey respondents felt that our charges represented good value for money and 28% were neutral on this question, compared with 73% and 22% last year. However, only 6% (8 respondents) found them poor value.

The 'Rent Hardship Fund' is a grant scheme funded from shareholders' waived dividends and designed to help tenants with short-term funding difficulties. Grants totalling £12,142 were made to six tenants during the year. More information on dividend waivers is given in the Making Waives section of the Annual Report.

Supportive lease terms

Whilst our leases and licences have to include many standard legal provisions protecting the company's position as landlord, we nevertheless aim to be as supportive to our tenants as possible, recognising their particular need for flexibility and predictability of charges. We have again scored highly in this area, with all aspects having an average satisfaction rating above 4 out of 5.

Collaboration and resource sharing

84% of respondents reported that the presence of like-minded organisations in their centre had a positive or very positive impact on fulfilling their strategic objectives. However, as we reflected in last year's report, in many of our centres formal meetings or organised events are not particularly successful for capitalising on this, mostly because pressures of work prevent people from taking part. Only 32% of respondents felt that Tenant Meetings were useful for encouraging interaction between tenants and only 26% found specific networking events effective. For this reason, we have been putting more effort this year into alternative ways of encouraging networking, for example through social media. We also find that initiatives which have been started by tenants themselves tend to be the most fruitful because they spring directly from tenants' needs and interests, and we give several examples of this in the main Annual Report this year.

Overall tenant satisfaction

The two tables below show the average tenant satisfaction scores for all our centres, broken down by topic, and the average scores broken down by building. As last year, the overall satisfaction score across all centres is 3.8, just below our target score of 4. When looked at on an individual building basis, there is a small overall drop in satisfaction – the results are different between the two tables because the first one weights each individual respondent equally whilst the second gives equal weights to buildings, however many tenants or respondents they have. Operational management will place a significant focus over the next year into improving tenant satisfaction, across all of our buildings but particularly those where there have been falls in the score since last year. Attention will be paid to specific comments made by tenants to identify key areas of concern and address these.

[2] Note that the overall average by building can be different from the overall company-wide average reported in the previous table. This was the case in 2011, though not in 2012. A difference can occur because the company-wide figure is affected by the number of tenants in each building, whereas the average of building scores weights all the buildings equally, whatever the number of tenants in them.

Overall tenant satisfaction scores

Average tenant satisfaction scores across all centres	2013	2012	Change
Overall impact			
Overall impact on fulfilling strategic objectives	4.2	4.1	0.1
Support for day-to-day operations	4	3.9	0.1
Consistency of our practices with our stated values	3.8	3.9	0.1
Value for money	3.8	3.8	-
Lease terms	4.2	4.1	0.1
Support services			
Appearance of your centre (i.e. cleanliness, décor, signage in communal areas)	3.6	3.6	-
Communal facilities (e.g. kitchens, security, photocopiers)	3.6	3.6	-
Local management of the Centre	3.9	3.9	-
IT services	3.8	3.8	-
Finance Department	3.8	3.7	0.1
Moving in services (sales, admin, finance, IT, local support)	4.0	4.1	0.1
Communications and synergy			
Effectiveness of events to promote tenant networking	3.3	3.3	-
Effectiveness of Centre Management Group meetings	3.5	3.7	-0.2
Overall satisfaction score	**3.8**	**3.8**	**-**

Average satisfaction score by centre	2013	2012	Change
Brunswick Court, Bristol	4.2	4.0	0.2
Roundhay Road Resource Centre, Leeds	4.1	4.1	-
Scotia Works, Sheffield	4.1	4.0	0.1
Target	4.0		
The Old Music Hall, Oxford	3.9	3.9	-
Colston Street Centre, Bristol	3.8	3.9	-0.1
Grayston Centre, London	3.8	3.6	0.2
Brighton Junction, Brighton	3.7	3.7	-
Green Fish Resource Centre, Manchester	3.7	4.0	-0.3
Green Park Station, South Vaults, Bath	3.7	3.6	0.1
Archway Resource Centre, London	3.6	3.5	0.1
Development House, London	3.6	4.0	-0.4
Brighton Eco-centre, Brighton	3.4	3.8	-0.4
Picton Street Centre, Bristol	3.4	4.0	-0.6
Thorn House, Edinburgh	3.4	3.7	-0.3
Durham Road Resource Centre, London	n/a[3]	3.9	
Overall average	**3.7**	**3.8**	**-0.1**

Our annual tenant survey

The tenant satisfaction feedback referred to in this section come from our annual tenant survey, which is one of the main methods we use to monitor and report on our social performance. The survey has had broadly the same structure over the past nine years to allow for comparisons between years, but some questions have been added or reworded in order to clarify them or obtain more useful information. This year we made a particular effort to refine the questions about the quality of the communal spaces and services provided in our buildings, as this is an aspect of our provision that we are intending to invest in over the next few years, so we wished to ensure both that our investment is well-targetted and that we could assess the impact in terms of tenant satisfaction of the improvements that we plan to make by looking at 'before and after' scores.

This year our survey was distributed to all 221 tenants in our buildings as at 18th June 2012 (excluding Green Park Station shop tenants – see below). 150 organisations submitted responses (of which 13 were not complete) – a 68% response rate compared with 66% last year.

As well as analysing particular aspects of the survey results, we also assess and report on the overall satisfaction of our tenants by converting the survey responses into an average score on a scale of 1 to 5, where 1 is the lowest level of satisfaction, 3 is neutral and 5 is the highest level of satisfaction. The resulting scores are referred to at various points in the text and a full list of average scores is provided in the table at the end of this section, compared with last year where possible.

This year we designed a different survey for the tenants of the shop premises at Green Park Station, as there had been feedback in previous years that the main survey was inappropriate, with tenants there having different priorities from many of our other tenants and being offered different services and lease terms. However, unfortunately only three out of 10 tenants responded to the survey so the results are not representative and are not reported here.

[3] Because the survey was run during the period when the Durham Road Resource Centre was closed following an arson attack, we only received one response from a Durham Road tenant. We have therefore included their responses in the combined averages for all centres but not reported on Durham Road separately.

Contributing to local economies

We believe that we can help tackle inequality by locating our centres in deprived areas of the country where their presence can contribute to the local economy, as well as providing premises for local support groups in many cases.

We use the Government's Index of Multiple Deprivation[4] as the indicator of the level of social exclusion affecting the immediate area in which each of our centres is situated. The Index combines a number of indicators, covering a range of economic, social and housing issues, into a single deprivation score for each small area in England. This allows each area to be ranked relative to one another according to their level of deprivation. The ranking is expressed as a percentage, with 1% being the most deprived and 100% the least deprived.

Targets:

- **100% of centres in the poorest 50% of areas**
- **50% of centres in the poorest 25% of areas**

As noted in last year's Annual Report, just one of our centres, in Colston Street, Bristol, is in an area which is above the 50% ranking. This is one of our two original buildings and the character of the area has changed over the years, rising up the rankings in consequence. Thorn House in Edinburgh is not included in the table as the Scottish Index of Multiple Deprivation is prepared separately and on a slightly different basis. However, within Scotland its locality is ranked just under the 50% mark.

A full table of rankings of our centres using the 2010 Index was given in the Supplement to last year's Annual Report. As the Index has not been updated since then and our buildings have not changed, this is not repeated here.

Being an ethical employer

As an ethical employer, we aim to:

1. Create a positive working environment where our employees feel involved in the company and happy to work there
2. Provide our employees with salaries and other benefits which are fair and appropriate
3. Follow recruitment and employment practices which avoid any discrimination based on age, race, gender, religion or Sexuality

Creating a positive working environment

We assess our success in creating a positive working environment through our annual staff survey. This year the survey was sent to all 57 active employees and attracted 40 responses, a 70% response rate (compared with 78% last year). As well as reporting some of the results in our Annual Report, the responses to the staff survey is also carefully reviewed by our Operational Management Team and Senior Management Team, to ensure that the company is responsive to employees' opinions on their working environment and can continue to retain valued staff.

Key results from our staff survey are shown in the table below:

	2013	2012
% enjoying working for the company	95%	95%
% sharing the company's values – wholly/somewhat	95% / 5%	80% / 20%
% feeling involved with the company	74%	72%
% who would definitely recommend working for the company to a friend	79%	81%

Our ability to retain staff is also an indicator of the company's success as an employer. One way of reflecting this is staff turnover, being the number of staff leaving the company during the year (9)[5] as a percentage of the average number of staff during the year (62.5):

Turnover	2013	2012
Ethical Property	14.4%	29.4%
National average	11.9%	12.7%
Not for profits	15.2%	-

A more sophisticated measure of our ability to retain staff is the Stability Index. This illustrates the extent to which the experienced workforce is being retained. It is calculated as:

$$\frac{\text{Number of employees as at 30th Sept 2013 with 12 months or more service (48)}}{\text{Number of employees employed at 30th September 2012 (61)}} \times 100$$

Target: 80%

Stability index	2013	2012
	78.6%	81.6%

We are still close to our target of 80%.

[4] www.gov.uk/government/publications/english-indices-of-deprivation-2010
[5] In accordance with industry conventions, this figure excludes redundancies and casual workers

Salaries and benefits

Our policy on salaries is to:

- Ensure that all staff earn enough to meet their basic needs
- Ensure as far as possible that all salaries retain their value in real terms by linking annual increases to the prevailing rate of inflation
- Reflect different levels of responsibility and performance through a system of salary bands, but limit the differential between the highest and lowest paid members of staff to a maximum of 5 : 1

We have reviewed our salary bands this year and articulated more clearly our policies on setting salaries. These have been made available to all staff through our new Company Handbook. Perhaps as a consequence of this, the percentage of survey respondents saying that they understand the salary review process has increased from 76% last year to 92% this year. For us, this improved clarity and transparency is an important element in fair treatment of our employees.

It is welcome that 79% of respondents are satisfied with their salary this year, compared with 65% last year. In our company-wide salary review this year, we concentrated the limited resources available for increases on bringing up the salaries of staff in our lowest three wage bands; this was funded by our Senior Management Team taking an increase that was lower than the cost of living increase.

The Living Wage

The Living Wage Foundation[6] promotes payment by employers of a 'Living Wage' of at least £7.45 an hour for individuals outside London and £8.55 for those in London. Unlike the legal Minimum Wage of £6.19, the Living Wage is designed to reflect the actual basic cost of living in the UK. It is set independently and updated annually. All our staff are paid an hourly rate at least equivalent to the Living Wage and this year we have become an accredited Living Wage employer.[7]

Target: 100% of employees paid an hourly rate at least equal to the 'Living Wage'

	2013	2012
% of employees paid a Living Wage	100%	100%

We employ most of our cleaners direct, but in Brighton and Edinburgh we use specialist green cleaning agencies. In Brighton the agency pays all their staff significantly above the minimum wage but not at the Living Wage level, because of resistance from other customers to the price increase that this would require. All their staff are on their payroll so are also entitled to holiday pay. We do not currently have information available on the salaries paid by the cleaning company we use in Edinburgh.

Salary differentials

As well as ensuring that our lowest paid staff receive an adequate salary to meet their basic needs, we also avoid large differentials in pay between senior managers and other staff, as we believe that, although some reflection of different levels of responsibility through salaries is justified, large disparities are divisive and unfair within the company and have adverse consequences in wider society too.

Target: Ratio of highest to lowest paid employee no greater than 5 : 1[8]

	2013	2012
Salary of highest paid employee	£65,545	£64,260
Salary of lowest paid employee	£14,528	£14,040
Ratio of highest to lowest salary (Full Time Equivalent)	4.5 : 1	4.6 : 1

This can be compared with an average ratio of 6 : 1 in the voluntary sector between the CEO and the lowest paid non-professional trainee.[9]

The company is managed by a Board of Directors, made up of five Non-executive Directors and one Executive Director (the Managing Director). The Managing Director's salary is £65,545. The other board members are eligible for annual fees which have not changed since last year: Chair £6,000 per year; other non-executives £4,500.

Staff benefits

Staff benefits include 25 to 28 days paid holiday (pro-rata) and enhanced sickness, maternity, paternity and adoption pay. Other benefits available include a company pension to which the company contributes 6% or 7% of gross salary (depending on the level of employee contribution), childcare vouchers and a company bicycle. Staff who have worked for the company for over a year and have a contract for at least two years are eligible to participate in the employee share ownership scheme. This year it was agreed to allocate £4,000 worth of shares to staff, representing approximately 8% of retained profits from 2011-12.

We have reviewed some of our terms and conditions of employment this year. One outcome of this is that employees now become eligible for our enhanced company maternity, paternity or adoption pay after only one year of employment instead of two. Another is to introduce a policy offering employees the opportunity to take a period of unpaid sabbatical leave after five years' continuous service.

[6] www.livingwage.org.uk
[7] www.livingwage.org.uk/employers
[8] This is the target as long as the company has fewer than 100 employees. If the number goes above that, the target will be reviewed.
[9] www.onesociety.org.uk/research/pay-ratios/

Equal opportunities

The tables below show the gender distribution of our employees and Board members at the end of the year.

Employee level	Male	Female	Total
Senior Manager	4	1	5
Middle managers and highly skilled employees	12	21	33
Lower skilled employees	9	12	21
Total	25	34	59

Board members	Female	Male	Totals
	2[10]	4	6
	33%	67%	100%

Because we are still a relatively small organisation we do not report publicly on age or ethnicity of employees, for reasons of confidentiality.

We have introduced written interviewing guidelines this year to assist recruitment panels in ensuring that they follow best equal opportunities practice.

Fairness, honesty and transparency

Our primary stakeholders are our tenants and other clients, shareholders, staff and suppliers. We always aim to treat them fairly and honestly and to be transparent about our activities. Our Annual Report is one way of achieving this transparency. We have also made the following advances during the year.

Tenants

One of our plans for the year was the production of a new Tenant Handbook, which would set out in a single comprehensive document everything new and existing tenants need to know about being part of an Ethical Property centre. Unfortunately other pressures on time have meant that this project is not as far advanced as we would have liked in terms of publication, but we have nevertheless devoted a considerable amount of effort this year to reviewing and updating some of our policies, to make them more explicit, more structured and more appropriate for a company of this size and maturity. We expect that this will come to fruition in the form of the new Tenant Handbook in the course of the coming year.

Shareholders

As described in the main report, we have extended our offering of regional meetings for shareholders and continued our use of Ethex[11] to make comparative information on investment in Ethical Property and other ethical investments more easily available to shareholders and potential new investors.

Staff

As mentioned above, we have issued a new Company Handbook this year, which clarifies the company's employment policies in a number of areas. It is available in hard copy and online, to suit different staff members' ways of working.

Suppliers

Last year we introduced payment times as a measure to reflect our dealings with suppliers. As we try to use small local businesses where we can, prompt payment is particularly important and we see this as an aspect of fair treatment of this group of stakeholders.

Target: all suppliers paid within 30 days of receipt of invoice[12]

The accounting convention for measuring payment times is 'creditor days', but because the creditor days formula relies on significant assumptions of an even distribution of invoices and payments during the year, we have instead analysed the actual number of days taken to pay invoices. Although we have not yet managed to pay all suppliers within 30 days, we have improved our performance in this area significantly since last year.

	2013	2012
% of invoices paid within 30 days (by value)	61%	45%
% of invoices paid within 30 days (by number)	62%	53%

[10] This includes Susan Ralphs, the Managing Director, who is also included in the total for senior managers in the Employees table.
[11] www.ethex.org.uk
[12] Except where there is a legitimate query about an invoice

Environmental performance

Most human activity has some negative impact on the environment and our business is no exception. We use building materials to maintain or improve our properties, we provide heating, water, lighting and power for our tenants, our staff and our tenants all travel to their places of work, consume resources and generate waste. Whilst we cannot eliminate the environmental consequences of these activities, we are committed to minimising their negative impacts and encouraging practices that help to sustain the environment.

We try to reduce the negative impacts of our business on the environment by:

- Minimising our carbon dioxide emissions
- Minimising use of nuclear power
- Reducing water consumption
- Promoting sustainable transport
- Using sustainable materials
- Reducing waste

In this publication we report on each of these areas of performance in detail.

Minimising our carbon dioxide emissions

Our carbon dioxide emissions are principally associated with fuel use in our buildings – for heating, lighting and electrical power. There are a number of ways in which we try to minimise our emissions:

1. Buying energy generated from renewable sources
2. Generating our own renewable energy
3. Reducing energy use in our centres by investing in more efficient equipment, improving the building fabric and encouraging building users to consume less.

We do not use carbon-offsetting schemes as we believe that many schemes do not have any real benefit in terms of reducing overall carbon emissions and most are simply a distraction from the real reductions needed in the use of fossil fuel.[13]

Our promotion of sustainable transport is another way in which we address the problem of carbon dioxide emissions, but because most of our tenants' and staff's transport choices are not within our control we do not currently calculate carbon dioxide emissions associated with travel.

Our energy supplies

Electricity

Our target is only to use electricity suppliers which purchase their electricity from 100% renewable sources or, to the extent that that is not financially viable for our tenants, to choose the supplier with the highest proportion of renewables (and no nuclear) in their fuel mix at an affordable price. We also believe that it is important to channel business towards companies dedicated to supporting and growing the renewable energy sector rather than the mainstream companies, none of which have even met the statutory minimum renewables quota of 15.8%[14] this year.[15]

All but one of our centres are now on a renewable or partly renewable electricity tariff from a specialist green electricity company.[16] Development House and Brighton Junction are both with Good Energy,[17] the only UK electricity supplier in the past year to use 100% renewable energy. We are able to use Good Energy at Development House because it is a large site which means that the 100% renewable price is competitive. As this is by far our largest building, accounting for 34% of our total electricity consumption, this makes a substantial contribution to minimising our carbon dioxide emissions when calculated on the supplier fuel mix basis. Good Energy is also financially viable at Brighton Junction because it is purchased jointly through the larger One Brighton site.

All our other centres are supplied by Green Energy UK[18] on their 'Pale Green' tariff, which is cheaper than Good Energy for smaller commercial sites. This approach is typical of the decisions we face on a daily basis as a 'triple bottom line' company – whilst our ideal is to choose the very best option in environmental terms we always have to balance this against what is affordable for our tenants, who pay for electricity through their service charge.

[13] www.agreenerfestival.com/wp-content/uploads/pdfs/WWF-GP-FoE_on_offseting.pdf
[14] www.ofgem.gov.uk/ofgem-publications/58144/buy-out-price-and-mututalisation-ceiling-201213.pdf
[15] See fuel mix disclosure tables on individual supplier websites or www.electricityinfo.org
[16] The exception is Thorn House in Edinburgh, where the supply is shared with another building occupier, who controls the choice of supplier.
[17] www.goodenergy.co.uk
[18] www.greenenergy.uk.com

Green Energy's overall fuel mix[19] comprises 21% renewables. The rest of their supply is from Natural Gas Combined Heat and Power (CHP), which uses surplus energy from heating units to generate electricity. This is an efficient use of energy which would otherwise be wasted and is exempt from the Climate Change Levy, but nevertheless has some carbon emissions attributable to it. Unfortunately Green Energy's emissions have increased by 16% per kWh since last year. This does not reflect a reduction in the absolute amount of renewables that they supply or their commitment to green energy; however, their customer base has increased over recent years and most new customers, like ourselves, have chosen their cheaper, pale green tariff so Green Energy so their additional purchasing has concentrated on CHP.

Biomass

Brighton Junction is part of One Brighton, a sustainable mixed use development of commercial units and residential flats. There is a shared biomass boiler on site for water and space heating, operated by the One Brighton Energy Services. This provided 35% of our energy for heating at Brighton Junction this year, with the rest sourced from a gas boiler also run by One Brighton Energy. The biomass boiler is fuelled by wood pellets, whose emissions are almost a fifth lower than gas for the equivalent amount of kWh. The pellets are sourced from Hampshire.

At present, the biomass boiler is only run during the winter. One Brighton Energy informs us that this is because the boiler does not operate properly or efficiently with the low levels of energy required during the summer (for water heating only). It may not be possible to resolve this until the current boiler is replaced, though One Brighton Energy are continuing to investigate this.

Generating our own renewable energy

Last year we installed solar panels on the roofs of three centres: The Old Music Hall (Oxford), The Grayston Centre (London) and Brunswick Court (Bristol), so this is the first full year of their operation.

Target: 10% of all energy we consume to be generated by the company from renewable resources

	2013	2012	Change
Total energy generated (kWh)[20]	21,797	19,250	13%
Solar electricity as % of total electricity used (kWh)	1.78%	1.62%	9%
Solar electricity as % of total energy used (kWh)	0.86%	0.82%	5%

We selected these three particular centres for solar panels because their geographical location and absence of overshadowing buildings meant that they were likely to achieve a worthwhile return on investment in terms of cost savings and income generation.

The professional advice is that installing solar panels at our other centres is not financially viable at present, though the position may change if the cost of mains electricity rises and the cost of solar panels falls sufficiently. Also, if we succeed in our aim of reducing our total energy consumption, then there will be some improvement in the percentage we can achieve, though not enough to achieve our 10% target. This is discussed further in the environmental performance section of the main Annual Report.

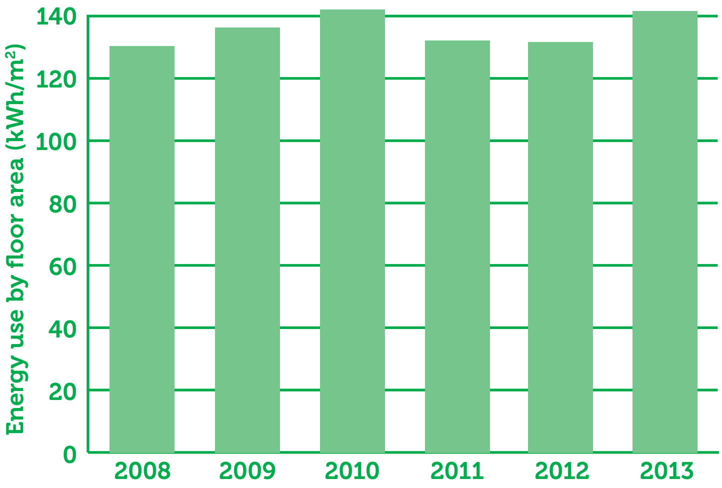
Reducing energy use

Unfortunately, we have not succeeded in reducing energy use this year and in fact absolute energy consumption across the company increased by 8% compared with the previous year, as the table below shows. Most of this was attributable to an increase in gas use, which was largely the effect of the cold winter and late spring, which meant that we had to keep the central heating in our buildings on longer than usual.

The graph below shows energy use by m² of floor area over the past six years – unlike the absolute figures above this measure enables us to compare energy efficiency over a period of time during which we have grown our portfolio of buildings.

Total energy consumption (kWh)	2012-13	2011-12	% change
Mains electricity	1,204,330	1,165,859	3.3%
EPC-generated (solar) electricity	21,797	19,250	13.2%
Gas	1,284,226	1,169,524	9.8%
Wood	31,393	6,198	406.5%
Total from all fuel sources	2,541,746	2,360,831	7.7%

Total energy use by floor area



[19] www.greenenergy.uk.com/fuel-mix

[20] Because small-scale solar installations such as ours do not generally have a consumption meter fitted, but only a generation meter, we have had to make an assumption about the proportion of solar energy consumed by us rather than exported to the grid. Based on observations last year of usage patterns in The Old Music Hall, we have assumed that all the electricity generated by our solar panels is consumed by us.

The increase in energy use per m^2 is disappointing, and illustrates the difficulties we face in trying to meet our energy and emissions targets through improvements to, and better management of, existing buildings alone. Despite our best efforts, one cold winter has reversed a downward trend. The implications for the strategy needed to improve environmental performance long term is discussed in the main Environmental Performance section of the Annual Report.

The table below shows energy use per building:

Energy consumption by floor area (kWh/m^2)

Centre	2013	2012	Change
Green Park Station, South Vaults	97.8	92.1	6.2%
Colston Street Centre	107.1	70.8	51.2%
Durham Road Resource Centre[21]	111.0	168.5	-34.1%
Brunswick Court	115.5	110.5	4.6%
Roundhay Road Resource Centre	129.2	128.6	0.5%
Green Fish Resource Centre	130.7	112.8	15.9%
The Old Music Hall	132.1	122.6	7.8%
Picton Street	132.5	117.4	12.8%
Thorn House	134.3	99.8	34.6%
Brighton Eco-centre	145.9	116.1	25.6%
Scotia Works	153.3	150.0	2.2%
Archway Resource Centre	155.3	162.8	-4.6%
Brighton Junction	159.6	164.0	-2.7%
Development House	164.3	167.0	-1.6%
Grayston Centre	188.0	134.9	39.3%
Total for all centres	**139.7**	**130.8**	**6.8%**

Most centres have increased their energy use because of the cold winter and spring, though the extent of the increase varies considerably between centres. It is encouraging that most of the buildings where we have invested in improvements last year have had amongst the lowest increases in energy consumption:

- South Vaults – partitioning and draft-proofing to improve heat efficiency

- Brunswick Court – draft proofing and upgrade of central heating system

- Roundhay Road – completion of double-glazing

In some cases it is hard to discover why some buildings have much bigger increases than others. However, we know that we sometimes have to make improvements which actually result in an increase in energy use but are necessary to ensure that our tenants have comfortable working conditions. For instance, at The Old Music Hall gas use increased by 25% this year, possibly as a result of adjustments to the heating system to make some cold offices warmer. However, electricity use declined by 4% this year, possibly because there was less need for portable electric heaters to supplement the central heating, as had been the case in the past. Similarly at Colston Street gas use has increased because we have installed a new boiler and extended the central heating to the shops and basement workshop areas, improving conditions considerably for the occupiers with more modern, efficient equipment. We will be monitoring usage this coming winter, however, to ensure that the timer settings are correct and cannot be overridden, to avoid wastage.

Our Durham Road centre suffered an arson attack earlier this year and we took the opportunity to upgrade the affected windows to double glazing and improve the insulation. We also repaired the seals around windows in Development House, and reached an agreement with a developer working adjacent to the Brighton Eco-centre whereby the rear windows in that building can also be upgraded.

We plan to replace the boilers in at least two buildings in the coming year, and to carry out analysis of the energy use at Brighton Junction (which is currently much higher than designed). We expect to see some positive benefit from all these changes in the coming year.

[21] Usage not representative because the building was closed for four months due to an arson attack

Measuring carbon dioxide emissions

Setting targets

Last year we reviewed our targets for carbon dioxide emissions and changed them from the ones that we had been using for the last few years. The reasons for this were set out in last year's Annual Report supplement. We now base our targets on the Government's Low Carbon Transition Plan, published in 2009, which sets out detailed, short term targets for different sectors of activity in the UK, as part of its strategy for achieving the overall 2050 target of an 80% reduction. For workplaces, the target is a 13% reduction by 2020, from 2008 levels. Even this is an ambitious target for us, as the sector includes heavy industry as well as office based activities, but we feel that it is right to set a demanding target for ourselves and that it is achievable provided that the proportion of mains electricity generated from renewable energy increases significantly over the next eight years, as it cannot all be achieved through building improvements and efficiency.

Methodology for calculating carbon dioxide emissions from electricity use

Because the carbon dioxide emissions associated with electricity use depend on the fuel used to generate that electricity, there are two principal methods of calculating the emissions for a small to medium business such as ours:

- Grid Mix: This calculates the CO_2 emissions per kWh of electricity used, based on the total supply of electricity to the National Grid from all suppliers and all sources of energy. This figure is published annually by the government and is used in official reporting of carbon dioxide emissions in the UK, for example in the government's Carbon Reduction Commitment scheme for large businesses and is used for the national target discussed above. We therefore use the Grid Mix conversion factor for the sake of comparability. We also believe that it highlights the fact that whilst there is a shortage of electricity from renewable electricity available in the UK, it is important for all electricity users, whatever supplier they are using, to reduce their consumption in order to reduce CO_2 emissions.

We have had to introduce a change to our calculation of CO_2 emissions from electricity this year because of new recommendations from the government on the conversion factors to use.[22] The main change is that they no longer publish a five year rolling average of the conversion factor for the grid mix of electricity, but use a one year average instead. Because of recent fairly rapid improvements in the emissions from electricity generation nationwide, this makes the conversion factors more accurate for a particular year. To make a meaningful comparison from one year to the next, we have therefore restated our 2011-12 emissions figures on the basis of a one year average as well, in line with the recommended methodology. The new government figures also separate out CO_2 associated with generation from those associated with transmission and distribution of electricity, which is useful for some larger companies' reporting purposes; however, we have simply added them together to make them consistent with previous years as the difference is not significant for our reporting.

- Supplier Mix: An alternative method of calculating an electricity consumer's carbon dioxide emissions is to consider how the electricity fed into the National Grid by their chosen supplier is generated, as opposed to the UK electricity supply as a whole. This is possible because each supplier is legally obliged to report on their 'fuel mix', to enable the Government to check whether or not they are fulfilling their obligation to supply a minimum percentage of electricity from renewable sources. This fuel mix data is publicly available on each electricity company's website and on summary sites such as www.electricityinfo.org. The data includes a conversion factor which allows consumers to convert their electricity usage into carbon dioxide emissions, based on the fuel used by that particular supplier. The conversion factor depends on the mix of renewables, gas, coal, nuclear etc used to generate their electricity.

We report on both bases of calculation, to give a more meaningful picture of our environmental impact.

[22] Conversion factors – The conversion factors that we use for converting energy use (kWh) to CO_2 emissions are all sourced from official government data at www.ukconversionfactorscarbonsmart.co.uk/ for 2013.

Our carbon dioxide emissions – grid mix basis

Despite the increase in energy use this year and a consequent slight increase in carbon dioxide emissions to 46.51kgCO_2/m^2, we have nevertheless achieved our target of no more than 47.1kgCO_2/m^2.

There are a few reasons for this:

- The main cause is the decrease in average emissions from mains energy in the UK since last year: emissions per kWh from grid electricity have gone down by 2.6% and from gas by 0.6%.
- 1.9% of our electricity was generated from our own solar panels, with no emissions associated with it.
- 35% of our space and water heating at Brighton Junction this year was done by wood pellets rather than gas – emissions from wood pellets are about one fifth of those from gas, per kWh, according to the official conversion factors.

When looked at on a building by building basis, only three of our centres failed to achieve the target and several performed much better than the target:

total CO² emissions (kg per m²) - grid mix electricity

Centre	2013	2012	Change
Picton Street	30.5	27.5	10.8%
Durham Road Resource Centre	31.4	45.5	-31.0%
Colston Street Centre	32.7	25.7	27.4%
Brunswick Court	36.8	36.0	2.3%
Thorn House	36.9	31.1	18.6%
Green Fish Resource Centre	39.2	34.0	15.2%
Scotia Works	40.7	43.1	-5.5%
Brighton Eco-centre	41.2	35.7	15.5%
The Old Music Hall	43.5	43.6	-0.4%
Archway Resource Centre	44.0	45.0	-2.2%
Roundhay Road Resource Centre	44.9	44.5	1.0%
Brighton Junction	45.3	45.3	0.1%
TARGET	47.1		
Green Park Station, South Vaults	47.3	45.7	3.5%
Development House	66.6	66.8	-0.2%
Grayston Centre	67.1	50.5	32.9%
Average[23]	**46.5**	**45.5**	**2.2%**

Our carbon dioxide emissions – supplier fuel mix basis

Our carbon dioxide emissions have increased by 5.2% when calculated on the Supplier Fuel Mix basis for electricity. This is partly attributable to increased usage, but is also due to the higher emissions associated with Green Energy UK's electricity supply this year, as discussed above.

total CO² emissions (kg per m²) - supplier mix electricity

Centre	2013	2012	Change
Development House	7.9	9.6	-17.8%
TARGET	11.1		
Brighton Junction	12.1	14.2	-14.7%
Green Park Station, South Vaults	14.7	11.9	23.6%
Colston Street Centre	18.2	10.8	68.8%
Brunswick Court	18.5	16.8	10.4%
Durham Road Resource Centre	19.2	28.6	-33.0%
The Old Music Hall	21.3	18.1	17.7%
Roundhay Road Resource Centre	21.4	20.1	6.5%
Green Fish Resource Centre	22.3	18.0	24.1%
Picton Street	23.7	20.7	14.4%
Brighton Eco-centre	25.2	19.0	33.0%
Scotia Works	26.8	44.2	-39.4%
Archway Resource Centre	26.8	27.5	-2.3%
Grayston Centre	30.2	20.4	48.3%
Thorn House[24]	36.9	32.1	15.0%
Average[25]	**19.2**	**18.3**	**5.2%**

Development House has performed particularly well this year because its gas use has decreased by 17% and it is on a 100% green electricity tariff with Good Energy. This has a very significant impact on our overall carbon dioxide emissions as a company, because it represents a third of our total floor area.

The South Vaults office space at Green Park Station perform well on this basis because all the heating is by electric storage heaters rather than gas, so using even a partially green electricity supply has a particularly significant impact there. (It is interesting to note the comparison with the 'grid mix' emissions calculation, where the South Vaults are one of the worst performers because of the high emissions associated with electricity compared with gas.)

Brighton Junction also performs well because it has a 100% green energy supply and a partially renewable heating supply.

[23] Excludes Green Park Station shops, for the reasons previously stated.
[24] Uses Grid Mix conversion factor as supplier unknown
[25] Excludes Green Park Station shops, for the reasons previously stated.

Minimising the use of nuclear power

Although nuclear power is one way of reducing the carbon dioxide emissions associated with electricity generation, we believe that the potential harm caused by nuclear waste means that we should avoid using suppliers who use nuclear power.

Target: Zero nuclear waste associated with our electricity suppliers

	2013	2012	Change
Total high-level nuclear waste produced (g)	85	219	-61%

Our two main suppliers, Good Energy and Green Energy, do not use any nuclear power in their generation. The nuclear energy reported here is attributable to Thorn House, where the supplier is unknown so we use the National Grid average. The reduction is mainly due to the switch of Scotia Works to Green Energy at the beginning of the year.

19.1% of UK electricity was generated from nuclear power in 2011-12; this has gone up to 20.6% in 2012-13.

Reducing water consumption

The overall water consumption in our centres has increased slightly over the past year:

Annual water consumption (cubic metres)	2013	2012	Change
Total consumption	6826	6561	4.0%
Consumption per m² of floor area	0.44	0.42	3.6%

As the table below shows, usage has varied hugely within some individual centres. As we have not made any changes in water equipment this year, we believe that this is mostly the result of changes in occupancy levels and numbers of visitors to the buildings during the year. For instance, our Archway centre had a lot of vacant space last year but has been much more fully occupied this year. Durham Road was closed for four months because of the arson attack (but some water was used by the contractors during the refurbishment).

Centre	2012-13	2011-12	% change
Picton Street	0.30	0.32	-8%
Green Fish Resource Centre	0.31	0.26	18%
Roundhay Road Resource Centre	0.31	0.28	12%
Scotia Works	0.33	0.36	-10%
Brighton Eco-centre	0.34	0.37	-10%
Colston Street Centre	0.36	0.34	6%
Brighton Junction	0.37	0.49	-24%
Durham Road Resource Centre	0.39	0.46	-16%
Brunswick Court	0.40	0.39	2%
The Old Music Hall	0.44	0.36	24%
Grayston Centre	0.47	0.41	15%
Green Park Station, South Vaults	0.50	0.57	-11%
Development House	0.52	0.53	-1%
Archway Resource Centre	0.94	0.68	38%
Average	**0.44**	**0.42**	**3.6%**

It is difficult to set targets for water consumption in our centres – consumption per person is unreliable because occupancy numbers change frequently as a result of tenant changes and cannot reflect how many visitors come to a centre, whilst consumption by floor area, as shown in the table above, does not take into account how densely a building is occupied or, again, how many visitors come to the centre and use the washrooms and kitchens.

We therefore reported last year on the water saving features installed in our centres, as these are likely to have the biggest impact on reductions in water use. However, as anticipated in last year's report, we did not make any improvements to water-saving measures this year, because of higher priorities in our maintenance and improvements budget, so the list is unchanged from last year and is not reproduced here.

In the coming year we are planning to refurbish the kitchens and / or bathrooms in a number of centres, including The Grayston Centre, Development House and Brunswick Court, as funds allow, which should reduce our water consumption. The environmental improvement strategy which is in development will include minimum standards for equipment in all centres, and improvements will be rolled out over time.

Promoting sustainable transport

Travel to work

Although we cannot dictate the way in which our staff and tenants travel to work, we try to promote sustainable transport choices and make it as easy as possible for building users to avoid car use. We provide facilities for non-car users such as cycle racks and showers in many of our centres and deliberately avoid generous provision of parking spaces. We also choose to locate our centres in areas that have good public transport connections.

We have a number of policies in place to encourage staff to travel to work by means other than a car. These include:

- Flexible working patterns, to make use of public transport easier and cheaper
- Informal dress code to facilitate cycling and walking
- Company bike purchase scheme for bicycles up to £260
- Participation in Cycle to Work Scheme for more expensive bikes
- Company purchase of an electric scooter if recharged using renewable electricity and if cycling or walking impractical
- Interest-free loans for season tickets
- Relocation expenses if move enables the employee to cycle or walk to work
- No reserved parking spaces for employees, except disabled employees

As an indicator of our success in promoting sustainable transport, we report each year on the proportion of staff[26] travelling to work by car and other modes of transport, whilst bearing in mind that transport choices are affected by many personal factors beyond the location and facilities of a particular work-place.

Of the 37 staff who responded to the travel survey, three individuals used a car for all or part of their journey, down from six last year (8% of respondents compared with 15%). Only one person used an unshared car. Others used a variety of modes of transport, as shown below.

	Number of respondents	% of respondents[27]
N/a - home-based	1	2.7%
Walking	12	32.4%
Bicycle	17	45.9%
Public transport	13	35.1%
Car/moped, alone	1	2.7%
Car/moped, shared	2	5.4%

Business travel

Our business travel is carefully controlled and car use by staff is rarely authorised when there is a public transport option available, unless the number of people travelling together actually makes it more fuel-efficient to use a car. We report on our business travel on the basis of the proportion of business travel expenditure that is attributable to different modes of transport.

Targets:

- **Best practice: zero business travel expenditure on car or plane travel**
- **Satisfactory: less than 5% of business travel expenditure on car or plane travel**

	2013	2012
Total expenditure on business travel	£42,493	£41,209
Public transport (UK)	92%	94%
Public transport (overseas)	2%	0%
Car, van, taxi and courier hire	6%	6%
Plane travel	0%	0%
	100%	100%

Our expenditure on car use has remained at 6% this year, so we have not met our target. However, despite the fact that we are a multi-site company, operating in nine cities around the country, all our day-to-day operational travel is conducted by public transport and/or bicycle. Car, taxi and van use is for exceptional journeys such as van hire to move equipment, private car or taxi use for occasional out of hours property management duties and travel on board business (often combined with public transport or other business travel).

Using sustainable materials

Wherever possible we try to use environmentally friendly products and materials in our refurbishments and property management. We have started to compile a specification guide for the products we use in our buildings, taking into account environmental considerations as well as costs and practicality.

The materials we use most frequently are paint and carpeting, and this year we have settled on the following products for use in most centres. These have been used in the refurbishments of the communal areas in several buildings this year:

- ECOS paints for walls,[28] which are organic, water-based and free from all solvents, VOCs and toxins.

[26] We now survey our tenants on their mode of travel to work only every other year, as there is little change in the overall picture from year to year and we do not wish to overburden our tenants with questionnaires.

[27] Some respondents used more than one mode of transport so the total is more than 100%.

[28] www.ecospaints.com

- DESSO carpet tiles,[29] which have high recycled content and are designed to be disassembled after the end of their life and the materials re-used or recycled under DESSO's "cradle to cradle" programme

We still have to use standard paint for coloured glosswork as we have found that the environmental paints are not currently of sufficiently good quality, and the number of coats (and time) required negate the benefits they initially appear to offer.

We continue to use environmentally friendly cleaning products in all our buildings.

Reducing waste

All our centres continue to have extensive recycling facilities, with most offering paper, card, glass and plastic recycling as a minimum. Green Park Station South Vaults and Colston Street have been added to the locations where we have food recycling this year.

Our London team arrange special bulky items collections at all our London buildings. We also organise electrical goods collections from time to time, making it easy for tenants to send defunct or obsolete equipment to be re-processed.

DESSO have not only supplied new environmentally friendly carpet tiles this year but have also taken our old carpet tiles from The Old Music Hall for reprocessing and re-use of the materials.

[29] www.desso.com

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