

Annual Sustainability Report

goodstone

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2022



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Who
we are

01

“We are convinced that delivering environmentally and socially positive outcomes for our residents, in a sustainable way, is not only the right thing to do, but also the best way to generate long term risk-adjusted returns for our capital partners”

Iliya Blazic, CEO

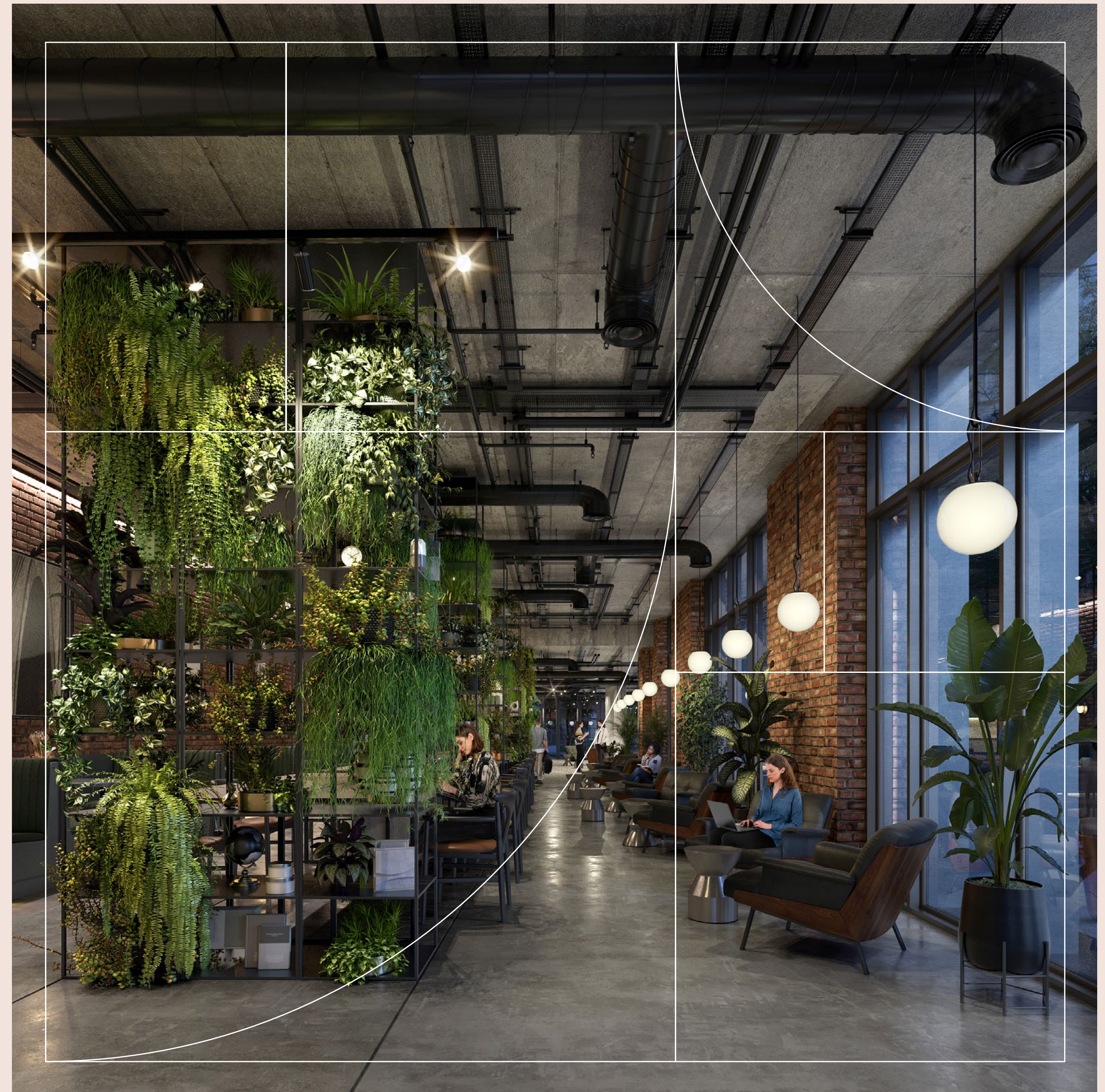
Goodstone Living is a specialist real estate investment manager creating a better way to rent. We work on behalf of our capital partners to acquire, develop and operate new residential rental communities across the United Kingdom.

The purpose that drives our business is to create positive and sustainable outcomes for our residents, communities, partners and environment.

Our long-term focus allows us to put down roots in the local community and invest significantly in creating healthy, sustainable homes. Our approach is focused on promoting decarbonisation initiatives and creating positive social value during the delivery and operation of our rental communities. This culture of innovation and positive change is embedded in everything we do.

With approximately 900 new homes under construction and a pipeline under active negotiation in key cities, we have already started to deliver against our sustainability targets and will continue to grow and innovate with our stakeholders to create a better way to rent.

This report summarises our sustainability objectives, progress and performance for the 2022 calendar year.



Our stakeholders

02

Maintaining good relationships with our stakeholders is vital to our delivery of sustainable, long-term value. Not only will our actions impact our stakeholders, but we are reliant on them to achieve our sustainability goals.





Our
approach

03



Environment

Sustainable buildings & practices

In addition to our corporate activities, we are focused on reducing carbon emissions in both the delivery and operational phases, across our growing portfolio of rental communities.

We also seek to reduce waste, prioritise water stewardship and enhance biodiversity.



Social Value

Local jobs, Local business, Local people

We target the creation of positive and measurable social outcomes for our residents, employees, and local communities.



Governance

Accountability & transparency

We foster a culture of ethical and sustainable practice across our leadership. This is achieved by embedding sustainability assessments into our decision-making process, aligning our teams with sustainable performance, and sharing our targets, progress and performance with our stakeholders.

Targets, progress & next steps

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Sustainable buildings

In the UK, the construction industry is responsible for 49% of carbon emissions.¹

We recognise the urgency to decarbonise. We have adopted a whole life carbon approach to assess each new asset and identify options to avoid emissions by design, transitioning to low carbon solutions, and improving the energy and carbon performance of our communities.



Carbon

Target	Target
Net zero operational carbon for the Goodstone investment management business by 2030 ²	+50% reduction in as-designed operational carbon emissions vs. UK building regulation benchmark (Part L (2021))
Measurement parameters ³	Measurement parameters ³
Scope 1, 2 & 3	Scope 1, 2 & 3
Investment management business only	Excluding tenant controlled areas. Only for projects where we have design & procurement control
Progress & activity	Progress & activity
<ul style="list-style-type: none">Established baseline carbon footprint of 135tCO₂e4 for 2022‘Corporate Net Zero Pathway’ conceptualised	All controlled projects are currently being delivered to meet this Target
Next steps	Design features that are being adopted to achieve this Target include: <ul style="list-style-type: none">Passive design strategiesLow-energy lightingNon-combustion heating systemsPhotovoltaicsEV enabled parking bays
	Next steps
<ul style="list-style-type: none">Review and adopt implementation plan for ‘Corporate Net Zero Pathway’ by March 2024	<ul style="list-style-type: none">Draft renewable energy contracts to be agreed for regulated energy supplyData analytics platform to be installed to measure and inform carbon reduction strategies per buildingCarbon reduction strategy for tenant controlled areas to be agreed prior to completion

Target
+30% reduction in embodied carbon ⁵ vs. RIBA ⁶ 2025 benchmark
Measurement parameters ³
Scope 1, 2 & 3
Only for projects where we have design & procurement control
Progress & activity
Whole Life Carbon assessments and optioneering undertaken for both controlled projects
All controlled projects are currently being delivered to meet this target
Feasibility of material options investigated to reduce carbon emissions including: <ul style="list-style-type: none">Recycled aluminiumRecycled steelElectric arc furnaceManufactured steelRecycled aggregates in in-situ concreteLow carbon cement replacementLocally sourced bricks
Next steps

- Deliver current projects to achieve Target, measure and report performance vs. benchmark

Biodiversity

Target
Increase biodiversity net gain across our developments
Progress & activity
Development of knowledge and understanding of biodiversity net gain and its significance for Goodstone
Next steps
<ul style="list-style-type: none">Use data analytics platforms to inform development of biodiversity strategies per buildingDevelop biodiversity net gain targetsCalculate and report biodiversity net gain for every development

Water

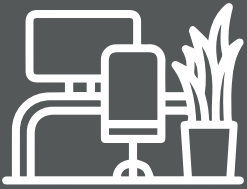
Target
Water efficiency in design, construction and operation
Progress & activity
Deployment of water efficiency measures during construction of our two current controlled projects including: <ul style="list-style-type: none">Leak detection systemsInstalled automatic taps in all temporary accommodation
Next steps
Future water efficiency measures planned: <ul style="list-style-type: none">Use of harvested water, where feasibleLeak detection and smart metersData analytics platforms to measure and inform strategies

Notes: 1. London Energy Transformation Initiative (2020). LETI Climate Emergency Design Guide: How new buildings can meet UK climate change targets. 2. This refers to our business activities such as office energy, business travel, procured services. 3. Scope 1: The indirect emissions from owner or controlled sources, including company facilities and company vehicles. Scope 2: Indirect emissions from the generation of purchased electricity, steam, heating and cooling. Scope 3: All other indirect emulsions that occur in a company's upstream and downstream value chain, typical from sources that they do not control or own. 4. The universal unit for comparing emissions of different Green House Gas expressed in terms of the global warming potential (GWP) of one unit of carbon dioxide. Baseline set using 2021 carbon footprint. 5. This refers to the carbon associated with construction/refurbishment activities and materials, maintenance and end-of-life. 6. RIBA: Royal Institute of British Architects. 7. This refers to the carbon footprint of our real estate portfolio, where Goodstone has operational control once these assets are operational and in use. Goodstone has operational control of base building energy consumption and common areas. As we do not have control over tenant energy supply contracts, tenant-controlled energy consumption is excluded from our 2030 operational net zero commitment. Key assumptions that currently underpin our commitment include 1) decarbonisation of the grid by 2035 2) carbon price of £50 per tonne.

Goodstone’s carbon profile

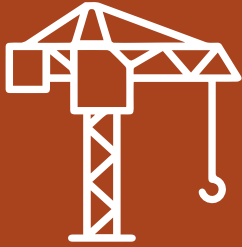
Our greatest challenge to decarbonising is that the largest emissions contribution is from indirect Scope 3 emissions, which is also where it is most difficult to influence outcomes.

Corporate business emissions




The carbon emissions associated with our investment, development and property management activities

Managed real estate portfolio: Embodied carbon



The carbon emissions associated with the entire lifecycle of our assets with the exception of operational carbon. This includes construction materials, construction activities, maintenance, repair, and asset decommissioning

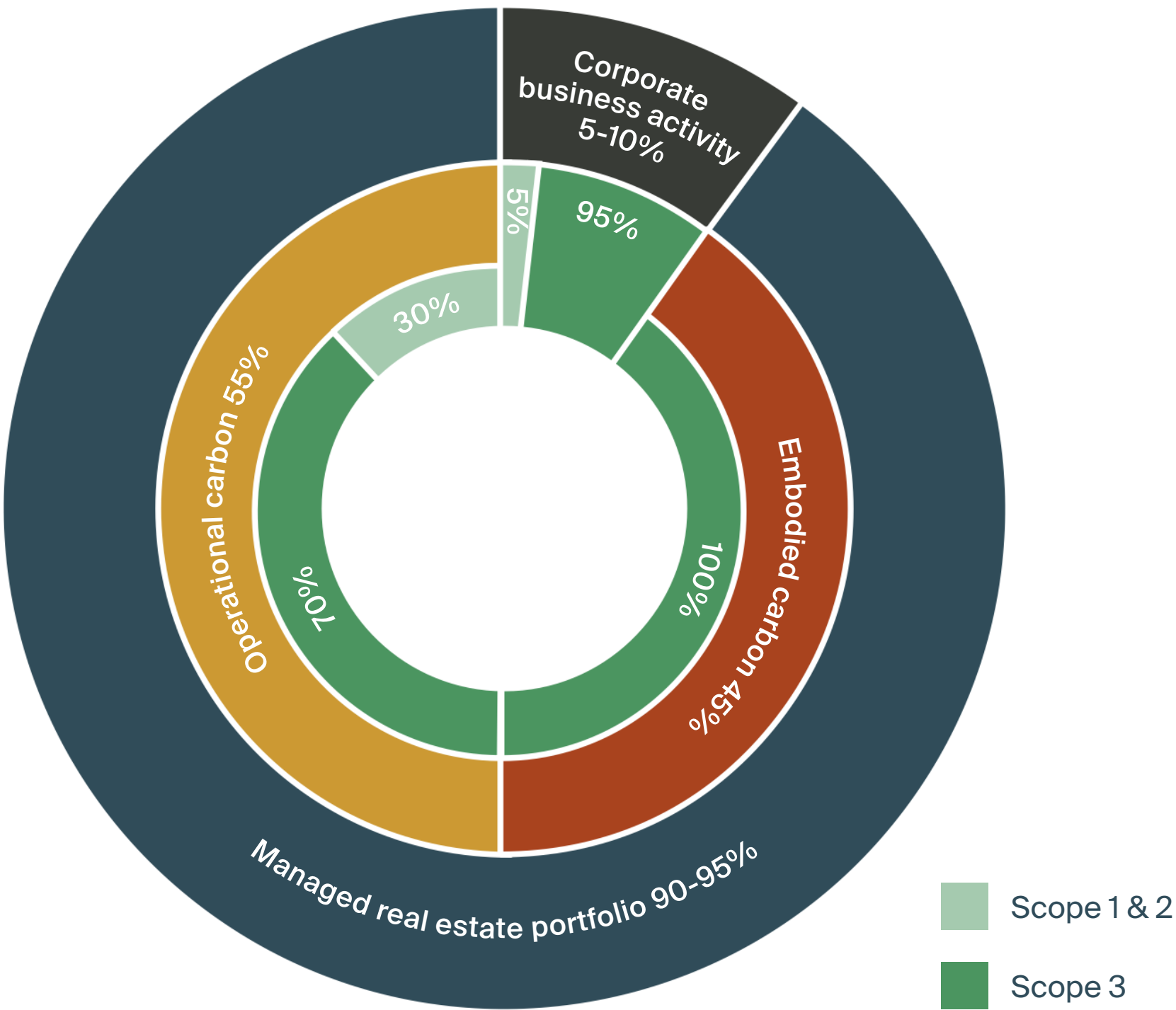
Managed real estate portfolio: Operational carbon



The carbon emissions associated with energy and refrigerant gas during operation of our completed real estate, where we have operational control. This includes both regulated¹ and unregulated² energy consumption.

Initial carbon profile: Estimated contributions

- This is based on data gathered on corporate activities in 2021/22 and on projected emissions associated with Goodstone’s first two developments
- Use of renewable energy will reduce operational carbon contribution
- Embodied carbon is measured for ‘whole life’ of buildings

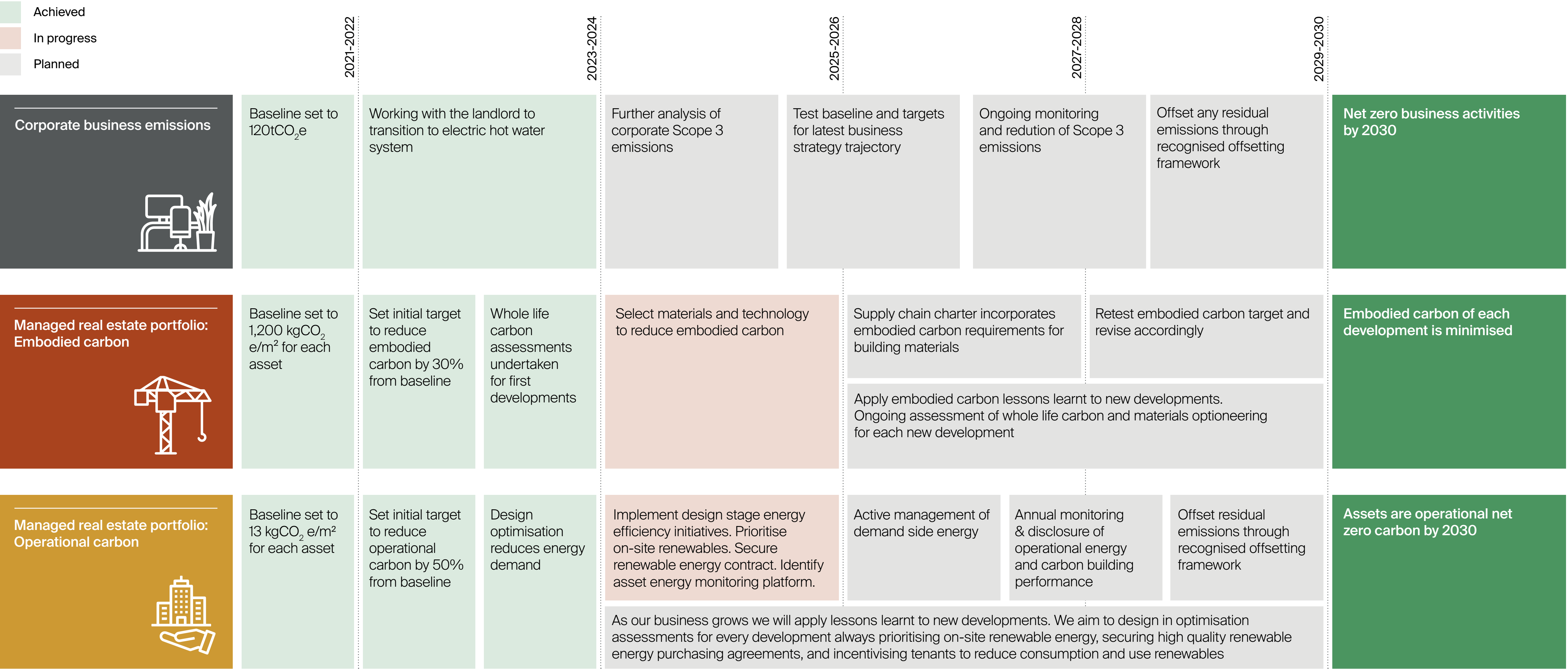


The donut chart illustrates the carbon profile breakdown. The outer ring shows the contribution of different categories to the total carbon footprint, while the inner ring shows the breakdown of embodied and operational carbon by scope.

Category	Contribution (%)	Scope Breakdown (%)
Corporate business activity	5-10%	Scope 1 & 2: 5%, Scope 3: 95%
Managed real estate portfolio	90-95%	Embodied carbon: 45% (Scope 1 & 2: 100%), Operational carbon: 55% (Scope 1 & 2: 30%, Scope 3: 70%)

Notes: 1. This is building energy consumption resulting from the specification of controlled, fixed building services and fittings, including space heating and cooling, hot water, ventilation, and lighting. 2. This is the energy consumption of the home that is not ‘controlled’, i.e. energy consumption from aspects of the home on which Building Regulations do not impose a requirement. This includes but are not limited to personal computers, refrigerators, elevators, ovens, and lamps.

Net zero pathway



Notes: 1. ESG: Environmental, Social & Governance. 2. TCFD1: Task Force on Climate-Related Financial Disclosures.

Social value creation

Local jobs, Local business, Local people: Community benefit and social value built into the vision of every asset.



Local jobs

Create meaningful local employment to unlock opportunities for the local community, especially for individuals facing the greatest social barriers

Targets

- At least 5 local construction apprenticeships per project¹
- Local hiring targets of 75% for on-site operations team
- London living wage (or equivalent) is targeted for all project employees
- Track Diversity, Equity and inclusion (DEI) and demographic data of construction workforce, to focus on achieving local authority planning and economic development requirements

Progress and activity

- Corporate social value strategy and plan has been finalised
- Community audits undertaken for first two developments
- Social value strategies developed for first two developments
- Social value metrics agreed for both construction and operational phase
- Social value calculator system to assess performance in place
- Monitoring approach and key learnings to close feedback loop

Local business

Support local business growth by offering collaboration opportunities amongst local enterprises and agencies

Targets

- Preferential access for locally-owned businesses with target to offer subsidised rents (>10% discount to open market) if businesses can demonstrate locality
- Partnerships with at least 3 local businesses per project to generate operating synergies (i.e. reward programs)
- Build capacity for supply chain to be 60% from regional area, including minimum 25% from local area construction and operational

Next steps

- Build and deploy social value monitoring and reporting systems to track effectiveness in generating social value. This will include using British Standard Institution, Social Value UK, and HM Treasury-aligned methodologies, both quantitative and qualitative, to measure social value, and capture the impact of our schemes
- Buildings to target Fitwel 3 star certification

Local people

Offer new high-quality housing targeted at local communities to foster social cohesion and pleasant, safe street-level environments

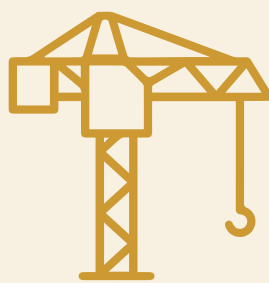
Targets

- Rental homes offered at mid-market pricepoints to ensure +50% of units are attainable to +50% of local residents²
- Where possible, manage affordable housing using Discounted Market Rent strategy on a ‘pepper potted’ and ‘tenure blind’ basis
- Focus on creation of inter-generational communities with bespoke leasing strategy
- Wellbeing and safety centric design focused on achieving the Fitwel 3 star certification

Notes: 1. Local defined as travelling less than 30 minutes to work. 2. Accessibility is determined by setting our rents based on the published rent-to-income ratios and household earnings per submarket.

Our social value performance indicators

Our social value performance indicators demonstrate how we intend to generate positive change in our local communities.



Construction phase

Jobs, apprenticeships and paid work experience: number and annual wage values	% of jobs & apprenticeships for local people (FTE ³)
% Spend on local and regional suppliers	% Spend with SMEs ⁴
Skills and training slots provided to local residents and NEETs ¹ (outside of workforce)	Number and value of community amenities/ projects supported
Number learners under 16 supported with digital and STEM ²	Value of fundraising, donated resources and workforce volunteering hours
Quality of life and wellbeing uplift from local area/ government indicators	



Operational phase

Commercial occupiers financial benefits, business rates generated, and enabled revenue (value)	Direct and enabled FTE ³ jobs, apprenticeships and paid work experience: Number and annual wage values
% of jobs to local people: direct and enabled	% Spend on local & regional suppliers: direct and enabled (through commercial occupiers)
% Spend with SMEs ⁴ : direct only	Residents' reduced on-site waste (Kg/£): food waste, plastics, foodbank donations
Resident satisfaction and wellbeing indicators	Rate of use for greener modes of transport (e.g. bicycles)
Value of fundraising, donated resources and workforce or occupier volunteering hours	Number local off-site residents and community groups upskilled (e.g. through on-site occupier initiatives)



All relevant key performance metrics to target Fitwel 3 star certificate which will also be collected and monitored

Notes: 1. NEET: Not in Education, Employment, or Training. 2. STEM: Education refers to educating students in Science, Technology, Engineering, and Mathematics. 3. FTE: Full time employee. 4. SME: Small, medium enterprises.

Strong governance

Creating a culture of sustainable practice and positive change by embedding ESG in all decision making processes.



Corporate business

Principles

Embed sustainable development and resilience across all of our business activities

Progress & activity

- Established Goodstone Living's Sustainability Working Group
- Supply Chain Charter adopted

Next steps

- Set ESG objectives and KPIs in annual business plans
- Restate Goodstone's ESG strategy in light of third-party audit
- Refine supply chain charter to include ethical and sustainable sourcing in the selection of building materials – including embodied carbon requirements

Real estate

Principles

Improve ESG governance across our managed real estate portfolio

Progress & activity

- Benchmarked ESG Strategy against recognised ESG frameworks and peers
- Partnered with specialists to drive innovation in carbon reduction, sustainable design, and social value
- Started monitoring, measuring and reporting on key sustainability indicators, in line with leading industry benchmarks
- ESG incorporated into annual business plan and staff performance objectives

Next steps

- Monitor and report on ESG performance targets in line with leading industry benchmarks
- Develop an underwriting framework to assess ESG opportunities and risks (including climate change) in all new potential projects
- Incorporate climate risk into ESG due diligence process

Leadership

Principles

Drive leadership accountability throughout organisation

Progress & activity

- Corporate Diversity, Equity & Inclusion ("DEI") policy adopted
- Experienced Board of Directors in place with ultimate responsibility for corporate decision-making. Established sub-committees responsible for Investment, Risk, Health and Safety and Remuneration
- Senior management team appointed and responsible for implementation of management systems
- Risk management framework developed, approved and implemented
- Compliance training completed by all team members

Next steps

- Develop Goodstone's DEI strategy by April 2024

Case
studies

05

Dockside, Edinburgh

Embodied carbon ¹ per 60 years				Operational carbon ² per year		
	Baseline ³	Target ⁴	Forecast	Baseline ⁵	Target	Forecast
Carbon (kgCO ₂ e/m ²)	1,200	840	<840	13	6.5	<6.5
% Improvement on baseline		30%	+30%		50%	+50%
Decarbonisation initiatives		Targeted building certifications		Social value creation		
	100% photovoltaic coverage to roof areas Double glazed windows All electric space heating solution Cement replacement Air source heat pumps for hot water generation All parking spaces enabled for EV charging	Fitwel 3 star WiredScore Platinum 'whole life' carbon assessment EPC B Rating BREEAM Very Good (commercial spaces)		Expected social value creation equivalent to c.£1.7-£2 million ⁶ 60 full jobs including at least 5 apprentices Employability support and skills training for 70 NEETs ⁷ , young people and local people 80 low-income families and older people gaining digital skills access via donated tablet device Neighbourhood safety and street art initiatives		

Notes: 1. From product, construction, maintenance, repair & end-of-life. 2. Associated with regulated energy in use. 3. RIBA business-as-usual. 4. RIBA 2025 target. 5. Baseline Target Emission Rates (TER) determined per relevant Building Regulation requirements. 6. Total value estimates before impact adjustment and future impact data collection. 7. Young people not in education, employment or training (NEET).



Smith's Garden, Birmingham

Embodied carbon ¹ per 60 years				Operational carbon ² per year		
	Baseline ³	Target ⁴	Forecast	Baseline ⁵	Target	Forecast
Carbon (kgCO ₂ e/m ²)	1,200	840	840	13	6.5	<6.5
% Improvement on baseline		30%	30%		50%	+50%
Decarbonisation initiatives		Targeted building certifications		Social value creation		
	50% photovoltaic coverage to roof areas	Fitwel 3 star WiredScore Platinum		Expected social value creation equivalent to c.£1.9-£2.3 million ⁶		
	Triple glazed windows			77 FTE jobs including min. 5 apprentices, plus additional jobs at Modern Methods of Construction (MMC) partner's future factory		
	All electric space heating solution			Work experience, employability support and other skills training including learning or mental health difficulties		
	Off-site volumetric modular delivery	'whole life' carbon assessment		120 low-income families & older people gaining digital skills access via donated tablet device		
	Air source heat pumps for hot water generation	EPC B Rating		STEM and conservation/green skills and courses for 64 children and young adults		
	All parking spaces enabled for EV charging	BREEAM Very Good (commercial spaces)				

Notes: 1. From product, construction, maintenance, repair & end-of-life. 2. Associated with regulated energy in use. 3. RIBA business-as-usual. 4. RIBA 2025 target. 5. Baseline Target Emission Rates (TER) determined per relevant Building Regulation requirements. 6. Total value estimates before impact adjustment and future impact data collection.



The background is a solid medium green color. It features several overlapping geometric shapes: a large circle in the bottom-left, a large quarter-circle in the top-right, and a horizontal rectangle in the center-right. These shapes are slightly offset from each other, creating a layered effect. In the bottom-right corner, the letters 'gs' are written in a white, lowercase, serif font.

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