



Developing sustainability  
Development Securities 2002 report



DEVELOPMENT  
SECURITIES PLC



Cambourne Business Park,  
Cambridge.

FRONT COVER  
Site for The Royals Business Park,  
London.

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*Through our involvement in a number of high-profile regeneration projects, we at Development Securities have realised that as we pursue healthy financial returns for our investors we must have proper regard for our impact on the environment and the community. This understanding is the motivation for this, our first Sustainability Report.*

*To demonstrate this commitment, our Board has recently adopted a corporate sustainability policy. In formulating this*

*policy we have built upon our existing environmental policy and corporate management procedures. Some of what has to be done in this field, we have already been doing as part of good business practice - for example, in matters of ecology or energy conservation. Our new policy, however, with its detailed objectives and methods for performance assessment affords a degree of priority to these activities and indeed a framework for future scrutiny of our achievements.*

*The creation of shareholder value is principally dependent upon the extent to which our developments meet the economic needs of our customers, both occupiers and investors. However, our recent experience shows that shareholder value can be further enhanced through a creative and sensitive approach to development*

*delivering social and environmental value, not just to our customers, but to society at large.*

*We can only achieve excellence in our contribution to sustainable development through energetic engagement with our stakeholders and, in this spirit, I would welcome any comments that you may have. In fact, I would go as far as to say that an active engagement with our stakeholders on the sustainability agenda is integral to our future business success.*

**Julian Barwick**

Joint Managing Director  
March 2003

# business overview

Development Securities PLC is a property development and investment company. Our principal objective is to carry out substantial, complex developments in a risk-averse manner with a view to adding maximum value for our shareholders. Total turnover during the financial year 2002 was £33.5 million and total project expenditure per annum is in excess of £100 million. Profits before tax were £10 million.

## Developments

Our development activities are focused primarily in the South East with a particular emphasis on the office market in central London and the business park market around London. They are predominantly forward funded with a number of different institutional partners. We are increasingly involved in large-scale regenerative projects, and these include:

### PaddingtonCentral

1.7 million sq ft of highly specified retail, office, residential and leisure space, strategically located as a major new West End business district at the centre of national and international transport links.

### Heart of Slough

A 29 acre (11.75 ha) site in the centre of Slough in Berkshire which we are redeveloping with Berkeley Homes. The development, which will take ten years to complete, will consist of office, residential, retail and leisure space as well as a four star hotel and public buildings.

### The Royals Business Park

At 50 acres (20.25 ha), The Royals Business Park will be developed to become the capital's largest urban business park with 1.6 million sq ft of offices and 100,000 sq ft of retail and leisure space.

### Investment portfolio

Our investment portfolio has a total of 750,000 sq ft of space with a current market value of £93 million. 55% of the portfolio is made up of offices, 30% is retail and 15% is industrial space. Since 2000, we have concentrated on restructuring the portfolio and streamlining the way in which it is managed.

**Heart of Slough**  
Development Securities has been selected to regenerate the centre of Slough. The scheme will provide the town with a 29 acre (11.75ha) urban development, creating jobs as well as entertainment and learning opportunities, homes and a forum for the arts.



# scope of the sustainability report

This is our first stand-alone corporate sustainability report. All performance-related information covers the financial year 2002. This report applies to Development Securities' principal business activities only, which are administered from our head office. Some of the additional information, such as the case studies, covers a wider time period.

We view this report as a first step in which our policies and procedures are set out alongside case studies as these provide useful examples of how we integrate a sustainability approach into our development process.

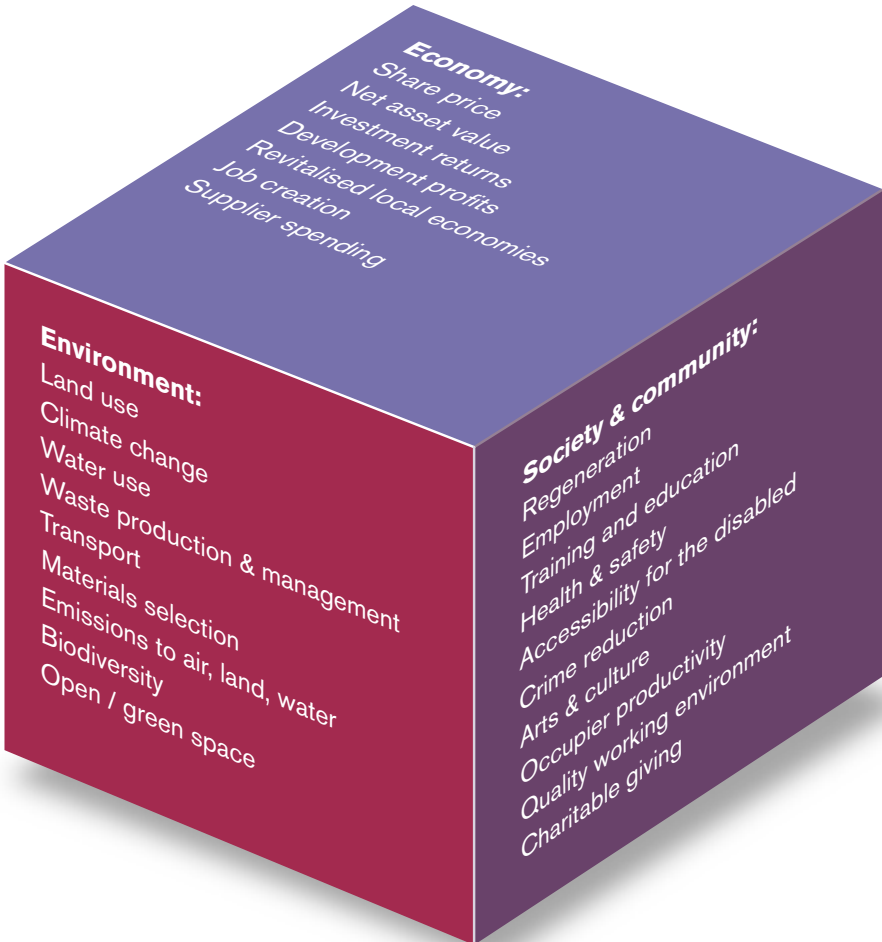
Our development activities often offer the most significant opportunities to address the sustainability of projects through the planning, design and construction process. These activities are the primary focus of the report.

In due course, we intend to apply our sustainability policy to our investment portfolio through the instruction and ongoing monitoring of our managing agents. Where we retain direct managerial control, we will specify high sustainability standards for our

managing agents. Where our properties are let out to single tenants on fully repairing and insuring leases, we will seek to influence occupiers so that sustainability impacts associated with their occupation are managed, since these may be viewed as our own indirect impacts.

We recognise the potentially significant impact that our development activities have on society and the environment. Wherever practicable, we seek to minimise any adverse impacts. In fact, our philosophy is to investigate sustainability opportunities within individual projects with a view to making a positive contribution where possible.

The most significant impacts arising from our developments are summarised in the adjacent diagram. These arise at various stages of the development process, ranging from site selection, planning and design, to construction and occupation.



# sustainability policy

“Development Securities is a property development and investment company whose principal objective is to carry out substantial, complex developments in a risk-averse manner by forward-funding major schemes with institutional partners.

We are keen to ensure that our developments enrich their local communities by delivering social benefits whilst simultaneously protecting and enhancing the natural environment. We are committed to the principles of sustainability as part of our overall approach to property development and we recognise that social and environmental well-being have important implications for both our corporate reputation and our long-term financial performance.

We believe that this policy is most purposefully implemented at the level of individual developments where we can deliver substantial environmental and community regeneration benefits in close consultation with a wide range of interested parties.

To maximise the effectiveness of our policy, we wish to focus our attention in the following key areas: urban regeneration, youth and education, the environment, the Arts and the property industry. ”

March 2002

This policy is accompanied by a set of more detailed objectives outlining what we seek to achieve against each of these key areas. These are covered on page 16 of this report.



### *The Royals Business Park*

‘One of the most important regeneration areas in the UK’; was how London’s Mayor, Ken Livingstone, described the Royals, where 50 acres is being redeveloped to create London’s largest urban business park.

# management approach

## Sustainability champions

Ultimate responsibility for our sustainability policy rests at Managing Director level. The Director of Projects oversees day-to-day management of the policy. In addition, individual responsibility for specific targets and implementation procedures is allocated to all project managers.

## Managing the supply chain

We seek to work with advisors and contractors who demonstrate their own commitment to, and experience of, sustainable outcomes. A strong emphasis is therefore placed on sustainability awareness and competence throughout the selection procedure and ongoing supply chain management.

## Seeking advice

We work closely with strategic sustainability advisors, Upstream, and environmental consultants, FaberMaunsell, to ensure a robust approach to sustainability and to assist us in the implementation of our sustainability commitments on individual projects.

## Target setting and review procedures

We aim to extend our current target setting and review procedures on environmental matters to encompass social and economic impacts. Our project managers are required to regularly report to the Projects Board on all their environmental and community initiatives. This process enables us to track our progress in meeting corporate sustainability objectives. Ultimately, our progress is reviewed and reported at board level.

## Associations and memberships

Development Securities is a member of the Property Environment Group ([www.pegonline.net](http://www.pegonline.net)) which provides us with regular intelligence, training opportunities and ongoing support in the delivery of our environmental objectives. We are also members of Paddington Waterside Partnership and London First as well as subscribing to economic benchmarks provided by the Investment Property Databank, The Investment Property Forum and the British Property Federation.

## Key stakeholders

We recognise the need to engage with our various stakeholders in order to achieve our sustainability objectives. They can be identified as those who are affected by, or have an interest in our activities, and are summarised below.



# economic impacts

Our economic impacts relate not only to the local economies in which we invest but also to financial returns and share price.

## Local economic development

A key part of our project research is concerned with the nature of the local economy. It is vital to ensure that our developments add to and sustain the economic vitality of the places in which we develop. Our developments act as a catalyst to further inward investment from other sources, magnifying economic benefits, creating job opportunities and strengthening social networks.

## Supplier spending

As a significant procurer of goods and services, we have a strong knock-on economic impact. During the last twelve months, we have spent £80 million on procurement. Our three most significant supplier categories are curtain walling, mechanical and electrical services, and structural framework.

## Financial returns

In managing the cost of development, we seek to optimise the relationships between the social, environmental and economic dimensions of sustainability.

Calculation of the value of our completed developments takes account of the initial rental income and its capacity to grow and be sustained in real terms. We are therefore mindful of costs and values of buildings in use. In this, we take account not only of the initial terms and conditions on which our buildings are let but also of the need to provide robust and flexible forms of accommodation that will meet occupier needs now and in the future and thus deliver and sustain a growing real rental stream.

## Corporate governance

We are committed to good corporate governance practices and comply with the Code provisions as set out in Section 1 of the Combined Code.

The Development Securities Board is currently made up of two executive and five non-executive directors, all of whom are considered to be independent. The Board has established a number of standing committees, including an Audit Committee, Nominations Committee, Remuneration Committee and Approvals Committee.

## Risk management

The Board has also constituted a Risk Committee designed to undertake an extensive risk review process to identify and manage the various risks to our business.

The Risk Committee reviews corporate risks on a rolling basis through quarterly meetings, ensuring risk control procedures are further embedded in the culture of the company.

This ongoing risk assessment procedure categorises risks into 47 elements, identifying their potential impact and likelihood of occurrence, necessary controls and mitigating actions together with early warning systems and further action that may need to be implemented. The assessment includes a number of social, ethical and environmental risks that are potentially material to our business.

The risk review process is designed to manage, rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## Paddington Central

It is forecast that 30,000 jobs will be created in Paddington as a result of the Paddington Waterside regeneration. More than 2,000 new jobs had been created for local people by early 2003.





Left to right:  
Wally Kumar, Ray Pearce  
and Zohra Cheng of  
Development Securities.

# environmental impacts

“ The Group recognises that its business activities, which consist principally of investing in and developing property in the United Kingdom, have both direct and indirect environmental impacts. The Group's aim is to reduce these to a minimum by good management and sound working practices and improve its environmental performance. In doing so, the Group will seek the active co-operation of designers, contractors, occupiers and other interested parties. The Group will implement this policy by identifying a set of key environmental objectives relevant to its activities, setting appropriate targets and conducting regular reviews of progress.”

January 1999

This Environmental Policy is owned at Board level and reviewed on an annual basis. It reflects our commitment to reducing environmental impacts through good management and sound working practices.

## Objectives and targets

In line with our environmental policy, we have developed a set of environmental objectives which are incorporated within our sustainability objectives shown on page 16.

The environmental objectives are delivered through specific targets and timescales. In November 2001, nine environmental targets were developed and agreed, with managers assigned individual responsibility for their delivery.

Despite very short timescales, all but one were achieved on time, and the remaining target was delivered within two months of the deadline.

All our environmental targets for this period, including our achievements, are available in the investor relations section of our website: [www.developmentsecurities.com](http://www.developmentsecurities.com)

New environmental targets will be formulated in Spring 2003 and, when finalised, these will also be included on our website.





### **2020 Building, Cambourne Business Park, Cambridge**

This building optimises the use of natural light to reduce energy use.

#### **Site selection and land use**

When selecting a site, the main concern is attractiveness to future high quality owners and occupiers.

A significant number of our development projects are on brownfield sites. The clean-up of land contaminated by previous uses is one of the most significant improvements to environmental well-being that we make. During 2002, 84% of all our development activity (by net floor area completed) was undertaken on brownfield sites.

When we develop greenfield sites, we seek to capitalise on the environmental opportunities such locations can afford. These include daylighting, natural ventilation, and indigenous landscaping.

Increasingly, we are bound by planning requirements (Section 106 agreements) in respect of the way a site can be developed. We view this as an opportunity rather than a restriction and seek to incorporate good practice even where no such requirement exists. By way of example, we aim to develop and implement Travel to Work plans on all of our projects regardless of local authority requirements.

#### **Local environment**

The impacts of development on the local environment are diverse, but our commitment is straightforward: to preserve and protect existing wildlife where it is appropriate to do so and to enhance it where such opportunities exist. We obtain expert advice on all our projects\*.

#### **Building design**

To meet the challenge of delivering buildings with low energy consumption providing comfortable and controllable conditions, we:

- Select consultants and contractors who are willing and able to support our design ideals.\*
- Consider energy efficiency and carbon dioxide emissions at the design stage, with a view to achieving a high BREEAM rating.
- Determine the best methods of handing over technical data and expertise on how to run a building to building managers.\*

All our developments are assessed using BREEAM and, as a minimum, are required to achieve 'very good'. However, we aspire to achieving 'excellent' where appropriate.\* In fact, we recently achieved an 'excellent' rating for the South Cambridgeshire District Council building at Cambourne.

\* Key 2002 target

**Cambourne Business Park**  
By developing a Travel to Work plan for Cambourne, single occupancy car journeys have been reduced.



### Construction

We encourage our designers and contractors to reduce waste generation during construction through:

- Making use of on-site materials such as crushed concrete from demolished buildings.
- Stockpiling topsoil during the development phase and re-using it for landscaping.
- Incorporating standard components and pre-cut materials into designs.\*
- Recycling waste wherever possible rather than sending it to landfill.\*
- Encouraging suppliers to reduce the need for packaging and to take back and recycle that which they provide.\*

We also raise awareness of the need to minimise nuisance and disruption to neighbours (from deliveries and site works) and to take suitable precautions in reducing the risk of pollution incidents while containing any that arise.

### Transport

Road transport significantly impacts upon global climate change and local air quality, adversely affecting health and the economy as a result of congestion.

Throughout development, we try to influence travel distances and modes including both construction and final occupancy phases. This includes:

- Considering a potential site's proximity to good public transport links and the feasibility of making improvements to the local public transport infrastructure.
- Developing a Travel to Work plan for each of our major developments whether urban or out-of-town.\*
- Providing showering facilities for cyclists and safe cycle storage where space permits.

\* Key 2002 target

## CAMBOURNE BUSINESS PARK, CAMBRIDGE

This project consists of 750,000 sq ft of office and research and development space, nine miles west from Cambridge city centre, and adjacent to 6,000 new homes. With an estimated 600 people already working there, Cambourne is now established as one of the UK's leading business parks.

This development demonstrates how we are putting our sustainability commitments into practice through:

- Enhancing the site's natural landscape by adding a 380 metre tree-lined boulevard, running alongside two connected lakes that provide habitats for a variety of birds including wild fowl.
- Incorporating natural ventilation within mixed mode ventilation and optimising daylighting to reduce energy requirements.
- Producing and distributing bus service timetables to all residents and encouraging an extended bus service.
- Reducing the packaging for windows as a procurement requirement, through container delivery rather than packaged on pallets.
- Joining the 'Safer routes to School' working party of the local community school, Monkfield Primary.
- Developing a Travel to Work plan to reduce single occupancy car journey, by enabling and promoting alternative modes including a car-sharing club, and monitoring activity.
- Inviting children from Monkfield Primary to work alongside a wildlife artist at the site.
- Enabling school children access to study the application of various building materials.



Winner of best development on a Business Park 2002 (Property Week IAS/OAS Awards).

# social impacts

Our impacts on society are those which affect our own employees and those which affect some of our key external stakeholders.

## Employees

Development Securities considers itself to be a responsible employer. The turnover rate in head office staff during 2002 was 14%. All staff in the Group with in excess of one month's employment were eligible to join a savings-related share option scheme, launched during 2002. It has been taken up by a total of 42% of staff. Staff in head office are invited for membership of the Company pension scheme, which is non-contributory and which also provides life assurance cover. They are also eligible to join the Group's Long Term Incentive Plan, medical insurance scheme and receive a discretionary annual bonus, based on individual, team and corporate objectives.

Training is provided to a number of young recruits, leading to professional qualifications. Many of the qualified staff belong to professional institutions requiring the individual to be responsible for maintaining a record of their continuing professional development programme. In addition, senior managers are encouraged to attend courses and seminars to maintain their technical skills at the highest level.

## Local communities

Through local planning requirements and Section 106 agreements, we are frequently required to make significant investments in local community facilities and infrastructure as part of our development activities. We often exceed the minimum planning requirements through our own voluntary activities. In keeping with the priorities listed in our sustainability policy and our accompanying objectives, we focus our investment activities on:

- Urban regeneration: a core principle of our re-development of the Paddington area is 'permeability'. The site creates new access to Paddington Station and surrounding areas for local communities such as Maida Vale to the north and has involved opening the canal foot-path to the public for the first time.
- Youth and education: At our development at 333 Oxford Street, pupils from Coston Primary School, Greenford, Middlesex were invited to submit artistic works for public display. Work of the highest standard was laminated and displayed on the hoardings outside the development (see page 17).
- The Arts: A sculpture combining light and a helix form by Eilís O'Connell was commissioned for our development at One Curzon Street.



***Floating classroom at PaddingtonCentral***  
Development Securities has sponsored the Paddington floating classroom. Over 2,500 children have taken advantage of this opportunity to learn about the canal, local history, the environment and wildlife.



#### **Twelve shopping days of Christmas**

Paintings entered into a Development Securities competition by the children of Coston Primary School, Greenford, Middlesex.

We also pay close attention to consulting with local communities at all stages of the planning process in order to ensure that their needs and concerns can be reflected in our evolving proposals. In 2002, we donated £15,000 directly to charities, in addition to investment at a local level.

#### **Occupiers**

We view our customers' wishes as paramount in shaping our development proposals, seeking to provide them with efficient, safe, flexible and effective buildings capable of meeting their changing needs. Where buildings are pre-let, we interview our prospective tenants about design parameters and plant capacity. Upon occupancy, we monitor tenant satisfaction mainly through post-completion audits.

We seek building designs that are sensitive and accessible to occupiers or visitors with a range of disabilities.

#### **Health and safety**

Health and safety is given a high priority across all of our different functions: as a landlord, a construction client, an employer and a procurer of goods and services. We seek to ensure that the highest standards of health and safety are integrated into new building designs and building management where we retain ownership. We have various procedures in place to manage and minimise health and safety risks, both within our own offices and at all development sites in partnership with contractors and suppliers.



#### **Lift access at PaddingtonCentral**

£270,000 was invested in the lift at Paddington, ensuring provision of access for all to PaddingtonCentral from the station and creating an architectural feature integral to the development.

## PADDINGTON CENTRAL, LONDON

Paddington Central, one of our largest regeneration projects, provides an excellent example of how our activities can improve the local economy and environmental quality as well as benefiting the local community.

- The development continues to out-perform initial expectations and leases have been agreed with companies such as Kingfisher, WJB Chiltern and Prudential.
- We are members of the Paddington Waterside Partnership which intends to ensure the delivery of long-lasting benefits to the local economy such as educational and business opportunities, employment, safety and security. In 1999, the Partnership (as it was then named) established a job brokerage service, Paddington First, and this has resulted in over 2,000 new jobs for local people as of the end of 2002.
- We have adopted St Augustine's Secondary School, investing £30,000 with our funding partners into the school's capital fund which has led to a further £25,000 of investment committed by our suppliers. We would expect this initial £55,000 to be largely matched by public funds.
- An ecological survey revealed that construction would have a minimal effect on the value of existing wildlife and, in fact, we have provided new habitats for birds and insects.
- We have also significantly enhanced the permeability of the entire site to existing communities. Through landscaping, new cycle routes and improved amenities, benefits have been generated for the surrounding communities as well as new occupiers and residents.
- During the construction process, we are encouraging suppliers to reduce traffic movements by taking back their product packaging on their return journey.
- As part of the handover process, we have developed a training programme for building managers to optimise energy use and ensure comfortable working conditions.



# the way forward

We are pleased with our progress to date, having achieved all of our 2001/02 environmental targets by the end of 2002. We are looking forward to reinforcing the sustainability programme further by setting social and economic targets to encompass the broad range of our sustainability objectives, set out on page 16. Doing so will ensure a path of continuing improvement across all aspects of our sustainability performance.

In addition, we aim to further develop our approach by:

- Improving performance measurement procedures for our most significant social, environmental and economic impacts against a set of Key Performance Indicators.
- Setting both management and performance targets where appropriate.
- Considering the application of our sustainability objectives to property portfolio management (via our managing agents) and to our own occupation of property.
- Providing updated information on our company website.
- Formalising our programme of training to ensure that our employees are able to identify the most significant issues as well as determining solutions.
- Moving towards independent verification of our sustainability reports.

*"A realistic approach to social and environmental objectives is increasingly essential to new commercial development, and the practice of reporting on sustainability policies is something I wholeheartedly endorse. Development Securities has done much good work in London and I look forward to continuing the fruitful partnership we have achieved on projects such as the development of the Royal Docks."*



Ken Livingstone  
Mayor of London

*"The best commercial developments have a vision of regeneration at their very core. We are now developing an understanding of how to create successful commercial development using sustainable development principles. Development Securities' continued efforts to deliver sustainable development are to be welcomed and encouraged. I look forward to seeing what sustainability in practice will mean for the company in the future."*



Peter Head OBE FREng  
Chairman, London First Sustainability Unit

*"As a tenant of One Silk Street, we were able to observe in action their approach to sustainability. When Development Securities is involved with a new development there is clear and systematic consideration given to their long term impact on both the surrounding and working environment. This is in my view a correct approach and I hope that they continue to develop this policy over the coming years."*



Robert Finch  
Partner, Linklaters

*"Shareholder value is created by managers who properly assess a broad range of risks to future business performance. An awareness of sustainability, through adequate policies, procedures, and auditing, demonstrates that a company understands that value is only created by balancing environmental and social risks with purely economic considerations. Development Securities deserves credit for producing their first sustainability report and we will watch the evolution of their sustainability approach with interest."*



Sarah Durham  
Senior Analyst,  
Jupiter Asset Management Environmental Research

# sustainability objectives

In fulfilling our commitment to sustainability, we will aim to:

## Overall

- Comply with all relevant legislation as a minimum standard and work towards good practice in sustainability.
- Strive towards continuous improvement in performance by reviewing progress on a regular basis and reporting this to the Board.
- Openly communicate our progress towards sustainability both internally and externally, thereby demonstrating our commitment and encouraging debate that will help to further our own understanding.
- Operate clear and fair terms of employment and respect a policy of equal opportunities.
- Encourage training, skills and knowledge development, and set and review individual training initiatives accordingly.

## Urban regeneration

- Enrich and improve the local communities and environments in which we work.
- As part of a balanced development portfolio, develop mixed-use projects that enable people to live and work close to retail and leisure facilities.
- Create diverse and balanced communities that reflect the social and economic diversity of the communities in which we develop.
- Develop successful partnerships with local stakeholders and engage them in our work towards sustainability.

## Youth and education

- Sponsor and support youth programs in their efforts to create greater opportunities for young people in the communities in which we develop.
- Co-operate in educational initiatives in the local communities in which we develop in order to improve local levels of skills and training as well as a greater appreciation of local environmental issues.

## Health

- Ensure the health and safety of all employees and visitors through the implementation of a workplace health and safety policy.
- Liaise closely with contractors on our development sites to ensure compliance with best practice procedures in relation to health and safety.

## The environment

- Seek assurance that principal consultants and contractors support and will aid delivery of our environmental programme.
- Ensure our key staff have the necessary skills, through appropriate training, to deliver our environmental targets.
- Address emissions associated with travel to work.
- Take environmental issues into account in the construction and design of our buildings, including:
  - addressing emissions associated with operational energy use, whilst maintaining good working conditions.
  - Seeking to reduce the use of raw materials and generation of waste.
- Undertake development with regards to local biodiversity.

## The arts

- Sponsor and support projects that promote the arts in communities in which we develop.

## The property industry

- Take part in sectoral debates and research programmes concerning sustainability within the property industry and contribute to shared learning about evolving best practice.
- Consider sponsoring targeted research into other aspects or debates with relevance to our core business activities.

Development Securities PLC 2003



***Footbridge at Paddington Central***  
The Paddington Central footbridge enhances the permeability of the site, allowing the public access to the canal towpath at Paddington for the first time ever.

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