



Sustainability | Leadership | Innovation



In partnership with
Deloitte.



Landsec (Land Securities Properties Ltd): Addressing climate risks and opportunities through the TCFD recommendations

Finalist: Embedding an integrated approach award

What

As an owner and operator of property, Landsec is exposed to both risks and opportunities from climate change. To address this, Landsec made a public commitment to implement the www.fsb-tcfid.org/publications/final-recommendations-report/ recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This led to extensive research, financial modelling and scenario analysis. Landsec reported against the TCFD recommendations in its 2019 reporting, providing investors with transparent climate-related financial risk information.

Landsec has used insights from its TCFD analysis to decarbonise and de-risk the business. Findings from climate risk research inform corporate strategy and areas of the business such as development, operations, portfolio management, investment and divestment. This work is driven by collaboration between finance and sustainability teams.

The finance function has been integral to Landsec's work on TCFD and sustainability. Landsec's research demanded an accurate picture of its portfolio and individual asset valuations, together with financial forecasting and analysis. By using TCFD as a springboard to act on climate change, Landsec has cultivated its commercial resilience while contributing to a sustainable future.

'By addressing climate change risks and opportunities through our strategy and financial planning, we're ensuring Landsec remains resilient and delivers value in the long-term.'

Nick Bell,
Senior Commercial Accountant, Landsec

Why

Buildings are long-lived assets and the effects of climate change may be significant over the course of a building's life. Landsec believes that resilience to climate change, throughout its portfolio and new developments, is a commercial imperative. This can mean divesting assets that are less resilient to extreme heat and rainfall or investing in infrastructure to limit the impact of flooding. When Landsec heard about the TCFD, the relevance of its recommendations was clear.

The focus of Landsec's overarching company strategy is creating long-term value for stakeholders, and its sustainability strategy also responds to stakeholder needs. Investors are interested in the commercial upsides and downsides of transitioning to a low-carbon economy – transition risk – and how well Landsec is building this into its planning and activities. Landsec's customers are interested in both transition risk and the physical risk to buildings over the course of their leases, which may last for ten to fifteen years.

Understanding climate-related risks means that Landsec can adapt its strategy and financial planning to address those risks. By doing so, it can protect stakeholders' interests, improve its financial sustainability and have a positive impact on the world around it.



‘The work Landsec has done on TCFD and how that has been embedded across the organisation to drive decision-making is to be commended. Their consideration of environmental and climate change implications is obviously driving benefits.’

Finance for the Future Awards judges

How

Landsec has worked to identify and manage climate risk and to embed this throughout its strategy and operations:

- > Landsec **had an existing sustainability programme** before looking to implement the TCFD recommendations. The programme is based on three priority areas: creating jobs and opportunities, efficient use of natural resources and sustainable design and innovation.
- > A governance structure is in place to **manage climate-related risk**. A sustainability committee provides oversight, chaired by the chief executive. Other teams, including finance, are represented on this committee, and climate-related risk is integrated into the overarching risk management process.
- > The sustainability committee **approved a research project** in 2017, led by the sustainability, finance and insurance teams. The project team built an understanding of how climate change could affect the financial stability of the business.
- > The TCFD project team **used a mix of resources** to analyse climate-related risk. Finance provided portfolio forecasting and analysis, insurance provided information on portfolio risk, and consultants provided external expertise, combining the internal analysis with the latest climate change data.
- > Landsec **analysed physical risk through modelling**, using climate and natural hazard databases. This modelling examined future weather and climate patterns and their potential impact on Landsec's property portfolio.
- > The company **used TCFD recommendations as a guide for scenario analysis**. The quantitative and qualitative analysis enabled Landsec to assess its resilience in two alternate carbon futures.
- > Landsec's TCFD analysis **informs its strategic and financial planning process** across the property lifecycle, including investment, development, operation and divestment. Climate change risk is factored into the case for divesting assets, while new developments are designed for climate change resilience. The company is also investing in renewable energy to reduce carbon emissions and operational costs.
- > Landsec **considers carbon emissions across the supply chain in its development pipelines (scope 3 emissions)**. This includes the type of materials it uses and where those materials are sourced from. Cost impact is minimised by including this in property designs at an early stage.
- > Corporate finance and sustainability **run an internal 'Sustainability Matters' course**. This course prompts discussions about how teams can integrate sustainability into their own work. After attending, finance staff have built sustainability into service charge information packs, and the treasury team is looking into green bonds.
- > The investor relations team have **liaised with investors** to understand their approach to investing in sustainable assets and what information is useful to them.

A summary of the TCFD disclosure is available in Landsec's [Annual Report](#) and full disclosure of climate change scenarios and how they may affect its business is available in its [Sustainability Performance and Data Report](#).

www.landsec.com



DISCLAIMER

This case study presents Landsec entry for the Finance for the Future Awards 2019. The case study only includes information that was part of the organisation's 2019 entry. Some of this information may now be out of date. For a current view of the organisation's work, please visit their website at the link given above.



The Finance for the Future Awards recognise the role of finance in driving sustainable economies.

[Click here](#) to see more inspiring case studies or go to www.financeforthefuture.org/previous-winners

To register interest for the next awards go to www.financeforthefuture.org/entering

