



Managing our Sustainability Legislative and Regulatory Risk

Environmental and sustainability legislation and regulation across the UK, France and Ireland and its implications for Hammerson

This report looks at the legislative landscape in the EU, the UK, Ireland and France, and identifies all legislation that poses a major risk to Hammerson in the short, medium and long term across the businesses’ top 8 material issues, drawn from the 2014 materiality review. Legislation across these eight issues was assessed and a low, medium or high rating applied based on its perceived impact, or potential impact, on Hammerson’s license to operate (full definitions can be found in the Appendix).

This report contains all legislation that was perceived to have a high impact on the business, and in cases where legislation addresses a new or interesting area that may be a precursor to further legislation in the future, medium impact legislation is also included. Table 1 provides a snapshot of the high-level findings.

			
Carbon & Energy	<u>HIGH</u>	<u>HIGH</u>	<u>HIGH</u>
Water	<u>LOW</u>	<u>LOW</u>	<u>LOW</u>
Waste & Materials	<u>HIGH</u>	<u>HIGH</u>	<u>HIGH</u>
Building labels	<u>HIGH</u>	<u>HIGH</u>	<u>HIGH</u>
Climate change adaptation	<u>MEDIUM</u>	<u>MEDIUM</u>	<u>MEDIUM</u>
Investors (incl. reporting requirements)	<u>HIGH</u>	<u>HIGH</u>	<u>HIGH</u>
Community	<u>HIGH</u>	<u>HIGH</u>	<u>MEDIUM</u>
Customers	<u>MEDIUM</u>	<u>LOW</u>	<u>HIGH</u>

Table 1: Summary of the magnitude of impact of legislation in UK, France and Ireland on Hammerson

This report only looks at national legislation, however it is important to note the emerging importance of local and in particular city-level legislation which are setting increasingly stringent requirements to address pressing social and environmental issues such as air quality and emissions. Low emissions zones in London and Paris, EV promotion and London Plan requirements for stretching carbon reductions are indicative of this trend. With the example of the London Plan in particular, London has effectively stepped in to fill the legislative gap in this area. Depending on the ambition of future national legislation, this may be a recurring trend that merits greater consideration in future legislative reviews, as Hammerson continue to manage their legislative risks.

CARBON EMISSIONS & ENERGY

Country	Regulation	Risk Horizon
	Energy Savings Opportunity Scheme Regulations (2014) Since 2016, UK companies with >250 employees or an annual turnover >€50 million or an annual balance sheet of >€43 million have been required to undertake an energy audit across all their assets. The compliance date for Phase 2 of ESOS is 5 th December 2019.	Short-term
	Carbon Reduction Commitment (Implemented under the Climate Change Act 2008) Eligible companies must report energy use annually to the Environment Agency and buy allowances to cover the associated carbon emissions. It is to be withdrawn at the end of Phase 2 (2014-19), with the Climate Change Levy being increased to compensate for this.	Short-term
	Climate Change Levy (Implemented under the Finance Act 2000) A tax on energy delivered to non-domestic users which rises annually based on inflation. Until August 2015, electricity generated from new renewables and cogeneration schemes was exempt from The Climate Change Levy. It will be raised from 2019 to recover revenue lost from abolishing the CRC.	Short-term
	Feed-in Tariff (Implemented under the Energy Act 2008) The Feed-in Tariff (FIT) applies to small-scale generation of electricity, paying a fixed sum for eligible technologies. In February 2016 the government reduced payments by 64%.	Short-term
	Statutory Instrument 426 (2014): Since 2016, all large companies (with >250 employees or an annual turnover >€50 million and an annual balance sheet of >€43 million) have been required to undertake an energy audit across all their assets. The next compliance date for SI 426 is 5 th December 2019.	Short-term
	The National Energy Efficiency Action Plan (NEEAP) (2014) Ireland's third NEEAP sets out the energy efficiency measures by sector in Ireland that will contribute towards the national energy efficiency 2020 target. It targets 100% of all new buildings to be "nearly zero energy" by 2020.	Short-term
	Part L of the Building Regulations (Implemented under the Building Control Acts 1990-2014) These Regulations were revised in 2011 to achieve an aggregate 60% improvement in energy efficiency and an aggregate 60% reduction in associated carbon emissions relative to 2005 requirements. In order to move towards the nearly zero energy building (NZEB) standards, the Government is expected to issue a revised Building Regulations Part L - Conservation of Fuel and Energy (and the accompanying Technical Guidance) in 2017. This is likely to be defined as using 40% to 60% less energy than under current regulations. This is unlikely to meet NZEB targets so a further revision is likely required ahead of 2020.	Short-term
	Energy Efficiency Fund (EEF) Aims to kick start activity on non-domestic renovation by providing accessible and appropriately priced finance, was launched in 2014 and has already made several investments. The plan is to expand the fund to over EUR70m (USD87.8m) through match funding from the private sector.	Short-term
	The Energy Transition for Green Growth Bill (2015) In August 2015, France set the following goals: - Cut GHG emissions by 40% between 1990 and 2030 and by 75% by 2050	Medium-term

	<ul style="list-style-type: none"> - Cut national energy usage by at least 50% by 2050 - Reduce the share of fossil fuels in energy production by 30% compared to 2012 - Cap the total output from nuclear power at 63.2 GW and reduce France's reliance on nuclear power from the current 75% to 50% by 2030; - Bring the share of renewables up to 32% of the energy mix by 2030. 	
	Feed-in-Tariff Building-integrated photovoltaic installations (BIPV) up to 100 kWp (kilowatt-peak) are entitled to between €0.246/kWh and €0.126/kWh, depending on their size. As of April 2016, the only way to develop plants larger than 100 kWp is through a tender scheme.	Short-term
	Deregulation of Electricity Market On 31 December 2015, France eliminated regulated tariffs for large and mid-sized electricity consumers. After a lengthy transition process, companies which failed to find an alternative supplier from the market were penalised financially. The elimination of tariffs could potentially bring new players on to the wholesale market as alternative suppliers capture a new customer base.	Short-term

WATER

Country	Regulation	Risk Horizon
	Water Efficiency in Buildings Directive A 'Water Efficiency in Buildings Directive' has been discussed following a consultation conducted in 2011, but due to a high degree of variation between member states it has not yet been formally proposed and no clear date for doing so has been established.	Long-term

WASTE & MATERIALS (INCL. RESPONSIBLE PROCUREMENT)

Country	Regulation	Risk Horizon
	Circular Economy Package The 2014 package called for a 70% recycling target for municipal waste for 2030, and a total ban on landfill for all recoverable and reusable waste. However this was scrapped and a new Action Plan for the Circular Economy was introduced on the 3rd of December 2015 which includes; <ul style="list-style-type: none"> - EU target for recycling 70% of municipal waste by 2030 - EU target for recycling 80% of packaging waste by 2030 - Binding target to reduce landfill to a max. of 10% of all waste by 2030 - Ban on landfilling of separately collected waste 	Long term
	Landfill Tax (Implemented under the Finance Act 1996) Currently £84.40 per tonne. 2017 is the tenth consecutive year in which rates have increased, though the third in which increases have not been predetermined by the escalator standard previously set. Rate increases are now linked to inflation, and therefore less aggressive than previously.	Short-term
	The Waste Management (Landfill Levy) (Amendment) Regulations (2013) This policy increased the landfill levy by 10 euros to 75 euros per tonne for each tonne of waste disposed of at authorised and unauthorised landfill facilities. This remains unchanged since 2013.	Short-term

	<p>Landfill Tax Varies depending on the type of waste, and the nature of the landfill site. For instance, it is €32.13 per tonne for authorised waste and €20.08 per tonne for authorised waste at sites which use over 75% of biogas. The rate is reviewed annually.</p>	Short-term
	<p>The Loi Macron (2015) As of July 2016, French supermarkets (over 400m² in size) have not been legally allowed to throw away or destroy unsold food and must instead donate it to charities or for animal feed. It is part of a wider drive to halve the amount of food waste in France by 2025.</p>	Short-term

BUILDING LABELS

Country	Regulation	Risk Horizon
	<p>Building Regulations (2010) Minimum requirement for a 9% improvement in energy efficiency for commercial buildings from April 2014 compared to 2010 Building Regulations. Tighter energy efficiency standards due to come into force in 2016 were scrapped in July 2015. There is no indication of when the next building regulations will be published.</p>	Short-term
	<p>Energy Performance Certificates (2007) Mandatory Energy Performance Certificates (EPCs) must be included in the marketing materials of all properties for sale / rent within EU Member States within seven days of marketing.</p>	Short-term
	<p>Minimum Energy Efficiency Standards (implemented under the Energy Act 2011) In the UK, Minimum Energy Efficiency Standards (MEES) states that non-domestic assets in England & Wales with an Energy Performance Certificate rating of less than 'E' will become unlettable from April 2018 (In Scotland from 2015 onwards, owners of assets with an EPC of less than E have been required to develop and implement an upgrade plan).</p>	Short-term
	<p>Building Energy Rating (BER) (2007) As of 2013, the BER must be displayed in all online and print adverts, brochures and "for sale/rent" signs outside properties. There are 15 different levels of efficiency, with only 5 assets achieving the top rating, 'A1'. Hitherto, Ireland has used Part L of the Building Regulations as the principal means of raising energy performance standards, as opposed to following the path of the UK, with the introduction of MEES.</p>	Short-term
	<p>The Thermal Regulation (RT 2012) Complemented by the creation of two new labels, RT 2012 strengthened building efficiency requirements, establishing a threshold for primary energy consumption of below 50 kWhPE/m²/year on average. They also refer to a 'Summer comfort requirement' (maximum interior temperature for 5 consecutive summer days) to encourage bioclimatic architecture. It applies to new buildings only.</p>	Short-term
	<p>New building regulations (RT 2020) France is working on a new thermal regulation framework for 2020, until which RT 2012 applies. RT 2020 plans for all new buildings to be energy positive, which they recommend being achieved through insulation as well as renewable energy. No further details on what the energy positive requirements will involve have been published.</p>	Medium-term

	Diagnostic de Performance Energétique (Implemented under the Grenelle II law, 2010) An energy performance certificate (or DPE) must be produced upon selling or leasing a building. The performance is rated along a scale of A to I for commercial buildings and must be displayed in all marketing materials.	Short-term
	High Energy Performance (HPE) labels (regulatory labels) This encompasses the various label levels as defined by the French Government for new buildings, which go beyond the minimum standards mandated in RT2012. HPE 2012 requires the average energy consumption of a building to be 10% lower than that required by the RT 2012. HPE Enr 2012: Buildings must meet HPE requirements and use a renewable source for heating / hot water production. THPE 2012: Buildings must perform 20% better than RT2012. THPE EnR 2012: Building must perform 30% better than RT2012, and use renewable energy for the majority of heating.	Short-term

CLIMATE CHANGE ADAPTATION

Country	Regulation	Risk Horizon
	Flood Risk Regulations (2009) Require local authorities to identify and take action in areas with the most significant flood risks and for flood hazard maps, flood risk maps and flood risk management plans to be produced for Flood Risk Areas. As a result, since 2011 it has been possible for the public (and lenders) to access robust information on potential surface water risk, which has affected insurance rates and the willingness of banks to lend.	Short-term
	Catchment Flood Risk Assessment and Management (CFRAM) programme (2011) The Office for Public Works (OPW) commenced the Catchment Flood Risk Assessment and Management (CFRAM) programme in 2011. The programme provided for three main consultative stages, namely Preliminary Flood Risk Assessment in 2011, the Flood Hazard Mapping Process in 2014 and the Flood Risk Management Plans in 2015 for specific geographical locations.	Short-term
	National Climate Change Adaptation Framework (2012) Provides the policy context for a strategic national adaptation response to climate change. A two-phase approach has been taken; phase one is concerned with building the knowledge base; and phase two involves the development and implementation of sectoral and local adaptation plans. In 2015, the EPA produced guidelines for the integration of adaptation into local level planning.	Medium-term
	National Climate Change Adaptation Plan 2011-15 (2011) Focused primarily on developing knowledge and methods and has produced a clearer picture of what the public policy issues around adaptation are. In particular, it has resulted in changes to the infrastructure and transport network construction guidelines. Furthermore, the expected changes in France in terms of precipitation, average summer and winter temperatures and sea level variations	Short-term

	along the coasts are now freely accessible to all . A second adaptation plan is anticipated to be released in 2017.	
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INVESTORS (INCL. REPORTING REQUIREMENTS E.G. DIVERSITY & HUMAN RIGHTS)

Country	Regulation	Risk Horizon
	Mandatory greenhouse gas (GHG) reporting (Implemented under the Companies Act 2006) Mandatory greenhouse gas (GHG) reporting requires quoted companies to report their annual scope 1 & 2 GHG emissions in their Annual Report to Directors or Strategic Report.	Short-term
	Mandatory gender pay gap reporting (Implemented under the Equality Act 2010) From 5 th April 2017, any organisation that has 250 or more employees has 12 months in which to report specific figures about their gender pay gap. The gender pay gap is the difference between average earnings of men and women, expressed relative to men's earnings.	Short-term
	The Companies Act (2014) Large companies (not SMEs) must include information in their financial statements in relation to KPIs around environmental and employee matters to the extent necessary to understand the company's development, performance or position. Other than this, there are no specific legal requirements imposed on companies to report on social, environmental and ethical issues. Consequently, Ireland has a below average reporting rate with only 70% of the top 100 companies reporting on CR compared to 97% in the UK.	Medium-term
	Non-Financial Reporting Directive 2014/95/EU Draft legislation to transpose the Non-Financial Reporting Directive is expected to be published in early 2017. The new law will introduce mandatory sustainability reporting for large companies using a "comply or explain" model. Companies within its scope will be required to report on environmental matters, social and employee matters, respect for human rights, and anti-corruption and bribery, using existing national or international optional reporting frameworks.	Short-term
	The Energy Transition for Green Growth Bill (2016) Article 173 of the Energy Transitions law, for the first time requires companies listed in France, banks, and institutional investors report on the environmental profile of their funds. The reporting must not only cover environmental, social and governance issues, but also provide information on carbon footprints, green revenues, and the environmental impact of their investment portfolios, including specific reference to impact on climate change.	Short-term

COMMUNITY

Country	Regulation	Risk Horizon
	Community Infrastructure Levy (Implemented under the Planning Act 2008) A planning charge, introduced as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It came into force on 6 April 2010 through the Community Infrastructure Levy Regulations 2010. Review: In November 2015 it was announced that the CIL would be reviewed.	Medium-term

	Section 106 (Implemented under the Town and Country Planning Act 1990) A planning mechanism that obliges developers to make a contribution to affordable housing and local infrastructure. In addition s106 agreements can specify a specific land use, require specified operations or activities to be carried out in, on, under or over the development and restrict the development or use of land in any specified way.	Short-term
	The Planning and Development Act (2000) Introduced provisions requiring local authorities to prepare development contribution schemes. The adoption of development contribution schemes is a reserved function of the elected members of each planning authority.	Short-term
	Revision of the Planning Law for Commercial Buildings developments (Loi d'Urbanisme Commercial) (2011) Greater power for Mayors in awarding planning permission for commercial buildings and greater emphasis on preserving inner city independent retailers.	Short-term

CUSTOMERS (INCLUDING GREEN LEASE CLAUSES)

Country	Regulation	Risk Horizon
	*No direct legislation, however Minimum Energy Efficiency Standards (Implemented under the Energy Act 2011) While there is no legislation specifically concerning green leases in the UK, MEES legislation provides an opportunity for landlords to collaborate with occupiers to improve the energy performance of its buildings whilst also sharing the cost of necessary improvements.	Medium-term
	Green lease legislation (annexe environnementale) (2013) Since July 2013, it has been mandatory for all leases for retail or office spaces over 2,000 m ² to have an environmental appendix which requires that owners and tenants must: <ul style="list-style-type: none"> - Exchange the energy, water consumption and waste production information with complete transparency. - Meet to discuss the above during a "green committee" which will be held annually as a minimum. - Create and follow an improvement plan on the back of these meetings within an agreed time schedule. 	Short-term

Risk Severity	Definition
HIGH	This legislation has a high direct impact, either current or potential, on Hammerson's activities. It often includes financial penalties or criminal prosecutions for non-compliance.
MEDIUM	This legislation's impact on Hammerson's operations is less strong than those classified as 'high risk'. Impacts on Hammerson may also be indirect e.g. national climate change adaptation frameworks.
LOW	Government policy surrounding these issues tend to be undeveloped, or have no impact on Hammerson's activities.