2023/24

# Sustainability report

L&Q

SUSTAINABILITY REPORTING STANDARD FOR SOCIAL HOUSING
Adopter

# Contents

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# Overview

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# 1.1 Chief Executive introduction

Photo: Fiona Fletcher-Smith, L&Q Chief Executive

## Reflecting on the past year, it is clear that the challenging economic landscape continues to impact both our residents and our sector.

Our communities remain in the grip of a cost-of-living crisis and residents are looking to us for more help. The role of not-for-profit housing associations has never been more critical, but the economic pressures felt across the country haven't left us unscathed. While the headline figure of inflation has come down, the costs of borrowing, operating and living are high – and the energy market is still volatile.

While navigating these headwinds, our focus at L&Q has been to keep prioritising residents and our stated objectives of investing in existing homes and services. This has meant we've had to adapt and simplify our business. We've also had to make some difficult decisions, such as pausing renewable energy procurement to prevent residents from taking on additional costs, as well as scaling back some of our community investment.

Despite this, we remain 100% committed to making our homes and our business more energy efficient, to funding vital community and social initiatives in our core neighbourhoods, and to achieving net zero by 2050.

Over the last year, we have continued to support people and transform their lives through the L&Q Foundation; we've invested in and made changes to our homes and business operations, and we've been innovative by working with others to achieve an increased amount of social value.

Our £3bn 15-year Major Works programme began this year and, combined with the works funded under the Social Housing Decarbonisation Fund (SHDF) Wave 2, represent a significant step forward. We've improved the energy efficiency of thousands of homes through new double-glazed windows, insulated external doors, and upgraded boiler systems. Our goal of achieving an average SAP score of 72 by March 2024 was exceeded, with an average score of 72.37, up from 71.67 in 2021.

Our social impact continues to be a cornerstone of our operations. As part of our major works programme, we have worked with our partners to deliver additional social value in our communities of more than £23 million in the first year. This has included creating 27 full-time jobs and delivering 860 weeks of apprenticeships.

Staying afloat has been tough for low-income households, with many treading a precarious line between juggling high living costs and falling into rent arrears.

That's why the Foundation has been prioritising the essentials - helping 421 residents sustain their tenancies, 2,748 residents manage their finances, and supporting 224 people into work.

Big challenges require robust governance, and we are proud to have maintained our top-tier G1 rating from the Regulator of Social Housing. Our dedication to listening and responding to residents' needs led us to organise 27 involvement sessions with 249 residents last year, resulting in 55 actionable recommendations that have directly improved our services.

By bringing all these metrics and stories together in one place, this report acts as an important tool to hold ourselves to account whilst pushing ourselves to do more.

Homes contribute significantly to carbon emissions in the UK. The clock is ticking on addressing this and social landlords are juggling the challenges and opportunities of supply chain and skills shortages, emerging technologies, and an ever-changing policy, political and regulatory landscape.

Working with the government and other stakeholders, we need new skills, new partnerships, and new approaches to meet the challenges ahead. Together, we can accelerate progress toward a sustainable future, where our homes set the standard for comfort, quality, and environmental performance.

**By bringing all these metrics and stories together in one place, this report acts as an important tool to hold ourselves to account whilst pushing ourselves to do more.**

# 1.2 Our progress at a glance

## E Environmental

**Energy efficiency of our existing homes**
72.37
Average calculated SAP score
Target met

**Scope 1 & 2 Carbon emissions**
33,810.95
tonnes $CO_2e$
Target not met

**Improving energy efficiency of our homes**
215
homes improved

**Damp & mould**
7,311
homes visited

**In-house construction site environmental impacts**
100%
of sites monitoring energy, water, waste

## S Social

**Affordable homes**
2,017
new affordable homes delivered
Target met

**Community investment**
£1.28m
invested into the communities we work in
Target not met

**Tenancy sustainment**
421
residents supported

**Financial inclusion**
2,748
residents engaged

**Employment Generation**
244
residents supported

## G Governance

**Wellbeing events**
47
staff health & wellbeing events

**Staff volunteering**
645
hours of staff volunteering in the community

**Social Value**
£23.6m
social value realised through our supply chain

# 1.3 About L&Q

**L&Q is one of the UK's largest housing associations, with its own development arm. We house around 250,000 people in more than 105,000 homes, primarily across London, South East and the North West.**

- We believe passionately that people's health, security and happiness depend on where they live. That's why we're more than a registered charitable housing association.

- Social purpose is at the core of everything we do. We are a not-for-profit organisation, and we reinvest all the money we make to help house and support those in greatest need.

- As a community partner with an enduring stake in the places we build and manage, we have a duty to deliver wider benefits to society, above and beyond providing homes.


Photo: Barking Riverside

# 1.4 Our approach to sustainability

**We have pledged to putting sustainability at the heart of what we do in our five-year corporate strategy, 'Future Shape', which sets out our commitment to providing homes and neighbourhoods that everyone can be proud of.**

We want to make sure we generate value for society, safeguard the environment, and operate our business in a transparent and ethical manner and have used the UN Sustainable Development Goals to shape our approach. Our Future Shape strategy identified five key sustainability objectives which we are making progress against.

## Future Shape sustainability objectives

- Carbon emissions
- Climate resilience
- Construction impacts
- Sustainable placemaking
- ESG framework

The ESG framework we have developed ensures that ESG targets are embedded in the activities of the relevant departments and progress is reported to our Governance and Assurance Group on a quarterly basis.

## Our ESG priorities are:

### Environmental (E)

**Our impact on the environment**

**We measure our impact on the environment in a number of areas, including:**

- Climate action
- Resource efficiency
- Healthy places.

### Social (S)

**Our residents and the communities they live in**

**Our social impact focuses on our residents and the communities where they live, including:**

- Providing affordable and secure homes
- Community investment
- Supporting our residents.

### Governance (G)

**How L&Q Operates**

**L&Q's governance covers how we operate as a business, house builder and landlord, including:**

- Employee wellbeing
- Representative governance
- How we manage our supply chain.


Photos: Individuals from our Early Talent apprenticeship and graduate programme recently volunteered at Dunham Massey's Walled Garden with the National Trust

We have a Sustainability Working Group made up of representatives from Property Services, Energy, Foundation and Finance that meets monthly to share progress, coordinate sustainability activities and consider interdependencies.

We frequently review our reporting processes to streamline them and provide clear, concise information to our stakeholders.

Investors can find our performance results relative to the targets set in the L&Q Sustainability Finance Framework in section 6.1 of this report.

Click here **To view L&Q's Sustainability Finance Framework.**

We have been an Adopter of the Sustainability Reporting Standard (SRS) for Social Housing since 2022. This means we report against standard ESG metrics, allowing to benchmark our performance against other housing associations. You can view our disclosure against the SRS criteria, as well as progress against L&Q's Sustainability priorities, in our Performance Tables.

Click here **To view our detailed Sustainability Performance Tables.**

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# Environment

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# Environment
## Our impact on the environment

E

We are committed to reducing the carbon footprint of our business. Our priorities are to improve the energy efficiency of our existing homes and to build energy efficient new homes. Energy use in our buildings is the biggest contributor to our Scope 1 & 2 carbon emissions. Focusing on our homes means that we can tackle the climate crisis, while also reducing energy costs for our residents.

**Our activities are currently focused on the following key areas:**

- **Climate Action** – decarbonising our homes and activities, while futureproofing our business, residents and communities against the impacts of climate change
- **Resource Efficiency** – using resources more efficiently and minimising the amount of waste produced during the construction, refurbishment and day-to-day operations
- **Healthy Places** – maximising shared value by creating places that are healthy for both people and planet.

On the following pages we have outlined progress we have made in these areas over the last year.

# 2.1
# Climate action

## Energy efficiency of our homes

The energy efficiency of our homes is evaluated using Energy Performance Certificate (EPC) scores, which are based on data calculated through the Standard Assessment Procedure (SAP) methodology. We have committed to achieving an average calculated SAP score of 72 or above - equivalent to an EPC rating of C - in homes under our operational control by March 2024, and to increase this to 72.8 by 2026. As of March 2024, our average SAP score was 72.37, meeting our target and improving from a baseline score of 71.67 in 2021.

The number of our homes that is below an EPC C was reduced by 2,221, equivalent to a 3% reduction . This improvement was mainly due to enhanced data from comprehensive energy conditions surveys; implemented energy efficiency improvements; and high-performing new builds becoming part of our stock.

Average SAP score

**72.37**

3% reduction
in percentage of
homes below EPC C

We have also committed to ensuring all our new homes achieve an EPC rating of B or higher from April 2022 onward. In 2023/24, 97.1% of all homes built by L&Q achieved this standard. While we are ensuring that all new projects meet the EPC B requirement, some ongoing projects were designed and started construction before this target was established. As a result, a few new homes have fallen slightly short of the EPC B rating, as it was not feasible logistically or financially to implement the necessary redesign and remedial works at late stages of construction.

### Energy efficiency of our homes

| EPC Rating | L&Q homes | L&Q % |
|---|---|---|
| A | 253 | 0.34% |
| B | 8,847 | 11.87% |
| C | 45,380 | 60.88% |
| D | 19,456 | 26.10% |
| E | 547 | 0.73% |
| F | 44 | 0.06% |
| G | 11 | 0.01% |
| **Total number of homes** | **74,538** | |
| **Total number of homes under C** | **20,058** | |

**Note:** Based on calculated SAP, this includes a mixture of data from lodged EPCs, L&Q asset data and some cloned data, and excludes homes where we do not have sufficient SAP data. Only includes domestic homes where we have management responsibility.

## In 2023/24 across both SHDF and MWIP, L&Q has installed:

**1,740**
'A' rated double-glazed windows

**4**
homes with additional cavity wall insulation

**55**
homes with additional loft insulation

**1,341**
'A' rated insulated external doors

**2,480**
Upgraded boiler systems

**6**
Efficiency improvements in 6 district heating schemes

After successfully securing funding from the Social Housing Decarbonisation Fund (SHDF) Wave 2, we set a goal to improve over 3000 homes across the 2-year delivery programme for 2023-25, 40% due in year 1.

In year 1 we delivered retrofit works to 215 homes. Progress has been slower than anticipated predominantly because many of the homes selected were found to perform better than our data indicated, making them ineligible for SHDF-funded improvements. This required us to find alternative homes. We also struggled with high levels of resident refusals.

We are actively working to improve the accuracy of our property data and enhance resident engagement to address these challenges and accelerate the roll out of the SHDF programme.

In June 2024, we invited people from our 'involved resident' community to review our retrofit communications and engagement approach.

12 resident volunteers told us what they thought of the information we currently share, including leaflets, letters and the relevant pages on our website.

We'll be using this feedback to make improvements to the way we communicate with residents over energy efficiency works.

Additionally, throughout 2023/24, we have continued implementing various measures as part of our Major Works Investment Programme (MWIP) to boost energy efficiency and reduce carbon emissions in our homes.

## Energy efficiency of our operations

We committed to enhancing the operational efficiency and reducing the carbon emissions intensity of six of our district heating schemes, as well as conducting optimisation studies or dilapidation reports for 18 schemes before 31 March 2024. We have successfully met these targets and over the past year, have completed improvement works on our schemes at Centre View, Greenwich Wharf, Kilburn Park Road, Eltham Hill, Roffo & Arments Place, and Old Kent Road.

Alongside efforts to boost the energy efficiency of our estates, we have continued to streamline our workspace operations. Last year, we commissioned a report to identify opportunities for increasing the energy efficiency of our head office. Corporate Facilities Management has been enhancing controls and the Building Management Systems (BMS) at our West Ham Lane head office. They have plans to improve existing plant efficiency and reduce reliance on gas for heating in the coming years.

## Decarbonising our fleet

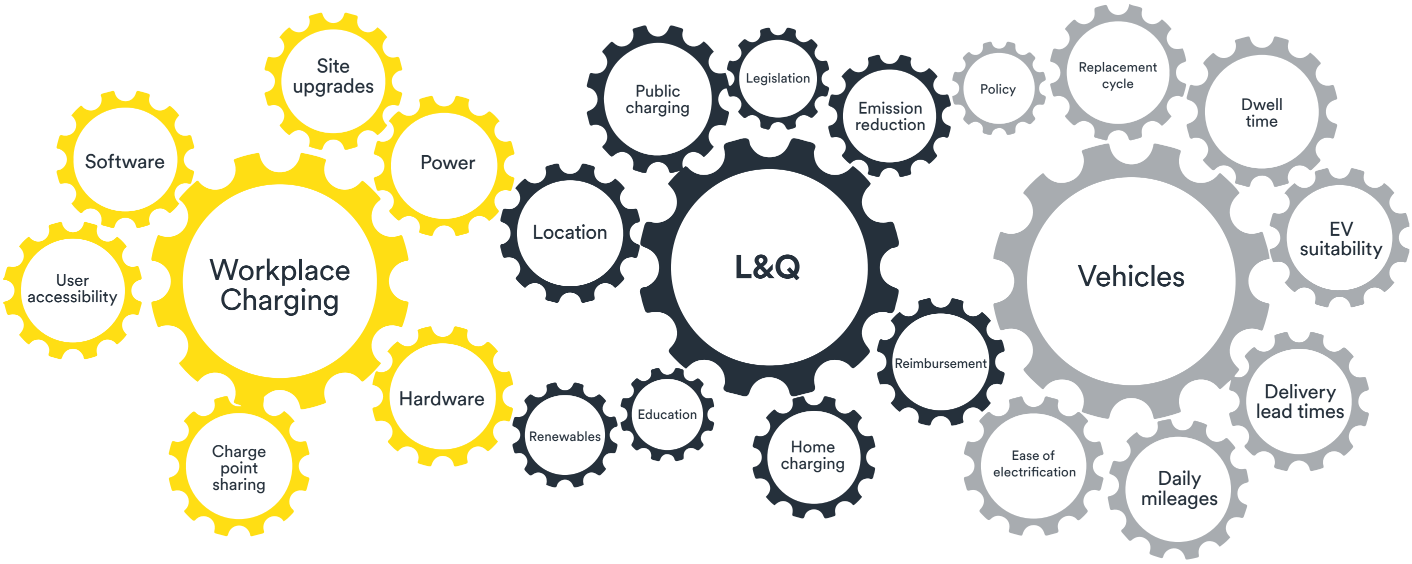
Over the past year, we engaged Mitie to conduct a detailed analysis of our fleet usage and the electric vehicle charging infrastructure on our estates. They explored optimisation opportunities, the logistical implications of moving to electric vans, and developed a roadmap for a smooth fleet transition to electric.

The study revealed that 5% of our fleet is ready for an immediate transition. Using a combination of home and workplace charging, we have agreed to move forward with running an initial pilot with these vehicles in 2025.

The opportunity to transition some fleet users to lower carbon options such as public transport or cargo bikes was found to be relatively limited, as our fleet is well utilised.

We plan to investigate these options further, but our immediate priority is to start using some electric vehicles and setting up charging infrastructure for them. This preparation will ensure we are ready to replace our current vans with EVs in line with the Government's mandate for manufacturers to phase out petrol and diesel vehicles.

There are various interdependencies to consider, including driver policy, staff reimbursement and facilities management to enable the efficient use of electric vans. The image below from Mitie's report illustrates the complex range of issues that we need to address during this transition.




**Mitie:** the many components involved in decarbonising our fleet

## Modelling net zero carbon pathways

Over the past year we began planning our next business strategy, for 2026 to 2031, including how to deliver on our commitment to become a net zero carbon business. To guide us on this path, we appointed Altair in December 2023 to develop several potential routes to reach Net Zero. We looked at the short-term goals for 2030 and our longer-term vision for 2050.

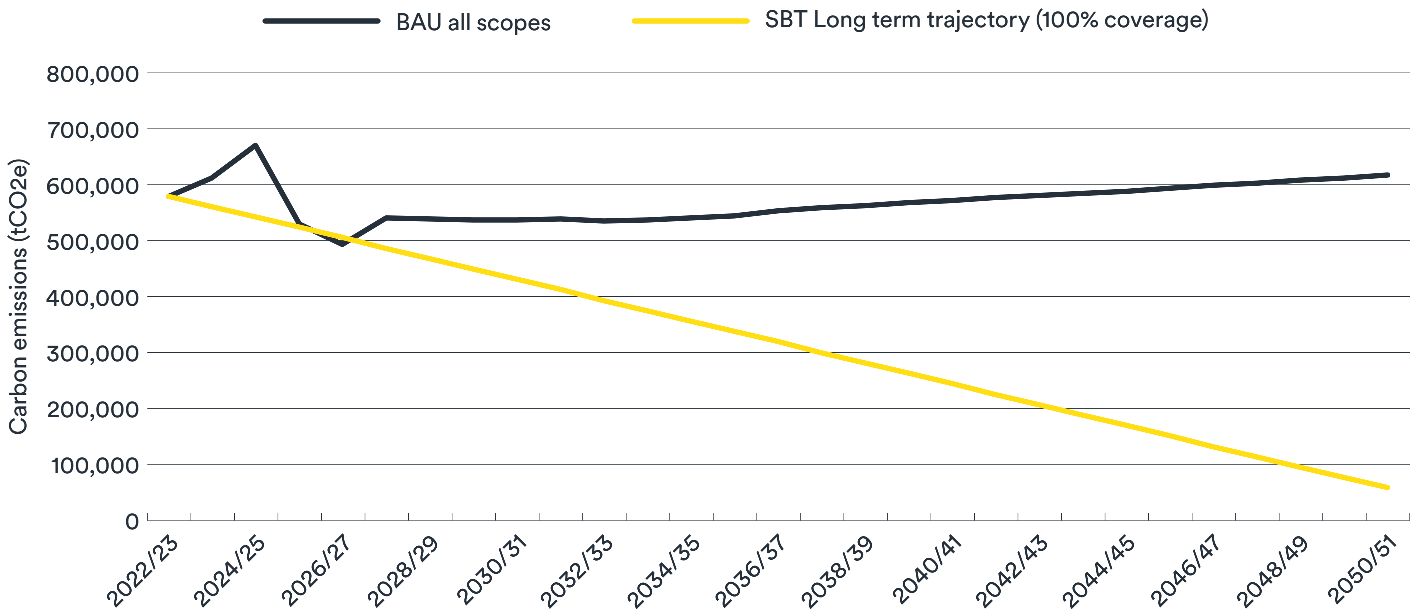
Altair updated our 2022/23 carbon footprint (scopes 1, 2 & 3) and worked with us to identify our carbon reduction efforts, such as improving the efficiency of our homes and district heating systems.

They mapped out our future carbon footprint based on current plans for new developments and stock rationalisation.

By quantifying the anticipated carbon reductions from our ongoing decarbonisation initiatives, they provided us with a comprehensive long-term view of our footprint.

This was then compared to the trajectory recommended by the Science Based Targets Initiative, giving us a clear picture of where we stand and where we need to focus going into the future.

**L&Q's forecast total carbon emissions (All scopes) against the SBT long term corporate trajectory ($tCO_2e$)**




Our baseline footprint is slightly higher than we reported in our 2022/23 Sustainability Report due to a minor change in methodology. Despite this adjustment, the modelling clearly shows that our current plans (which extend only to 2030) are not enough to set us on a path to Net Zero.

To tackle this, we collaborated with the departments that have the largest impact on our carbon footprint - property services, new development and customer services. Together, we identified potential actions and business decisions we could take in the next strategy period to move towards Net Zero.

This collaborative effort led Altair to model three possible pathways for us.

The insights from this project are sparking important conversations with our senior leadership about the impact of our business decisions on our carbon footprint. By highlighting the crucial steps needed to achieve Net Zero by 2050, these findings emphasise the importance of decisive action. As we develop our business strategy for 2026-2031, this groundwork is setting the stage for impactful discussions on carbon and ambitious target setting.

## Carbon emissions

Our energy consumption and associated carbon emissions are reported in line with the UK government's streamlined energy and carbon reporting (SECR) regulations. These figures represent the carbon emissions associated with the Group's consumption of natural gas, electricity and transport fuel. Specifically, they include:

- Gas and electricity used in our offices;
- Gas and electricity procured for use in our residential portfolio, e.g. for communal heating;
- Temporary gas and electricity supplies to empty homes in our residential portfolio;
- Mains electricity and fuel used on our construction sites;
- Fuel used by our transport fleet; and
- Fuel used for business purposes by all employees within the L&Q Group.

Photo: Reducing energy consumption of our fleet

### Scopes 1, 2 and 3 carbon emissions

| Measure | 2019/20 baseline | 2020/21 | 2021/22 | 2022/23 | 2023/24 | % change from baseline year |
|---|---|---|---|---|---|---|
| Scope 1 greenhouse gas emissions (total) as measured in $tCO_2e$ | 22,155.89 $tCO_2e$ | 23,282.93 $tCO_2e$ | 25,419.17 $tCO_2e$ | 26,263.54 $tCO_2e$ | 25,465.01 $tCO_2e$ | **15%** |
| Scope 2 greenhouse gas emissions (total) as measured in $tCO_2e$ | 10,666.33 $tCO_2e$ | 99,84.81 $tCO_2e$ | 4,739.20 $tCO_2e$ | 5,548.35 $tCO_2e$ | 8,345.94 $tCO_2e$ | **-22%** |
| Scope 1 and 2 greenhouse gas emissions (total) as measured in $tCO_2e$ | 32,822.22 $tCO_2e$ | 33,267.73 $tCO_2e$ | 30,158.37 $tCO_2e$ | 31,811.89 $tCO_2e$ | 33,810.95 $tCO_2e$ | **3%** |
| Scope 1 and 2 greenhouse gas emissions (intensity) as measured in $tCO_2e$/unit | 0.2712 $tCO_2e$/unit | 0.2574 $tCO_2e$/unit | 0.2335 $tCO_2e$/unit | 0.2426 $tCO_2e$/unit | 0.2645 $tCO_2e$/unit | **-2%** |
| Scope 3 greenhouse gas emissions as measured in $tCO_2e$ (employee mileage) | 403.15 $tCO_2e$ | 202.89 $tCO_2e$ | 144.75 $tCO_2e$ | 508.52 $tCO_2e$ | 508.18 $tCO_2e$ | **26%** |

**Note:** Scope 3 employee mileage figures in this table do not include 'well-to-tank' (the extraction of fuels) and upstream transport and distribution (losses in the grid).

Our total Scope 1 & 2 carbon emissions have increased by 6% when compared to last year's figure with carbon emissions intensity ratio going from 0.2426 to 0.2645 $tCO_2e$ per unit in 2023/24. This is a step back from our commitment to reduce our overall carbon emissions. It is equivalent to a 3% increase against our baseline year, which means we have missed our target to reduce carbon emissions by 20% from 2020 to 2024.

The increase in Scope 1 & 2 emissions in 2023/24 is partly due to a temporary pause in buying renewable electricity, which was one of the primary ways we were planning to meet our Scope 1 & 2 greenhouse gas emissions reduction target. We made the decision not to purchase renewable electricity as of October 2022, as widespread disruption to the wholesale energy markets caused the price of renewable energy to soar. This coincided with the cost-of-living crisis and meant we had to make tough decisions on budgets everywhere, especially where there may have been an impact around costs passed on to residents. We are committed to purchasing renewably generated electricity as part of our five-year strategy. Later this year, we will review our options to decide how much we are able to spend on Renewable Energy Guarantees of Origin (REGOs) in our group energy contracts.

In 2023/24 we saw a reduction in Scope 1 emissions. This is attributed primarily to adjustments to gas consumption figures made as part of a data cleanse and corrections to previous over-reporting. We would not anticipate an actual reduction in scope 1 emissions due to the continuation of handovers as our portfolio continues to grow and more gas-powered heat networks come into operation.

Our measured scope 3 carbon emissions, covering business mileage, has remained relatively stable since 2022/23. In last year's report we published our full indirect emissions (Scope 3) for the first time, following an assessment done by the Carbon Trust. The calculation was based mostly on spend and EPC data and showed that over 95% of our Scope 3 emissions comes from only three key areas: the operational energy of our housing stock (52%), purchased goods & services (39%) and investments (6%).

Since then, we have looked into the best way to build our Scope 3 inventory and enable regular reporting. Currently, our internal procurement and asset management systems do not support easy data extraction for Scope 3 reporting, so we cannot report these emissions annually.

We are working on a plan to improve business processes and data systems over the next 2-3 years. Our goal is to start regular Scope 3 emissions reporting during the next business strategy period, 2026-31. Initially, we will focus on the key categories like housing stock and purchased goods and services emissions, and are aiming for a mix of data sources, including some industry averages and some product or supplier specific emissions data. See section 4.3 for more details on how we are working with our supply chain to better understand our Scope 3 emissions.

## Managing climate risks

In 2022, we conducted an extensive review of L&Q's exposures to physical and regulatory climate risks. This review revealed a need to weave climate risk considerations into our governance structure and gain a clearer understanding of our assets' vulnerability to hazards such as flooding, subsidence and overheating.

Over the last 12 months, our Sustainability Team collaborated with key business leaders to assess and prioritise these actions. Recognising that flooding poses the greatest risk, we decided to focus on gathering detailed data to enhance our understanding of our exposure. This will be our primary activity for the upcoming year, enabling us to establish acceptable risk thresholds and determine the necessary adaptation or resilience measures for our estates.

Additionally, we have bolstered our climate risk governance by assigning oversight and action responsibilities to relevant governance groups. This will ensure a robust and proactive approach to managing climate-related challenges.

A detailed update on our progress against the activities discussed in the 2023 TCFD disclosure can be found in section 6.4 of this report.


Photo: Maintenance colleagues about to start an inspection at an L&Q home

## Last year we said

- We will begin to plan the next strategy, set new carbon emission reduction targets and consider science-based targets
- We will publish our current position in line with TCFD guidelines, and start implementing the recommendations, including consulting with L&Q's Board
- We will set targets to reduce waste and water usage across L&Q construction sites, as well as introducing monitoring construction energy use
- We will ramp up delivery of energy efficiency works through our Major Works Investment Programme, with the target of completing improvements to over 3,000 homes before 2025.

## This year we did

- The net zero carbon pathway modelling that is now informing the development of our next business strategy
- Publish our first TCFD disclosure in the autumn of 2023. An update to that is in section 6.4 of this report
- Set improvement targets for waste, water and carbon emissions from our own construction sites
- Kick-start our Major Works Investment Programme and roll out the energy efficiency retrofit co-funded by the SHDF.

# 2.2 Resource efficiency

E

**The building industry is a major user of natural resources, and we are taking steps to tackle the impact of our activities by firstly measuring them, and then setting targets for improvements.**

## Data monitoring and target setting

Over the past year, we've streamlined our reporting processes for water and waste management on our in-house construction sites, and initiated tracking of electricity use and fuel consumption, directly and by our contractors. The data we've collected over the last two years has helped us establish a baseline for water usage, construction waste and carbon emissions linked to our construction activities. With this foundation, we've set incremental improvement targets to monitor throughout the 2024/25 financial year.

**Our targets for next year are:**

- A 10% reduction in $m^3$ of water use per £100k project spend compared to 2023/24
- A 10% reduction in kgCO2e per £100k project spend compared to 2023/24
- A 2% reduction in tonnes of construction waste produced per £100k project spend compared to 2023/24
- Ensuring that at least 95% of total waste is diverted from landfill.

These targets are currently based on a "per £100k project spend" as an interim measure, due to a lack of sufficient full lifecycle data for our projects. As we gather more data, we'll transition to the more standard "per £100k project value" metric, enabling us to benchmark ourselves against other developers.

We've set a modest target for reducing construction waste because it can vary significantly depending on a project's stage. Currently, we don't have enough data to establish a solid baseline.

In contrast, the water and carbon data have shown consistent patterns across our projects, giving us the confidence that our baseline is a credible starting point for setting improvement targets.

### Key resource use from our in-house construction sites:

**4.6 tonnes**
construction waste/
£100k project spend

**12.3 $m^3$**
water use/
£100k project spend

**702kg**
$CO_2e$/
£100k project spend

**97.8%**
total waste diverted
from landfill

Photo: Hybrid excavator at Greenwich Peninsula

We've adopted a similar approach with our Major Works (MWIP) partners, mandating monthly reporting on their waste generation and recycling rates. Starting next year, we'll also require contractors to report on their carbon emissions, allowing us to benchmark their performance effectively.

We have also implemented minimum standards of environmental management on site, which sub-contractors will need to sign up to at the tender stage. This will ensure that our sub-contractors run their activities while minimising negative impacts on the environment, such as from polluting machinery or the use of toxic substances.

MWIP waste

**98.85%**
waste diverted from landfill

**40%**
of in-house construction sites using HVO

Energy & water efficiency standards for site set-up introduced

Minimum standards of environmental management introduced in tendering process

## Improving construction standards

We've introduced a set of minimum energy and water efficiency requirements to make sure our construction sites are more energy and water-efficient from the start. This means our site cabins and facilities will now have better insulation, LED lighting, and automatic controls on lighting and heating.

We're also opting for electric or hybrid construction machines whenever we can. And instead of using regular diesel, we're switching to HVO, a renewable biofuel. By the end of the year, four out of our ten in-house construction sites were using HVO instead of regular diesel.

Case Study

# Reusing timber waste at Addiscombe Road

The team at our construction site in Addiscombe Road, Croydon partnered with social enterprise Community Wood Recycling (CWR) to divert over 50 tonnes of timber waste from landfill. By working in partnership with CWR we helped to save precious resources as well as helping to create jobs and training opportunities for disadvantaged local people, many of whom will have their lives transformed by their time working with Community Wood Recycling.

We are also working with our MWIP partners to develop long-term decarbonisation plans for their operations, aiming for continual strides in minimising their environmental footprint. Given the diverse nature and scale of their projects each year, these plans will prioritise improvement initiatives such as transitioning on-site fuel usage to electric options or renewable HVO fuel, rather than fixed performance targets.

Photo: Lock No.19, Fish Island, London

## Improving design standards

We continue to progress with our MMC & DfMA (modern methods of construction & design for modular assembly) roadmap and in April 2023, we unveiled an updated L&Q MMC & DfMA policy, which sets out the principles and activities our Development colleagues must follow when standardising designs for both in-house build and Design & Build projects.

Despite challenges in the housing market affecting our construction pipeline, our commitment to increasing standardised elements in our designs and homes delivered with developer partners remains undiminished. In the past year, MMC/DfMA innovations have advanced to construction stages at Excalibur and Greenwich Peninsula. We're making significant strides along our MMC & DfMA roadmap, having achieved 30-40% of our milestones outlined since 2018. Our progress aligns closely with our original plans, reflecting our dedication to modernising construction practices and delivering high-quality homes efficiently.

# 2.3 Healthy places

## Placemaking

Over the past year, we've continued to expand on the groundwork laid in the previous two years, integrating our placemaking framework established in 2022. This framework serves as our blueprint for shaping new construction projects to foster sustainable communities, aligning closely with the United Nations Sustainability Goals. We rigorously assess key aspects including Design, Transport and Employment against established standards.

Sustainability lies at the heart of this framework, with criteria that award points based on factors like proximity to public transport, use of renewable energy sources, waste recycling initiatives, biodiversity net gain and sustainable materials. To ensure adherence to these standards, we've implemented a detailed action plan graded by a RAG rated system, alongside a budget allocated for the project's entire lifecycle.

The placemaking assessment has been applied to all new developments in 2023/24 (one project - Beam Park), in line with our target. It has also been successfully applied to five regeneration sites, surpassing our initial expectations which focused solely on new developments. This broader application underscores our commitment to embedding sustainable practices across all aspects of our projects, ensuring they contribute positively to the communities they serve.

## Biodiversity

We are at the early stages of developing our approach to enhancing biodiversity across our estates, and we are eager to hear from our residents' about their expectations. Being in listening mode is crucial as any interventions could impact service charges.

Over the past year, we've been enhancing our understanding of the trees on our estates , and ensuring our grounds maintenance activities aligns with what our residents expect. We have continued to run our internal biodiversity working group and we've also connected with a broader industry working group to glean insights from those leading the charge in biodiversity.

Looking ahead, our focus for the coming year is on refining our knowledge of the habitats across our estates. This groundwork will pave the way for sustainable biodiversity enhancements in the future.

In our development projects, we're gearing up for the Net Biodiversity Gain regulations that took effect in early 2024. While none of our upcoming projects are mandated by these regulations yet, for future endeavours we are committed to meeting a 10% net gain in biodiversity on site wherever possible.

Photo: Beam Park

**6**

placemaking assessments carried out

03

# Social

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# Social – Our residents, their homes and the communities they live in

S

**Everything we do begins with social purpose. All our resources, and all our energy, are channelled towards providing better housing at a lower cost than can be provided in the private sector – and building more of it. We provide greater security of tenure with services people can rely on, and we are proud to invest in our residents' communities.**

L&Q's distinct social purpose is expressed through both the L&Q Foundation and L&Q Living. The L&Q Foundation works at every level in our communities, focusing on key social issues such as work and training, loneliness and wellbeing, digital skills and debt and financial exclusion. L&Q Living provides care and support services for a wide range of needs, including older people, people with learning difficulties and mental health needs, and people affected by homelessness. Our bespoke services offer choice, involvement and control to help build independence.

**The social impact we have on our residents and the communities where they live includes:**

- **Providing affordable and secure homes** – building new homes and managing homes that are a mix of tenures, that meet Decent Homes Standards and are gas and fire safe
- **Community investment** – distributing funding and other in-kind support to build the capacity of voluntary and community sector organisations that work with our residents and in the communities where they live
- **Supporting our residents** – providing a range of services that help support our residents, as well as making sure we actively listen to our residents and include them in our decision-making processes.

# 3.1
# Providing affordable homes

**Building new homes is core to our social purpose and we are committed to playing our part in tackling the housing crisis. As part of our Future Shape strategy, we targeted the delivery of 4,000 new affordable homes between April 2020 and March 2024 and we have exceeded that target. Last year, we completed more than 2,900 new homes, 2,017 of which were affordable. This brought our total affordable homes over the Future Shape period to nearly 9,000.**

**New homes delivered.**

| Measure | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|---|---|---|---|---|---|
| **Total new homes completed** | **2,699** | **4,157** | **4,047** | **2,955** | **13,858** |
| Of which affordable | 1,556 | 2,532 | 2,892 | 2,017 | **8,997** |

We're dedicated to offering residents the most secure and suitable contract options tailored to their needs, while also supporting them with sustaining their tenancies for the long-term.

**Our tenure policy sets out how we will:**

- Provide a written contract
- Give tenants the most secure form of contract appropriate to their circumstances
- Shorter term contracts such as licence agreements or ASTs shall only be used in exceptional circumstances.

Nearly all general needs tenants who began with fixed-term tenancy agreements before 2018 have now transitioned to assured tenancies. We still use fixed-term starter tenancies for the first 12 months, but the vast majority are then moved over to rolling tenancies.

The safety of our residents and colleagues is paramount and fire and building safety remain significant areas of focus. We had set ourselves a target to inspect 100% of high-rise buildings for unsafe cladding by March 2022 and to extend inspections to at least 60% of lower rise buildings with an external wall system by March 2024. We have achieved both targets.

In addition to advancing our response to the Building Safety Act, we consistently assess our properties for other risks, including gas and electrical safety, asbestos, and fire safety, through a programme of regular risk assessments. While we strive for 100% compliance with safety checks, we recognise that full compliance is a challenge given the significant number of assets we manage and maintain.

## Cladding:

**100%**
high rise
buildings inspected

**62.8%**
lower rise buildings with
external wall systems inspected

## Inspections:

**99.8%**
compliance on
gas safety checks

**99.5%**
compliance on fire
risk assessments

**97.5%**
compliance on
electrical safety checks

# 3.2
# Community investment

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**We are committed to investing in our communities. One of the ways we do this is through the L&Q Foundation. We want to create positive lasting change for residents that help them live healthy independent lives in thriving communities. We do this by delivering services to residents directly and funding community and voluntary sector organisations that create positive social impact in the communities where residents live.**

We know that engaged communities are essential to creating thriving places. The L&Q Foundation invests in local groups, organisations and charities to develop and deliver projects that bring people and communities together while meeting local needs. In 2023/24, we awarded over £1.28 million to 120 community organisations. This investment has funded core projects to improve financial resilience for L&Q residents, improving wellbeing outcomes and confidence.

We set a target to invest £10 million in our communities from 2021 to 2024. However, the rise in inflation and interest rates, rental caps and a slow housing market have strained our finances since late 2022. Consequently, we had to adjust our investment targets for community groups, but we still managed to deliver £7.99 million in investments by the end of March 2024.

Beyond direct funding, we deliver capacity building sessions to community organisations, enhancing their sustainability with a focus on monitoring and evaluation, financial planning, and other business support. This approach ensures that these community organisations can continue to thrive and support our residents' communities long after our funding concludes.

**£1.28m**
community investment

Photo: Community event at The Arbour, Beaulieu

# Case Studies

## CleanStart - Supporting ex-offenders back into work

CleanStart is our social enterprise project that provides a range of services in our Trafford and North West neighbourhoods and homes.

Through the programme, we employ, train and nurture people – some of whom may find it difficult to secure employment elsewhere. This includes ex-offenders, ex- military personnel, care leavers, long term unemployed and other individuals who have support needs that other employers may not understand.

CleanStart began life in 2008 when there was no other similar model in the housing sector. Today, we employ 90 staff through the programme to deliver grounds maintenance, cleaning and caretaking services across Trafford.

As well as a paid role, clients are given a work coach, offered therapy, and are supported to improve their IT skills, housing situation, finances, and self-awareness through coaching and goal-setting sessions.

Of the 195 individuals who have joined, 150 have secured ongoing employment opportunities and of those with an offending history, 97% haven't re-offended.

## Bridging digital divides and avoiding waste in Trafford

Aligning with our social purpose and commitment to sustainability, we donated 150 used Surface Pro laptops to local schools in Trafford. These laptops, repurposed by our tech team from decommissioned equipment, will find new life and purpose beyond our business operations.

Partnering with Renewal North West on their 'Community Computers' initiative, we ensured the donated IT equipment was refurbished and distributed in collaboration with Trafford Council. This partnership guarantees the laptops reach school and community members where they will make the greatest impact.

Social value contributions from our partners in the Major Works Investment Programme also benefited local community groups. For instance, Equans completed paint work for a children's charity and upgraded a Scout centre to include a new outdoor area. Wates generously donated £500 to The Scout centre. We're also exploring work experience opportunities to young people aged 18-25 to local youth unemployment.

For more on how we collaborate with our supply chain to maximise social value, see section 4.3.

Case Study

## In 2021, the L&Q Foundation, in collaboration with Sport England and backed by the National Lottery, launched Get Set Go!

The project set the stage for a powerful partnership designed to boost physical activity and strengthen community bonds across L&Q's largest estates, Beaumont and Silwood. By offering a wide array of inclusive sports and fitness activities, Get Set Go empowers residents of all ages to lead healthier lives, fostering not only personal wellbeing but also a strong sense of community spirit.

## Key highlights

**Joy Riders cycling programme**

Over an eight-week period, both children and adults were welcomed to a local park to learn the basics of cycling in a friendly and supportive setting. For more experienced participants, advanced skills such as riding one-handed and navigating off-road trails were also offered. Through a partnership with the social enterprise Peddle My Wheels, residents were provided with bikes at no cost, ensuring that cycling was accessible to everyone.

**3v3 Basketball tournament**

The atmosphere was buzzing at the SCORE Centre in Leyon, where the Get Set Go team, in collaboration with Leyton Orient Trust, hosted a dynamic 3v3 basketball tournament. Open to all local players, the event welcomed individuals to either join a team on the spot or come prepared with friends. Over 90 players took part, with the Met Police there to engage with the community and built trust.


**Afternoon Tea Dance**

Leyton residents stepped back in time with the monthly afternoon tea dances at the Seddon Centre. These gatherings, attended by about 59 residents, were a big hit, with music from previous years setting the perfect backdrop for dancing, laughter, and new friendships.

**Learn to skate and roller disco**

Families laced up their skates and hit the disco thanks to Get Set Go, which has added an exciting twist to community fitness on the Beaumont Estate. Offering roller skating lessons, this initiative encouraged families to get moving together. In its initial phase, 37 participants completed their Stage 1 skating assessment. One local mother shared her joy, noting how these sessions have sparked a newfound passion for physical activity in her three children.

# 3.3
# Supporting our residents

**Alongside funding community organisations to deliver impactful projects, the L&Q Foundation provides direct support to our residents. Our in-house advisors offer employment support, guiding residents through the job application process and connecting them to job opportunities. Last year, we helped 244 people get into work across a range of industries.**

We also provide financial capability support and debt advice through our Pound Advice service. Managed by We Are Group and delivered by the Citizen's Advice Bureau and other third-sector organisations, Pound Advice provide a financial capability and debt advice service and provide energy efficiency advice to those in fuel poverty. Last year, Pound Advice supported 2,748 residents recover over £8.2m in financial gains, which includes written off debt, back dated benefit payments, and one off grant payments.

We provide a vital lifeline for residents who find themselves in immediate need. In 2023/24 we saw 1,000 food bank vouchers and 1,500 energy vouchers issued to residents, to help ease the burden of the rising cost of living.

For our most vulnerable residents, we provide comprehensive support to help them maintain stable tenancies. This includes maximising benefits, offering budgeting advice, and improving their ability to handle everyday challenges.

Despite having to revise our targets downward in summer 2023 due to resource constraints, we still achieved significant milestones. We met our goal of engaging 9,000 residents in social inclusion initiatives from 2021-24 period. The Foundation has a proud history of supporting young people in communities where L&Q residents live.

Over the past three years we have exceeded our target by supporting over five thousand young people through our school engagement programmes, exceeding our target by supporting 5,347 individuals (our goal was 2,100), even though our school engagement programme had to end earlier than planned.

Using the HACT wellbeing valuation approach, we measured the social value of the Foundation's activities and identified a remarkable impact of £27.3 million during 2023-24.

**421**
residents supported for tenancy sustainment

**2,748**
residents accessing Pound Advice for financial and debt advice

**2,500**
emergency vouchers issued to residents for energy and food support

**244**
residents supported into employment

## Last year we said

- As well as improving the energy efficiency of our homes, we will carry on offering a range of support options throughout the year

## This year we did

Continue our programme to support our residents with:

- tenancy sustainment
- employment support
- financial awareness
- social inclusion
- opportunities for young people

### Healthy Homes

In the last year, the Healthy Homes project has made significant strides in improving living conditions for over 7,300 homes. Dedicated to tackling issues like mould and damp, this initiative has installed more than 3,600 cutting-edge humidity and temperature sensors during visits. These sensors not only closely monitor environmental conditions, but also enable L&Q to proactively address damp and mould risks while identifying energy inefficiencies.

During these visits, energy experts optimise boiler, heating and radiator settings and offer tailored advice on energy-saving practices.

Under the Healthy Homes programme, residents of existing homes benefit from expert advice on ventilation and heating strategies, with a focus on reducing condensation build-up. For newly built homes, comprehensive information is provided in the Home User Guide, covering the operation of heating and ventilation systems and effective management of overheating issues. Additionally, the guide offers valuable tips on using recycling facilities and promoting other sustainable living practices.

**7,311**

homes visited for damp and mould advice

04

# Governance

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# Governance
## How L&Q operates

**At L&Q we take our regulatory, statutory and legislative responsibilities seriously. Good governance is a key driver to delivering our mission, aims and values. It is essential for us to achieve our objectives and drive improvement, as well as maintaining legal and ethical standing in the eyes of our stakeholders, regulators and the wider community.**

We are a not-for-profit organisation and a registered Community Benefit Society under the Cooperative and Community Benefit Societies Act 2014. We are registered with the Regulator of Social Housing, who in December 2023 scored us G1 / V2, which is consistent with last year's results. We maintain the highest G1 governance rating and our financial rating remains V2, reflecting the difficult market conditions we are currently operating in due to interest rate and inflation rises over the last two years.

In April 2021 we adopted the National Housing Federation's (NHF) Code of Governance 2020 and are constantly working to improve our alignment with it. In July 2023 the Housing Ombudsman carried out an investigation into our complaints handling and published a report highlighting their findings and recommendations. The investigation drew conclusions from complaints made between March 2019 and October 2022. In 2021, we put in place a new five-year improvement and investment plan, developed through listening to residents, and focused on the safety and quality of existing homes and services. The Ombudsman has endorsed this plan, and we will be working with both them and our residents to further strengthen, accelerate and embed the positive changes we're making.

Click here **To view L&Q's Annual Governance Report.**

**Our ESG framework focusses on specific aspects of governance. These are:**

- Representative governance
- Employee wellbeing
- How we manage our supply chain.

Given below are key performance figures and progress made in these areas over the last year.

# 4.1
# Representative governance

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**L&Q's Board is chaired by Aubrey Adams and includes resident representation, with Fayann Simpson OBE joining the board in 2018. Aubrey will be retiring in 2024 and is being replaced by Liam Coleman, former Chief Executive of Co-operative Bank.**

The maximum tenure for board members is generally two terms of three years, which can then be extended annually up to a maximum of nine years in total. We have a recruitment and succession plan in place, which is considered annually in November.

Our Board has overall responsibility for risk management and for reviewing its effectiveness. L&Q's Audit and Risk Committee is responsible to the Board for monitoring risk and reporting on how effectively it is managed. More information on our internal control and risk management is available in our Financial Statements, which are audited by KPMG.

In the last four years we have undertaken two externally facilitated board-effectiveness reviews. In March 2020, a full review was undertaken covering all aspects of governance and improvements to resident involvement in governance. In 2023 the review focused on our internal governance structures and governance assurance mechanisms.

Conflicts of interest at the Board are governed by our Code of Conduct (based in the NHF Code) captured through a register of interests that is published on the L&Q website.

## L&Q Board demographics

**11%** Residents

**55%** Female

**59** years old average age

**33%** Black, Asian and Minority Ethnic

**33%** Have a disability

## Key board statistics

**78%** that are non-exec directors

**4.5** years average tenure length

**31.6%** turnover over last 2 years

**26.6%** turnover of exec team over last 2 years

Residents input is embedded in our governance structure through the Resident Services Board (RSB), which is a formal committee of our Group Board that is almost entirely comprised of our residents. The RSB look at a wide range of metrics for our services such as complaints and service feedback to provide ongoing challenge. They also draw on feedback from the wider resident involvement network and our online resident panel L&Q & You.

In our first year with a fully integrated Resident involvement team, we've made significant strides in engaging our community. We've hosted 27 involvement sessions, attracting 249 residents, all of whom collectively dedicated 797 hours to enhancing our services. This collaborative effort has led to 55 actionable recommendations for improvement.

Additionally, we've introduced a regular Quality Assurance resident involvement opportunity specifically focused on complaints. This initiative ensures that resident feedback directly informs our service standards. We've also successfully embedded a resident-influenced recruitment approach for customer-facing roles, ensuring our team reflects the needs and aspirations of our community.

We've launched a quarterly newsletter to highlight the tangible impact our residents are making. Looking ahead, we're gearing up to roll out our enhanced Reward and Recognition programme for residents, starting next year.

As a team, Resident Involvement have evolved to offer a diverse range of activities, including options on weekends, evenings and during lunchtime, in order to cater to everyone's schedules. They've also fine-tuned our strategies based on feedback, addressing any additional barriers identified along the way.

We make it a priority to hear from residents through Tenant Satisfaction Measures: a new regulatory requirement as of 2023/24. Additionally, we conduct regular transactional surveys on our services such as responsive repairs and customer service interactions. The insights gathered are shared with our RSB, Executive Group and senior leadership teams, to shape our decisions, business planning and service delivery

The feedback from our 2023/24 surveys largely echoes previous years' results. Taking these insights seriously, we have implemented a variety of initiatives aimed at enhancing customer experience and satisfaction. For further details, see our Financial Statements.

## Last year we said

- We will continue to develop our approach to resident involvement, embedding our outcomes framework and beginning to report on success measures identified within it.

## This year we did

- Continue our work embedding our framework and now report our resident involvement activities on our website.


Photo: Colleague engagement event

# 4.2
# Employee wellbeing

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## L&Q aims to attract, recruit and develop a diverse group of employees who share our values and reflect the diversity of the communities we serve.

We take diversity and inclusion very seriously and track the diversity of our workforces. We have made a commitment that we will be addressing gender and ethnicity first. As such we are committed to offering an interview to a least one person from an ethnic minority and one female candidate for all tier 2 and above senior leadership positions if they fulfil the role criteria.

Our people are at the heart of everything we do, and we're committed to nurturing their growth, both professionally and personally. Beyond our essential training, we offer a range of professional development pathway programmes: from Early Talent and Aspiring Managers to Emerging Leaders, Coaching and Mentoring and technical upskilling programmes. We empower all our colleagues with access to our learning resources "DevelopMe," toolkit and initiatives like Learning at Work Week. L&Q last year was recognised with the prestigious Learning at Work Impact award.

Since its inception in 2021, our Wellbeing Plan has gone from strength to strength, with 96% of initiatives successfully implemented over the past four years. Central to this effort is our iMatter programme, designed to support all colleagues with resources for mental, physical and financial health. Throughout 2023/24, iMatter organised a variety of events focusing on mental health, men's health and menopause awareness. Additionally, it introduced a valuable financial coaching service aimed at empowering colleagues to take charge of their personal finances.

Underpinning these efforts are our Mental Health Champions, trained and accredited by Mental Health First Aid England. They play a crucial role in raising awareness about mental health issues and ensuring our colleagues have access to support.

Great Place To Work®

### Key statistics

**100%**
of staff paid the Real Living Wage

**9.86%**
median gender pay gap

**10.42**
CEO: median worker pay ratio

### Staff development

**97.4%**
compulsory training completed

**99.8%**
staff performance reviews completed

**96.9%**
completion of mental health training

### Staff well being initiatives

**47**
iMatter health and wellbeing events

**4,000**
staff attended

**92%**
attendee satisfaction rate

## Staff volunteering

All members of staff are entitled to up to 3 days of volunteering per year. During last year 90 members of staff donated 645 hours of their time. The majority of volunteering opportunities took place at activities delivered through the L&Q Foundation, at foodbanks and warm hubs or as part of Get Set Go and Learning to Succeed programmes. One opportunity came through our partnership with one of our Major Works Investment Programme partners. It saw six of our colleagues working with Axis staff to plant 250 trees at Aspens near Tunbridge Wells for National Tree Planting Week in December 2023.

## Employee wellness – tackling period stigma


In a move to support women's health and wellbeing, our Facilities Team launched an innovative initiative to combat period stigma. Since April 2024 all our offices, L&Q Living schemes, and construction sites now offer freely accessible sanitary period products.

Partnering with a brand known for its ethical standards and dedication to sustainability was pivotal. Their use of organic and eco-friendly materials in their products resonates deeply with our own values, ensuring that our commitment to health and the environment remains steadfast.

# 4.3
# Supply chain management

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**We are committed to maximising the added value we can create collaboratively with our supply chain partners. Our procurement activities are conducted in line with the Social Value Act, which requires consideration of wider social, economic and environmental benefits in procuring goods and services.**

## Social Value

We prioritise social value when awarding key contracts, actively collaborating with successful contractors to tailor bespoke social value plans that fit the scope and scale of their contracts. Guided by the National Themes, Outcomes and Measures (TOMs) , our approach empowers contractors to choose measures that align with their strengths and goals. We maintain a close relationship with contractors, conducting regular reviews to ensure alignment with the agreed plans, and quarterly reporting tracks their performance.

This strategy took shape during the tendering of our 15-year Major Works Investment Programme (MWIP) in 2022/23. As the programme has commenced, our partners have begun fulfilling their social value commitments.

In the financial year 2023/24 alone, MWIP contractors delivered £23.6m in social value from delivering jobs, apprenticeships, work experience and purchasing materials from local businesses.

Expanding beyond MWIP, we extended our approach by developing an additional four Social Value plans with supply chain contractors last year.

Looking ahead to the financial year 2024/25, we are committed to embedding this comprehensive approach across all our procurement activities, ensuring that social value considerations are integral to every contract we undertake.


Photo: Maintenance operatives at Beckton, London

## Case Study

# Delivering social value - Professional football training for young Haggerston residents through partnership with MWIP contractor

In summer 2023 children in Haggerston were provided with a unique opportunity to train alongside professional footballers. This exciting initiative was made possible through our partnership with Morgan Sindall Property Services (MSPS) as part of our Major Works Investment Programme.

The summer camp took place every Friday throughout August and was tailored for children aged between 7 and 12. Running from 10am to 3pm, the camp focused on imparting essential knowledge to local kids, many of whom were our residents. They were educated on various aspects, including fitness, football skills, techniques, discipline both on and off the field, and the art of competitive play.

As a result of these classes, 30 children experienced a boost in their confidence, while 29 reported an increase in their physical activity levels.

## Scope 3 emissions inventory engagement

In 2022 we engaged an external consultant to conduct a thorough assessment of our carbon footprint for the first time, specifically focusing on our indirect carbon emissions (Scope 3). This analysis revealed that a significant 39% of our Scope 3 emissions stemmed from our purchased goods and services. Recognising the importance of this finding, our next priority is to consistently measure and monitor these emissions to gauge the effectiveness of our initiatives in reducing our environmental impact.

Assessing supply chain emissions poses unique challenges, given the varying availability of data from our supply chain. To better understand these dynamics, we surveyed our top 40 suppliers based on expenditure. The insights gleaned from this survey are guiding our strategy to building our Scope 3 emissions inventory in line with the standards outlined in the Greenhouse Gas Protocol.

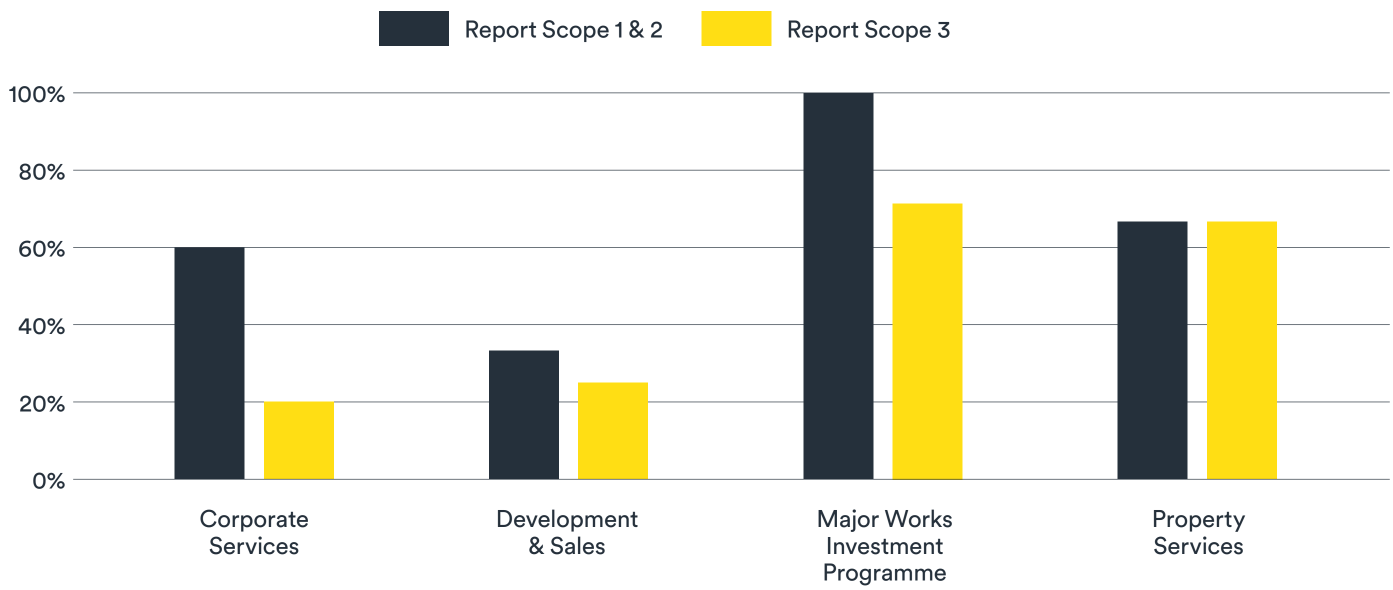
From the suppliers who participated, we found that many are effectively reporting their direct energy emissions (Scope 1 & 2). However, there's a notable gap in detailed reporting on emissions related to the services and products they supply us (Scope 3). This lack of data hinders our ability to fully integrate their emissions into our Scope 3 inventory.

Over the coming years, our strategy involves close collaboration with our supply chain through our Category Managers. Our goal over the next few years is to enhance the quality and specificity of the emissions data we receive.

Initially based on spend data, and carbon emission factors across broad business categories, we aim to transition towards more precise, product specific data for our key building and maintenance activities. Additionally, for our major corporate services contracts, we are aiming to obtain supplier specific carbon data.

As we refine our Scope 3 emissions inventory, we will be better placed to identify opportunities for carbon reduction and sustainability improvements throughout our supply chain.

**Survey of top suppliers**
**% respondents that report Scope 1 & 2 and Scope 3 (some or all)**



## Reducing environmental impacts

We are continually working to put sustainability at the heart of our procurement approach through the activities of our Sustainable Procurement Working Group.

In the past year, we've established minimum standards for sustainable materials in our tendering processes. This applies to both sub-contractors and direct material suppliers for our new construction projects. Now, our contracts mandate certified responsible sourcing for timber, concrete, steel and plasterboard, alongside guidelines to avoid pollutants like CFCs, HFCs, solvents, varnishes and VOCs (volatile organic compounds).

In the near future, we'll extend similar minimum standards to suppliers in our Property Services and Corporate Services departments, ensuring consistency across all operations.

This year, as we launched our Major Works Investment Programme, collaboration with our partners was crucial. We've ensured they report their waste management on SmartWaste and meet their diversion from landfill target. Moving forward, they are gearing up to report their Scope 1 & 2 carbon emissions from next year.

## Key statistics

**100%**
of new construction contracts awarded with prequalification meeting BSI PAS 91

**14**
social value plans produced

**£23.6m**
social value delivered by our MWIP supply chain

### Last year we said

- We will work with our supply chain partners to maximise social value and reduce our negative impact on the environment. We will hold them accountable to monitor waste data and drive good practice, as well as delivering on their social value commitments.

### This year we did

- Fourteen new social value plans
- Monitored progress against 12 MWIP live social value plans
- Introduced minimum sustainable materials standards for new build
- Monitored waste data against diversion from landfill KPI on 10 MWIP projects.

05

# Looking forward

Back to start

# Looking forward

## As we reach the end of our three-year targets set in 2020/21, our focus next year will be to collaborate with senior management in identifying the key priorities for the coming years.

Building on our net zero carbon pathways, we aim to chart a clear course to 2030. By leveraging GIS mapping, local insights, and data analysis, we will deepen our understanding of physical climate risk at the asset level and create a comprehensive Climate Impact Report for flood risk.

Our upcoming corporate strategy, set for release in 2026, will outline our medium-term plans for achieving net-zero emissions and managing our climate risks, as well as our approach to supporting nature's recovery through enhancing biodiversity and green spaces.

To support this, we will work to agree actions and targets that key areas of the business will be accountable for to keep us on track.

During the interim years of 2024-25 and 2025-26, we will set annual sustainability targets, update our sustainability finance framework and engage with investors to agree on new ESG metrics for future sustainable financing.

Our resident and community support activities, delivered by the L&Q Foundation and its partners, will continue.

We are committed to making crucial improvements to our residents' homes through our Major Works Investment Programme and SHDF initiatives, which focus on energy efficiency enhancements. We will also intensify our efforts to understand and reduce emissions within our supply chain. By collaborating with our contractor partners, we will track not just waste generation, by also carbon emissions from electricity and fuel usage on site. Contractors will develop decarbonisation plans with specific actions to reduce their emissions over the next three years, with progress reviewed bi-annually and successful practices shared to promote best practice across all partners.

Additionally, we will engage with our broader supply chain in developing and delivering social value plans that align with our core values. Identifying key suppliers, we aim to better understand and measure our Scope 3 emissions, ensuring our efforts contribute meaningfully to our overall sustainability goals.

**We recognise the tough challenges ahead, especially in the wake of the cost-of-living crisis. Despite this, our dedication to advancing our sustainability goals and pursuing continuous improvement is unwavering.**

# Additional information

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# 6.1
# L&Q Sustainability Finance Framework

Our sustainability priorities have informed L&Q's Sustainability Finance Framework. This finance framework presents us with an opportunity to use our commitment to access future capital, at potentially better rates. It enabled L&Q to successfully complete our first Sustainability-Linked Bond (SLB) in January 2022, raising £300 million. Sustainability Performance Targets are also included within the majority of secured term loans and revolving credit facilities. If met, and according to each bilateral loan agreement, L&Q receives the benefit of an interest rate reduction through lower lending margins. The interest benefit goes directly to the L&Q Foundation.

As part of this framework, we committed to publishing an annual Sustainability Report to evidence performance against measures that can be used in any sustainability-linked investments. We chose four metrics, including operational carbon emissions, energy efficiency of our homes, affordability of our homes, and community investment. The targets that we set up to March 2024 can be viewed in our 2022 Sustainability Finance Framework.

We engaged DNV, independent experts in assurance and risk management, to carry out assurance of the metrics relating to carbon emissions, average calculated SAP and community investment in our Sustainability Finance Framework. Their Independent Assurance Statement provides more information. Assurance relating to new homes we have built is provided through KPMG's audit of our Financial Statements.

Click here

**To view L&Q's Sustainability Finance Framework.**

Click here

**To view L&Q's Financial Statements.**

Click here

**Independent Limited Assurance Statement.**

Click here

**To view L&Q's Key Performance Indicator (KPI) Definition Document.**

## Net zero carbon emissions by 2050.

| | |
|---|---|
| Material SDG Alignment | 7 Affordable and clean energy<br>13 Climate action |
| Measure | Scope 1 and 2 greenhouse gas emissions as measured in $tCO_2e$ (total and intensity) |
| 2019/20 baseline performance | 32,822.21 $tCO_2e$* 0.2712 $tCO_2e$/unit* |
| 2020/21 performance | 33,267.73 $tCO_2e$* 0.2574 $tCO_2e$/unit* |
| 2021/22 performance | 30,159.53 $tCO_2e$* 0.2335 $tCO_2e$/unit* |
| 2022/23 performance | 31,811.89 $tCO_2e$* 0.2426 $tCO_2e$/unit* |
| 2023/24 performance | 33,810.95 $tCO_2e$* 0.2645 $tCO_2e$/unit* |
| 2024 Sustainability Performance Target | Reduce greenhouse gas emissions by 20% by 31 March 2024 with respect to the baseline (SECR methodology) — Target not met |

* Assured by DNV

## Average calculated SAP score of 92 or above (corresponds to EPC A rating) by 2050.

## Average calculated SAP score of 74.5 or above (corresponds to EPC C mid-band rating) by 2030.

| | |
|---|---|
| Material SDG Alignment | 7 Affordable and clean energy<br>13 Climate action |
| Measure | Average energy rating for properties where L&Q has operational control, measured by the average standard assessment procedures (SAP) ratings provided on EPCs. |
| 2019/20 baseline performance | Not reported |
| 2020/21 performance | Average calculated SAP score of 71.67 at 31 March 2021* |
| 2021/22 performance | Average calculated SAP score of 71.76 at 31 March 2022* |
| 2022/23 performance | Average calculated SAP score of 72.08 at 31 March 2023* |
| 2023/24 performance | Average calculated SAP score of 72.37 at 31 March 2024* |
| 2024 Sustainability Performance Target | Average calculated SAP score of 72 or above (corresponds to low EPC band C rating) by 31 March 2024. — Target met |

## 100,000 new homes built or enabled by 2050. 30,000 new homes built by 31 March 2030.

| | |
|---|---|
| Material SDG Alignment | 1 No poverty<br>11 Sustainable cities and communities |
| Measure | Number of new homes built, acquired and let, with at least 50% of these provided as 'affordable' housing (as defined by the Housing & Regeneration Act) |
| 2019/20 baseline performance | 2,439 homes built of which 1,188 (49%) were affordable |
| 2020/21 performance | 2,699 homes built of which 1,556 (58%) were affordable |
| 2021/22 performance | 4,157 homes built, of which 2,532 (61%) were affordable |
| 2022/23 performance | 4,047 homes built, of which 2,892 (71%) were affordable |
| 2023/24 performance | 2,955 homes built, of which 2,017 (68%) were affordable |
| 2024 Sustainability Performance Target | 8,000 new homes built by 31 March 2024 — Target met |

* Assured by DNV

## £170million invested in communities driven by identified social need and measurable impact by 2050. £40million invested in communities driven by identified social need and measurable impact by 2030.

| | |
|---|---|
| Material SDG Alignment | 10 Reduced inequalities<br>11 Sustainable cities and communities |
| Measure | Funding invested in local community organisations to generate positive social impact on the communities where our residents live |
| 2019/20 baseline performance | £2.5m* |
| 2020/21 performance | £3.4m* |
| 2021/22 performance | £3.4m* |
| 2022/23 performance | £3.3m* |
| 2023/24 performance | £1.28m* |
| 2024 Sustainability Performance Target | £10million invested in communities driven by identified social need and measurable impact by 31 March 2024 — Target not met |

* Assured by DNV

# 6.2
# Streamlined Energy Carbon Reporting (SECR)

The L&Q's energy consumption and associated carbon emissions are reported below in line with the UK government's streamlined energy and carbon reporting (SECR) regulations. These figures represent the carbon emissions associated with the Group's consumption of natural gas, electricity and transport fuel. Specifically, they include:

- Gas and electricity used in our offices;
- Gas and electricity procured for use in our residential portfolio, e.g. for communal heating;
- Temporary gas and electricity supplies to empty homes in our residential portfolio;
- Mains electricity, gas and fuel used on our construction sites;
- Fuel used by our transport fleet; and
- Fuel used for business purposes by all employees within the L&Q Group.

## Energy use and carbon emissions for 2023/24

| GHG emissions and energy use - Summary | 1 April 2023 - 31 March 2024 | 2022/23 | Difference | |
|---|---|---|---|---|
| | | | % | Absolute |
| **Energy consumption used to calculate emissions:** | **180,721,004.82 kWh** | **191,768,933.01** | **-5.76%** | **-11,047,928.19** |
| Gas | 128,847,687.44 kWh | 133,478,291.69 | -3.47% | -4,630,604.25 |
| Electricity | 40,304,124.90 kWh | 48,381,828.32 | -16.70% | -8,077,703.42 |
| Transport fuel | 11,569,192.48 kWh | 9,908,813.01 | 16.76% | 1,660,379.47 |
| Emissions from combustion of gas (Scope 1) | 23,569.97 $tCO_2e$* | 24,365.13 | -3.26% | -795.16 |
| Emissions from purchased electricity (Scope 2, location-based) | 8,345.94 $tCO_2e$* | 9,356.08 | -10.80% | -1,010.14 |
| Emissions from combustion of fuel for transport purposes (Scope 1) | 1,895.05 $tCO_2e$* | 1,898.41 | -0.18% | -3.37 |
| Emissions from business travel in rental cars or employee-owned vehicles where L&Q is responsible for purchasing the fuel (Scope 3) | 508.18 $tCO_2e$ | 508.52 | -0.07% | -0.34 |
| **Total gross $CO_2e$ based on above (Scopes 1,2 and 3)** | **34,319.13 $tCO_2e$** | **36,128.14** | **-5.01%** | **-1,809.01** |
| **Total gross $CO_2e$ based on above (Scopes 1,2)** | **33,810.95 $tCO_2e$*** | **35,619.62** | **-5.08%** | **-1,808.67** |
| **Total $tCO_2e$ green electric** | **0.00 $tCO_2e$** | **3,807.73** | **-100%** | **-3,807.73** |
| **Total green electricity procured - LQHT from 01/04/2023 - 30/09/2023** | **0.00 kWh** | **19,690,385.40** | **-100%** | **-19,690,385.40** |
| **Total remaining brown electricity kWh** | **40,304,124.90 kWh** | **28,691,442.92** | **40.47%** | **11,612,681.98** |
| **Total $tCO_2e$ (gross emissions against last years net emissions as REGO elec procured)** | **34,319.13 $tCO_2e$** | **32,320.41** | **6.18%** | **1,998.71** |
| **Total net $tCO_2e$ (Scopes 1 and 2 only for reporting purposes green energy inc)** | **33,810.95 $tCO_2e$*** | **31,811.89** | **6.28%** | **1,999.06** |
| Intensity ratio: $tCO_2e$ per unit owned, managed or under construction (based on net emissions) | 0.2685 $tCO_2e$ / unit | 0.2465 | 8.91% | 0.022 |
| Intensity ratio (scope 1 and 2 only) | 0.2645 $tCO_2e$ / unit* | 0.2426 | 9.01% | 0.022 |

* Assured by DNV

## 2023/24 Performance*

L&Q's total carbon emissions across scopes 1, 2 and 3 have increased by 6% compared to the financial year 2022/23, with carbon emissions intensity ratio increasing by almost 9% to 0.270 tCO2e per unit compared with the same period.

Although there is some good work going on to reduce emissions at L&Q, particularly around efficiency improvements to heat networks, this increase in emissions has largely been caused by two factors:

- L&Q pausing purchasing of renewable energy due to a 10-fold increase in cost of Renewable Energy Guarantees of Origin (REGO)
- A change to our energy broker causing a number of adjustments on accounts where bills had previously been estimated, sometimes for an extended period of time

As of April 1 2024 we have a new broker for our consolidated portfolio of more than 5000 sites, covering scopes 1 and 2 emissions associated with our heat networks, communal supplies and offices. As part of the handover, our new broker has been cleansing data and correcting erroneous billing. This has led to a large number of accounts seeing corrections to estimates, leading to a 16% reduction in electricity consumption (translating to an 11% reduction in carbon emissions) when compared with the previous year.

These estimated consumptions are often defined by the profile class of the meter at site and are not necessarily representative of a supply's actual energy consumption. It is possible that our energy supplier has utilised "industry standard estimates" for billing in the previous years due to the absence of actual readings being provided. Where this has been the case and later an actual reading has been provided; these standard estimates would be overwritten; thus, generating corrections to our total annual consumption.

Updating estimated consumptions can happen for numerous reasons; either during tenders to support contracting efforts or reforecasting for risk management & trading purposes. Even business as usual meter readings being provided intermittently throughout the year can play its roll in overwriting estimates that will cause volume variances.

Improving data quality for the portfolio will be a continued priority to minimise the impact of this activity to our annual reporting commitments.

We have observed a reduction in scope 1 emissions of just over 3%. This is also attributed primarily to the adjustments being made as part of the data cleanse and previous over reporting. While it is challenging to quantify, it is likely that we are also starting to see a small reduction in gas consumption as a result of energy efficiency improvements to six large gas-based heat networks. We would not anticipate an actual reduction in scope 1 emissions due to the continuation of handovers as our portfolio continues to grow and more gas-powered heat networks come within operations.

Energy consumption for our empty homes has also seen a very significant reduction across both scope 1 and 2. Our calculations indicate a 98% reduction in gas and 74% reduction in electric. The reduction for empty homes is believed to be in part due to homes being placed on hold for works. This means the homes are cleared and gas supply is capped, but no work carried out and they are not switched to our empty home's energy provider. This has resulted in a challenge in ensuring the full number of empty homes is taken into account. We believe this may have impacted the number of homes captured. We are continuing to investigate the reason for the observed decrease in consumption itself.

Emissions related to transport across both fleet and business mileage has remained relatively unchanged.

* Figures are rounded.

# 6.3 TCFD update

In 2023 we published our first climate risk disclosure in line with the TCFD (Taskforce for Climate-related Financial Disclosures). This was one of the outputs from a strategic project undertaken in 2022/23 by external consultants, JLL. The aim of the project was to assess our organisational transitional and physical risks and give us a set of recommendations to help us integrate climate risk in our governance processes.

During the last year we have engaged with departmental leads to start taking forward JLL's recommendations. As we are in the early stages of this work, we have not produced a full TCFD compliant disclosure this year. Below is a summary of our key risks and an update on progress made during the last financial year.

## Introduction

We recognise that the impacts of climate change are already here and are increasing in severity. We know that residents in our homes are already experiencing heat stress, particularly because of our urban focus, as well as flood risk, subsidence and extreme weather.

We aim to ensure our organisation is resilient to the impacts of climate change and to act where possible to protect our residents and their homes.

This means committing to strengthening our approach to managing climate risk in line with good practice and starting to consider some of the adaptation actions we will need to take into the future.

## L&Q's Climate Risks

In order to assess the risk that are most likely to materialise across our organisation and homes, we carried out a Business Level Risk assessment, supported by scenario analysis. A low and a high emissions scenario were selected to cover a wide range of possible futures. The emissions scenarios are based on modelling done by the Intergovernmental panel on Climate Change (IPCC).

The modelling identified that the impact on residents and their homes due to increased heatwaves, higher likelihood of flooding and extreme weather, is vastly increased under RCP 8.5 ('Scenario 2'). Under the less extreme RCP 2.6 scenario ('Scenario 1'), the biggest risks were associated with the challenges of implementing a strong transition to a low carbon economy, including stretching targets for EPC ratings, increased policy, fuel source transition and other decarbonisation activity, all of which require transformational levels of investment.

| **Scenario 1: Low emissions scenario** (IPCC scenario RCP 2.6) | **Scenario 2: High emissions scenario** (IPCC scenario RCP 8.5) |
|---|---|
| Represents a pathway where greenhouse gas emissions are greatly reduced by immediate policy action and market forces, to decarbonise and meet the Paris Agreement | A large increase in greenhouse gas emissions contributing to high temperature rises, significant changes in weather patterns and severe physical risks |
| **Average temperature rise 1.2 -1.6°C by 2100** | **Average temperature rise 3.2 - 5.4°C by 2100** |
| **Top Risks to L&Q** | |
| ● Increased policy | ● Resident impact |
| ● EPC rating | ● Financial market impacts |
| ● Resident impact | ● Surface water flooding |
| ● Fuel source transition and decarbonisation | ● River flooding |
| ● Transport decarbonisation | ● Heat stress |
| ● Surface water flooding | ● Supply chain & resources |
| ● River flooding | ● Insurance challenges |
| ● Financial market impacts | ● Storm damage |
| ● Insurance challenges | ● Litigation risk |
| ● Supply chain & resources | ● Subsidence |

● Transition risk
● Physical risk
● consequence of physical risk

## Strategy and forward plans

Understanding our biggest risks is guiding us in prioritising our next steps to tackle climate risks effectively. For example, by pinpointing homes most vulnerable to flooding, we can strategically decide when to invest in resilience measures. These actions might include installing flood doors, flood-proof air bricks, or drainage and pump systems. We might also rethink the design of new developments or foster local knowledge and support mechanisms to help residents and collaborate proactively with local authorities.

Over the last 12 months, our Sustainability Team have worked with key business leads to decide which of the recommendations from the JLL Climate Risk Review to focus on first. The result has been an agreement to understand our highest physical risk – flooding – at a much more granular level, using GIS mapping, internal data and the knowledge of our neighbourhood housing leads. This will allow us to agree the adaptation or resilience measures we may need to take forward and identify the point at which we implement these.

## Action to align better with best practice

In our initial disclosure in 2023 click here we stated our position against each of the recommendations set out in the Task Force on Climate-Related Financial Disclosures (TCFD) and set out our plan for 2023/24. This year, we are pleased to report progress in a number of areas.

| | What we committed to | Progress |
|---|---|---|
| Governance | We plan to formalise the Board's oversight of climate-related issues and ensure that climate-related risks and opportunities are incorporated into the company's strategy, as well as climate-related goals and targets | Governance oversight of Climate Risk and Net Zero sits with Group Board.<br><br>Sustainability (including climate risk) has been included alongside other strategic priorities in discussions with both Exec and Group Board, ensuring that we have a clear view of what we do and don't do, and this will continue into 2024/25 as we start to build our next corporate strategy for 2026 onwards. |
| | The Board will be informed of L&Q's top climate-related risks at least annually, and Audit and Risk Committee at least six monthly.<br><br>The Board will have oversight of the management of climate-related issues. | Net Zero and Climate Risks is one of our top 10 strategic risks and therefore has been reported on a six-monthly basis to the Audit and Risk Committee as part of our ICAF (Internal Controls and Assurance Framework) report.<br><br>This now happens quarterly rather than six monthly |
| | We will be consulting with Board regarding moving towards oversight of climate risk and Net Zero Carbon portfolio sitting with an individual Board member | Consultation with Exec took place in 2023, and it was agreed that oversight of climate risk and Net Zero Carbon would sit with an individual Board member. Responsibility now sits with Nigel Hopkins (Group Board member and Chair of Audit & Risk Committee), with Raj Kambo (Audit & Risk Committee member), acting as delegated lead. Regular check-ins are now in place. |

| | What we committed to | Progress |
|---|---|---|
| **Strategy** | We are planning on integrating a broader range of climate-related risks into our development guidelines | A checklist has been developed to assess sustainability risks (including climate risks, regulatory changes etc) as part of the viability assessment done on new development opportunities before we decide to take them forward. The checklist is currently in the process of being integrated with the pre-existing viability questionnaire.<br><br>Physical climate risks are then assessed in more detail during RIBA stages 1 & 2 and suitable mitigations included in the design in line with local planning requirements. |
| | We monitor waste, energy and water usage on L&Q construction sites and will use this information to set improvement targets | This year targets have been set for waste, water and carbon emissions from our in-house construction sites. Performance against these targets will be monitored from FY24/25 onwards. |
| | We will use the results of our Climate Risk Review to assess a breadth of climate-related risks and prioritise material issues, as well as embedding identified risks in our sustainability plan | We now understand the material risks for different scenarios and will be developing our approach to assessing these in more detail through GIS and our upcoming Climate Impact Report. |

| | What we committed to | Progress |
|---|---|---|
| **Risk Management** | We aim to further integrate the findings of our climate risk scenario modelling into our risk management framework under the climate change principal risks, as well as developing mitigation strategies | We have completed a comprehensive review of sustainability risk within our Enterprise Risk Management System (ARM) and have applied the learnings of the Climate Risk Review to better align accountability and responsibility for risks, actions and controls.<br><br>Within our risk registers we now have two risks which are owned within the Governance and Transformation Executive Portfolio:<br><br>• Inability to meet Net Zero carbon targets<br><br>• Inability to adapt to negative consequences of climate change.<br><br>Under these sit controls and actions assigned to different business areas. |
| | We will continue to embed climate risk management and oversight within our Governance structures | Oversight of Net Zero and Climate Risk delivery is formalised within the remit of our Governance & People Group. Oversight of Sustainability at a strategic and financial level sits with our Senior Leadership Group, including acting as ESG Financing Panel. |

| | What we committed to | Progress |
|---|---|---|
| **Metrics & Targets** | We want to continuously increase our sustainability ambition. Future targets are:<br>• KPI to be added to new Major Works projects requiring a minimum level of diversion of waste to landfill<br>• Fleet Decarbonisation metric<br>• Aim to move towards SBTi approved targets | Progress against priority KPIs continue to be tracked via our Sustainability Scorecard, which is presented to and discussed by Governance & People Group on a quarterly basis<br>**Major Works – Diversion from Landfill**<br>Our Major Works Investment Programme partners are contractually required to divert 96.5% of waste from landfill. Starting in April 2023, partners commenced monthly reporting and performance against the target is monitored monthly with the other contractual KPIs<br>**Fleet Decarbonisation**<br>During 2023/24 we worked with Mitie to develop a fleet transition strategy and roadmap. We are currently seeking senior management approval to start implementation. Once this is confirmed, metrics will be developed to measure progress.<br>**SBTi targets**<br>Through our Net Zero Pathways work with Altair in 2023/24 we have identified possible routes to net zero, including the use of science-based targets, which will be further considered as part of the development of our next corporate strategy in 2026. |

## Collaboration and Engagement

Addressing climate risks is a complex challenge, but we believe that collaboration with other housing associations, local authorities and residents is critical to spark the momentum needed to achieve the outcomes we are seeking. By openly sharing the insights we gain from the work we do and offering vital information and data to those shaping policy and resilience programmes, we can make a real difference together.

In July 2023, we submitted evidence to the Greater London Authority's Climate Resilience Review. We provided information from our Climate Risk review, as well as information on our views on existing challenges and opportunities.

In November 2023, L&Q hosted a Climate Risk & Adaptation Roundtable for housing associations, presenting alongside JLL to share insights and experience from our Climate Risk Review. We provided an overview of the project including key findings and lessons learnt, discussed some of the practical aspects of integrating climate risk within organisations, we covered climate scenario modelling and its usefulness for housing providers in assessing their biggest risks, and then considered what it means to create climate resilience, including some of the solutions and the need for collaboration. The session was well-attended, with 23 participants able to take learnings away.

**For more information**

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