

TCFD DISCLOSURE

CAPITAL & REGIONAL

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C&R

CAPITAL &
REGIONAL

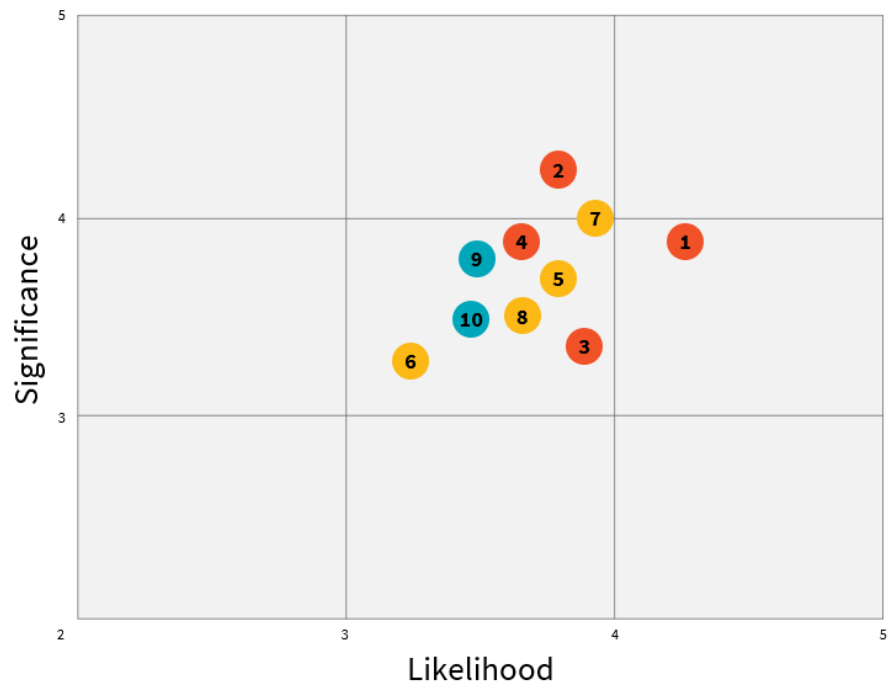
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GOVERNANCE

Recommendation	Commentary
The Board's oversight of climate-related risks and opportunities	Responsibility for climate-related risk management and robust internal control processes ultimately lies with the Board, including the consideration of climate-related risks and setting the Group's risk appetite. The Board has ultimate oversight of the Environmental, Social and Governance (ESG) principal risk and newly identified Climate-related principal risk in the Group's Risk Matrix. Integrating Climate-related risks as a new principal risk highlights the Group's recognition of the material impact climate risks have on the business and the Group's ambition to actively monitor and manage these risks. The Climate-related and ESG principal risks consider a number of transition and physical climate-related risks, including management and compliance with increasingly stringent environmental policy, minimum energy efficiency requirements, carbon reduction commitments, reputational damage from inaction, and impacts of extreme weather events and climate change on our assets and their supply chain. The full list of climate-related risks considered can be seen below. The Audit Committee supports the Board in the management of climate-related risks. The Audit Committee meets twice a year to review the effectiveness of the overall risk management strategy and internal control processes supporting our agile risk management approach. This includes reviewing the principal risks across the Risk Matrix, including the Climate-related and ESG principal risks and ensuring that climate-related risks are integrated into the risk management strategy. The ESG Committee meets at least four times a year and has more specific responsibility for developing and monitoring climate-related risks and wider sustainability matters. The ESG Committee has direct responsibility over developing and reviewing the Group's ESG strategy across the three underpinning pillars of Environmental Sustainability, People & Community and Governance, and assessing and monitoring the Climate-related and ESG principal risks. The ESG Committee reports updates to the Group's ESG strategy and the Climate-related and ESG principal risks on a quarterly basis, ensuring that the Board and Audit Committee are informed of any climate-related changes in the macroeconomic, financial, and regulatory environment. To better assess and monitor climate-related risks, the Group has created a new separate Climate-related risk matrix for the Climate-related principal risk which includes a broad range of physical and transition climate-related risks. The Climate-related risk matrix feeds into Group risk review and ESG Committee reporting to the Board.

Climate-related risk matrix:



Short term (2020-2029)

1. Energy decarbonisation and technology
2. Financial market uncertainty
3. Increased regulation
4. Shifting market and occupier expectation

Medium term (2030-2039)

5. Insurance challenges
6. Supply chain and resources
7. Flooding
8. Storm damage

Long term (>2040)

9. Water stress and drought
10. Heat stress

The description and business impact of the full range of the climate-related risks that have been assessed using scenario analysis and integrated into the Climate-related principal risk and ESG strategy via the new Climate-related risk matrix are detailed in the Strategy section. The process for identifying and assessing the top climate-related risks to Capital & Regional can be seen in the Risk Management section.

Management's role in assessing and managing climate-related risks and opportunities

The Senior Leadership Team (SLT) is responsible for the day-to-day operational application of the risk management strategy, including climate-related risks, and ensures that all employees are aware of their responsibilities and align with the Group's strategy. The SLT supports the Board, Audit Committee and ESG Committee in identifying and evaluating climate-related risks under the Climate-related principal risk and incorporates employee feedback into these assessments. Additionally, Sara Jennings, Director of Operations and Guest Experience, and Nick Philips, Managing Director Snozone sit on both the ESG Committee and SLT. This ensures that climate-related risks are assessed and managed throughout all levels of the organisation. The SLT is also responsible for reviewing on a deal-by-deal basis whether acquisitions and divestments align with our ESG Strategy, ensuring that climate-related risks are considered throughout the property life cycle.

Operational Management is responsible for the implementation and maintenance of climate-related risk management procedures, as well as the identification of climate-related risks and the mitigating controls and actions required at the asset level. The Operational Management team escalate climate-related risks that are identified at the asset level to the SLT. These are assessed

and integrated into the Climate-related risk matrix and escalated to the ESG Committee, Board and Audit committee as necessary.

As part of the climate risk assessment undertaken in late 2021, we conducted a detailed climate risk governance gap analysis, aligned with TCFD recommendations to understand how to best oversee and manage climate-related risks throughout our governance structures. We are still in the process of updating our governance structures according to the TCFD-aligned best practice recommendations and are aiming to further integrate climate risk management by the next reporting period.

A detailed overview of our Governance structure can be found in the Corporate Governance section on pages 67-75 of our 2021 Annual Report.

STRATEGY

Recommendation	Commentary				
Climate-related risks and opportunities identified over the short, medium, and long-term	Through conducting a rigorous climate risk assessment (see Risk Management), we have accurately identified the potential climate risks and opportunities facing our business. The table below outlines the key physical and transition risks we have identified over the short term (2020-2029), medium term (2030-2039) and long term (>2040). Our heightened understanding of climate risks to the Group has enabled us to employ a robust risk management process via our new Climate-related risk matrix to address possible impacts and we will be working to improve this process further over the next year.				
	Physical and Transition Climate-related risks				
	Time horizon	Risk number	Risk	Risk description	Risk impacts
	Short term: 2020-2029	1.	Energy decarbonisation and technology	The decarbonisation pathway demands an energy shift from fossil fuels to renewables. This will stimulate low carbon technological solutions. Existing buildings must adapt with these technologies in order to meet energy efficiency targets and reduce rising operational costs caused by changing seasonal patterns and carbon taxes	- Reduced asset value, 'green premium' vs 'brown discount' - Increased cost of financial capital - Tenant default risk causing loss of income - Capex and retrofit costs - Increased operational costs, including impacts from increased cost of carbon
		2.	Financial market uncertainty	Sustained damage from climate-related physical impacts or persistent transition-related market movements impact macroeconomic conditions and threaten the ability of firms to produce goods and services	
		3.	Increased regulation	Policy mandates existing building stock and developments improve efficiencies and operational practices, and embed climate resilience on-site	
		4.	Shifting market and occupier expectation	Markets shift to meet a growing demand for low or net zero carbon assets with on-site climate resilience embedded. Demand may also shift away from certain geographies or sectors, while changing consumer preferences could create tenant risk.	
	Medium term: 2030-2039	5.	Insurance challenges	The physical impacts of climate change are extensive and cause the insurance industry to reassess premiums or withdraw cover	- Physical damage causing costly repairs and clean-up - Cost of mitigation measures - Migration away from vulnerable areas - Decline in asset value or stranded asset risk - Litigation or reputational risks if perceived to
		6.	Supply chain and resources	Physical climate impacts can cause widespread disruption to production within supply chains and cause resource prices to rise.	
		7.	Flooding	Increased duration and intensity of precipitation, snow melt, and rising sea levels will exacerbate fluvial (river), pluvial (surface water) and coastal flooding	

		8.	Storm damage	Meteorological phenomena are becoming more frequent. Impacts arise from storms and heavy wind, exacerbated by changes to sea temperatures and seasonal patterns.	inadequately prepare for physical risks Supply chain, distribution and regional infrastructure disruption
	Long term (>2040)	9.	Water stress and drought	Water becomes increasingly scarce, with supply unable to meet demand. As temperatures rise, average drought lengths could increase, with implications on water costs, supply chains and public health.	
		10.	Heat stress	Rising mean temperatures and extreme temperature highs put pressure on both people and infrastructure	
		Additionally, key opportunities we have identified include: - Harnessing low-carbon technologies and providing energy efficient buildings will provide us with the opportunity to secure premium tenants with robust sustainability strategies and enhance our asset values, footfall, and reputation. This includes the opportunities we expect to realise as we implement our Net Zero Carbon strategy. - The Group will focus on proactively assessing and managing climate-related risks to embed resilience across our portfolio and business strategy. This will also enable us to gain a sustainable competitive advantage.			
Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	We acknowledge that climate change will have a material impact on our business and consequently, we have enhanced our business, strategy and financial planning to account for climate-related risks, including the impact of climate-related risks on the Group's current and future financial value. We have assessed a broad range of climate-related risks and opportunities, which we have integrated in our business strategy. The Group will continue to strategically focus on assessing a broad range of climate-related risks posed to our business and assets and improve our climate risk resilience to these risks by enhancing and adapting our assets through refurbishment and energy efficiency upgrades across each stage of the property life cycle. We continue to strive towards future-proofing our new and existing assets against the physical impacts of climate change and have strategies in place to take advantage of opportunities linked to the shift to a low carbon economy. As part of any acquisition, we would undertake building fabric, M&E, environmental and sustainability surveys, which will consider building component lifecycles and programmes for their replacement / upgrade. The outcomes will influence acquisition decisions and where a decision is taken to proceed, the findings will inform our capex allocations in line with our Net Zero Carbon pathway and the target acquisition pricing required to accommodate such capex needs within our financial performance targets. Refurbishments are a good opportunity to undertake upgrades that deliver NZC enhancements. Refurbishments provide the opportunity to assess plant and material condition and efficiency and integrate upgrades when we prepare refurbishment specifications. Viability of initiatives can also create surplus positions above acceptable target return thresholds. These surpluses provide opportunity to widen project scopes to capture wider climate enhancing solutions that may not be a core part of a particular refurbishment or initiative but can be efficiently and cost effectively accommodated into a wider programme, where otherwise such enhancements may not have progressed. Additionally, our clear and robust Net Zero Carbon pathway will further improve our climate resilience and sustainability performance.				

Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Our rigorous climate risk assessment enabled us to understand and assess the most material climate-related risks across the short-, medium-, and long-term time horizons outlined above. Understanding the most material climate-related risks across the time horizons has enabled us to discern the most effective climate risk mitigation measures to improve our climate risk resilience and reduce our climate risk exposure. Additionally, reducing our carbon footprint with our Net Zero Carbon pathway strategy will support the Group in effectively managing climate-related risks, most notably transition risks associated with a shift to a low-carbon economy and physical risks associated with flooding, heat stress and drought. The scenarios we selected for our analysis were the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways RCP4.5 and RCP8.5. These align with industry best practice and cover the most likely range of average global temperature increases from now until 2100. Aligning with a 2°C or lower scenario, the RCP4.5 scenario models a global temperature increase of 1.7°C - 3.2°C by 2100 and represents significant short-term policy action to meet the Paris Agreement. It is characterised by transition risks, although physical risks are still present with global temperature increase persisting. The RCP8.5 scenario models a scenario where there is insufficient global policy action to meet the aims of the Paris Agreement and models a global temperature increase of 3.2°C - 5.4°C by 2100. This scenario is characterised by very severe physical climate risks, particularly in the long term. Analysing these two distinct climate scenarios has enabled us to understand a wide scope of climate-related risks and opportunities across different possible future trajectories, providing insights into what actions best support the Group's climate resilience.
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Risk Management

Recommendation	Commentary
Describe the organisation's processes for identifying and assessing climate-related risks	We are aware that climate change poses an existential threat to not only our business and sector, but the global economy. We recognise that there is much we need to do to improve the impact of our business on the environment. As such, in 2021 we engaged with external agency, JLL, to conduct two rigorous climate scenario analysis exercises, the first to model climate-related risks and opportunities to our portfolio and the second to qualitatively assess the resilience of our overall business strategy. The results of the two assessments were used to develop our Climate-related risk matrix. In-line with TCFD's recommendation, the assessment used two distinct, plausible scenarios established by the IPCC, one of which considers a transition to a lower-carbon economy consistent with a 2°C or lower scenario, RCP4.5, and one consistent with increased physical climate-related risks, RCP8.5. The two scenarios covered a broad range of likely physical and transition climate-related risks over the short, medium, and long term. The first climate risk analysis exercise quantitatively assessed the vulnerability of our portfolio based on our assets' location and characteristics to a range of climate-related risks, including physical risks such as flooding, heat stress, drought and storm damage and transition risks, such as market, legal, reputation and technology risks. The assessment helped us determine the geographical distribution of climate-related risks and opportunities and the potential financial losses and gains to our portfolio, as well as the different types of climate risks posed to our shopping centres and Snozone assets. The assessment also helped determine the most at-risk assets, allowing us to make strategic decisions on where to best focus mitigation actions and harness the available opportunities. The second climate risk analysis exercise involved an in-depth review of the most up-to-date, credible climate literature to determine the Significance and Likelihood of a range of physical and transition climate-related risks and helped establish which risks are most material to our business. The results from the quantitative climate risk assessment were taken into account when scoring the Significance and Likelihood of individual climate-related risks. Significance scoring considered the impact, financial impact and ease/cost of mitigation on a scale of 1-5, ranging from minimal/no impact to catastrophic impact threatening the future of the business. Likelihood scoring considered the likelihood, frequency, duration of impact, and how quickly the risk materialises on a scale of 1-5, from unlikely risks with a short duration that materialise slowly to certain risks with a high frequency and duration that persist over a long period of time. The results of the two scenario analyses were synthesised together to identify the top risks and opportunities to the Group, as well as inform detailed risk management recommendations. These have been embedded into risk management and decision-making by forming the new Climate-related risk matrix specifically for climate-related risks, feeding into the Group's Risk Review (see Governance).
Describe the organisation's processes for managing climate-related risks	The Group's Risk Matrix is reviewed twice a year by the Group's Senior Leadership Team, the Audit Committee, and the Board to ensure that the Group remains on top of existing identified and any new emerging risks and their potential impact to the business, the likelihood of them occurring, the actions being taken to manage them, and the individuals responsible for managing them. In the Risk Matrix principal risks are scored and ranked for Significance and Likelihood across low, medium, and high levels. Significance levels are given financial values to indicate the potential financial impact of principal risks to the business. Climate-related is a principal risk in the Group's Risk Matrix that considers the top identified transition and physical climate-related risks to the business. These are also scored and ranked by Significance and Likelihood in a separate Climate-related risk matrix following the rigorous climate risk

	assessment described in the previous sub recommendation. The Climate-related principal risk and Climate-related risk matrix are overseen by the ESG Committee Risk management processes are present at each stage of the property lifecycle, with all activities taking place within our defined risk appetite. EPC ratings are actively considered in the pre-acquisition due diligence process and in our acquisition checklist. Additionally, no acquisition would progress without a detailed building survey first being undertaken, which would incorporate environmental and sustainability considerations in reviewing construction and condition and lifecycle replacement programmes. The outputs from these surveys will not only inform cyclical replacement and upgrade programmes, but will be taken into consideration alongside asset initiative investment that would form part of any underwriting. Thus, ensuring investment commitments for refurbishment or general initiatives can incorporate opportunities to enhance NZC readiness in a timely manner and when opportunities arise. Following the comprehensive climate risk assessment, a broader range of climate risks and specifications around net zero carbon readiness and climate resilience will be assessed before acquisitions and major capital expenditures, including minimum performance standards and thresholds for investment decisions. To enhance our ability to manage climate-related risks in tenant-controlled spaces, we have introduced Green Lease Clauses considering minimum energy efficiency standards (MEES) compliance and are engaging with tenants around their operational behaviour, energy efficiency and data sharing. We are pursuing to move to 100% renewable landlord electricity supply. Additionally, we are undertaking asset level net zero carbon audits to identify opportunities to reduce energy consumption and improve efficiencies. Together, these strategies inform our investment and capital allocation activities, as well as acquisition and divestment decisions to maximise the overall performance and resilience of our portfolio's assets. In addition to our compliance to the Streamlined Energy and Carbon Reporting (SECR), Carbon Trust and ISO14001, our organisational commitment to reach net zero by 2040, which is supported by our Net Zero Carbon Pathway currently being developed, is a key step to managing and mitigating transition climate-related risk, specifically risks associated with increased costs of carbon and shifting market and occupier demand towards low carbon buildings. The climate risk assessment process we have undertaken in late 2021, described above, has informed detailed risk management recommendations that we are reviewing and beginning to implement. We have a five-year roadmap for implementing key actions across four main stages of the property life cycle: Governance, Acquisition, Property management and Asset management, that will set the foundations for short-term actions for embedding climate-related risk management and improving climate resilience in the medium and long term.
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Over the course of 2022, we are planning on fully integrating climate-related risks and opportunities into our risk management processes. We will be integrating the outputs of the climate risk assessments into our risk management framework and will continue to integrate key risks within the Risk Matrix and separate Climate-related risk matrix owned by the ESG Committee and overseen by the Audit Committee and the Board.

METRICS AND TARGETS

Recommendation	Commentary
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	We report in line with EPRA Sustainability Best Practices Recommendations (sBPR) for sustainability reporting. We provide information to our stakeholders on our climate-related performance and activities by reporting on a range of metrics for resource consumption, energy, and carbon emissions across our portfolio. These include: - Total and like-for-like Scope 1 and 2 emissions were calculated using internal data alongside the emissions factors from the UK Government's GHG Conversion Factors for Company Reporting 2020. Scope 3 emissions will be calculated in the Net Zero Carbon pathway being developed. - Total and like-for-like Scope 1 and Scope 2 emissions in tCO₂e, including GHG intensity from building energy (kgCO₂e/sqft/year), also split by asset type - Total and like-for-like electricity consumed in kWh, including energy intensity in kWh/sqft/year, also split by asset type - Total and like-for-like water consumption, including occupier water consumption in m³/year, also split by asset type - Total and like-for-like waste disposal in tonnes, split into landfill, incineration, recovery recycling, and anaerobic digestion in metric tonnes As part of our Net Zero Carbon pathway strategy, we will be implementing metrics, including: - Maximise onsite renewable energy - High quality renewable energy procurement % - Major refurbishment embodied carbon intensity (tCO₂e/m² GIA) - Minor development and fit-out embodied carbon intensity (tCO₂e/m² GIA) - Total portfolio embodied carbon development (tCO₂e) - Offset residual carbon emissions (tCO₂e) To supplement our quantitative measures, we also assess key qualitative measures, including EPC ratings and building certifications to build a holistic view of our portfolio's performance. Following the in-depth climate risk assessment conducted in late 2021, we are in the process of defining and tracking further climate-related metrics and targets.
Disclose Scope 1, Scope 3 and, if appropriate, Scope 2 greenhouse gas (GHG) emissions, and the related risks	We disclose Scope 1 and Scope 2 GHG emissions in our SECR disclosures and on our website. These have been calculated and reported in line with the GHG Protocol Corporate Accounting and Reporting Standard. Scope 3 GHG emissions will be calculated in the Net Zero Carbon pathway and reported accordingly.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	In recognition of the real estate sector's contribution to global GHG emissions and climate change, we are developing our Net Zero Carbon pathway strategy with the intention to reach net zero carbon by 2040. As part of our Net Zero Carbon pathway strategy, we will be formulating the energy efficiency measures and targets based on the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Global Pathway. These will be reviewed and updated as best practice and further guidance regarding targets develop to ensure that we are excelling to meet our net zero carbon target.

	Having identified our key material climate-related risks and opportunities by conducting rigorous climate risk assessments, as outlined in Risk Management, we will develop additional appropriate metrics and targets against which to measure our performance.
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