SHAFTESBURY CAPITAL

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# Our TCFD Report 2024

March 2025

# Task Force on Climate-related Financial Disclosures

This disclosure is the second for Shaftesbury Capital and is consistent with all 11 recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). It includes a summary of risks and opportunities with all information required by the UK Listing Rules, the TCFD Annex all-sector guidance and the supplemental guidance for materials and buildings. We will continue to improve our data to develop our understanding of risks and opportunities for future disclosures.

This report includes supplementary detail to further explain the risks and opportunities set out on pages 66 to 74 of our 2024 Annual Report at https://shaftesburycapital.com.

Our portfolio remains concentrated in the West End of London, and the combined business remains entirely subject to a UK regulatory framework. There have been no yearon-year changes in our business strategy or assets that would materially impact our climate-change-related risks and opportunities. This disclosure aligns with the corporate definition of materiality as set out on page 167 of the 2024 Annual Report. As set out in this disclosure we have continued to refine our understanding of climate risks and opportunities, particularly with regards to physical climate risk exposure. Our quantitative assessment of physical risk has been updated during the year and, building on pre-existing qualitative analysis, we have continued to monitor relevant UK regulatory changes which could adjust our view of transition risk. We have reported no material changes in either physical or transition risk.

We are committed to strengthening our approach to addressing climate-related risks and opportunities. Under the oversight of the Group's Board and Executive Committee we have continued to embed the TCFD recommendations into all our relevant practices. Climate risks and opportunities are considered by the Audit Committee on behalf of the Board, with day-to-day management through the Executive Committee. In this disclosure we outline our approach to identifying and managing climate-change-related issues, addressing both risks and opportunities.

We have reset our Net Zero Carbon commitment, including setting a long-term target to reduce relevant Scope 1, 2 and 3 emissions by 90 per cent by 2040, from a 2019 baseline. This builds on near-term reduction targets for 2030. Our near- and long-term targets have been validated by the Science Based Targets initiative ("SBTi") and are ahead of UK national targets and 1.5°C science-based reductions.

# Governance

Describe the Board's oversight of climaterelated risks and opportunities The Board has ultimate oversight of and responsibility for the management of climate-related risks and opportunities, overseeing the Group's Environment, Sustainability and Community ("ESC") Strategy, performance against our near-term 2030 carbon reduction targets and progress towards our 2040 Net Zero Carbon aspirations. Recognising the strategic importance of these matters to the business, the Board supports the Group's climate-related initiatives and their reflection in our values. During the year, following recommendation from the Executive Committee, the Board approved our updated Net Zero Carbon near-term and long-term targets. Oversight of sustainability matters (including consideration of climate-related risks and opportunities and implementation of the Group's Sustainability Strategy and Net Zero Carbon Pathway), is a matter for consideration by the whole Board, with the Chief Executive having overall responsibility.

The Chief Executive, CFO and Senior Independent Director have relevant climate change and environmental, social and governance ("ESG") experience. This includes chairing ESG related committees at board level for Shaftesbury Capital and other listed UK companies. Further climate change expertise is provided to the Executive Committee and the Board by our sustainability team.

Consideration of climate-related risk is considered in the Group's risk management activities overseen by the Executive Risk Committee, in line with the process set out on page 59 of the 2024 Annual Report. The Executive Risk Committee considers risks quarterly and reports to the Board.

In 2024, the Audit Committee considered the reporting of climate-related risks and opportunities including, the financial yearend greenhouse gas ("GHG") and environmental data disclosures and this TCFD report. Changes to our Net Zero Carbon targets were discussed and agreed by the Board.

More information on the Audit Committee and the Executive Risk Committee, including the frequency of their meetings, can be found on pages 114 and 132 to 137 of the Annual Report.

## Describe

management's role in assessing and managing climaterelated risks and opportunities The Executive Committee has responsibility for reporting on ESC matters to the Board. During the year, the Executive Committee was supported by the ESC Management Committee, which was chaired by an Executive Director. The ESC Management Committee met at regular intervals and included senior representatives from across the organisation. The ESC Management Committee was responsible for monitoring the delivery of the Company's ESC Strategy, review of climate-related risks and mitigating actions, and considering progress towards our Net Zero Carbon 2040 target.

Climate-related risks are considered by the Executive Risk Committee as part of the Group's risk management process, based on assessments submitted by the business units and the Head of Sustainability. This is set out in more detail on pages 61 to 65 of the 2024 Annual Report.

The sustainability team is fully integrated into the real estate investment management ("REIM") team. Senior management from REIM, including Executive Directors, are actively involved in the ongoing management of climate-related risks and opportunities, in particular with regard to the efficient planning and delivery of our carbon reduction plans, compliance with regulatory requirements and stakeholder expectations. Our Executive Directors have ESC objectives under the annual bonus plan, including action on climate change where applicable, as set out on page 154 and 157 of the 2024 Annual Report. All employees have a "positive impact" target as part of their annual bonus objectives, which include climate-related targets where appropriate.

# Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term In identifying and assessing the potential climate-related risks and opportunities that may impact the business, the following time horizons are considered. These allow for appropriate financial planning to execute strategies to address climate-related risks and realise opportunities.

Short-term: 0 - 3 years Medium-term: 3 - 10 years Long-term: 10 - 30 years

The time horizons defined are also influenced by the rolling timing of lease events. Our assets are wholly located in a relatively small geographical area from the perspective of climate risk, and under a single regulatory jurisdiction. This limits the scope of physical and transition risks that we face; however it may increase our exposure to a single event.

The Group has determined that there has been no year-on-year material change in transitional risk exposure such as UK legislation or customer behaviour. Furthermore, there has been no material change in the portfolio. This means that transitional risk assessment undertaken in previous years remains relevant and we have been able to focus our efforts on advancing our understanding of exposure to physical climate change risks across the whole portfolio, as set out on page 10. Risks and opportunities identified apply to the whole business.

### **Physical risk**

Climate-related risks and opportunities have been identified as part of a high-level portfolio climate risk assessment. This assessment has contributed to a broader understanding of the physical climate hazards to which the portfolio is exposed and the risk that they may pose to assets in the present day, and in the future, under different emission scenarios. Further detail on the methodology used is set out on page 10.

Whilst most assets in the portfolio are assessed as having low exposure to most physical climate hazards under all emissions scenarios and time horizons, there are locations where surface water flood and drought stress may pose a medium or higher risk before any mitigation actions are considered. Surface water flooding is ranked as the greatest risk, with 55 assets out of 635 at potential high-risk based on location before mitigation. River and sea flooding and storm surges are not considered to be a concern in the short to medium term, due to the portfolio's distance from the River Thames and protection provided by the Thames Barrier.

The physical climate risk analysis was undertaken without the consideration of mitigation actions, in order to better understand the underlying risk. With the application of mitigations and the purchase of suitable insurance, we consider the risks to be well managed and the residual risk to be acceptable. We also recognise the risks of indirect physical impacts, such as damage to the London transport network, that would inhibit the operations of our customers and visitors.

Overall, additional analysis undertaken in 2024 supports our assertion that there is no need to consider revising our long-term investment strategy, in terms of either building type or location, within any of the scenarios considered.

#### **Transition risk**

Transition risk was reviewed again in 2024 using the "balanced", "tailwinds" and "headwinds" pathways from the "Buildings" section of the UK Sixth Carbon Budget to reflect the analysis used in 2023.

Balanced Pathway: this scenario reflects upgrading existing energy efficiency measures in all commercial buildings; significantly scaling up the market for heat pumps as a critical technology for decarbonised space heating; expanding the roll-out of low-carbon heat networks in heat-dense areas; and facilitating a potential role for hydrogen in heat.

Tailwinds Scenario: A scenario characterised by high levels of behavioural change, research and development (R&D) and implementation of low-carbon technology. The UK's climate goals are achieved well ahead of the 2050 target under this scenario.

Headwinds Scenario: A scenario whereby the UK still meets its 2050 Net Zero target, but initial progress is slow; under this scenario, there is limited progress in behavioural change, energy efficiency measures and low-carbon technology roll-out.

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term (continued) This desktop assessment concluded that there is no material year-on-year change to most significant transition risks, which arise from:

i. short-term risks relating to existing and emerging regulation including on Energy Performance Certificates ("EPC") and enhanced disclosure requirements

ii. medium-term transition risk through customer demand for more sustainable assets faster than these can be delivered

iii. medium- to long-term transition risk from inability to upgrade heritage buildings due to policy or building configuration.

We recognise ongoing development in ESG reporting, both within the UK and more widely, that may require additional resources to be applied to our disclosures, but these are not expected to be material.

We are also aware that a constraint in electrical supply in central London may become a limiting factor to the transition to low-carbon energy in our heritage buildings. Whilst this is not currently a material risk and is not impacting our operations, we will undertake further assessment to plan sufficient capacity as we continue the electrification of our portfolio.

We currently estimate a capital expenditure of approximately £40-45 million to 2030 (17 per cent of current annual capital expenditure) to achieve the energy efficiency improvement required for expected changes to Minimum Energy Efficiency Standards ("MEES") regulation and which also contributes to meeting our decarbonisation targets. Our refurbishment scope already mandates a minimum ("EPC") rating in line with proposed MEES regulations and therefore these a significant proportion of these sums are already included in our capital expenditure budgets for business planning. While this figure remains an estimate and will continue to be refined, it is informed by the detailed CRREM-aligned audits and our good progress to date, with c. 70 per cent of the commercial portfolio ERV now holding an EPC rating of A-B.

Our commitment to offset scope 1 and 2 GHG emissions from 2025 has been estimated to cost less than £40k annually. In additional, a review has been undertaken on the likely cost of offsetting to meet our Net Zero Carbon commitments from 2040 and the Board is comfortable that it is acceptable.

#### Climate-related opportunities

Climate-related opportunities principally arise in the short term from:

- i. improved ability to attract and retain customers in energy-efficient buildings
- ii. consequent reduced energy costs and associated emissions.
- iii. reduced planning risk associated with a requirement to renovate poor-quality building stock to minimise embodied carbon.

Medium-term opportunities can be realised by demonstrating the Whole-Life Carbon benefit of heritage stock and leveraging our expertise in the de-carbonisation of heritage buildings. We may seek further planning preference for refurbishment before rebuilding to minimise embodied carbon, and our portfolio is well positioned to take advantage of this.

#### 📎 The summarised risks and opportunities are set out in the table on pages 12 to 14 of this report

#### Supplementary detail

Physical risks identified	Time horizon	Explanation	
<ul> <li>Physical risks identified</li> <li>Risk 1: Chronic and acute risk</li> <li>Changes in climate, flood risk and extreme weather events, including: <ul> <li>hotter summers increase costs for maintaining indoor building environments</li> <li>localised flooding due to more severe storms and costs associated with designing/</li> </ul> </li> </ul>	Time horizon Medium-term Long-term	<ul> <li>Explanation</li> <li>The portfolio broadly demonstrates a high level of resilience to climate change across RCP2.6, RCP4.5 and RCP8.5 (low, medium and high emission) scenarios and our strategic time horizons. The findings of our physical climate risk assessment show that, without consideration of mitigation:</li> <li>surface water flooding is ranked as the greatest risk, with 55 assets out of 635 at potential high-risk based on location. We recognise that this is a modelled approach, and a physical asset review will be undertaken in 2025 to determine the residual risk.</li> <li>storm events are a medium risk for the portfolio under all</li> </ul>	
<ul> <li>retrofitting buildings for increased resilience to more intense rainfall</li> <li>increased disruption to the local energy and transport network due to extreme weather events, particularly a flood event combined with potential failure of the Thames Barrier</li> </ul>			<ul> <li>drought is ranked as low risk in the short term but becomes medium risk in the medium-and long-term for higher emissions scenarios.</li> <li>river and sea flooding and storm surges are not considered to be a concern in the short- to medium- term, due to the portfolio's distance from the River Thames and protection provided by the Thames Barrier. Over longer-term timescales, the risk from flooding and storm surges could increase, dependant on the upgrades made to the Thames Barrier and implementation of the Environment Agency's 'Thames Estuary Plan 2100'.</li> </ul>
		Our business relies on the functioning of the wider London infrastructure that may be more vulnerable to physical impacts of climate change.	
		Overall, the portfolio is deemed resilient to climate change perils across the timeframes identified. However, we recognise the evolving nature of climate projections and available of data so and will continue to appraise our risk level at least every three years.	

## Supplementary detail

Transition risks	Time horizon	Explanation
<ul> <li>Risk 2: Policy risk</li> <li>Emerging regulation, including: <ul> <li>enhanced GHG emissions reporting requiring more detailed disclosures</li> <li>evolving regulations such as MEES become increasingly difficult to implement, especially in heritage buildings where we see a potential conflict between heritage and energy efficiency</li> <li>energy performance in buildings continues to require improvements beyond that of MEES requirements for both domestic and commercial properties</li> <li>the Group notes the Environment Act requirements on Biodiversity Net Gain ("BNG") as well as the publication of the Task Force on Nature-related Financial Disclosures ("TNFD"). While these regulations will require additional analysis, it is not currently anticipated that these will be material to our business</li> </ul> </li> </ul>	Short-to medium term	The Energy Efficiency Regulations set out the MEES for domestic and non-domestic private rented property which currently prohibit a property with an EPC rating below an E from the grant or renewal of a lease for that property until works have been undertaken to improve the energy efficiency to an E or above. In consideration of expected tightening of regulations, the business nevertheless aims to achieve a B rating for all commercial properties within the scope of MEES by 2030. This risk is trending lower as we make progress to improve EPC ratings across the portfolio. As the transition to a low-carbon economy continues, we anticipate accelerated and enhanced emission reporting regulations will potentially be implemented in response to meeting the UK carbon reduction targets, alongside existing requirements. Whilst our initial research indicates that the cost of achieving MEES and Net Zero Carbon compliance is not excessive, there is a potential risk of additional cost as we need to replace less carbon efficient systems outside of its normal lifecycle. The business has a long-standing commitment to increased biodiversity through our work with Wild West End which continues. In addition, the Group primarily refurbishes and retrofits buildings and accordingly increase of biodiversity is not considered material. We await the adoption of the ISSB recommendations in the UK through the Sustainability Reporting Standards ("UK SRS") and note the ongoing development of reporting requirements in other jurisdictions, most notably the EU. Whilst they will not have a direct impact on the business, we acknowledge the direction of travel and influence that they may have on our future reporting requirements, both regulatory reporting and additional data requests fram invectors.
Risk 3: Market risk Changes in market trends, including: - an inability to meet customer expectations for assets with greater sustainability credentials, leading to a decrease in revenues due to reduced demand for products and services. Failure to adequately upgrade or certify our buildings makes our assets and portfolio less attractive to either debt or equity capital providers resulting in smaller pool of available capital or increased costs	Medium-term	Customers, investors and ESG benchmarks are increasingly adopting sustainability building certifications to assess portfolios. In the UK, the main certifications are BREEAM, LEED <sup>1</sup> and WELL <sup>2</sup> , with increasing use of NABERS <sup>3</sup> . These certifications are primarily designed for new buildings, consequently, there is a risk that due to lack of available certification, our assets or portfolio may be perceived as less attractive to customers, investors or capital providers. We also recognise that many of the assets in our portfolio are relatively small and the typical refurbishment projects are not of the sufficient size or scope to seek green building certification at a reasonable cost. Increasingly, broad assessment of 'sustainable' investments may not fully recognise the low carbon benefits of retrofitting heritage assets when categorising investments.
<ul> <li>Risk 4: Asset specific risk</li> <li>Policy relating to the upgrade of heritage buildings, including: <ul> <li>heritage restrictions impeding application of energy efficiency measures.</li> </ul> </li> <li>adoption of lower carbon products and technologies is constrained by local electrical infrastructure and supply</li> </ul>	Medium-term	Our portfolio is located in heritage areas and includes c. 27 per cent listed assets, including grade 1, grade 2 and grade 2*. Where there is policy in place relating to the upgrades of heritage buildings, this may impact on our ability to influence the energy efficiency of assets. The Group notes that planners are increasingly aware of this issue, and we expect to see further agreement on appropriate interventions to reduce planning risk. The Group is supportive of this approach. This does not give rise to material additional cost. We expect that this risk will reduce as new products and solutions are adopted to meet the requirements of planners. Our CRREM aligned detailed energy assessments have identified that the most important intervention would be the electrification of heat and cooking. We recognise that this may be limited by grid capacity in the West End and we have undertaken an initial assessment of capacity constraints

'Leadership in Energy and Environmental Design', a green building certification
 'Well Building Standard', a system for measuring and certifying features of a building that impact on human well-being
 'NABERS UK', a system for rating the energy efficiency of office buildings

Supplementary detail				
Opportunity identified	Time horizon	Explanation		
<ul> <li>Opportunity 1: Revenue</li> <li>attracting and retaining customers: providing energy-efficient and sustainability-certified buildings</li> </ul>	Short-term	Providing buildings with appropriate sustainability certifications and energy efficient measures in place will attract customers who seek to demonstrate their own sustainability credentials and reduce energy costs. This approach should also aid in customer retention.		
		We are ahead of our targets for improving EPC ratings in line with MEES, demonstrating the overall energy efficiency of the portfolio to investors.		
		Our refurbishment projects of sufficient size target BREEAM Excellent, or a level appropriate to the heritage nature of the building. This cost is not separately identified but included in our capital expenditure budgets. The reputational benefit is also not quantified but may be considered as we increase our proportion of certified buildings over time.		
		Roll out of detailed energy assessments and demonstrations that it is practical to make significant carbon reductions in line with CRREM on heritage buildings.		
Opportunity 2: Market / technology - increased energy efficiency of our	Short-term	Investment into increasing the energy efficiency of assets increases their attractiveness to customers through lower emissions and reduced energy costs. This is particularly important in the context of energy price volatility.		
portfolio results in reduced carbon emissions and energy cost		The potential opportunity is illustrated through the 2023 CBRE Sustainability Index which suggests that better quality assets		
<ul> <li>the increased energy efficiency and low embodied carbon of our portfolio makes it more desirable to customers</li> </ul>		Improvement of data collection from meters via a central database will reduce cost and increase accuracy for our reporting. It will also enable us to increase the amount of data		
<ul> <li>improved technologies enable an increased usage of onsite renewable energy generation</li> </ul>		that we can collect for analysis - improving our decision making, influencing behaviour change and identifying the effectiveness of energy efficiency interventions.		
Opportunity 3: Reputational	Medium-term	Through leveraging our skill set and expertise in delivering Whole Life carbon benefit in heritage stock and our leadership in improving the energy performance of heritage buildings.		
Carbon benefit of our heritage stock and deliver leadership in improving the energy performance of heritage buildings		This deep carbon expertise may allow the group to acquire and successfully retrofit assets that other investors may find prohibitive in respect of incremental capital expenditure required to meet energy efficiency or carbon standards. This may allow for openand returns		
<ul> <li>an increased recognition of the carbon benefit of retaining and refurbishing buildings increases the perceived value of our assets</li> </ul>		ennanceo returns.		

Describe the impact of climaterelated risks and opportunities on the organisation's businesses, strategy and financial planning The impact of climate change on the whole business is considered by the Board both through our approach to risk management and wider organisational strategic planning. Our sustainable development requirements ensure that climate-risk-specific improvements and mitigations are scoped into our existing capital expenditure refurbishment budget.

Detailed energy audits completed in 2023 were expanded to 40 assets during 2024 as part of our response to the statutory Energy Savings Opportunity Scheme ("ESOS") reporting requirement.

We are committed to long-term low-carbon investment in our assets, focusing on repurposing and refurbishment, rather than demolition and rebuilding. This maintains the heritage nature of our destinations, improves energy efficiency and minimises embodied carbon emissions associated with new development. It will also reduce the potential future liability associated with carbon offsetting and provides ancillary benefits in improved air quality. Our analysis of physical climate change risks has indicated that the portfolio has limited exposure and, beyond a review of a relatively small number of locations identified as being higher risk, the current approach to mitigation is sufficient.

Our investment strategy aims to continuously improve the overall energy efficiency and climate resilience of our portfolio through our refurbishment programme. Based on current estaimtes we will spend approximately 0.14 per cent of portfolio value per year on energy efficiency upgrades. This enables us to adequately manage risks relating to proposed legislative changes such as MEES, which are material to the evolving needs of our customers and stakeholders. On this basis we currently expect to incur approximately £40-45m by 2030 to achieve energy efficiency improvements required for expected changes to MEES regulation. These sums are already included in our capital expenditure budgets and the Group sets a minimum EPC rating of B in its commercial refurbishment programmes.

We continue to refine our estimate of the incremental costs of delivering changes required to ensure assets are within a CRREM-aligned 1.5°C Net Zero Carbon Pathway. In 2024, we completed a detailed energy efficiency review on 40 of our assets to determine actions required to align with CRREM decarbonisation targets. A further exercise has been completed to extrapolate the cost across the portfolio using a range of assumptions such as applicability of interventions on individual assets and estimated capex requirement. These assumptions will be refined and tested in 2025 to validate the findings and embed the required actions in our development operations, determining where costs are additional to our planned activities. The analysis shows that our investment in asset refurbishment can lower operational costs to an extent that may result in improved commercial terms, reduced void periods and improved investment yields as assets meet customer and investor requirements.

During 2024, we have published an updated Net Zero Carbon Pathway, which sets out how we will deliver on our Net Zero Carbon commitment by 2040, ahead of the UK national targets. Our commitment includes "near-term" 2030 targets and "long-term" 2040 targets that have been validated by the SBTi. To date, we have reported a reduction of in-scope carbon emissions by 50 per cent against our 2019 baseline, which aligns with a 1.5°C trajectory. We define Net Zero Carbon as being when there is a balance between the amount of GHG emissions produced and the amount removed from the atmosphere. In line with SBTi, our definition of Net Zero Carbon also requires a minimum carbon reduction of 90 per cent from our baseline year has been achieved before residual carbon can be offset.

In our supply chain, we continue to prioritise partners and products which demonstrate high ethical and environmental standards. Our design scope prioritises climate resilience and adaptation. We continue to work with industry bodies and technology partners to trial technologies which support our goals.

Describe the	Supplementary detail			
impact of climate- related risks and opportunities on the organisation's businesses	Physical risks identified	Impact on financial planning and strategy		
	Risk 1: Chronic and acute risk Changes in climate, flood risk and	The assessment of physical climate risks provides a better understanding of the potential impacts on assets and provides the information necessary to implement appropriate mitigation and resilience measures.		
strategy and financial planning (continued)	extreme weather events.	Therefore, the following activities are considered as part of relevant refurbishments in order to adapt to and mitigate this risk and improve future asset resilience: reducing water demand and implementing efficiency measures, integrating design measures to prevent overheating and incorporating sustainable urban drainage features to reduce exposure to precipitation impacts.		
		The financial impact of this analysis did not result in material additional capital expenditure requirements, in particular given that planning requirements take such risks into account.		
		We purchase suitable insurance to cover the perils identified in our physical climate risks analysis. During 2025, we will undertake a more detailed review of the assets that have been identified as being at a theoretical high risk to determine if additional mitigation actions need to take place.		
		We already include climate adaptation and mitigation measures in design scope. We will review physical climate risk exposure every two years, or sooner if required, to update and inform asset strategies as appropriate. There is a modest cost to repeating the assessment periodically.		
	<b>Risk 2: Policy risk</b> Emerging regulation	We have a proactive approach to EPC management, investing in progressively improving energy performance including internal reviews and target minimum rating outcomes for projects. We clearly set out our timeline for progress against proposed MEES regulation EPC rating requirements, notwithstanding government delay to the deadlines. The costs are included in our refurbishment capital expenditure, and consequently, there is no incremental cost. Our green lease ensures that customers do not undertake works which will reduce the EPC performance rating of the individual unit. In 2024, we have reviewed our green lease structure to reflect industry best practice.		
		To achieve target MEES aligned EPC ratings, we currently estimate costs of £40-45 million by 2030 to achieve energy efficiency improvement and support our drive to reduce operational carbon emission. The business sets a minimum target of EPC B for commercial and C for residential assets which is built into any development appraisal.		
		Detailed CRREM aligned energy audits undertaken to date demonstrate that our portfolio can be upgraded to meet future net zero requirements with current technology and at a relatively modest capital expenditure.		
		Therefore, no change is required to our long-term investment strategy, in terms of either building stock or location.		
	<b>Risk 3: Market risk</b> Changes in market trends.	An inability to keep up with the market trends and sustainability building ratings risks our assets becoming undesirable to customers and investors. This may result in leasing challenges and reduced revenues. Commercial property valuers may adjust investment property yields to reflect this risk, though the Group has not to date seen any such adjustments or financial impact.		
		We continue to increase the number of assets with sustainability credentials, with standards and targets in place which are embedded in our internal sustainable development scoping tool which supports the project scopes.		
		During 2025, we will consider the adoption of additional green building certifications that better represent our typical asset stock.		
	Risk 4: Asset specific Risk Policy relating to the upgrade of heritage buildings.	Due to planning policy and the nature of heritage listed buildings, the application of energy efficiency measures may require higher levels of capital expenditure to manage and engage with local planning authority, and specialist consultancy support. Each listed building requires a bespoke approach to deliver carbon efficiency measures appropriate to its heritage.		
		The drive to electrification of buildings will likely lead to a constrain on electrical supply in central London. In conjunction with our strategy to promote electrification, we are assessing the future power demand to inform investment requirements.		

Describe the impact of climaterelated risks and opportunities on the organisation's businesses, strategy and financial planning (continued)

# Supplementary detail

1

Opportunity identified	Impact on financial planning and strategy
<b>Opportunity 1: Revenue</b> Attracting and retaining customers: providing energy-efficient and sustainability-certified buildings	Potential for reduction of void periods and improvement of investment yields as assets meet customer and investor requirements. Initial research, including the 2023 CBRE Sustainability Index and 2023 JLL Study of central London office transactions, suggests a clear correlation across all asset classes between better rated assets and improved capital value performance driven by higher rents, better leasing assumptions and improved yields. The Group does not currently apply any forward differential in its business planning on this basis due to the inherent uncertainty but will continue to monitor this opportunity.
Opportunity 2: Market/ Technology Energy-efficient buildings: resulting in lower emissions and energy costs	We continue to implement energy efficiency measures in our properties and explore the impact of embodied carbon emissions by assessing the Whole Life Carbon of buildings and implementing performance benchmarks. Our early pilots, and our initial CRREM aligned analysis show that existing optimisation technology and energy generation can have materially positive outcomes on our energy and carbon intensities. We continue to actively explore opportunities for use of new technology and practices at scale on our portfolio.
<b>Opportunity 3: Reputational</b> Demonstrating the Whole-Life Carbon benefit of our heritage stock and deliver leadership in improving the energy performance of heritage buildings	Expertise and skills may support the ability to buy property at a lower price as competitors may be less able to apply cost effective intervention. The continuous process of acquiring experience and developing supply chain expertise on heritage stock, may open additional opportunities.

## Summary of impact on our business planning or financials by area

Area	Details	Impact on financial strategy and planning
Products and services	<ul> <li>design for longevity and flexibility throughout building life and end of life recoverability</li> </ul>	The delivery and management of assets to meet current and future regulations and potentially
	<ul> <li>work only with design and construction teams who can measure embodied carbon</li> </ul>	changing needs and demands of customers
	<ul> <li>conduct Whole-Life carbon assessments for new developments, refurbishments and retrofits in excess of £250k at milestone project stages</li> </ul>	
Supply and/or value chain	<ul> <li>engaging with suppliers who can demonstrate ethical and environmental credentials</li> </ul>	Regular reviews of procurement policies allow the Group to maintain a best practice approach
	<ul> <li>selecting products that are certified to industry standards (e.g. FSC<sup>1</sup> timber through our Timber Procurement Policy)</li> </ul>	
	<ul> <li>regular reviewing of our procurement related policies to maintain alignment with industry standards</li> </ul>	
Adaptation and mitigation activities	<ul> <li>design for resilience and adaptation in our development, refurbishment and retrofit works</li> </ul>	Incorporation of resilience and adaptation into development, refurbishment and retrofit as part of the long-term investment strategy for the
	<ul> <li>create flash flooding capacity through use of water attenuation tanks, with water collected used to service estate cleaning and plant water requirements where practical</li> </ul>	portfolio will improve the life expectancy and durability of assets against potential physical climate impacts or changes to customer or regulatory requirements.
	<ul> <li>continued additional of green space and infrastructure across the portfolio reduces urban heat island effect</li> </ul>	
	<ul> <li>we recognise the role that carbon offset will have to play over the medium-term and have set out our approach in the 2025 Net Zero Carbon Pathway</li> </ul>	
1. Forest Stewardship Counc	<ul> <li>wrban heat island effect</li> <li>we recognise the role that carbon offset will have to play over the medium-term and have set out our approach in the 2025 Net Zero Carbon Pathway</li> </ul>	

Describe the	Summary of impact on our business planning or financials by area				
impact of climate- related risks and opportunities on the organisation's businesses, strategy and financial planning	Area Details		Impact on financial strategy and planning		
	Investment in research and development	<ul> <li>Investment in innovation relating to climate resilient urban buildings in a heritage setting</li> <li>Identification of technologies that could improve the recourse officiency of our access.</li> </ul>	The Group continues to allocate funds to trials of innovative solutions and where trials are successful, such innovation is considered for adoption more widely		
		<ul> <li>The Group's valuers have regard to the individual climate-related risks and opportunities relevant to the assets in the context of RICS guidance and make adjustments where appropriate; the value impacts of sustainability where recognised are reflecting the valuers' understanding of how market participants include sustainability requirements in their bids and the impact on market valuations</li> </ul>			
	Operations	<ul> <li>We identify opportunities within our operations to reduce GHG emissions, including energy efficiency within our offices and reviewing carbon impacts of business</li> </ul>	Ongoing EPC programme and use of building optimisation Ongoing customer engagement		
		<ul> <li>related travel</li> <li>We will engage to support customer transition towards Net Zero as part of our strategy to reduce scope three emissions.</li> </ul>			
	Acquisitions or divestments	- Our assessment of acquisitions includes consideration of Net Zero Carbon during due diligence, with an assessment of costs to implement transition to be considered from 2025. We are committed to provide such environmental information as is requested by purchasers when we dispose of buildings	Data sourced or provided as part of due diligence		
	Access to capital	<ul> <li>The Group has regard for the requirements of both equity and debt capital and recognises that failure to meet their requirements may result in reduced access to capital.</li> </ul>	Management resource for responding to and collating reporting		
		In this context, the Group reports and engages through recognised industry indices such as GRESB, CDP, EPRA and MSCI. In addition, the Group is developing a Sustainable Finance Framework based on our carbon reduction and EPC improvement targets.			
Describe the resilience of the organisation's	We are committed to investing for the long term in the West End of London, continually improving our portfolio to deliver energy-efficient and resilient buildings. We do not expect that the climate-related issues identified will necessitate a material change to our strategy, either asset classes or geographical location, in at least the medium term. We consider our mitigation actions to be effective and that the business is sufficiently resilient to the impacts of climate change that have been identified.				
strategy, taking into consideration different climate- related scenarios, including a 2°C or lower scenario	Our qualitative and quantitative scenario analysis, as set out in the Risk Management section, allows us to identify the core areas for focused action to reduce emissions and enhance the long-term resilience of the portfolio. We will continue to review and update the scenario analysis as appropriate, using a range of climate scenarios.				
	The careful consideration of investments, ongoing improvement of our assets and the Net Zero Carbon target will protect our long-term strategy from significant climate risk. Setting an ambitious net zero carbon target aligned with a 1.5-degree pathway reduces the risk that we will need make our targets more ambitious. We have clearly set out the level of decarbonisation required by 2030 and 2040, so the business can make long-term decisions and stakeholders are aware of our commitments.				
	In addition to the scenario analysis described above, Shaftesbury Capital completed CRREM-aligned detailed Net Zero energy audits during 2024. The findings identified both interventions and estimated related costs which are being considered by the business. Some of these interventions can be implemented with our customers in situ. Others would need to be undertaken when properties are vacant. Our detailed energy audits undertaken to date will help refine our estimate of costs and related operational and carbon savings associated with our refurbishment programmes.				

# **Risk management**

Describe the organisation's processes for identifying and assessing climate- related risk	Our process of identifying and assessing climate-related risks uses the same methodology as all business risks and is incorporated into the Group's principal risks. The portfolio physical climate risk assessment has considered how risk changes against strategic time horizons to facilitate effective risk management, informing the implementation of strategies to manage climate-related risks and capitalise on opportunities. Detail can also be found on the whether the risk is increasing, decreasing or stable, which is a useful mechanism for risk prioritisation.				
	pages 59 to 64 of the 2024 Annual Report), each has been assigned a likelihood and impact score from which a risk ranking is allocated. More information about the process for assessing the size and scope of risks can be found on page 60 of our Annual Report.				
	Climate-related physical risks have been identified using the 'Climate X' data projection platform Spectra. Risk ratings have been determined for relevant physical climate hazards by combining likelihood and severity scores. The risk assessment has considered how risk changes against strategic time horizons, to facilitate effective risk management. Assets that have been identified as higher risk will be subject to a more detailed review in 2025 to determine if any further mitigation actions are required.				
	Our transition risk analysis drew on a third-party review of the market. This project was initially undertaken in 2021 and has been updated in 2024.				
	In all our analysis, we have used three climate change scenarios representing low, medium and high emissions (RCP 2.6, RCP 4.5 and RCP 8.5) to understand the range of potential climate outcomes, aiding in comprehensive risk understanding and strategic planning. This approach addresses compliance with regulatory and stakeholder recommendations, informs investment and resource allocation and enhances resilience. We assume that these scenarios will not be exceeded across the timelines identified.				
	Delease see page 59-64 of the 2024 Annual Report for further information on risk management and our principal risks				
Describe the organisation's processes for managing climate-	We have an Executive Risk Committee, comprising the Executive Directors, members of the Executive Committee, General Counsel, Group Financial Controller, Director of Transformation and Technology, Head of Health and Safety, and Head of Sustainability. This is the executive-level management forum for the review and discussion of risks, controls and mitigation measures. Senior management from each business function identify and manage risks for their division and complete and maintain a risk register. Climate-related risks and opportunities are presented to the Board.				
related risk	Physical risks are managed and mitigated through our ongoing programme to improve the energy efficiency of our buildings and our investment in increasing green space across our portfolio.				
	We have comprehensive SBTi-validated near-term and long-term targets for Scope 1, 2 and 3 emissions, which will be the foundation of our carbon emissions reduction strategy as we progress towards a Net Zero Carbon position by 2040.				
	Principal risks have been mapped to the most relevant strategic priority, which can be found on pages 62 to 65 of the 2024 Annual Report.				
Describe how processes for identifying, assessing and	The Board has overall responsibility for the Group's risk management, determining risk appetite and reviewing principal risks and uncertainties regularly, together with the actions taken to mitigate them. Awareness of climate-related risks is integrated into the organisation via a programme of employee engagement and training. For certain areas of responsibility, specific job-related individual training is delivered, for example relating to matters such as EPCs, gathering of data and embodied carbon calculations.				
related risks are	The Head of Sustainability is a member of the Executive Risk Committee and is responsible for highlighting climate risks in the context of wider business risk discussions.				
the organisation's overall risk	The Executive Risk Committee meets quarterly and reviews significant risks to the business, operational and financial, including sustainability-related risks. A risk report is produced by the Executive Risk Committee and is submitted to the Board. Principal risks are disclosed in the interim results and the 2024 Annual Report.				

# **Metrics and targets**

Disclose the metrics used by the organisation to assess climaterelated risks and opportunities in line with its strategy and risk management process Key metrics used to assess climate-related risk and progress against our Net Zero Carbon targets are set out in the summary Risks and Opportunities table on pages 12 to 14. Performance against our key climate-related metrics is set out on pages 93 to 95 of the 2024 Annual Report Describe the targets used by the organisation to manage climaterelated risks and opportunities and performance against targets Please refer to the summary table on pages 12 to 14. Performance against our key climate-related metrics is set out on pages 93 to 95 of the 2024 Annual Report.

The key metrics used to assess climate-related risk and progress against our Net Zero Carbon targets are out below:

## Metric 1: Performance against Net Zero Carbon 2040 target and science-based targets

KPI	Reporting period	2024 progress update	More information
Reducing scope 1 & 2 carbon by 60 per cent by 2030 from	Annual / cumulative	34 per cent Scope 1 and 2 reduction on baseline year	Sustainability Data Report 2024
a 2019 baseline year			Net Zero Carbon pathway (2024 update)
Reducing scope 3 carbon by 50 per cent by 2030 from	Annual / cumulative	50 per cent Scope 1, 2 and 3 reduction on	Sustainability Data Report 2024
a 2019 baseline year		baseline year.	Net Zero Carbon pathway (2024 update)
5 per cent annual reduction in Scope 1 & 2 emissions,	Annual	8 per cent year-on-year reduction	Sustainability Data Report 2024
			See SECR statement on page 95 of the 2024 Annual Report: We have limited third party verification for our GHG emissions
Total direct and indirect greenhouse gas emissions (tonne CO <sub>2</sub> e),	Annual	34 per cent Scope 1, 2 and 3 reduction on	Sustainability Data Report 2024
including customer emissions, but removing embodied carbon due to annual volatility depending on the refurbishment programme		baseline year	Net Zero Carbon pathway (2024 update)
Annual reduction target 5-6%			
Electricity purchased by the company (Scope 2) via renewable energy sources	Annual	99 per cent renewable electricity consumption	Sustainability Data Report 2024
Target 100 per cent			

## Metric 2: Performance against key legislative targets

Metric	Reporting period	2024 progress update	More information
Building Certification – BREEAM and SKA rating (number of assessments and total area assessed in m <sup>2</sup> ); for relevant refurbishment schemes	Annual / cumulative	To be updated in Sustainability Data Report 2024	Sustainability Data Report 2024
EPC performance for MEES (% breakdown on EPC ratings by ERV); Refurbishments to achieve minimum Grade B EPC (commercial) and Grade C (residential) rating	Annual / cumulative	88 per cent of the portfolio by ERV is EPC A-C, an increase of 80 per cent from last year	Sustainability Data Report 2024

## Metric 3: Implementation of Climate adaptation measures

КРІ	Reporting period	2024 progress update	More information
Biodiversity (green features area in m <sup>2</sup> ); / Monitoring of biodiversity through ecological survey; No current targets due to varying annual opportunities	Annual / cumulative	Re-baseling exercise to take place in 2025	Sustainability Data Report 2024

#### Metric 4: Reputational measures

КРІ	Reporting period	2024 progress update	More information
We disclose to CDP (Carbon Disclosure Project)	Annual	Score B	Sustainability Data Report 2024
Target B			

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks A detailed breakdown of Scope 1, Scope 2 and Scope 3 GHG emissions is disclosed on page 94 of the Annual Report, and the methodology for the calculations can be found on page 234. In line with Streamlined Energy and Carbon Reporting ("SECR") requirements, energy use and an intensity metric are disclosed on page 95.

# **Risks summary**

Risk type	Risk description	Timeline	Impact on business strategy & financial planning	Mitigation	Metrics & Targets
Physical	<ul> <li>Chronic long-term climate change, flood risk and extreme weather including:</li> <li>hotter summers leading to higher costs to maintain indoor temperatures</li> <li>localised flooding and storm damage, and time associated with building design and retrofit for increased rainfall resilience</li> <li>disruption to local energy and transport network from extreme weather, in particular combining a flood with a possible failure of the Thames Barrier</li> </ul>	Medium- term Long-term	<ul> <li>inclusion of mitigations in our refurbishment scope. These are included at design stage and consequently do not result in material additional capital expenditure requirements</li> <li>these requirements are supported by the planning framework in central London where we operate, which generally requires that these risks are considered. Therefore, the incremental costs above planning considerations are modest</li> <li>sufficient insurance for potential climate events</li> <li>we will formally update our asset exposure to physical climate risk at least every two years based on latest science-based scenarios and modelling. The costs of this exercise are modest administration costs</li> </ul>	<ul> <li>scenario analysis indicates higher risk of flash flooding to some assets and medium exposure to drought and heat stress</li> <li>assets are not located in coastal or fluvial flood risk areas, so risk limited to flash flooding</li> <li>refurbishment scope considers the following to mitigate risk and enhance future asset resilience:         <ul> <li>reduced water demand and efficiency measures</li> <li>design measures to prevent overheating</li> <li>incorporation of sustainable urban drainage features</li> </ul> </li> <li>inclusion of these actions into our adaptation activities in our combined Net Zero Carbon Pathway</li> </ul>	<ul> <li>continued reduction in GHG intensity from building energy use</li> <li>reduce absolute water use through efficiency and harvesting by 5 per cent per annum</li> <li>Scope 1 and 2 emissions reduction target (60 per cent by 2030, from a 2019 base year with interim intensity targets)</li> <li>Scope 3 emissions reduction target (50 per cent by 2030, from a 2019 base year with interim intensity targets)</li> <li>scope 3 emissions reduction target (50 per cent by 2030, from a 2019 base year with interim intensity targets)</li> <li>removal of all gas boilers (under our control) by 2030</li> <li>100 per cent renewable energy procurement</li> <li>long-term 2040 SBTi- validated Net Zero Carbon target</li> </ul>
Transition	<ul> <li>Policy risk from emerging regulation:</li> <li>enhanced GHG emissions reporting</li> <li>evolving real-estate- specific regulations, such as Minimum Energy Efficiency Standards ("MEES")</li> <li>potential conflict between heritage requirements and energy efficiency</li> <li>improvement beyond MEES requirements</li> <li>potential impact of nature-related regulation including the Environment Act requirements on biodiversity net gain and the Task Force on Nature-related Financial Disclosures</li> </ul>	Short-term Medium- term	<ul> <li>failure to meet greenhouse gas ("GHG") requirements results in increased cost or longer void periods</li> <li>unexpected new regulation results in longer planning or refurbishment periods</li> <li>increased costs to analyse and meet new requirements</li> <li>inability to meet nature- related requirements results in financial or reputational loss</li> </ul>	<ul> <li>proactive approach to EPC and MEES management</li> <li>detailed existing GHG reporting which goes beyond current statutory requirements, including all Scope 3</li> <li>CRREM-aligned detailed energy assessments exercise completed on 40 assets</li> <li>committed programme to enhance data collection with timelines included in our Net Zero Carbon Pathway</li> <li>regular review and internal reporting of upcoming climate regulation, and updates from professional advisers</li> <li>SBTi approval of our carbon reduction targets</li> </ul>	<ul> <li>continued reporting of asset EPC performance with detailed EPC targets by ERV in our Net Zero Carbon Pathway (2030: commercial 100 per cent B or above and residential 100 per cent C or above)</li> <li>roll out of smart landlord utility meters</li> <li>enhanced data coverage and accuracy targets and accelerated timeline as set out in our Net Zero Carbon Pathway</li> <li>monitoring and reporting of biodiversity coverage</li> <li>regular formal review of regulatory requirements and internal reporting at least annually</li> </ul>

Risk type	Risk description	Timeline	Impact on business strategy & financial planning	Mitigation	Metrics & Targets
Transition	<ul> <li>Market risk of changes in market trends:</li> <li>customers seeking assets with greater sustainability credentials, which may reduce revenues if requirements cannot be met</li> <li>less sustainable buildings may not meet debt or equity market requirements, resulting in reduced access to capital</li> </ul>	Medium- term	<ul> <li>failure to meet market expectations would result in loss of asset values and, rental income, and prolonged void periods. Therefore, impact on financial planning is to include as standard in our refurbishment scopes appropriate sustainability, energy efficiency and other credentials including BREEAM where appropriate</li> <li>no yield adjustments are currently included in our business planning, but our viability assessment includes the impact of potential yield movements howsoever caused</li> </ul>	<ul> <li>regular monitoring of industry research</li> <li>use of internally developed sustainable development tool to ensure that each refurbishment maximises its ability to achieve sustainability credentials</li> <li>continued budget allocation to research and innovation</li> </ul>	<ul> <li>reporting of proportion of buildings by area with sustainability credentials</li> <li>aim to achieve BREEAM rating on all relevant refurbishments</li> </ul>
Transition	<ul> <li>Asset-specific risk:</li> <li>evolving risk in relation to the potential conflict between heritage buildings and energy efficiency</li> <li>heritage restrictions impede energy efficiency measures resulting in market risks as above</li> <li>adoption of fossil fuel removal and technologies is constrained by electrical supply capacity to our buildings</li> <li>relative higher cost of electricity to gas impacts on occupier profitability and impacts rent</li> </ul>	Medium- term Long-term	<ul> <li>consideration of technology appropriate to heritage buildings</li> <li>drive behavioural change to use buildings as designed and maximise benefits</li> <li>consideration of electricity capacity and potential constraints</li> <li>CRREM-aligned Net Zero energy audits undertaken on a representative sample of buildings across the portfolio, to inform appropriate interventions and assess cost</li> </ul>	<ul> <li>participation in appropriate industry research and lobbying on the balance between heritage and energy efficiency</li> <li>research and inclusion of scalable heritage-appropriate energy efficiency measures in our internal refurbishment requirements</li> <li>inclusion of heritage and listed buildings in our detailed CRREM exercise to determine costs and returns and understand related planning risk</li> </ul>	<ul> <li>tracking of EPC and asset performance includes listed status, and listed units are not scoped out of 2030 EPC targets</li> <li>proportion of gas (fossil fuel) boilers in both our and our customer demise is tracked</li> </ul>

# **Opportunities summary**

Opportunity type	Opportunity description	Timeline	Impact on business strategy & financial planning	Actions to leverage opportunity	Metrics and targets
Transition	Revenue: - sustainability-certified and energy-efficiency-enhanced buildings lead to better rents and capital values	Short- term	<ul> <li>potential to reduce budget void periods and improve investment yields for assets with higher energy efficiency and sustainability credentials. Note that this is not yet applied in forward business planning</li> </ul>	<ul> <li>continue to increase EPC ratings and building certification coverage</li> <li>track and evidence rent, incentive package and void differences across central London to support any changes in pricing, and incorporate into budgets and forecasting as trends emerge</li> <li>provide evidence to valuers</li> </ul>	<ul> <li>percentage of projects (major refurbishments) achieving certification</li> </ul>
Physical / Transition	<ul> <li>Market/Technology:</li> <li>lower energy costs and emissions from more energy-efficient buildings through existing and new technology</li> <li>reduced emissions and low embodied and operational carbon increase portfolio attractiveness to customers</li> <li>improved technology enables use of on-site energy generation, and freeing up constrained electrical grid capacity</li> </ul>	Short- term	<ul> <li>demonstration of lower embodied carbon, operational energy use and costs in the leasing market allows increased competitive tension in leasing process for prospective customers</li> <li>self-generated renewable energy and increased energy efficiency help create headroom when modelling estate electricity requirements</li> </ul>	<ul> <li>regular market review of available low-energy climate tech</li> <li>pilots of new technology and processes to ensure scalable, and inclusion in standard refurbishment scopes where applicable</li> <li>estate-wide review of renewable energy generation capability to identify opportunities that free grid capacity</li> </ul>	<ul> <li>proportion of self-generated renewable power</li> </ul>
Transition	<ul> <li>Reputational:</li> <li>demonstrate Whole Life Carbon benefit of heritage stock and lead in energy performance of heritage buildings</li> <li>increased recognition of carbon benefit of retention and refurbishment increases value and attractiveness of our assets to customers, purchasers and investors</li> <li>low exposure to risk that planning preference for retrofit does not allow demolition of poor-quality assets</li> </ul>	Medium- term	<ul> <li>internal and external communication strategy to demonstrate the Whole Life carbon benefits of heritage buildings.</li> <li>Whole Life carbon assessments on relevant projects are undertaken on all refurbishment projects of sufficient scale</li> <li>engage with heritage organisations, local authorities and industry bodies to champion the Whole Life carbon benefits of energy-efficient heritage buildings</li> </ul>	<ul> <li>Whole Life carbon assessments</li> <li>internal and external communications including stakeholder engagement across customers, local authorities and investors</li> <li>identification of acquisition opportunities which may offer enhanced returns based on our ability to complete low- cost, low-carbon refurbishments</li> </ul>	<ul> <li>proportion of Whole Life carbon assessments undertaken</li> <li>ability to accurately benchmark and forecast Whole Life carbon for smaller projects</li> <li>increase engagement with industry and heritage bodies</li> </ul>

1. Shaftesbury Capital has set metrics against all risks and opportunities. For some of these, targets are being refined, and we will disclose these in due course