Task Force on Climate-related Financial Disclosures ("TCFD")

This is Capital & Counties Properties PLC ("Capco")'s third response to the TCFD recommendations. We are a formal TCFD supporter committed to strengthening our approach to addressing climate-related risks and opportunities. Under the oversight of the Company's Board ESC Committee, we have continued to embed the TCFD recommendations into all our relevant practices. The following pages set out our approach to achieving this.

On 6 March 2023, the merger of Capital & Counties Properties PLC ("Capco") and Shaftesbury PLC ("Shaftesbury") completed. On the same date, Capco changed its name to Shaftesbury Capital PLC. The disclosures below therefore relate to only Capco's activities and approach for the financial year ended 31 December 2022. The TCFD disclosures for Shaftesbury are available on our website in the Shaftesbury PLC annual report. All page references included in this response relate to the 2022 Annual Report for Capital & Counties Properties PLC, dated 28 February 2023, and published on 3 March 2023, which was in advance of the merger.

Our disclosures are consistent with the eleven recommendations of TCFD disclosure, and we publish supplementary information on our risks and opportunities on our website. During 2022, we completed our formal initial assessment of both physical and transitional risk. The assessment was completed using the GRESB Climate Risk Platform tool which allowed us to better understand and benchmark our assets' exposure to physical climate risk across three different temperature rise scenarios, 2.0°C, 2.4°C and 4.3°C IPCC scenarios and time horizons to 2050 and 2100. These timeframes allow us to track long-term movements, but our planning runs in line with our Net Zero Carbon Pathway and UK climate change commitments. The Group has also run an initial six asset pilot using the Carbon Risk Real Estate Monitor ("CRREM") tool to determine the current and projected carbon performance of these assets.

Capco TCFD response 2022 - all statements correct as at 28 February 2023

Governance	
Describe the Board's oversight of climate-related risks and opportunities	The Capco Board maintains ultimate oversight and responsibility for the identification and management of climate-related risks and opportunities. The Board also sets and oversees the Company's Environment, Sustainability & Community Strategy ("ESC Strategy"). The Board has established a Board ESC Committee, which is chaired by independent Non-executive Director Charlotte Boyle and comprises the Chairman, the Chief Executive, and all other independent Non-executive Directors, to ensure delivery of the Company's ESC Strategy on its behalf. In line with the process set out on page 43, consideration of climate-related risk is integrated into the Group's risk management process overseen by the Executive Risk Committee. The Executive Risk Committee monitors climate-related risks and opportunities quarterly and reports these to the Board. Recognising the importance of climate change, and the physical nature of the Group's assets, the Board has determined that climate-related risk is a principal risk in its own right. The Board ESC Committee and the Company's Audit Committee also consider the reporting of climate-related risk. The ESC Management Committee is responsible for managing and implementing activities associated with climate change, actions to mitigate climate-related risks, as well as those to take advantage of climate-related opportunities and monitoring progress made against Capco's target to be a Net Zero Carbon business by 2030. During 2022, the Capco Board approved the 2023-25 capital expenditure budget which included a sum of £2m over the next three years relating to net zero carbon specific expenditure including individual asset by asset net zero carbon audits. Our refurbishment budgets requirements include EPC B as a minimum and sums related to this are included in the general refurbishment budget. The Board is fully supportive of the Group's climate-related initiatives, recognising the strategic importance of these matters to the business and stakeholders. In addition to the Board ESC, climate-related matters have been considered by the Executive Risk Committee and the Audit Committee during 2022. Each of the Executive Directors' non-financial performance measures under the annual bonus include ESC matters. During 2023, we will deliver further climate-related training to the Board. More information on the Board ESC Committee, the Audit Committee, the Executive Risk Committee and ESC Management Committee, including the frequency of their meetings, can be found on pages 43, 91, 95, 99 and 103 of the 2022 Annual Report.
Describe management's role in assessing and managing climate-related risks and opportunities	The Chief Executive is Chair of the ESC Management Committee and maintains operational oversight of the Committee on behalf of the Board. This Committee is responsible for supporting the Board ESC Committee in assessing, monitoring and mitigating climate-related risks and acting upon climate-related opportunities. The ESC Management Committee includes Charlotte Boyle, the Chief Financial Officer, the Executive Director, the Company Secretary, the General Counsel, the Head of HR, the Director of Sustainability and Technology and employees from relevant areas of the Company. Climate-related risks are considered by the Executive Risk Committee, as part of the risk management process, based on assessments submitted by the business units and the Director of Sustainability and Technology. In order to better manage climate-related risk and maximise adaptation and mitigation measures, management has developed an in-house tool to support Capco's commercial and project teams through the design and construction phases for projects of all sizes. This is enhanced by use of Embodied Carbon software OneClick which is used in collaboration with our supply chain. Further details on the matters considered by the ESC Management Committee and the frequency of its meetings can be found on page 95 of the 2022 Annual Report.

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 Capco, risk and opportunities are considered over the following three time horizons, as these allow for appropriate financial planning to allow for the execution of strategies to address climate-related risks and action for 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 financial planning cycle and the rolling timing of lease extensions across the estate. Capco's buildings have an average age in excess of 100 years, and our long-term time horizon reflects this and our own Net Zero Carbon commitment for 2030. Further details surrounding risk and the Group's risk appetite can be found on pages 43 to 51 of the 2022 Annual Report.

Strategy continued

Risks arise from i) long-term physical risk through changes in climate, flood risk and extreme weather, ii) short-term transition risk from emerging regulation including EPC and enhanced disclosures, iii) medium-term transition risk through customer demand for more sustainable assets faster than these can be delivered, and iv) medium-term transition risk from inability to upgrade heritage buildings due to policy, legislation or building configuration.

Opportunities arise in the short-term from i) improved ability to attract and retain customers in energy efficient buildings and ii) consequent reduced energy costs and associated emissions. Medium-term opportunity arises through demonstrating the whole life carbon benefit of heritage stock and the ability to leverage our skill set.

Capco does not apply specific incremental financial sums to these risks and opportunities as the costs, risks and opportunities are managed on an integrated basis alongside other related risks and these are not disaggregated.

At this stage, the identification is based upon forthcoming UK Government strategy and policy and the UK climate change projections ("UKCP18") published by the Met Office.

The table below sets out the climate-related transitional and physical risks and opportunities that Capco has identified.

Physical risks

Risks identified	**Changes in climate, flood risk and extreme weather events**	
Time horizon	**Impact on financial planning and strategy**	**Explanation**
Long-term	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. Capco had already included climate adaptation and mitigation measures in design scopes, so there is no material cost impact. Capco 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.	During 2022, Capco undertook a physical climate risk assessment to assess the potential impact on the portfolio. Utilising geospatial modelling, the model provides over 14 exposure indices including flood risk, hail, drought, heat stress, fire weather stress, tsunamis and earthquakes. Allowing the identification of physical risks, how the exposure trends may change over time and future climate scenarios. This was conducted on three pathways, RCP 2.6, RCP 4.5 and RCP 8.5 in which 10 properties were assessed due to the geographical concentration of assets at Covent Garden and Lillie Square. This analysis indicated that assessed assets are likely to have medium exposure to drought-related climate risks and low exposure to fire weather stress, heat stress and precipitation climate risks. The result of this assessment indicates the following activities to improve future resilience of assets: 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. These are incorporated in the existing Net Zero Carbon Pathway and Sustainability Framework for projects and developments. The analysis did not result in material additional capital expenditure requirements.

Transition risks

Risks identified	**Emerging regulation including:** **– Further EPC requirements for lettable properties via the MEES regulations** **– Enhanced GHG emissions reporting requiring more detailed disclosures**	
Time horizon	**Impact on financial planning and strategy**	**Explanation**
Short-term	Capco has a proactive approach to EPC management, investing in progressively improving energy performance including regular internal reviews and targeted rating outcomes for projects. The progression of the MEES regulation EPC rating requirements has increased our scope to ensure all assets meet 2030 requirements. The cost impact on our rolling refurbishment programme is not material and is included in rolling annual refurbishment budgets and more material project scopes as they arise. Our green lease structure ensures that occupiers do not undertake works which will reduce the EPC performance rating of the individual unit. Enhanced reporting requirements may require the allocation of additional resources to meet these obligations. Capco has set clear targets on a three-year basis in the Net Zero Carbon Pathway, including both landlord and tenant data collection. We have added resources, capabilities, and technologies in respect of operational and embodied carbon reporting.	The Energy Efficiency Regulations set out the Minimum Energy Efficiency Standards for domestic and non-domestic private rented property. From April 2018, a landlord of a private rented property with an EPC rating of an F or G cannot grant or renew a lease for that property until works have been undertaken to improve the energy efficiency to an E or above. From 2023 all properties will require an EPC of E or above. The government intends to raise this to a B by 2030. As the transition towards a net zero carbon economy continues, we anticipate accelerated and enhanced emission reporting regulations will potentially be implemented to assist the UK in meeting its carbon reduction targets, alongside existing requirements.

Risks identified	Changes in market trends, with customers seeking assets with greater sustainability credentials more quickly than we can provide them	
Time horizon	**Impact on financial planning and strategy**	**Explanation**
Medium-term	An inability to keep up with market trends and sustainability requirements presents the risk of assets becoming undesirable and challenging to let, which could decrease revenues. Commercial property valuers may reflect this in yields in investment property valuations, though the Group has not to date seen any financial impact. Capco continues to increase the number of assets with sustainability credentials, with standards and targets in place – the details of which are included in the company's Sustainable Development Framework and Net Zero Carbon Pathway.	It is anticipated that investors and customers will continue to place greater emphasis on climate and energy efficiency credentials and that this will result in higher demand and pricing, and investment advantage to owners of high performing assets as well as reduced pricing on less sustainable assets.
Risks identified	**Policy relating to the upgrade of heritage buildings impeding application of energy efficiency measures**	
Time horizon	**Impact on financial planning and strategy**	**Explanation**
Medium-term	Due to policy requirements and the nature of heritage listed buildings, the application of energy efficiency measures to Capco's assets may require higher levels of capital expenditure, including management, engagement with the local planning authority, and specialist consultancy support. Each listed building requires a bespoke approach to deliver carbon efficiency measures appropriate to its heritage.	The Covent Garden Estate includes a number of heritage listed assets, including grade 1, grade 2 and grade 2*. Where there is policy in place relating to the upgrades of heritage buildings, Capco is working with Westminster City Council and industry groups to deliver energy efficiency measures in this context.

Climate-related opportunities

Opportunity identified	Attracting and retaining customers: providing energy-efficient and sustainability-certified buildings	
Time Horizon	**Impact on financial planning and strategy**	**Explanation**
Short-term	Potential for reduction of void periods and improvement of investment yields as assets meet occupier and investor requirements	Through providing buildings with sustainability certifications and energy efficient measures in place customers will be attracted on the basis of their own sustainability requirements and reduced energy costs. Occupier retention should also be aided.
Opportunity identified	**Energy-efficient buildings: resulting in lower emissions and energy costs**	
Time Horizon	**Impact on financial planning and strategy**	**Explanation**
Short-term	Responding to increasing demand for assets with lower emissions and energy costs	Investment in increasing the energy efficiency of assets increases their attractiveness to customers through lower emissions and a reduction in energy costs. This is particularly important in the context of current energy price increases.
Opportunity identified	**Demonstrating the Whole Life Carbon benefit of our heritage stock and delivering leadership in improving the energy performance of heritage buildings**	
Time Horizon	**Impact on financial planning and strategy**	**Explanation**
Medium-term	Expertise and skills may facilitate the acquisition of property at a lower prices. The continuous process of acquiring experience and developing supply chain expertise on heritage stock, may open additional opportunities.	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.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	In addition to the impacts on financial strategy and planning set out above and the Principal Risks and Uncertainties set out on pages 43 to 51 of the 2022 Annual Report. This section provides further details on the impact of climate-related risks and opportunities on Capco's business, strategy and financial planning. Capco has published its Net Zero Carbon Pathway, which sets out how the Group will deliver its Net Zero Carbon commitment by 2030. The Group continues to allocate resources to improve our products and services through refurbishment and energy efficiency improvements. Capco uses an internal carbon price of £95 per tonne when considering capital investment decisions. We are committed to enhancing the reporting of our own and customer use of resources and continue to invest modest sums to improve the coverage of "smart" meters. The Group has set a minimum SKA standard of 'Silver' on all major refurbishments and an energy performance (EPC rating) of B for its refurbishment programmes. This investment may also present opportunities as lower operational costs may result in improved commercial terms, reduced void periods and improved investment yields as assets meet occupier and investor requirements. In our supply and value chains, we continue to prioritise partners and products which demonstrate high ethical and environmental standards. Our design scope prioritises climate resilience and adaptation for instance in creating flash flooding capacity using water attenuation tanks. We continue to work with industry bodies and technology partners to invest in research and development to trial technologies which support our goals.

Further detail on impact on operations, acquisitions and access to capital is set out in the table:

Area	Details	Impact on financial strategy and planning
Products and services	– Design for longevity and flexibility throughout building life and end of life recoverability – Work only with design and construction teams who are able to measure embodied carbon – Conduct whole life carbon assessments for new developments, refurbishments and retrofits at milestone project stages	– The delivery and management of assets to meet current and future regulations and potentially changing needs and demands of tenants and customers
Supply and/or value chain	– Engaging with suppliers who can demonstrate ethical and environmental credentials – Selecting products that are certified to industry standards (e.g. FSC timber through our Timber Procurement Policy) – Regular reviewing of our procurement related policies to maintain alignment with industry standards	– Regular reviews of procurement policies allow Capco to maintain a best practice approach
Adaptation and mitigation activities	– Design for resilience and adaptation in our development, refurbishment and retrofit works – Create flash flooding capacity through increased use of water attenuation tanks, with water collected used to service estate cleaning and plant water requirements – Recognising the role that carbon offset will have to play over the medium-term, as part of its Net Zero Carbon strategy, Capco offset all scope 1&2 emissions and all directly booked business travel in 2022. Our carbon offsetting policy will be published in 2023.	– Incorporation of resilience and adaptation into development refurbishment and retrofit as part of the long-term investment strategy for the portfolio will improve the life expectancy and durability of assets against potential physical climate impacts
Investment in research and development	– Investment in innovation to pioneer climate resilient urban buildings in a heritage setting – Identification of technologies that could improve the resource efficiency of our assets – 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. – The Group has adopted relevant provisions of the Better Building Partnership's green lease into its commercial lease standard. To date 38 (18% of total commercial leases) commercial green leases have been signed. We have increased occupier engagement on environmental and sustainability issues and our occupier survey during 2022 included questions on the Group's and occupier approach to Net Zero Carbon.	
Operations	– The identification of opportunities within our operations to reduce GHG emissions, including energy efficiency within our offices and reviewing carbon impacts of business related travel. – We will engage to support occupier transition towards net zero, including the launch of a community charter in 2023.	

Acquisitions or divestments	– Our assessment of acquisitions includes consideration of Net Zero Carbon during due diligence, with an assessment of costs to implement transition.
Access to capital	– 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. In this context, the Group reports and engages through recognised industry indices such as GRESB, CDP, EPRA and MSCI. In addition, the Group continues to consider the merits of a Sustainable Finance Framework.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	As a steward of the landmark Covent Garden estate, Capco's strategy has been to invest for the long-term, taking climate risk and opportunity into consideration in its investment decisions. In 2021, Capco published its Pathway to be Net Zero Carbon by 2030, setting a GHG emissions baseline using our 2019 performance. This baseline was used to determine targets that align with SBTi climate-related scenarios to limit global temperature rises to 1.5°C. These scenarios allow us to identify the core areas for focused action to reduce emissions and enhance the long-term resilience of the estate. For example, we will explore the impact of embodied carbon emissions by assessing the Whole Life Carbon of buildings and implementing measures to achieve performance benchmarks set by industry guidance such as LETI. In 2022, Capco updated its climate risk scenario analysis using the GRESB portal as described above, and completed a six-asset pilot using the CRREM tool. The results of both exercises did not identify any material new transition risks, and the findings have been incorporated into our strategy.

Risk management

Describe the organisation's processes for identifying and assessing climate-related risk	Capco's processes for identifying and assessing climate-related risks use the same methodologies as all business risks and these risks are incorporated into the Group's principal risks. The climate-related risk assessment is reviewed by the Executive Risk Committee to ensure completeness and that appropriate mitigation measures are in place. The processes for identifying and assessing risk are detailed comprehensively on pages 43 to 51 of the 2022 Annual Report. In order to assess the relative significance of each of the principal risks (which are detailed extensively on pages 45 to 49 of the 2022 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 43 of the 2022 Annual Report.

Capco further defines climate related risks as shown below

Risk Definitions:

Defining 'Transitional Risk':

These are risks that are inherent in the changing of strategies, policies and investments associated with reducing climate impact and mitigation of climate change.

Defining 'Physical Risk':

These risks are associated with physical damage and financial losses due to increasing exposure to climate hazards resultant of climate change.

Describe the organisation's processes for managing climate-related risk	Capco has an Executive Risk Committee, comprising the Executive Directors, the General Counsel, the Group Financial Controller and the Director of Sustainability and Technology, which is the executive level management forum for the review and discussion of risks, controls and mitigation measures. Senior management from each division and corporate 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 via the Company's ESC Board Committee and ESC Management Committee. Principal risks have been mapped to the most relevant strategic priority which can be found on pages 45 to 49 of the 2022 Annual Report. Details can also be found on whether the risk is increasing, decreasing or stable, which is a useful mechanism for risk prioritisation.
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Climate-related risks are a principal risk and are managed within the Group's overall risk management framework, described on pages 43 to 49 of the 2022 Annual Report. 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. Management of climate-related risks is integrated into the organisation via a programme of staff engagement and training. The training includes individual job-specific activities relating to matters such as EPCs, gathering of data and embodied carbon calculations. The Group will be launching a wider sustainability-related training platform during 2023.

Metrics and targets	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Capco uses the following metrics to assess climate-related risks and opportunities: – Embodied and Operational carbon metrics which align with the targets set out in our Net Zero Carbon Pathway, using industry recognised tools such as CRREM, see detail on our 2022 commitments on page 65 of the 2022 Annual Report, and our Net Zero tracker on page 68 of the 2022 Annual Report. – Energy use, including like-for-like performance for controlled assets – Energy performance concerning the MEES regulations and EPCs – Scope 1, 2 and 3, including occupier GHG emissions – Electricity purchased via renewable energy sources – Water use in controlled assets – Proportion of portfolio with sustainability ratings (e.g. BREEAM, Code for Sustainable Homes and SKA) – Destinations of waste resulting from our offices and the Covent Garden Market Building – Monitoring of biodiversity through membership of Wild West End Capco continues to follow the best practice sustainability recommendations (sBPR) set by EPRA, and retained a Gold rating for the fourth consecutive year. A copy of the Company's EPRA data report can be found in the Responsibility section on our website. Capco also discloses performance via a number of industry benchmarks and our scoring across these benchmarks improved during 2022: CDP; FTSE4Good; Global Real Estate Sustainability Benchmark (GRESB); S&P Global/Corporate Sustainability.
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 71 of the 2022 Annual Report, and the methodology for the calculations can be found on page 214 of the 2022 Annual Report. In line with Streamlined Energy and Carbon Reporting ("SECR") requirements, energy use and an intensity metric are disclosed on page 71 of the 2022 Annual Report.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Within the Net Zero Carbon Pathway, several detailed targets have been set to be achieved by 2030, alongside extensive interim targets broken down into three three-year cycles. We have provided a detailed progress report against the first three-year cycle on page 68 of the 2022 Annual Report, and embodied carbon and operational carbon performance against targets are shown on page 68 of the 2022 Annual Report. Please refer to page 13 and 14 of the Net Zero Carbon Pathway, published on our corporate website, for a full breakdown of targets. Key targets include: – Reducing embodied carbon by 50 per cent – Reducing operational carbon by 60 per cent – Prioritising innovation and on-site renewable technologies – Enhancing climate change adaptation and resilience – Offsetting 100 per cent of residual carbon emissions (after taking all viable efficiency and carbon reduction actions) Performance against these targets is monitored by the ESC Management Committee and Board ESC Committee and is reported to the Board.