

This document contains Capco's response in alignment with the Task Force for Climate-related Financial Disclosures ("TCFD") for the financial year ended 31 December 2021, and is extracted from Capco's 2021 Annual Report. The 2021 Annual Report is published in full on our website www.capitalandcounties.com. Page references cited in the pages below relate to the 2021 Annual Report.

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

Following our first response to the TCFD recommendations in the 2020 Annual Report & Accounts, Capco became a formal TCFD supporter and we continue to broaden and deepen our understanding of climate-related risks and opportunities for the business under the direction of the Company's ESC Committees. The following pages set out our approach.

With the exception of the Strategy recommendation (c) which is partially addressed, we believe this disclosure addresses all of the recommendations and recommended disclosures of the TCFD framework. Capco has undertaken an initial assessment of both physical and transitional risk under scenarios as set out on page 77 and is completing an update using the GRESB tools for both physical and transitional risk during 2022. Given the geographical concentration of our assets, Capco will perform the assessments on a selection of assets rather than every single property.

Governance

Describe the Board's oversight of climate-related risks and opportunities	The Board sets and oversees the Capco Environment, Sustainability & Community ("ESC") strategy which includes climate-related issues, and has established the Board ESC Committee, which is chaired by Non-executive Director Charlotte Boyle, and comprises the Chairman, Chief Executive and all other Non-executive Directors, to oversee ESC activities on its behalf. The Board retains overall responsibility for the management of climate-related risks and opportunities. The Board monitors climate-related risk via the Executive Risk Committee, and has determined that climate-related risk is a principal risk in its own right. The Board receives regular updates on relevant matters and ESC developments from the Director of Sustainability and Technology. More information on the Board ESC Committee and the Executive Risk Committee, including the frequency of their meetings, can be found on pages 22, 93, 96, 97 and 105 of the 2021 Annual Report.
Describe management's role in assessing and managing climate-related risks and opportunities	The Chief Executive, on behalf of the Board, maintains operational oversight of the ESC Management Committee. 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 Company Secretary, the General Counsel, the Head of HR, the Director of Sustainability and Technology and employees from relevant areas of the Company, and is attended by our retained sustainability adviser. Further details on the matters considered by the ESC Management Committee and the frequency of its meetings can be found on page 97. Climate-related risks are separately 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.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	<p>Capco considers climate risks and opportunities over the following time horizons:</p> <ul style="list-style-type: none"> – Short-term: 0 – 3 years – Medium-term: 3 – 10 years – Long-term: 10 – 30 years <p>Capco believes these time horizons allow for appropriate financial planning to allow for execution of strategies to address climate-related risks and act upon opportunities.</p> <p>The table below sets out the climate-related transitional and physical risks and opportunities identified. 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. A scenario-based risk assessment which follows the IPCC climate projections is in progress to better understand the medium and long-term risks of climate change.</p> <p>Climate-related risks</p> <table border="1" data-bbox="427 1534 1404 1825"> <thead> <tr> <th>Risk identified</th> <th>Time horizon</th> </tr> </thead> <tbody> <tr> <td>Emerging regulation including: <ul style="list-style-type: none"> – Further EPC requirements for lettable properties via the MEES regulations – Enhanced GHG emissions reporting requiring more detailed disclosures </td> <td>Short-term</td> </tr> <tr> <td>Changes in market trends, with customers seeking assets with greater sustainability credentials quicker than we are able to provide</td> <td>Medium-term</td> </tr> <tr> <td>Policy relating to the upgrade of heritage buildings impeding application of energy efficiency measures</td> <td>Medium-term</td> </tr> <tr> <td>Changes in climate (hotter, drier summers), flood risk and extreme weather events</td> <td>Long-term</td> </tr> </tbody> </table> <p>Climate-related opportunities</p> <table border="1" data-bbox="427 1892 1404 2049"> <thead> <tr> <th>Opportunity identified</th> <th>Time horizon</th> </tr> </thead> <tbody> <tr> <td>Attracting and retaining customers: providing energy-efficient and sustainability-certified buildings</td> <td>Short-term</td> </tr> <tr> <td>Energy-efficient buildings: resulting in lower emissions and energy costs</td> <td>Short-term</td> </tr> <tr> <td>Demonstrate the Whole Life Carbon benefit of our heritage stock and deliver leadership in improving the energy performance of heritage buildings</td> <td>Medium-term</td> </tr> </tbody> </table>	Risk identified	Time horizon	Emerging regulation including: <ul style="list-style-type: none"> – Further EPC requirements for lettable properties via the MEES regulations – Enhanced GHG emissions reporting requiring more detailed disclosures 	Short-term	Changes in market trends, with customers seeking assets with greater sustainability credentials quicker than we are able to provide	Medium-term	Policy relating to the upgrade of heritage buildings impeding application of energy efficiency measures	Medium-term	Changes in climate (hotter, drier summers), flood risk and extreme weather events	Long-term	Opportunity identified	Time horizon	Attracting and retaining customers: providing energy-efficient and sustainability-certified buildings	Short-term	Energy-efficient buildings: resulting in lower emissions and energy costs	Short-term	Demonstrate the Whole Life Carbon benefit of our heritage stock and deliver leadership in improving the energy performance of heritage buildings	Medium-term
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Strategy continued

<p>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning</p>	<p>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 refurbishment and energy efficiency improvements as part of its annual budgeting process and has set an internal carbon price, currently at £95 per tonne, which is considered as part of capital investment decisions. In addition, the Group is committed to enhancing the reporting of its own and tenant use of resources and has committed modest sums to improve the coverage of "smart" meters. The Group has set a minimum SKA standard of 'Silver' on all major refurbishments and a target energy performance (EPC rating) of B for its refurbishment programmes. However, we recognise that this may also present an opportunity as operational costs may be lower and the assets may see shorter voids and improved investment yields as they meet occupier and investor requirements. The Group is also considering the potential for sustainability-linked financing which may offer reduced financing costs.</p> <p>Supply chain and/or value chain:</p> <ul style="list-style-type: none"> – Engaging with suppliers who can demonstrate environmental and ethical credentials – Selecting products that are certified to industry standards, e.g. FSC timber – Regularly reviewing our procurement-related policies to maintain alignment with industry standards and regulations <p>Investment in R&D:</p> <ul style="list-style-type: none"> – Identification of technologies that may improve the resource efficiency of our assets – The Group recognises the role that carbon offset will have to play over the medium-term as part of its Net Zero Carbon strategy and has set a policy to carbon offset all directly booked business travel – 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, and to date 12 commercial green leases have been signed. We have increased occupier engagement on environmental and sustainability issues.
<p>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<p>Capco's strategy as a steward of the Covent Garden estate 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. In developing the Pathway, we set 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 and implementing measures to achieve performance benchmarks set by industry guidance such as LETI. Capco is currently updating its climate risk scenario analysis using the GRESB portal and the results will be incorporated into our strategy.</p>

Risk management

<p>Describe the organisation's processes for identifying and assessing climate-related risk</p>	<p>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 22 to 30 of the 2021 Annual Report.</p>
<p>Describe the organisation's processes for managing climate-related risk</p>	<p>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.</p>
<p>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management</p>	<p>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.</p>

Metrics and targets

<p>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process</p>	<p>Capco has reported environmental performance metrics since 2012 and is continually seeking ways to better understand and benchmark performance by improving accuracy and expanding existing reporting metrics.</p> <p>To support the assessment of climate-related risks and opportunities, Capco reports on the following metrics:</p> <ul style="list-style-type: none"> – 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) – Waste resulting from our offices and the Covent Garden Market Building <p>Capco publishes these metrics in an annual disclosure that follows the best practice sustainability recommendations ("sBPR") set by EPRA. In 2021, the Group achieved a Gold rating for the third consecutive year from EPRA for this disclosure in recognition of its comprehensiveness. A copy of this report can be found in the Responsibility section on our website. Given the proportion of these estimated emissions, a core element of our approach will be to improve data access and quality and to engage actively with our supply chain to ensure their commitment to reach Net Zero Carbon aligns with our own.</p> <p>As we progress our Net Zero Carbon commitment, Capco will report on embodied carbon.</p> <p>In addition to the detailed sustainability disclosures that Capco provides via our website, we respond to the following indices and initiatives:</p> <ul style="list-style-type: none"> – CDP – FTSE4Good – Global Real Estate Sustainability Benchmark (GRESB) – S&P Global/Corporate Sustainability Assessment
<p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks</p>	<p>A breakdown of Scope 1, Scope 2 and Scope 3 GHG emissions is disclosed on page 74 of the 2021 Annual Report. In line with Streamlined Energy and Carbon Reporting ("SECR") requirements, energy use and an intensity metric are disclosed on page 74 of the 2021 Annual Report. The Group discloses a further breakdown of GHG emissions and other metrics in the 2021 EPRA sBPR report.</p>
<p>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p>	<p>30 per cent of the Executive Directors' non-financial performance measures under the annual bonus scheme relate to the Company's ESC strategy, including the implementation of the Net Zero Carbon Pathway.</p> <p>Within the Net Zero Carbon Pathway, a number of detailed targets have been set to be achieved by 2030, alongside interim targets on a three-year cycle including:</p> <ul style="list-style-type: none"> – 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) <p>The performance against these targets is monitored by the Board ESC Committee and reported to the Board.</p> <p>The carbon targets in the Net Zero Carbon Pathway include interim targets for 2024 and 2027. These are supported by the following additional climate-related performance targets:</p> <ul style="list-style-type: none"> – A proportion of estate energy demand to be met by on-site renewables – An internal carbon price is established and carbon cost is being integrated into the financial decision-making process – Accelerated EPC targets with 2024 and 2027 requirements three years ahead of formal MEES requirements – 100 per cent of electricity purchased to be from renewable sources – Major refurbishment projects to achieve at least a 'Silver' SKA rating (where appropriate) <p>Capco will continue to set year-on-year like-for-like energy and carbon reduction targets aligning with our Net Zero Carbon commitment to demonstrate single-year progress.</p>