GREAT PORTLAND ESTATES

Task force on climate-related financial disclosures

Our disclosure

for year ended March 2020

Janine Cole
Director of Sustainability and Community

Climate change is arguably the biggest long-term challenge we face and therefore the business supports the aims of the Task force on climate-related financial disclosures, to deliver clear, comparable and consistent disclosures of an organisation's exposure to climate-related risks.

We are making good progress incorporating the recommendations across our business as outlined in this report and expect to enhance these disclosures each year.

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We have referenced where additional information can be found both online and with our Annual Report and Accounts. We also disclose relevant climate-related information within our response to a number of ESG indices including Carbon Disclosure Project and GRESB.

Governance

Board oversight of climate-related risks and opportunities	The Board, which meets six times a year, is responsible for overseeing activities that relate to sustainability and climate change, with the Chief Executive retaining overall accountability. A sustainability update, which includes climate-related issues, is provided at every scheduled Board meeting by the Finance and Operations Director, with formal six-monthly updates provided by the Director of Sustainability and Community. Significant climate-related Board discussions during the financial year are reported on pages 108-109 of the Annual Report and Accounts and include the approval of our energy and carbon targets, approval of our ESG-linked Revolving Credit Facility (RCF) and the approval of our new Sustainability Statement of Intent 'The Time is Now'. The Chief Executive also chairs the Sustainability Committee which has a direct reporting line to the Executive Committee and ultimately the Board. The Board and Audit Committee also review business risks, which includes climate-related risks. In addition to Board oversight, our Chief Executive and Finance and Operations Director both have personal objectives to lead and progress sustainability initiatives across all aspects of GPE, as evidenced within our Directors' Remuneration report page 126-127 of the Annual Report and Accounts. During the year, the Board also agreed three new strategic non-financial key performance indicators to sit alongside our financial operating metrics. Given the growing importance of sustainability touching everything we do, this includes the targets established as part of the ESG-linked RCF which were also included as a personal performance metric for the Executive Directors and senior managers. The ESG-linked RCF was also considered by the Audit Committee.
Management's role in assessing and managing climate-related risks and opportunities	The Sustainability Committee, chaired by our Chief Executive, meets quarterly and provides oversight on climate change risk and resilience, reviews progress and development of sustainability strategy and monitors environmental compliance. The committee is attended by the Finance and Operations Director, the Director of Sustainability and Community and several of the Senior Management Team across development, occupier services, workplace and innovation and investor relations. This helps ensure that there are sustainability champions in each area of the business able to drive improvement on climate-related issues. The Sustainability Committee provides regular updates to the Executive Committee and to the Board.

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Strategy

Climate-related risks and opportunities over short, medium and long term	Short term 1-3 years Rapidly evolving legislation including the implementation of Minimum Energy Efficiency Standards, tightening of regulations and potential introduction of 'In-use' building performance ratings increases the running costs of our portfolio. We have an opportunity to collaborate with our occupiers to deliver significant reductions in Scope 1, 2 and 3 emissions across our portfolio, ultimately providing cost savings for our occupiers. Medium term 3-7 years The need to decarbonise and adapt to climate change may give rise to higher market demand for buildings with improved sustainability credentials and greater energy efficiency. This may lead to environmentally stranded assets that are no longer fit for purpose and provide an opportunity for us to deliver buildings that meet this need. Long term 7-15 years Speed of market transformation and technological progress may impact on our ability to decarbonise our business. Greater demand for buildings that have been adapted to accommodate the likely impact of climate change, including (within London) higher temperatures and an increase in extreme weather events, including flooding and water shortages.
Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	We have a clear strategic focus that enables us to deliver attractive long-term shareholder returns. Our primary focus remains to maximise value from our portfolio organically through creating exciting spaces for occupiers, driving rental growth, delivering developments and recycling capital, although we will continue to explore acquisition opportunities where we see value. Due to the recognition of 'climate change and decarbonisation' as a principal risk, we set new energy and carbon targets which were approved by the Board. This was the most significant business decision made during the year on climate change and has already impacted our financial planning. During the year, we entered a £450 million ESG-linked revolving credit facility (RCF). Under the terms of the RCF, the margin we pay on the facility is subject to adjustment based on our performance against three challenging sustainability targets linked to our vision to become a net zero carbon business by 2030. This demonstrates the clear link between climate strategy and financial planning and ensures that climate-related risk is further embedded across the business. A near-term strategic priority for 2020/21 is to progress the sustainability agenda as set out in our Statement of Intent. This includes: • publishing our net zero carbon roadmap, • modelling the financial impact and payback of energy efficiency measures; • setting a trajectory for energy reductions for each asset; • the impact on development appraisals of designing net zero carbon buildings; and • the likely cost of carbon offsetting; and the impact of carbon pricing.
Resilience of organisation's strategy considering different climate-related scenarios	Our Statement of Intent lays out a clear strategy for dealing with both mitigation of climate change and adaptation to the effects of climate change. During 2019, we undertook climate modelling based on four IPCC projections to understand the impact of different climate-scenario's from 1.5°C global temperature rise to a worst-case scenario of up to 5.4°C. The changing climate will impact our assets and our business strategy by presenting both physical e.g. flood risk and transition risks e.g. carbon pricing which will affect the costs of maintaining and developing our buildings. This understanding is already driving our business strategy as the costs and liabilities involved in improving the energy efficiency of a potential acquisition have already contributed to our decision not to acquire the property. We will further develop our plan to build climate-resilience into our business strategy. Our climate-resilience strategy will be published by 2022.

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Risk management

Processes for identifying, assessing and managing climate-related risks and integration of those processes into overall business risk management	As part of a robust assessment of the principal and emerging risks facing the Group, at the half year and year end, the Executive Committee, the Audit Committee and the Board, formally review the Group's principal and emerging risks. This includes climate-related risks, including their likelihood, impact and mitigating controls, which are managed by the Sustainability Committee. During the year, the Audit Committee and the Board have carried out an in-depth review of GPE's principal risks to ensure that they continue to reflect the most significant risks facing the business and also emerging risks. Climate change risk and management was included within this process. There is a programme of regular risk reviews undertaken by the Executive Committee and the Audit Committee. Periodic materiality reviews are also undertaken by external consultants. Our last review of ESG-related material risks placed climate change resilience, mitigation and energy efficiency in our top ten material issues and was highest rated by our investors, as a result of this exercise 'climate change and decarbonisation' has been escalated and recognised as a separate principal risk as well as an emerging risk. This was driven by increasing regulation and stakeholder, occupier and public expectations that make our response to the climate challenge a commercial and reputational imperative which is likely to impact how we operate in the future. In order to assess and mange risks, we consider several categories: market risk, investment management, portfolio management, financial, people, regulatory and business interruption. We then consider the risk, the potential impact of that to the business (including reputational impact in all cases) and the link to our strategic priorities. To manage risks at an operational level, each asset has an Energy Action Plan which outlines plans to improve energy efficiency of an asset. Each of our developments are scrutinised at the Design Review Panel throughout the design process to ensure that climate related issues are considered at an early stage e.g. climate change adaptation in relation to overheating, cooling, plant sizing, building structure and material durability in addition to flood risk, urban drainage, greening measures and the impact of embodied carbon Through the use of building ratings tools such as BREEAM and SKA, and the continued integration of our Sustainable Development Brief throughout the design and construction process, we ensure a consistent approach to sustainability and specifically to managing the risks of climate change across our development process. During the year we mandated Design for Performance for all future developments, to ensure that our buildings perform as efficiently in use, as designed. In line with current legislative requirements and government proposals on the future trajectory for minimum energy efficiency standards, we are actively managing ratings seeking to improve EPC ratings by at least one grade following refurbishment. Where risks are identified through asset level processes, these are reported up to the Sustainability Committee and to the Executive Committee.

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Metrics and targets

Metrics used to assess climate-related risks and opportunities in line with strategy and risk management processes	We track and disclose a variety of climate-related metrics to enable our wider stakeholder group to understand our exposure to climate-related risks and opportunities. All our major developments are subject to a minimum BREEAM rating requirement of 'Very Good' for major refurbishments and 'Excellent' for new build developments. This ensures climate change mitigation and adaption, considered at an early design stage. Our three committed schemes on-site are on track to deliver BREEAM 'Excellent'. Less than 0.1% of our rated properties have an EPC rating below an E. For more on our performance see **www.gpe.co.uk/sustainability/our-performance**
Disclosure of Scope 1, 2 and where appropriate Scope 3 and related risks	Detailed reporting of our sustainability performance, including energy consumption and Scope 1, 2 and select Scope 3 metrics, is included within our Sustainability Performance Data Report **www.gpe.co.uk/sustainability/our-performance** and on page 76 of our 2020 Annual Report and Accounts. Our Scope 3 reporting currently includes emissions associated with the electricity sub-metered and consumed by our occupiers, however, as a property developer we also have a significant embodied carbon footprint and therefore we will look to expand our disclosure on this in future years as part of our net zero carbon roadmap to ensure that we capture all material sources of emissions. We used the DEFRA Environmental Reporting Guidelines and the Greenhouse Gas Protocol to calculate our emissions and have aligned to the EPRA Sustainability Best Practice Recommendations where we received the gold award for our transparent disclosures. Our emissions data is independently assured by Deloitte LLP and their assurance statement can be found within our Sustainability Performance Data Report at **www.gpe.co.uk/sustainability/our-performance**
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	In 2019, recognising the increased urgency of the climate crisis, we set challenging targets to: 1. Reduce the energy intensity of our occupied portfolio by 40% and carbon emissions by 69% by 2030 (from a 2016 baseline), including occupier consumption; 2. Create net zero carbon new build developments from 2030; and 3. Set out our timescales and approach to becoming a net zero carbon business. In January 2020, we signed a £450 million ESG-linked unsecured RCF, the first to be issued by a UK REIT, which incorporates three ESG-linked KPIs that are aligned to our ambitious sustainability strategy. These are: 1. Supporting our target to decarbonise our existing buildings by reducing our portfolio energy intensity by 40% by 2030; 2. Supporting our target to build net zero carbon new buildings from 2030 by reducing the embodied carbon of our new build developments and major refurbishments; and 3. Providing better quality urban greening measures by increasing the biodiversity net gain across our portfolio. In May 2020 we set out our long-term goal to decarbonise our business to become net zero carbon by 2030.