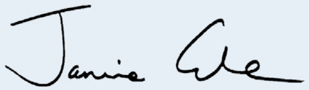
GPE.
Greater together

Task force on climate-related financial disclosure
Our disclosure

For year ended March 2021

Introduction



Janine Cole
Sustainability and Social Impact Director

"Climate change is arguably the biggest long-term challenge we face. The business supports the aims of the Task Force on Climate-related Financial Disclosures (TCFD) and is committed to delivering clear and transparent disclosures and embedding climate-related risks and opportunities into our business strategy."

During the year, we continued to make good progress incorporating the TCFD recommendations across our business, as outlined in this report. Following our ambitious commitment to become a net zero carbon business by 2030, we outlined how we will get there in our Roadmap to Net Zero and delivered excellent performance against our energy, carbon and biodiversity targets.

But there is more to do. Over the forthcoming year, we will set out our climate resilience strategy, a key pillar of our Sustainability Statement of Intent 'The Time Is Now'. This will include quantification of the financial impact of climate change and outline the steps required to further strengthen our approach, focusing on both climate-related risks and opportunities. We are also working on our Sustainable Finance Framework, which we will publish later this year.

Within this report, we have referenced where additional information can be found within our Annual Report and Accounts and online at **www.gpe.co.uk/sustainability**. We also disclose relevant climate-related information within our response to a number of ESG indices including CDP and GRESB.

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Governance

Board oversight of climate-related risks and opportunities	The Board holds responsibility for climate change risk and sustainability matters, with a particular focus on their impact on business strategy and risk management. The Chief Executive and Sustainability and Social Impact Director provide regular updates to the Board on sustainability-related matters including climate risks and opportunities, strategy and performance against targets. The Board and Audit Committee review climate-related risks and their materiality when compared with other business risks as part of our ongoing risk review. Significant climate-related Board discussions during the year are outlined on pages 114 and 115 of our 2021 Annual Report and Accounts. These included: – May 2020: Approval of Sustainability Statement of Intent; – September 2020: Discussion of GPE's climate change risks and mitigations, including development of our Roadmap to Net Zero and carbon offsetting strategy; – November 2020: Approval of our Roadmap to Net Zero, internal carbon price and Decarbonisation Fund to support the decarbonisation of the Group. Agreed to hold a sustainability capital markets event in spring 2021 to discuss initiatives with investors and analysts; – March 2021: Approval of updated Sustainability Policy and governance of GPE's Decarbonisation Fund; and – March 2021: Appointment of the Sustainability and Social Impact Director to the Executive Committee. The Audit Committee also remained focused on climate change and decarbonisation risks, the steps being taken to mitigate these risks and more specifically accounting for GPE's Decarbonisation Fund established as part of our Roadmap to Net Zero Carbon. We further embedded Board oversight of climate-related issues through the introduction of three new non-financial KPIs for the business in 2020/21. Performance against these KPIs – to improve energy intensity, reduce embodied carbon and increase biodiversity – are linked to senior executive remuneration. See our Directors' Remuneration Report within our 2021 Annual Report and Accounts for more detail.
Management's role in assessing and managing climate-related risks and opportunities	The Sustainability Committee, a management committee which sits alongside the Executive Committee and reports to the Board, is responsible for managing climate change risk and resilience. The Committee meets quarterly and is chaired by the Chief Executive. It provides strategic oversight on climate risk and resilience, agrees sustainability strategy and monitors performance including progress in decarbonising our business. The Committee also provides oversight of applications for funding from the Decarbonisation Fund (see our Roadmap to Net Zero for more detail). Attendees include our Sustainability and Social Impact Director, Chief Financial and Operating Officer and senior representation from portfolio management, development and innovation. The cross-departmental Committee ensures that climate-related risks are integrated across all business areas. The Sustainability Committee is supported by three operational sub-committees, finance, development and portfolio sustainability, which provide operational oversight on climate-related issues and report on progress to the Sustainability Committee. Topics covered include the implementation of energy efficiency measures, the use of alternative materials and technology to reduce embodied carbon and the impact of legislation such as EU Taxonomy, Sustainable Finance Disclosure Regulations and sustainable financing guidelines. The Sustainability and Social Impact Director who is also a member of Executive Committee, is responsible for the management of climate change related issues.

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Strategy

Climate-related risks and opportunities over short, medium and long term

As a London-focused property investment and development company, we will be impacted by both the physical and transition risks from climate change. We consider short, medium and long-term horizons appropriate to the property life cycle.

Short term: 1–5 years

Rapidly evolving legislation on Minimum Energy Efficiency Standards, the proposed introduction of 'energy in-use' performance ratings in April 2022 and planning requirements impact our business strategy and increase costs. We create value from the refurbishment of sub-standard space, we are therefore well placed to take advantage of changing requirements.

Investor and occupier requirements on sustainability performance are increasing, creating a risk of reputational damage where expectations are not met. We also expect a market shift with sustainability performance impacting rental values over this period. We work closely with occupiers and investors on climate-related issues.

Medium term: 5–10 years

The number of occupiers seeking net zero carbon space continues to grow, increasing the risk of stranded assets where they do not meet investor and occupier demands. We are addressing this risk through development, refurbishment and retrofitting space to deliver strong sustainability credentials, evidenced by our recent completions at Hanover Square and The Hickman, and so are well positioned to take advantage of this opportunity.

By 2030, the minimum EPC Rating is expected to be a 'B', with the potential of a minimum 'C' rating by 2027, which will increase the costs of retrofitting our buildings, as well as affect property values. However, the challenging regulatory environment may increase the quantity of lower rated buildings available for acquisition at reduced prices for repositioning.

Long term: 10+ years

The speed of market transformation and technological progress will impact our ability to decarbonise. The changing climate is likely to cause increased storm events, high temperatures and increased drought conditions impacting the resilience of our buildings. This is likely to have an impact on our supply chain particularly where we source materials outside of the U.K.

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Strategy continued

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Climate-related risks impact how we develop and manage our buildings and are a key consideration in determining our acquisition and disposal strategy. Our Roadmap to Net Zero sets out how we will decarbonise our business. Our commitments cover our Scope 1, 2 and 3 emissions and are supported by our internal carbon price of £95 per tonne and our Decarbonisation Fund.

Below we have illustrated examples of how we are responding to climate-related risks and opportunities throughout the business:

Acquisitions – we estimate that 80-90% of London's buildings do not currently meet the 2030 proposed requirement of an EPC 'B' rating. As a result, we expect opportunities to emerge to acquire 'stranded' assets with a low EPC rating enabling us to reposition them to improve their energy efficiency and sustainability credentials.

Developments – we design for longevity and adaptability and have targets to minimise carbon during the construction and operation of the building, as set out in our Sustainable Development Brief. Our on-site development, 50 Finsbury Square, is reusing the existing structure to deliver an 80% embodied carbon saving over a ground-up development, is targeted to achieve BREEAM 'Excellent' and at least an EPC 'B' rating.

Portfolio management – building on our Roadmap to Net Zero, next steps are to create a roadmap for each individual asset. This will incorporate energy trajectories (using CRREM pathways) and EPC ratings and feed into our asset business plans to ensure that energy efficiency improvements stay on track with our business commitments. The use of technology such as our sesame™ app and digital twin technology provides real-time energy data to our customers and supports proactive maintenance and management of building systems.

Financial planning – through our £450 million ESG-linked revolving credit facility (RCF), the margin we pay on the facility is subject to adjustment based on our performance against three ESG KPIs. Additionally, performance impacts the remuneration of our Executive Committee and Board Directors, see pages 21 and 82 and our data report at **www.gpe.co.uk/sustainability/our-performance** for our progress against our KPIs.

The introduction of our internal carbon price at £95 per tonne has allowed us to price carbon within our development appraisals and incentivise reductions. 50 Finsbury Square will also be our first development to contribute to our newly created Decarbonisation Fund. We anticipate that it will contribute around £600,000 to offset its residual embodied carbon. Our internal carbon price also applies to our scope 1 and 2 emissions from operational energy consumption and, in its inaugural year, contributed £403,750 to our Decarbonisation Fund which will be used to support the retrofitting of energy efficiency projects within the portfolio.

A near-term strategic priority for 2021/22 is to set out our climate resilience strategy, including the further quantification of the financial impact of climate change. We will also be setting out our Sustainable Finance Framework in the forthcoming year.

Resilience of organisation's strategy considering different climate-related scenarios

Our strategy is to acquire sub-standard properties, reposition them through lease restructuring, the delivery of flexible space, refurbishment or redevelopment, then operate for income or recycle. We have aligned our strategy to a 1.5°C warming scenario, however we have also reviewed a 2°C and 4°C warming scenario.

We have undertaken physical climate risk modelling to quantify the potential impacts of climate change on London under a range of future emission scenarios for 2045. We used for IPCC projections, from a 1.5°C global temperature rise up (RCP 2.6) to 5.4°C (RCP 8.5) and applied a risk rating to each risk.

Our Sustainability Statement of Intent and Roadmap to Net Zero lay out how we will mitigate climate change and adapt to the effects of climate change, whilst delivering our business strategy.

These commitments coupled with our Sustainable Development Brief, Internal Carbon Price and ESG-linked RCF support the resilience of our business strategy enabling the decarbonisation of our business whilst responding to both physical and transitional risks of climate change.

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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, Audit Committee and Board formally review the Group's principal and emerging risks, including climate-related risks. This process involves consideration of the internal controls in place, consideration of emerging risks and the Board's ongoing monitoring of risks.

Assessment of identified risks is based on their potential impact and likelihood using a defined criteria and is assessed on a gross, net and target risk basis. Climate change and the need to decarbonise remained a principal risk for 2021, however, our net risk assessment of this risk reduced during the year due to our progress on net zero carbon. Controls for managing our climate-related risks are outlined on page 88 of our 2021 Annual Report and Accounts.

We also undertake materiality reviews of ESG risks. See **www.gpe.co.uk/sustainability/our-approach** for our latest materiality review. Climate change resilience, mitigation and energy efficiency placed in our top 10 material issues.

Given that our assets are located within London and that we have aligned our Roadmap to Net Zero to a pathway of 1.5°C, we have identified the following risks from our climate modelling:

Transitional risks

- increasing legislative burden – planning requirements and building energy efficiency ratings;
- increasing costs connected with the need to upgrade existing or proposed buildings;
- changing occupier and investor expectations;
- increased cost of low carbon technology and carbon pricing; and
- failure to address climate risks causing reputational damage or environmentally stranded assets.

Physical risks

Assessed on the basis of a two-degree warming scenario:

- increase in annual temperature which could lead to increased cooling demands;
- reduction in precipitation leading to potential water shortages and subsidence within London; and
- increased extreme weather events such as high winds, extreme rainfall and high temperatures.

In a four-degree warming scenario these risks are significantly increased, particularly in the case of increased drought and summer temperature, heatwave duration and extreme rainfall.

Operationally, to manage these risks, each asset has an Energy Action Plan to identify energy efficiency improvements to improve performance and EPC rating. Sustainability is also considered at the Design Review Panel, the use of ratings such as BREEAM, SKA and NABERS UK further support risk management.

Our Statement of Intent and Sustainable Development Brief include requirements for:

- increased biodiversity and solar shading and the support of community greening;
- drought resistant planting, use of sustainable urban draining systems, reduced water consumption; and
- designing of climate resilient buildings that are robust, adaptable and have longevity.

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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 and KPIs to enable our wider stakeholder group to understand our exposure to climate-related risks and opportunities. Full disclosure on our performance can be found in our Sustainability Performance Data Report, available at **www.gpe.co.uk/sustainability/our-performance**. We use building ratings to support our understanding of transitional risks. All 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. 28% of our portfolio has an EPC rating of 'A' or 'B' and less than 0.1% of our rated properties have an EPC rating below an E.
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 Scope 3 carbon emissions, is included within our Sustainability Performance Data Report, see: **www.gpe.co.uk/sustainability/our-performance**. We calculate our emissions in line with the Greenhouse Gas (GHG) Protocol and provide the prior year performance to allow for trend analysis. For the first time, we have also set out progress against our trajectory to become a net zero carbon business by 2030 by disclosing our annual carbon footprint since 2019 and including detail on our progress against the KPIs within our ESG-linked RCF. Our energy and 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	We have set a number of challenging climate-related targets which our outlined in our Sustainability Statement of Intent and our Roadmap to Net Zero. These include our commitment to become a net zero carbon business by 2030 and science-aligned carbon reduction targets. In January 2020, we became the first U.K. REIT to issue an RCF with a margin linked to performance against three ESG-linked KPIs. The targets are aligned to our ambitious sustainability strategy and integrated with our Directors' remuneration structure. They are: – Reduce our energy intensity by 40% by 2030 when compared to our 2016 baseline. – Reduce the embodied carbon of our developments by 40% by 2030 when compared to our 2020 baseline. – Increase biodiversity net gain across our portfolio by 25% by 2030 when compared to our 2020 baseline. Performance against these KPIs is measured annually and, in our first year, results far exceeded expectations. See our Sustainability Performance Data Report for detail at **www.gpe.co.uk/sustainability/our-performance**.