

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”)

In 2019, we committed to seeking to better understand climate-related risk to Capco’s business and prepare a response in alignment with the Task Force for Climate-related Financial Disclosures (“TCFD”). Our first disclosure is set out

Our work to explore climate-related risks and opportunities to the business will continue under the direction of the Company’s ESC Committees.

GOVERNANCE

Describe the Board’s oversight of climate-related risks and opportunities	The Board has established a Board Environment, Sustainability and Community Committee (“ESC”), chaired by Non-executive Director Charlotte Boyle, and including the Chairman, Chief Executive and Non-executive Directors, which oversees 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 now a principal risk in its own right. More information on the Board ESC Committee and the Executive Risk Committee, including the frequency of their meetings, can be found on pages 24, 78 and 79 of our 2020 Annual Report.
Describe management’s role in assessing and managing climate-related risks and opportunities	The Chief Executive, Ian Hawksworth, is responsible for ESC matters and chairs the ESC Executive Committee. This committee has been established to support the Board ESC Committee in assessing, monitoring and mitigating climate-related risks and acting upon climate-related opportunities. The committee includes Charlotte Boyle, the Company Secretary, the Group Legal Director, the Head of HR, the Director of Sustainability and Technology and representatives from the Business, and is attended by our retained sustainability adviser. 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. In 2021, we intend to undertake a scenario-based risk assessment to understand better the medium and long-term risks of climate change.</p> <p>Climate-related risks</p> <table border="1" data-bbox="459 1444 1458 1758"> <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 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="459 1825 1458 2024"> <thead> <tr> <th>Opportunity identified</th> <th>Time horizon</th> </tr> </thead> <tbody> <tr> <td>Attracting and retaining customers: providing energy-efficient & sustainability-certified buildings</td> <td>Short-term</td> </tr> <tr> <td>Energy-efficient buildings: resulting in lower emissions and energy costs</td> <td>Medium-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 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 & sustainability-certified buildings	Short-term	Energy-efficient buildings: resulting in lower emissions and energy costs	Medium-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>Following the publication of the Group's Net Zero Carbon 2030 commitment, Capco is committed to publishing a detailed Net Zero Carbon pathway during the course of 2021. The Group continues to allocate resources to refurbishment and energy efficiency improvements as part of its annual budgeting process and is considering setting an internal carbon price. In addition, the Group is committed to enhancing the reporting of its own and tenant use of resources. The Group has set a minimum SKA standard of 'Silver' on all major refurbishments and continues to allocate resource to improving the energy performance (EPC rating) of assets via 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 if they meet tenant requirements.</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 has adopted relevant provisions of the Better Building Partnership's green lease into its commercial lease standard and is intending to increase tenant 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. Having set a Net Zero Carbon commitment by 2030, during 2021 we plan to undertake a climate-scenario analysis for both 2°C and 1.5°C scenarios, to support the development of our Net Zero Carbon pathway. This will determine how we can enhance our resilience by examining climate projections over short, medium, and long-term time horizons. The analysis will review both the physical and transition climate change risks that may impact our business.</p>

RISK MANAGEMENT

<p>Describe the processes for identifying, assessing and managing climate-related risks</p>	<p>Capco identifies, assesses and mitigates climate-related risks using the same methodologies as all business 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 process for identifying, assessing and responding to risk is detailed comprehensively on pages 24 to 31 of our 2020 Annual Report. In summary, 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. Through this process, the Board has now determined that climate-related risk is no longer an emerging risk but that it should be incorporated into the Group's principal risks as set out on pages 26 to 31 of our 2020 Annual Report.</p>
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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 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 & SKA) ○ Waste resulting from our offices and Covent Garden estate (a proportion) <p>Capco publishes these metrics in an annual disclosure that follows the best practice sustainability recommendations set by EPRA. In 2020, the Group achieved a ‘Gold’ rating for the second year running from EPRA for this disclosure in recognition of its comprehensiveness. A copy of this report can be found in the Responsibility section of our website.</p> <p>In addition to the detailed sustainability disclosures that Capco provides via its 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 SAM DJSI / Corporate Sustainability Assessment
<p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (“GHG”) emissions, and the related risks</p>	<p>In line with Streamlined Energy and Carbon Reporting (“SECR”) requirements, Scope 1 and 2 emissions and energy use are disclosed on page 61. The Group will disclose Scope 3 emissions in the 2020 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>Capco has set a Net Zero Carbon 2030 target. Capco will make reference to science-based targets when determining the detailed pathway to support this ambition. The performance against these targets is monitored by the Board ESC Committee and reported to the Board.</p> <p>Climate-related performance targets</p> <p>An estate 2025 mid-term carbon target, supported by a building by building plan, will be developed as part of the Net Zero Carbon pathway. This target will consider the proportion of energy demand to be met by on-site renewables.</p> <p>Set an internal carbon price and integrate carbon cost within the financial decision-making process.</p> <p>Commercial assets (required to have an EPC) to have an EPC rating of D rating or above.</p> <p>100 per cent of electricity purchased to be from renewable sources.</p> <p>Major refurbishment projects to achieve at least a ‘Silver’ SKA rating (where appropriate).</p> <p>In addition, Capco will continue to set year-on-year like-for-like energy and carbon reduction targets.</p>