WORKSPACE®

Background to the Task Force on Climate Related Financial Disclosure

The Task Force on Climate-related Financial Disclosures (TCFD) was set up by the Financial Stability Board in late 2015 with the objective of creating a series of recommendations and climate-related disclosures that would promote more informed investment, credit and insurance underwriting decisions. Moreover, to allow a variety of stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposure to climate-related risks. To do this, the Task Force developed a framework with four adoptable recommendations (Governance, Strategy, Risk Management and Metrics/Targets) on climate-related disclosures applicable across a range of industries and sectors.

Governance

The Board's oversight of climate-related risks and opportunities

Workspace Board and Standing Committees

The Board is responsible for our long-term success and the delivery of strategic and operational objectives. Our Risk Committee, which reports to the Board, reviews and identifies risks associated with sustainability, carbon and energy management, of which climate change is directly linked. Other committees which oversee the management of risk and opportunities across Workspace include: Audit Committee, Sustainability Committee, and Doing the Right Thing Committee.

Risk Committee

The Risk Committee meets monthly and its main responsibilities include the review and identification of risks facing the Group and ensure that appropriate controls are in place to mitigate each issue raised. The Risk Committee formally reports into the Audit Committee at least twice a year, where the Groups risk strategy and risk management plans are formally reviewed.

Audit Committee

The Committee monitors the integrity of the financial statements of the Company and reviews the adequacy and effectiveness of the Company's financial controls and Risk Management Systems in the context of its business.

Sustainability Committee

The Sustainability Committee is appointed to oversee our overall sustainability performance. This Committee meets every quarter and is chaired by our Development Director.

Doing the Right Thing Committee

The Doing the Right Thing Committee, chaired by our CEO meets four times per annum (with monthly sub-meetings) to discuss environmental and social risks and opportunities, including climate change.

Management's role in assessing and managing climate-related risks and opportunities

Doing the Right Thing Strategy

Our 'Doing the Right Thing', Corporate Responsibility Strategy ensures that we operate responsibly in our dealings with all stakeholders and reinforces our commitment to the sustainable growth of our business. Our Strategy is driven by our 'Doing the Right Thing Committee', and is attended by individuals from across the business, including representatives from our Sustainability Committee and Risk Committee.

Assessing climate related risks and opportunities

It is the responsibility of the Sustainability Committee to identify and assess specific climate change issues relating to our business, environmental initiatives, and performance against our objectives and targets. The Sustainability Committee comprises of: Energy & Sustainability Manager, Head of Facilities Management, Head of Support Services, Head of Building, Head of Project Management.

Further to this, we have a Risk Committee, which has responsibility for co-ordinating risk management activities throughout the business. The Risk Committee comprises of the Chief Executive Officer, the Operations Director, Company Secretary, the Head of Finance, and other Senior Managers from across the organisation.

Strategic risks and opportunities are reviewed by the Risk Committee to understand the severity, likelihood and ensure controls and/or mitigation measures required to address these risks are effectively implemented. Risk registers for all areas are maintained and risks are assessed against a defined scoring mechanism to ensure consistency.

Through the identification of key climate change risks and opportunities within our Sustainability and Risk Committees, the Board then has ultimate responsibility for managing the way in which these risks and opportunities are addressed.

Strategy

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

As a responsible business we consider climate-related risks and opportunities across all our business activities including the design, construction, refurbishment and day-to-day operational management of our portfolio. We identify risks and opportunities over short term (0-5 years), medium term (5-15 years) and long term (15+years) horizons.

In the **short term** we will continue to take a proactive approach to minimising the risks and maximising the opportunities associated with the International and National regulatory landscape, our customers' needs and expectations and a growing concern for resource efficiency. These priorities are shaping the way that we build, manage and occupy buildings to mitigate our contribution to climate change.

Over the **medium term** we are focused on identifying and further managing financial risks associated with climate change. We continually assess market trends and investment opportunities to ensure we are providing a resilient and sustainable investment choice for the future.

To consider the **longer-term** climate-related issues, such as increased precipitation, a hotter climate and more volatile weather events, we continue to engage with our architects, contractors and engineers to consider opportunities to adapt to these climate-related issues in the design of our developments and refurbishments to ensure that our buildings are resilient and fit for the future.

Impact of climate-related risks and opportunities on our business, strategy and financial planning

Business and Strategy: Our 'Doing the Right Thing' strategy ensures that we operate responsibly in our dealings with all stakeholders and reinforces our commitment to the sustainable growth of our business, including managing the impacts of climate-related risks and opportunities. Our 'Doing the Right Thing' strategy is also supported by several core policies including our Environmental Policy and Climate Change Policy as well as supporting risk management processes which set out how we will identify, manage and respond to climate-related risks and opportunities. Further detail on our 'Doing The Right Thing' Strategy can be on our website here.

Financial Planning: The Board, with support from various committees, is ultimately responsible for ensuring that the impact of climate related risks and opportunities is considered within our financial planning. Financial impact assessments are undertaken and monitored at various levels with the business in order to consider the risks and opportunities from climate change and wider sustainability issues (such as energy, water, waste). These financial impacts are considered within our financial planning, in particular when planning our CAPEX and OPEX budgets, to reduce our contribution to climate change and reduce our operational costs to ensure that our buildings remain attractive to tenant and are resilient to change.

The risk associated with the Minimum Energy Efficiency Standard (MEES), whereby landlords are unable to let or renew a letting if a property falls below an E rated EPC, was identified as a 'high' risk as it is considered to have a substantive financial impact on Workspace as it directly affects our ability to let out units, and thus has a significant impact on our profits. To manage this risk, a subcommittee has been set up to closely monitor the progress. The subcommittee meets on a monthly basis and includes all relevant Asset Managers, Portfolio Managers and Project Managers.

Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Our properties are at risk from physical climate-related issues including changes in temperature extremes leading to increase cooling and heating loads, changes in precipitation leading to flash flooding, and physical damage to buildings from extreme weather events, which in turn can lead to greater stresses on our properties. We periodically assess the risks that climate change presents to our portfolio and customers. This information is used to ensure that our 'Doing the Right Thing' strategy and buildings are resilient and fit for a changing future. Our 'Doing the Right Thing' strategy's objectives and targets help to deliver resilient buildings to support our business, customers and the communities that our business operates within.

Our strategy and supporting policies have all been influenced by legislation such as Greenhouse Gas (GHG) reporting, Energy Saving Opportunity Scheme (ESOS), and Minimum Energy Efficiency Standard (MEES), and more recently Streamlined Energy and Carbon Reporting Scheme (SECR).

We focus heavily on energy and carbon reduction measures, to ensure that our assets operate as efficiently as possible. As detailed in the Metrics and Targets section below we have developed science-based targets which are set against recognised 1.5°C transition scenarios. Setting targets in this way will enable us to determine a carbon reduction trajectory between our base year of 2019/20 and target year of 2029/30.

Risk Management

Identifying and assessing climate-related risks

Risk management continues to be an integral part of all our activities. Risks and opportunities are considered in every business decision we make. It is embedded in our culture to consider potential risks of any new business decision. We focus on key risks which could impact on the achievement of our strategic goals and therefore on the performance of our business.

Risk Management Structure

We have an established Risk Management Structure in place to help us capture, document and manage risks facing our business. We monitor this structure to ensure it is appropriate for our company size, culture and business model.

Our aim is to manage each of our risks and mitigate them so that they fall within the risk appetite level we are prepared to tolerate for each risk area. Risk appetite reflects the overall level of risk acceptable with regards to our principal business risks. The Board is responsible for deciding the amount of risk it is willing to take. High risk, after considering the controls we have in place to mitigate risks, is not generally tolerated. We work towards a medium to low risk profile, ensuring that we have mitigating actions in place to bring each risk down to within the agreed risk appetite.

Our Risk Management Structure is underpinned by close working relationships between the Executive Directors, Senior Management and other team members, which enhances our ability to efficiently capture, communicate and action any risk issues identified.

Identifying and assessing risks

Overall, we identify and assess risks across two key areas: Principle Business (Strategic) Risks and Operational Risks.

Principle Business (Strategic) Risks

These are risks which impact achievement of our strategy and objectives. They are identified, assessed and managed by the Executive Committee but are ultimately owned by the Board. The Board and the Audit Committee receive updates on these Principal Risks at least twice a year, and when the Board is satisfied we continue to operate within our desired risk appetite for these risks.

Operational Risks

These are lower level risks covering day-to-day processes and procedures and regulation requirements. These cover all areas of the business, such as Finance, Operations, Investment and Development and are assessed, managed and owned by the Executive Committee. Day-to-day operational risks are closely reviewed and managed by the Executive Committee and Senior Management. Changes in operational risks are reported to the Board and Audit Committee as appropriate.

Our Risk Management Structure

Metrics and Targets

Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management processes

To understand our impacts and performance we report on a wide range of consumption and intensity metrics relating to energy, carbon, waste and water. Examples of these include:

- Total energy consumption (gas and electricity) – see Energy Consumption Report
- Building energy intensity – see Energy Consumption Report
- Total water consumption – see Water Consumption Report
- Building water intensity – See Water Consumption Report
- GHG emissions intensity – See Carbon Emission Report

Scope 1, Scope 2 and Scope 3 Greenhouse Gas Emissions (GHG) and the related risks

Carbon emissions represent one of our largest environmental impacts and we are actively working to reduce our sources of carbon where possible. Significant contributors to our carbon emissions are the electricity and gas consumed within our buildings; by improving the energy efficiency of our buildings we aim to reduce our overall carbon footprint. We have completed a Scope 3 screening exercise to help us develop science-based targets and gain a more detailed understanding of our Scope 3 emissions. We also publish carbon reports across Scopes 1, 2 and some Scope 3 emissions on an annual basis. Within these reports we provide trend analysis against previous year's performance.

Please refer to our Annual Report and the Our Performance section on our website for where annual carbon emissions are reported.

Targets used to manage climate-related risks and opportunities and performance against targets

To reduce our carbon emissions, we continue to focus on designing and implementing energy efficiency initiatives within our buildings and actively engage with both our site staff and customers to implement energy conservation measures.

Our targets to reduce emissions are as follows:

- Reduce absolute scope 1 GHG emissions by 42% by 2029/30 from a 2019/20 base year
- Continue to source 100% renewable electricity (scope 2)
- Reduce scope 3 GHG emissions from purchased capital items related to development projects by 20% per lettable area by 2029/30 from a 2019/20 base year.
- Deliver a net zero carbon real estate portfolio by 2050 (includes operational & embodied carbon)
- Undertake embodied carbon assessments for all new developments and major refurbishment projects
- Develop a comprehensive climate change resilience strategy for our portfolio by 2022

Please see the full list of Objectives and Targets on our website here.

In addition, we also have targets which focus on water consumption and waste management processes. We will also continue to benchmark key metrics (energy, water & waste) against the Real Estate Energy Benchmark (REEB) scheme. Please see Water Consumption Report and Waste and Recycling Report here.