Our Journey to Climate Resilience

TCFD: Our Journey to Climate Resilience

NewRiver's Board recognises the importance of adopting a sound framework that supports the business to enhance the resilience of our assets against the impacts of climate change.

NewRiver is committed to embedding the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) within our approach to climate-related risk management. This disclosure aims to present a transparent account of our processes designed to support our journey towards a low-carbon business model, structured around the TCFD's four disclosure pillars: Governance, Strategy, Risk Management, and Metrics and Targets.

Our 2022 report marks our fourth consecutive year reporting consistently with the TCFD's recommendations. We continue to develop our capabilities and explore new methods and technologies to support our response to emerging climate-related risks. Two current focus areas include the identification of a suitable portfolio-wide approach to scenario analysis, and deepening our understanding of our Scope 3 emissions to reduce reliance on estimations, for example in connection with the Scope 3 categories of Downstream Leased Assets and Employee Commuting. We have identified the actions we will take in this regard within our Pathway to Net-Zero which can be found on our website.

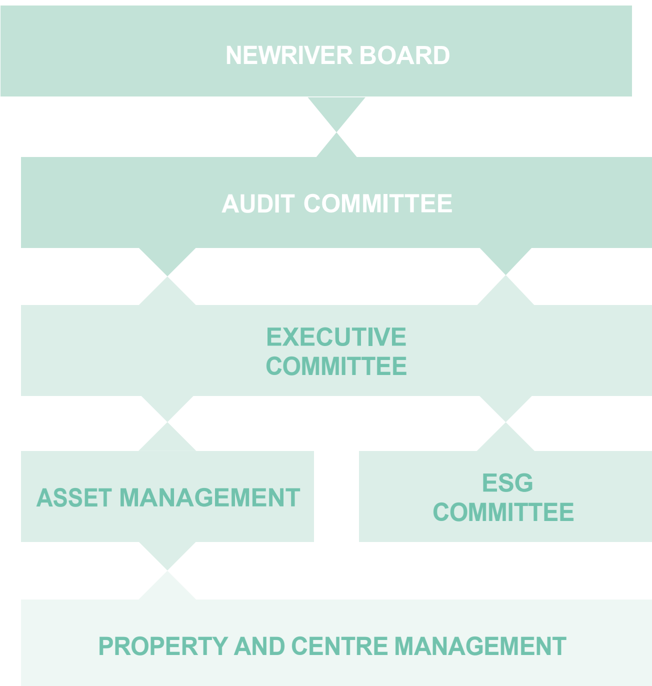
Governance

TCFD Governance Recommendation 'a': Describe the board's oversight of climate-related risks and opportunities

Our Board takes ultimate responsibility for our business' resilience against climate issues and the transition of our portfolio to a low-carbon operating model. Material climate issues are considered by the Board when reviewing NewRiver's strategic approach to managing associated impacts on the day-to-day operation of our assets, to preserve our ability to create value for our investors and communities. Allan Lockhart, our Chief Executive and senior Board Director, retains overall accountability for our ESG programme and approach to climate matters.

The Board's oversight is supported by the ESG Committee, led by our Head of Asset Management and ESG, Emma Mackenzie. The Committee meets quarterly to oversee NewRiver's approach, which is guided by our Pathway to Net-Zero, whilst reviewing and ensuring that appropriate resources are mobilised to enable proactivity. The Committee provides quarterly briefings to the Board, updating its members on key milestones achieved by the ESG programme.

The Audit Committee adopts an integrated risk management approach, in which ESG and climate issues are embedded. The Committee regularly evaluates NewRiver's risk appetite, together with emerging and principal risks which are captured in the risk register maintained by the Company. The Committee considers a range of risks across six risk categories, linked to our business model, strategic priorities, and external environment. Environmental and climate-related risk represents one of the principal risk categories. The Committee regularly evaluates changes to identified risks and ensures that appropriate controls are applied in alignment with the Board's risk appetite.



Oversees Company's strategic approach to responding to climate issues across the business and retains overall accountability

Supports Board oversight of climate-related risk management processes and monitors emerging and principal risks across NewRiver's value chain

Manages Company's response to climate-related matters through the implementation of a holistic ESG programme which guides on-the-ground initiatives that serve to manage and mitigate any climate-related risks, present or emerging, across the managed portfolio

Support implementation of initiatives to mitigate climate risks and monitor asset performance against the metrics and targets

The Terms of Reference for each of our Board Committees are being updated to further clarify the role of the committee members in considering and managing climate-related risks in the context of each of the committee's respective functions. We have also confirmed the appointment of a new Non-Executive Director to the Board as of Q1 FY23, who will leverage existing climate-related capabilities to have specific responsibility for ESG matters across the business.

TCFD Governance Recommendation 'b': Describe management's role in assessing and managing climate-related risks and opportunities.

Senior management is closely involved in our day-to-day approach to climate issues. Through her dual role as Head of Asset Management and ESG, Executive Committee member Emma Mackenzie regularly engages with asset and property management teams to ensure appropriate energy and carbon management processes and policies are integrated within all management activities.

In addition, asset and property management teams interact with centre management to ensure that policies are implemented across the portfolio and that performance is tracked through our ESG programme. Quarterly performance updates are provided to the Board via the ESG Committee.

Our internal teams, our Board, and our centre managers, have all received ESG training during the year, delivered by our external consultants. We invest in these sessions to ensure that management personnel are kept abreast of the latest developments in sustainability best practice and evolving climate issues.

SHORT-TERM	MEDIUM-TERM	LONG-TERM
Less than 5 years	5-15 years	Longer than 15 years

Climate-related risks and opportunities				Time horizons: Short-term	Medium-term	Long-term
Physical risks and opportunities	Acute	Floods	Exposure to flood risk from extreme weather events, potentially impacting certain properties where a heightened exposure risk exists due to a combination of physical factors.	●	●	●
	Chronic	Heat Stress	Increased heat waves may manifest, affecting the operation of managed assets and installed plant equipment, potentially leading to breakdowns from increased demand/running time.		●	●
		Sea-level Rise	Long-term sea-level rise may affect the viability of certain managed assets which are located in geographies at a higher risk of exposure to rising sea levels.			●
Transition risks and opportunities	Policy and legal	Energy efficiency and carbon regulations relating to managed assets	Evolving policy designed to support the UK's 2050 net-zero commitment presents opportunities to improve the resilience of our managed assets by deploying initiatives to improve energy efficiency, reduce costs, and transition to a low-carbon operating model.	●	●	●
	Technology	Costs to transition managed assets to low-carbon model	Opportunities exist to implement a range of efficient technologies designed to improve environmental impact and efficiency.	●	●	●
	Market	Changing customer behaviour	Changes in consumer shopping patterns present an opportunity for our managed assets to implement key initiatives that cater to the evolving needs of our customers.		●	●
	Reputation	Avoid stigmatisation of the real estate sector based on ineffective response to climate change	Continuously work towards, and monitor our progress against, our SBTi approved emissions reduction targets. Key milestones consistent with a 1.5-degree future include our 2030 and 2050 targets. Ensure that any offsets purchased as part of our strategy are additional, not overestimated, lead to permanent removals, do not support double counting, and do not cause wider social or environmental harm.		●	●

Strategy

TCFD Strategy Recommendation 'a': Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

NewRiver considers climate-related risks, as well as opportunities, that may arise from both the physical impacts of climate change and the transition of our managed assets across the UK to a low-carbon operating model.

We recognise that climate risks and opportunities have the potential to arise across a range of timeframes. Through our integrated risk management process, we identify climate-related issues across three clear time horizons, which inform our ESG and corporate strategies.

TCFD Strategy Recommendation 'b': Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

The Board has a low risk tolerance for principal risks affecting our business, including climate-related issues. Consistent with this appetite, our robust ESG programme guides our actions on our pathway to net-zero and supports our response to climate-related issues through the implementation of asset-level initiatives designed to improve efficiency, reduce environmental impact, and enhance resilience.

We have embedded ESG and climate considerations throughout our business processes, departments, and functions. Our Pathway to Net-Zero Carbon communicates our delivery strategy, which details how we have and will continue to achieve this in the context of our business model. Please see page 9 of our pathway to net zero on our website for more information, including examples of how climate-related risks and opportunities impact financial planning.

Key risks we have further explored and addressed over the past 18 months include the Policy and Legal, Technology, and Reputation risks identified in the table above. Actions we have taken to advance our approach to these risks include:

- Commissioning Net-Zero Asset Plans for a sample of our portfolio, comprising one shopping centre and one retail park, to understand the financial materiality of transitioning these assets to a low-carbon operating model. We continue to work with our consultants on understanding any extrapolation potential these studies have to develop a broader picture for our portfolio.
- Significantly improving the coverage of EPC assessments across our portfolio, as the opportunity arises to undertake such assessments as lease events occur. To understand the materiality of works required to remain compliant with proposed updates to the Minimum Energy Efficiency Standards, we continue to commission EPC+ reports to quantify and assess costs associated with various intervention options.
- We have become a signatory to the Better Buildings Partnership's Climate Commitment, joining other responsible organisations across the real estate sector in actively reducing our emissions to avoid the very worst effects of climate change.

TCFD Strategy Recommendation 'c': Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Together with developing a strategic response to realising our net-zero commitments, we continue to evaluate methods of undertaking detailed climate scenario analysis to deepen our understanding of asset-level exposure to physical and transition risks. We have a comprehensive view of the portfolio exposure to near-term risks through the maintenance of our EPC schedule, MEES risk management processes, and flood risk register. Through our continuous efforts to improve occupier data collection rates, we are also improving our understanding of the energy usage intensity of our assets, supporting our assessment of associated transition risks and opportunities.

As part of our evaluation of detailed climate scenario analysis tools, we have piloted a Climate Value at Risk (CVaR) approach on two of our assets; one shopping centre and one retail park. We worked with our sustainability consultants to understand how this method analyses risk exposure, including its benefits and limitations. The model assessed risk exposure under three scenarios: 3-degrees, 2-degrees and 1.5-degrees. Whilst the studies were helpful to assessing physical risk exposure, which was found to be relatively low, we continue to explore more meaningful methods of quantifying the potential financial impact of collective physical and transition risks, as CVaR in this instance has not been identified as an appropriate metric for our business.

We took the next step on our Climate Resilience Journey

Continuing our work on adopting the recommendations of the TCFD, we have piloted a Climate Value at Risk approach to scenario analysis. We worked with our sustainability consultants to understand how this method analyses risk exposure, including its benefits and limitations. We will explore further scenario analysis solutions over the next six months to identify the most meaningful method for adoption by our business.

Risk Management

TCFD Risk Management Recommendation 'a': Describe the organisation's processes for identifying and assessing climate-related risks.

Climate-related risks are identified through NewRiver's integrated risk management framework. Our risk management framework considers both emerging and principal risks with the potential to impact our business. We maintain a risk register that considers a range of categories, including environmental and climate change risks. The risk register assesses the impact and likelihood of each identified risk, which is translated into a risk heat map. Where the residual risk does not align with the Board's risk appetite, management actions are recommended with a view to mitigating the relevant risk.

TCFD Risk Management Recommendation 'b': Describe the organisation's processes for managing climate-related risks.

Accountability for mitigating actions is assigned to a senior asset and property manager. This approach allows NewRiver to ensure there is a top-down understanding of principal risks across the business, backed by bottom-up mechanisms to support monitoring by management and their ability to address principal risks in a timely manner. With the support of our centre managers, we implement a host of initiatives designed to manage environmental impact and promote the efficient operation of our assets.

TCFD Risk Management Recommendation 'c': Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Please see pages 52-58 of our FY22 ARA for a detailed presentation of how the identification, assessment and management of climate-related risks are integrated into NewRiver's overall risk management processes.

Metrics and Targets

TCFD Metrics and Targets Recommendation 'a': Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Annually, we disclose a suite of climate-related metrics which track our performance towards realising our core objective of minimising our environmental impact.

These metrics are aligned with the EPRA's best practice recommendations for transparently disclosing sustainability performance. The EPRA performance tables on pages 61-62 of our FY22 ARA present our 2022 performance across these metrics, alongside historical performance.

We guide action towards making positive progress against these metrics using a set of short, medium and long-term targets, detailed on page 57. These targets are aligned with the UN Sustainable Development Goals to which we have committed, including SDG 13, Climate Action.

TCFD Metrics and Targets Recommendation 'b': Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

In accordance with our reporting obligations under the UK's Streamlined Energy and Carbon Reporting regulations, we disclose our annual carbon emissions performance. Please refer to pages 59-60 of our FY22 ARA, where we provide further information on our emissions performance, together with a comparison against our historical performance and the methodologies used to prepare these disclosures. Methodologies used are consistent with the WBCSD/WRI Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard and capture all Scope 3 emissions categories identified as material to our business.

TCFD Metrics and Targets Recommendation 'c': Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Following the release of the Science Based Targets initiative's (SBTi) Corporate Net-Zero Standard in October 2021 – the world's first framework for corporate net-zero targets consistent with a 1.5°C future – we have published our Pathway to Net-Zero and have received validation from the SBTi for our Scope 1 and 2 emissions reduction targets.

Science-based targets (SBTs) provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their GHG emissions to achieve a net-zero world by no later than 2050. Pragmatic net-zero strategies place the corporate SBT methodology at their heart, prioritising rapid decarbonisation before the use of carbon offsets. This is the approach that we will take in pursuing the following targets:

1. Our corporate emissions will be brought to net-zero by 2025
2. We will achieve a 42% reduction in total absolute emissions by 2030*
3. Our landlord-controlled portfolio emissions will be brought to net-zero by 2040
4. Our tenant-controlled portfolio emissions, and emissions associated with our development activities, will be brought to net-zero by 2050

For more information on the actions we will take to achieve these targets, please see our Pathway to Net-Zero which provides our detailed delivery plan. Our Pathway to Net-Zero is presented separately on our website for ease of ongoing access for our stakeholders.

* Against a baseline year of 2020

For more information, please contact a member of our ESG Committee:

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