Henderson Park Capital Partners UK LLP

Task Force on Climate-Related Financial Disclosures - Entity Level Report

Statement of compliance

The disclosures in this report comply with the requirements set out in Chapter 2 of the Environmental, Social and Governance Sourcebook which forms part of the FCA Handbook.

Signature Charlie Power Chief Operating Officer, Henderson Park Capital Partners UK LLP

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Introduction

Henderson Park Capital Partners UK LLP ("Henderson Park", the "Firm" or the "Entity") is a limited liability partnership registered in England and Wales (Company No: OC403232) and is authorised and regulated by the Financial Conduct Authority.

Henderson Park provides investment advisory services to various real estate-focused commingled funds, joint ventures and other investment vehicles (collectively, the "Investment Vehicles"), in each case pursuant to an Investment Advisory Agreement entered into between Henderson Park and one or more Investment Vehicles. Henderson Park identifies potential investment opportunities and advises the Investment Vehicles regarding the acquisition, management, and disposal of such assets. Given the nature of Henderson Park's business, this report (this "Report") focuses on the assets managed by Henderson Park under such Investment Advisory Agreements.

This Report covers the 2023 calendar year. Henderson Park's approach to addressing the TCFD recommendations and recommended disclosures does not materially differ in relation to its own operations and its assets under management ("AUM").[1]

At present, Henderson Park is seeking to build capability over the next 12 months around the assessment and integration of climate-related risks and opportunities in line with TCFD recommendations and recommended disclosures. As such, this statement will describe and outline Henderson Park's current processes in relation to governance, strategy, risk management and metrics and targets, but will also contain forward looking aspirations around Henderson Park's efforts to strengthen its processes and capabilities in this area.

Governance

Henderson Park does not currently have a specific climate-related governance framework in place. The Firm's Investment and Executive Committees exercise oversight and management of all actual or potential risks and opportunities that may arise in respect of the Firm's operations and AUM*.* The Investment Committee is comprised of Henderson Park executives and one external member. The Executive Committee is comprised of the Henderson Park executives which sit on the Investment Committee. The Investment Committee meets regularly; at least once before an Investment Vehicle acquires a new investment and at least quarterly to discuss risks present within the Investment Vehicles' portfolios.

The Investment Committee considers climate-related risks and opportunities at the asset level where it deems appropriate. At the Entity-level, Henderson Park is developing but has not yet adopted a systematic process related to the consideration of climate-related risks and opportunities when reviewing and guiding organisational strategy, setting annual budgets, performance objectives and business plans, monitoring performance and/or overseeing major capital expenditures, acquisitions, and divestitures. As it develops its climate strategy, Henderson Park expects to identify and assign Entity-level management responsibilities related to the consideration of climate-related risks and opportunities.

Strategy

[1] For purposes of this Report, AUM should be read as referring to the assets of the Investment Vehicles in respect of which Henderson Park provides investment advice.

The table below sets out examples of climate-related risks and opportunities that Henderson Park believes may arise in relation to its operations and AUM over the short, medium and long term, as well as the Firm's assessment of the likely impacts of each such risk and/or opportunity on Henderson Park and the Investment Vehicles. Henderson Park does not currently consider any of the risks identified below to be material, but intends to reevaluate this position periodically.

Henderson Park defines short-term as up to 1 year, medium-term as 1-5 years, and long-term as more than 5 years.

Short, medium and long-term risks to Henderson Park's operations and AUM include, without limitation, the following:

Topic	Time Horizon	Impact on Henderson Park and/or its AUM
Risks		
Reputational	Short, medium and long-term	Negative media coverage and/or climate-related controversies could adversely affect the Firm's reputation, impact its future financial performance and efforts to raise additional capital and result in a loss of future earnings.
Regulatory	Short, medium and long-term	Climate-related regulatory developments could increase regulatory compliance costs and/or impact business and portfolio management activities.
Physical	Medium to long-term	Physical impacts resulting from adverse climate events could negatively affect the Firm's physical assets, as well as the valuations and/or performance of the assets held by the Investment Vehicles.
Transition	Long-term	Transition Risk associated with the pursuit of a lower-carbon economy may, among other things, cause the Investment Vehicles' assets to become less attractive to tenants.
Opportunities		
Value creation – energy efficiency	Short, medium and long-term	Energy efficiency initiatives in respect of the assets held within the Investment Vehicles' portfolios could reduce operating costs and/or improve cash flows and margins, resulting in a lower cost of capital, higher valuations and greater rental income.
Value creation – resilience	Short, medium and long-term	The implementation of adaptation measures could lead to increased resiliency in investments and decreased costs (e.g., through lower insurance premiums or climate loss avoidance).

As noted in the 'Governance' section above, at present Henderson Park does not systematically consider climate-related risks and opportunities when setting, implementing and reviewing its overall strategy.

The Firm does not currently assess the impact of climate change on its financial performance (e.g., revenues, costs) or financial position (e.g., assets, liabilities), and therefore does not perform climate scenario analyses in this regard.

Henderson Park does not currently delegate any of the investment advisory functions and responsibilities delegated to it by its affiliate, Henderson Park Global Advisors, LLC.

Risk management

Henderson Park takes a bottom-up approach to risk management, both at the Firm level and with respect to its AUM. Asset-level risks are presented in the memorandum prepared for the Investment Committee in respect of each investment opportunity for which the investment team seeks the committee's approval, and discussed during quarterly asset reviews as well as on an ad hoc basis as necessary. The Firm's Risk Committee meets quarterly to discuss Entity-level risks.

Henderson Park is developing but has not yet adopted a Entity-level climate-risk management framework. The Firm does, however, consider and assesses climate-related risks and opportunities, where material and appropriate, as part of its overall risk assessment for acquisitions. Currently, the Firm undertakes asset-level CRREM[2] and MEES[3] analyses and considers green certifications, energy usage, and health and wellbeing aspects of buildings. The Firm will also continue to monitor existing and emerging regulatory requirements related to climate change and the potential impacts of the same when making decisions in relation to its business and AUM.

Over the next 12 months, it is envisaged that the consideration of climate-related risks and opportunities will be integrated into existing due diligence processes for new acquisitions.

Henderson Park's investment teams oversee the overall acquisition due diligence process, including general environmental, social and governance risks, through an ESG Due Diligence Checklist. Any red flags that are identified through the due diligence process are reviewed by the Head of Investment, raised and discussed with the Executive Committee and presented to the Investment Committee along with any potential mitigants identified.

[2] The Carbon Risk Real Estate Monitor (CRREM) aims to optimize the real estate industry's investments in energy efficiency retrofits by making risks more transparent and unveiling opportunities to assess "stranding risk" (i.e., the risk that real estate assets will not meet future energy efficiency standards and face early economic obsolescence). https://www.crrem.eu/

[3] The Minimum Energy Efficiency Standard (MEES) applies to private rented residential and non-domestic property and is aimed at encouraging landlords and property owners to improve the energy efficiency of their properties by a restriction on the granting and continuation of existing tenancies where the property has an Energy Performance Certificate Rating of F and G. https://www.gov.uk/guidance/non-domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance

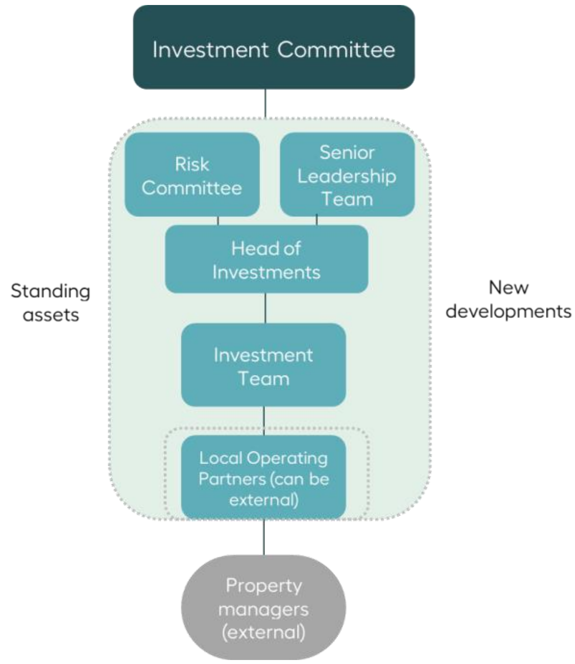

Figure 1. Visualisation of Henderson Park's structure for escalating information on risk and opportunity management and ESG red flags (on both new developments and standing assets).

Over the next 12 months, Henderson Park will seek to enhance its ability to understand and assess the climate-related risks and opportunities associated with potential acquisitions. Moreover, the Firm intends to adopt risk management initiatives in an effort to monitor and manage any material risks identified.

Metrics and targets

Henderson Park calculates the following climate-related metrics with respect to the assets held by the Investment Vehicles:

a. Scope 1 Emissions and Scope 2 Emissions[4]

b. total carbon emissions;

c. total carbon footprint; and

d. weighted average carbon intensity

The Firm does not currently calculate climate-related metrics at the Entity level or Scope 3 Emissions with respect to the assets held by the Investment Vehicles.

The following table summarises the outcomes of the calculation of these metrics across the Investment Vehicles managed by Henderson Park during the 2023 calendar year.

[4] Scope 1 Emissions and Scope 2 Emissions have been calculated in line with GHG Protocol and Partnership for Carbon Accounting Financials (PCAF) standards and methodology.

Metric	Description (Source: TCFD)	Total Scope 1,2 Emissions	Unit
Total Carbon Emission	The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO2e.	45,687	tons CO2e
Weighted Average Carbon Intensity	Portfolio's exposure to carbon-intensive companies, expressed in tons CO2e / €M revenue.	56	tons CO2e / € M revenue
Carbon Footprint	Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO2e / €M invested.	5	tons CO2e / € M invested
Carbon Intensity	Volume of carbon emissions per million euros of revenue (carbon efficiency of a portfolio), expressed in tons CO2e / €M revenue.	47	tons CO2e / € M revenue
Exposure to Carbon Related Assets	The amount or percentage of carbon-related assets in the portfolio, expressed in €M or percentage of the current portfolio value.	100%	

Henderson Park does not currently set targets in relation to the management of climate-related risks or opportunities as it does not consider the impact of climate change to present a material risk to its business or AUM. The Firm intends to revisit this assessment periodically and may in the future implement climate-related targets or other measures to the extent it deems necessary.

Data Limitations

Henderson Park notes that data challenges exist in respect of assets that are in development or undergoing refurbishment. Once such projects are completed, however, the Firm endeavours to include such assets in its data collection process for standing assets. Where energy data is of poor quality, the Firm used proxy data derived from industry standard benchmarks including Guide F, TM46 and GRESB. Approximately13% of the energy data included in this Report was derived from such benchmarks.

Glossary of terms

- *Carbon/GHG Footprint* – A carbon footprint is the total amount of greenhouse gases (including carbon dioxide and methane) that are generated by an entity's actions. Carbon emissions for accounting purposes are split into Scopes.
- *CRREM* – The Carbon Risk Real Estate Monitor (CRREM) aims to optimize the real estate industry's investments in energy efficiency retrofits by making risks more transparent and unveiling opportunities to assess "stranding risk" (i.e., the risk that real estate assets will not meet future energy efficiency standards and face early economic obsolescence.
- *IFRS* – International Financial Reporting Standards (IFRS) are a set of accounting rules for the financial statements of public companies that are intended to make them consistent, transparent, and easily comparable around the world.
- *MEES* – The Minimum Energy Efficiency Standard applies to private rented residential and non-domestic property and is aimed at encouraging landlords and property owners to improve the energy efficiency of their properties by a restriction on the granting and continuation of existing tenancies where the property has an Energy Performance Certificate Rating of F and G.
- *Physical risks* – Physical risks resulting from climate change can be acute or chronic. Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes or floods. Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea levels to rise or chronic heat waves.
- *Scenario Analysis* – A process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts.
- *Scope 1 Emissions* – Scope 1 emissions are direct emissions from owned or controlled sources.
- *Scope 2 Emissions* – Scope 2 emissions are indirect emissions from the generation of purchased energy.
- *Scope 3 Emissions* – Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
- *TCFD* – The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to improve and increase reporting of climate-related financial information. The TCFD has developed a framework to help public companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes.
- *Transition Risk* – Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations.

- *Weighted Average Carbon Intensity (WACI)* – is a measure of the carbon intensity of a portfolio normalized by revenues.