

## Our sustainability risk management framework

*Reviewed half yearly by our CR Board*

Our risk management framework helps us identify and mitigate risks. It is reviewed twice a year and updated to reflect changes particularly in relation to environmental legislation and regulation and climate change.

Risk	Impact	Mitigation	Commentary
<b>Strategic</b>			
<b>Implementation of a strategy inconsistent with business model and the market environment</b>	<b>Financial loss and/or penalties, reputational damage</b>	<p>CR strategy is regularly reviewed through the internal governance process and through our work with independent advisers. The target review and resetting process that took place in 2014 included:</p> <ul style="list-style-type: none"> <li>· Benchmarking study and peer group mapping</li> <li>· Interview with employees and external stakeholders</li> <li>· Senior management workshops</li> </ul> <p>New 5-year targets were established in 2015 for 2016 – 2020 Regular stakeholder engagement maintained to ensure our approach remains focused and relevant</p>	The 2014 strategy review produced a refreshed Sustainability Vision and the development of a clearer way of communicating our sustainability outputs and activities.
<b>Poor performance in investor-focused industry benchmarks</b>	<b>Reputational damage</b>	<p>Careful programming of response management Cross team engagement in responding to questionnaires Comprehensive data management system in place with data input from all sites Annual assurance of data to support robustness and accuracy</p>	We routinely respond to a series of sustainability benchmarks and indices each year. Target is consistent top quartile performance industry benchmarks and consistent improvement in broader, cross sector indices.

<p><b>Failure to properly manage environmental issues</b></p>	<p><b>Financial loss and/or penalties, reputational damage</b></p>	<ul style="list-style-type: none"> <li>· Group Environmental Policy subject to annual audit and compliance reviews</li> <li>· Engagement with government and industry to anticipate changes to environmental legislation</li> <li>· Quarterly reports to the retail executive, including performance against corporate measures</li> <li>· Environmental aspects included in acquisitions due diligence checklist</li> <li>· ISO 14001 accreditation in place at five shopping centres and two offices</li> <li>· Seven of our directly managed shopping centres in the UK have Environmental Coordinators.</li> </ul>	<p>We are currently working to include all UK shopping centres under a Hammerson UK ISO14001 accreditation</p> <p>The Environmental Coordinator (EC) role has been very effective in delivering ISO accreditation and on-going environmental management on site. Two further shopping centres will have ECs by the end of 2016</p> <p>BREEAM-In Use is being implemented in a phased approach as an EMS for our assets in France</p> <p>Workman manage all retail park assets and are ISO14001 accredited.</p>
<p><b>Failure to meet published sustainability objectives or comply with published sustainability principles</b></p>	<p><b>Financial loss and/or penalties, reputational damage</b></p>	<ul style="list-style-type: none"> <li>· CR Board Chaired by CEO, monitors compliance with principles and performance against objectives</li> <li>· Annual CR report to GEC and Hammerson Plc Board by Head of Sustainability</li> <li>· CR data management system holds all data in-house to improve ability to monitor performance.</li> <li>· Energy data monitored fortnightly by on-site teams and reported monthly</li> <li>· CR initiatives included in asset business planning process</li> <li>· Annual CR Report includes performance against targets</li> <li>· Regular updates from asset managers to the retail executive on progress against initiatives</li> <li>· CR requirements included within contractor procurement process and in employer requirements for developments</li> <li>· Supplier questionnaire used to ensure supply chain is aligned to Hammerson goals</li> </ul>	<p>CR report has been independently verified since 2009. Mandatory GHG Emissions reporting has been externally assured since first published in 2013. Reporting is compliant with latest GRI and EPRA best practice reporting principles.</p> <p>The Sustainability Team works closely with the Asset Management and Property Management teams to ensure opportunities to improve performance are identified and initiatives implemented.</p>
<p><b>Impact of climate change on our portfolios</b></p>	<p><b>Financial loss through additional operational and insurance costs. Financial and reputation loss through inability of assets to function effectively</b></p>	<ul style="list-style-type: none"> <li>· Our design standard requires all new developments to be designed to withstand predicted climate change</li> <li>· Assess design team experience in designing for future climates and support where necessary</li> <li>· Update of flood risk and review of potential climate change impacts on the business to be commissioned in 2017</li> </ul>	<p>Ensuring our assets are resilient to future climate scenarios will be critical to their long standing success as retail assets and as investments.</p>

**Development**

**Failure to address sustainability within our development programme and deliver succesful outcomes**

**Delay to planning and or development process, reputational damage, financial penalites and/or loss**

- Our Sustainability Implementation Plan is used to ensure all new-build projects support progress towards our sustainability targets
- Refurbishments and value add projects follow our Sustainability Design Brief for Asset Management Projects for the same purpose
- Sustainability design workshops are held at the start of new projects to set the sustainability parameters for the project
- Place-making research has started to benchmark / set targets the corporate Design Standard for Sustainable Developments was reviewed and updated in 2015. All projects are reviewed against this corporate standard and progress publicly reported.
- Pre-Qualification Questionnaires are used within the tender process to ensure design teams and contractors are sufficiently skilled to deliver sustainability objectives.
- Sustainability Employer’s Requirements are used to set specific targets for contractors on major projects.
- Community engagement plans are produced for each development and relationships with local providers developed to ensure effective on the ground delivery
- Consistent budget applied to developments to support delivery
- Implement a Net Positive approach on all developments which will position us ahead of current and proposed regulations
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BREEAM Excellent has been achieved on 4 schemes since 2014. Two schemes have won sustainability awards in 2015. Community plans have been delivered for our developments in Glasgow, Merthyr Tydfil, Croydon, Leeds and Southampton  
Employment & Skills plans delivered in Southampton, Merthyr Tydfil, Leeds and Glasgow

**Achieving corporate target under BREEAM 2014**

**Reputational damage**

- Engagement with retailers to explain the requirements placed on them in order for new projects to achieve BREEAM Excellent.
- New BREEAM Excellent lease requirements have been created in the UK and are being implemented. This ensures that all retailers commit to achieve BREEAM credits. These requirements are to be used on all future UK shopping centre and retail park projects including current live projects.

BREEAM is becoming less applicable to retail and becoming more operationally onerous so continued engagement with BRE is being undertaken to ensure it can still deliver actual sustainable outcomes.

**Failure to respond effectively to local changing government agenda and developments**

**Weaken local stakeholder relationships, miss local business opportunities**

- We ensured we formed part of each LEP submission where we have either existing assets or new developments planned.
- Stakeholder mapping document included in community toolkit
- Place-making research to find methodology to capture local partnerships

Local senior management are involved in LEPs and monitor progress  
Place making research is being conducted to establish local stakeholder issues

**Failure to carry out appropriate or sufficient public consultation for relevant projects**

**Delay to planning and or development process, reputational damage, financial penalties and/or loss**

- Revised community consultation principles reflecting areas set out in Localism Act
- Consultations held for all significant development work including surveys and videos to capture feedback
- Full stakeholder audits completed
- Separate key stakeholder briefings as well as wider public consultation held
- Consultation websites and social media engagement throughout the lifetime of developments
- Target to run community design workshops on all shopping centre extensions and developments entering planning from January 2015
- Completed a portfolio wide review of climate change impacts.

Hammerson has an excellent reputation for active community consultation. We routinely implement sound consultation principles and seek to innovate through, for example the use of social media to widen local participation in consultation.  
Toolkit introduced to support implementation of community targets  
New Community Plans have been written into wider Positive Places Plans for each asset.

**Operational**

<p><b>Rising energy cost including regulatory/fiscal charges</b></p>	<p><b>Financial</b></p>	<ul style="list-style-type: none"> <li>Asset and Corporate targets set to reduce energy consumption</li> <li>Regular monitoring and reporting of energy consumption</li> <li>Energy consultant incentivised to identify energy savings across UK portfolio</li> <li>Engagement with tenants to support energy reduction in tenant controlled space</li> <li>Review and update of fit out standards to reflect energy efficiency best practice</li> </ul>	<p>We are committed to reducing carbon emissions, and our exposure to any carbon tax</p>
<p><b>Non-compliance with UK and French Environmental regulation and legislation</b></p>	<p><b>Financial loss and/or penalties, reputational damage</b></p>	<ul style="list-style-type: none"> <li>Routine monitoring of environmental regulation at corporate and asset level</li> <li>Use of external legal register for regulation and legal alerts</li> <li>Energy audits are scheduled for French assets</li> <li>Addendums for leases have been implemented where required for our French assets.</li> <li>Landlord data collection</li> <li>Legal update</li> <li>All current environmental regulation and legislation compliance requirements managed</li> <li>Amount included in contingent liabilities risk register to allow for any potential change in responsibility for CRC EES allowances</li> </ul>	<p><b>Carbon Reduction Commitment Energy Efficiency Scheme:</b></p> <ul style="list-style-type: none"> <li>Reporting assets identified and data</li> <li>evidence gathering procedures and methodology in place</li> <li>Annual reporting complied with and cost of allowances passed through to tenants in accordance with RICS Service Charge Code.</li> <li>Asset business plan target to reduce CRC costs through energy reduction</li> </ul> <p><b>Minimum Energy Efficiency Standards:</b></p> <ul style="list-style-type: none"> <li>Programme of work to reduce exposure to EPC risk by reviewing E, F and G rated units progressing. At risk units prioritized based in leasing strategy.</li> <li>Establish and embed a robust EPC process in retail delivery to ensure there is no risk from MEES legislation</li> <li>Lease clauses updated to ensure compliant EPC is retained when a tenant vacates</li> <li>Retail delivery process refined to ensure fit out delivers a compliant EPC</li> </ul> <p><b>Energy Savings Opportunity Scheme:</b></p> <ul style="list-style-type: none"> <li>Audits carried out as required for UK portfolio</li> <li>Implementation of appropriate findings within asset business plans</li> <li>French portfolio not required to report under Article 8 regulations</li> </ul> <p><b>Heat Network Regulations:</b></p> <ul style="list-style-type: none"> <li>Relevant assets registered and reported</li> </ul>
<p><b>Occurrence of major on-site environmental incident</b></p>	<p><b>Financial loss and/or penalties, reputational damage</b></p>	<ul style="list-style-type: none"> <li>Company wide ISO14001 currently applied to five shopping centres and two offices, with anticipation for more centres to join.</li> <li>Environmental Coordinators working at asset level ensure effective implementation of our EMSs on a day to day basis.</li> <li>Centre based environmental awareness training for all teams</li> <li>Environmental training included within external supplier contracts</li> <li>Routine response testing carried out on site.</li> </ul>	

**Failure of shopping centre contractors to support delivery of sustainability programme**

**Reputational damage through failure to meet targets  
Financial loss through inefficient operation of assets**

- On-site contractors included on environmental management training at centres
- Sustainability team works closely with Procurement Manager to ensure Sustainability SLAs and KPIs included within contracts
- Regular engagement onsite led by Environmental Coordinator across functions to drive progress

**Failure to remain relevant to and engaged with local community**

**Reputational damage with local community stakeholders**

Three year Community Engagement Plans established for each asset  
Community Engagement actions included in asset business plans  
Delivery of Community Engagement part of Environmental Co-ordinator function in the UK and included in local team objectives in both UK and France.

We have a strong reputation for delivering targeted, effective community engagement activity across our portfolios.  
Toolkit introduced to support implementation of community targets  
New Community Plans have been written into wider Positive Places Plans for each asset

**Staff insufficiently equipped with the knowledge and tools to achieve corporate sustainability goals**

**Reputational damage through failure to meet targets  
Financial loss through inefficient operation of assets**

- Team--specific CR training courses held.
- Two--day staff induction course includes sustainability
- One-hour sustainability specific induction required for all staff
- ISO 14001 EMS IOSH accredited training held for staff at Hammerson managed shopping centres.
- Senior Management attending 3 day sustainability training programme
- Senior management training held on the Grenelle d'Environment in France.
- IEMA Skills Matrix used to identify sustainability requirements for different roles

**Investment**

<p><b>Acquisition of properties or investment interests that negatively impact portfolio sustainability performance</b></p>	<p><b>Reputational damage through failure to meet targets Financial loss through unforeseen required expenditure</b></p>	<ul style="list-style-type: none"> <li>• Sustainability team actively engaged in due diligence process to understand sustainability implications and compliance of incoming assets</li> <li>· New, directly managed assets incorporated into data management system quickly on acquisition</li> <li>· New assets excluded from like-for-like reporting targets until 1 consistent reporting year of data is held</li> <li>· On-site sustainability training provided to operational teams</li> </ul>	
<p><b>Poor sustainability performance of investments where we do not have operational control</b></p>	<p><b>Reputational damage through failure to meet targets Financial loss through inefficient operation of assets</b></p>	<p>We work closely with JV partners and other stakeholders to ensure appropriate sustainability strategy is developed and implemented on assets we do not directly manage</p>	
<p><b>Lack of engagement of JV partners on sustainability matters</b></p>	<p><b>Reputational damage through failure to meet targets Financial loss through inefficient operation of assets</b></p>	<p>We work closely with JV partners to develop a clear business case for our sustainability strategy for each asset. Delivery of investor focused sustainability communications and engagement programme</p>	<p>Increasing investor concern with Environmental, Social and Governance issues and their development of bespoke internal rating systems makes our continued dialogue with this stakeholder community essential. We continue to gain useful feedback and input from many of the investors with engagement with on ESG and sustainability issues.</p>