

Strategic report

Corporate social responsibility continued

Resilient investment

Approach

Redefine International seeks to implement an effective investment strategy that realises the full potential of our investments for both our shareholders and the communities in which we operate throughout the investment life cycle.

The Group will achieve this by:

- identifying investment risks during acquisition due diligence and identifying opportunities to add value;
- considering the social and environmental performance of our assets; and
- monitoring and measuring our resource consumption to identify efficiencies, particularly relating to energy and reduce our carbon footprint and the operational costs for our tenants.

Performance

We have continued to take important steps in the deployment of our resilient investment strategy.

Asset managers and agents have been given guidance to ensure social and environmental credentials are incorporated into sales and letting materials where available.

The Group continues to progress the development and implementation of formalised jurisdiction specific acquisition checklists that include environmental and social criteria such as liabilities related to carbon and energy regulations and costs, energy labels and ratings, building certifications and flood risk.

The Group continues to implement its phased roll out of LED lighting across our UK Retail portfolios. To date this has enabled an approximate 65 per cent reduction of power consumption and we will soon be able to calculate the further impact of this programme in terms of energy efficiency improvements and carbon emission reductions during 2017.

The Group has completed the process of identifying metrics for each asset type that can be used to track and communicate improvements to rental income or capital value achieved because of environmental or social improvement measures. Asset-specific examples of situations where CSR initiatives have resulted in both financial and social and environmental benefits, such as:

- St. George's Shopping Centre, Harrow: replaced all lighting in the common parts of the Mall from PL-C compact fluorescent lighting to LED achieving a saving of 45,450kWh per year cutting maintenance costs on tube and lamp replacement by 90 per cent and reducing CO₂ emissions by 18,728kg per year. The planned car park LED replacement programme incorporating dimming functionality to 20 per cent when car bays are not in use should reduce the overall consumption by a further 5 per cent; and
- Grand Arcade Shopping Centre, Wigan: implemented an LED lighting retrofit programme which reduces energy consumption and has enabled cost savings of around £20,000 per year with a payback of less than 12 months. This is 85 per cent complete.

Resilient assets

Approach

Redefine International will undertake asset management which maximises net asset value whilst providing the best experience possible for occupiers and visitors alike.

Redefine International will uphold this commitment by:

- engaging with and contributing to charitable and community initiatives on an ongoing basis;
- engaging with local authorities and supporting their community campaigns;
- collaborating with tenants to conceive and promote joint community projects;
- understanding, enhancing and promoting the Group's role as a placemaker, with a focus on creating and maintaining prosperous communities in the local areas where we invest;
- ensuring key environmental and social risks are well managed when the Group is undertaking development activities and throughout the management of our portfolio; and
- engaging with tenants to better respond to their needs and position ourselves to anticipate future requirements.

Performance

Redefine International has continued to refine its procedures to manage environmental risks, reduce cost and future-proof its assets across the portfolio. Specifically:

- the creation of an asset management working group; to ensure lessons learnt were discussed and best practice disseminated amongst the growing team.
- continued participation in the GRESB assessment process;
- completed an EPC risk review of the UK portfolio (see below);
- active participation in the CSR event 'Green Fest' (see case study which follows);
- in each of our Shopping Centres, our customers have nominated a local charity of their choice which will benefit from all charitable activities undertaken at each Centre fostering a great community spirit;
- through the BCSC (now REVO, formerly the British Council for Shopping Centres); Redefine International won the Purple Apple award for marketing in relation to its CSR strategy and progress made;
- Weston Favell Shopping Centre's movie hub initiative won gold at the International Council of Shopping Centres European Marketing Awards. The Movie Hub initiative gave 400 local kids the opportunity to work on the preproduction of a feature film at the first operational film studio located in a UK shopping centre; and
- our tenant satisfaction survey, which incorporates sustainability and social responsibility issues, has been developed and will be carried out during 2017.

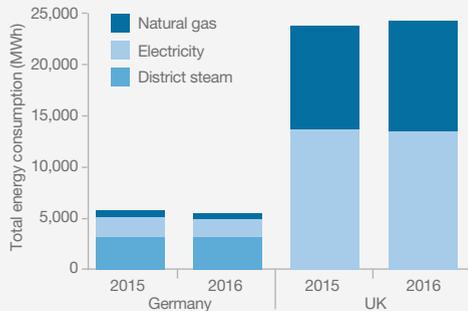
Energy Performance Certification (EPC) risk

Redefine International's exposure to risk from the forthcoming MEES legislation has been thoroughly reviewed for the UK portfolio with a view to identifying and integrating applicable EPC improvement measures into asset business plans ahead of legislative deadlines. Addressing the MEES risk is viewed as a necessary pro-active step to take, and balances sustainability with regulation and stakeholders' interests alike.

Performance data

Since November 2014, Redefine International has been completing a formal property level environmental performance data collection and reporting process. This year's results are shown below.

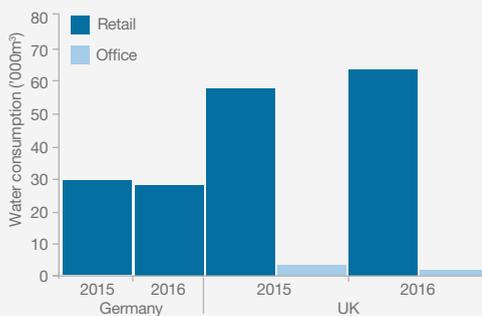
Energy consumption 2015 v 2016



During the year, the 18 UK based properties which we are able to include in the like-for-like portfolio analysis led to a two per cent increase in energy consumption. Electricity consumption was found to have decreased in the UK portfolio by one per cent, with a rise in gas consumption being the main contributor to the overall increase.

From 2015 to 2016, German based properties collectively achieved a five per cent reduction in energy use. Energy consumption was found to have decreased at three out of the six properties that we can report data from within our German portfolio. At these properties, electricity consumption in particular decreased by 14 per cent, while use of district steam decreased by one per cent.

Total water consumption 2015 v 2016

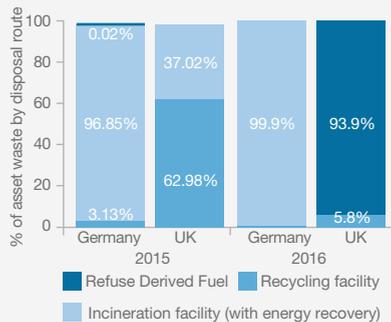


During the year, two German based properties and seven UK based properties, which are included in the like-for-like portfolio analysis are collectively responsible for a three per cent increase in water consumption.

However, at asset level, water usage was found to have decreased at three of the nine sites reporting data, with the most significant reduction (1,506m³, representing a circa 40 per cent decrease) achieved at our UK Office in Chatham, The Observatory.

The German based properties collectively achieved a five per cent reduction in water consumption, while UK based properties were collectively responsible for a ten per cent increase.

Total waste arising 2015 v 2016



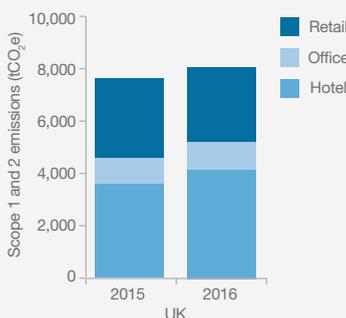
Comparative analysis undertaken on available waste data for our German assets has shown that 99.9% of waste has been incinerated at a waste to energy facility, whilst the small remainder is processed separately as either compost or recycled waste.

The seven UK assets reporting waste data, achieved a rate of 93.9 per cent for waste recycled to 'Refuse Derived Fuel'. Of the remainder, 5.8 per cent of the waste was sent to a recycling facility with the balance split between waste sent to an Incineration Facility (with energy recovery) and waste sent to an 'Off-site Materials Recovery Facility'.

Across the board 100% of waste was diverted from landfill between 1 September 2015 and 31 August 2016.

Waste data on the portfolio is limited, but improving and over the coming year, we target an increase in portfolio coverage.

UK carbon footprint 2015 v 2016



During the year, total carbon emissions generated from UK assets in the like-for-like portfolio rose by five per cent to 8,055 tonnes of CO₂e on an absolute basis.

The largest increase occurred in the hotel sector where properties collectively increased emissions by 538 tonnes of CO₂e, representing a 15 per cent increase.

The UK retail sector has however achieved a healthy carbon emissions reduction against the prior year.

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continued

Case study – Green Fest

In June 2016, Redefine International's UK shopping centres hosted Green Fest, a festival of green-themed activities and the very first group-wide CSR campaign.

The objective of Green Fest was to showcase the efforts taken by the centres and their teams to positively impact the communities in which Redefine International invests both environmentally and socially and to encourage shoppers to be more aware of the environmental repercussions of their actions, both locally and globally.

The six shopping centres, Birchwood, Byron Place, Grand Arcade, St. George's, West Orchards and Weston Favell, launched Green Fest with the unveiling of their Green Walls, dedicated areas in each centre promoting the environmental and community focused achievements of each centre. The Green Walls included interesting facts and figures regarding energy usage, waste management and water consumption relating to each centre and case studies from local initiatives.

Green Fest activities varied from centre to centre throughout the four-day festival and included 'Green Heroes' engaging with shoppers to explain the concept of Green Fest and to encourage them to be more environmentally friendly in their day-to-day lives. Other activities included pledge boards, where shoppers signed up to make small changes with a big impact on the environment; a plastic bag amnesty where shoppers were asked to swap their carrier bags for reusable cotton shopping bags; recycling bins were transformed with basketball hoops and targets to encourage shoppers to use them; and creative workshops were held where children were shown how to 'upcycle' materials into fun crafts.

Shoppers were encouraged to generate electricity by using specially adapted exercise equipment in order to charge their mobile phones and make delicious fruit smoothies – a great way to demonstrate how much energy is needed to undertake simple tasks.

All non-essential lighting, heating and automatic doors were switched off for the duration of Green Fest. Escalators were turned off in some locations with shoppers encouraged to take the stairs, which was surprisingly well supported. These actions alone achieved a great result with a 4.1 per cent energy saving across the portfolio compared to an average four-day period, with two centres achieving an impressive 15 per cent reduction in consumption.

Green Fest attracted over £10,000 of PR coverage and resulted in almost 5,000 shoppers making an environmental pledge during the festival and 88 per cent of participants stating that they would make an extra effort to be more 'green' after attending the event.

The Green Walls received such a positive response from both shoppers and retailers that they will remain a permanent feature within each centre and will be updated regularly.

Green Fest was considered a huge success by all involved, and has provided a solid platform for the UK Retail portfolio to continue in its quest to lead Redefine International's resilient assets strategy going forward.



Young shopper making an environmental pledge at Birchwood Shopping Centre, Warrington



Local school children with personalised reusable shopping bags at Byron Place shopping centre



Shoppers create their own energy through pedal power at Weston Favell Shopping Centre