Task force on climate-related financial disclosures (TCFD)

Restore plc

Listing Rule Compliance

In recognition of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, we set out below our climate-related financial disclosures. These are consistent with all the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures", 2021, with use of additional guidance from "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures", 2021.

This is our second year of climate-related disclosure, in line with the TCFD recommendations. Using this framework enables us to explain our process for responding to climate-related opportunities and risks in a purposeful and comparable context to our stakeholder. This is one year before we are required to as an AIM-listed company. This report includes all 11 disclosures can be found separately on our website. To aid readers we provide a summary of the key disclosures from the report below.

Recommendation	Recommended disclosures	Response	TCFD Report Reference
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	The Board has overall responsibility for climate-related risks and opportunities.	Page 2
	b) Describe management's role in assessing and managing climate-related risks and opportunities	The CEO oversees the operational delivery of climate-related activity in alignment within operational priorities.	Page 2
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	The Board has identified ESG risk as detailed on page 40 of the Annual Report, which is underpinned by specific climate-related risks and opportunities outlined within the Group's climate risk assessment.	Page 2
	b) Describe the impact of climate- related risks and opportunities on the organisation's businesses, strategy, and financial planning	Restore recognises the impact that climate change may have on its strategy, operations and financial planning and is taking action to address the implications of climate-related risks across our business.	Page 2
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	As a service business, albeit with assets, Restore's overall climate risk exposure is moderate and in isolation, the impact of most climate-related risks is limited and at the time of writing is expected not to require a fundamental change to the business strategy.	Page 2
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Restore's overall risk management captures Group-wide risks, including climate change. As risks are captured, an assessment in terms of the impact on Restore's strategy is undertaken, in addition to a likelihood vs impact assessment, which determines the significance of all risks.	Page 2
	b) Describe the organisation's processes for managing climate-related risks	Risk assessment, based on our agreed likelihood and impact criteria drives the prioritisation of mitigating action.	Page 2
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Climate-related risks and opportunities are identified, assessed and managed on the existing Group risk management framework.	Pages 3 and 4
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate- related risks and opportunities in line with its strategy and risk management process	All metrics used to assess climate-related risks and opportunities are outlined on page 5 of the TCFD report.	Page 5
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	The Company reports Scope 1, 2 and some Scope 3 greenhouse gas (GHG) emissions set out on page 37 of the annual report.	Page 5
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Our targets are all set out on pages 36 and 37 of the annual report. Our commitment is to reduce Scope 1 and Scope 2 emissions year on year from a 2019 baseline and reach net zero emissions across our direct operations by no later than 2035	Page 5

Governance

Board

The Board maintains overall responsibility and oversight of climate-related risks and opportunities, ensuring alignment with Group vision and direction. ESG, including climate change, is discussed bi-annually and the Board approves key sustainability strategy, has oversight of progress and approves regulatory submissions. The development and delivery of our Electric Vehicle (EV) transition strategy, property upgrades and energy efficiency measures, are cases in point.

The Board is supported by the Risk Committee in the oversight of climate-related risks, and for the overall effectiveness of risk management arrangements. The climate-related register is reviewed every six months to incorporate ongoing refinement and quantification of risks.

Board ESG Committee

After trialling management approaches, the Board has established a formal ESG Committee in January 2023. This is chaired by Lisa Fretwell, a Non-Executive Director. The Committee is responsible for oversight and challenge of our climate strategy 'Restoring Our World'; holding management to account for execution and ensuring our climate reporting meets regulatory requirements, Specifically, the Committee oversees progress on our 2035 net zero target by monitoring key drivers such as year-on-year emission change and the roll out of our EV fleet strategy.

Management

At management level, the CEO oversees the operational delivery of climate-related activity in alignment within operational priorities. The CEO is assisted by ESG Operational Committee, made up of representatives from each Business Unit.

ESG Operational Committee

The ESG Operational Committee is responsible for tracking sustainability programmes and projects across the Business Units and reporting the progress of and management of operational ESG initiatives. In particular, the Operational Committee identify and monitor climate-related risks and identify barriers or opportunities that may necessitate the adjustment of approach, or securing of additional resource. Within the Operational Committee Workstream Leads provide oversight on specific sustainability initiatives being carried out at each Business Unit.

Colleagues

At an employee level, Sustainability Champions work with the Workstream Leads on the achievement of our sustainability goals.

Climate-Related Risk Management

With the help of external sustainability consultants, Planet Mark and CEN-ESG, Restore has considered all risk and opportunity categories outlined in the TCFD guidance, across all our operations and supply chains, to ensure that appropriate climate-related risks have been identified and analysed. These were identified and assessed over three time horizons:

- **Short-term (ST): Now to 2024;**
  In line with current strategic planning and considers expected capital expenditures.
- **Medium-term (MT): 2025 to 2031;**
  Aligns to where we will most likely see changes to regulatory frameworks (e.g. carbon pricing), and with aspects of our 'Restoring our World' ESG strategy.
- **Long-term (LT): 2032 to 2051;**
  Aligned to the UK Governments Net Zero pledge and the incorporation of useful life of our property assets over the transition risk time horizons. Informs the longer-term aspects of our 'Restoring our World' ESG strategy.

Climate-related risks and opportunities are identified, assessed and managed on the existing Group risk management framework to determine their relative significance in relation to other Group risks. Risk assessment, based on agreed likelihood and impact criteria (see below) drives the prioritisation of mitigating action.

Prioritisation of risks is primarily based on a risk score resulting from a 6x5 matrix incorporating an assessment of both likelihood and impact which informs the determination of materiality of both risks and opportunities.

Once climate-related threat and opportunities have been assessed, the highest rated risks are collated into the Group Enterprise Wide assessment to enable actions to be prioritised. The Enterprise Wide Risk profile is subsequently reviewed by the Risk Committee and signed off by the Board, with climate-related risks aggregated into a single ESG principal risk. This allows a Group-level view of climate risk but also helps to understand the specific threats and opportunities that the individual businesses face.

After the risk has been identified and assessed a decision is made about how to respond to it. There are five options which allow mitigation of the risk: Treat, Tolerate, Transfer, Terminate, Take the Risk. These options ultimately ensure appropriate resources are allocated to mitigate risks.

Although we have a complex risk identification and treatment approach we have simplified our presentation to address time period and RAG status for those material risks related to climate.

Strategy

Our sustainability strategy, "Restoring our World", was published in November 2021 and identifies clearly defined targets which mitigate against climate-related risks and capitalise on climate related opportunities. The strategy, including climate-related risks and opportunities, is reviewed annually and will include any changes in regulations, social context, technology availability and the development of climate science. Where required, the strategy will be adapted to reflect these changes. We have further analysed and quantified our climate-related risks and opportunities using three scenarios: Net Zero 2050 (NZE)[1]; Stated Policies (STEPS)[2]; and RCP 8.5[3].

The assessment was completed through climate-related workshops across the business, central functions support by external consultants. We utilised our materiality assessment and risk framework to ensure that no material risks or opportunities were overlooked.

Within these identified climate-related risks and opportunities we have highlighted how climate change may affect our business. Our overall climate risk exposure is assessed as moderate; the impact of the identified climate-related risks is limited and is not expected to require a fundamental change to current business strategy (with regularly horizon scanning to ensure we are aware of any macro environmental changes).

In addition, within our annual budget cycle and CAPEX envelope, Restore's net zero commitments are considered during business case assessment based on our annual Planet Mark audited carbon metrics. Our broader strategy of fleet electrification, efficient use of energy, and property consolidation align with our Net Zero trajectory. This evolving approach provides future climate risk mitigation and carbon benefits (e.g., rotating out of smaller, older facilities into more efficient premises). As a result, there are no material effects of climate-related matters reflected in judgements and estimates applied in the financial statements. We will, however, continue to monitor our climate-related risks and opportunities through our internal risk management framework and apply financial consideration as our business evolves.

1 NZE where actions limit the global temperatures rise to 1.5 °C by 2100, with 50% probability, included as it informs decarbonisation pathways used by the SBTi.
2 STEPS roll forward of already announced policy measures. Outlines a combination of physical /transitions impacts as temperatures rise by 2.6°C by 2100 from pre-industrial levels, with a 50% probability
3 RCP 8.5 an extreme physical risk scenario, where mean global surface temperatures rise by c4.3°C by 2100 from pre-industrial levels as the global response to mitigating climate change is limited

Risks

We have identified five key climate-related risks that could have a material financial impact on the organisation, we have highlighted the impacts most relevance to our sustainability strategy using the key below.

Time-period (Term) | Financial Impact | Measurement | Business Area (most impacted) | Risk Rating

TCFD Category Transition (Emerging Regulation)

Carbon pricing shocks

- Higher costs associated with energy price increases
- Scope 1 and 2 emissions
- Medium-Term
- All Business Units
- Moderate

Restore views the implementation of operational carbon pricing as a certainty. Through our annual emissions reduction targets and low-carbon strategy we feel we have mitigating activities in place to deal with the forecasted increase in carbon taxation. However, our modelling assumes that carbon prices rise gradually and the risk to Restore would come from the dislocation caused by sudden short-term carbon price shocks, potentially resulting from regulation or market dynamics. Carbon price swings would be expected to be more of a risk under the NZE scenario, where decarbonisation is driven faster, and the forecasted carbon price is already high.

We believe the impact of this risk is moderate given our 2035 (Scope 1 and 2) Net Zero commitment. Our aims for fleet electrification and move to sustainable power with a target of 100% renewable energy. The successful achievement of our 2035 net zero commitment offsets any risks associated with carbon pricing shocks on operations under NZE and STEPS from 2035.

Carbon pricing ("carbon tax") in the value chain

- Increased cost of purchased goods and services and inbound transportation
- Scope 3 emissions
- Medium-Term
- All Business Units
- Negligible

The scope of carbon pricing (applied directly or indirectly) is expected to expand over the medium term, and the price of carbon is expected to rise. The International Energy Agency forecasts that carbon prices (US$/tCO2e) relevant to Restore under NZE and STEPS scenarios are projected to increase significantly.

Our principal value chain emissions originate from our suppliers (cardboard boxes and packaging for storage). As Restore's suppliers come under carbon pricing mechanisms, or carbon border adjustments, this could result in the supplier passing on the added cost from the carbon tax. However, Restore has a target to achieve a 50% reduction in Scope 3 emissions by 2030 which will limit exposure to this risk and make the impact Negligible. Restore is developing a supplier engagement model to both educate and challenge the supply chain, whilst also exploring carbon alternatives(supported by a specialist 3rd party – Planet Mark).

TCFD Category Transition (Technology)

Reliance on technological advances

- Higher costs associated with finding alternative solutions
- Monitor industry developments
- Medium-Term
- Records Management, Datashred and Technology
- High

Restore's Net Zero pledge depends on the decarbonising of our vehicle fleet. The current state of EV technology is not sufficient for Restore to transfer to an all-electric fleet due to issues such as availability, battery range, charging infrastructure and cost. There is also an outside risk that the capital expenditure incurred could be written off in coming years if competing technology is developed, making EVs obsolete.

To reduce the impact of this risk, the Group has already moved its company car policy to one of 'hybrid or electric only'. By the end of 2022 we have 14 electric/hybrid fleet vehicles and 43 electric/hybrid company cars, an additional 23 fleet vehicles are on order subject to delivery times. EV chargers have been installed at Rainham, Redhill, Tewksbury, and Upper Heyford and a further network of charging infrastructure is being assessed for deployment over the coming years.

TCFD Category Physical (Acute and Chronic)

Rising mean temperatures (heat stress and external fire disruption)

- Lost/Disrupted revenue and shorter asset life
- % of sites in risk area
- Long-Term
- Records Management
- Negligible

The mean global temperature is expected to rise in all three climate scenarios used. This may cause issues at some of our sites as many of our storage sites at Restore Records are tall to provide optimal storage utilisation of customers documents. During periods of high temperatures working conditions can become uncomfortable at the higher levels of the buildings, there are currently no temperature regulating systems at these sites. Excessively high working temperatures would require more breaks for employees, reducing efficiency or, in the extreme, expose employees to heat stress. In addition, periods of hot dry weather raise external fire risks. From Restore's perspective, the risk of fire itself is not significant however nearby fires can disrupt services and potentially impact revenue (e.g. smoke blowing into buildings or site accessibility due to road blockages from fire support services).

As part of our mitigation each Business Unit contains a business continuity management team which assess the protection and support of Restore colleagues, critical operations, and infrastructure during emergencies and disasters, including man-made and weather-driven natural disasters. Our business continuity and disaster recovery plans are regularly tested and continually updated. Appropriate insurance policies are also in place, and we monitor sites wildfire risks, among other acute physical events.

TCFD Category Physical (Acute and Chronic)

Flood disruption

- Lost/Disrupted revenue and shorter asset life
- % of sites in risk area
- Long-Term
- Records Management
- Negligible

Restore Record's storage units would be most at risk of the increasing flooding probabilities, due to increased rainfall, especially under RCP 8.5. Certain operations may be at higher risk than others but through the WRI's Aqueduct Water Risk Atlas analysis none of the sites assessed are currently considered above a low-medium risk of riverine flooding. However, flooding at our sites could disrupt the services we provide due to the sites having to be evacuated for safety concerns or damage to records or equipment from water ingress.

To mitigate this risk, we will continue to assess the suitability of current key sites and if there are any medium to long term flooding risks posed at these locations. Our property acquisition strategy will also look to avoid areas that could be susceptible to an increased risk of flooding. To date, there have been no incidents of water ingress or flooding and with our business continuity plans we believe we are well placed to deal with any increase in probability of flooding.

Opportunities

Time-period (Term) | Financial Impact | Measurement | Business Area (most impacted) | Risk Rating

TCFD Category Product and Services

Expansion of circular economy and low carbon services e.g., IT/office recycling

- Increased sales
- Revenue from circular economy and low carbon services.
- Medium-Term
- Records Management, Datashred and Technology
- High

With the focus on a sustainable development and mitigating climate change, the circular economy is expected to expand. We see specific opportunities in two Business Units, that can be pursued further to expand our revenue: Restore Technology and Restore Harrow Green, which both already offer circular economy services relating to recycling of IT or office furniture. Additionally, Restore Records already offers customers a low-carbon storage solution, which enables customers to reduce their emissions though a reduction in space. We are looking to capitalise on the expansion of these services.

TCFD Category Energy Sources

Zero emission energy (self- generation and Power Purchasing Agreements)

- Decreased costs
- Renewable energy usage
- Medium-Term
- Records Management
- High

Restore has the potential to generate its own renewable energy. With the significant roof space there is an opportunity to develop solar panels on the roofs across our property estate. This offers an opportunity to become less dependent on the national grid which has a low proportion of renewable energy and means the Company can reduce its dependence on fossil fuels, Records Management has already completed its site extension in Rainham, East London. Photovoltaic (PV) panels where one of the modern building methods employed to reduce the environmental impact of the building and further PV panels are planned at other sites. Restore also sees renewable energy, electricity contracts as a further opportunity to reduce our emissions intensity and 85% of our directly procured electricity is already supplied through Renewable Energy Guarantees of Origin (REGO) backed suppliers.

TCFD Category Resource Efficiency

Water, energy, waste savings

- Decreased Cost
- Water, Energy and Waste consumption
- Medium-Term
- All Business Units
- Moderate

As it stands, there are incremental opportunities to improve our resource efficiency, reducing energy and waste across Restore, and this opportunity is especially true for new acquisitions which are then brought up to Group standard.

Our sites are continuously looking at ways to improve efficiency, both to reduce costs, but also our carbon footprint, e.g., through the reduction in water and waste, which we monitor, as well as in the use of fuels and electricity in process. The ESOS Phase 3 assessment in 2023 will further identify opportunities to generate a long-term RoI on sustainability initiatives.

Electrification of fleet

- Decreased costs
- % of fleet that is electrified.
- Medium-Term
- Records Management Harrow Green, Datashred
- High

Restore sees the chance to make its vehicle fleet more sustainable thorough electrification or other sustainable technologies as a significant opportunity. The Company has already established a programme to rotate Fleet towards new technology and is committed to The Climate Group EV-100. Transferring the fleet to low-carbon technology will provide the opportunity for the Company to reduce our emissions footprint, especially Scope 1 emissions from company owned vehicles. EV chargers are increasingly being rolled out across the Group at sites such as Rainham, Redhill and Tewksbury and Restore is installing a further network of electric charging points across its property estates so journeys between sites will be made fossil fuel free.

TCFD Category Transition (Market)

Restore's sustainability positioning

- Faster revenue
- Restore's external sustainability ratings (e.g., MSCI)
- Medium-Term
- All Business Units
- Moderate

Under the STEPS and NZE scenarios stakeholders will increasingly incorporate climate change into all business decisions as the world transforms into a low carbon economy. Customers are increasingly incorporating sustainability into their tenders (e.g., UK government) and adding supplier carbon assessment (Scope 3) as part of their everyday business. Certain customers will have specific demands and criteria that are sustainability-linked which Restore can adhere to. Relative to our peers we also believe we are very well placed in terms of sustainability governance, reporting and strategy. Our ESG strategy "Restoring our World" emphasises how even with more stringent sustainability regulation and standards we are well placed to capitalise on sustainability initiatives

Metrics and Targets

The metrics and targets that the Group monitors are closely linked to our climate-related risks and opportunities. Our reporting includes Scopes 1, 2 and some scope 3 greenhouse gas (GHG) emissions as well as energy consumption. The calculation of our carbon footprint is in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. We also track and report on emissions intensity, energy use and energy sources as reported on pages 36 and 37 of the Annual report.

Reducing our own carbon emissions and developing our ability to offer low carbon services to our customers is a core part of maintaining our position as a leader in our sector. Our minimum emissions reduction target is built into our annual external certification.

Our overall target is to be a Net Zero organisation by 2035, which includes a 50% Scope 3 reduction target by 2030 and is in line with the UK Government's commitment to be net zero by 2050. The Group also has other targets around renewable energy consumption and fleet electrification which are outlined in more detail in the Group's 'Restoring our World' strategy. By monitoring these metrics and targets, we can ensure that we are mitigating risk exposure as outlined above.

We are establishing a baseline for our water usage, over the medium term we will use this data to inform recommendation on how best to minimise impact – the measurement is part of our annual independent external audit perform by Planetmark.

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