

**Newcore
Capital**

ESG and impact report

2023 - 2024

CEO's introduction



Hugo Llewelyn
CEO, Newcore Capital

The world of capital management of private equity in real assets (and operating business equity) is changing, thank goodness, and about time too.

The world of capital management of private equity in real assets (and operating business equity) is changing, thank goodness, and about time too.

It will take a few more Thames Water debacles (and they are out there) and a new government to drive this change. There is a desperate need for responsible stewardship – new, core values perhaps – by the private sector of the UK’s social and economic infrastructure, after 15 years of debt-fuelled and short-term management, out of the pre-2009 playbook and enabled by that most pernicious of monetary policies, QE.

As the tide goes out on debt-burdened and unsustainable strategies across private and public markets funds investing in real estate, infrastructure and operating equity, capital allocators will surely expect a holistic approach to impact, environmental, social and governance for sure, but also (and critically) financial. A recent article I wrote in Infrastructure Investor about [Thames Water](#) sets this out.

Those who follow the Newcore business know that this is something that we have been trying to drive to the top of the agenda for over a decade.

Newcore’s view is that there are three tiers of impact, all of which are key in determining holistic impact. These tiers are at the level of the assets, the funds and the management platform. There is no point doing well at asset-level investing in socially useful assets for example, if you over-leverage and under-manage them at the fund level. Even if you do that well, if the manager and its principals are squirreling their own profits offshore and not paying the appropriate tax to HMRC, then you can measure as many new school places or clinical healthcare assets as you like but you are undermining this activity, with hypocrisy, reducing the funds that government has to fund state schools and public health.

In my view, there is very likely to be another major market shock driven by debt burdens bringing down some major balance sheets in the coming years before economies move past their indebted phase back to sustainable growth.

The best overall impact that Newcore can have will be to avoid the maelstrom that ensues, by continuing to invest sustainably in UK social infrastructure, providing sensible risk-adjusted returns to its pension fund and other clients with best-in-class governance, while enabling affordable, socially useful and environmentally future-proofed buildings in conservative fund structures. The principles of the B Corporation movement, to which we subscribe, are helpful in navigating this path.

Hugo Llewelyn

CEO, Newcore Capital

July 2024



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Executive summary

2023 can be characterised as a year of small but significant changes that have set Newcore up to accelerate our plans in 2024.

Our approach to sustainability and impact as a whole has been better articulated through the introduction of our three pillars (page 13), representing the three layers within the business that sustainability and impact are embedded. We recognise that there needs to be a consistent and holistic approach to ensure our actions at a management platform do not conflict with the fund goals and our assets are aligned with claims at a management platform.

Newcore recognises the importance of validating our sustainability and impact achievements either by aligning with external frameworks or being independently reviewed. This alignment with our three pillars of sustainability ensures consistency across our management platform, funds and assets. For this report we have highlighted the actions that have been taken at either the management platform (NCM) or fund level. The fund level represents our two institutional funds, Newcore Strategic Situations Fund IV and V (NSS IV & V). From a management platform we have re-certified as a B Corp (page 15), becoming the highest scoring real assets firm in the world with 164.4 points across both funds. We also submitted to PRI scoring 4 out of 5 across the board. At a fund level we submitted both institutional funds to GRESB to validate the governance and environmental performance of our funds (page 16), improving our management score by 16% to 29/30 and our performance score by 77% to 42/70 (on average). At an asset level, we continue to track our EPCs, understand where we can improve and also certify certain assets through the ability for active travel.

A significant focus has been on our net zero target (page 25), recognising the challenges that come with value add closed-ended funds in 'alternative' asset classes. Where we have aligned with CRREM we have faced challenges with pre-determined carbon intensity reduction targets that are higher than our actual carbon intensity. We are pleased that our 2023 operational carbon emissions exceeded our target (26% lower) and 46% lower than 2022. A big contributor was better quality data and renewable procurement being a significant factor. In 2024, we are looking to shift our focus from the long-term net zero target of 2040 and focus on our mid-term target, in 2030.

Our aim will be to accelerate our carbon intensity reduction to 50% (previously 44%) by 2030.

Data continues to be a focus when looking to future-proof our assets. In 2023, we invested significant time to create an in-house comprehensive dashboard that provides insights from a management platform, fund level and at asset level. The dashboard enables us to consistently track carbon emissions, energy consumption, EPCs, net zero alignment, social impact measurement and many others in one location.

From an impact perspective, Newcore has always focussed on transition, taking underutilised assets and improving their social utility and environmental performance. For the first time we've been able to demonstrate the impact of this strategy on page 41. The transition graph demonstrates how assets move from vacant /derelict and underutilised to assets that provide a positive impact through benefiting society (B) and contributing to solutions (C). Using the impact management project's framework, over 75% of assets will be impactful (B & Cs) and to date Newcore has played a significant role in achieving impact for over 77% of assets page 40.

With the new SDR regulation, which doesn't apply to Newcore, yet, we have chosen to explore alignment with the designated fund labels. Sustainable Impact and Sustainable Improvers labels align with the intentions of the funds (using the mixed goals label, when required).






This work is not done in isolation and Newcore's financial performance is also testament to the success of its approach to sustainability. Generating positive returns on behalf of its investors, Newcore has delivered 10.2% p.a. returns since inception to December 2023, on all assets, outperforming an index of total returns of UK commercial real estate by 5%. Importantly, Newcore manages capital differently to its peers, and only ever uses leverage of up to 30% LTV at fund level, yet still delivers the convincing IRR of 10.2%. Newcore raised its fifth value-add fund of £190m equity commitments in mid-2023 and is now raising a £375m income fund, notwithstanding challenging capital markets.

Looking forward, 2024 will continue to build on the work we've achieved in 2023 and focus on acceleration our climate action. Pushing ourselves with ambitious targets and engaging tenants to meet them. Through our 10% NOI policy, we will be working with tenants to improve the energy performance of their assets and continue to bring people closer to nature.

Kate Sandle, Director of Sustainability

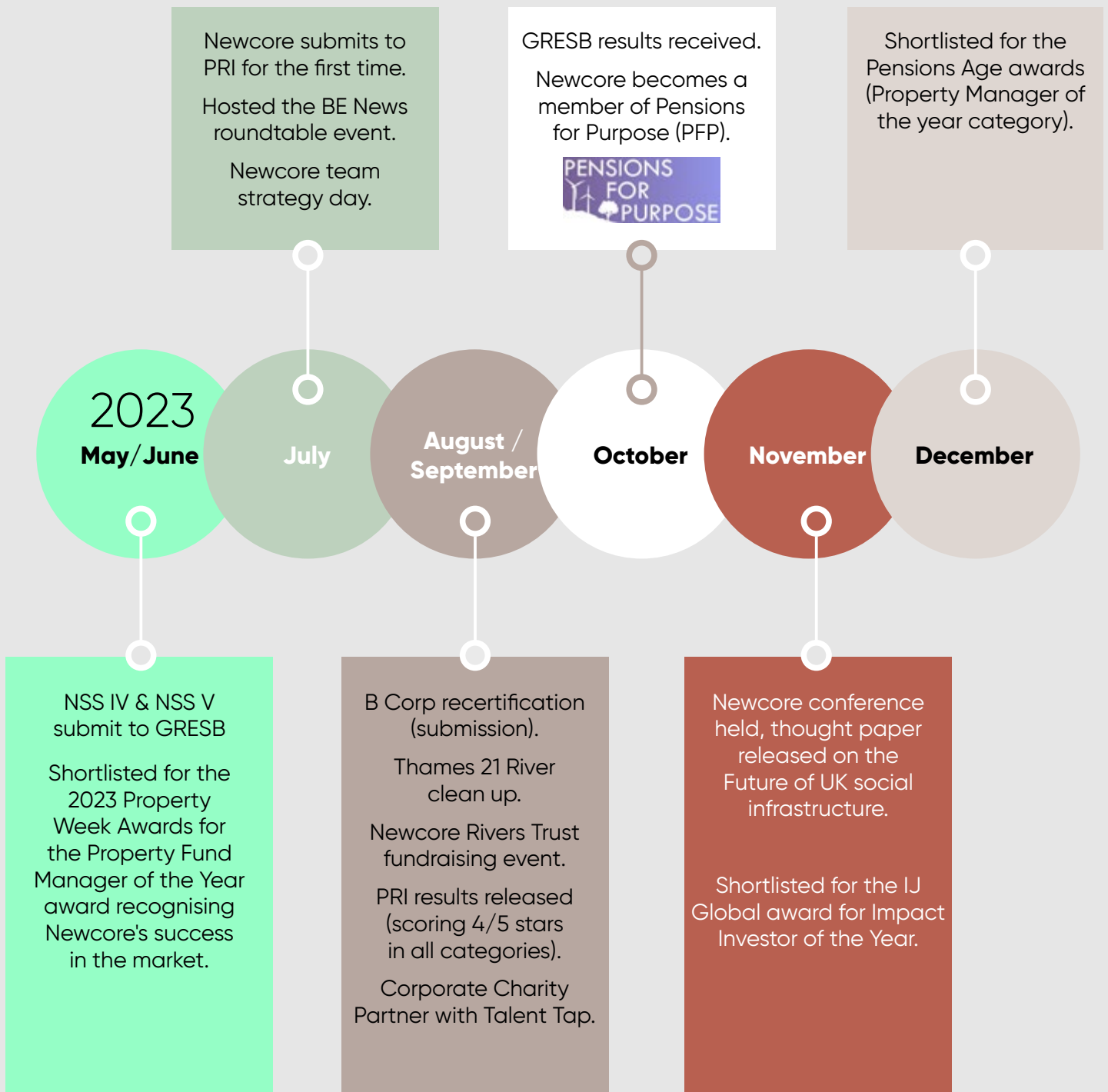
July 2024

Fund level measurement towards impact objectives

| Target outcomes | Renewable energy & reduced carbon emissions | | Increased health & wellbeing | Increased access to education |
|------------------------|--|---|--|--|
| |  | |  |  |
| Fund level area | | | Strengthened local economy | Social interaction & community cohesion |
| |  | |  | |
| Overarching fund goals | Asset performance | Net zero | Social utility | Education |
| Objectives | <ul style="list-style-type: none"> Improve environmental performance and biodiversity of assets Maintain refurbishment first approach, minimise resource use and waste through investing in efficiency Re-invest 10% of surplus NOI to improve environmental impact Improve biodiversity and bring nature close to people. | <ul style="list-style-type: none"> Reach net zero by no later than 2040 Reduce CO2 emissions aligned to 1.5 climate pathway. Target net zero by no later than 2040 for scopes 1, 2 and 3. | <ul style="list-style-type: none"> Increase the social utility of assets Deliver social utility through social infrastructure investments Own assets that will generate positive outcomes for people and the planet Measure Newcore's contribution to achieving impact. | <ul style="list-style-type: none"> Increase the provision of quality education Increase the provision of quality education through the creation of places across educational settings. |
| 2023 progress | <ul style="list-style-type: none"> 747,300 sq ft of the NSS IV & NSS V's assets were refurbished 67% of EPCs improved by one rating post refurbishment 16 nature boxes sent Annual energy reports created and sent to all tenants. | <p>2023 target carbon emissions intensity 3.4 kg/sq ft.</p> <p>2023 actual carbon emissions intensity target - 2.5 kg/sq ft.</p> | <ul style="list-style-type: none"> 41 buildings, 747,300 sq ft were refurbished or bought into a social infrastructure use 75% of assets will generate positive outcomes for people and planet (based on business plan) Newcore's contribution to impact is medium/high for 77% of the portfolio. | <p>982 of places were created in SEN schools, children's nurseries or independent schools.</p> |

Year in review

2023 – 2024



2024
January

Recertify as a B Corp with 164.6 points, making Newcore the world's highest scoring dedicated real asset fund manager. The score represents a 52-point increase from when Newcore first obtained certification at 112.6 in 2020.

February

Newcore makes its first investment into the clinical healthcare space (NSS V – Headcorn).
Money Maze podcast interviews Hugo Llewelyn (CEO).

March

Fund annual sustainability reports released (aligned with GRESB). Celebrates B Corp month (with Pensions for Purpose).

Future of UK Social Infrastructure awarded PFP 'top picks'.

April

Finalist at the 2024 Property Week Awards for Property Fund manager of the year.¹
Impact report for Fund V finalised.

1. We won!

Key stats across NSS IV and NSS V²



54
Assets owned



1.3m
Total sq ft of built area

41

Buildings
refurbished
rather than
developed

2,496

Children's
Nursery
places

Newcore's
contribution to
achieving impact is
medium/high for
77% of total assets²

75%

of assets will
generate positive
outcomes for people
and the planet³

16

Nature boxes
delivered
enhancing
biodiversity





1.75 kg per sq ft

Total co2e emissions intensity (kg per sq ft)

1,447 tonnes

Total co2e emissions (tonnes)



12m kWh

Total energy consumption (kWh)

14.5 kWh per sq ft

Energy consumption intensity across all assets

228

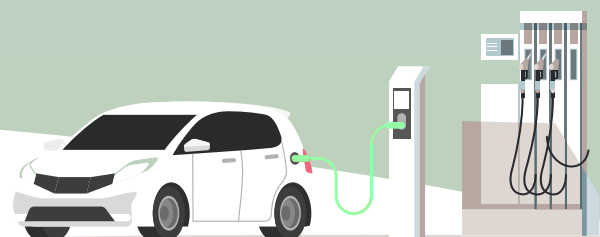
Elderly living
beds
enabled

566

Special
Educational
Needs school
places

8,990

Number of
patients served
(Doctor's surgery)



2. Data quoted above is for our institutional funds, NSS IV and NSS V only.

3. NSS IV is in the asset management stage and there have been no significant changes to the strategy we are using the report written for 2022. NSS V is in the acquisition stage, we have commissioned an impact report. The combined results are reported.

Governance

Newcore believes that strong and transparent governance is critical to the sustainable management of funds and its management platform. It views governance from a Newcore Capital management (NCM) platform lens and through its funds – to ensure the approach is consistent and holistic. Newcore, as part of being a good corporate citizen, runs its funds onshore⁴, under the UK HMRC tax regime. The business chose to recertify as a B Corp in 2023 as a way to challenge and improve governance across the management platform. Building on the first dedicated UK real estate investment manager to certify, Newcore is now the highest scoring real assets firm in world.





1 Integrate ESG across decision making through all staff and processes

Newcore recognises that sustainability does not sit at the fund level but needs to be integral to and consistent throughout the management platform, funds and assets. The recognition that sustainability is inherent throughout our business ensures consistency in decision making. In addition, Newcore understands the importance of being externally reviewed, providing rigour to our sustainability claims and actions. In the table below, we have articulated how ESG is considered and is relevant throughout the management platform, funds and assets.

Three pillars of Sustainability

External frameworks

| | | | |
|---|----------------------|---|---|
| <p>Certified (B) 164.6 score Corporation</p> <p>Fund Impact Report (written by independent consultant, annual).</p> <p>EPCs (min requirements to meet by 2027).</p> <p>ActiveScore (review of active travel to asset, every 2 years)</p> | Manager level | Ownership structure | Net zero 2040 aligned with 1.5c pathway |
| | | Intentionality – theory of change | Overall social impact measurement |
| | | Onshore corporate structure ⁴ | Giving back (donations, volunteering) |
| | | Know your client (alignment) | Stakeholder feedback |
| | Fund level | Intentionality – fund outcomes identified | Fund alignment with net zero pathway |
| | | Onshore operation | Low leverage |
| | | Performance fees treated as income | Fund social impact measured |
| | | Long term structures | Stakeholder feedback collected |
| | Asset level | Low leverage | EPC improvement |
| | | Sustainable rents | Utility measurement |
| | | Responsible landlord | Emissions reductions |
| | | Additionality (contribution to impact) | Asset transition (net zero alignment) |

4. There may be some instances where Newcore may have to use offshore structures to facilitate liquidity of open-ended structures. Our intention is to remain onshore, wherever possible and so Newcore has been actively supporting the RIF structure.

Newcore management platform (NCM)

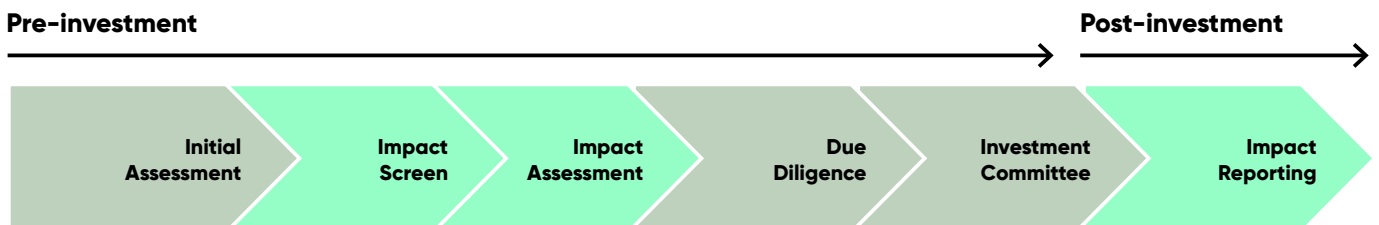
Newcore recently re-launched the sustainability group, chaired by Hugo Llewelyn, CEO and supervised by Kate Sandle, Director of Sustainability. New team members volunteered to become members and represent all areas of the business. This helps to engage employees who have limited exposure to sustainability and can provide insight and expertise into sustainability work. The areas of focus 1) taking action (de carbonisation /biodiversity) 2) effectively reporting and celebrating action 3) supporting agenda setting (through insights, feedback and team level support).

To foster a supportive inclusive culture, Newcore recognises the importance of codifying policies and ways of working for employees and other stakeholders. Policies are reviewed annually to ensure they are still relevant and ahead of current legislation.

Newcore has worked with employees to set individual sustainability objectives that align with the organisation's broader goals. To demonstrate Newcore's commitment to meeting these objectives, the achievement of these are linked to financial bonuses.

Fund

Newcore's contribution to impact is assessed through every acquisition. The Impact Management Project's Five Dimensions of Impact (see page 38) are completed and included in the every IC paper along with a sustainability review. This ensures that Newcore acquires assets that fit its investment strategy and positive and negative impact is addressed.





2 Report against industry leading standards

B Corp recertification



Newcore was delighted to recertify with 164.6 points in January 2024. The score is a significant improvement from 112.6 in its first certification (every B Corp needs 80 points to certify). Newcore was the first UK specialist real estate investor to certify as a B Corporation in 2020 and its new score makes it the highest scoring real estate and infrastructure investor in the world (and in the top 3 of UK B Corps).

Management Platform

Newcore recognises the importance of continuing to improve as a business and has worked hard to increase 52 points from its previous certification, small changes were implemented across the business covering the five areas; governance, workers, environment, community, customers. View our public profile on the B Corp website: [Newcore Capital Management LLP – Certified B Corporation – B Lab Global](#)

1st

First dedicated real estate investment management firm in the UK to certify

1st

Ranked first real assets manager in the world⁵

5

Top 5 UK financial services

PRI

Newcore made its first submission to PRI in 2023. Our results are a useful external validation of the work we are doing around responsible investment. We scored 4 or 5 out of 5 in all categories.

The Fund demonstrates transparency and accountability to impact by capturing and publicly reporting on the portfolio's social and environmental performance and committing to net zero by 2040

The Good Economy, NSS V Impact Report, 2024.

5. This is correct at time of publication, Newcore recognises that businesses certify all the time so this is likely to change in the future.

Funds

GRESB

NSS IV and NSS V submit to GRESB on an annual basis. Across our management platform we scored well, 29 out of 30, this is the equivalent of five stars. This is higher than our peer average and the GRESB overall average. Our management score was a 16% improvement from NSS IV's 2022 score. For the performance section, which is challenging, we received 44 out of 70 for NSS V and 40 out of 70 for NSS IV. We improved the NSS IV score by 58.2% from 2022. NSS V reported for the first time in 2023.

With small asset sizes on FRI leases it is challenging to meet the high number of points available for building certifications, data assurance and data availability. This score was higher than our peers but slightly lower than the GRESB average. This meant overall, we missed three stars, by a few points.

Material improvements are being made, including increasing the extent of data collection, review and asset level certifications to increase the performance score for 2024.

Results of these external assessments are reported in the fund's annual sustainability reports, which are aligned with GRESB reporting requirements as well as the fund's annual impact reports (produced by an external consultant). These reports ensure the funds, and personnel running the funds are held responsible and progress is reported transparently to investors and stakeholders.

Newcore's reports published in 2023





3 Influence investors, stakeholders and industry peers

Management Platform

At a corporate level, Newcore continues to challenge the status quo of the real estate and capital management industry. Newcore shares experiences and learnings on multiple panels at events and conferences.

- In November 2023, Newcore hosted a conference for investor stakeholders and industry peers. The conference, titled "the Future of UK social infrastructure" included speakers such as Henry Dimbleby, Peter Madden OBE, Claire Shrewsbury, and Frank Strang. In conjunction with the event, Newcore and Peter published a report on the future of UK social infrastructure which outlines opportunities for private sector investment into UK social infrastructure. Read more [here](#).
- Newcore continues to be an active member of the real estate, capital management industries and an active member of the B Corp community.
- In October 2023, Newcore joined Pensions for Purpose, an organisation dedicated to supporting the industry in accelerating the flow of capital towards impact investments, creating positive outcomes for people and the planet. View our profile [here](#).
- Newcore's CEO, Hugo Llewelyn along with other team members, regularly share their insights and opinions with industry peers through interviews, thought-leadership pieces, podcasts and speaking at events and conferences.



In January 2023 our CEO, Hugo Llewelyn featured as a guest on the Money Maze Podcast to introduce Newcore and our latest fund offering the Newcore Social Infrastructure Income Fund ("NSIIF"). Other podcasts also include the People, Property, Place.





4 **Maintain a transparent and moral approach** to paying tax for both management platform and funds

Management Platform

Newcore maintains a moral approach to capital management and endeavours to influence its peers in the capital management industry. Newcore distinguishes itself from other capital managers with the following commitments:

- | Onshore corporate structure⁶
- | Performance fees subject to income tax not CGT.
- | Newcore has been actively supporting the RIF structure (a new onshore fund vehicle that will allow open-ended funds to remain onshore, without needing the use of a Jersey or Luxembourg vehicle, to do this). The RIF has received the initial green light from Parliament, but still requires final sign off before it is able to be used as a structure.
- | Employees who are also owners in the business are treated as employees (this means that Newcore does not avoid its Employer's NI commitments).

Funds

- | Newcore's funds are all onshore, under the UK HMRC tax regime both for management platform and funds. Performance fees continue to be treated as income for tax purposes⁶
- | Payment of property and fund level taxes (e.g. empty business rates to local authorities).

"Strong governance and responsible capital management is well evidenced; the Fund is run onshore in a tax transparent structure with low gearing to **uphold transparency and financial prudence**".

The Good Economy, NSS V Impact Report, 2024

6. There may be some instances where Newcore may have to use offshore structures to facilitate liquidity of open-ended structures. Our intention is to remain onshore, where ever possible and so Newcore has been actively supporting the RIF structure.



5 Run our business in a progressive way

Management Platform

Equity:

Any employee can earn equity in the business and join the partnership. Further equity stakes and increases to existing stakes were awarded to employees in 2023, 9 out of 17 own equity stakes in the business, now including our Director of Sustainability.

Career development and training:

During the year, staff received funding and support to pursue relevant career development, such as training seminars, conferences, workshops and relevant professional qualifications. For example, one member of the team was sponsored by Newcore to attend the INREV Young Professionals mentor scheme and three others attended the University of Oxford Future of Real Estate course. Team wide training was also provided throughout the year on sustainability and cyber security (for example our Director of Sustainability provided a detailed introduction to sustainability session to all new joiners as well as training on our IMM framework and Theory of Change strategy).

Internships / work experience:

During the reporting period, Newcore partnered with the Crankstart Initiative from the University of Oxford who provide scholarships to people with a household income of £32,500 or less. Newcore hosted two interns who worked between 2-4 weeks in the office and were paid a London living wage. Newcore has hosted 9 interns since 2019, 44% have come from a low socio economic background.

Responsible Exit policy



Environmental policy



Diversity, Ethnicity and Inclusion policy



5 Run our business in a progressive way

Newcore recognises the importance of supporting the mental wellbeing of employees. In 2023, Newcore repeated mental health 'check-in' sessions with a trained mental health first aider and appropriate follow ups conducted.

Newcore discloses its diversity metrics to understand representation in the organisation and strives to improve diversity. This information, alongside other engagement activities, is used to strengthen its inclusive culture. Over the year, Newcore's gender diversity reached 50:50 across the business and in 2024 reached 50:50 in its executive team.

Newcore updated its maternity policy to provide 24 weeks at full pay and 5 weeks at full pay for paternity (shared parental leave).

Insights from our 2023 employee survey

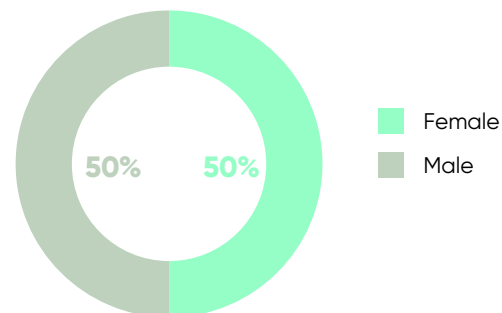
100%
of employees rated 5 & 4 (out of 5) for
'I am treated with trust and respect'

100%
of employees rated 5 & 4 (out of 5) in
'I have confidence in the
leadership of this company'

Diversity metrics for Newcore Capital

| Age | |
|-----------|---|
| 31% | Under 30 years old |
| 56% | Between 30 and 50 years old |
| 13% | Over 50 years old |
| Ethnicity | |
| 69% | English / Welsh / Scottish / Northern Irish / British Irish |
| 19% | Indian |
| 6% | Mixed Asian |
| 6% | Prefer not to say |

Newcore team gender 2023



Funds

At the fund level, Newcore seeks to engage with its operating partners. Tenant surveys are sent on an annual basis which capture the experiences of working with Newcore from a tenant perspective and provides partners with an opportunity to provide feedback and recommendations for improvement. From our latest tenant survey, Newcore scored an average 8/10 for tenant satisfaction.

Newcore has written refurbishment and health and well being guides for tenants to provide support and resources, especially to tenants who are less experienced in these areas.

Feedback from the tenant survey

'It is highly likely, if it wasn't for Newcore, that the property we are renting from them would have been developed in a fashion that wouldn't have been suitable for our creative purposes'
(Tenant, Newcore's Tenant survey, 2023)

I'm always happy when Newcore introduce a site to us because they're just a good landlord. While we struggle to get responses from some landlords, I know that if there are any issues it will be picked up by them.
Their responsiveness and collaborative approach are appreciated from a tenant perspective.

Education provider, NSS V Impact Report, 2023, The Good Economy



Governance next steps

- | Engage our peers and stakeholders to adopt a three pillars of sustainability approach, encouraging a consistent approach to ESG through articles, panel discussions and meetings.
- | Sustainability group will co-write the 2024 NCM carbon emissions reduction plan, come together to influence change across the business and further their sustainability knowledge as well as challenging the Director of Sustainability to do more.
- | External frameworks, review the new B Corp impact assessment as it is introduced in 2025, improve our GRESB score and submit to PRI.
- | Policies will continue to be annually reviewed to ensure we follow a best in class approach.
- | Diversity remains a focus, ensuring we are representative of the UK in our workforce, in 2024 recruiters have been asked to meet requirements when putting forward candidates.





Environment

Consideration of environmental concerns (including biodiversity and ecology) are factored into all aspects of decision making across our funds and portfolio management. Newcore is committed to addressing climate change and tackling biodiversity loss. Our investment strategy minimises embodied carbon by, repurposing existing buildings, where possible, and through tenant engagement reducing CO₂ emissions on the road to net zero.





-
- 1 Reduce CO₂ emissions, aligned to a **1.5°C climate pathway**. Target net zero by no later than 2040 for scopes 1, 2 and 3
-

Our commitment

Reduce company and value chain greenhouse gas emissions in line with limiting average global heating to 1.5°C and to achieve Net Zero Carbon (NZC) by 2040 or earlier. What can't be reduced will be offset through partnering with high quality carbon-removal solutions.

Newcore recognises the pivotal role that it plays in all assets under management, the need to de-carbonise in line with our net zero commitments and the needs of the planet.

Our value-add funds often facilitate investment in, and refurbishment of, standing assets. These points of inflection unlock rare windows of opportunity where the appropriate decisions could help assets make significant reductions in operational energy demand and carbon emissions.

Key targets and milestones

Long term targets

2040

Reduce at least **88%** of emissions

Reduce consumption of energy by **20%**

Medium term targets

2030

Assets aligned to a CRREM pathway:

Reduce the intensity of Scope 3 emissions by **44% per sqm**

2032

Educational assets:

50% intensity reduction of scope 3 emissions

Funds

CRREM alignment 1.5c

Newcore has chosen to (partially) align with CRREM (Carbon Risk Real Estate Monitor), the dominant framework for de-carbonisation in the real estate sector.

Using an intensity-based transition pathway, CRREM focuses on an asset's pathway to zero through annual intensity reductions. Intensity is measured using GHG emissions and energy consumption divided by floor area, requiring an individual asset to become more efficient in order to align with transition scenarios.

Full CRREM alignment is not possible for Newcore because a large proportion of asset classes do not have specific reduction pathways and we have not procured a power purchase agreement. As a result, Newcore partially aligns with CRREM and bespoke targets have been created for assets without CRREM reduction pathways, using an average CRREM reductions targets or UK Government sector specific targets.

Newcore's commitment to reducing emissions is paramount to our investment strategy, but there are inherent challenges that we have identified ensuring our pathway to net zero will not be linear including:

- | Newcore's strategy is to transition brown assets to green, taking poor performers from an environmental perspective and improving energy consumption and emissions.
- | As value add funds it is hard to get baseline data due to change in use of assets, including vacant baseline data then skews emissions when assets become operational
- | Fully repairing and insuring (FRI) leases mean Newcore's influence is limited
- | Closed-end value add funds result in relatively short hold periods in comparison to net zero targets
- | Investing in asset classes that do not align with pre-defined pathways in frameworks
- | Newcore will grow over the coming years, increasing consumption and emissions as it acquires new assets, which will then be de-carbonised ahead of 2040.

Our continued investments with Newcore Capital allow us to contribute to the provision of essential infrastructure and services the UK needs to support a growing and ageing population, while also contributing to the 'greening' of the built environment through sustainability-focused, value-add asset management initiatives.

Director of Pensions, LGPS Fund

Management Platform

For Newcore the net zero pathway across our value-add and core funds, requires influence over refurbishment and operations. From a management platform we use the following mechanisms to reach our net zero pathway

1

Developing NZC pathways for each asset and measure impact from point of acquisition to point of disposal.

2

Offering active assistance to prospective occupiers and partners in developing ESG/ NZC knowledge and strategies, including providing relevant guidelines for refurbishment

3

Directly investing in solutions that will help to transition assets to net zero, e.g. heat decarbonisation (electrification of heating) or installation of PV panels.

We heard positive feedback from the Fund's tenants about their experiences of working with the Fund as a **responsive and environmentally conscious owner**.

NSS V Impact Report, TGE

Funds

Each asset has its own pathway to net zero, with annual reduction targets, this requires a focus on engaging tenants due to FRI leases. Significant effort has been taken to ensure tenants are engaged in the journey. Tenant engagement plan for each asset has been developed including:

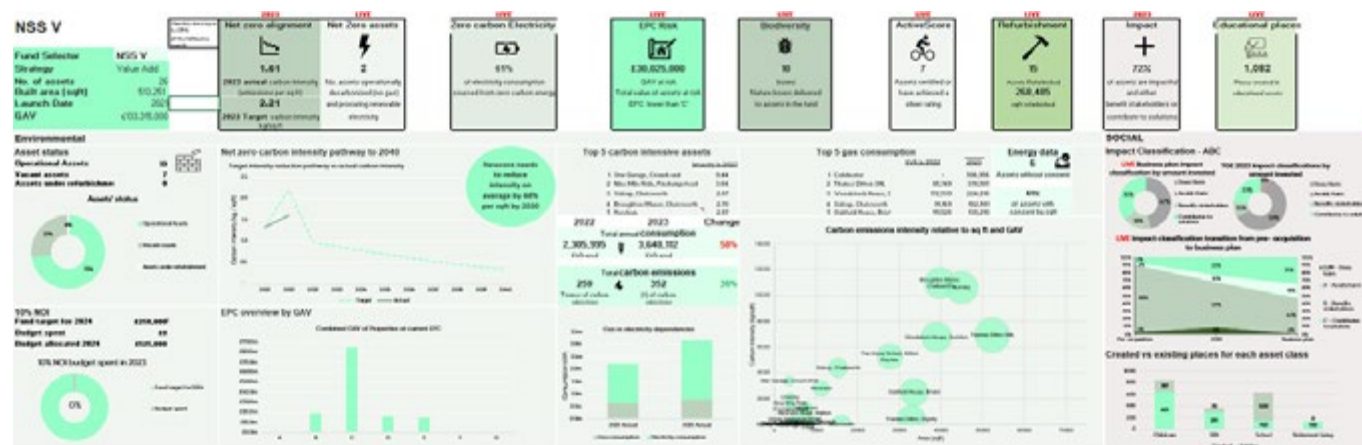
- Working with tenants to reduce their consumption of energy and improve the environmental performance of assets
- Supporting tenants to switch electricity to renewable energy
- Reviewing assets to understand the viability of installing solar panels
- Identifying assets to de-carbonise and offer, where relevant, incentives to tenants
- Reviewing refurbishment plans and offering support to de-carbonise, improve the environmental performance and/or install onsite renewable energy production

One highlight in 2024 was the production of tenant energy reports, the purpose is to inform tenants, who might not be tracking energy use and build a relationship that encourages a reduction in overall energy use and a switch to zero carbon energy sources. This also forms part of our efforts to work with tenants to identify opportunities to spend 10% NOI and improve environmental performance.



Data

Newcore tracks environmental performance through a comprehensive dashboard providing insights at the fund and asset level. In 2023, Newcore focussed on data, ensuring the quality and depth provide an accurate representation of the fund. This active measurement enables us to measure progress towards future proofing assets and ensuring they are aligned with our net zero goal of 2040.



Newcore received consent for asset level data collection through green leases and letters of authority for 86% of the assets that were owned as of December 2023. Better data collection has also helped to understand the carbon emissions from energy consumption.

Newcore has 100% data coverage for its institutional funds

Year end 2023 data⁷

1.75 kg/sq ft

Carbon intensity
(decreased by 33% from 2022)

1,450 tonnes

Total co2 emissions p.a
(0.35% increase from 2022)

12,000,000 kWh

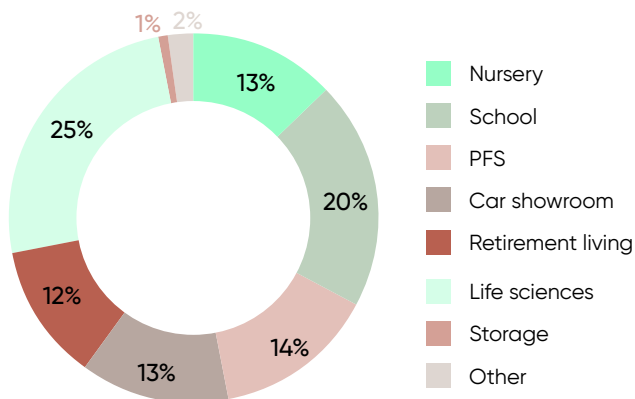
Total annual energy
consumption
(16% increase from 2022)

14 kWh/sq ft

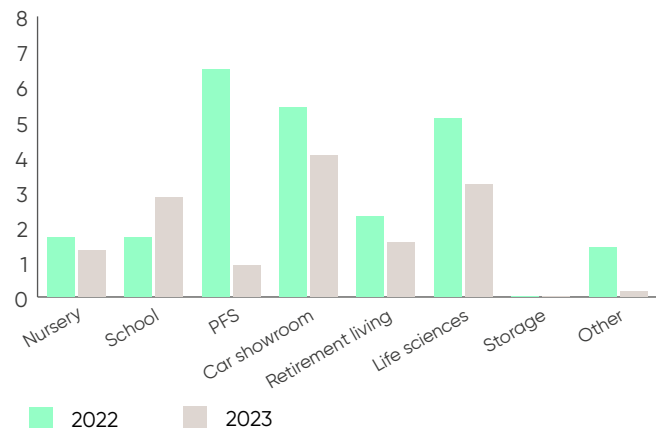
Total energy
consumption intensity
(decreased by 6% from 2022)

For all landlord-controlled assets, Newcore procures
REGO-backed renewable energy

2023 Consumption by asset class (kWh)



2022 vs 2023 carbon intensity (kg/sqft) by asset class



Newcore recognises that year on year comparisons can be difficult as several assets have not stabilised operationally, increased operations over the year or intensified energy use. To ease comparison, in 2024 we will change how we represent consumption and carbon emissions data, only assets that have been fully operational for a year will be included. (In 2022 and in 2023 we used all assets, regardless of operational status, making comparisons to previous years difficult.) Newcore has created net zero baselines after assets have been refurbished, therefore improvements from refurbishments aren't accounted for in emissions reductions. This path enables a consistent approach to tracking emissions reductions but optically is a more difficult path to net zero.

7. Combined all vacant and operational assets in NSS IV and NSS V data

Comparison to annual reduction targets for NSS IV and NSS V operational assets (excludes vacant and assets where the tenants have not yet commenced operations).

Newcore has collated annual carbon emissions for just operational assets and has compared this to the fund's net zero pathway and annual targets. For the progress to net zero, we have only included operational assets as this is a fair representation of emissions moving forward.

2023 Carbon emissions intensity⁸



Overall, we improved our carbon emissions intensity by 25% more than the target. The majority of this can be attributed to better quality data on the procurement of zero carbon energy. Although we have met our targets, Newcore recognise the inherent challenges or our investment strategies and is working hard to provide a clear, complete and comparable data.

Newcore are genuinely interested in their properties & are genuinely interested in investing in their properties, especially if it can **help reduce their carbon footprint.**

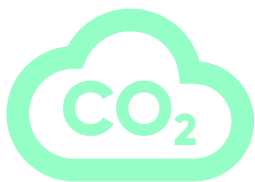
Education provider, NSS V Impact Report, TGE

NEW Objective: Climate related risks

The real estate sector faces unique challenges and opportunities concerning climate change from physical risk to assets and challenges to transition. In recent years, the Task Force on Climate-related Financial Disclosures (TCFD) has emerged as a crucial framework for organisations across sectors to assess and disclose climate-related risks, enabling investors, lenders, and insurers to make informed decisions. Due to Newcore's size it does not meet the criteria for mandatory reporting but has chosen to align with the guidelines of the TCFD framework to identify, assess, and disclose climate-related risks and opportunities.

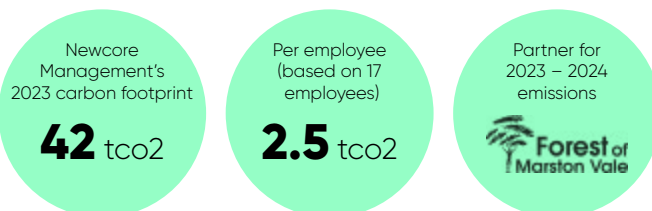
The TCFD report reviews our strategy for risk management looking specifically at physical climate related risks (including flooding and heat stress) and transition risks. As part of this, risks associated policy and regulatory changes, technology, market, reputation, transition risks – opportunities CRREM: incorporating resilience into our strategy have all been reviewed. Newcore will report on this objective in its next report.

8. Data only includes operational assets

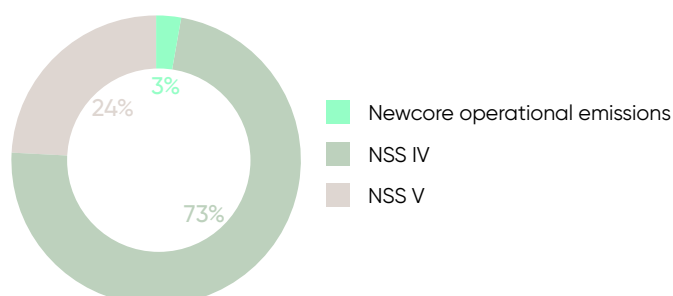


2 Newcore management platform to continue to be **carbon neutral**

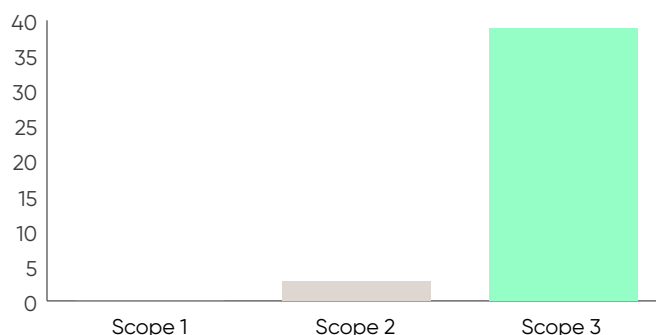
- Newcore recognises over 98% of carbon emissions are through its fund. Newcore management platform's operational include scopes 1, 2 and operational emissions from scope 3
- Newcore management platform's operational emissions for 2023 were 42 tCO₂
- The emissions have, on an employee intensity basis, increased by 0.03 tonnes per person
- A significant driver of emissions comes from purchased food and drink. Although this isn't a significant spend, the proxies used to measure carbon emissions make this our biggest emitter
- The sustainability group are working on a reduction programme to ensure absolute reductions in 2024-2025
- Newcore is exploring other methods of carbon removal that do not result in carbon credits. This is a change from previous years and allows us to explore alternative ways more aligned with Newcore's priorities - close to our UK assets, creation of social value and improving biodiversity.
- Newcore has partnered with Marston Vale Charitable Trust to sponsor the planting of 250 trees in a community forest in Bedfordshire. The land was previously a blighted industrial area that was designated a community forest with the intention to raise tree cover from 3% to over 30%.
- The native trees will help rebalance our emissions (at least 14 times over in 100 years) and local environments we have impacted. In addition, to emissions every £1 spent with the Trust will provide £11 of social, environmental and economic benefits. The forest has supported the creation of over 100 jobs and created a sense of place to the area, contributing to mental health and well being.

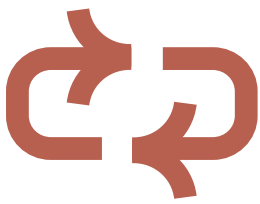


2023 Total carbon emission according to sources



2023 Newcore total operational emissions by scopes 1, 2 & 3 (tonnes)





3 **Maintain refurbishment first approach**, minimise resource use and waste, through investing in efficiency

Funds

- Newcore's investment strategy recognises the embodied carbon in existing buildings and the carbon emitted in new build developments. The "repair not replace" approach intends to extend the productive life of buildings which may otherwise be left vacant or demolished. This ensures the best use is made of the embodied carbon in assets
- NSS IV and NSS V reduce embodied carbon emissions by prioritising the refurbishment of existing buildings over new-build developments

Newcore will have prioritised refurbishment for **41 buildings with a total of 747,300 sq ft** across NSS IV & NSS V

- Assets are also refurbished to a higher environmental specification than when the funds acquired them
- Due to the majority of Newcore's leases being FRI, advice and resources have been provided to tenants to improve the environmental performance and future proof assets
- Refurbishment guides - Newcore has written refurbishment and health and well being guides for tenants to provide support and resources, especially to tenants who are less experienced in these areas.

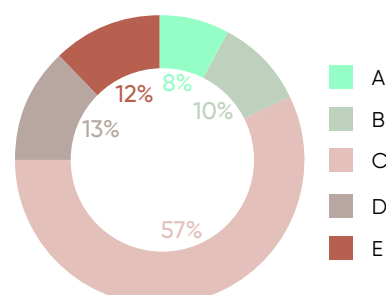
Alignment with EPCs

- At the end of refurbishment new EPCs are commissioned to understand the impact of improvement on performance of the buildings

Of assets that have had new EPCs commissioned after refurbishment, **67% improved by at least one letter and 39% improved by 2 letters**

- Newcore is following updates to MEES regulations and improving EPCs ahead of regulatory changes is a priority
- Across NISS IV and V, 24% of assets are rated D or E and therefore need to be improved by 2027. Of these 31% are vacant and have major refurbishments planned, 13% are awaiting updated EPCs. For the other assets, we have reviewed the asset, engaged tenants and working to improve the ratings, allocating 10% of NOI.

EPC Ratings⁹



⁹ By GAV at March 2024



Re-invest 10% of surplus NOI from assets to improve environmental impact

Newcore has committed to allocating 10% of net operating income (income after interest, fees and expenses) from assets to improve environmental impact (i.e. lowering energy, waste, water consumption and/or improving biodiversity). Leases are fully repairing and insuring and therefore improving environmental impact requires buy-in from tenants. As part of our tenant engagement programme, we have multiple strategies to support improvement of assets.

In 2023, Newcore was unsuccessful in deploying 10% NOI due to multiple factors around tenant engagement. This has been a focus in 2024.



Offer every tenant a token £500 to improve the environmental performance and or biodiversity of the asset and to open wider discussions on environmental improvements.

7 assets have expressed an interest in or have used the grant to date.



Identify assets where significant interventions can be made to improve performance and utilise the 10% NOI.

9 assets have been identified across both funds for material updates to improve performance.

Case studies

Installing PV in Oxford

In 2024, Newcore identified an opportunity to install PV panels on a car showroom in Oxford, which, due to the nature of the business consumes a significant amount of energy, 29.03 kWh/sq ft. The roof of the building and the demand of electricity make it an ideal asset to install PV panels. The panels will cover approximately 50% of the roof and will provide an estimated 20% of electricity.

Installing PV and EPC enhancements in Colchester

Improving from an EPC E to a C in Colchester. Newcore acquired an asset that operates as a food distributor. The asset had not been invested in and requires significant funds to operate effectively and improve the environmental performance. Within 6 months of acquisition, Newcore have agreed heads of terms with the tenant for the surrender and re-grant of a new 20 year lease. In addition, Newcore, will contribute £1.2m towards the cost of these works. The tenant shall undertake works to replace the roof, install new insulation and install PV panels and target significantly improve the EPC, from it's current rating: E to a minimum rating of C.



5 **Improve biodiversity** and bring nature close to people

In addition to making significant efforts to reduce greenhouse gas emissions, tackling the ecological crisis and loss of biodiversity in the UK is vital. Creating nature-rich places to live is not only good for wildlife, but also has health and wellbeing benefits for people. Improving biodiversity and bringing nature closer to people is becoming an integral part of Newcore's strategy, with environmental considerations embedded into decision-making across all aspects of fund and portfolio management.

- | Newcore has sent nature boxes to 16 assets in NSS IV and NSS V. The boxes help biodiversity through creating areas for nature to thrive; including a bug hotel, bird box, bird feeder, book to identify birds and wildflower seeds
- | As part of a tenant engagement program, Newcore has offered tenants a token of £500 to improve the environmental performance and or biodiversity of the asset and to open wider discussions on environmental performance. 6 assets have shown significant interest in the grant over the reporting period but none have been taken up to date
- | One asset that took up the offer in 2022 and completed in 2023 was a primary school in Sidcup. The headmaster drove the initiative and in consultation with Newcore has created several large flower beds that encourage insects and improve biodiversity. Key to the creation of this was the inclusion of the school children, bringing them closer to nature. In 2024, we will continue to offer biodiversity grants to relevant tenants.



16
Nature boxes

Environment next steps

- | Ensure that every asset (post acquisition and where relevant) has an EPC+ conducted so it is clear how to improve the performance of assets
- | Newcore is pleased that we are exceeding our CRREM aligned targets but recognise there is more to be done
- | Using the pre-determined intensity reduction pathways from CRREM has resulted in meeting or exceeding targets without significant changes. We will explore tightening targets and using reductions targets based on actual intensities
- | In 2024 we will report like for like emissions based on operational assets
- | Material carbon reductions will be the focus of 2024, using our 10% NOI to work with tenants and reduce consumption and emissions
- | Biodiversity grants – continue to follow up with tenants who have expressed an interest
- | Distribute 12 nature boxes across the funds
- | Formerly include an additional commitment around climate risk and undertake detailed reports on physical risks to our assets.



Social

For Newcore, the S in ESG is driven principally by investing in asset classes that are linked to the on-going functioning and improvement of society. Newcore's strategy adds to the pool of much needed social infrastructure in the UK, some meet the needs of underserved sections of society. We have ensured the social impact we create is measured and reported according to respected frameworks.

Newcore's investment strategy seeks to generate impact in a number of ways

1. Creating **new social infrastructure** provision on a de-risked financial basis.
2. Maintaining and **upgrading the fabric of social infrastructure** buildings, where there would otherwise be negative social impact from the restricted use or loss of that space.
3. Acquire existing functional buildings where there is an opportunity to work with the operator to **increase the provision** of social infrastructure space during the lease or at expiry.



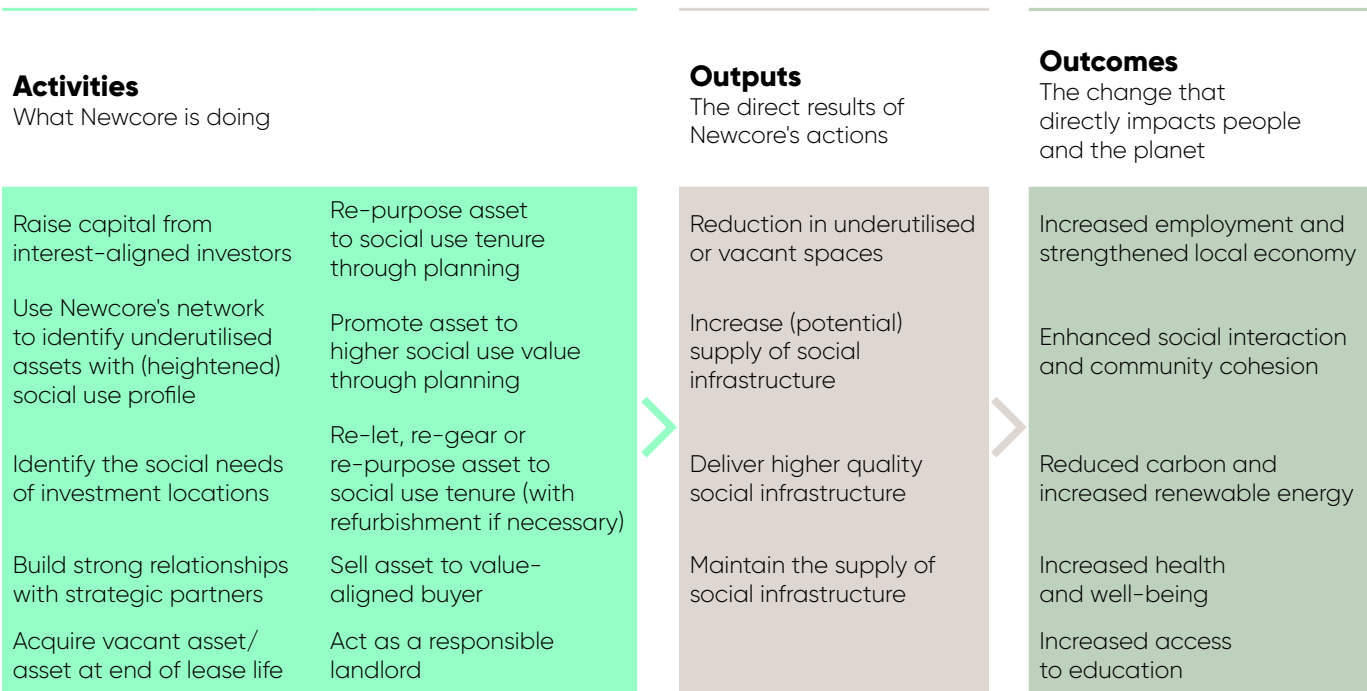
Impact Measurement Framework

Newcore recognises the need for independent evaluation to measure impact and in 2022 partnered with a best-in-class consultant to create an impact measurement framework.

As part of the framework a theory of change (ToC) has been developed, based on how we invest, the objective of the strategy and how that supports outcomes aligned with the UN's Sustainable Development Goals. Our ToC articulates how the actions taken by Newcore lead to positive outcomes for people and planet.

The theory of change sits across the management platform and feeds into investment strategy for the fund. The ToC establishes the causal links between Newcore and impact, highlighting the key steps that must be true for the sought after outcomes to be experienced.

Theory of change




The key activities and outputs of Newcore are grouped together to form impact objectives. These are the specific areas under the direct influence of Newcore's Funds. These objectives contribute towards the target outcomes experienced by people and planet.

The framework provides the basis for independent reports that review our funds' strategy and the impact of investments. An independent impact report is written for each fund in the acquisition stage to assess performance in relation to these impact objectives using a selection of metrics.


Note: externally classified by The Good Economy

Overview of Newcore's Social Infrastructure IMM Framework


Impact objectives




Increase the social utility of assets



Act as a responsible landlord



Form quality partnerships



Lock in responsible outcomes

Contribute towards

Target outcomes



Strengthen local economy





Renewable energy & reduced carbon emissions





Increased access to education





Social interaction & community cohesion





Increased health and well-being





Newcore gives >10% of its own profits to charity each year via its foundation, supporting many of the other Sustainable Development Goals.





1 **Deliver social value** through our social infrastructure investments

This objective supports the delivery of our target outcome to increase health & wellbeing and a strengthened local economy. We measure this through multiple metrics to provide proxies for social value and the creation of impact. The investments of NSS IV and NSS V have significantly increased both the access to and quality of education through the provision and maintenance of Nurseries, SEN schools and independent schools.

Funds

Total places created highlights:



54

Total number of social infrastructure investments



2,171

Childcare places created,
2496 total



496

SEN school places created,
566 total



140

Independent school places created,
640 total



228

Retirement living beds enabled



Primary care facilities serving

8,990

patients



75%

of assets which will generate positive outcomes for people and the planet



77%

Newcore's contribution to achieving impact is medium/high for 77% of total assets¹⁰

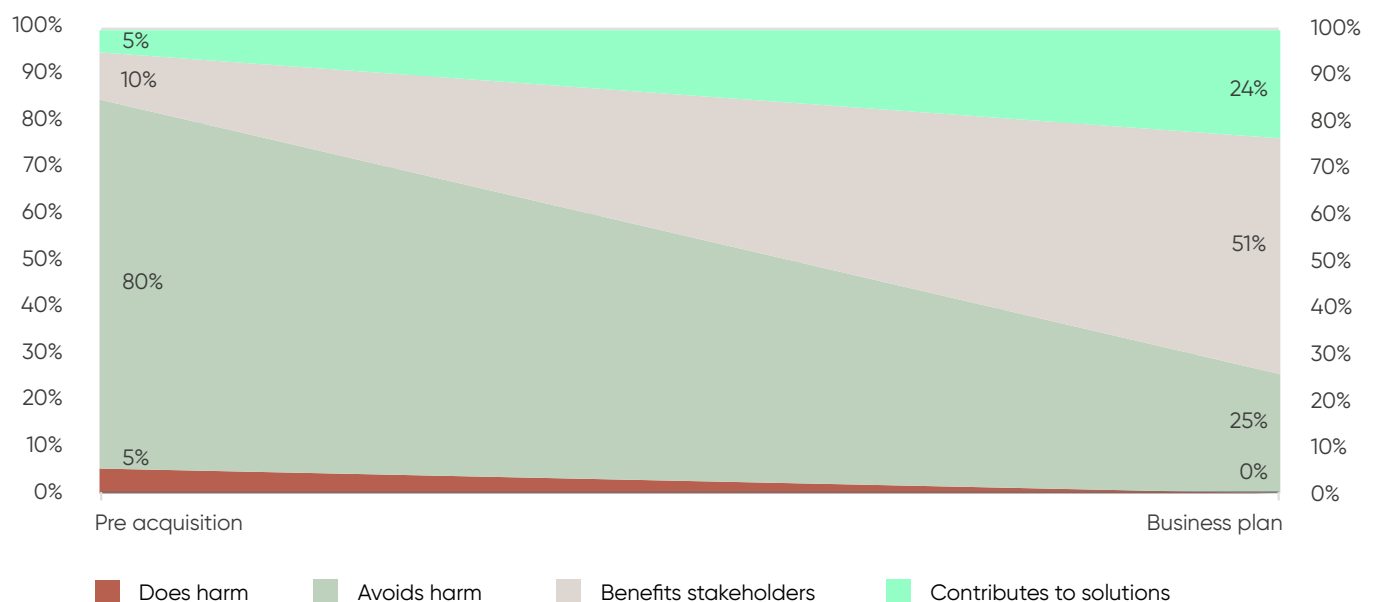
Transition

Newcore's focus is to transition assets, taking vacant, derelict or underutilised assets and increasing the amount of social infrastructure in society.

The graph below tracks the progress of the impact classification of the asset. Assets have been reviewed at acquisition and with the intended business plan against the 'DABC' impact classification framework and mapped on a transition graph.

Newcore's contribution towards achieving impact and the asset's classification are considered when grading assets along the spectrum of impact. 59% of assets will at least improve by one impact classification. 24% will have moved across two, for example taking an asset that does harm and transforming it into an asset that benefits stakeholders. See page 42 for asset classification explanations.

Transition of assets from acquisition to business plan¹¹



10. NSS IV is in the asset management stage and there have been no significant changes to the strategy we are using the report written for 2022. NSS V is in the acquisition stage, we have commissioned an impact report. The combined results are reported.

11. Calculations based on number of assets data from March 2024


70%

Target for impactful
assets in the fund


70%

of assets are impactful
based on business plans


78% of the portfolio

Newcore's contribution to
impact is medium/high

Newcore includes two measures when establishing impact. The first is the type of asset and whether it's existence benefits the local community, users etc. or if it contributes / contribution to a solution for an underserved need or population. The other important consideration is the role of the manager in achieving that asset. For 77% of NSS IV and NSS V assets Newcore is expected to have played an instrumental role in the creation of social infrastructure that otherwise may not exist. This is defined as a medium to high contribution to impact. To assess the Fund's contribution to impact this calculation is done independently to Newcore and takes into consideration the state of the asset at the point of investment, the increase in social utility generated, and the likelihood that this increase would have otherwise occurred without the Fund's involvement.

NSS IV and NSS V are closed ended value-add funds, therefore locking in responsible outcomes that outlive the fund life is important. Newcore's intention is to lock in social utility through granting long leases, this ensures the longevity of its portfolio by creating social infrastructure assets with leases of over 20 years.

Impact classification

| | | Pre Acquisition | Business plan |
|--------------------------|--|-----------------|---------------|
| Contributes to solutions | Assets avoids harm, but also generates one or more positive outcomes for otherwise underserved people and planet | 5% | 24% |
| Benefits stakeholders | Assets not only avoid harm, but also generates positive outcomes for people and planet | 10% | 51% |
| Avoids harm | Assets prevents or reduces negative outcomes for people and planet | 80% | 25% |
| Does harm | Assets cause (or may cause) harm to people and planet | 5% | 0% |
| Total | | 100% | 100% |

**2**

Increase the provision of quality education

The investments of NSS IV and NSS V have significantly increased, both the access to and quality of education through the provision and maintenance of nurseries, SEN schools and independent schools.

2,171

Childcare places created,
2496 total

496

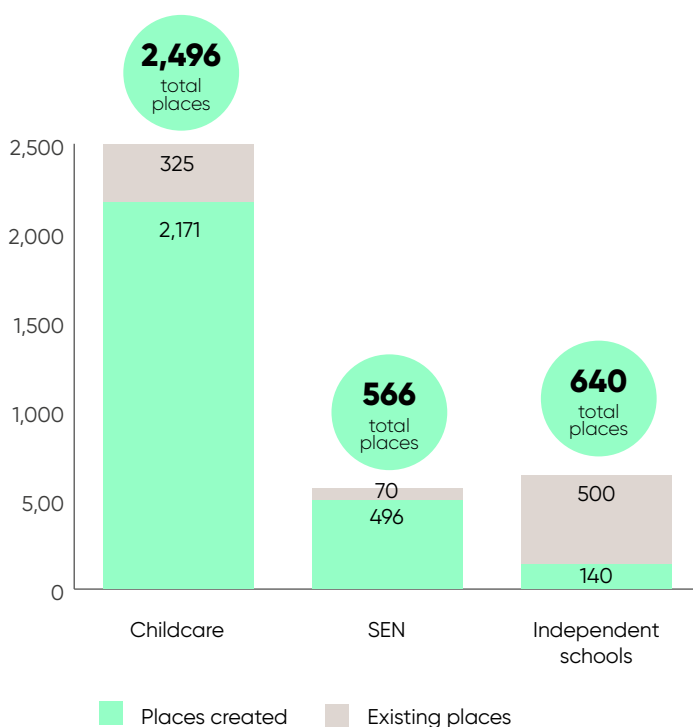
SEN school places created,
566 total

140

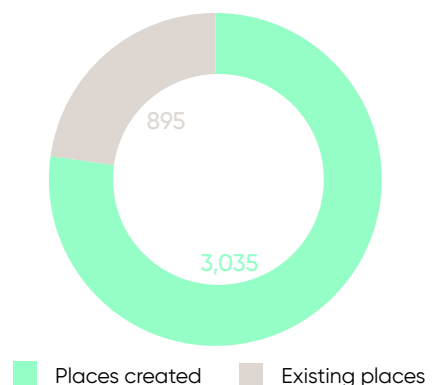
Independent school
places created,
640 total

Newcore is often instrumental in creating the educational social infrastructure in addition to maintaining existing sites. Across NSS IV and NSS V, over 3,000 places have been created and the funds have maintained just under 900 places. Newcore's contribution to creating the positive outcomes is significant.

Educational places (including created and total)



Total places



The depth of impact varies with the type of education and what alternative provisions are available. As a result, SEN Schools are seen as the most impactful due to the underserved pupils who struggle to find appropriate education settings.

The three SEN schools in Surrey **support over 250 children** with physical and/or mental health needs, who would otherwise struggle to access education support. **Teachers at these sites describe positive outcomes**, such as increased confidence and independence, experienced by these students and their families.

NSS V Impact Report, 2023, The Good Economy.

An important part of the puzzle in delivering our commitment is working with tenants who deliver quality education and have a good working relationship with Newcore. These relationships ensure we are able to meet our objective and increase the provision of quality education. We have received good feedback through our independent impact report:

Newcore are very flexible, understand our needs as an operator and work with us to enable us to achieve our operating goals.

NSS V Impact Report, 2023, The Good Economy

Newcore remains a partner of choice for education providers, demonstrating knowledge of and responsiveness to their sector, needs and challenges. **We heard positive feedback about working with the Fund**, with partnering operators noting the competence and integrity of the team, and their responsiveness relative to other landlords.

NSS V Impact Report, 2023, The Good Economy



3 **Continue to donate 10% of profits** to social and environmental charitable causes

In 2020, Newcore set up a charitable foundation and committed to pay at least 10% (before Gift Aid) of its profits each year into the foundation, in addition to its charity partnerships. Employees convene annually and recommend charities to partner with and benefit from the foundation, linked to the ongoing social and environmental infrastructure work of the business.

Over the period April 2023 to March 2024, Newcore supported 16 different charities donating £110,000. Our support has taken various forms, from individual and corporate donations to fundraising initiatives and charity partnerships.

Grants awarded in 2023:



Bus
Shelter UK



PACEent
London



GLASSDOOR



£700,00+

Since inception Newcore has raised and donated over £700,000 for charity.

£110,000

Donated from April–March



The Rivers Trust

Newcore's charity partner for 2023 – 2025

Launched in 2012, the Rivers Trust are river and conservation experts who work with 65 member trusts across Britain, Northern Ireland and Ireland to make their shared vision a reality: wild, healthy, natural rivers, valued by all. The trust works with farmers, residents and organisations to provide advice and resources for their communities, ensuring rivers thrive for future generations.

In September 2023, members of the Newcore team organised and participated in a 125 mile triathlon from the source of the River Wye in the Welsh hills, down to its mouth into the Severn Estuary at Chepstow, in support of the charity. The challenge involved walking/running 10 miles across the moor from the source at Plynlimon in the Cambrian Mountains to the nearest road, cycling 90 miles to Symonds Yat, kayaking 16 miles to the tide and finishing off with a near half-marathon on foot to the sea. Total funds raised: £60,000.

Newcore also sponsored the Rivers Trust's 20th anniversary dinner in April. In 2024 we will be organising other events to raise funds for the River's Trust.



4 **Support employees** to donate 10 hours a month to charities and non-profit organisations

Newcore continues to encourage staff to spend up to 10 hours a month on pro bono and charitable work. Recognising there is always a tension with workload and managing volunteering time, Newcore has improved from last year but realises we can always do more.

Newcore is working on ways to encourage more employees to donate their time and switched the objective from 10% of time to 10 hours a month with the understanding that re-framing the opportunity might make it easier to achieve.

Through the Sustainability Group, team members will be working together to encourage more volunteering, shifting the responsibility for engagement from our operational team to a representative group of employees.

Volunteering highlights from 2023:

Newcore organised team wide volunteering with our charity partner The Rivers Trust. An insightful day, where we mainly pulled wet wipes out of mud from the River Thames in Battersea.

6 members of the team attended The Talent Tap's, a social mobility charity, interviews and CV workshops in September, helping 1st / 2nd year university students to prepare their CVs and advising on interview techniques.

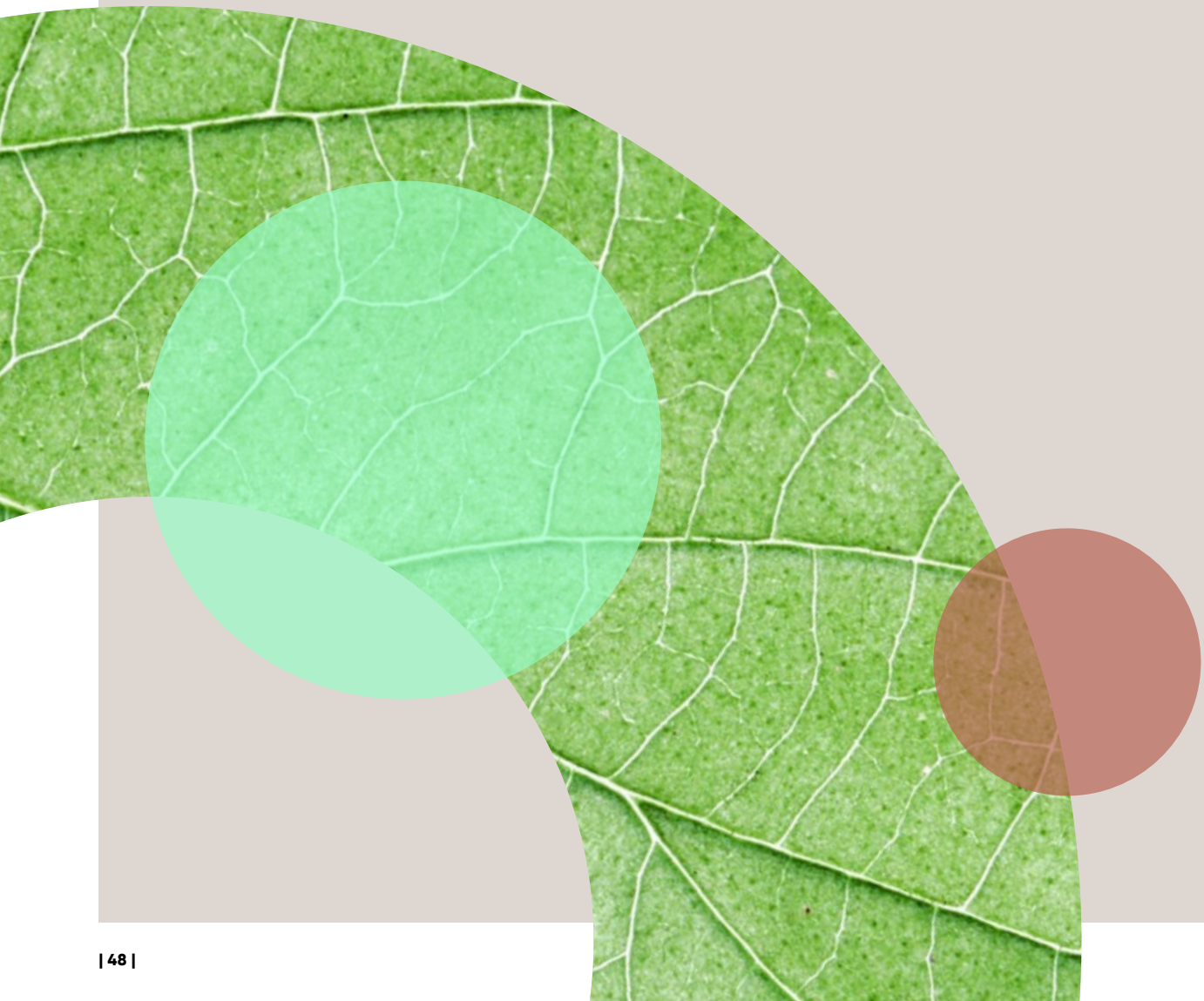


Charities and organisations our employees have chosen to support over the last year through fundraising initiatives, providing expert advice and trustee support:

- | | | | |
|-----------------|------------|-------------------|--------------|
| Hygiene boxes | Bank | Stroke | Cycle 4 Good |
| Earlsfield Food | Talent Tap | Business Declares | B Lab UK |

Social next steps

- Continue to invest in quality educational assets
- Measure impact across our investments through the spectrum of impact and Newcore's contribution to achieving the impact
- Publish an impact report for NSS V in 2025
- Sustainability group to develop a plan to encourage more volunteering across the team
- Review our policies, ensure they align with practice and remain best in class.



Conclusion and next steps

Sustainability continues to permeate every decision and engages the team to accelerate action. The consistent progress across the organisation is testament to how sustainability is embedded at every level (manager, fund and asset). There is always more we can do, we recognise that transparency and humility are key – we do not want to over promise and not deliver.

2024 will be a year characterised by change with a new government, with plans to shake up the private markets and focus on environmental action. Newcore is well placed through our commitment to good governance, low leverage, approach to tax and environmental commitments to thrive in this environment.

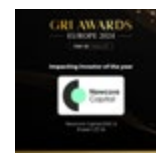
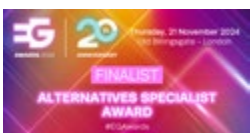
Launching its sixth fund, the Newcore Social Infrastructure Income Fund ("NSIIF") has a core plus strategy and will be an open ended vehicle. This fund will be in existence in 2040 (our net zero target) and provides an opportunity to demonstrate our long term thinking and our focus on what is needed today to future proof the business and meet societal needs.

Newcore are pleased that their efforts to integrate sustainability and embed it at all levels across the business in addition to their financial performance in 2023 have been recognised, winning the Property Week's 2024 award for Property Fund Manager of the Year.

A fantastic winning entry from Newcore Capital! They showed genuine innovation and risk-taking in a market desperate for investment, it has achieved a stand-out performance with a balanced team that has made some great investments. Modest in scale compared to other entrants, but an organisation that is living its values and making a true impact both within its own organisation and across the projects it's involved in.

Property Week award panel

Nominations and awards:



ESG Contacts



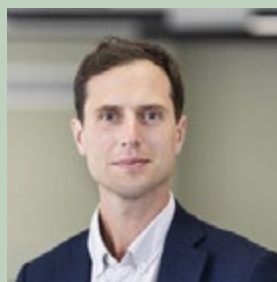
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About Newcore

Newcore's mission is to deliver strong returns from sustainable investment in social infrastructure.

Newcore Capital has delivered financial out-performance and sustainability impact through investing responsibly in assets that are essential to society's needs, for more than a decade.

Newcore focusses on UK real estate investment, and is a management-owned business, with £500m of assets under management. Newcore is a Certified B Corporation and manages capital for local government and other pension funds, insurance companies, European fund-of-fund managers and family offices.

Newcore is a specialist investor in social infrastructure real estate within the UK: assets which it believes are integral to society, benefiting from limited supply, growing demand and generally offering some resilience to technology-driven change. Social infrastructure real estate can be broadly defined as any physical asset required to allow our society to function.

Newcore specifically invests in the real estate behind these sectors, leasing its assets to a range of operators. It targets existing assets that can be improved for the benefit of all stakeholders delivering both financial and social returns.

The focus of this report are the institutional funds under management, this does not represent all the assets we manage.

www.newcorecapital.com

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The registered office is at First Floor, 50 Marshall Street, London, W1F 9BQ.

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All data provided is accurate to the best of our knowledge at the time of print.



