A PATHWAY TO NET ZERO CARBON



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FOREWORD THE TIME IS NOW

It is widely understood that the building sector currently contributes nearly 40 percent of carbon emissions globally and almost 70 percent of emissions in urban areas. This has to change.

Sustainability is a word that has been kicked around the real estate field for years with cautious toes dipped in the water and tick box actions taken to help 'minimise' the damage whilst cost and return implications were assessed.

The last two years have shone a light on the importance of health and social impact in the work place which in turn has further highlighted the impact that our built environment has on us.

Europa has long taken seriously the environmental impact of the properties in our portfolios and those that we reside in. Indeed we are proud to say that we have been certifying our properties for the last 10 years as part of our standard asset management strategy.

But we recognise this isn't enough which is why we are committed to be Net Zero Carbon (NZC) well ahead of 2050, the date set by the Paris Climate Agreement and the amended UK Climate Change Act. We are dedicated to having our operational direct real estate portfolio and our corporate emissions at net zero by 2030 and for our non direct, supply chain and leased assets to achieve this by 2040.

Our path is set and we are well on the way to achieving this important mile stone. For our clients, for our staff and for our future generations. We are committed to be a part of the solution rather than a part of the problem.



Rob Sim Managing Partner Europa

INTRODUCTION

Climate change is widely considered one of the most significant and pressing global, long-term challenges facing society today.

The Paris Agreement, adopted at COP 21 in 2015, sets out the goal to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. Europa is acutely aware of the important role that the real estate industry plays in curbing carbon emissions.

COP26, held in 2021, called for countries and organisations to come forward with ambitious 2030 emissions reductions targets that align with reaching net zero by 2050. We recognise our responsibility to contribute to the efforts of the real estate sector and ensure we are resilient to the threats of climate change and its potential impacts.

Europa has long held a robust ESG management and governance structure, from acquisition through to design, development, construction, asset management and the eventual sale of our buildings. Our environmental management system



identifies our ESG objectives, among which includes identifying a net zero carbon reduction strategy setting out our long-term roadmap and defining the scope of our net zero carbon commitments.

Our strategy has been developed in alignment with the Better Buildings Partnership (BBP) Net Zero Carbon Framework and sets out what net zero means for Europa. This strategy defines our commitment, our scope and our delivery framework for achieving net zero carbon by 2040 and includes both direct (Scope 1 & 2) and indirect (Scope 3) emissions.

We recognise that our commitment requires collaboration and we are committed to working with and supporting our stakeholders (our tenants, clients and supply chain) to contribute to the real estate sector's efforts to address climate change.

WHAT IS NET ZERO CARBON?

The Intergovernmental Panel for Climate Change (IPCC) define net zero as achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.

For the real estate sector this equates to a situation where the carbon emissions emitted as a result of all activities associated with the development, ownership and servicing of a building are zero or negative.

The activities associated with carbon emission for the built environment can be quite extensive and include:

Embodied (built)					
<u></u>	Raw materials supply				
	Transport of raw materials				
O o	Manufacturing				
	Transport				
<u>\</u>	Construction works				
£	Purchase of goods & services				
×	Fit-out & refurbishment				
7 7	Deconstruction				
	Waste				
צה	Disposal				
Operational (occupation)					
\bigcirc	Energy				
0	Water				
Ū	Waste				
*	Refrigerants				
	Transport				

As a real estate investment manager, Europa is committed to aligning with the ambitions of the real estate sector and see it as a critical path for our business to reduce carbon emissions through improved energy efficiency throughout all stages of our business activities: during acquisition, design, procurement, construction, and asset management.

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OUR NET ZERO CARBON COMMITMENT

Europa commits to achieving net zero carbon for Scope 1 and 2 emissions by 2030, and Scope 3 emissions by 2040, for our direct real estate portfolio, including new funds, and Europa corporate activities.

These targets exceed the commitments made both by the UK government and European Union. Each of our funds will identify their own roadmap and detailed pathways and will have the flexibility to align with Europa's commitment or to set targets in advance of these dates.

PHASE ONE - 2030

Phase One of our net zero commitment encompasses Scope 1 and 2 operational carbon emissions of our direct real estate portfolio, as well as Scope 1 and 2 emissions associated with our corporate operations by 2030.

PHASE TWO - 2040

Phase Two of our commitment is to achieve net zero carbon for Scope 3 emissions by 2040. Scope 3 emissions are those generated indirectly from sources in our supply chain and leased assets (tenant spaces) that may be influenced, but are not controlled by Europa.



Carbon emissions are categorised into different scopes defined by the Greenhouse Gas Protocol:

The carbon emissions that Europa generates directly as a result of landlord activities where there is operational control, including fuel combustion on site such as gas boilers, fleet vehicles and refrigerant losses.

The carbon emissions that Europa generates indirectly such as through electricity or district energy purchases; emissions are created during the production of the energy and eventually used by Europa through landlord activities where there is operational control.

The carbon emissions generated indirectly from sources in our supply chain and leased assets (tenant spaces) that may be influenced, but are not controlled by Europa. These are usually the greatest share of the carbon footprint, and include emissions associated with embodied carbon, tenant energy, business travel, procurement, waste and water.





NET ZERO CARBON SCOPE

Within the scope of our net zero carbon commitment are corporate emissions, the embodied carbon of typical development activities, and operational carbon associated with landlord and tenant activities. Aligned with the Better Building Partnership Net Zero Carbon Pathway Framework, the table on page 10 sets out the scope and source of the emissions included with Phase One and Phase Two of Europa's commitment, as well as emission sources that are excluded from the strategy at this time.



BUSINESS AREA	SUB-AREA	CARBON SCOPE	INCLUDED WITHIN COMMITMENT
CORPORATE	Head office energy use	1 & 2	
	Company vehicles	1	
	Business travel (excluding commuting)	3	
	Purchased goods and services	3	
	Operational waste generated	3	
	Operational water use	3	
	Employee commuting	3	
DIRECT REAL	Landlord purchased energy (electricity and fuels)	1&2	
HOLDINGS*	Tenant purchased energy (electricity & fuels)	3	
	Landlord refrigerants	1	
	Tenant refrigerants	3	
	Landlord purchased water	3	
	Tenant purchased water	3	
	Landlord managed operational waste	3	
	Tenant managed operational waste	3	
	Tenant transport emissions	3	
	Tenant supply chain emissions	3	
	Landlord purchased goods and services (M&E & property management services)**	3	
DEVELOPMENT ACTIVITIES	New development (including those where funding is being provided)	3	
	Major refurbishments embodied carbon	3	
	Fit-out (tenant controlled)	3	
	End of life***	3	

KEY

PHASE	1	(2030)
PHASE	2	(2040)

* For indirect investments it is recommended that carbon emissions should be attributed as a % ownership of the investment.

- ** This relates to services procured by the landlord to service and maintain the space e.g. property management, service charge recoverable items and minor CapEx items e.g. minor replacements.
- *** End of life carbon has not been included within the scope of the BBP Climate Commitment due to lack of industry consensus on how it should be accounted for. As industry understanding improves and an agreed approach adopted, this position will be reviewed.

NET ZERO CARBON DELIVERY STRATEGY

To ensure a clear focus and to maintain momentum on achieving our defined commitment we have identified and set out the following net zero delivery strategy aligned with the principles of the energy hierarchy.

1. REDUCE OPERATIONAL ENERGY AND CARBON EMISSIONS

- Influencing business decisions to prevent Green House Gas (GHG) emissions across the lifecycle.
- Renovation measures include lighting efficiency and control, improved motors and drives, Building Management Systems and controls upgrades, and fabric improvements.
- Low carbon measures include electrification of buildings through installation of heat pump technology or connection to low carbon district heating or cooling network.

2. ONSITE RENEWABLE ENERGY GENERATION AND RENEWABLE GRID-PURCHASED ENERGY

• Renewable Energy Generation (on-site) including technologies such as: Solar PV panels, solar glass heating and biomass.

3. PROCUREMENT OF OFF-SITE RENEWABLE ENERGY GENERATION REDUCING EMBODIED CARBON OF DEVELOPMENTS AND PROJECTS

- Development of an approach to measure and monitor our carbon impact relating to development and refurbishment projects.
- Measures include efficient use of materials such as the re-use of existing materials, and the use of sustainably procured and recycled materials.

4. OFFSETTING REMAINING RESIDUAL CARBON EMISSIONS

• Compensate 'unavoidable' residual emissions following the principles laid out by industry bodies such as the UKGBC, the Voluntary Carbon Markets Integrity Initiative (VCMI), and the Taskforce for Scaling Voluntary Carbon Markets (TSVCM).

The hierarchy for action in order to achieve net zero carbon is widely agreed to be:



EUROPA 12

OPERATIONAL CARBON

Our first priority, in accordance with the energy hierarchy, is to reduce the energy demand/use, and associated emissions, of the directly controlled operational assets in our portfolio.

Throughout our acquisition due diligence process, which is completed for all investments to our funds, we incorporate detailed screening of ESG and climate risks and opportunities. This includes the Carbon Risk Real Estate Monitoring (CRREM) modelling tool. The findings and opportunities identified throughout the due diligence process are used to inform the Sustainable Asset Management Plans (SAMs) in place for each asset.

The UKGBC defines a net zero carbon building in operation as when the building's operational energy on an annual basis is zero or negative. Consideration will be given to the appropriate approach and timing for offsetting any residual carbon by procurement through a credible provider.

As standard for any lease renewals we will endeavour to introduce green lease clauses, to enable cost-effective energy efficient solutions, and facilitate improved data on our Scope 3 emissions impact.

Assets that are low carbon emitters may have improved access to capital from investors and lenders; for example, through debt funding from green loans with preferred rates.





ON-SITE GENERATION AND RENEWABLES PROCUREMENT

We will evaluate and seek to progress all opportunities to increase on-site renewable energy generation. We have trialled a number of solar PV feasibility studies at assets within our portfolios and will continue with this approach to understand the potential opportunities for on-site renewable energy generation.

For new developments, Europa will identify and implement measures to reduce energy consumption and ensure that on-site fossil fuel combustion is only considered where there is no viable alternative.

On-site renewable energy generation, such as solar PV feasibility, will be investigated as standard. Europa will seek to procure off-site renewable energy through green energy tariffs with Renewable Energy Guarantees of Origins (REGO) certificates.

EMBODIED CARBON

Embodied carbon is produced through every stage of the development life cycle, generated through new development material extraction, processing, transportation, construction and demolition.

As an industry, embodied carbon emissions are a challenge. Through the completion of pilot studies, our aim is to further our understanding of viable, robust, long-term carbon reduction solutions and interventions to improve building performance and the longevity of our buildings.

COMPENSATE APPROACH OFFSETTING

After following the energy hierarchy, the final step in our net zero strategy will be to offset any remaining carbon using a recognised offsetting framework.

Our clear priority is to first reduce the quantity of new emissions created; removal without reduction is not sufficient to limit global warming. We will review and take a considered approach for offsetting the embodied carbon emissions of our developments and refurbishment projects.





CORPORATE NET ZERO CARBON

To demonstrate our commitment, we will enhance corporate practices and continue to identify improvement opportunities associated with head office energy, water and waste use, goods and services purchased, business travel and employee commuting.

FUND LEVEL DELIVERY FRAMEWORK

Our strategy sets out our organisational commitment to net zero carbon, however each of our funds will identify their own roadmap and detailed pathways and will have the flexibility to align with Europa's commitment or set targets in advance of these dates in alignment with the framework detailed on page 18.

	ΤΟΡΙϹ	OUTCOMES / AIMS	DELIVERY / MANAGEMENT STRATEGIES	REPORTING METRICS	PROGRESS TO DATE
The second se	Operational carbon (energy, water & waste)	Understanding and monitoring full carbon footprint (landlord and tenant) Reduction in operational energy, water & waste use	Identify opportunities for energy efficiency measures for all directly managed assets, including at acquisition for all new investments Quarterly data collection and monitoring for direct landlord supplies Utilise automated data technologies such as AMR and smart technologies to facilitate automated data collection Engage with tenants to collect utility consumption data and utilise green lease clauses to encourage data sharing and	Total energy and carbon emissions (kWh and tCO2) Energy and carbon intensity (kWh/m2 and tco2/m2) % energy and carbon reduction compared to baseline	CRREM modelling completed for trial fund and at asset level for all new acquisitions to the portfolio Sustainable asset management plans in place for all assets identifying measures relating to energy efficiency Quarterly data collection processes in place for all direct control landlord supplies Engagement with tenants at least on an annual basis to collect utility consumption data Automated data
			collaboration Development and refurbishment guides to standardise approaches and drive improvement		collection and smart technology to be trialled at chosen assets Expansion of development and refurbishment guides
	On-site generation and renewable energy procurement	Increased on-site renewable energy generation and renewable energy procurement Engagement with tenants to encourage procurement of renewable energy	Procure renewable electricity (REGO backed) for all directly procured supplies Conduct on-site renewable energy generation feasibility studies for all new developments and refurbishments Consider on-site renewable energy generation for standing assets, where feasible	% electricity procured from renewable energy (REGO backed) sources % energy generated from on-site renewable energy	Solar PV feasibility studies completed for trial assets across the portfolio % electricity procured from renewable energy to be tracked on at least an annual basis
and the second second	Embodied carbon associated with capital goods, services, and capital works e.g. management, maintenance, fit-outs, refurbishment and new development	Measure and reduce embodied carbon for developments and refurbishments	Develop a strategy for measuring and reducing embodied carbon associated with development and refurbishments	Embodied carbon intensity (kgCO2e/m2)	Development identified for embodied carbon measurement
A Start Cont	Offsetting	Identify and set out offsetting options for residual carbon	Identify clear position and strategy for an appropriate use of offsets	Total carbon offset tonnes/pa	

CHALLENGES

Whilst significant progress in the real estate industry is apparent with regard to clear ambition and commitment to action to achieve net zero, we realise there is some way to go to ensure the sector is consistent in the approach to measurement of progress and defining net zero success. Tools such as CRREM provide some clarity to the sector but whilst energy use intensity prerequisites are not clear, pricing the transition to net zero with a degree of certainty is difficult.

Europa recognises one of the greatest challenges the industry is faced with is obtaining and managing Scope 3 emissions (the carbon emissions generated indirectly from sources in our supply chain and leased assets).

Despite having limited ability to control Scope 3 emissions, the contribution of their reduction is essential, and therefore reliant on engaging and influencing third parties. We are committed to engaging with occupiers and supply chain partners, utilising engagement tools such as green lease clauses, use of technology and robust engagement strategies. We will ensure careful and strategic planning to identify the appropriate intervention points to ensure minimal disruption for occupiers.



GOVERNANCE

We have a strong and well defined governance framework to oversee Europa's ESG efforts and ensure climate risks and opportunities are embedded within all business activities and in our investment decision making processes. We have built in appropriate oversight and accountability of the business ensuring all stakeholders are engaged and committed to our strategy and net zero carbon commitment.



GLOSSARY

We have tried our best to simplify this complex matter by using plain language throughout this document, but inevitably there are acronyms, terms and organisations which you might not be familiar with so we have listed them below.

Better Buildings Partnership (BBP): The BBP is a collaboration of the UK's leading commercial property owners who are working together to improve the sustainability of existing commercial building stock. Europa are informed and guided by BBP principles and ethos, in particular the BBP Net Zero Carbon Pathway Framework guidance.

Carbon dioxide equivalent (CO2e): CO2e is a unit for measuring carbon footprints. It allows for the expression of the impact of different greenhouse gases in terms of the amount of CO2 that would lead to an equivalent amount of global warming impact. As a result, the total impact of all these gases can be expressed as a single number in a same unit.

Carbon Offsetting: Any activity that compensates for the emission of carbon dioxide, or other greenhouse gases measured in CO2e, by providing for an emission reduction elsewhere.

Carbon Risk Real Estate Monitor (CRREM): CRREM is an EU funded project to support the understanding of decarbonisation pathways for Real Estate: CRREM will provide the industry with science-based carbon reduction pathways at building, portfolio and company level and with financial risk assessment tools to cost-effectively manage carbon mitigation strategies.

Design for Performance (DfP): An industry backed project established to tackle the performance gap and provide an approach, based on measurable performance outcomes, to ensure new developments deliver on their design intent.

Electricity equivalent (kWhe): kWh of electricity equivalent. Electricity 'equivalence' is calculated as means to convert different energy sources (e.g. electricity, fossil fuels, district heating and potentially hydrogen) into a single metric for use within energy ratings and benchmarking. This is to reflect the approximate thermodynamic differences between electricity, fuels and heat.

Embodied Carbon: The carbon emissions emitted producing a building's materials, their transport and installation on site as well as their disposal at end of life.

Energy Use Intensity (EUI): A building's energy use per unit size, typically expressed as energy consumption in kWh per square metre per year. The measurement of floor area can be expressed in terms of Net Lettable Area (NLA) or Gross Internal Area (GIA). EUIs are commonly expressed in terms of electricity equivalent (kWhe).

Greenhouse Gas (GHG) Protocol Corporate Accounting Standard: Provides standards and guidance for companies and other types of organisations to prepare a GHG inventory. The standard and guidance were designed to help companies prepare a GHG inventory that represents a true and fair account of their emissions, through the use of standardised approaches and principles. This provides a company with the information that can be used to build a strategy to reduce GHG emissions.

GRESB: GRESB is an organisation that produces internationally-recognized benchmarks to track environmental, social and governance (ESG) performance of commercial real estate and infrastructure. GRESB operates an annual reporting cycle.

Net Zero Carbon (NZC): The BBP Commitment definition of Net Zero Carbon, which is described in its simplest form as "net zero carbon" is when the carbon emissions emitted as a result of all activities associated with the development, ownership and servicing of a building are zero or negative.

Operational Carbon: The term used to describe the emissions of carbon dioxide and other greenhouse gases during the in-use operation of a building, most materially from energy use and refrigerants.

Scope 1 Emissions: The carbon emissions that Europa generates directly as a result of landlord activities where there is operational control, including fuel combustion on site such as gas boilers, fleet vehicles and refrigerant losses.

Scope 2 Emissions: The carbon emissions that Europa generates indirectly such as through electricity or district energy purchases; emissions are created during the production of the energy and eventually used by Europa through landlord activities where there is operational control.

Scope 3 Emissions: The carbon emissions generated indirectly from sources in our supply chain and leased assets (tenant spaces) that may be influenced, but are not controlled by Europa. These are usually the greatest share of the carbon footprint, and include emissions associated with embodied carbon, tenant energy, business travel, procurement, waste and water.

Stranding Risk: The point at which building carbon emissions exceed the science-based target trajectory under a 1.5-degree pathway and therefore market expectations.

The Paris Agreement: The Paris Agreement is a legally binding international treaty on climate change, adopted at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century. The Paris Agreement works on a 5-year cycle of increasingly ambitious climate action carried out by countries.



DISCLAIMER

This document outlines Europa's Net Zero Carbon commitment. Specific environmental performance disclosures may be broken down by asset class where appropriate.

The information contained in this document is of a general nature on the activities carried out by Europa. This information is only indicative and does not constitute any form of contractual agreement, nor is it to be considered as an offer or solicitation to deal in any financial instruments or engage in any investment service or activity.

No warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this document.

Unless otherwise stated, data in this report pertains exclusively to the assets and activities within Europa's operational control and does not include data for assets where we do not have operational control.

EVORA provides assurance for our energy, emissions, waste and water data for our assets where we have operational control. We welcome feedback, which can be directed to: sustainability@europacapital.com



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