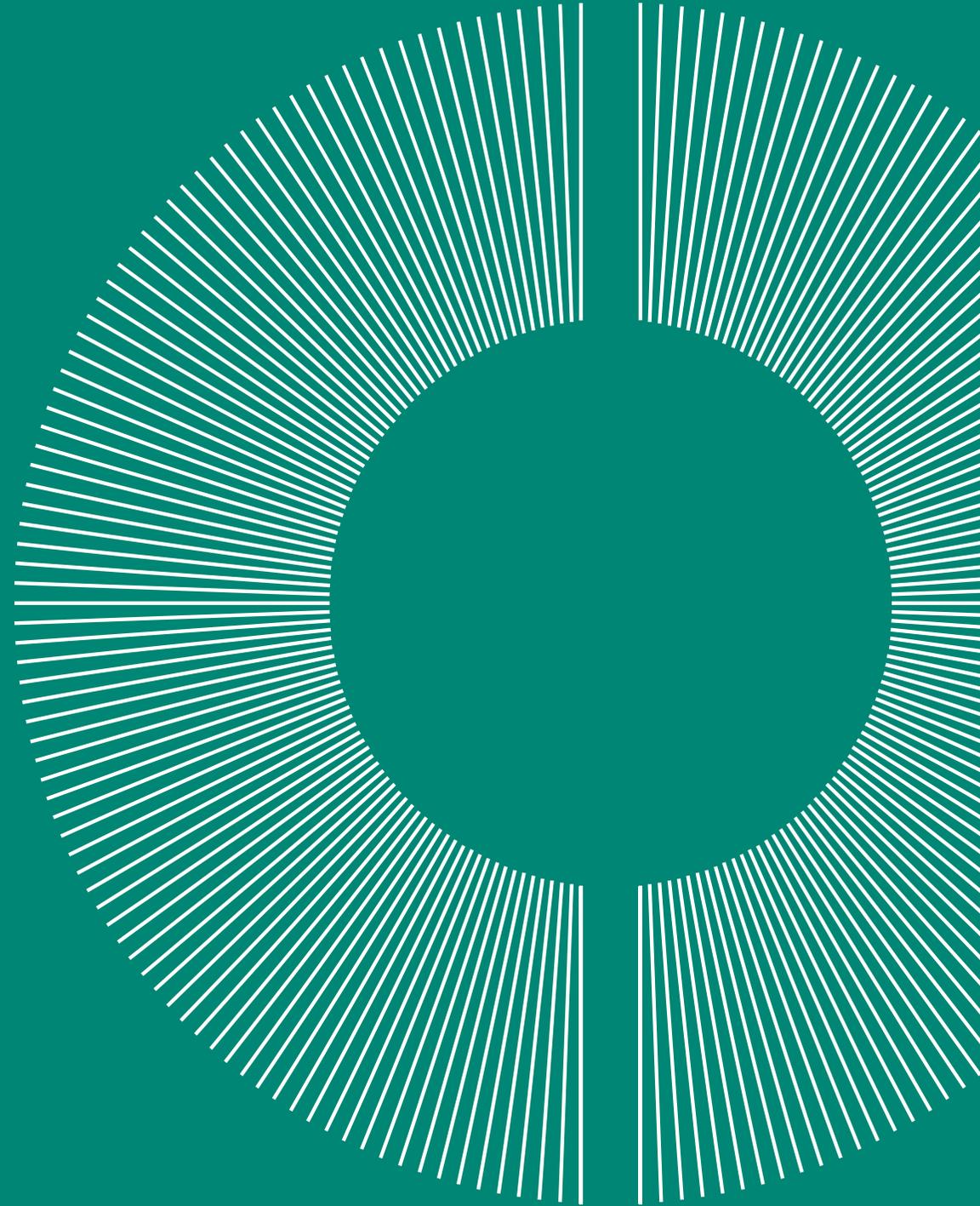


Schroder Real Estate

December 2020

Pathway to NET ZERO CARBON

Schroders



Schroder Real Estate has committed to Net Zero Carbon by 2050.

This document sets out what net zero means for our real estate activities and the actions we will take to develop pathways for our assets and portfolios.

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1.

Executive Summary

Schroder Real Estate has committed to Net Zero Carbon by 2050 as we believe it is our responsibility to address the carbon impact of our portfolios.

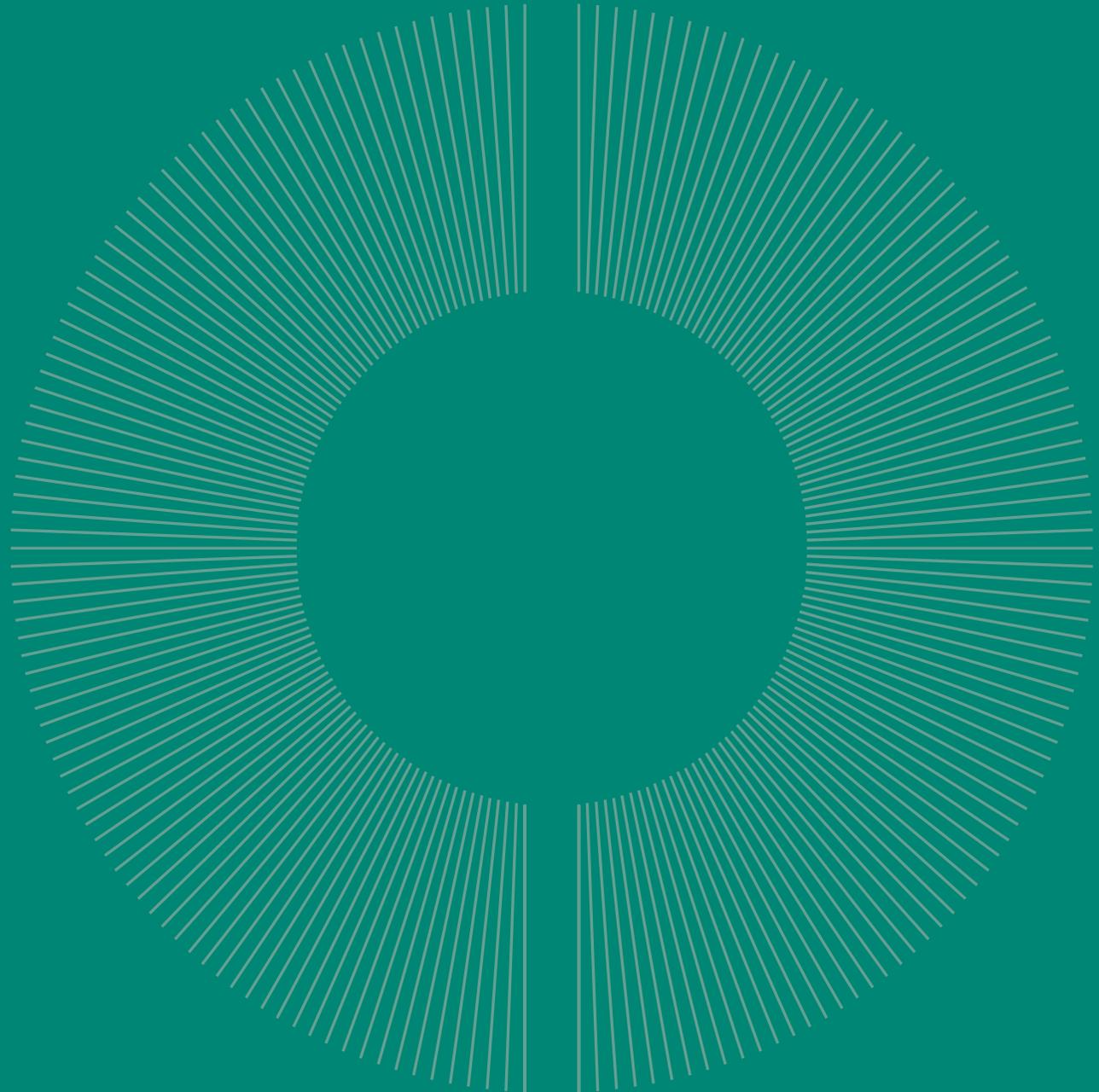
The Paris Agreement in effect conferred two key conditions: **a limit on total allowable additional greenhouse gas emissions** ('carbon budget') and **net zero carbon by 2050**. Therefore, in addition to our net zero carbon ambitions, we must align our portfolios with short, medium and longer term carbon budgets to support the Paris Agreement.

Sustainability is integral to our investment process and we continually seek to improve the sustainability credentials of our assets.

Net Zero Carbon is a natural next step to our energy and carbon programme. Our current targets expire in March 2021 and we will set new targets in the context of our Net Zero Carbon ambitions.

We will establish carbon pathways for our directly managed real estate. We will also engage and seek to influence managers of funds in which we invest.

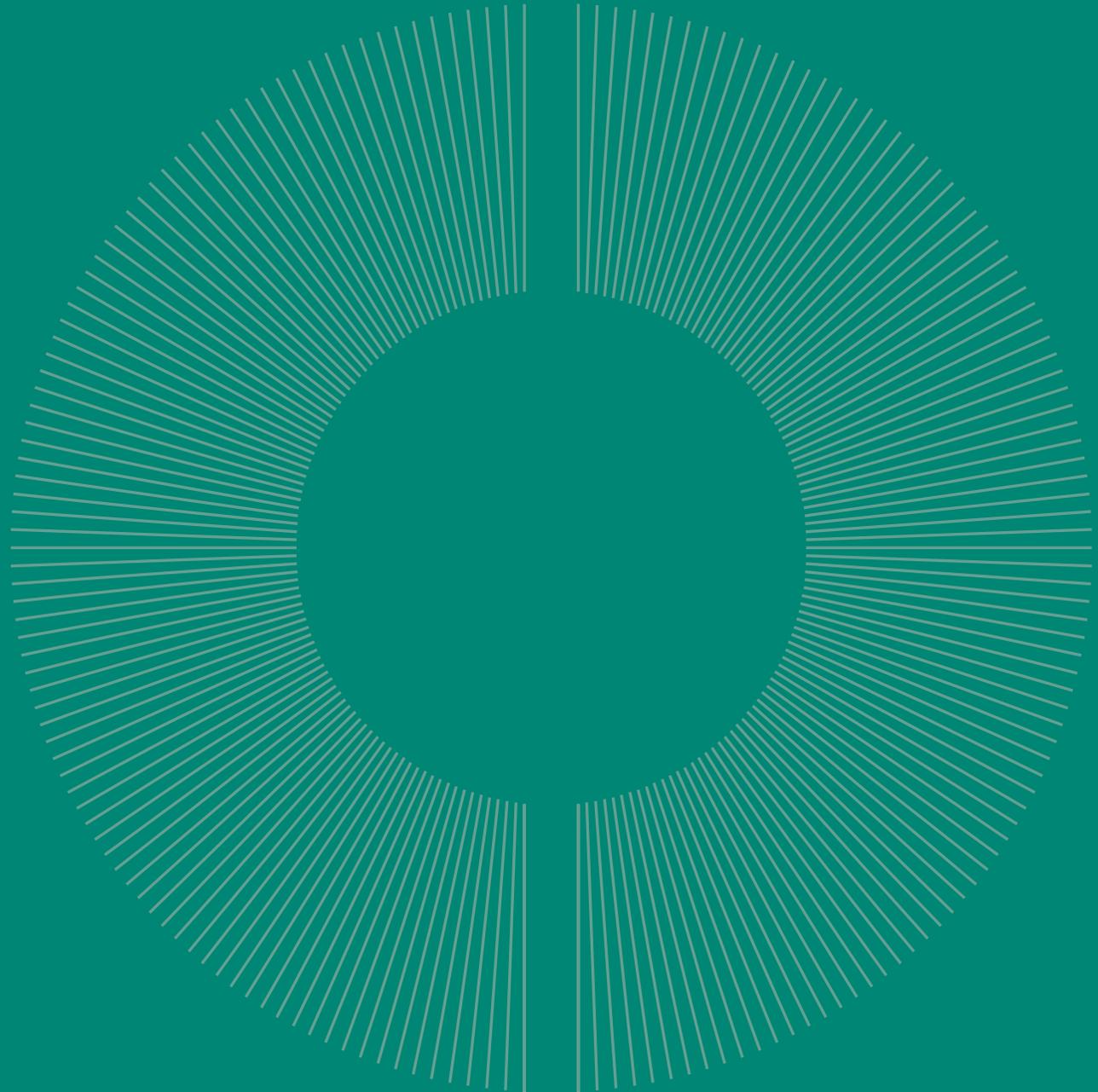
Schroders' ambition, as a founding signatory of the Net Zero Asset Managers Initiative, is to reach net zero emissions by 2050 or sooner across all assets under management.



2.

Schroders: The Importance of Climate Risk and Net Zero Carbon

Climate change, caused by anthropogenic sources of greenhouse gas ('GHG') emissions, is considered the biggest existential threat to humanity and climate disruption is being experienced around the world. We need to address the climate priority by reducing our emissions and transitioning to net zero.



2. Schroders: The Importance of Climate Risk and Net Zero Carbon

Schroders is a global asset manager and recognises the importance of climate change. We believe an active approach to understanding and managing climate risks and opportunities is fundamental to delivering resilient investment returns and supporting the transition to a low carbon society.



1 LONDON WALL PLACE
SCHRODERS' LONDON OFFICE

The 2015 Paris Agreement

In 2015, the Paris Agreement confirmed an international ambition to limit global warming to 1.5°C. The agreement effectively conferred two key conditions a limit on total allowable additional greenhouse gas emissions ('carbon budget') and net zero carbon by 2050. In response, UK and EU legislative commitments are evolving to support achievement of 'Paris Aligned' pathways – through significant greenhouse gas emissions reductions, with intermediate reduction targets, and net zero emissions by 2050. In 2020 the EU increased its interim greenhouse gas emissions reduction target to 55% by 2030, building on its overall commitment to net zero by 2050, and in recognition of the urgent action needed to address emissions.

The importance of net zero for investors

Schroders recognises the growing importance of net zero carbon to its global investor clients, illustrated by associations including the United Nations-convened Net-Zero Asset Owner Alliance, which represents c.£3.7 trillion in assets under management and the Institutional Investors Group on Climate Change representing c.£31.7 trillion in assets under management.

In December 2020 Schroders became a founding member of the Net Zero Asset Managers Initiative¹. The initiative commits us to working with asset owner clients, setting and regularly reviewing targets for assets aligned with and ultimately achieving the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.

Schroder Real Estate

Schroder Real Estate has £17.4 billion assets under management (at June 2020) in the UK, Europe and Asia² including commercial, hotel and residential assets on behalf of clients. Our activities range across the building life cycle and each activity has a carbon impact. We actively manage and seek to continually improve the sustainability credentials of our investments. We have been working to reduce energy consumption and greenhouse gas emissions of our landlord-controlled operations for over five years.

The Better Buildings Partnership Commitment

In 2019 Schroder Real Estate together with other members of the Better Buildings Partnership ('BBP') recognised the need to encourage the real estate industry to address its carbon impact: real estate is widely considered to be responsible for c.40% of global carbon emissions³. The BBP Climate Change Commitment⁴ (the "BBP Commitment") was drafted and in September 2019 alongside 23 other BBP Members Schroder Real Estate made the commitment to achieve Net Zero Carbon by 2050. The first stage of the BBP Commitment is to issue a Net Zero Carbon Pathway during 2020.

Schroder Real Estate's Net Zero Carbon Pathway

This document sets out Schroder Real Estate's intentions for its Net Zero Carbon Pathway. The pathway will evolve over time as Schroder Real Estate and the wider industry develops its understanding of how to address the carbon impact of real estate activities and as regulatory initiatives develop. It is widely expected that policy requirements will become more stringent and society will increasingly demand all market participants to actively demonstrate their carbon responsibility to support the delivery of a low carbon society.

¹ Details of the Net Zero Asset Managers Initiative can be found at <https://www.netzeroassetmanagers.org/>

² Schroders acquired a majority stake in Pamfleet, an Asian real estate investment manager in July 2020. Pamfleet has c.£750 million assets under management (at July 2020) and has been renamed Schroder Pamfleet. Schroder Real Estate's £17.4 billion assets under management at June 2020 does not include the Schroder Pamfleet assets under management.

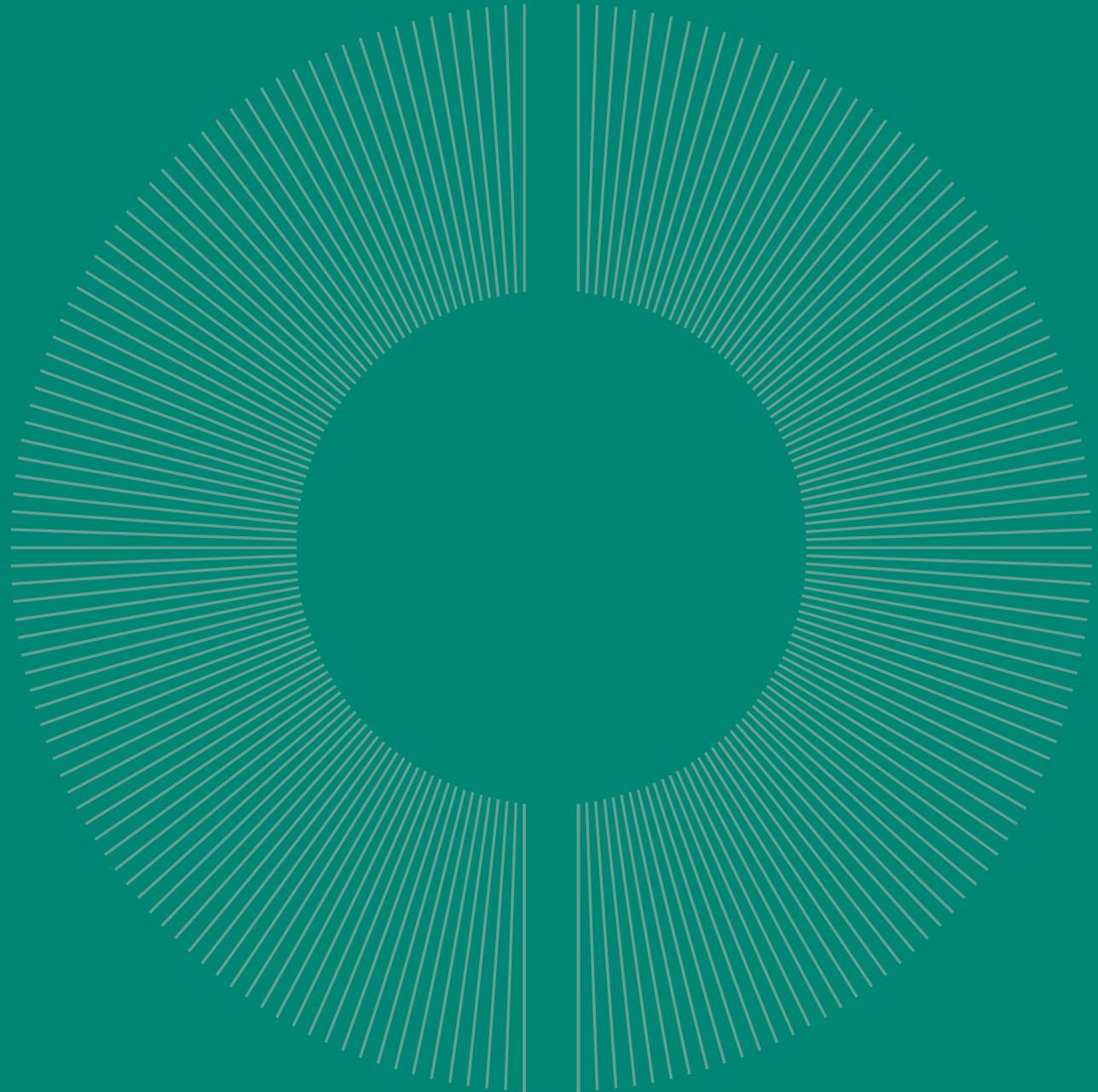
³ Real estate is widely reported to be responsible for a significant portion of global emissions: 40% is often cited, including by the International Energy Association.

⁴ Details of the BBP Climate Change Commitment including the commitment wording, signatories, the BBP Net Zero Carbon Framework guidance, and referred to as the BBP Commitment throughout this document, can be found at [BBP Climate Change Commitment | Better Buildings Partnership](#)

3.

Schroders' Sustainability Approach: Real Estate with Impact

Schroders' 'Real Estate with Impact' approach to sustainable investing, seeks to promote a fair, environmentally and socially conscious low-carbon transition that ultimately supports resilient and sustainable communities and economies.



3. Schroders' Sustainability Approach: Real Estate with Impact

We believe our responsibility to our clients includes protecting them from the impacts of financial and non-financial risks. Sustainable investment, integrating environmental, social and governance ('ESG') considerations, is embedded in our investment process and supports best practice investment management and investment returns over the long term.

Our 'Real Estate with Impact' approach goes beyond ESG because it seeks to proactively improve situations, and do good for society and the environment while delivering market leading risk-adjusted returns. For example, this may be achieved through supporting employment and education, the health and wellbeing of occupiers, and providing social care facilities. Understanding and improving our impact sits alongside and supports our priority to maximise returns for our clients in a manner consistent with our funds' risk profiles.

Schroder Real Estate's Pillars of Impact

Our approach is founded on four pillars of impact which we use to consider impacts for funds and assets. Our Pillars of Impact – People, Planet, Place and Prosperity – are referenced to the following UN Sustainable Development Goals¹: SDG 8 Decent Work and Economic Growth; SDG 11 Sustainable Cities and Communities; and SDG 13 Climate Action. These pillars recognise the contribution of the built environment and our responsibilities as real estate investors to society, the environment and economies.

Schroder Real Estate's sustainability programme involves actively addressing our energy and carbon responsibilities and we already have targets in place.

Our Net Zero Carbon Commitment and Pathway supports the increased emphasis for reducing emissions to achieve the goals of the 2015 Paris Agreement. Our commitment cements the significance of our Planet Pillar and requirements of SDG 13 Climate Action – Take urgent action to combat climate change and its impacts.



Schroder Real Estate's Sustainable Investment Policy, 'Real Estate with Impact', can be found via the following link. The Policy is considered annually, approved by the Investment Committees and applies to all real estate funds and mandates.
<https://www.schroders.com/en/uk/realestate/products--services/sustainability/>

People



Planet



Place



Prosperity



¹ In 2015, all United Nations member states recognised the range of issues we all face by adopting the UN Sustainable Development Goals ('SDGs') as part of the 2030 Agenda for Sustainable Development. These SDGs provide a common framework for public and private organisations to present the impacts of their activities and report on the outcomes they achieve.

3. Schroders' Sustainability Approach: Real Estate with Impact

The built environment's role is to support people in their everyday activities, providing workplaces, homes and amenities. The role of a responsible real estate investor is to provide good quality spaces that support both human wellbeing and are carbon conscious, contributing to the health of people, society and the planet.

We consider sustainability throughout the real estate life cycle

We consider a range of sustainability factors across the real estate investment life cycle, many of which directly relate to real estate's climate impact including energy, carbon, climate risk, materials, transport and biodiversity. Our primary responsibilities to support lower carbon emissions are to reduce energy demand and increase energy efficiency – the first two priorities of the energy hierarchy¹, and fundamental to a net zero carbon strategy.



¹ Find out more about the energy hierarchy at page 16.

3. Schroders' Sustainability Approach: Real Estate with Impact

Schroder Real Estate's Carbon Footprint at March 2020¹



40,000 tonnes carbon equivalent to 4,900 UK households carbon per year²



190 million kWh

Schroder Real Estate's current energy and carbon targets

Schroder Real Estate has strong foundations for a net zero carbon strategy with an active energy and carbon management programme for its directly invested assets in place since 2016. The programme includes energy and carbon reduction targets together with a target to procure 100% renewable electricity.³

Schroder Real Estate's energy and carbon targets expire in March 2021 allowing new targets to be set to support continuity of our approach and net zero carbon.

Progress to March 2020

Our progress to March 2020⁴ is highlighted below. The final results against our targets will be available Summer 2021.

- In the UK we can report a 25% reduction in energy intensity and 52% reduction in carbon intensity, against a 2015/16 baseline (targets: 18% energy and 32% carbon reduction);
- Germany is reporting a 3.6% reduction in energy intensity, against a 2017/18 baseline (target: 3% energy);

- Finland, Sweden are reporting a 1% increase in energy intensity, against a 2017/18 baseline (target: 7.5% energy reduction); and
- Switzerland is reporting a 1% increase in energy intensity, against a 2017/18 baseline (target: 5% energy reduction).

Our sustainability programme seeks to actively improve building consumption and efficiency. Reported reductions have resulted from energy saving initiatives including installation of energy efficient LED lighting, building management system optimisation and heating and ventilation equipment upgrades. Contributions to reductions in average portfolio energy and carbon intensity have also arisen from sales of assets with lower energy performance and purchases of more efficient buildings. Furthermore, in the UK a reduction in the carbon intensity of the national electricity grid has also contributed to our outcomes.

Since 2018 Schroder Real Estate has also had a target to procure 100% renewable electricity for landlord-controlled supplies by 2025. To March 2020, progress across countries ranged from 47-100% with further supplies in the process of transitioning to a renewable tariff.



DAMAZAN
FRANCE

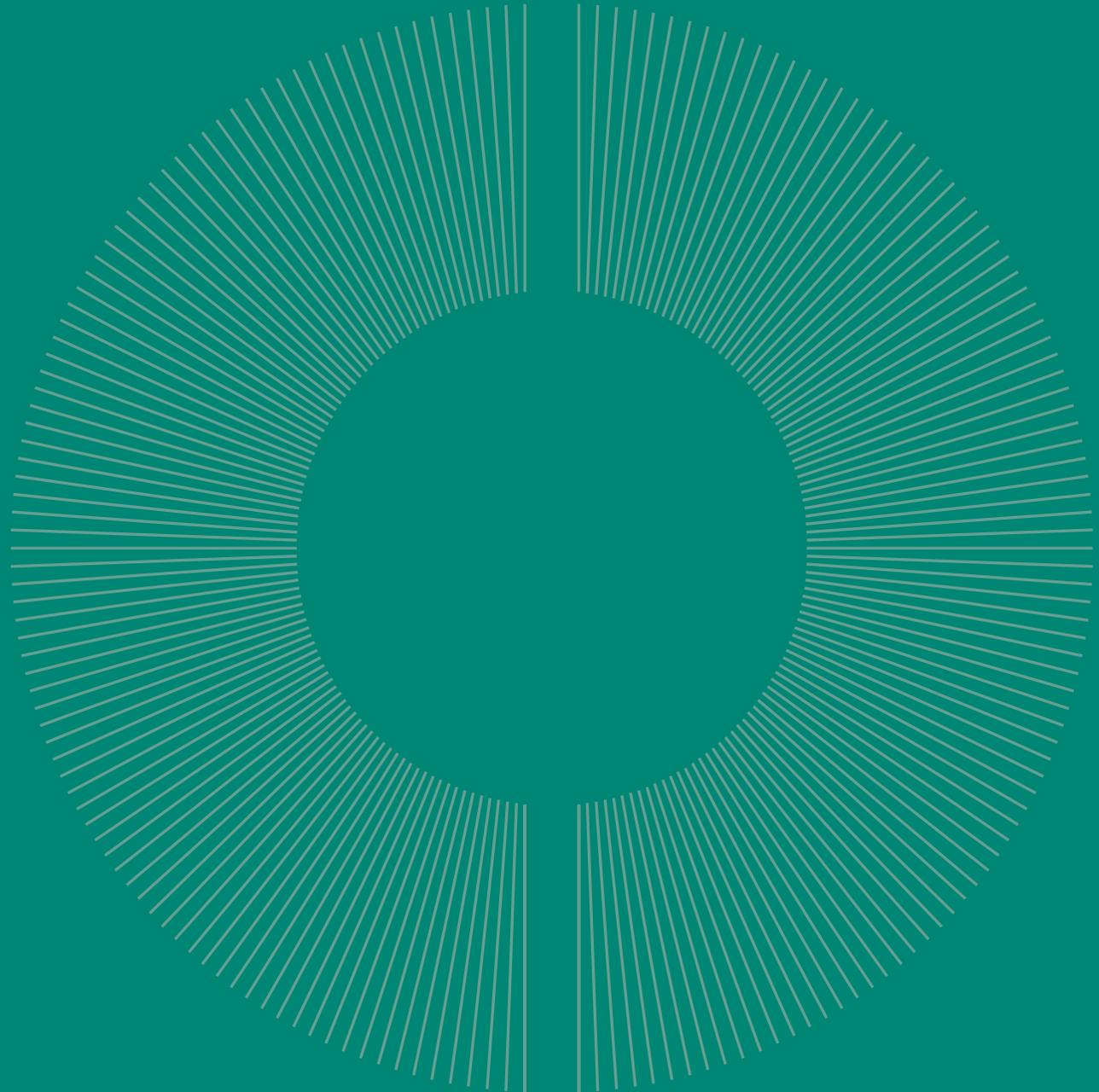
- 1 Schroder Real Estate's carbon footprint relates to landlord-controlled operational energy for our directly managed UK and European discretionary mandates excluding hotel and residential assets and applies for the 12 months to March 2020, the values are rounded for the purposes of this report.
- 2 Approximate figure generated using 2014 metric of 8.1 tonnes CO₂ per household taken from Committee on Climate Change document <https://www.theccc.org.uk/wp-content/uploads/2016/07/5CB-Infographic-FINAL-pdf>
- 3 These targets apply to landlord-controlled supplies for directly invested UK and European discretionary mandates excluding hotel and residential assets.
- 4 The targets apply to Schroder Real Estate's directly invested UK and European discretionary mandates excluding hotel and residential assets and for landlord controlled energy supplies only. These targets are based on building level energy (kWh/m²/year) and carbon (kgCO₂e/m²/year) intensity metrics, progress is measured as the change in average portfolio intensity since the baseline year and targets are set and tracked at the country level. Energy and carbon intensity are adjusted for changes in building occupancy and the impacts of weather, where appropriate. Carbon intensity is calculated using a 'location-based approach' (as defined in the Greenhouse Gas Protocol) and thus reflects changes in electricity grid carbon intensity.

4.

Net Zero Carbon: Definition and Schroder Real Estate's Carbon and Investment Boundaries

Net Zero Carbon Definition

Schroder Real Estate has adopted the BBP Net Zero Carbon Pathway Framework definition of net zero carbon.



4. Net Zero Carbon: Definition

Schroder Real Estate has adopted the BBP Net Zero Carbon Pathway Framework definition of Net Zero Carbon, which is described in its simplest form as:

“When the carbon emissions emitted as a result of all activities associated with the development, ownership and servicing of a building are zero or negative¹.”

The BBP Commitment recognises that net zero carbon should be addressed for both operational and embodied carbon.

Operational carbon definition

The carbon impact of energy used to operate a building. The BBP Commitment critically covers whole building performance and therefore includes landlord procured energy to service and maintain the space together with occupier-controlled activities and services.

Embodied carbon definition

The carbon impact concerned in extraction, manufacture, transportation and assembly of the materials and systems that make up a building. Embodied carbon is relevant for new construction and major renovation activities and also for refurbishment and fit-out works.

Overview of carbon emission sources across the real estate investment life cycle



There are a range of net zero carbon scope definitions across the real estate industry globally and these are being refined as organisations seek to agree the extent of impact and action required by the industry. The BBP Net Zero Carbon Pathway Framework which supports the Climate Change Commitment considers the life cycle stages from design and construction into operation of the building; it does not currently include end of life carbon due to the lack of industry consensus as to how it should be accounted for. As industry understanding improves and an agreed approach adopted, this position will be reviewed.

¹ Net Zero Carbon Pathway Framework, Supporting Signatories of the BBP Climate Change Commitment, BBP, October 2020.

4. Net Zero Carbon: Schroder Real Estate's Carbon Boundaries

Schroder Real Estate's Carbon Emission Boundaries set out the real estate investment activities which generate greenhouse gas emissions – referred to as carbon, included in our Net Zero Carbon Pathway.

Carbon Emission Boundaries

The BBP Commitment includes operational and embodied carbon. Schroder Real Estate believes this scope reflects our real estate investment management responsibilities and importantly the investment risk and opportunities presented by the global transition to a low carbon economy.

Schroder Real Estate's Carbon Emission Boundaries are set out in relation to real estate investment activities which generate greenhouse gas emissions in the table below.

Carbon responsibilities extend beyond landlord's direct control

Schroder Real Estate's carbon emission boundaries involve monitoring and managing sources of carbon beyond a landlord's direct control – particularly tenant-controlled energy consumption and embodied carbon. There are challenges with this because the industry has yet to establish consistently applied and accepted frameworks to collect necessary data to quantify these impacts.

The contribution of tenant activities is significant.

The real estate industry must work with occupiers, our customers, to improve collaboration and solutions to jointly support the ambition of improved whole building energy and carbon performance in operation together with customer enjoyment of their spaces. The BBP has established an Owner Occupier Forum to bring landlords and tenants and industry groups together. Schroder Real Estate believes in the importance of customer satisfaction and works closely with its tenants to achieve this.

Covid-19 has created global challenges but we have also seen positive changes to landlord and tenant relationships. Parties are working together to navigate the economic and health challenges of the pandemic and which have included conversations on building operations and sharing tenant energy data. Transparency of whole building energy consumption data between landlords and tenants will be a key factor in optimising whole building energy and carbon performance and ultimately achieving net zero carbon.

Schroder Real Estate's Carbon Emission Boundaries

Activities which generate carbon emissions for real estate investments (directly or indirectly)	Activities controlled and managed by landlords	Activities controlled and managed by occupiers	Corporate/ Head Office ³
Energy to operate buildings (electricity, fuels, heat networks)	✓	✓	•
Water to operate buildings	✓		•
Waste generated during operation	✓		•
Refrigerants (fugitive emissions)	✓		•
Purchase of goods and services (M&E and property management services) ¹	✓		•
Business travel (excluding that associated with development works)			•
New development works	✓		•
Refurbishment works	✓	✓	•
Fit-out works	✓	✓	•
End of life ²			•

For further explanation of the carbon scope included in our commitment and how these activities align to the Greenhouse Gas Protocol please refer to [Appendix 2](#).



BATTERSEA STUDIOS LONDON

- 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 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.
- Corporate emissions are not included within the scope as the focus of the BBP Commitment is on signatories' real estate investments and it is likely these emissions are not significantly material. Schroder Real Estate's corporate emissions are considered and managed by Schroders PLC. Schroders PLC has set the objective to run its corporate activities on a carbon neutral basis with effect from 1 January 2020.

4. Net Zero Carbon: Schroder Real Estate's Investment Boundary

Investment Boundary

Schroder Real Estate has £17.4 billion (as at 30 June 2020) of assets under management through a range of open-ended funds, listed REITs, specialist funds, joint ventures and separate accounts in the UK, Europe and Asia'. Schroder Real Estates' investment activities span the commercial real estate sectors of offices, retail and industrial together with alternative sectors such as hotels and residential.

Schroder Real Estate considers energy and carbon efficiency across its investment range and intends to apply its Net Zero Carbon Pathway approach to its assets under management as set out in the table.

Schroder Real Estate Mandates	Investment responsibilities	Net Zero Carbon Pathway approach
Direct Real Estate (mandates directly investing in real estate)	Discretionary mandates – UK and EU	Pathways to be developed for all mandates from 2021
	Discretionary mandates – Asia	To bring in scope 2021/22
	Joint ventures	We will seek to influence JV partners and/or third party managers through engagement
	Non-discretionary mandates	We will seek to influence clients through engagement
Capital Partners (mandates indirectly investing in real estate for separate accounts)	Partnership funds ²	Schroders to require Net Zero Carbon pathways from third party property advisers from 2021
	Indirectly invested funds	Will seek to influence third party managers through engagement

Direct investments

Direct investments, where Schroder Real Estate has a high level of operational control and where there is already an energy management programme in place, will be prioritised for net zero carbon delivery strategy assessment.

Net zero carbon pathways may vary

Net zero carbon pathways may therefore vary for direct, non-discretionary and indirectly invested mandates. Pathways may also vary reflecting differing levels of landlord operational control, sector, local market conditions, regulations and investor aims and objectives.

Indirect investments and non-discretionary mandates

Schroder Real Estate's approach to non-discretionary mandates and indirect investments, which includes joint ventures and third party invested funds, where we may not have operational control of the assets, may initially be limited to influencing investment partners and investors through engagement and collaboration to work on decarbonisation goals.



APELDOORN
NETHERLANDS

1 Schroders acquired a majority stake in Pamfleet, an Asian real estate investment manager in July 2020. Pamfleet has c.£750 million assets under management (at July 2020) and has been renamed Schroder Pamfleet. Schroder Real Estate's £17.4 billion assets under management at June 2020 does not include the Schroder Pamfleet assets under management.

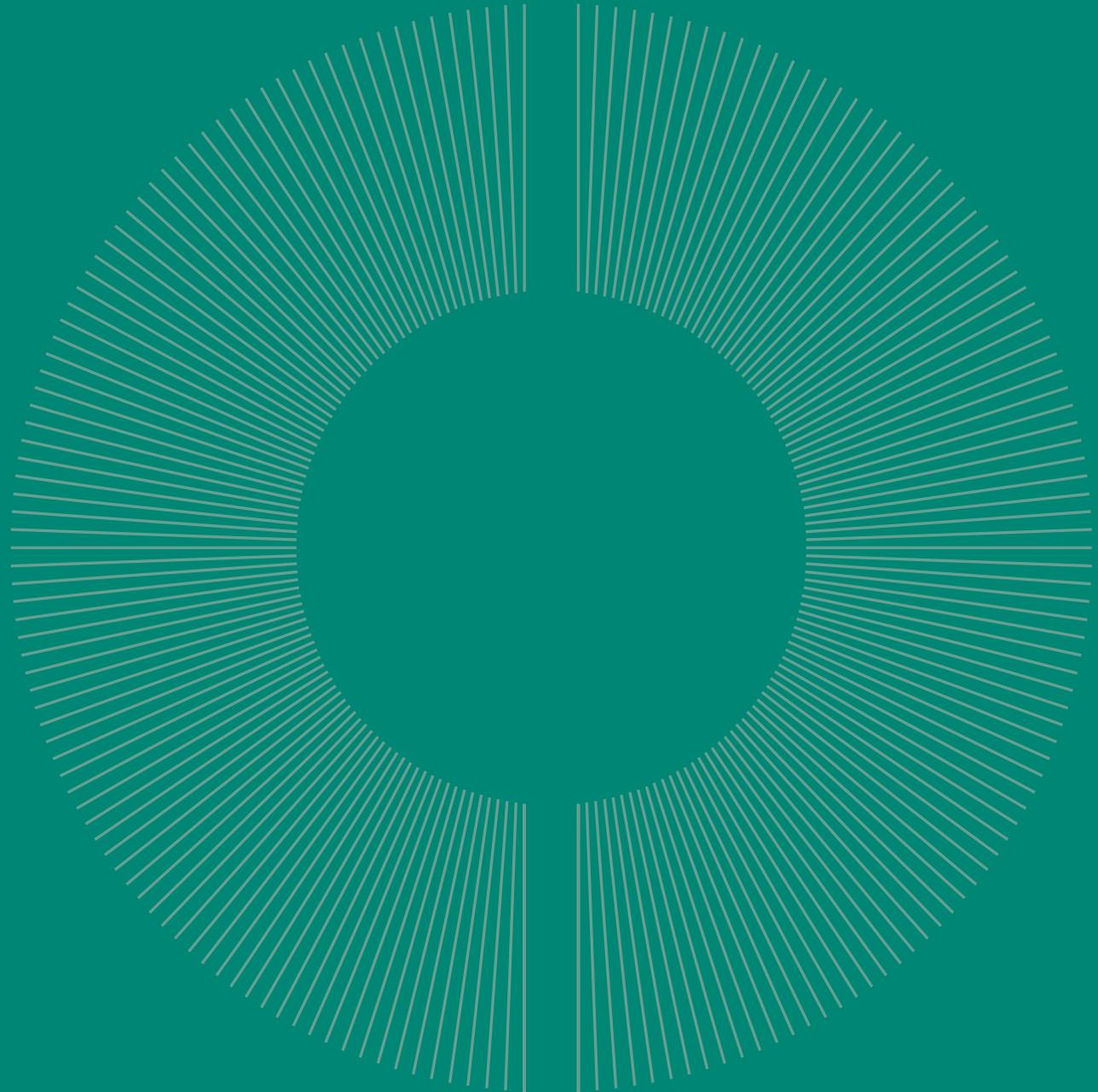
2 Schroder Real Estate manages a number of sector specialist funds – its Partnership Funds, principally for its indirectly investing separate account clients. These funds are advised by third party property adviser specialists for each strategy.

5.

Transitioning to Net Zero Carbon

Schroder Real Estate's Net Zero 2050 and Interim Targets

Schroder Real Estate's current energy and carbon targets end in March 2021. During 2021 we will begin to set new targets for assets and portfolios in the context of our Net Zero Commitment. Our pathways to net zero carbon will include interim milestones expected to be for 2025 and 2030.



5. Transitioning to Net Zero Carbon

Schroder Real Estate will set interim milestones. These will help bring assets in line with the level of carbon reduction required to align with the Paris Agreement ambition to limit global warming to 1.5°C and achieve net zero carbon by 2050.

Net Zero Carbon is achieved through applying the principles of the energy hierarchy, as outlined in section 6, to reduce energy demand, increase energy efficiency, include renewable energy sources, and finally offset remaining carbon.



Schroder Real Estate's interim milestones

Schroder Real Estate's interim milestones will be established with consideration of appropriate and relevant contributions from each of the energy hierarchy principles for assets across portfolios.

Asset-level energy and carbon targets will be set by baselining current performance against short and medium-term Paris-aligned carbon benchmarks, reviewing these in the context of the investment strategy and policy requirements, and conducting net zero audits where appropriate, before defining asset-specific net zero carbon pathways and developing improvement plans.

Portfolio-level targets will be based on aggregated asset trajectories balanced across the portfolio to optimise portfolio target potential and needs whilst ensuring net zero pathways are credible and can be effectively implemented.

Carbon Risk Real Estate Monitor

To support our pathway analysis Schroder Real Estate will use the Carbon Risk Real Estate Monitor ('CRREM') which establishes carbon benchmarks specific to geographies and building-types, based on their anticipated decarbonisation potential. CRREM benchmarks are aligned with the Paris Agreement ambition and are science based. They recognise UK and EU commitments and therefore offer a level of future-proofing against emerging legislation and market expectation on energy and emissions performance. CRREM benchmarks enable asset level net zero pathways to be developed using country and sector specific benchmarks.

1 CRREM is an EU funded project to support the understanding of decarbonisation pathways for Real Estate: "CRREM will provide the industry with appropriate science-based carbon reduction pathways at building, portfolio and company level and with financial risk assessment tools to cost-effectively manage carbon mitigation strategies." <https://www.crrem.eu/>

2 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN>

Considerations for setting milestones

Schroder Real Estate recognises there are wide ranging considerations to be explored in setting interim milestones to reduce emissions for our portfolios including:

Fiduciary duty: How to secure resilient and sustainable investment returns whilst managing the emerging risks, requirements and opportunities presented by the low carbon economy? What is the financial cost of early action – will new technologies emerge that reduce the cost of achieving net zero carbon and on what time horizons?

Regulations: What is the regulatory landscape for net zero carbon across our geographies and what should be the appropriate response – will regulations focus on energy reduction, energy efficiency, carbon, onsite renewables and/or carbon offsetting?

Energy efficiency: How much improvement in energy efficiency must be achieved before renewables and/or carbon offsets can be used to 'net off' any remaining emissions and claim 'net zero carbon'?

Renewables: Schroder Real Estate is already working towards the ambition for 100% green tariff electricity, what is the potential for green energy, to what extent can onsite renewable generation installations be achieved and is there potential for offsite generation investment e.g. power purchase agreements?

Carbon offsets: Are today's carbon emission offsets sufficiently robust to play a significant role in achieving net zero carbon? If not today, when will they be ready? Should they be used in the short term and for how long?

Standards: Will certification schemes emerge to validate claims of net zero carbon buildings and portfolios? How may these vary across geographies?

Investors: What do investors require, how does real estate carbon action support their real estate and wider net zero carbon portfolio ambitions? What will be the reaction from investors who have not set carbon ambitions? What disclosures are required to investors by regulations including the EU Sustainable Financial Disclosure Regulations?²

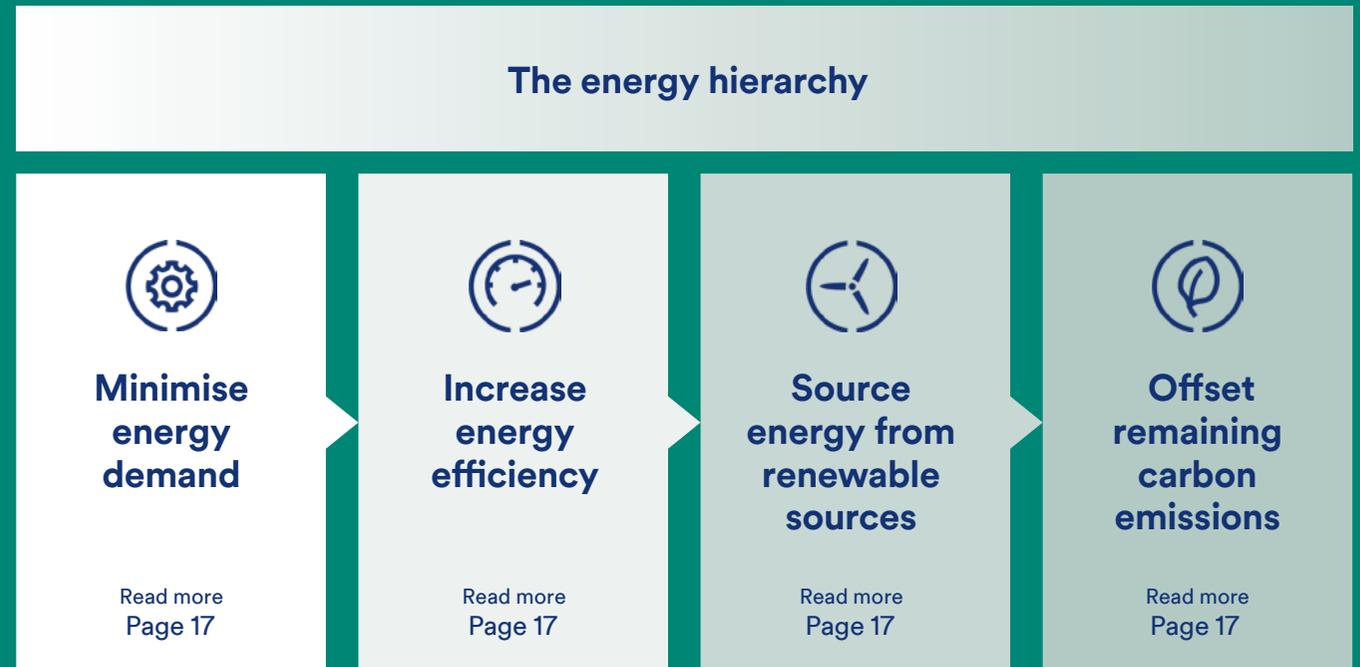
Impact: How can carbon action support broader positive environmental and social impact for portfolios and their stakeholders? What is the environmental and social benefit of early action?

6.

Reducing Carbon Through the Real Estate Life Cycle

We take a whole life approach - considering both operational and embodied carbon – through the real estate investment life cycle.

The energy hierarchy forms the foundation of a good practice net zero carbon strategy and its principles should be applied in order of priority.



6. Reducing Carbon Through the Real Estate Life Cycle

Schroder Real Estate will apply the principles of the energy hierarchy to real estate investment life cycle stages and include the actions described in the following pages.



Minimise energy demand and increase energy efficiency

Minimising energy demand and increasing energy efficiency are the first two principles of the energy hierarchy. They support reduction in the amount of energy required by all users, a key requirement to achieving the goals of the Paris Agreement. For real estate owners, minimising demand and increasing efficiency present an opportunity to reduce operating costs, deliver more efficient spaces to tenants and the market, and future-proof buildings to increasingly stringent building energy regulations.

To date our sustainability programme has seen a range of initiatives implemented to reduce energy demand and increase energy efficiency for assets. These initiatives include installation of energy efficient LED lighting, smart meters, building management system optimisation, voltage optimisation and heating and ventilation equipment upgrades.

Energy regulation in place¹

- **UK** – The UK Minimum Energy Efficiency Standards Regulations (MEES)² currently require a minimum Energy Performance Certificate E rating for new commercial space leases; this minimum rating applies to all leases from 2023. Consultation is ongoing to increase the minimum to a B rating before 2030.
- **Netherlands** – Energy label obligations³ require offices to have a minimum C energy rating as of 1 January 2023 and an A energy rating as of 2030.
- **France** – The Décret Tertiaire⁴ introduces a framework for energy reduction requirements for commercial buildings over 1,000 sq m of 40% by 2030, 50% by 2040 and 60% by 2050.



Source energy from renewable sources

For most buildings energy efficiency improvements on their own will be insufficient for them to progress towards net zero carbon. Therefore sourcing energy from renewables sources will be required and there are a number of routes to achieve this.

Onsite renewables such as solar photovoltaics can offer real estate investors improved energy supply, price security, enhance tenant relations and with potential for additional income.

Offsite renewables for example procured through Power Purchase Agreements ('PPAs') present an opportunity where onsite renewables may not be feasible. PPAs directly support new energy generation and therefore satisfy the 'additionality test' – supporting generation which would otherwise have not existed without such investment.

Procuring renewable electricity through 'green tariffs' should be an objective for any business and real estate owners. Some consider that green tariffs do not directly support increases in renewable energy provision and this option can therefore fail the 'additionality' test. However it is an important first step and reliance can be reduced over time as onsite and offsite solutions are implemented.

Schroder Real Estate will explore the potential for onsite renewables with technical feasibility assessments key to understanding potential for countries and assets. We will investigate the possibility of investing in offsite generation through PPAs. We will continue progress towards our target for procuring 100% landlord-controlled electricity on green tariffs. We will also monitor the potential for procuring 'green gas', which though theoretically carbon neutral may involve controversial land use choices.



Offset remaining carbon emissions

Schroder Real Estate recognises the important role carbon offsetting can play in support of Paris Aligned decarbonisation pathways and in the transition to net zero.

In the short to medium term we recognise that offsetting is a useful tool to reduce carbon emissions that have not been removed through reducing demand, increasing energy efficiency and the use of renewables.

Carbon offsetting will also have a role to play in the long-term, to support net zero carbon across industries, however our intentions are to concentrate our efforts in line with the energy hierarchy.

Our approach to carbon offsetting will make use of the best available industry guidance (e.g. The Oxford Principles for Net Zero Aligned Carbon Offsetting) and any offsets used must be verifiable and appropriately accounted and reported.

1 EU and national legislation is in place to support the low carbon transition including these examples.
 2 The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 establishes a minimum level of energy efficiency for privately rented property in England and Wales.
 3 Besluit inhoudende wijziging van het Bouwbesluit 2012, dated November 2, 2018.
 4 Decree No 2019-771 of 23 July 2019 lays down requirements for tertiary buildings to reduce their final energy consumption by at least 40% by 2030, 50% by 2040 and 60% by 2050 as compared to 2010, under Article 175 of Law No 2018-1021 of 23 November 2018 on the development of housing, planning and the digital environment.

6. Reducing Carbon Through the Real Estate Life Cycle

Schroder Real Estate's investment process integrates sustainability through the investment life cycle. Our Net Zero pathway will see enhancements to our process reinforcing the importance of the energy hierarchy and consideration of both energy and carbon.



BUILDING 2, RUSKIN SQUARE
CROYDON

Schroder Real Estate's investment process

Acquisitions and investments

Our approach to acquisitions and investments starts with our **Impact and Sustainability Action Plans**. These plans are used to support acquisitions and asset management capturing asset strategy intentions.

Active management is important to improving operational energy consumption and efficiency. We work closely with our third party property managers to support understanding of building level consumption profiles and opportunities for improvement. Our **Sustainability Requirements for Property Managers** sets out how sustainability is to be supported within property management services and includes annual and bi-annual key performance indicators.

To understand emissions reductions we will baseline asset energy and carbon performance. We will refer to 'forward-looking' Paris Aligned energy reduction benchmarks and decarbonisation pathways and the Carbon Risk Real Estate Monitor (CRREM) will be a key tool to support our analysis.

Once we have baselined current building performance we will discuss the potential for initiatives to address energy and carbon performance. In-depth energy and net zero audits and specialist technical advice may be required to support buildings to inform maintenance and refurbishment initiatives.

We will determine short and medium term asset and portfolio level energy and carbon intensity targets supporting our interim milestones. We will continue our regular monitoring to track progress for assets and portfolios towards Paris Alignment and Net Zero Carbon and report progress for mandates in annual sustainability reports.

Developments and refurbishments

Development and refurbishment activities present a significant opportunity to integrate emissions reduction ambitions into each asset's life cycle. Development and refurbishment also present the opportunity to realise

co-benefits of emissions reductions – reduced operating costs, delivery of more efficient and healthier spaces to tenants and the market, future proofing buildings to increasingly stringent energy efficiency regulations.

Our Sustainability Requirements for

Developments and Refurbishment will be used to steer all development and refurbishment activities towards Paris Alignment. Intended for use by asset managers, design teams and advisers, this document prescribes energy hierarchy aligned assessments, including:

- Paris Aligned operational carbon performance target;
- Paris Aligned operational energy performance target;
- Minimum energy performance certificate standards;
- Onsite renewables feasibility assessment;
- Whole life carbon assessment; and
- Replacement of fossil fuel based heating and hot water with energy efficient electric systems, where appropriate.

Design for Performance

Developments and refurbishments however present challenges for energy and carbon efficiency. The performance gap between design intent and operation in use is widely recognised by the real estate industry. In the UK the Design for Performance initiative led by the BBP has sought solutions for UK offices. This work culminated in the launch of NABERS UK¹ in October 2020. This certification scheme for new UK office developments applies the principles of Australian NABERS which since launch in 1999 has improved the energy intensity of landlord services by 36%. Schroder Real Estate has already begun to apply the NABERS UK Design for Performance to its projects: our scheme at 2 Ruskin Square, Croydon, UK is a pioneer project of this initiative.

¹ NABERS UK is an energy efficiency rating system for UK office buildings. It provides a rating from one to six stars. NABERS Energy Ratings unlike design-based energy ratings, measures and rates the actual energy use of offices. NABERS UK includes NABERS Design for Performance a process whereby a developer or owner commits to design, build and commission a new office development or major refurbishment to achieve a specific NABERS Energy Rating. For more information please refer to <https://www.nabers.gov.au/about/nabers-international/uk>

Working with tenants

Successful landlord-tenant collaboration will be critical to Schroder Real Estate's emissions reduction ambition which relates to whole building consumption covering both landlord and tenant controlled consumption. Landlords and tenants need to work together to share building performance data to better understand buildings, supporting operational and technological efficiency improvements and to manage split incentives - conflicts between who spends and saves from improvement initiatives.

Greater landlord-tenant collaboration presents a wider opportunity for landlords to enhance overall tenant relations, supporting tenants in their sustainability ambitions and realise health and wellbeing co-benefits. For example, smarter, more efficient, better run buildings can improve indoor environmental quality, tenant wellbeing and comfort and attract and retain employees.

Schroder Real Estate seeks regular and ongoing engagement with tenants and requires investment and property managers include sustainability in their tenant engagement. We have a number of guides to support our tenants including a **Sustainability Guide for Occupiers** and a **Sustainability Guide for Tenant Fit Out**.

We have green lease clauses across our portfolios and will review these to ensure they adequately address the landlord and tenant opportunity, for example in relation to data sharing, collaboration, energy performance and cost-recovery clauses. Green leases can also support implementation of onsite renewables, for example through clauses relating to roof access and maintenance for roof top solar photovoltaics.

Technological interventions such as smart metering, data management software systems and real time sustainability performance dashboards also support the potential for improved sharing of data and landlord and tenant engagement.

6. Reducing Carbon Through the Real Estate Life Cycle

Schroder Real Estate recognises embodied carbon is relevant for new construction and major renovation activities and also for refurbishment and fit-out works.

Further the carbon emissions associated with our indirect investments will be addressed through engagement with managers of externally managed funds and joint venture partners.

Embodied carbon

Embodied carbon relates to the carbon associated with extraction, manufacture, transportation and assembly of the materials and systems that make up a building.

To manage the embodied carbon emissions of our activities Schroder Real Estate will seek to minimise embodied carbon through materials selection and construction methods, seeking to reuse and recycle where possible and therefore look to prioritise buildings for refurbishment and renovation rather than demolition and redevelopment.

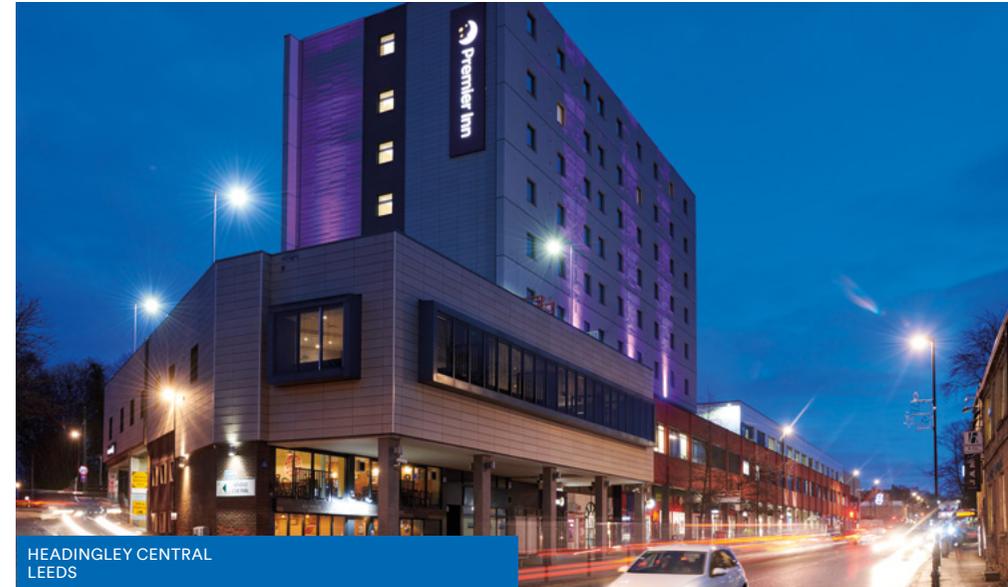
Embodied carbon footprint analysis will be required for developments and major refurbishments together with performance targets set in line with best practice industry benchmarks.

We are conscious of the potential for unintended consequences for example design and construction decisions which may lead to overall increases in building lifetime emissions, and will extend assessments to consider 'whole life carbon', for some projects where appropriate.

Installation of renewables will be a required consideration for all projects to mitigate embodied carbon over an asset's lifetime.

An internal carbon price (£ or €/tCO₂e) will be considered as a means to motivate embodied carbon mitigation during design. We may use carbon offsets where deemed appropriate.

In line with the BBP Commitment, we will also develop a strategy to assess and manage embodied emissions associated with fit out, including those carried out by tenants, and mechanical and electrical ('M&E') maintenance and property management activities.



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Indirect investments

Real estate capital partners and joint ventures
Schroder Real Estate monitors environmental, social and governance credentials for externally managed funds and is developing its approach to presenting energy and carbon profiles for investments and reporting to clients. We will seek engagement with managers of externally managed funds and joint venture partners to encourage their approach to net zero carbon pathways. The ambition is to determine and seek to increase the extent of Paris Alignment for assets and portfolios recognising the frameworks being developed for investors including the recommendations of the Institutional Investors Group on Climate Change and the requirements of the Net Zero Asset Managers Initiative. This approach will also be applied to non-discretionary clients.

The Net Zero Asset Managers Initiative commits Schroders to:

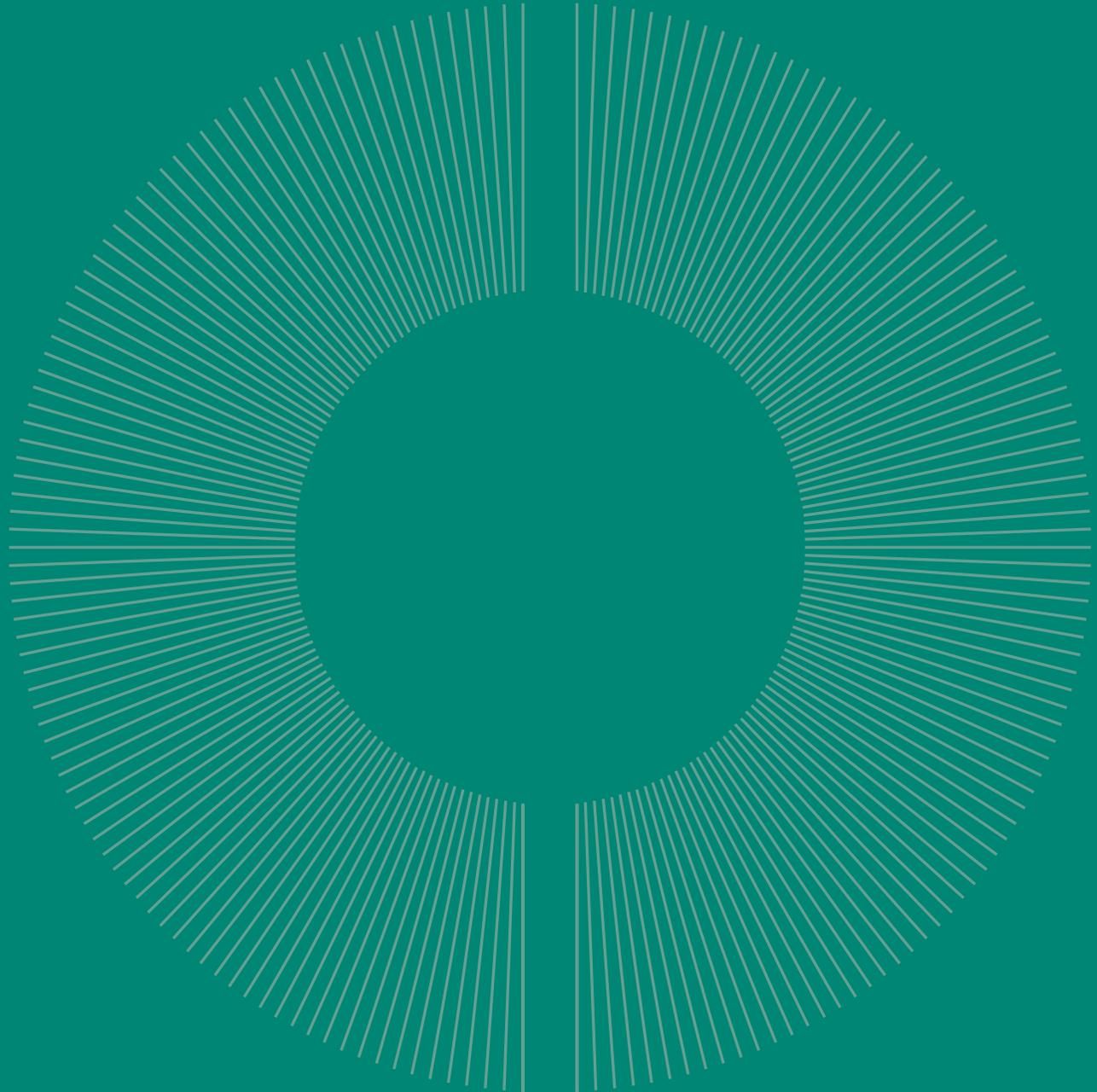
- Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM');
- Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner; and
- Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.

7.

Governance and Regulation

Schroder Real Estate will integrate the requirements of EU and national legislation in relation to investment in the built environment as we develop and manage our Net Zero Carbon Pathways.

The regulatory landscape is developing to support the transition to a low carbon economy, to ensure that material risks related to climate change and sustainable activities are understood and responsibly managed, with transparency provided to stakeholders.



7. Governance and Regulation

Schroder Real Estate's Net Zero Carbon Pathway will integrate the Task Force on Climate-related Financial Disclosures recommendations and the EU Sustainable Finance rules: evolving our sustainable investment framework.

Schroder Real Estate's Investment Committees

Schroder Real Estate's sustainability framework is supported by an Environmental Management System aligned to the international standard ISO 14001¹. This framework requires Schroder Real Estate review its Sustainability Policy, objectives and progress for its investment management approach and for each mandate at the level of its Investment Committees annually. Schroder Real Estate has three investment committees responsible for Direct Real Estate, Hotels and Real Estate Capital Partners.

Progress with the implementation of the Schroder Real Estate Net Zero Carbon Pathway including reviewing and approving targets will be overseen by the Schroder Investment Committees in consideration of their portfolio responsibilities at least annually.

Climate Risk and the Task Force on Climate-related Financial Disclosures ('TCFD')

Schroder Real Estate recognises the importance of understanding climate related risk, including both net zero carbon transition and physical climate risk, to support resilient investments for the longer term.

Schroder Real Estate is working to integrate the Task Force on Climate-related Financial Disclosures recommendations and we have reviewed our current policies and practices against the criteria and are developing our roadmap.

Developing credible net zero pathways through integration into our investment process is a key element of understanding and managing the risks from the net zero carbon transition. Our approach and framework for net zero pathways closely aligns with TCFD recommendations by making forward-looking assessments of risks and opportunities in a 1.5°C aligned decarbonisation scenario. In assessing the potential impacts to fund risk / return profiles we can ensure appropriate net zero carbon pathways are developed to reduce transition risk while seeking to preserve and enhance asset value.

In line with the BBP Commitment, net zero carbon pathways will contribute to the development of TCFD aligned disclosure, including the metrics and targets

outlined in this document to demonstrate our progress in managing the transition to net zero carbon. Schroder Real Estate has begun to include TCFD disclosures for fund report and accounts issued in 2020.

TCFD aims to mainstream reporting on climate-related risks and opportunities in organisations' annual financial filings. The TCFD framework is applicable to all sectors globally and is a voluntary framework, however it is anticipated the framework may become mandatory. The UK Financial Conduct Authority confirmed in November 2020 that TCFD would become mandatory for premium listed companies in the UK from 1 January 2021 with the aim for it to apply for asset managers, life insurers and pension providers from 2022.

EU Sustainable Finance Disclosure Regulation and Sustainable Finance Taxonomy

In developing and framing net zero pathways for our portfolios, Schroder Real Estate will consider the requirements of the EU Sustainable Finance Disclosure Regulation ('SFDR') and the Sustainable Finance Taxonomy². The SFDR brings in new disclosure requirements on the extent to which financial products are contributing to environmental and social objectives, whether investment decisions are meeting criteria and thresholds for sustainable economic activity and how these factors, as well associated risks, are integrated into investment decision making to support improved clarity on product integrity and counter 'greenwashing'. These regulations are still in the process of being finalised by the EU, notwithstanding this the first relevant compliance date is for disclosure requirements which apply from 10 March 2021. Schroders is working to comply with the Disclosure Regulations to the extent they apply to its activities.

We expect the development and reporting of net zero pathways in the course of complying with these emerging requirements under these regulations will provide investors with transparency and confidence on how Schroder Real Estate's net zero carbon pathways are aligning with the ambitions of the Paris Agreement and contributing to the net zero transition through sustainable investment decisions.

¹ ISO 14001 sets out the criteria for an environmental management system and can be certified to. It maps out a framework that a company or organization can follow to set up an effective environmental management system <https://www.iso.org/iso-14001-environmental-management.html>

² SFDR (Regulation (EU) 2019/2088): <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN>; Taxonomy (Regulation (EU) 2020/852): <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

Appendix 1 Schroder Real Estate's Net Zero Carbon Pathway Delivery Strategy

Direct investments

Schroder Real Estate initial intentions for our net zero carbon pathway delivery strategy are set out in this appendix.¹

Our approach is aligned with the requirements of the BBP Commitment Net Zero Pathway Framework.

Activity	Initial delivery / management strategy	Initial reporting metrics
MINIMISE ENERGY DEMAND & INCREASE ENERGY EFFICIENCY		
Acquisitions & operational assets	<ul style="list-style-type: none"> Develop desk-based baselines of asset performance against forward-looking Paris Aligned carbon and energy intensity benchmarks (through use of CRREM tool). Complete site-based technical energy efficiency audits and use to inform development of detailed asset improvement plans. Consider national and local regulatory requirements and incentives. Feed improvement plans into asset underwriting analyses and ongoing business planning, supported by Impact and Sustainability Action Plans (ISAPs). Aggregate asset-specific targets into portfolio-level targets that can be used to track and report overall portfolio progress. Assess impact of new acquisitions on portfolio-level Paris Alignment carbon targets. Develop asset and portfolio-level water and waste performance targets. 	<ul style="list-style-type: none"> kWh/m²/year kg CO₂e/m²/year m³/m²/year Tonnes waste produced/year % waste recycled/year % assets under management Paris Aligned Total investment in climate solutions (energy saving measures and renewables)
Tenants	<ul style="list-style-type: none"> Enhance landlord-tenant collaboration in order to enable performance data sharing, make operational and technological efficiency improvements and manage split incentives. Increase depth and extent of green lease clauses (e.g. data sharing, collaboration, cost recovery). Leverage softer methods of tenant engagement (e.g. meetings, guidance, training). Use technological interventions such as smart metering, integration of data management software systems and sustainability performance dashboards to enable data sharing and engagement. 	<ul style="list-style-type: none"> % occupied tenant space with green leases clauses (by floor area) % occupied tenant space where regularly receive energy/water/waste data (by floor area) % portfolio where property managers provide feedback on sustainability/energy performance (by floor area)
Developments & Refurbishments	<ul style="list-style-type: none"> Apply Schroders Sustainability Requirements for Developments and Refurbishments on minor, moderate and major projects. Achieve prescribed minimum EPC ratings or local equivalents on minor, moderate and major projects (e.g. new developments: EPC A (most sectors) or EPC B (retail)). Set Paris Aligned operational carbon and energy intensity targets on moderate and major projects. Conduct post-occupancy evaluation of in-use energy and water performance on major projects. Assess 'whole life carbon' (e.g. consider trade-offs between embodied carbon and maintenance, replacements and operational carbon) on major projects. Replace fossil fuel heating equipment and building services with energy efficient electric systems (e.g. heat pump), where appropriate. Minimise water demand in line with best practice industry benchmarks and provide dedicated space for optimal waste/recycling segregation and storage on minor, moderate and major projects. Comply with nearly zero energy building (NZEB) standards as they emerge in individual member states (EU). Apply the NABERS UK Design for Performance process on major office development projects (UK). 	<ul style="list-style-type: none"> EPC rating kgCO₂e/m²/year modelled during design kWh/m²/year modelled during design kgCO₂e/m²/year achieved during early operation kWh/m²/year achieved during early operation m³/m²/year modelled during design m³/m²/year achieved during early operation Tonnes waste produced/year during early operation % waste recycled/year during early operation NABERS UK Energy rating

¹ This appendix sets out Schroder Real Estate's initial intentions for delivery of our net zero carbon strategy, the principles may not be applied to every asset and may be subject to change.

Appendix 1 Schroder Real Estate's Net Zero Carbon Pathway Delivery Strategy

Activity	Initial delivery / management strategy	Initial reporting metrics
MINIMISE ENERGY DEMAND & INCREASE ENERGY EFFICIENCY		
Measurement & monitoring strategy	<ul style="list-style-type: none"> Continue to monitor landlord-controlled utility consumption on at least a quarterly basis (energy, water, waste). Increase coverage of smart meters on main utility meters (electricity, gas, district heating, water). Increase automation of data collection, integrating data management software systems where possible to speed up data sharing and improve data quality. 	<ul style="list-style-type: none"> kWh electricity, gas, oil, district heating/cooling m³ water Tonnes waste, disposal routes % portfolio with electricity / gas / district heating / cooling / water smart meters
SOURCE ENERGY FROM RENEWABLE SOURCES		
Acquisitions & operational assets	<ul style="list-style-type: none"> Conduct detailed onsite renewables feasibility analysis at appropriate sites and as a fundamental component of site-based technical energy efficiency audits. Explore the potential to transition to offsite 'additional' renewable electricity supplies through PPAs. Continue to progress target of 100% landlord-controlled electricity on 'green tariffs'. Monitor the potential for procuring 'green gas'. 	<ul style="list-style-type: none"> kWh onsite renewable energy generated % kWh landlord-procured electricity from offsite renewables % kWh landlord-procured electricity from green tariff
Tenants	<ul style="list-style-type: none"> Engage with tenants as part of onsite renewables feasibility analyses. Encourage uptake of offsite renewables and/or green tariff electricity. 	<ul style="list-style-type: none"> % kWh tenant-procured electricity from offsite renewables and/or green tariff
Developments & Refurbishments	<ul style="list-style-type: none"> Install onsite renewables (e.g. solar PV) on all major development and refurbishment projects. Conduct onsite renewables feasibility assessment on all minor, moderate and major refurbishment projects. 	<ul style="list-style-type: none"> kWh onsite renewable energy generated
OFFSET REMAINING CARBON EMISSIONS		
All	<ul style="list-style-type: none"> Purchase only reputable, robust, independently verified offsets that align with best practice industry guidance. Reduce use of offsets to zero over appropriate time frame. 	<ul style="list-style-type: none"> tCO₂e offset £ or € / tCO₂e unit cost per offset
EMBODIED CARBON		
Operational assets & tenants	<ul style="list-style-type: none"> Develop a strategy to assess and manage embodied emissions associated with fit out, including those conducted by tenants, and mechanical and electrical (M&E) maintenance and property management activities. 	<ul style="list-style-type: none"> kg CO₂e / m² GIA
Developments & Refurbishments	<ul style="list-style-type: none"> Seek to prioritise buildings for refurbishment and renovation rather than demolition and redevelopment, wherever possible and appropriate. Seek to minimise embodied carbon through materials selection, seeking to reuse and recycle where possible, on all minor, moderate and major projects. Conduct whole life / embodied carbon assessment and set embodied carbon target in line with best practice industry benchmarks on all major projects. Consider use of an internal carbon price (£ or € / tCO₂e) as a means motivate embodied carbon mitigation during design. 	<ul style="list-style-type: none"> kg CO₂e / m² GIA £ or € / tCO₂e
THIRD-PARTY VERIFICATION; INDUSTRY STANDARDS & CERTIFICATION		
All	<ul style="list-style-type: none"> Continue to obtain third-party assurance of sustainability data in line with independent assurance process (i.e. AA1000AS). Obtain third-party certification to validate net zero carbon or related energy/carbon efficiency claims (e.g. EPC, Display Energy Certificates, BREEAM, NABERS UK Certification). 	<ul style="list-style-type: none"> % data assured % portfolio certified through third-party scheme (e.g. EPC, BREEAM)

Appendix 2 The Carbon Scope Included in Schroder Real Estate's Net Zero Carbon Commitment

The carbon scope included within Schroder Real Estate's Net Zero Carbon Commitment is set out in the table.

Business area	Emissions topic	Emissions activity	GHG Protocol reporting category	GHG Protocol scope
Direct holdings	Energy	Landlord-controlled fuels consumption	Purchased electricity, heat and steam	Scope 1
		Landlord-controlled fugitive refrigerant emissions	Purchased goods and services	Scope 1
		Landlord-controlled electricity consumption	Purchased electricity, heat and steam	Scope 2
		Landlord-controlled district heating and cooling consumption	Purchased electricity, heat and steam	Scope 2
		Tenant-controlled fuels/electricity/district heating and cooling consumption	Downstream leased assets	Scope 3
	Water	Water consumption	Purchased goods & services	Scope 3
	Waste	Waste generated	Waste generated in operations	Scope 3
	Purchase of goods and services	Purchase of goods and services (M&E and property management services)	Purchased goods and services	Scope 3
Indirect¹ holdings	Energy	Landlord-controlled fuels consumption	Investments	Scope 3
		Landlord-controlled fugitive refrigerant emissions	Investments	Scope 3
		Landlord-controlled electricity consumption	Investments	Scope 3
		Landlord-controlled district heating and cooling consumption	Investments	Scope 3
		Tenant-controlled fuels/electricity/district heating and cooling consumption	Investments	Scope 3
	Water	Water consumption	Investments	Scope 3
	Waste	Waste generated	Investments	Scope 3
	Purchase of goods and services	Purchase of goods and services (M&E and property management services)	Purchased goods and services	Scope 3
Embodied carbon	New construction/development	Landlord-controlled new construction/development activities	Purchased goods and services	Scope 3
	Refurbishment	Landlord-controlled refurbishment works	Purchased goods and services	Scope 3
	Fit-out	Landlord-controlled fit-out works	Purchased goods and services	Scope 3
		Tenant-controlled fit-out works	Tenant Scope 3	Scope 3

¹ We will apply the BBP Commitment principle for indirect real estate investments to be included in carbon emissions accounting and reporting on a proportional share basis relative to ownership.

Glossary

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.

BBP Commitment: For the purposes of this Schroder Real Estate's Net Zero Carbon Pathway document "BBP Commitment" is used to refer to the BBP Climate Change Commitment and the accompanying 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 (CO₂) or other greenhouse gases (measured in carbon dioxide equivalents (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 (kWh): 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 (kWh/e).

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.

NABERS UK: NABERS UK Design for Performance and Energy Ratings standards were launched in November 2020 and establish a new rating system for UK office building operational energy performance and to address the gap between the design and in-use energy performance of offices in the UK.

Net Zero Carbon (NZC): Schroder Real Estate has adopted 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: Direct emissions within a company's organisational boundary from sources the company owns or controls, including company vehicles and combustion of fuel in company plant.

Scope 2 emissions: Indirect emissions from purchased or acquired electricity, steam, heat and cooling.

Scope 3 emissions: All other indirect emissions, e.g. business travel, deliveries, commuting, waste from a company supply chain.

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.

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