

Net Zero Carbon Pathway

CT Property Trust Limited



Foreword from our Chairman



Davina Walter

Chairman, CT Property Trust

Positioning CT Property Trust for a low carbon future

Bracknell, Eastern Road



Man-made greenhouse gas emissions have been rising ever since the industrial revolution. We are currently on a trajectory that will see average levels rise well above the aspirations set under the terms of the Paris Climate Agreement.

With the built environment contributing some 40 per cent to global carbon emissions, the real estate industry has a huge part to play in facing up to the challenge of decarbonisation. CT Property Trust has been working hard to reduce emissions from its property portfolio for some time but we recognise the imperative to do more.

The Company is determined to deliver property assets that are fit for purpose today and in the future, and we recognise that carbon characteristics will be a key determinant of their sustainability, liquidity and financial performance.

The Government's Build Back Greener strategy requires us, along with all sectors of the UK economy, to achieve Net Zero Carbon by 2050. However, Environmental, Social and Governance (ESG) considerations and interventions are a fundamental aspect of our philosophy and therefore alongside our Manager, Columbia Threadneedle Real Estate Partners (CT REP), we want to engage with our occupiers, supply chain and stakeholders to continue to make progress.

Following industry standards and best practice guidance from the Better Building Partnership, the UK Green Building Council and others, we have reviewed the opportunities and challenges posed within our portfolio to establish our Net Zero Carbon pathway.

We appreciate that the pace of regulatory and thematic change within the ESG landscape will modify the course of our pathway over the coming years. However, we are confident in our commitment that we can deliver Net Zero Carbon by 2040.

The following document sets out our current standing, the scope of our commitment, our delivery strategy and the key targets we must meet in order to achieve our ambition.

High Wycombe, Glory Park



Our carbon commitment



The Company is committing to delivering Net Zero Carbon by 2040 or sooner.

We have undertaken Net Zero Carbon assessments across the asset base, enabling us to model and set a deliverable Roadmap. We aim to achieve Net Zero Carbon for our scope 1 & 2 emissions by 2030 and across all scopes by 2040 or sooner.

We are embarking upon a programme of engagement with our buildings and their occupiers, assessing and understanding the carbon impact of the portfolio, and positioning assets accordingly.

The Company has taken a progressive approach in commissioning Net Zero Carbon assessments at an individual asset level across its portfolio ahead of making its commitment. Accordingly, for every property we have determined all feasible intervention opportunities to improve the carbon footprint.

Against each feasible action we have evaluated the likely impact in terms of energy demand reduction and carbon abatement. In parallel, we have established the most appropriate timeframe for implementation taking account of relevant factors including the condition of building components and materials, the nature of the occupational tenant and the ability to undertake the work relative to leasing profiles.

As a result, the Company has been able to carefully model the trajectory for achieving its Net Zero Carbon ambition. By fully integrating the outputs into investment processes and asset business plans, we have been able to determine the target year with a degree of confidence. We will keep our medium-long term targets under review as the regulatory environment and market dynamics surrounding ESG and Net Zero Carbon continue to evolve.




Our baseline carbon emissions

The first stage in our journey is defining our baseline carbon footprint, the scope of our pathway and the performance indicators that are key to tracking progress towards 2040

The Company has defined its portfolio baseline carbon footprint adopting 2019 as its baseline year. This is seen as the most recent and appropriate representative year before the impact of the coronavirus pandemic on the occupational profiles and activities of many premises.

In 2019, the portfolio was responsible for 9,289 tCO₂e. This figure has been determined using a combination of real data where available and estimations calculated in accordance with recognised industry benchmarks.

Carbon emissions are classified within 3 scopes, as defined by the Greenhouse Gas Protocol:

		
Scope 1 Relates to the landlord's purchase of natural gas and refrigerants	Scope 2 Relates to the landlord's procurement of electricity	Scope 3 Relates primarily to the energy consumption of our occupiers. Scope 3 emissions account for some 95.7% of the Company's carbon footprint and underline the importance of close relationships and engagement with occupiers.
Landlord's scope 1 and 2 emissions have been independently verified and amount to 4.3% of total portfolio emissions.		

Having determined the carbon intensity of our portfolio, we will use this metric as a key indicator of our progress towards achieving our ambition.

In defining our commitment, the scope of our pathway includes:

- All three emission scopes
- All direct holdings (the Company has no indirect holdings)
- All bases of occupation to include long leasehold, multi-let and Full Repairing and Insuring (FRI) properties
- Development funding agreements where we are able to influence the planning process

Figure 1: Asset types for the baseline year of 2019 expressed as a percentage of floor area

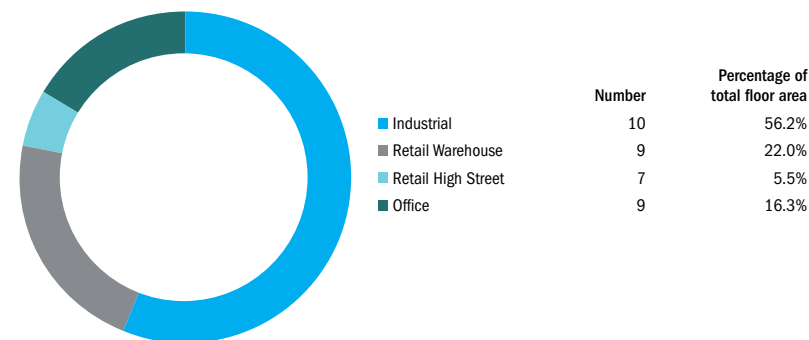
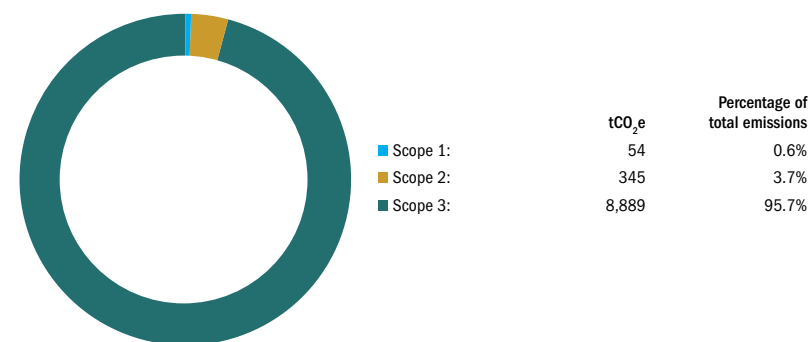


Figure 2: Carbon emissions types in the baseline year of 2019 expressed in tCO₂e as a percentage of total emissions



* The emissions reported for carbon baseline purposes varies from the emissions reported in our 2019 and 2020 annual ESG reports on the basis that the Trust's reporting year ends on 30th June and therefore captures six months from two consecutive years.

Defining Net Zero Carbon



The Company has adopted the Better Building Partnership's definition of Net Zero Carbon and our delivery strategy follows the UK Green Building Council's established hierarchy

For the purpose of our pathway, we have adopted the Better Building Partnership's (BBP) definition of Net Zero Carbon:





“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.”

Our pathway document complies with the BBP framework.

Our delivery strategy is based on the UK Green Building Council hierarchy, which encourages a ‘fabric first’ approach in minimising emissions through proactive intervention, prior to offsetting unavoidable residual emissions:

- 1 Establishing the appropriate carbon scopes
- 2 Embodied carbon associated with refurbishment is reduced as much as possible
- 3 Operational energy consumption is reduced as far as possible
- 4 On-site renewable energy generation is maximised
- 5 Off-site energy is procured through certified renewable sources
- 6 Residual emissions are balanced through verifiable offset schemes

Our Net Zero Carbon Roadmap

Net Zero Themes	Key actions	Target		
		Completed/ In Progress	Near-Term (2024-2030)	Long-Term (2030-2040)
 Net zero governance	Achieve Net Zero Carbon emissions across scope 1 & 2 by 2030 and scopes 1,2 & 3 by 2040 or sooner			
	Conduct Net Zero Carbon assessments for all portfolio assets to establish individual asset pathways			
	Establish Net Zero Carbon assessments as part of pre-acquisition due diligence			
	Develop a protocol for periodic review and progress reporting			
	Develop a methodology for shadow carbon pricing			
	Develop a strategy for credible carbon-removal methodologies for offsetting residual carbon			
 Embodied carbon	Adopt our Manager's Sustainable Development Brief for all landlord building projects, and expand to include all occupier building projects from 2030, covering development, refurbishment, fit-out and maintenance			
	Whole life carbon assessments to be conducted for all significant landlord developments and refurbishments from 2030			
	Whole life carbon assessments to be conducted for all significant occupier projects and refurbishments			
	Embodied carbon to be reported at project level for all landlord projects and from 2030 expanded to include occupier projects			
	Initially, achieve <400 kgCO ₂ e/m ² emissions on all significant projects and look to reduce to <300 kgCO ₂ e/m ² by 2040 or sooner			
 Operational carbon	Expand coverage of real energy and carbon performance data across all assets through data management systems			
	Integrate the output of Net Zero Carbon assessments into asset business plans, delivering the requisite interventions in line with our pathway timelines			
	On-site renewable energy – increase the proportion of energy demand delivered from on-site renewable sources, such as solar PV projects			
	Off-site renewable energy – procure 100% of landlord energy contracts through high quality renewable tariffs			
	Decarbonise heating – eliminate the use of fossil through electrification			
 Occupier engagement	Enhance coverage of occupier energy data coverage through increased engagement, green lease clauses, and automation through smart metering			
	Establish occupier engagement plans to understand and support the progress of occupier decarbonisation strategies, explore early interventions and joint initiatives			
	Explore opportunities for implementing 'power purchase' agreements with occupiers			

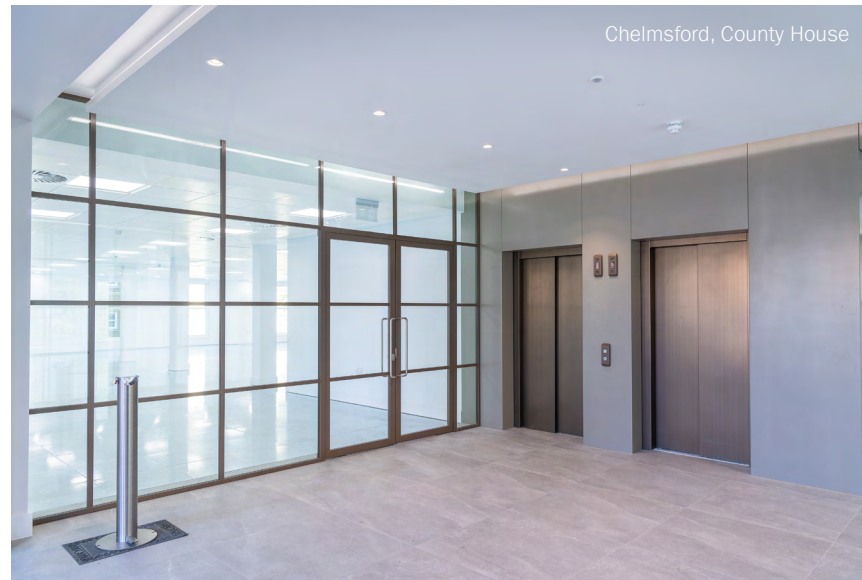
Net Zero Carbon governance

The focus on carbon stewardship and its integration into responsible business practice remains a key priority for the Company.

The completion of the Net Zero Carbon assessments across the portfolio assets has allowed the Company to commit to a deliverable pathway to net zero, built on mapping asset-level interventions and portfolio-level frameworks to decarbonise and maximise operational efficiencies.

However, we are aware that over the course of the pathway, the regulatory, market and technological context will continue to evolve, as will the constitution of our real estate portfolio.

Continual monitoring of the wider environment surrounding ESG and Net Zero Carbon will therefore be critical so that our governance structures, portfolio strategy and performance targets can evolve with the market.



Key focus areas include:

- **Portfolio rotation** – acquired assets must fit within our Net Zero Carbon pathway, with NZC assessments forming a central part of pre-acquisition due diligence
- **Review and reporting** – develop an internal carbon monitoring and reporting framework at project, asset and portfolio level
- **Development of financial decision-making** – developing and integrating a shadow carbon pricing methodology within financial decision making, through a form of internal 'carbon tax'
- **Carbon offsetting** – monitoring the carbon removal market to develop a credible offsetting strategy for unavoidable residual landlord, occupier and embodied carbon emissions, and recognising the Oxford University Offsetting Principles as best practice guidance as we seek to obtain certified verification

Target:

- Achieve Net Zero Carbon for scope 1 & 2 emissions by 2030
- Achieve Net Zero Carbon for scope 1, 2 & 3 by 2040 or sooner



Understanding and reducing embodied carbon

By measuring the carbon associated with a building's design and construction, we can enhance our future carbon emissions through thoughtful planning and careful procurement



Embodied carbon emissions are those associated with a building's design and construction whilst whole life-cycle emissions captures those associated with the use of a building over its entire life, including its demolition and disposal.

We will therefore begin to conduct whole life carbon assessments for all major refurbishments and fit-outs in pursuing an initial embodied carbon target of $400 \text{ kgCO}_2\text{e/m}^2$ for our significant refurbishments whilst continuing to monitor and align with the development of industry guidance and standards.

In looking to achieve maximum embodied carbon savings, the use of sustainable refurbishment guidelines define our expectations and ambitions from project commencement. We will have particular focus on:

- Materials retention – by seeking to conserve existing components in preference to new wherever possible and practical
- Recycled materials – identifying and using any second-life construction elements
- Low carbon materials – exploring options with lower carbon intensities

We will collaborate closely with our occupier base to encourage adoption of best practice and our guiding principles.

Bromsgrove, Brook Retail Park



Target:

- 🎯 Initially, achieve emissions intensities of $<400 \text{ kgCO}_2\text{e/m}^2$ for significant refurbishment projects
- 🎯 Thereafter, achieve $<300 \text{ kgCO}_2\text{e/m}^2$ by 2040 or sooner

Maximising energy efficiency, minimising operational carbon

The majority of our carbon emissions are derived from the energy used to heat and power our buildings. Working closely with occupiers, we aim to achieve emissions and energy use intensities in line with the Paris Agreement, delivered through a 'fabric first' approach to reduce energy demand and the operational impact of our buildings.



In calculating our overall carbon intensity target, we are not accounting for the effects of grid decarbonisation, which is the elimination of emissions derived from fossil fuels from the national energy network. This is because we want to prioritise and focus on the actions that we, alongside our occupier base, can control.

The decarbonisation of the grid will ultimately significantly reduce our carbon emissions, although our delivery strategy will focus on three key areas to minimise the operational impact and optimise the energy efficiency of our buildings.

1 – Data collection

Focusing on improving data collection to track our progress, establishing an automated metering strategy to enhance the accuracy and regularity of data flows.

2 – Reducing operational carbon and energy consumption

Our asset level Net Zero Carbon assessments have set out the physical interventions needed to decarbonise our portfolio and reduce its operational impact in terms of overall energy consumption. In order to achieve our target, we will:

- Incorporate the interventions into asset business plans and implement them according to planned time horizons
- Seek out and take every opportunity to eliminate the use of fossil fuels for heating and hot water generation
- Reduce emissions associated with landlord water consumption and waste production and management

3 – Renewable energy strategy

To support the delivery of our Net Zero Carbon ambition we will seek to maximise generation of on-site renewable energy, whilst servicing remaining energy requirements through green tariffs.


On-site generation of renewable energy

At portfolio level, the installation of solar photovoltaic schemes across the properties is the single most impactful intervention on our carbon footprint. Whilst this won't be technically feasible across the entire asset base (due to scale, structural capacity or location), where possible we will seek to install solar PV, or alternative schemes, optimising the scale of the systems to meet the assets' energy demand, reducing the need to procure off-site supplies.

Off-site procurement of renewable energy

Where assets are not suited to on-site generation, residual energy demand will be satisfied through the procurement of certificate-back green tariffs. We will also encourage and support our occupiers to do likewise.

Target:

 Target – Look to exploit all feasible opportunities to create on-site renewable energy capacity across all assets

 Metric – Portfolio on-site renewable energy capacity in Megawatts

Occupier engagement

Scope 3 emissions – being those primarily related to our occupiers' use of the building – account for 95.7% of our portfolio's carbon footprint. Close relationships and collaboration with our occupier base is therefore central to achieving Net Zero Carbon.



While effective engagement of occupiers is often held up as a challenge, many occupiers now have Net Zero Carbon targets of their own. It is therefore a case of collaboration and mutual support in helping one another achieve our jointly-held ambitions.

To understand where our mutual interests lie, we will liaise with occupiers to understand how they use the building and where opportunities for improvement may lie. Our occupier base is diverse. Each individual business will therefore have its own drivers, which may not necessarily accord with our own. Through building closer relationships with our occupiers we will be able to:

- Raise awareness of our Net Zero Carbon ambition
- Share and implement best practice, encouraging improvements to building performance
- Identify areas for collaboration to deliver the physical interventions needed on our asset-level pathways

Bramingham Retail Park, Luton



Understanding our baseline position and the effects of our interventions is critical in delivering our pathway and measuring our success.

The automation of data collection is key. To encourage greater collaboration with occupiers, we will continue to finesse the provisions of our precedent green lease clauses to promote information exchange and wider dialogue around aligned interests.

Target:



100% of actual occupier energy consumption data captured every year

Carbon scope

In line with BBP framework recommendations, the table below sets out the extent of our Net Zero Carbon scope and boundaries

Emissions sources		GHG Emissions Scope	GHG Protocol Reporting Category	BBP Inclusion	CT REP Scope
Direct Real Estate Holdings	Landlord purchased energy (electricity & fuels)	1, 2 & 3	Purchased electricity, heat and steam	✓	✓
	Landlord refrigerants (fugitive emissions)	1	Purchased goods & services	✓	✓
	Landlord purchased water	3	Purchased good & services	✓	✓
	Landlord managed operational waste	3	Waste generated in operations	✓	✓
	Landlord purchased capital goods & services (M&E and property management services)	3	Purchased goods & services	✓	✓
	Tenant purchased energy (electricity & fuels)	3	Downstream leased assets	✓	✓
	Tenant refrigerants	3	Tenant Scope 3		
	Tenant purchased water	3	Tenant Scope 3		
	Tenant managed operational waste	3	Tenant Scope 3		
	Tenant/visitor transport emissions	3	Tenant Scope 3		
	Tenant supply chain emissions	3	Tenant Scope 3		
	End of life treatment	3	End of life treatment of sold products		
Projects	New developments (forward-funded)	3	Purchased goods and services	✓	✓
	Refurbishments	3	Purchased goods and services	✓	✓
	Fit-out (landlord controlled)	3	Purchased goods and services	✓	✓
	Fit-out (tenant controlled)	3	Tenant Scope 3	✓	✓
Indirect Real Estate Holdings	Indirect Real Estate Holdings	3		✓	Not applicable
Corporate	Corporate	1, 2 & 3	Not applicable		

Glossary

Better Building Partnership (BBP): The BBP is a collaboration of the UK's leading commercial property owners who are working together to improve the sustainability of the existing commercial building stock.

Carbon dioxide equivalent (CO₂e): A measure of greenhouse gases with global warming potential. The term allows the impact of gases with different global warming potential to be expressed as a single metric

Carbon offsets: An activity and instrument that compensates and balances carbon emissions made, usually certified by governments or accredited bodies for authenticity.

Embodied carbon: Carbon emissions associated with energy consumed throughout the lifecycle of a building including the manufacture, transportation, assembly, maintenance, replacement, disposal and demolition of materials and components.

Energy Use Intensity: A building's energy use per unit size, typically expressed as energy consumption in kWh per square meter per year, with measurement of the floor area expressed in terms of net lettable (NLA) or gross internal area (GIA)

FRI (Fully repairing and insuring leases): A form of lease that places responsibility for maintaining a building with the occupier.

Net Zero Carbon: A position whereby a building is highly efficient and powered from on-site or off-site renewable energy with only the residual carbon offset, or in terms of an organisation, when the carbon footprint resulting from all activities associated with the development, ownership and servicing of buildings in the portfolio is reduced as far as is practicable with any remaining carbon offset.

Occupier emissions: The carbon impact of electricity and gas used within an occupier's leased demise, but excluding any carbon associated with activities outside of the leased area.

Operational emissions: Carbon emissions associated with the running of a building which includes those from energy and refrigerants used for heating, cooling, ventilation and lighting in both common shared and tenant occupied spaces.

Renewable energy: The on-site self-generation or purchase of off-site renewable energy sourced from but not limited to solar, wind, hydro and geothermal technology.

Scope 1 emissions: An organisation's direct greenhouse gas emissions resulting from the combustion of fuels and from fugitive emissions.

Scope 2 emissions: An organisation's indirect greenhouse gas emissions which result from the procurement of electricity, steam, heating, or cooling from a third-party.

Scope 3 emissions: An organisation's indirect greenhouse gas emissions which occur in its value chain, including emissions from its supply chain (upstream) and customers (downstream).

Whole-life carbon: The carbon emitted throughout a building's lifecycle, from materials sourced and used during the construction, through operational use and maintenance, to end-of-life demolition of the building.

CT Property Trust Limited


Net Zero Carbon Pathway

Registered Office

 PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands GY1 3QL


 01481 745001

Secretary

 Northern Trust International Fund
Administration Services
(Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands GY1 3QL


 01481 745001

Alternative Investment Fund Manager (‘AIFM’) and Investment Managers

 Columbia Threadneedle Investment
Business Limited
6th Floor Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

 0207 628 8000

Property Managers

 CT REP Asset Management plc
7 Seymour Street
London W1H 7BA

 0207 628 8000

Telephone calls may be recorded.

 <https://www.columbiathreadneedle.co.uk/property-trust-limited>

Disclaimer

© 2023 Columbia Threadneedle Investments. Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

For professional investors only.

This financial promotion is issued for marketing and information purposes only by Columbia Threadneedle Investments in the UK.

CT Property Trust Limited is an investment trust and its Ordinary Shares are traded on the main market of the London Stock Exchange.

English language copies of the key information document (KID) can be obtained from Columbia Threadneedle Investments, Exchange House, Primrose Street, London EC2A 2NY, telephone: Client Services on 0044 (0)20 7011 4444, email: sales.support@columbiathreadneedle.com or electronically at www.columbiathreadneedle.com. Please read before taking any investment decision.

The information provided in the marketing material does not constitute, and should not be construed as, investment advice or a recommendation to buy, sell or otherwise transact in the Funds. The manager has the right to terminate the arrangements made for marketing.

Financial promotions are issued for marketing and information purposes; in the United Kingdom by Columbia Threadneedle Management Limited, which is authorised and regulated by the Financial Conduct Authority; in the EEA by Columbia Threadneedle Netherlands B.V., which is regulated by the Dutch Authority for the Financial Markets (AFM); and in Switzerland by Columbia Threadneedle Management (Swiss) GmbH, acting as representative office of Columbia Threadneedle Management Limited. In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparties and no other Person should act upon it.

To find out more visit columbiathreadneedle.com