



Net Zero Carbon
Policy





CONTENTS

OVERVIEW	1	POLICY SCOPE	9
		Investment Boundary	9
		Emissions Boundary	9
INTRODUCTION	2	GOVERNANCE	9
Castleforge's ESG Journey So Far	3		
Our Current Net Zero Carbon Programme	4	OUR PLANNED NET ZERO CARBON PROGRAMME	10
WHAT IS NET ZERO CARBON?	5	OUR OFFSETTING APPROACH	11
Operational Carbon	5	Removal Offsets	13
CARBON SCOPES DEFINED	6	GLOSSARY	14
OUR NET ZERO CARBON COMMITMENT	7	DISCLAIMER	14
OUR NET ZERO CARBON POLICY	8		

OVERVIEW

Overview This Net Zero Carbon Policy describes Castleforge's ('our') commitments to achieving net zero carbon, including our approach and plans to reduce our greenhouse gas emissions.

Objective The objective of this Policy is to disclose our policy commitments and approach to delivering against our net zero carbon commitment. This Policy describes our overall intentions and aims.

Scope This Net Zero Carbon Policy covers:

- All Castleforge-owned/managed assets
- Castleforge's corporate operations

Policy Owner The Castleforge ESG Committee

Policy Approver This Policy has been approved and adopted by Castleforge's Management Committee. The Policy will be reviewed at least annually, and updated/amended when necessary, taking into consideration legislation, benchmarking, reporting, organisational changes and developments in sustainability best practice. Where material changes are noted, the Policy will be referred to Castleforge's Management Committee for approval.

Effective date December 2023

Review date December 2024



INTRODUCTION

We are a research-led, vertically integrated real estate investor, investing across the UK and Europe, creating consistent and sustainable value through our operational expertise.

Climate change is the most material environmental issue for our stakeholders and our business. We have recognised the need to develop and disclose our net zero carbon commitment and our strategy to achieve this.

We have established an ESG Committee consisting of colleagues from across the business, who meet quarterly and are responsible for coordinating ESG initiatives. Our ESG Committee is responsible for the effective implementation of this Policy.

We will use the key policy commitments stated within this Net Zero Carbon Policy as the foundation upon which we will achieve quantifiable progress towards achieving net zero carbon.



CASTLEFORGE'S ESG JOURNEY

We recognise the value in operating and developing sustainably, and have made great strides to ensure this is reflected across our portfolio and within our own offices.



The Net Zero Asset Managers initiative



Our ESG journey to date has seen us establish a dedicated ESG Committee consisting of colleagues from various business areas including legal, asset management, investor relations, finance and development which ensures that sustainability considerations are integrated into all aspects of our business.

We have achieved green building certifications across select strategy lines and will continue to commission appropriate building certifications across other strategies. We have also launched our first SFDR Article 8 fund, demonstrating our commitment to responsible and sustainable investment. Our work to promote Diversity, Equity, and Inclusion (DEI) has included conducting a survey to canvass insights from our colleagues around diversity and inclusivity at Castleforge, allowing us to engage and ascertain improvement opportunities.

To help benchmark and compare our ESG progress, we participate annually in the UN PRI submission having become signatories in 2019, reporting on our responsible investment progress, and we have submitted ESG performance data since 2022 to GRESB for our Isambard portfolio, sitting within our Secondary Cities Offices strategy line. We are also a proud member of the Net Zero Asset Managers Initiative, supporting the goal of net zero carbon by 2050 or sooner.

We look to continually improve our ESG performance, so have therefore identified the need for a comprehensive and clear Net Zero Carbon Policy.

For further details on our progress to date, please see our latest ESG Report, found on our website: castleforge.com/our-impact-castleforge



OUR CURRENT NET ZERO CARBON PROGRAMME

Future strategy lines will follow the same general aims that we have established, but we may develop more specific delivery/management strategies and actions to achieve these aims in recognition that different asset types and strategy lines require different approaches to meet the same goal.



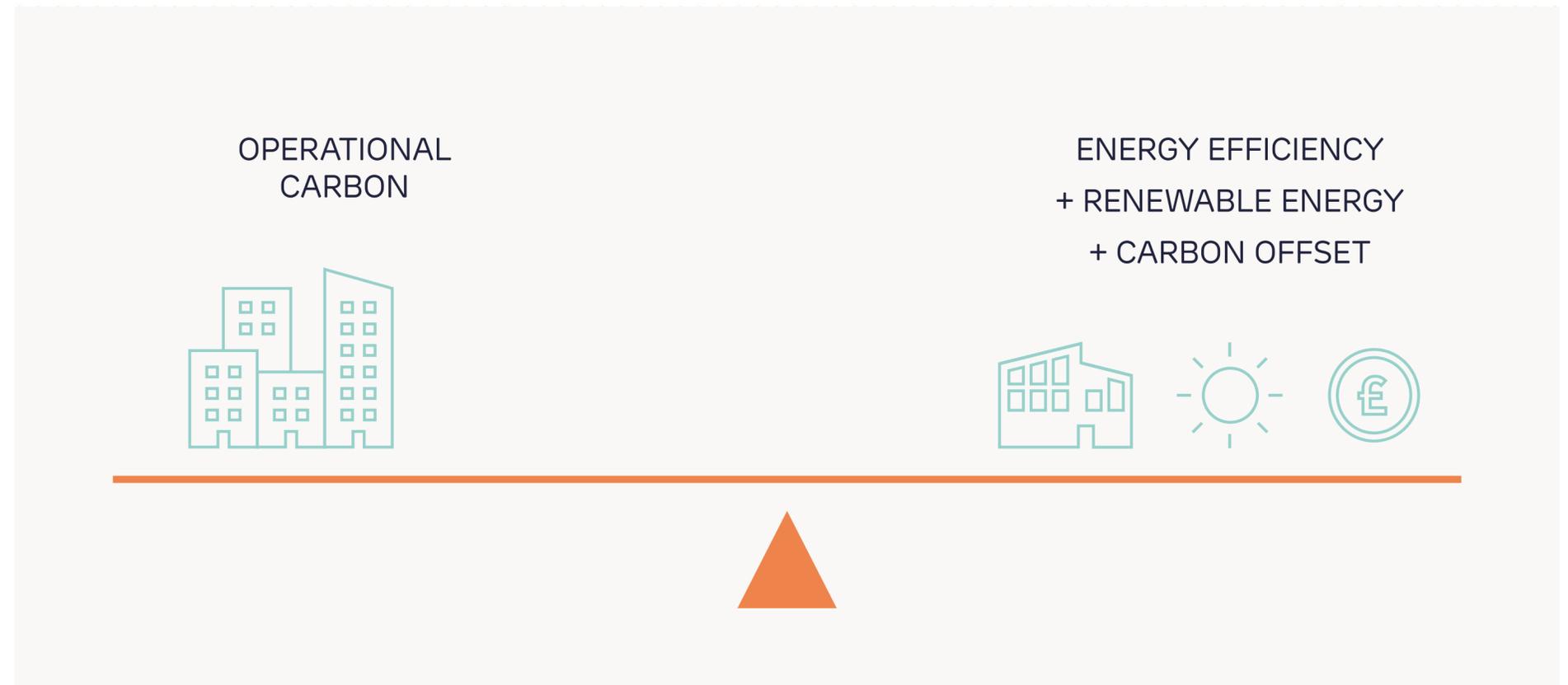
Topic	Aims	Delivery/Management Strategy				Greenhouse Gas Management Hierarchy
		Gateway City Offices	Secondary City Offices	Residential	Hotels	
Electrification of buildings	Transition all our buildings to be fully electric by 2030	We are developing asset-level plans for the phasing out of gas by 2030. At our office assets we will take an active approach to gas elimination ahead of the 2030 deadline where opportunity allows				Eliminate
Measurement and monitoring of carbon emissions	Monitor more of our strategy lines' energy consumption and resultant greenhouse gas emissions	Strategy TBC	We are ensuring our metering systems at our owned/managed assets are comprehensive		Strategy TBC	Eliminate / Reduce
			We have conducted CRREM modelling to model and monitor our buildings' decarbonisation pathways	Strategy TBC		
Tenant engagement	Hold quarterly tenant meetings, addressing ESG as a topic	We hold quarterly occupier meetings which address ESG as a topic, including recommended greenhouse gas emission reduction measures				Reduce
	Continue to roll out green lease clauses	In 2023 we began to roll out our new green lease clauses which require tenants to provide us with energy consumption data so we can monitor their resultant greenhouse gas emissions and advise on reduction measures				
	Send out regular ESG communications	Strategy TBC	Our flexible workspace operating business, Clockwise, send out regular newsletters to occupiers containing ESG-related information, including net zero carbon	Strategy TBC	Strategy TBC	
Green energy initiatives	Install further onsite renewables	We are continuing to install solar panels	We are conducting feasibility studies for solar panel systems	Strategy TBC	Strategy TBC	Substitute
	Procure reliable, transparent renewable energy tariffs	Procure 100% of the portfolio's electricity on REGO-backed renewable electricity tariffs, aligning our procurement strategy with the UKGBC's latest guidance. Where we're not able to remove gas from our buildings by 2030, procure 100% green gas (RGGO)				Substitute
Offsetting	Develop an offsetting approach in line with our values	We are conducting detailed research and seeking advice from external advisors to ensure the carbon offsetting approach that we develop is aligned with our values in that the approach encourages positive, lasting effects				Compensate

WHAT IS NET ZERO CARBON?

Global warming presents significant risks to the health of people and the planet.



In recognition of the need to act urgently, 2015 saw a majority of countries across the world adopt the Paris Agreement which commits nations to decarbonise towards net zero carbon at a rate sufficient to limit post-industrial warming to well below 2°C, pursuing efforts to limit global temperature increase to 1.5°C. In 2018, the Intergovernmental Panel on Climate Change (IPCC) established that in order to limit global warming to 1.5 °C, we must globally halve our CO₂ emissions by 2030.



The IPCC defines net zero carbon as the point at which ‘anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period’, i.e. net zero carbon is the balance between human-produced greenhouse gas emissions and removals. Aligned with SBTi’s definition of net zero carbon, we will use removal offsets for any remaining carbon that we have not been able to reduce/avoid over the coming years.

In a report published in 2021, the IPCC found that the planet is approaching global warming of 1.5 °C much faster than was anticipated. It is therefore now more important than ever to work towards achieving net zero carbon.

OPERATIONAL CARBON

Operational carbon emissions are those which are emitted resulting from the energy consumed by building-integrated technical systems during the operation of the building (typically electricity, natural gas etc.). Energy efficiency measures, renewable electricity generation systems, renewable/green energy tariffs and the purchase of carbon offsets are used in combination to help achieve net zero carbon.

CARBON SCOPES DEFINED

The Greenhouse Gas Protocol defines three separate ‘scopes’ of carbon emissions. Scopes 1 and 2 correspond to the operational emissions which are directly controlled by Castleforge.

SCOPE 1

Direct emissions from owned/controlled sources

- Emissions from fuels used onsite at assets, e.g., from gas boiler use
- Emissions from fuels used to power company-owned vehicles

SCOPE 2

Indirect emissions from the generation of purchased energy

- Emissions from purchased electricity used onsite at assets
- Emissions from purchased district heating or cooling, or steam

SCOPE 3

Upstream Scope 3 Emissions

Purchased goods or services (extraction and transportation of goods and services)
 Capital goods (extraction, production and transportation of capital goods)
 Fuel and energy related activities (extraction, production and transportation of energy)
 Upstream transportation and distribution (of products purchased)
 Waste generated in operations (disposal/treatment of waste generated)
 Business travel (in vehicles not owned or controlled by the company)
 Employee commuting (in vehicles not owned or controlled by the company)
 Upstream leased assets (tenant-controlled energy consumption at leased assets leased by the company)

Downstream Scope 3 Emissions

Downstream transportation and distribution (transportation and distribution of products sold)
 Processing of sold products (processing of products)
 Use of sold products (end use of goods and services sold)
 End-of-life treatment of sold products (disposal and treatment of products sold at their end of life)
 Downstream leased assets (tenant-controlled energy consumption at leased assets leased to other companies)
 Franchises (operation of franchises)
 Investments (operation of investments)



Scope 3 emissions are further broken down into 15 categories, and whether they are upstream or downstream, as seen opposite. Castleforge’s initial net zero carbon commitment excludes scope 3 emissions, but we look to disclose our scope 3 commitment in coming years once we have been able to establish a baseline.

OUR NET ZERO CARBON COMMITMENT

We have committed to achieving net zero carbon in terms of scope 1 and 2 emissions by 2030 (operational net zero carbon) in stage 1.

We will determine our scope 3 commitment in due course, with net zero for all scopes to be achieved by 2050 at the latest. Our current net zero commitment covers all Castleforge owned and managed assets, and Castleforge’s corporate operations.

We define operational net zero carbon as when the amount of carbon emissions associated with a building’s operations are zero, or negative. This typically results from a highly energy efficient building powered by onsite and/or offsite renewable energy sources. Our initial commitment to achieve operational net zero carbon will be met by implementing a series of measurable actions to initially improve energy efficiency.

We have not yet established a target date for the second stage of our net zero carbon commitment, but this will include tenant-controlled emissions from operation, as well as the embodied carbon associated with building development and refurbishment. In 2024 we will establish key milestones for developing scope 3 emissions targets and monitoring procedures, including tenant emissions and embodied carbon from refurbishments and developments. Our initial targets relating to scope 3 emissions will be to establish an accurate baseline so we can set an appropriate target date for achieving material net zero carbon.

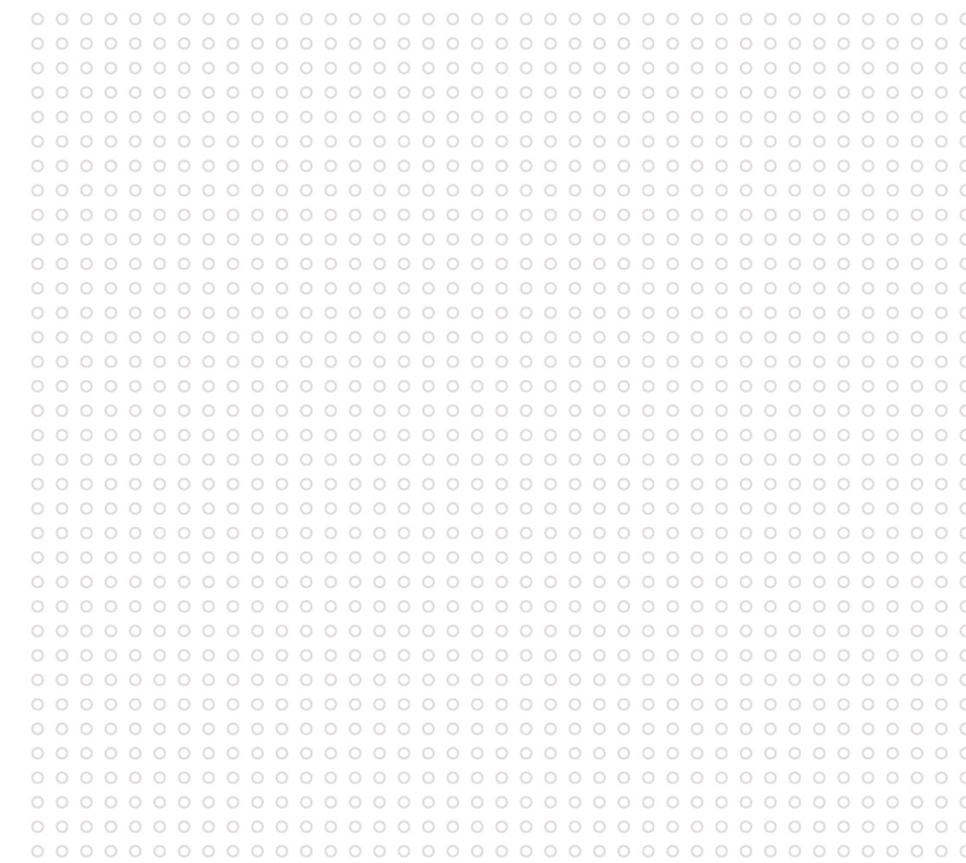
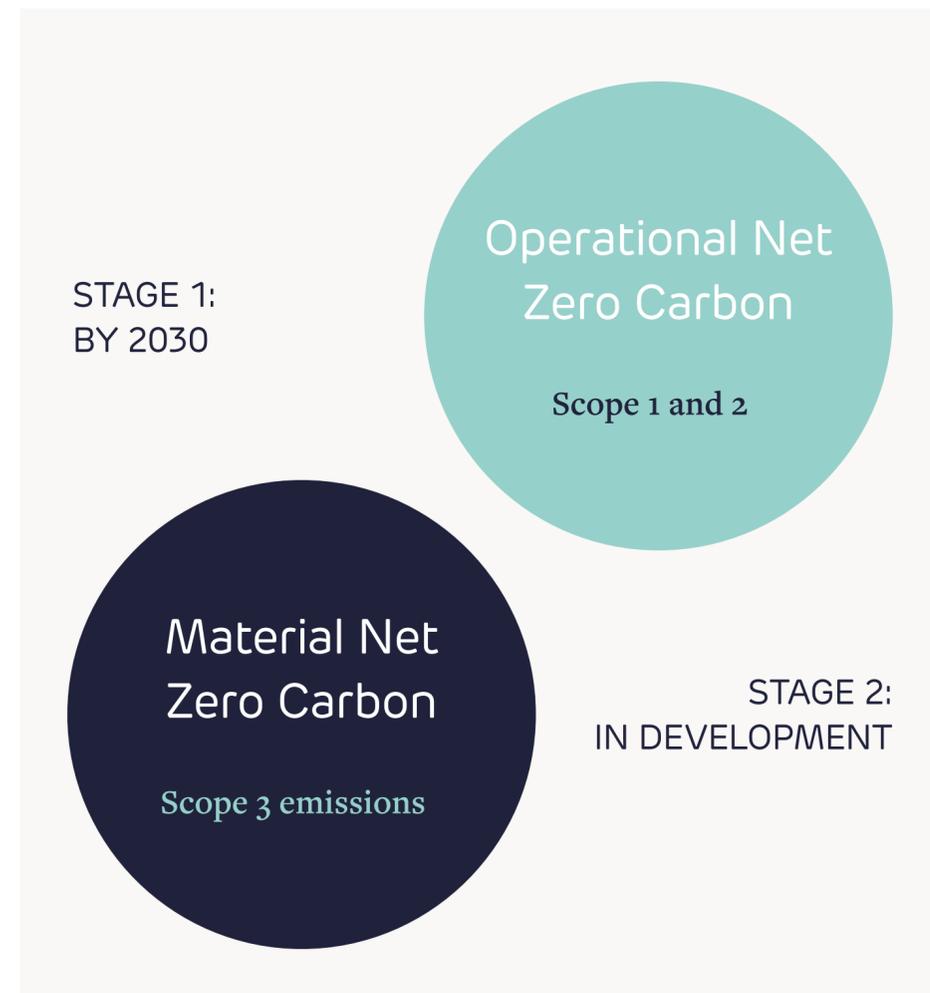
As part of our net zero carbon commitment programme, we have also committed to various initiatives and schemes to support our decarbonisation pathway. The initiatives and commitments outlined below have been included in and support our Net Zero Carbon Policy.

Net Zero Asset Managers Initiative (NZAM):

- Work towards decarbonisation goals to achieve net zero emissions by 2050 or sooner across all AUM.
- Set interim targets for assets under management (and review these at least every 5 years).

UK Green Building Council (UKGBC) membership:

- Actively support the UKGBC mission to improve the sustainability of the built environment.
- Take action to mitigate Castleforge’s contribution to climate change.



OUR NET ZERO CARBON POLICY

In developing our Net Zero Carbon Policy we have considered the greenhouse gas management hierarchy to ensure we are focusing on the source of emissions initially, using alternative methods only when necessary to achieve our net zero carbon goals.

The key principles of our Net Zero Carbon policy are set out below.



- As a crucial first step in achieving operational net zero carbon, we have begun to transition our buildings to be all-electric and will continue to phase-out gas.
- We are continuing to monitor and measure our energy consumption data and the resultant greenhouse gas emissions at select strategy lines so that we can establish informed interim targets based on accurate data, as well as identify efficiency improvement opportunities.
- Where it is not possible to install onsite renewable or low-carbon energy generation systems, we will procure renewable/green energy tariffs.
- We appreciate that we will need to offset some emissions in the future and are therefore developing our approach to offsetting to ensure we make informed decisions and diligently research our options.



POLICY SCOPE

INVESTMENT BOUNDARY

Our net zero carbon commitment and Policy covers all Castleforge-owned/managed assets and Castleforge's corporate operations.

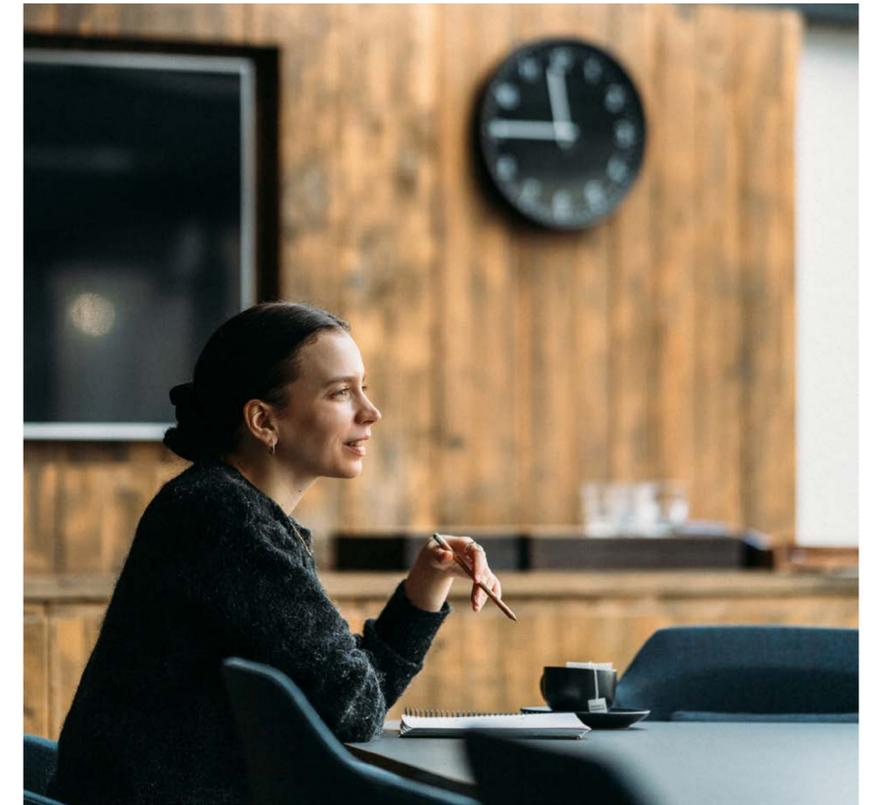
EMISSIONS BOUNDARY

Our net zero carbon commitment and Policy initially covers the operational emissions of our buildings which are within our direct control (scopes 1 and 2) and will cover the embodied carbon of development, refurbishment and fitout works, and the emissions in our value chain (scope 3) once we have established our commitment to reducing these emissions.

GOVERNANCE

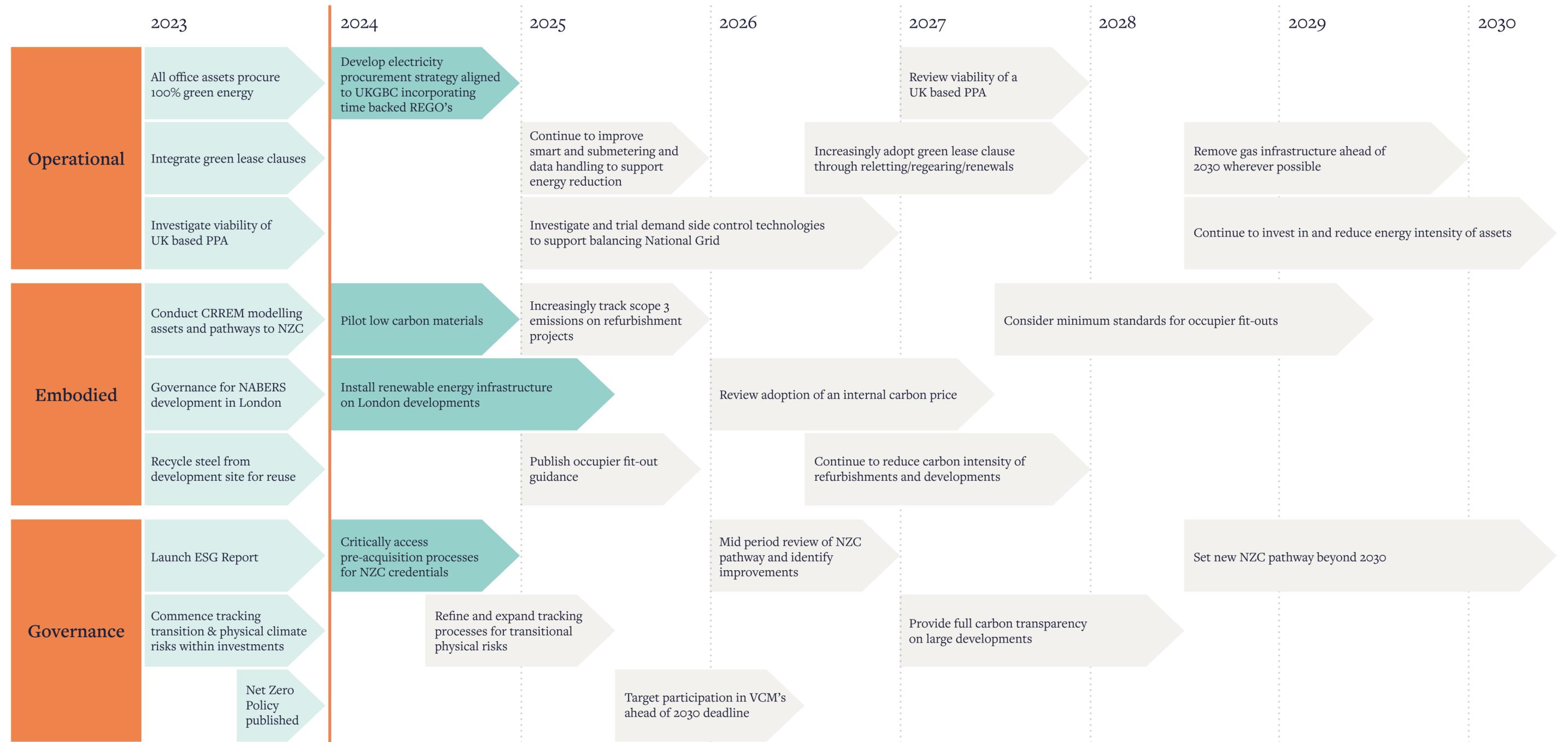
For our Net Zero Carbon Policy to be effective, we must ensure that our related governance practices are stringent. Where possible, we also ensure that where we implement carbon reduction measures, wider ESG-related benefits are realised. Key principles are summarised below:

- **Roles and Responsibilities**
Our ESG Committee is ultimately responsible for implementing our Policy and monitoring progress.
- **Progress Reporting**
We will communicate progress towards our net zero carbon commitment in our annual ESG Report where we have collected, monitored and analysed utility consumption data.
- **Data Collection**
For the strategy lines for which we currently collect utility consumption data, a third-party consultant collects and analyses our data. We look to externally assure our utility consumption data using best practice industry methods ensuring good quality datasets.
- **Risk Management**
Our risk management process allows us to identify key challenges we are/may be presented with through our carbon reduction strategy.
- **Asset-Level Initiatives**
Our Asset Managers are responsible for implementing appropriate asset-level carbon reduction measures, and ensuring these are effectively monitored.



OUR PLANNED NET ZERO CARBON PROGRAMME

■ Achieved
 ■ Underway
 ■ Future initiative



OUR OFFSETTING APPROACH

It is essential that Castleforge follow a credible, science-based decarbonisation plan to achieve our objectives, aligned to a 1.5°C pathway before evaluating offsetting options for any residual emissions.



This means our activities are focussed on the reduction of embodied carbon, as well as minimising our operational energy intensity in a measurable and meaningful way, before offsetting. We aim to compliment these energy intensity reductions with the procurement of increasingly high-quality energy procurement strategies aligned to UKGBC's energy procurement guidance, reflecting concepts of additionality and onsite renewables. These initiatives will lead Castleforge to minimise the energy intensity of our assets and commercial activities and limit offsetting purchases to the mitigation of unavoidable emissions.

Offsets will need to be procured from the Voluntary Carbon Markets (VCM) and we acknowledge there are risks in doing so due to the inherent self-regulating procedures and historic lack of standards on quality. We recognise that offsets are a fast-evolving market, so our strategy will be reviewed annually to ensure we continue to follow best practices. We will seek counsel from expert partners and advisors and align to evolving industry standards. This policy is drafted adopting the good practices within the UK Green Buildings Council (UKGBC) produced guidance (June 2023), for offsetting. We are committed to playing an active role in helping our industry develop consensus on best practices and supporting the continued maturing of the VCM through participation ahead of our pathway target dates.

As part of our carbon offsetting strategy, we will establish an internal carbon pricing (ICP) mechanism (to be reviewed for relevant projects and transparently reported), which can be applied to decision-making processes to avoid emissions, drive decarbonisation, and help support action internally, as well as better communicate to our investors.

The ICP will act to reduce total project greenhouse gas emissions and de-risk investments against changes to future carbon intensity and compliance-based legislation. Our ICP will not be relied upon as a 'silver bullet' to addressing decarbonisation across our portfolio and we recognise implementation may be complicated initially, dependent upon effective carbon measurement and reporting within projects. There are commercial implications, where if the price is set too high, viability of projects and market competitiveness may be challenged. However, choosing not to set an ICP or setting one too low will not contribute to our wider ambitions to support timely transition to a low carbon economy or defend against transition risks. The ICP or any project which adopts a shadow price will be reported transparently. It is acknowledged that the greater the price, the more attainable it becomes to align our policy to the 1.5 °C pathway.

The selection of offsetting projects shall be subject to performance criteria controlled through a robust procurement process aligned to UKGBC standards:

GOVERNANCE

- **Effective Governance:** Transparency, accountability, continuous improvement, and overall quality of offsetting credit.
- **Tracking:** A registry to uniquely identify, record and track mitigation activities and carbon credits issued to ensure credits can be identified securely and unambiguously.
- **Transparency:** A comprehensive and transparent schedule of information on all credited mitigation activities which is publicly available.
- **Validation and Verification:** Programme-level requirement for robust independent third-party validation.

IMPACT

- **Additionality:** The reductions or removals would not have occurred in the absence of the incentive created by the credit revenues paid by Castleforge.
- **Permanence:** The reductions or removals from the mitigation activity shall be specific, credible, and transparent regarding its claims to permanence, with appropriate safeguards in place to avoid leakage or reversal.
- **Attributable:** A clear record of ownership without double counting, double issuance, double claiming, or double use.
- **Measurable:** The claims are robustly quantified, based on conservative approaches, completeness and sound scientific methods which are transparent and peer-reviewed.

SUSTAINABLE

- **Safeguarding:** The credit programme will have clear guidance, tools and compliance procedures to ensure mitigation activities conform with best practices on social and environmental safeguards while delivering positive development impacts locally. To avoid social and environmental harm within, surrounding or because of the project.
- **Net Zero:** The credits themselves shall not incorporate practices or support commercial activities that are incompatible with the objective of achieving net zero emissions by 2050.

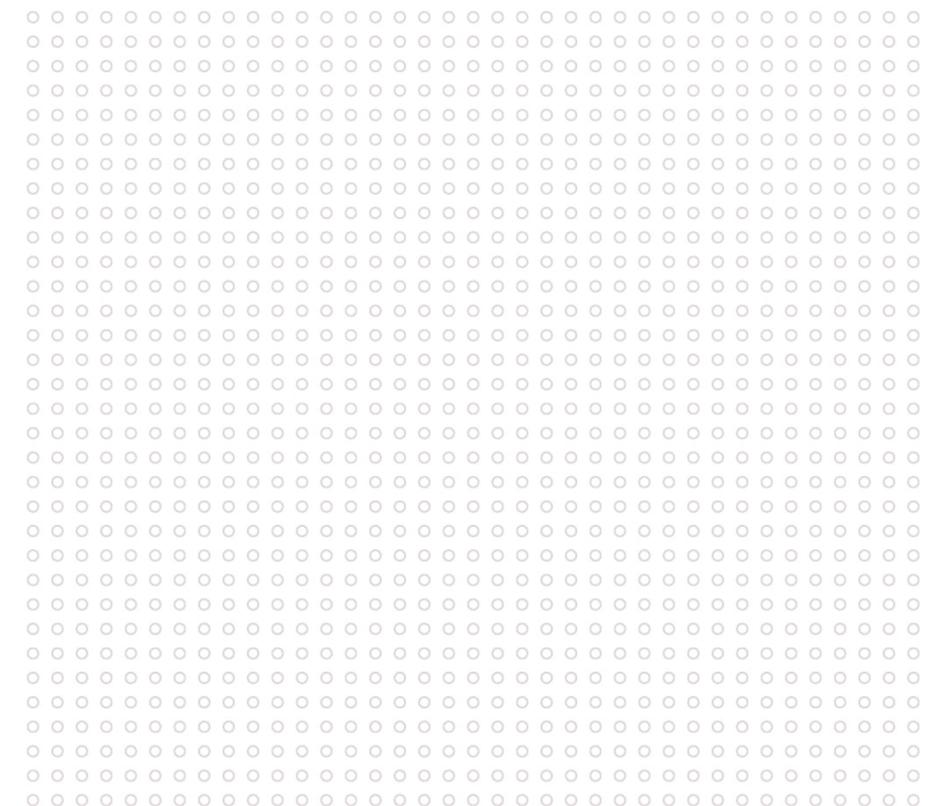
The typology of voluntary offsets, as defined by the Oxford Principles for Net Zero Aligned Carbon Offsetting, fall within three categories as set out below. These can also be categorised by geography and whether they are nature-based, technological or a hybrid of both:

AVOIDANCE OFFSETS

These offsets focus on preventing the release of greenhouse gas emissions that would occur without intervention. Avoidance offsets typically involve investments in projects or technologies that eliminate emissions from occurring in the first place, such as renewable energy projects or cleaner cookstoves.

REDUCTION OFFSETS

Reduction offsets involve initiatives that actively reduce greenhouse gas emissions already being generated. These projects aim to decrease emissions from existing sources by implementing technologies, practices, or policies that lead to lower emissions, such as changes to agricultural practices or carbon capture on industrial processes.





REMOVAL OFFSETS

Removal offsets focus on removing greenhouse gases from the atmosphere and sequestering them in short or long-term storage. These offsets often involve activities related to afforestation (planting new forests), reforestation (restoring existing forests), or deploying carbon capture and storage (CCS) technologies.

Each typology of offsets plays a vital role in addressing climate change by either preventing emissions, reducing existing emissions, or actively removing carbon from the atmosphere. Effective carbon offsetting strategies often combine multiple types of offsets to achieve the greatest environmental impact and contribute to overall emissions reductions goals.

There are currently limited numbers of carbon removal projects, and some are currently cost prohibitive. However, aligned to the Oxford Offsetting Principles, Castleforge will progressively seek to acquire removal-based offsets where available and commercially viable. While utilising avoidance or removal offsets, Castleforge will also aim to support our priority areas of impact identified within our ESG Report, aligned to our priority UN Sustainable Development Goals.

Castleforge will seek to prioritise UK-based schemes, which are relevant to our commercial activities. This enables Castleforge to have local impact, reinforcing the environmental and social impact of our investments while enabling greater compliance and transparency when compared to international schemes, improving confidence in the credibility and effectiveness of our offsetting activities, and managing risk of supporting schemes with unforeseen negative externalities. Supporting local schemes also supports the development of local expertise and helps drive the

maturity of the UK's VCM. However, given the shortage of offsets available in the UK, investing in international credits will likely form part of a portfolio approach. This will help achieve a just transition to a global net zero carbon economy and assist developing countries which typically disproportionately face negative impacts of climate change.

As Castleforge's offsetting policy is refined, the implementation of a transition fund shall be considered. This opportunity arises where our ICP exceeds the actual costs of offsetting activities and the associated surpluses could be ringfenced for future investment, supporting our assets' transition towards net zero carbon through refurbishment. Alternatively, the transition fund could be utilised to invest in local transition projects which do not reach the compliance thresholds of a verified offsetting credit, but nonetheless deliver clear, relevant, and demonstrable benefits, such as retrofitting local public buildings and housing or contributing to the development or enhancement of local biodiversity projects, aligned to subsequent carbon removal objectives.

As we navigate the complex landscape of carbon offsetting, transparency and accountability through comprehensive disclosures are paramount. Our commitment to disclosing our carbon offsetting strategies and practices not only fosters trust with stakeholders but also encourages industry-wide transparency and learning. Therefore, we remain dedicated to continually reviewing our offsetting approach, staying cognisant of emerging trends, and adapting our approach to align with the most effective and sustainable offsetting practices.



GLOSSARY

CRREM	(Carbon Risk Real Estate Monitor) A tool providing the real estate sector with a method for identifying decarbonisation pathways aligned with the Paris Climate goals.
ESG	(Environmental, Social and Governance) A set of aspects which are considered by companies.
GRESB	(Global Real Estate Sustainability Benchmark) An independent organisation providing validated ESG performance data, and industry benchmarks allowing comparisons between peer groups.
IPCC	(Intergovernmental Panel on Climate Change) An intergovernmental body of the United Nations aiming to advance scientific knowledge about human-caused climate change.
NZAM	(Net Zero Asset Managers) An international group of asset managers who are committed to supporting a collective net zero carbon goal.
Operational Carbon	Operational carbon emissions are those which are emitted resulting from the energy consumed by building-integrated technical systems during the operation of the building (typically electricity, natural gas etc.).
REGO	(Renewable Energy Guarantees of Origin) A scheme helping to validate the presence of renewable electricity in a given purchase of electricity. Certificates are provided proving the mix of electricity purchased.
SBTi	(Science-Based Targets Initiative) A partnership between several global organisations with the aim to provide guidance and support to companies in setting science-based net zero carbon targets.
Scopes 1, 2 and 3 Emissions	The Greenhouse Gas Protocol defines three separate ‘scopes’ of carbon emissions. Scope 1 emissions are direct, resulting from fuels burnt onsite/company car use. Scope 2 emissions are indirect and are emissions resulting from the generation of electricity. Scope 3 emissions are also indirect, and encompass upstream and downstream emissions from supply chain to tenant emissions.

SFDR	(Sustainable Finance Disclosure Regulation) A European regulation aimed to improve transparency within the sustainable investment market.
UKGBC	(United Kingdom Green Building Council) A UK-based membership organisation aiming to transform the way the built environment is designed, planned, constructed and operated to be more sustainability-focused.
UN PRI	(United Nations Principles of Responsible Investment) A UN-supported network of financial institutions working towards the implementation of the 6 responsible investment guiding principles, with the aim to create a sustainable global financial system.

DISCLAIMER

This document has been prepared for Castleforge for the agreed purpose. Reasonable professional care has been taken in the development of this document. Where our analysis, conclusions and recommendations are based on information provided to us (for example by you and/or a data agent), EVORA cannot be held responsible for the accuracy of this information. Neither this document nor any other statements or representations by EVORA should be construed by the named client or any third party as legal and/or financial advice. Further, EVORA cannot be held responsible for reliance on the contents of this document by any third parties other than the named client.



A circular graphic with a dark teal border, containing the text "BUILD WITH VISION" in a bold, white, sans-serif font. The text is arranged in three lines: "BUILD" on the top line, "WITH" on the middle line, and "VISION" on the bottom line. The background of the image is a light teal color with a white dot grid pattern on the right side.

**BUILD
WITH
VISION**