



# Sustainable thinking, responsible business

Pathway to net zero: April 2022  
Picton Property Income Limited

Introduction

# Achieving net zero carbon

We are committed to conducting business responsibly and in a way that makes a positive contribution to society, minimising any negative impacts on people, local communities and the environment.

This document sets out our approach to tackling climate change and priority actions towards decarbonising our portfolio.

Front cover image:  
**London**  
Stanford Building

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Visit our website to keep up-to-date on our progress  
[www.picton.co.uk/sustainability](http://www.picton.co.uk/sustainability)





## Foreword

# Safeguarding for the long-term



## Our approach to sustainability and its role in how we operate as a responsible business has progressed over time.

We have developed our environmental reporting through best practice frameworks such as GRESB, the global ESG benchmark, and the EPRA Sustainability Best Practices Recommendations (sBPR). We have also surpassed the Scope 1 and 2 emission reduction targets that we set in 2016, two years ahead of schedule.

However, the business environment in which we operate has changed significantly, with awareness and urgency surrounding the climate crisis now at an all-time high. As such, we believe transitioning to net zero carbon is now a necessary vision for safeguarding our long-term resilience and business performance whilst continuing to deliver value for all our stakeholders. Developing our pathway to net zero carbon has therefore been a key priority in 2021-2022. The pathway will allow us to put our ambition into action, galvanise the team, and transform how we operate so that we can scale-up the required innovation across the business and value chain.

We have committed to achieving net zero carbon for our operational and embodied emissions by 2040. This will mean going beyond asset energy efficiency measures to adopting a holistic approach to how we manage our portfolio, from asset management and refurbishment, to acquisitions and governance. Importantly, our success is linked to our occupiers' performance. It will be critical to engage strongly with them and grow lasting relationships, so we can collaboratively



reduce our emissions. This will require buy-in from across our supply chain and our partners, as well as a sustainability training programme for occupiers to equip them with the skills and knowledge they need to support us in delivering our net zero carbon pathway.

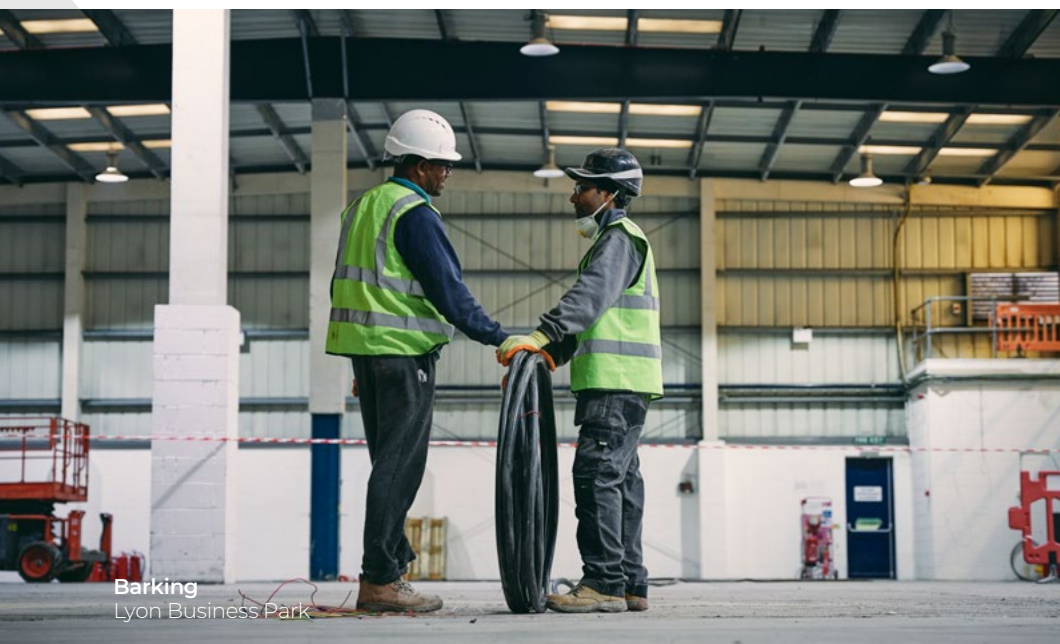
On a wider scale, we value an industry-wide approach and have joined the Better Buildings Partnership (BBP), a collaboration of the UK's leading commercial property owners, becoming a signatory to the BBP Climate Commitment. The journey to net zero carbon can be complex and is constantly changing, and we will evolve our approach based on best practice, learning from our peers, and ensuring that we deliver benefits that meet the needs of our stakeholders.

**Michael Morris**  
Chief Executive

## Executive summary

# Playing a critical role to limit climate change

We are operating in a time of unprecedented concern over the climate crisis. Following COP26, nations and organisations around the world have committed to tackling climate change, with the UK becoming the first major economy to pass a net zero emissions law, pledging to be net zero carbon by 2050.



Barking  
Lyon Business Park

## 2040

**We have committed to achieving net zero carbon for our operational and embodied emissions by 2040.**

Together, commercial and residential real estate accounts for 40% of global greenhouse gas emissions<sup>1</sup>. It's clear that our sector has a critical role to play if we are to limit global temperature rise to 1.5°C and avert the worst impacts of climate change.

We are an award-winning Real Estate Investment Trust (REIT) that acquires, creates and manages buildings in the UK for commercial occupiers across a wide range of sectors. In today's world of increasing environmental legislation and a rise in occupiers' own sustainability commitments, transitioning to net zero carbon has clear benefits for us: safeguarding long-term asset values; building resilience against physical and transition climate risks; and meeting stakeholder expectations whilst mitigating against regulatory non-compliance.

In this report, we set out our commitment to achieve net zero carbon for both our own and our occupiers' emissions by 2040 and our strategy for achieving this. Our target covers the whole life carbon of our assets, including the energy use of our occupiers, and is aligned with the BBP's Net Zero Carbon Pathway Framework. To meet our commitment, we have set targets for whole building energy efficiency for each asset type and embodied carbon related to major refurbishments. These are aligned

with the latest climate science required to limit global warming to 1.5°C. The pathway has been informed by an in-depth analysis of our current performance and is driven both by our ambition and industry best practice, to ensure a credible approach.

As we transition to net zero carbon, we will need to ensure that our policies, procedures and governance are fit for purpose and our people are equipped with the skills and resources needed to implement the delivery strategy. As a member of the BBP and signatory to the BBP Climate Commitment, we recognise the value of collaboration in driving industry-wide change and facilitating knowledge-sharing on best practice. To ensure our continued alignment with the BBP requirements and maintain the credibility and transparency of our pathway, we will continuously monitor our performance and report annually on our progress.

<sup>1</sup> <https://www.worldgbc.org/news-media/WorldGBC-embodied-carbon-report-published>

Defining our net zero carbon baseline

# Mapping our carbon emissions

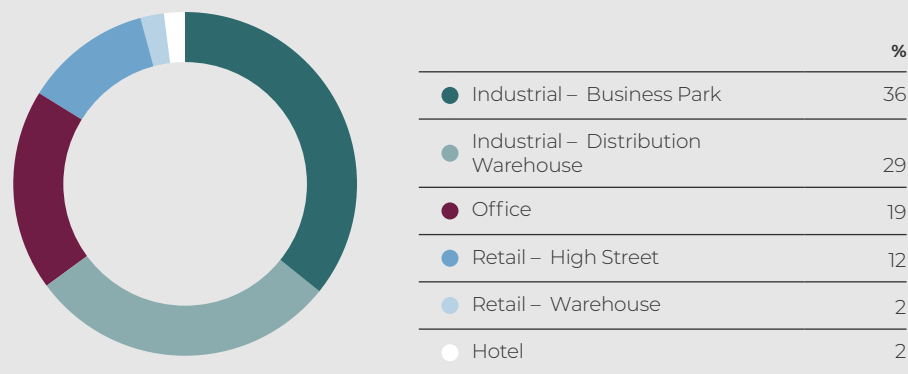
As a first step in developing our net zero carbon pathway, we defined our portfolio’s baseline carbon footprint to map the emissions reductions required to meet our 2040 target.

Given the significant impacts that the Covid-19 pandemic has had on building environmental performance in 2020 and 2021, we selected 2019 as the most recent, representative year of our performance.

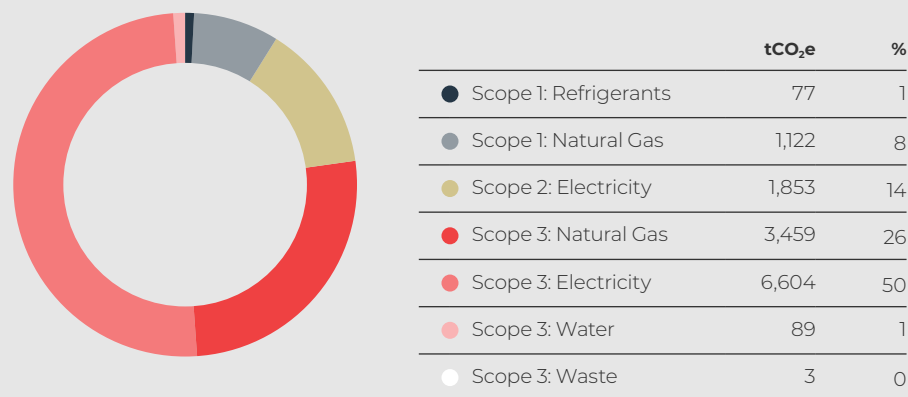
In our baseline year, the portfolio consisted of 47 assets<sup>1</sup> as shown in Figure 1, including industrial, office, retail, and leisure properties. Approximately three quarters are multi-let assets for which we have operational control and therefore a greater ability to influence net zero carbon-aligned decisions. As we have opted to include both multi-let and Fully Repairing and Insuring (FRI) leased assets within our net zero carbon target scope, reducing emissions across the remaining assets will require active involvement on our part to identify strategies for engaging occupiers.

Our portfolio in the 2019 baseline year was responsible for an estimated 13,207 tCO<sub>2</sub>e (location-based emissions factors<sup>2</sup>), as shown in Figure 2. Our 2019 carbon footprint was estimated with the support of a third-party consultant and in line with the BBP Net Zero Carbon Pathway Framework<sup>3</sup>. As expected, and similar to most property investment companies, the majority of our overall emissions relate to the energy consumption of our occupiers (76%), with the remainder relating to emissions from refrigerants, water use and waste. Although not included in the baseline year assessment, embodied carbon associated with refurbishment activity has been projected for future years and is a key part of our commitment.<sup>4</sup>

**Figure 1:** Our asset types for baseline year 2019, expressed as % of total floor space



**Figure 2:** Our baseline year (2019) location-based emissions, expressed as tCO<sub>2</sub>e, and % of total



1 Our 2019 property portfolio included 52 assets. However, five have since been sold. Therefore our 2019 baseline covers the 47 assets still in our portfolio

2 A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)

3 The baseline reported here differs from the 2019 emissions we reported in our annual Sustainability report due to difference in scope and additional estimation required to provide an accurate baseline for net zero carbon pathway development

4 Embodied carbon associated with refurbishments and fit-outs, and emissions resulting from landlord activities related to the purchase of goods and services have not been quantified in the baseline year due to the lack of available data. These categories remain a key part of our commitment, and we aim to quantify related emissions for these categories as part of our net zero carbon roadmap.



What is net zero carbon?

# Defining net zero

For the purposes of our net zero carbon pathway, we have aligned with the BBP's definition: the carbon emissions emitted as a result of all activities associated with the development, ownership and servicing of a building are zero or negative<sup>1</sup>.



<sup>1</sup> [https://www.betterbuildingspartnership.co.uk/sites/default/files/media/attachment/BBP\\_Net-zero%20Carbon%20Framework\\_May21.pdf](https://www.betterbuildingspartnership.co.uk/sites/default/files/media/attachment/BBP_Net-zero%20Carbon%20Framework_May21.pdf)

## Our net zero carbon pathway

# Guiding our approach

To ensure credibility and transparency in our approach, our net zero carbon pathway aligns with:

- The BBP Net Zero Carbon Pathway Framework
- The UK Green Building Council's (UKGBC) net zero carbon hierarchy

01.  
Reduce embodied carbon



02.  
Optimise energy efficiency



03.  
Maximise on-site renewable energy



04.  
Maximise high-quality off-site renewable energy procurement



05.  
Purchase high-quality carbon offsets for residual emissions



**Our net zero carbon pathway** continued

**Guiding our approach** continued

We will introduce energy efficiency measures that are aligned with the UKGBC targets for offices. For other asset types, we are aligning ourselves with the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Global Pathways' energy intensity targets. The natural decarbonisation of the national energy grid, meaning the transition of the UK grid from fossil to non-fossil fuel emissions sources, will play an important role in reducing our operational carbon emissions. In addition, we will investigate on-site renewable energy opportunities at our assets and procure our remaining energy from high-quality renewable sources.

Importantly, this will require transitioning our procurement of renewable energy from certificate-backed tariffs, which are increasingly perceived as low-quality green tariffs, to high-quality renewables that fulfil the additionality principle by demonstrating the renewable energy has been generated as a result of our specific demand.

For major and minor refurbishments, we will reduce embodied carbon emissions as much as possible by employing circular economy principles, i.e., reducing waste, pollution and demand for raw materials by keeping resources in the value chain for as long as possible. As a final action, we will source high-quality carbon offsets – aligned with the Oxford Principles for Net-Zero Aligned Offsetting – to compensate for any residual emissions from 2040 onwards.

As a signatory to the BBP's Climate Commitment, we will annually report on our net zero carbon pathway progress.

**Our main commitment**

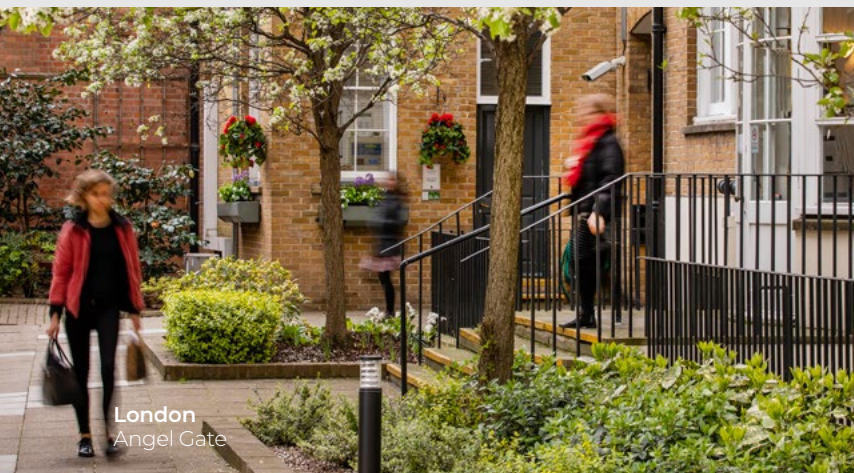
**Net zero carbon by 2040 for operational and embodied carbon**



By 2040, all operational emissions are reduced as much as possible through energy efficiency measures and renewable energy, with any residual emissions offset.



From 2040 onwards, all completed refurbishment projects will have reduced their embodied and operational carbon as much as possible, with any residual emissions offset upon practical completion.



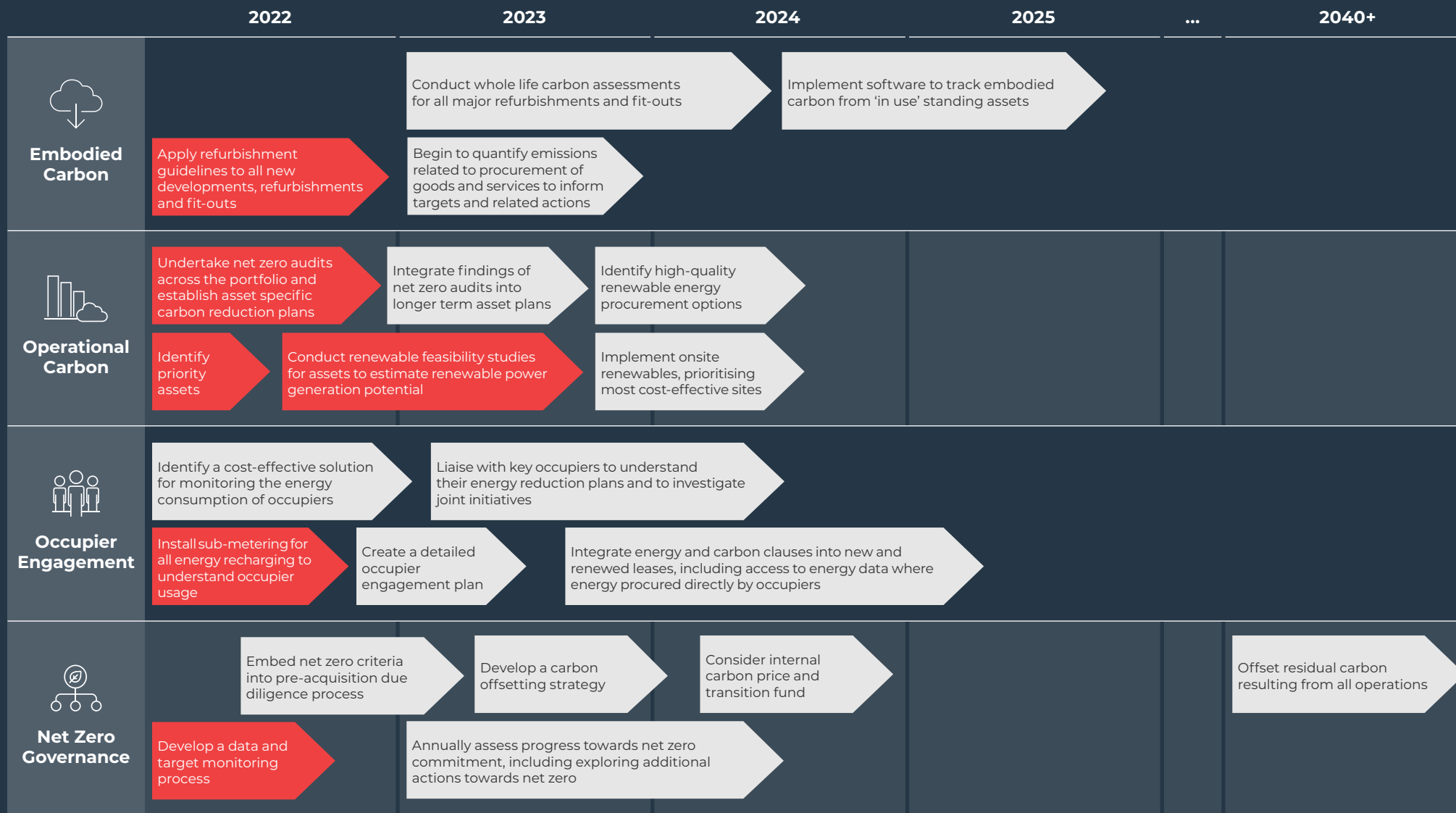
London  
Angel Gate



London  
Stanford Building



Our net zero carbon pathway continued



Underway

Future initiatives

Embodied carbon

# Measuring and reducing embodied carbon



Embodied carbon refers to the emissions associated with a building’s construction and materials.

The majority of our development activity is constituted by refurbishments and retrofit works, for which there are no industry benchmarks thus far. We will therefore begin to conduct whole life carbon assessments for all major refurbishments and fit-outs from 2023 in pursuing an embodied carbon target of 300 kgCO<sub>2</sub>e/m<sup>2</sup> by 2040 for our major refurbishments. As further guidance and best practice becomes available, we will revisit our target to ensure its effectiveness for achieving our net zero carbon goal.




To achieve the maximum embodied carbon savings, our sustainable refurbishment guidelines define our expectations from the project outset. This includes the selection of low carbon materials, such as:

- **Conserved materials:** Identifying any construction materials from the existing structures that can be used in place of virgin materials
- **Repurposed materials:** Identifying any construction materials for nearby structures or sites that can be used in place of virgin materials
- **Recycled materials:** Identifying any second-life construction materials
- **Low carbon materials:** Where virgin materials are needed, identifying which options will have a lower carbon intensity
- **Design for deconstruction:** Identifying materials that can be disassembled at the end of the asset’s life and repurposed including where individual parts can be replaced, repaired, and upgraded independently of the other modules

The selection of alternative materials and rethinking material use forms part of our circular economy principles – not only reducing our carbon emissions, but creating co-benefits, such as biodiversity gain and community placemaking.

**Aim:** Measure and employ a wide range of methods to target industry benchmarks and minimise the embodied carbon cost of developments, major refurbishments, and occupier fit-outs.

**Metrics:**

-  Major refurbishment embodied carbon intensity (kgCO<sub>2</sub>e/m<sup>2</sup> GIA)
-  Minor development and fit-out embodied carbon intensity (kgCO<sub>2</sub>e/m<sup>2</sup> GIA)
-  Total portfolio embodied carbon development (tCO<sub>2</sub>e)

**Our target:**

**300kgCO<sub>2</sub>e/m<sup>2</sup>**  
for major refurbishments by 2040

Reducing operational carbon

# Ensuring energy efficiency across our portfolio

With the majority of our emissions attributed to landlord and occupier energy consumption, we will introduce energy efficiency measures and targets per asset type based on the UKGBC's targets for offices and the CRREM 1.5°C Global Pathways' aligned targets for all other asset types.

As well as pursuing an overall reduction in energy use, we will reduce the carbon intensity of the energy we use by electrifying assets at the point of refurbishment.

To reduce our operational carbon, we will:

- Develop an occupier engagement plan to ensure actions take place in a timely manner and effective cost-sharing mechanisms are introduced
- Continue to scale-up green leases and the percentage of leader green leases
- Engage occupiers to undertake energy audits
- Identify appropriate energy efficiency interventions during the net zero carbon audits that are currently taking place, prioritising our selected assets and those approaching lease renewal
- Continue increasing data coverage and the roll-out of data management systems

- Ensure all assets where landlord procured energy is consumed by occupiers is sub-metered and recharged based on all units to accurately account for Scope 3 emissions and ensure occupiers are incentivised to optimise energy usage.

### Water

Carbon emissions associated with the purchase and disposal of water are a low materiality issue for us in comparison to our other emission sources such as landlord and occupier energy consumption. Nevertheless, given that water scarcity in the UK is a growing issue, with the country expected to experience water shortages by 2050 due to climate change<sup>1</sup>, we will implement water-saving measures such as water sub-metering, target-setting, new water-saving technology, and recycled water use.

### Waste

As with water, emissions associated with waste for our business are very low in comparison with energy consumption. Again, however, waste and the circular economy remain a critical sustainability issue for the environment as a whole. Therefore, although improvements to our waste management will not have a significant effect on our net zero carbon pathway, we will still explore initiatives in line with the waste hierarchy: prevention, re-use, recycle, recovery, and then disposal.

**Aim:** Ensure operational carbon performance and efficiency across the portfolio are improved in line with CRREM 1.5°C energy pathways in order to achieve net zero carbon by 2040.

### Metrics:



Operational carbon emissions (tCO<sub>2</sub>e)



Energy intensity (kWh/m<sup>2</sup>)



Reduction in energy and water consumption based on metered data (%)

<sup>1</sup> <https://www.gov.uk/government/speeches/drought-risk-in-the-anthropocene-from-the-jaws-of-death-to-the-waters-of-life>



Renewable opportunities

# Maximising renewable energy opportunities

**On-site aim:** Maximise the amount of on-site renewable generation across all assets to which it is feasible.

**Metrics:**



Portfolio onsite renewable energy capacity (MW)

**Off-site aim:** Procure high quality renewable energy where possible to cover both landlord and occupier energy demand.

**Metrics:**



Renewable energy procurement (%)



High quality renewable energy procurement (%)



Milton Keynes  
Grafton Gate

### On-site renewable energy generation

To reduce the carbon footprint of our operational emissions, we will investigate on-site renewable energy opportunities across our assets. This is the preferred approach to procuring renewable energy as it guarantees its use by the asset.

To increase our generation of on-site renewables, we will:

- Undertake renewable energy feasibility studies to identify asset-specific potential when an existing asset is up for a lease renewal or an acquisition takes place within our portfolio
- Consider appropriate quantitative on-site renewable energy targets on completion of feasibility studies



### Off-site renewable energy procurement

Due to the diversity of our portfolio, it is unlikely that all assets will be supplied with on-site renewable energy. Therefore, we will procure the remaining energy needed from high-quality renewable sources. It is possible that all outstanding operational emissions might be negated by procuring this energy; however, this is not the case for all embodied carbon emissions for which some high-quality carbon offsets will be required.

In the 2020-2021 reporting year, we supplied 99% of our landlord purchased energy demand through the procurement of certificate-backed renewable energy tariffs. However, as these are increasingly perceived as low-quality green tariffs for supporting net zero carbon efforts, as part of our pathway we will look to procure high-quality renewables in line with the UKGBC guidance on renewable energy procurement. The guidance sets out best practice, identifying three main criteria for companies with net zero carbon commitments: it must be from renewable non-fossil fuel energy sources; create additional capacity in the grid; and have exclusive ownership and claims of the energy attributes.

Carbon offsetting

# Supporting initiatives through offsetting

After taking all possible actions to reduce our embodied and operational carbon emissions, we expect a level of residual carbon to remain.

From 2040 onwards, this will be compensated for by using high-quality carbon offsets in line with the Oxford Offsetting Principles. We will develop a carbon offsetting strategy by assessing relevant projects either in the UK or elsewhere through which we can compensate for any residual emissions by financially supporting initiatives that prevent or remove the equivalent amount of carbon from the atmosphere<sup>1</sup>.



**Aim:** Acquire high quality offsets to neutralise any residual emissions that remain after all other carbon reduction methods have been exhausted and we have reached our net zero carbon target year.

**Metrics:**



Total carbon emissions offset (tCO<sub>2</sub>e)

<sup>1</sup> World Economic Forum (WEF) Green Building Principles, 2021

## Scope and boundaries

# Alignment to BBP's Climate Commitment

The scope and boundaries of our net zero carbon pathway are aligned with the BPP's Climate Commitment.

**Table 1: Landlord and occupier activities within the scope of the commitment**

Activities which generate GHG emissions	Activities controlled and managed by landlord	Activities controlled and managed by occupier
Energy to operate buildings	Yes	Yes
Water to operate buildings	Yes	
Waste generated during operations	Yes	
Refrigerants	Yes	
Purchase of goods and services	Yes	
New development works	Not applicable <sup>1</sup>	
Refurbishment works	Yes	Yes
Fit-out works	Yes	Yes

<sup>1</sup> New development works are not applicable as we do not build new properties



Appendix

**Table 2: BBP alignment table (delivery strategy)**

Topic	Outcome/Aims	Delivery/Management strategy	Reporting metric
<p><b>Operational carbon (energy, water &amp; waste)</b></p>	<p>Ensure operational carbon performance and efficiency across the portfolio are improved in line with CRREM 1.5°C energy pathways in order to achieve net zero carbon by 2040</p>	<ul style="list-style-type: none"> <li>– Monitor and decrease the energy intensity of assets to levels to align to CRREM energy targets and UKGBC energy targets for offices through major renovations at lease renewal</li> <li>– Produce an occupier engagement plan to improve collaboration and training on sustainability</li> <li>– Review occupier leases on renewal to embed operational performance efficiencies</li> <li>– Embed net zero operational criteria into the pre-acquisition process</li> <li>– Improve data accuracy and coverage by continuing progress towards net zero carbon/ energy audits for priority assets and scaling up coverage over time</li> <li>– Regularly review water and waste management strategies to minimise their impact and support net zero commitments</li> </ul>	<ul style="list-style-type: none"> <li>– Operational carbon emissions (tCO<sub>2</sub>e)</li> <li>– Energy intensity (kWh/m<sup>2</sup>)</li> <li>– Reduction in energy and water consumption based on metered data (%)</li> </ul>
<p><b>On-site generation</b></p>	<p>Maximise the amount of on-site renewable generation across all assets where feasible</p>	<ul style="list-style-type: none"> <li>– Conduct feasibility studies to maximise on-site renewables on appropriate assets, reducing dependence on non-renewables and on the UK national grid</li> </ul>	<ul style="list-style-type: none"> <li>– Portfolio onsite renewable energy capacity (MW)</li> </ul>

Appendix continued

**Table 2: BBP alignment table (delivery strategy)** continued

Topic	Outcome/Aims	Delivery/Management strategy	Reporting metric
<b>Renewables procurement</b>	Procure high quality renewable energy where possible to cover both landlord and occupier energy demand	<ul style="list-style-type: none"> <li>- Continue to meet energy demand through the procurement of renewable energy</li> <li>- Maximise renewable energy procurement that meets the 'high-quality' criteria, i.e., renewably sourced, backed by renewable energy certification (REGOs), and creating additional capacity in the grid</li> <li>- Work closely with occupiers to increase high-quality renewable energy procurement for leased areas</li> <li>- Explore the options for high quality PPAs, green tariffs, and REGOs</li> </ul>	<ul style="list-style-type: none"> <li>- Renewable energy procurement (%)</li> <li>- High quality renewable energy procurement (%)</li> </ul>
<b>Embodied carbon associated with capital goods, services, and capital works e.g., management, maintenance, fit-outs, refurbishments and new developments</b>	Measure and employ a wide range of methods to target industry benchmarks and minimise the embodied carbon cost of developments, major refurbishments, and occupier fit-outs	<ul style="list-style-type: none"> <li>- Target embodied performance of less than 300kgCO<sub>2</sub>e/m<sup>2</sup> for major renovations and set increasingly ambitious new build targets with time based on RIBA recommendations</li> </ul>	<ul style="list-style-type: none"> <li>- Major refurbishment embodied carbon intensity (kgCO<sub>2</sub>e/m<sup>2</sup> GIA)</li> <li>- Minor development and fit-out embodied carbon intensity (kgCO<sub>2</sub>e/m<sup>2</sup> GIA)</li> <li>- Total portfolio embodied carbon development (tCO<sub>2</sub>e)</li> </ul>
<b>Offsetting</b>	Acquire high quality offsets to neutralise any residual emissions that remain after all other carbon reduction methods have been exhausted and we have reached our net zero carbon target year	<ul style="list-style-type: none"> <li>- Develop a carbon offsetting strategy to neutralise embodied emissions from refurbishment works</li> <li>- Develop a strategy to neutralise residual emissions after net zero carbon target year</li> <li>- Adhere to stringent requirements of 'high-quality' recognised offsetting schemes and guidance such as the Oxford Offsetting Principles</li> </ul>	<ul style="list-style-type: none"> <li>- Total carbon emissions offset (tCO<sub>2</sub>e)</li> </ul>
<b>Third-party verification, industry standards and certification</b>	Maintain the credibility, clarity, and transparency of our net zero carbon pathway	<ul style="list-style-type: none"> <li>- Continue to align and collaborate with BBP and annually report on progress against net zero carbon pathway</li> <li>- Begin annual independent third-party assurance of portfolio data from 2022 onwards using the AA 1000 Assurance Standard</li> </ul>	<ul style="list-style-type: none"> <li>- Certification of energy, water, and waste data by third-party assurance</li> </ul>



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