



Net Zero Carbon Roadmap

Supporting communities,
enhancing environments
and growing economies

Going beyond compliance

Canada Life Asset Management is the overarching brand name for the investment activities of Canada Life Asset Management Ltd, Canada Life Ltd and Canada Life European Real Estate Ltd, collectively responsible for managing more than £38.2bn* of equities, fixed income and property.

Canada Life Asset Management seeks to ensure that sound management, investment and ethical principles are incorporated throughout all business activities. Canada Life have managed diversified property funds for over 50 years and have a strong track record of delivering long term income returns and capital growth to investors through direct investment in UK commercial property assets.

The Real Estate team within Canada Life Asset Management now comprise 12 experienced property professionals* and currently manage in excess of £2.7bn in property assets for a variety of professional and institutional investors.

*As at 30th June 2022

The next ten years will be decisive, both on a global level and for us as a company. We need to make sure that we are on the right track to limit global warming, by pursuing change and embracing innovation. Our Net Zero Carbon target will now become the centrepiece of our commitment to long-term sustainability

Michael White
Head of UK Property



Highlights

- + The scientific community has clearly stated the need to reach net-zero global CO2 emissions by mid-century, in order to limit global warming to 1.5°C and to reduce the destructive impacts of climate change on human society and nature.
- + Our commitment is to achieve net zero carbon across our direct UK real estate portfolio by 2050 or sooner. This commitment goes beyond our landlord operations, covering whole building emissions which include our occupiers.
- + To achieve net zero, we adhere to best practice principles, such as the UK Green Building Council framework. We will measure and reduce embodied carbon. We will use the energy hierarchy to drive down the demand of our properties, to energy intensity levels which are 'Paris agreement proof'. We will increase renewable energy supply and only consider verified offsetting as the final step.

Context

In 2018, the Intergovernmental Panel on Climate Change (IPCC) confirmed that in order to limit global warming to 1.5°C, the world needs to halve CO2 emissions by around 2030 and reach net-zero CO2 emissions by mid-century.

The IPCC defines net-zero as that point when “anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period”. The Paris Agreement sets out the need to achieve this balance by the second half of this century.

The concept of net-zero has risen in prominence ever since, as countries, cities, companies and others are increasingly committing to reaching this ambitious goal.



Introduction to this roadmap

The Property team at Canada Life Asset Management has a track record of incorporating sustainability into its real estate strategy.

A comprehensive ESG Strategy was implemented in 2018, accompanied by annual participation in the Global Real Estate Sustainability Benchmark (GRESB). The elements of this ESG strategy form the building blocks of our net zero carbon (NZC) approach, aligned to a 1.5-degree global warming science-based trajectory.

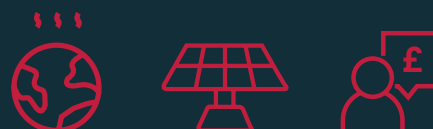
This approach involves designing, creating, acquiring and managing high quality and energy efficient buildings operating on renewable energy. By doing this, we can reduce our own emissions and impact, alongside demonstrating the benefits to inspire and influence others to do the same.

This roadmap explains our proposed plan for the upcoming years to 2030, including the targets we have set and the metrics we will be using to track our progress. This is the first phase on our journey to net zero carbon and it will focus on operational carbon (Scopes 1 and 2). A future second phase will involve a plan to achieve Net Zero Carbon by 2050, or sooner, for Scope 3 emissions including tenant energy.

It is important to us that we share our plans, giving our stakeholders the opportunity to be involved in the journey, track our progress, and provide feedback. Splitting our commitment into two phases, allows focus on areas where we have direct control.

Our experiences in Phase One will also inform progression in Phase Two. We will be cognisant of our Phase Two objectives throughout.

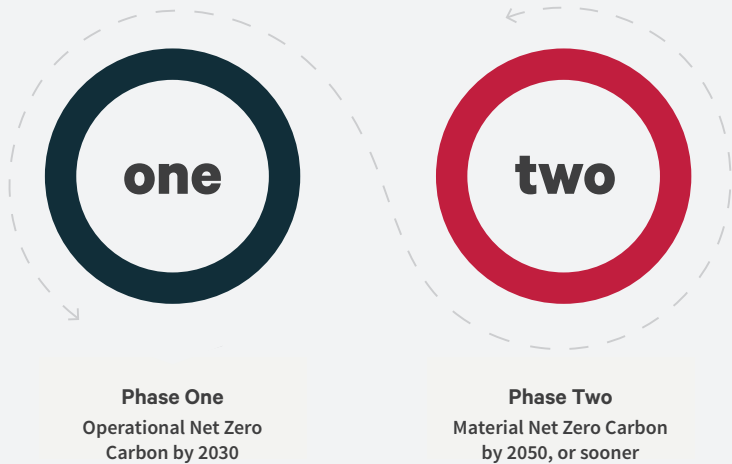
As our climate becomes more volatile, so too does the potential disruption to our business. This net zero carbon strategy aims to minimise climate-related risks, taking responsibility for our own impact on the environment, whilst enhancing value to investors.



Our Approach

Definition of Operational Net Zero Carbon

We define operational net zero carbon as when the amount of carbon emissions associated with the building's operational energy on an annual basis is zero or negative. A net zero carbon building is highly energy efficient and powered from on-site and/or off-site renewable energy sources, with any remaining carbon balance offset. This we target, under Phase One, by 2030.



Investment Boundary

Our commitment covers all of our direct UK real estate portfolio, in excess of £2.7bn AUM*.

This commitment has been formally ratified for these real estate investments by the Canada Life Asset Management Executive Management Committee in line with our governance structure as outlined below.

In Scope



- + Direct UK Real Estate Investment
- + Corporate Real Estate

Out of Scope



- + Non-UK Investment
- + Indirect Investment
- + Debt & Securites

*As at 30th June 2022

Carbon Emissions Boundary

Currently, our Phase One NZC commitment applies to operational carbon emissions of buildings, wherever we have operational control and a direct ability to impact energy use and their associated emissions.

We have been measuring and reporting the carbon emissions associated with managing our assets for many years. Scope 1 & 2 greenhouse emissions come from the fuels and electricity that we purchase and control as a landlord, in order to operate our properties. This we include in our Phase One commitment.

The majority of our emissions are due to the energy used and controlled by our occupiers. We also acknowledge the carbon linked to the goods and services that we purchase to operate our assets. This includes OPEX expenditure on managing agents, building management and refurbishment contractors.

Another source to consider is the capital goods, primarily the embodied carbon, built into new developments and refurbishments. Our net zero carbon target to 2050, or sooner, Phase Two, includes scope 3 emission sources. Scope 3 emissions are from indirect sources, primarily the energy that tenants use. The availability and quality of scope 3 emission data is currently limited. An important component of our roadmap to net zero is to improve the breadth and depth of this data, and to develop more accurate monitoring and reporting. Further information about the activities included in the carbon boundary of our commitment is provided in the Appendix 1.



Phase One Actions to Operational Net Zero

The following details how we will deliver our strategy:



Acquisition

- Enhance our due diligence processes to understand the net zero carbon risk. Aim to only acquire assets where we have the confidence that they can be decarbonised in time.
- Upon acquisition, we will develop net zero roadmaps for each asset to ensure they support our overall commitment.



Development

- Specify all-electric heating and cooling systems for major refurbishment projects.
- Ensure net zero operational design strategies are addressed from the outset.
- Consider undertaking whole life carbon assessment of refurbishment projects, seeking to integrate circular economy principles as much as possible.
- Work with suppliers to gain access to more detailed breakdowns of material used in refurbishment for the assessment of embodied carbon impacts.



Reporting

- Report progress transparently on an annual basis through INREV aligned reporting and GRESB.
- Promote reporting evolution in line with availability, scope, materiality, and quality of data.
- Report annually in line with TCFD* recommendations.



Renewable Energy

- Specify on-site renewables for new developments to their maximum potential, assess their feasibility for major refurbishments and throughout the standing portfolio.
- Explore opportunities for renewables on our FRI assets.
- Procure 100% of electricity from Renewable Energy Guarantees of Origin (REGO) backed sources for the managed portfolio.
- Independent certification and industry standards will be used when procuring renewable energy. We will seek third-party advice for best practice where necessary.

*The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information



Management

- Identify priority assets for net zero carbon audits and implement auditing schedule if/where required.
- Set out energy efficiency measures in the asset management plans and maintenance programmes for all properties, including new acquisitions.
- Working with agents, rollout asset level net zero roadmaps across the portfolio.
- Identify properties in the investment portfolio for retrofit to all electric heating and cooling systems.



Disposal

- Utilise CRREM tool as a factor within long-term investment strategy.
- Provide at least 12 months of operational energy data, where available, to buyers and share as much information as possible on each asset's net zero carbon roadmap to ensure a smooth transition of energy management responsibilities.



Monitoring

- Increase the granularity of operational energy consumption data (landlord and occupier) by:
 - (1) ensuring the accuracy of existing meters,
 - (2) upgrading to half-hourly meters with AMR technology that feed into software platforms automatically,
 - (3) the installation of additional sub-metering, where considered valuable.
- Enhancing the existing quarterly monitoring process with net zero carbon target oversight.



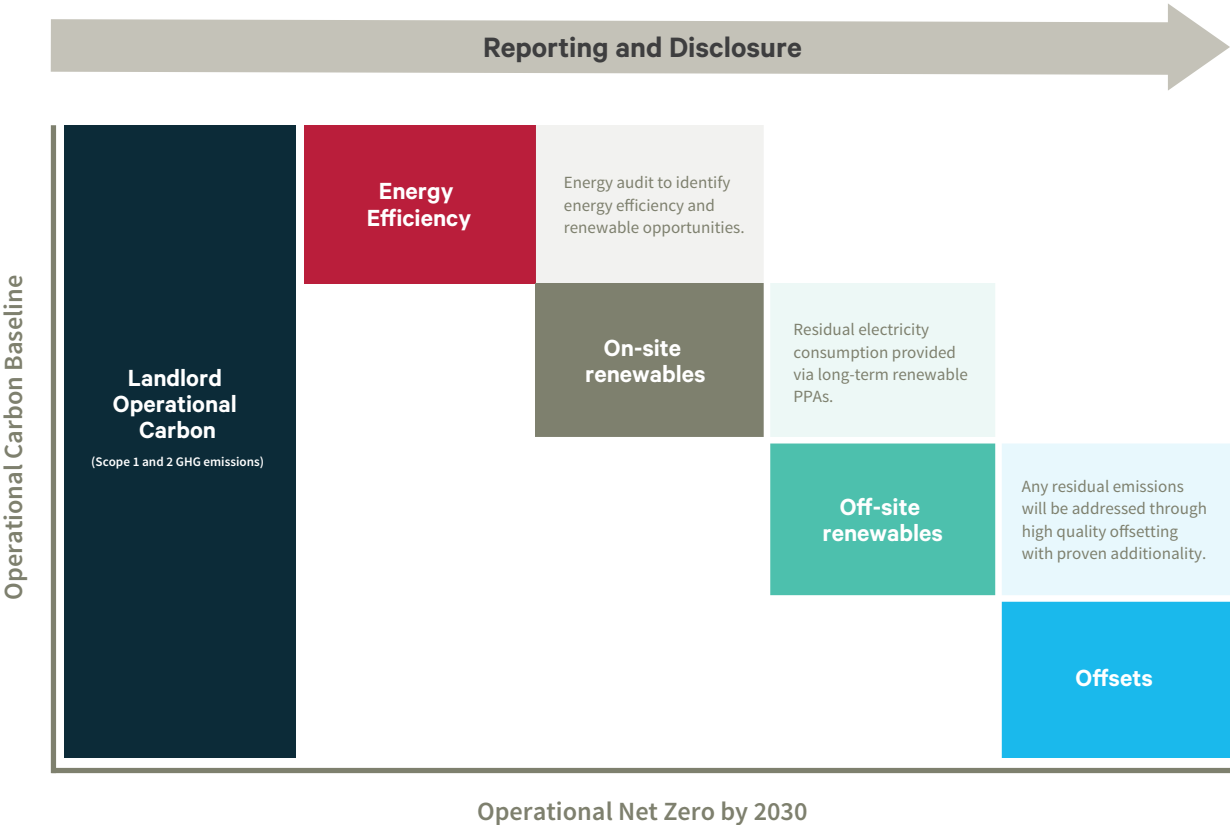
Tenant Engagement

- Occupier engagement objectives will be included in our Asset Sustainability Plans across all assets, which will be monitored against progress.
- Develop an approach to understanding the carbon impact of the unmanaged portfolio which includes a methodology for estimating energy consumption where actual data is not readily available (due preparation for Phase Two).
- Continually improve green lease obligations and subsequent data capture processes to accurately measure tenant emissions.
- Engage with tenants on procurement of energy from renewable sources.

Phase One Delivery Strategy

The following outlines our Phase One delivery strategy.

This timeline will evolve as we move forwards and we will aim to accelerate progress wherever possible. Initiatives already exist in a number of these areas and we will be adapting them to meet our net zero programme.



Governance

Our governance structure and processes ensure our approach to decarbonisation is embedded throughout our real estate platform.

We encourage a culture of team and individual accountability through integrating ESG in asset planning and review meetings. Our reporting on ESG metrics through these meetings allows us to hold our teams to account for delivering on our net zero goal. The integration of ESG factors in investment decisions is part of the remuneration criteria of our main investment desk heads.

Board Level

CLAM Ltd Board

Board Risk Committee

Board Audit Committee

Management Level

CLAM Ltd Executive Management Committee

CLAM Property Investment Committee

CLAM Multi-Asset Investment Performance Committee

CLAM Investment Performance Meeting

CLAM ESG Oversight Committee

CLAM Order Execution Committee

CLAM Real Estate ESG Steering Group

Governance (cont.d)



Overview

The CLAM ESG Oversight Committee provides senior management oversight for all ESG matters.

Climate change is a standing agenda item for ESG Committee meetings. Discussions include;

- Progress in meeting our carbon targets and performance.
- External policy developments.
- Engagement with stakeholders on key climate-related topics.



Real Estate ESG Strategy

The Real Estate ESG Steering Group reports to the CLAM ESG Oversight Committee. This Steering Group is overseen by the Head of UK Property, who is responsible for key decisions on delivering our programme.

This Group reviews risks and mitigation actions relating to climate change, as part of our risk management and strategy development processes.



Operational

When relevant, meetings and communications, include discussions on decarbonisation strategy and carbon performance.

Our ongoing work plan and requirements we place across our asset portfolio, give substance to our corporate approach and commitments on climate change.



Metrics & Targets

We are committed to reporting transparently on our progress in meeting our climate change objectives and data on our Scope 1, 2 and 3 emissions in our annual INREV-aligned Sustainability Reports.

We also publish data on our performance in our annual reports (in line with SECR regulations).

Disclosures

Third-party assurance and verification

Emissions will be measured and disclosed in line with ISO 14064-3 and the 2015 GHG Emissions Protocol, using both market-based and location-based emissions.

Certification schemes and industry standards

We will continue to apply BREEAM In-Use / Fitwel certification standards at targeted assets.

Stakeholder reporting

We will report energy use intensity, GHG emissions, EPC ratings and other relevant emissions data to stakeholders on request.

Climate Value at Risk

We will use recognised tools to assess real estate assets prior to acquisition and on a portfolio management basis, disclosing both the transition and physical risks, as well as the warming potential of the asset.



Compliance and mandatory disclosures

We will continue to disclose emissions to all mandatory, regulatory and legislative bodies, including Streamlined Energy and Carbon Reporting (SECR).

Global Real Estate Sustainability Benchmark (GRESB)

We will disclose all relevant real estate equity strategies and operational infrastructure equity assets to GRESB on an annual basis.

Appendix 1

Target Net Zero Carbon Scope

Business Area	Sub-Area	GHG Carbon Scope	Phase 1 Inclusion	Phase 2 Inclusion (TBC)
Direct UK Real Estate Investment	Landlord purchased energy (electricity & fuels)	1 & 2	✓	✓
	Tenant purchased energy (electricity & fuels)	3	✗	✓
	Landlord purchased water	3	✗	✓
	Tenant purchased water	3	✗	✗
	Landlord generated operational waste	3	✗	✓
	Tenant generated operational waste	3	✗	✗
	Tenant transport emissions	3	✗	✗
	Tenant supply chain emissions	3	✗	✗
	Landlord purchased capital goods (M&E & property management services)*	3	✗	✓
Corporate real estate	Head office energy use	1 & 2	✓	✓
	Company Vehicles	1	✓	✓
	Business travel (excluding commuting)	3	✗	✓
	Purchased Goods and services	3	✗	✓
	Operational waste generated	3	✗	✓
	Operational water use	3	✗	✓
	Employee commuting	3	✗	✓
Development	New Development (including those where funding is being provided)	3	✗	✓
	Refurbishments	3	✗	✓
	Fit-out (landlord controlled)	3	✗	✓
	Fit-out (tenant controlled)	3	✗	✓
	End of life**	3	✗	✗

*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 our 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.



Getting in Touch

To find out more about Canada Life Asset Managements Real Estate ESG capabilities please get in touch using the below:

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Important information

This document and ongoing objectives, strategy and performance measures related to ESG integration will be reviewed regularly to ensure continuing alignment between corporate objectives and client requirements.

No guarantee, warranty or representation (express or implied) is given as to the document's accuracy or completeness.

The value of investments may fall as well as rise and investors may not get back the amount invested.

Please note that while Canada Life Asset Management Limited and Canada Life Limited are regulated as stated below, property management and the provision of commercial mortgages are not regulated activities.



Canada Life Asset Management is the brand for investment management activities undertaken by Canada Life Asset Management Limited, Canada Life Limited and Canada Life European Real Estate Limited. Canada Life Asset Management Limited (no. 03846821), Canada Life Limited (no.00973271) and Canada Life European Real Estate Limited (no. 03846823) are all registered in England and the registered office for all three entities is Canada Life Place, Potters Bar, Hertfordshire EN6 5BA. Canada Life Asset Management is authorised and regulated by the Financial Conduct Authority. Canada Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

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