

Our Solution for Net Zero Carbon Portfolio Strategy

Product Note

V1.0

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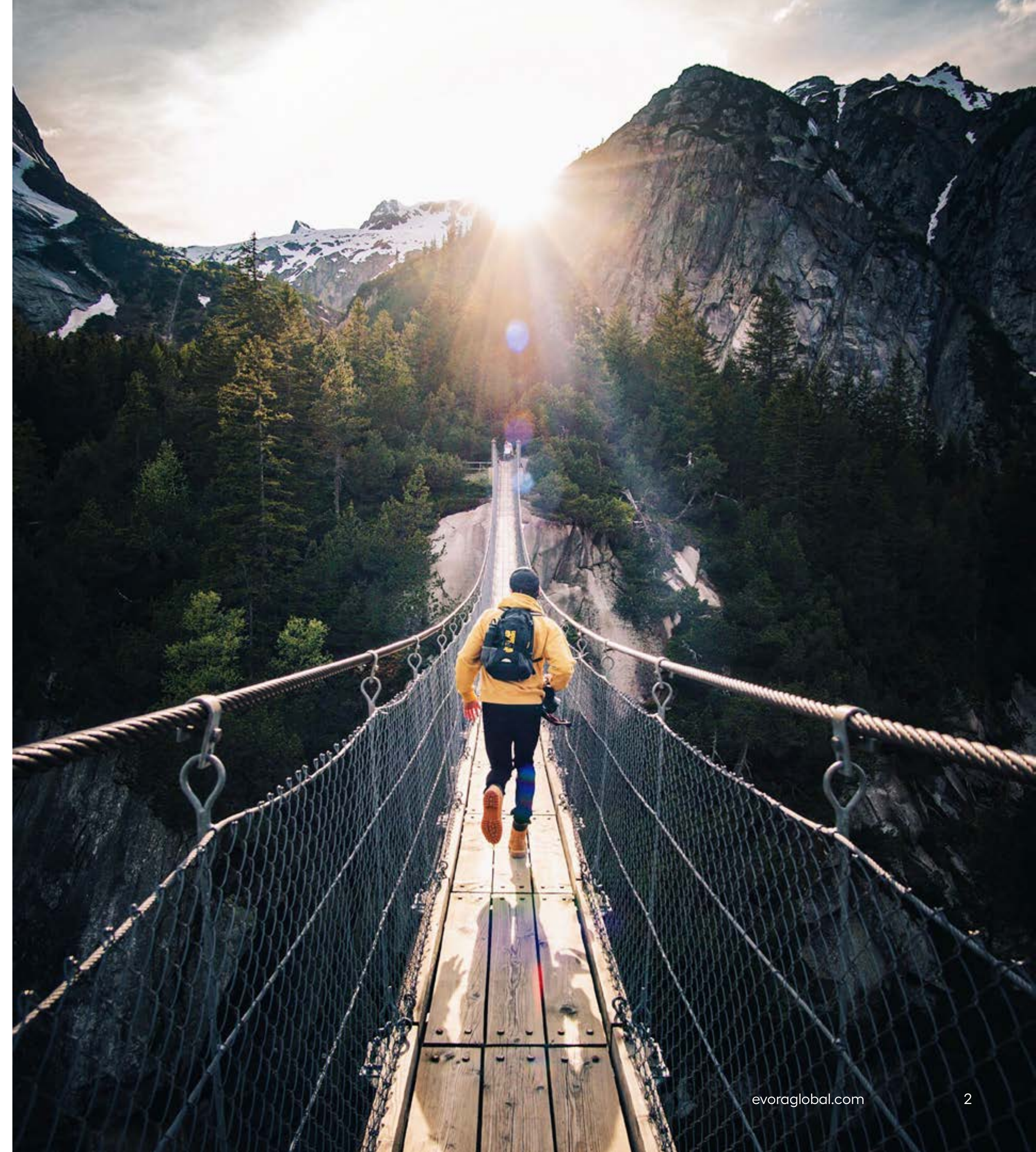
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Introduction



What Is a Net Zero Carbon Portfolio Strategy?

In response to the pressing demands set by federal, state, and local government regulations aligning with scientific evidence, a **Net Zero Carbon (NZC) Portfolio Strategy** is crucial for the real asset sector to swiftly reduce its carbon footprint and meet climate standards.

This imperative aligns with the broader shift towards a **low-carbon economy** in the global landscape. As the commercial real asset sector adapts to these changes, investors are compelled to safeguard long-term value and avoid investments in assets that may become **obsolete** (stranded) due to evolving environmental factors.

The heightened public interest and concern surrounding climate change contribute to reputational risks for organisations perceived as negatively impacting the environment. To navigate this landscape and decarbonise, investors typically develop **NZC Pathways and Targets** at the fund or business level. This strategic planning not only addresses environmental concerns but also aligns with the global transition towards sustainable practices, ensuring a positive and responsible corporate image.

We craft your NZC Portfolio Strategy using a dual approach: **Top-Down** and **Bottom-Up**. This structured framework is tailored to your organisation's needs, ensuring effective carbon reduction goals across all levels, adapting to your specific context.

MARKET AND POLITICAL DRIVERS OF NET ZERO

INCREASED RISK OF
PREMATURE DEVALUATION
STRANDING

RETURN TO WORK
NET ZERO PREMIUM

INVESTOR DEMAND
LOW CARBON, RESILIENT
ASSETS WITH HIGHER YIELD

ELECTIONS
POLAND, USA, UK, INDIA,
THE NETHERLANDS

TENANT DEMAND
NET ZERO ASSETS

INCREASED COST OF
UTILITIES & RESOURCES
EFFICIENCY NEEDED

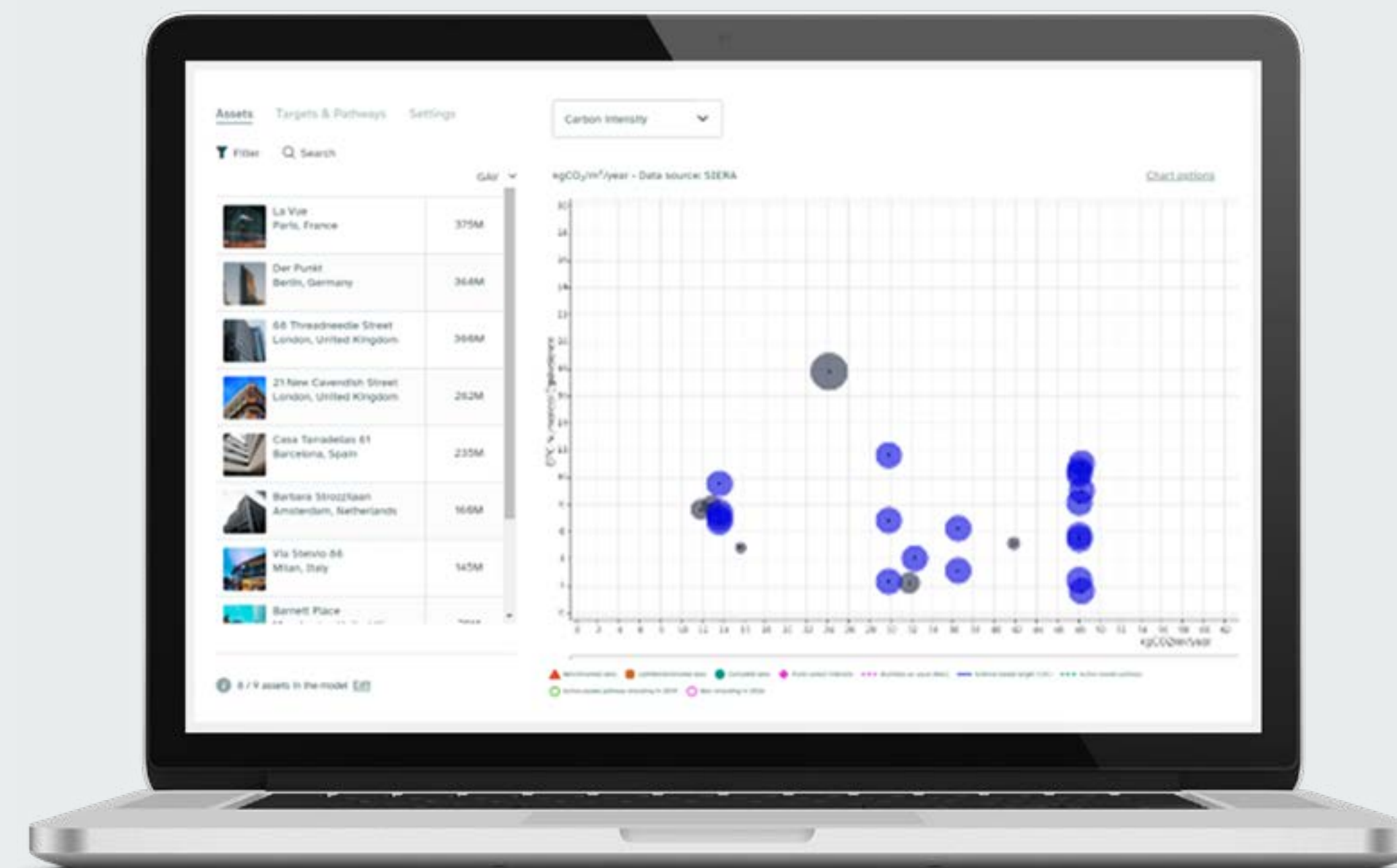
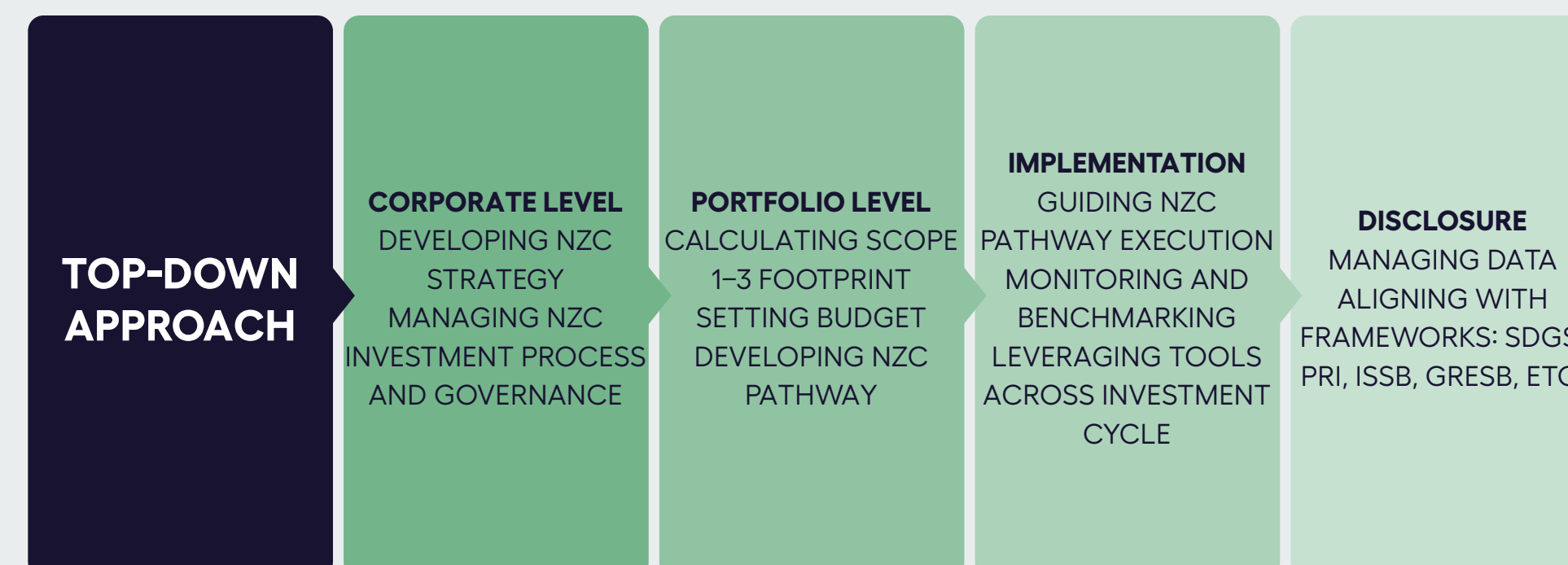


Top-Down Approach Portfolio Focus

In crafting your NZC Portfolio Strategy, our **Top-Down Approach** stands out as a robust methodology. Drawing on portfolio-level data, especially from funds reporting to **GRESB**, this approach strategically incorporates benchmark or proxy data to address gaps, notably in dealing with Scope 3 energy consumption data.

Our Top-Down Approach employs **carbon reduction scenarios** to assess their impact on your future **NZC Pathways**, establishing comprehensive **NZC Targets**.

Emphasising broad applicability, these carbon reduction scenarios focus on achieving collective savings across a group of assets within your portfolio, emphasising measures like **deep retrofitting** over asset-specific strategies.





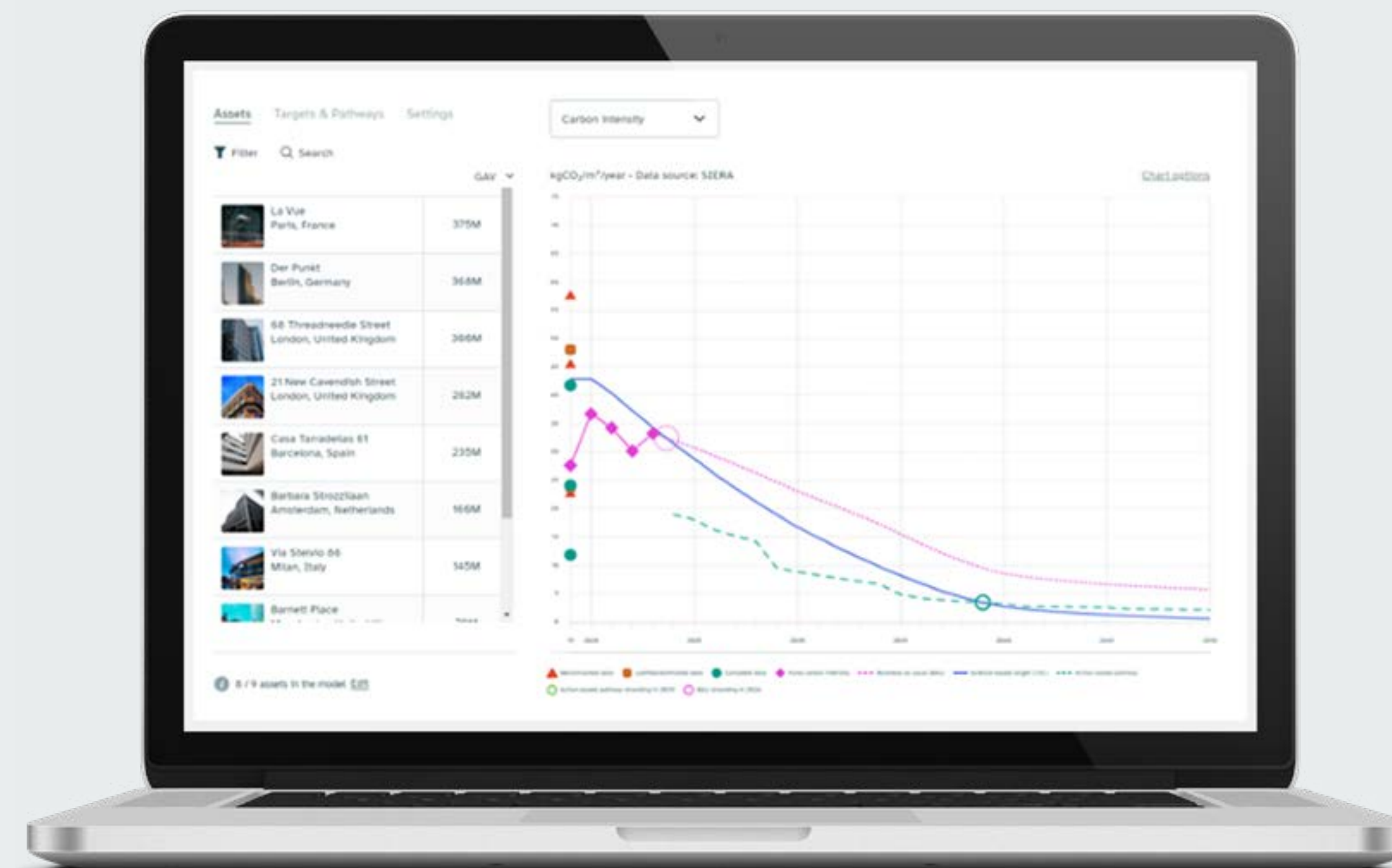
Bottom-Up Approach Asset Focus

In crafting your NZC Portfolio Strategy, our **Bottom-Up Approach** takes a distinct perspective, focusing on **individual assets** within your portfolio.

Unlike our Top-Down Approach, which considers portfolio-level data, our Bottom-Up Approach delves into the unique characteristics, current condition, and performance of each asset. This detailed assessment delivers a granular understanding, aggregated to create a roadmap for your portfolio.

The strength of our Bottom-Up Approach lies in its ability to offer a more tailored and nuanced Net Zero Carbon Asset Strategy, enabling targeted measures based on each asset's specific needs.

However, this approach requires a significantly higher level of **data completeness and accuracy** at the asset level, demanding comprehensive **carbon assessments** for precision in your overall NZC Portfolio Strategy.





Top-Down or Bottom-Up Approach?

Investors or portfolio managers beginning the journey of creating a decarbonisation plan for their portfolio should start with our **Phase One Top-Down Approach**. This initial step is crucial for instilling confidence within your organisation at the portfolio level.

The timeline typically spans around three to four months, forming the foundation for establishing precise **NZC Pathways and Targets** across your funds or overall business.

This Phase One process is supported by a credible decarbonisation transition plan and roadmap, ensuring a strategic and informed approach to your sustainability goals.

Subsequently, your organisation can implement our robust **Phase Two Bottom-Up Approach** to meticulously evaluate progress against your **NZC Pathways and Targets** over time, focusing on a more granular asset level.





Phase 1



Phase 1

Top-Down Approach Analysis

Our Climate Resilience team conducts a five-step analysis.

1 **Introductory Meeting and Data Request** to define your project team, scope, and responsibilities; establish timelines and key milestones; initiate an initial request for information; outline data sharing methods and processes; and confirm expected outcomes and deliverables.

4 **Introductory Meeting and Data Request** to define your project team, scope, and responsibilities; establish timelines and key milestones; initiate an initial request for information; outline data sharing methods and processes; and confirm expected outcomes and deliverables.

2 **Peer Review** to identify and assess relevant peers for your organisation or fund, focusing on decarbonisation commitments. This includes disclosure quality, emission boundaries, and targets for operational and embodied carbon. It also evaluates the ambition behind your organisation's decarbonisation strategies.

5 **Scenario Analysis** using our **sustainability data management platform (SIERA)** to evaluate your current position against your target NZC Pathway. This service is covered in more detail in the next section.

3 **Legislative Context and Market Review** examines the regulatory drivers for your decarbonisation strategy, highlighting the timing and impact of upcoming mandatory requirements alongside opportunities for leadership through early adoption. This includes new build standards, energy-efficient equipment, and prohibitions, as well as carbon taxes, caps, and fines.



SIERA Net Zero Carbon Module and Scenario Analysis

Our proprietary **SIERA sustainability data management platform** includes a Net Zero Carbon Module aligned with **CRREM** (Carbon Risk Real Estate Monitor). This module displays asset and fund performance compared to science-based targets for effective data management and reporting of your NZC Pathways to prevent premature erosion of asset value.

Automated gap-filling is applied to all assets in a portfolio during your **NZC Pathway** analysis, regardless of existing data coverage, to ensure investment-grade data for a transparent overview of data coverage and completeness for each asset.

This meticulous approach guarantees accurate representation of individual asset trajectories, facilitating well-informed financial and investment decisions.

Additionally, continuous monitoring of annual changes in data quality for each asset yields valuable insights, further supporting the effective management of your NZC Pathways.





SIERA BAU Pathways

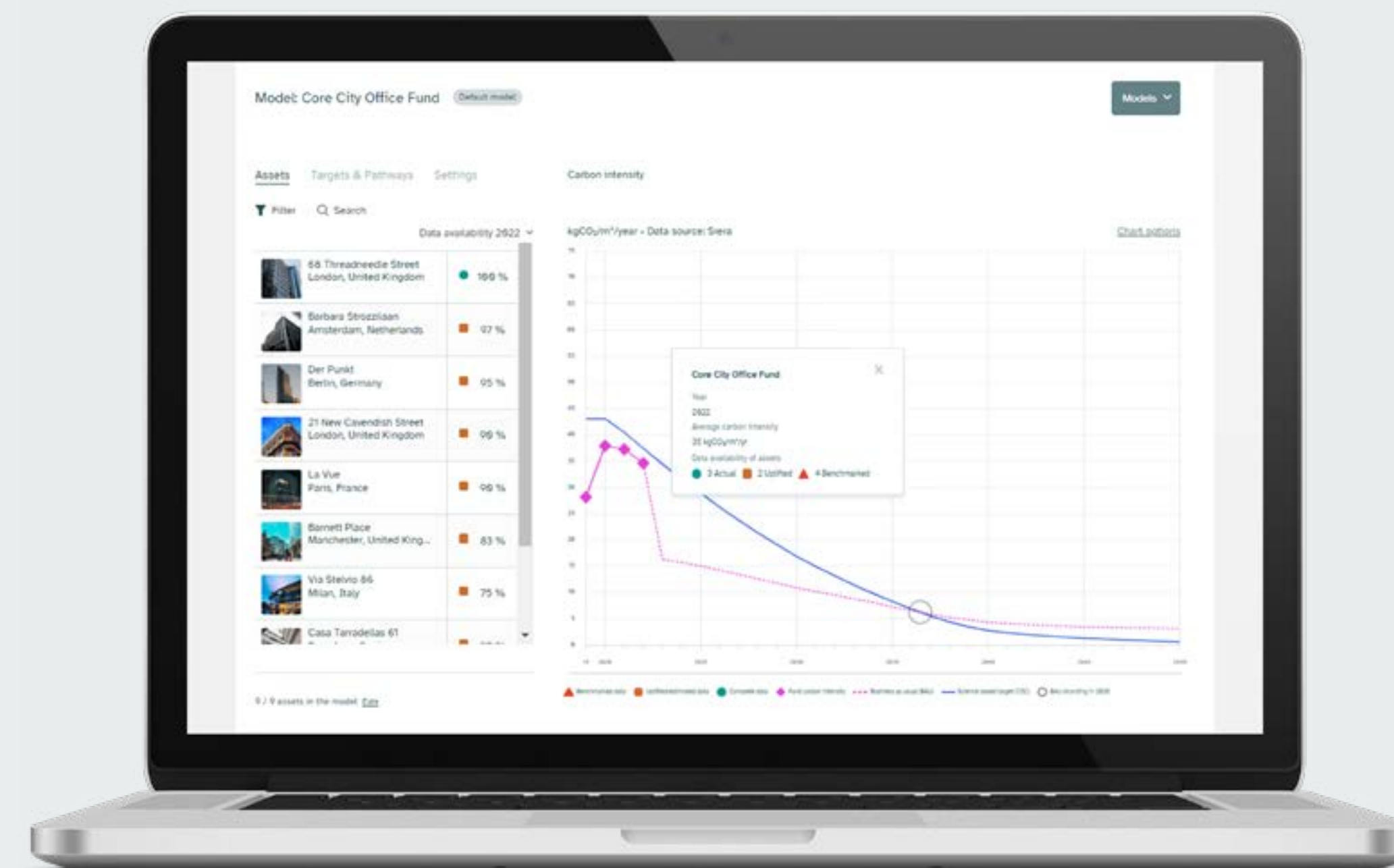
In the first stage of your **Scenario Analysis**, SIERA implements default Business-as-Usual (BAU) Pathways to assess the current carbon position of your assets. By selecting a portfolio or vehicle-specific baseline year spanning multiple years, you can accurately evaluate your assets' current carbon status against science-based targets, enhancing your carbon data analysis.

This process not only tracks progress over time but also facilitates comprehensive reporting on your current state of decarbonisation.

SIERA seamlessly integrates these **BAU Pathways**, which include traditional capital improvements, to measure the expected impact on energy efficiency (quantified by energy consumption) and carbon intensity (evaluated by greenhouse gas emissions reduction) in the absence of any changes.

Adopting this approach provides a clear understanding of your current standing within the existing scenario, laying the groundwork for informed decision-making regarding your decarbonisation strategy.

SIERA integrates several additional processes to propel your NZC Portfolio Strategy. Discover more about these methods in the following sections.





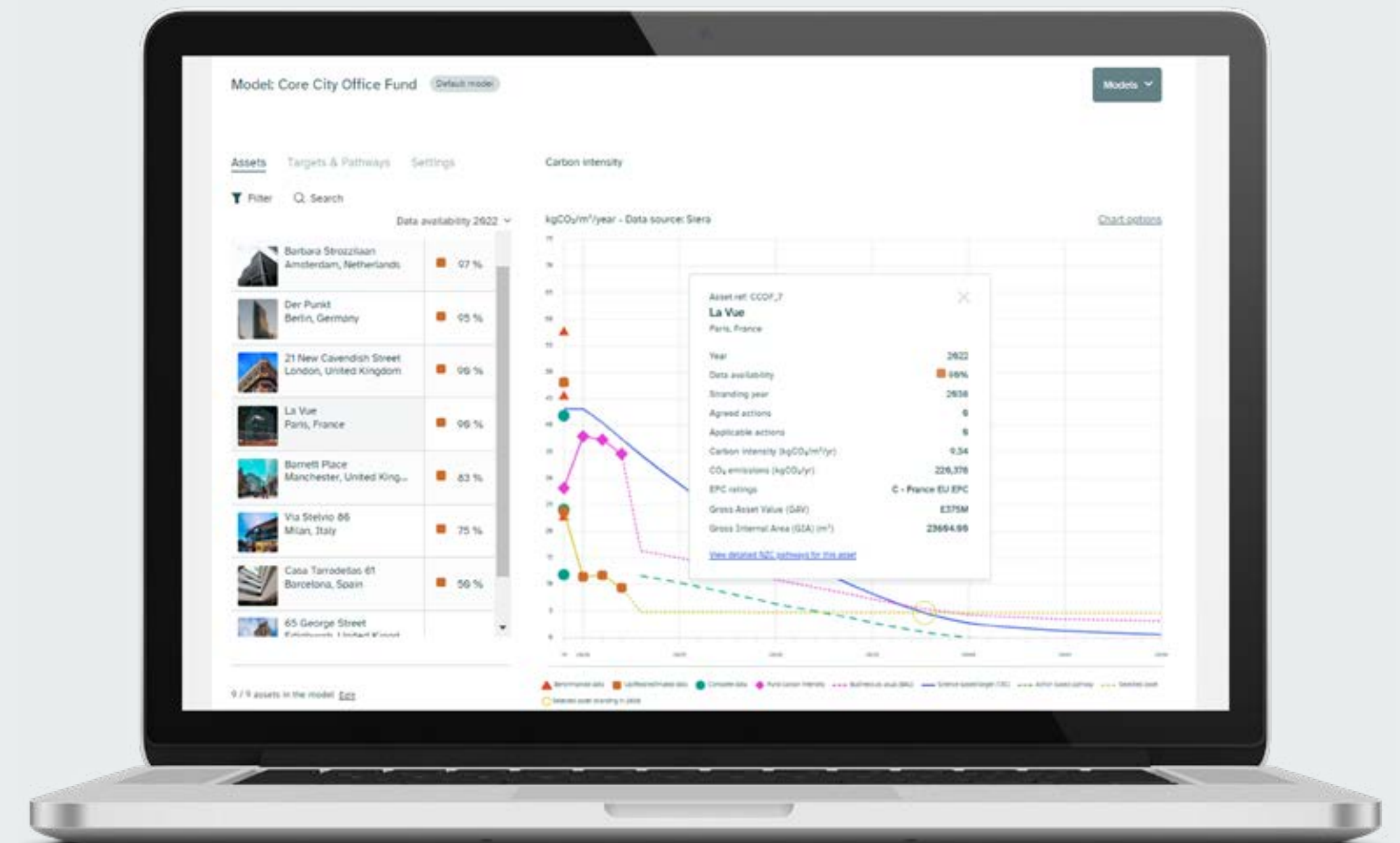
SIERA Action Plans and Grid Decarbonisation

Aggregating Action Plans for Optimal CapEx

SIERA simplifies capital expenditure optimisation by evaluating how **NZC Action Plans**, including insights from audits and historical data, impact costs relative to asset value. This gives investment managers a clear understanding of potential additional expenses tied to stricter decarbonisation. The platform seamlessly aggregates and integrates these action plans into your **BAU Pathways** to craft a comprehensive overview of their impact on planned CapEx and ongoing asset improvements.

Adapting to Grid Decarbonisation for Energy Savings

SIERA considers **energy transition** and power **grid decarbonisation**, incorporating forecasted heating and cooling demands based on 1.5°C climate models and region-specific grid decarbonisation rates. This highlights key energy efficiency improvements, onsite renewable deployment, interventions, and associated costs, enabling effective responses to evolving environmental conditions.





SIERA Carbon Models and Embodied Carbon

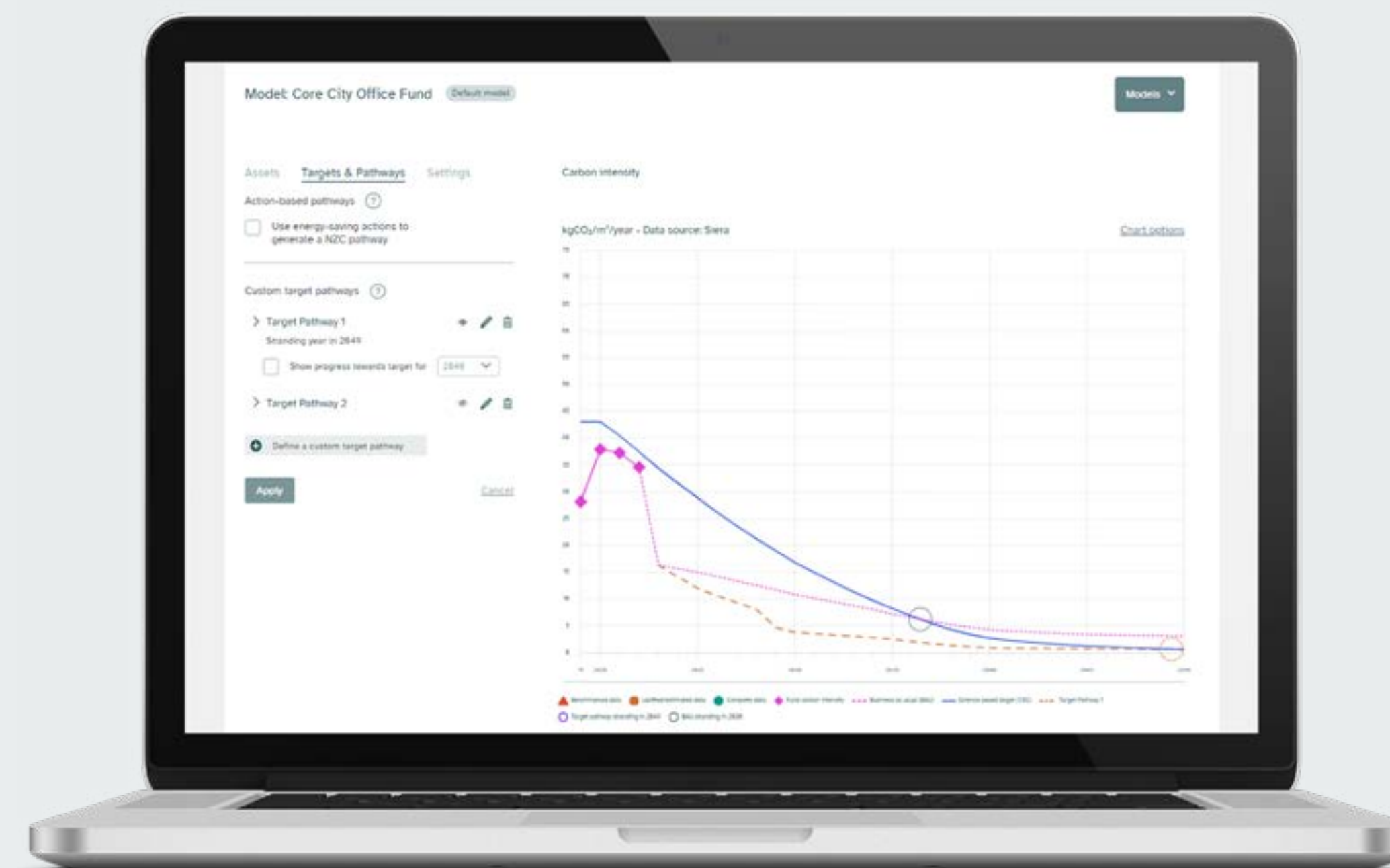
Modelling Carbon Impact for Portfolio Sustainability

SIERA goes beyond traditional portfolio adjustments, efficiently **modelling carbon impact** for existing hold strategies, acquisitions, and disposals. This approach aggregates changes to your portfolio, encompassing enhancements to long-standing assets that have remained static since the baseline year. By offering a comprehensive view of your portfolio's evolution over time, SIERA supports strategic decision-making for decarbonisation.

SIERA also enhances carbon impact through sector interventions, incorporating relevant scenarios based on asset characteristics. This efficient and automated method facilitates the modelling and aggregation of interventions aligned with the asset-type composition of your portfolio. You can seamlessly allocate these 'default' sector-type interventions into individual asset action plans for alignment with your vehicle and enterprise-level objectives.

Predicting Embodied Carbon for Sustainable Development

SIERA showcases the impact of **embodied carbon** associated with planned refurbishments and developments, offering insights into the effects of projects with pre-existing commitments. This recognition acknowledges that certain buildings may pose challenges for alteration solely for decarbonisation purposes.





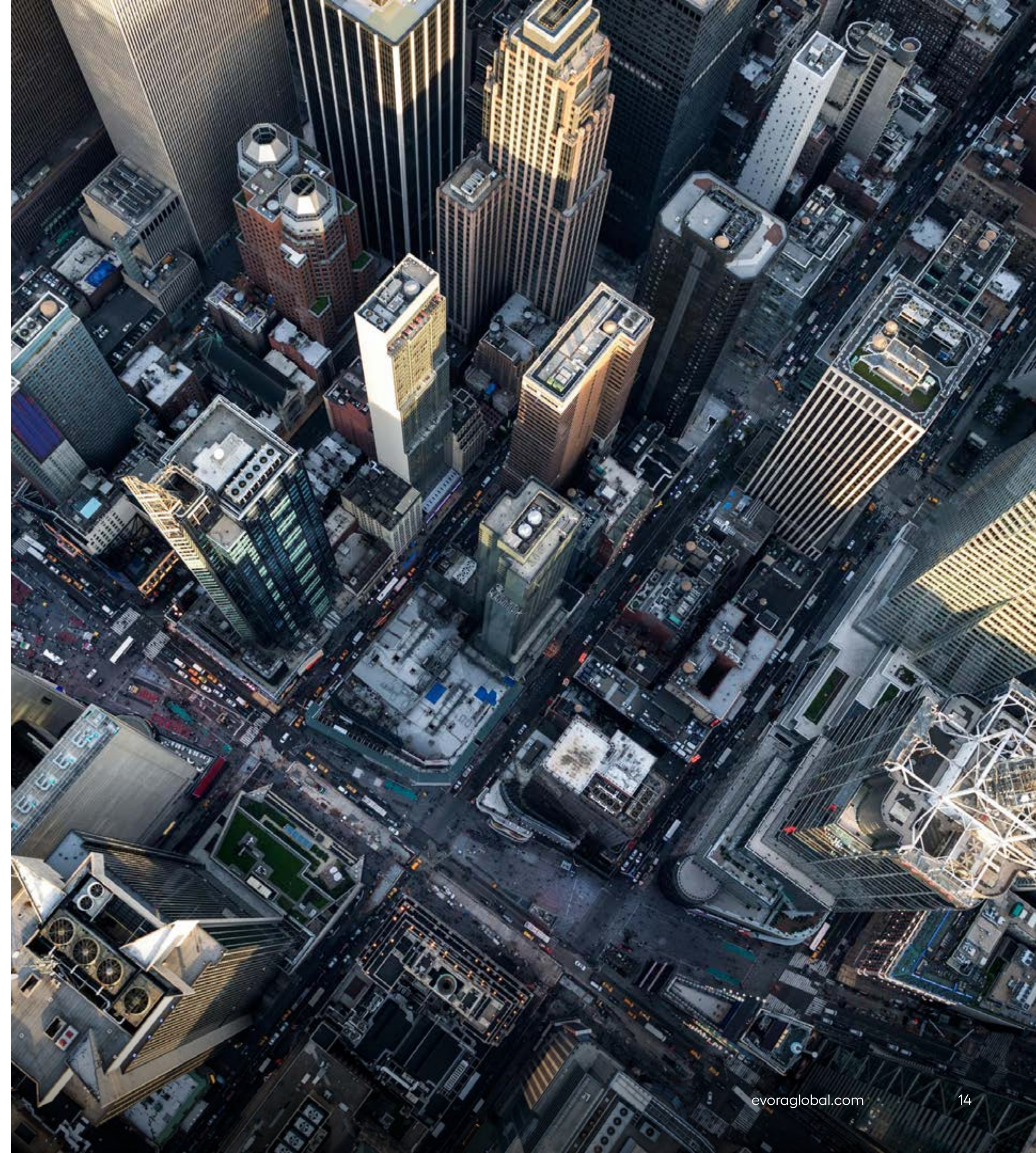
SIERA Alternative Scenarios and Communication

Building Alternative Scenarios for Strategic Decisions

Apart from evaluating the impact of planned acquisitions, disposals, and significant refurbishments or developments, SIERA empowers you to build alternative scenarios. Delving into these alternative **NZC Pathways** offers valuable insights into the associated risks and opportunities when considering investments or divestments in specific asset types. This exploration also sheds light on potential impacts on vehicle-level decarbonisation objectives, informing more strategic investment decisions.

Communicating Decarbonisation for Stakeholder Engagement

SIERA visualises customised carbon reduction plans to communicate Top-Down **NZC Targets** as well as portfolio and enterprise level strategies. This not only supports compliance with local regulations but enables you to effectively communicate your carbon reduction goals to key stakeholders.





Stakeholder Engagement and NZC Portfolio Strategy

After your Top-Down Analysis, we conduct two further steps.

1. Interview stakeholders internally (investor relations, asset management, and transaction teams) and externally (clients and supply chain partners) to incorporate diverse perspectives.
2. Implement **six factors** to complete your NZC Portfolio Strategy.

Establish a long-term NZC Pathway

aligned with your overall business objectives, including clear short- and mid-term NZC Targets for effective implementation.

Identify critical and typical initiatives

by region and asset class to achieve your NZC Target. Calculate typical carbon reductions reflective of regional energy infrastructure.

Review the investment lifecycle

from acquisition to disposal, to identify and implement protocols and interventions for your chosen NZC Pathway.

Present prototypical case studies

for each primary asset class (around six) to illustrate typical NZC Pathways at the asset level, enhancing understanding and securing stakeholder buy-in.

Develop a decision-making framework

with criteria for selecting and prioritising initiatives, ensuring a strategic and organised approach to decarbonisation.

Communicate the methodology

key decisions, and underlying assumptions throughout your NZC Portfolio Strategy process to bolster its credibility.



Phase 1 Deliverables

This phase includes **10 key deliverables**.





Phase 2



Phase 2

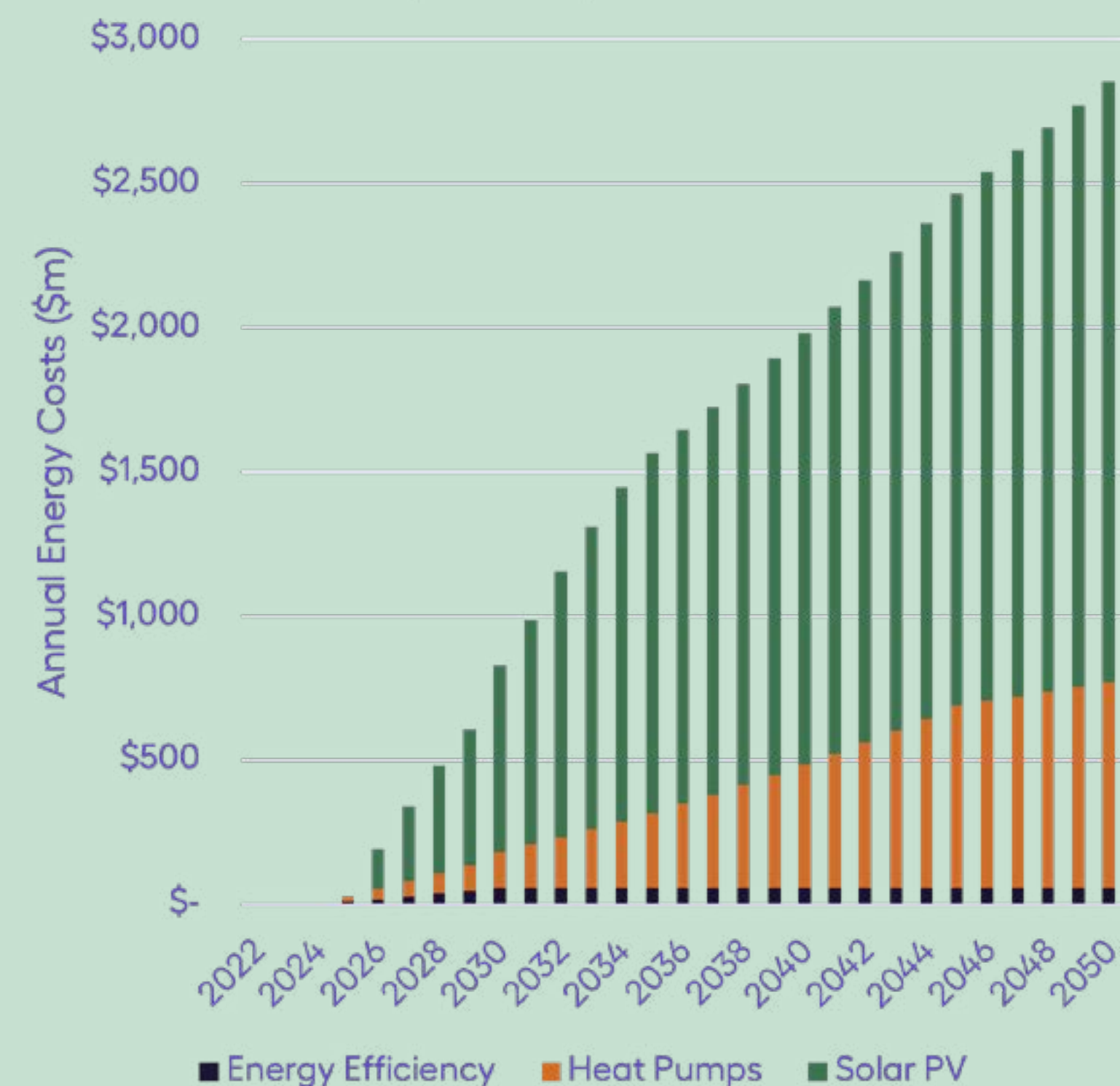
Bottom-Up Approach Financial Model and Action Plan

We collaborate to create a transparent **Bottom-Up Financial Model and Action Plan**, distinguishing your standard operating and management costs from additional decarbonisation expenses.

You retain ownership of the **Financial Model**, while we offer guidance on prioritising initiatives over time, considering your ROI and decarbonisation potential. This enables you to allocate costs effectively at both the fund and asset levels.

As cost information from your portfolio companies and joint ventures or operating partners matures, we collaboratively develop and update an **Action Plan** at agreed intervals. It's a straightforward approach to ensure your sustainability efforts align seamlessly with your financial strategies.

CAPITAL EXPENDITURE





Phase 2 Deliverables

This phase includes **8 key deliverables**.





Phase 3



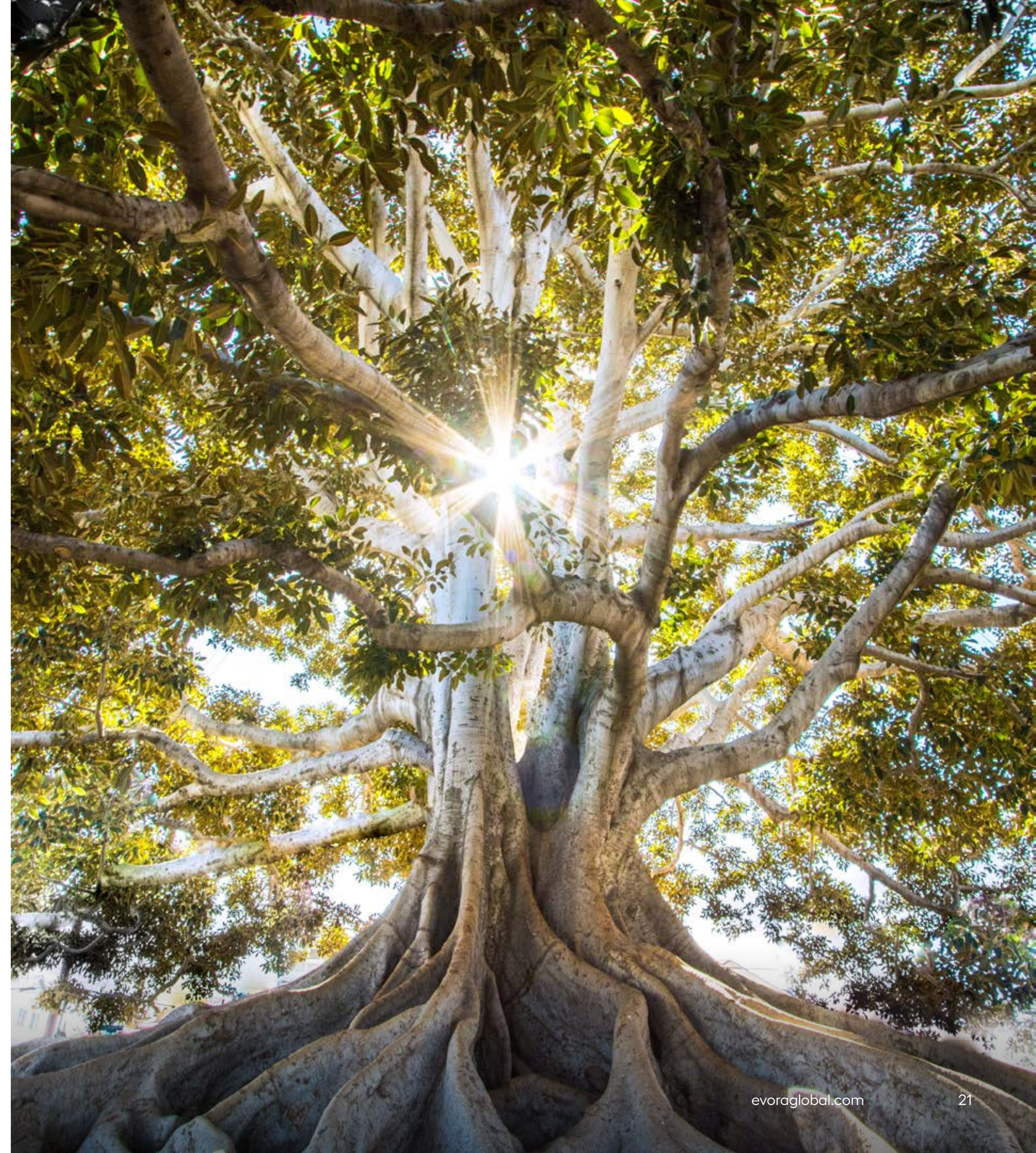
Phase 3

Net Zero Carbon Guides

Our focus now shifts to crafting **Net Zero Carbon Guides** tailored to each of your specific sectors (asset classes to be agreed). These guides provide valuable advice on priorities, costs, expected returns, and projected timelines for each asset class.

By customising recommendations to the nuances of each sector, we aim to offer targeted and actionable insights that facilitate informed decision-making.

This phase ensures your decarbonisation efforts are strategically aligned with the unique characteristics and challenges of each asset class, optimising the effectiveness of your overall NZC Portfolio Strategy.





Phase 3 Deliverables

This phase includes **4 key deliverables**.

- 1** Draft a Net Zero Carbon Guide for each asset class.
- 2** Meet to review each Net Zero Carbon Guide (30 min/guide).
- 3** Present your Net Zero Carbon Guide/s to key stakeholders (60 min).
- 4** Finalise each **Net Zero Carbon Guide**.





EVORA: Your Partner for a Seamless NZC Portfolio Strategy

Our **NZC Portfolio Strategy** is essential for real asset businesses navigating carbon reduction challenges, safeguarding long-term value, addressing reputational risks, and aligning with global climate regulations.

Our **Top-Down Approach** and **Bottom-Up Approach** offer a flexible and comprehensive perspective for meaningful carbon reduction goals at both the portfolio and asset level.

With our **SIERA** platform and dedicated Net Zero Carbon Module, we provide a practical foundation for your decarbonisation journey.

Our NZC Portfolio Strategy service includes a transparent Financial Model, Action Plan, and Net Zero Carbon Guides. Partner with EVORA to thrive in a climate-resilient future.

To learn more, please read our Product Note on **SIERA**.





Trust EVORA Global for Sustainable Assets

We go beyond consultancy, serving as your trusted partner for sustainable real asset investments.

With our unparalleled **Collaborative Expertise**, we provide actionable insights that empower your real asset community to thrive in sustainable investment.

Our proven expertise in strategic consulting, climate resilience, net zero, sustainable finance, infrastructure, reporting, and social wellbeing ensure your investments are aligned with environmental, social, and governance goals for a secure ROI.

Driven by Collaborative Expertise

STRATEGY

Driving value and impact with sustainable ESG strategies

TECHNOLOGY

Streamlining operations and insights with advanced real asset technology, **SIERA**



ADVISORY

Navigating sustainable solutions with expert real asset advice



Our Mission

To establish sustainability and carbon as foundational factors for investment decisions.

Our Purpose

To accelerate the adoption of real asset sustainability and enhance the wellbeing of the planet and its people.

Our Clients

250+
CLIENTS

45,000
ASSETS

\$880 billion
AUM

“

EVORA has worked closely with us for a number of years, utilising SIERA to support a host of ESG activities across our funds. The power of SIERA enables efficient collection, validation, and reporting of data across our assets for GRESB and other investor-led reporting such as INREV. SIERA also aids and underpins our Net Zero Carbon Strategy, offering invaluable analysis of our carbon impact and future pathway.”

Ben Lonsdale
Director
PATRIZIA

Contact Us



contactus@evoraglobal.com



@evoraglobal



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@evoraglobal

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