

ESP

# Net Zero Strategy



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# Foreword

*Through our Net Zero Strategy, we intend to become net zero in our operations, developments, property portfolio and energy consumption by 2033. We will reduce the environmental impact of our buildings annually as part of a strategy through investment in energy and resource efficiencies and encourage our students to increase their sustainable behaviour. We have also set a wider target of being net zero in all our emissions (adding scope 3) by 2050 or before. We hope to achieve the scope 3 target much quicker, but acknowledge that the emissions we may need to address to be truly net zero may expand beyond our value chain alone. We will be reviewing this target regularly with an aim of achieving it faster.*

We recognise climate risks are a threat to future value and will impact our investment strategy, and we have a responsibility to play an active role in transitioning real estate to the zero carbon economy. We also understand customers expect our product to align with their values on issues of climate and environmental stewardship. A proactive approach to managing the transition to net zero will mean we can integrate these costs into our investment strategy, manage costs most efficiently and retain the value in the assets we own and operate.

We see Empiric Student Property as uniquely positioned to benefit from the following opportunities:

- To retain the architectural legacy of the communities we operate in by redeploying already established buildings to support the homes of our students. Our expertise in deep refurbishment and repurposing of existing building stock can continue to create high quality Purpose Built Student Accommodation (PBSA) assets with a low environmental impact associated with embodied carbon through the reuse of existing buildings.
- To differentiate within the PBSA market with a highly efficient, low embodied carbon product and attract climate-conscious customers.
- To recognise the development opportunities from the repositioning of existing buildings whose value may be

discounted due to their poor alignment with ESG and other market conditions.

- Engage with our colleagues, customers and other stakeholders as an example of climate conscious redevelopment, operations, and asset management.

This document provides a summary of the decarbonisation pathway, developed with us by CBRE, which we are committing into practice. The targets and objectives set out in this document reflect a much more detailed exercise aligning our climate targets with industry best practice. The 2033 objective allows us to integrate more stringent decarbonisation activities within our standard planned maintenance and asset management programme, providing meaningful activities with pragmatic costs. We believe this is the right approach to deep decarbonisation and energy efficiency in a cost-effective way.

We believe we can deliver a unique product to our customers and investors, and use net zero as an opportunity to improve the quality of our assets, control and manage costs and asset value. This is the summary of our plan to do this, which we are putting into practice immediately.

# Executive Summary

We engaged with CBRE to provide independent expert advice in the development of a Net Zero Strategy for our portfolio of PBSA assets. This work included:

- The establishment of a baseline carbon footprint, based on the 2019 calendar year which is the best representation of our standard operations that have not been altered by the COVID-19 pandemic.
- Development of an energy efficiency and decarbonisation plan using the UK Green Building Council's "Advancing Net Zero" framework to define our approach.
- Asset level risk review and decarbonisation pathways based on the Carbon Risk in Real Estate Monitor (CRREM), using hotels as a proxy asset class.
- Establishment of governance and communications plans to support the implementation, so that our Net Zero Strategy is integrated into how we operate.
- A high-level roadmap of activities so we have milestones within the pathway to make sure we are on the right track.

CBRE has issued a detailed report and recommendations which have been interpreted into this strategy document; this communicates how we will integrate net zero into our operations and investment strategy.

## The Business Case for Net Zero Investment

Climate Change is a high-impact theme highlighted by our Materiality Review conducted by Maitland/AMO in 2021, so we understand its importance to our key stakeholders. However, by fully recognising the business case for decarbonisation for our business, we were able to properly interpret how we will approach this objective.

The development of our Net Zero Strategy is based on the core assumption that climate risks are sufficient to impact the value of assets. We anticipate a risk to the value of buildings which are not aligned with the

decarbonisation agenda. While we see the climate transition presenting some opportunities to increase value, it is the threat to value of inactivity in the medium- and long-term that is the primary basis of the strategy.

We see our track record of asset conversions as a key skill in how we support the decarbonisation of buildings – by repositioning assets to become PBSA rather than complete redevelopments, we extend the life and the embodied carbon of the materials in these buildings. This sits alongside the legacy benefits of retaining the character of the locations we invest in, and being able to incorporate new asset conversions into our portfolio more quickly than full redevelopments. These objectives are well aligned.

Our legacy of asset conversions also presents the challenge in having a diverse portfolio of buildings (including many with listed status), which is a challenge in how we approach reducing the amount of energy used in our buildings. That said, the energy used in our buildings is a relatively high and a volatile cost to us, which is best managed through increasing efficiency. So we are clear on the business benefits of energy efficiency, and this has been clearly incorporated into these targets.

For this reason, we see our Net Zero Strategy as an aligned addition to our existing investment strategy, rather than a significant alteration to it.

# Pathway Overview

## Pathway Boundary

The boundary of the pathway includes the following sources of emissions:

- Energy to operate our investment buildings (electricity, fuels and heat networks), related fugitive emissions (refrigerants) and emissions from our own offices
- Water used and waste generated during operation.
- Purchase of goods and services (M&E and property management services).
- Travel (excluding that associated with development works).
- New development, refurbishment and fit-out works.

## Headline Objectives, Metrics and Targets

Our Net Zero Pathway has been developed with the following objectives, metrics and targets.

### Net Zero by 2033 (scope 1 and 2)

Empiric Student Property will decarbonise our buildings, and this will improve the resilience of our buildings and align with the objectives of our customers and investors. It includes the operational and embodied carbon of our real estate portfolio.

#### Management Strategy:

- Asset by asset review of decarbonisation approaches, including review of fabric and plant to reduce emissions and improve efficiency
- Integration of carbon reduction objectives into facilities management responsibilities
- Engagement with our customers and supply chain

**KPI:** Total Greenhouse Gas Emissions from Scope 1 and 2 (market based), including offsets

**Target:** Net Zero by 2033

*Note: We have more work to do on our Paris-aligned 2050 scope 3 target and we aim to reduce this when more data is available to provide an accurate picture.*

### Educate our team about sustainability

Develop an ongoing staff training and engagement programme on ESG topics. This includes specific activities for Facilities Managers and technical efficiency improvements.

#### Management Strategy:

- Develop an ongoing education plan for colleagues and facilities teams

**KPI:** Programme implemented

**Target:** 2023

## Develop climate change engagement programme

Develop a long-term and multi-disciplinary programme to engage customers on climate objectives.

### Management Strategy:

- Develop an engagement strategy for customers and other stakeholders

**KPI:** Programme implemented

**Target:** 2024

## Procure 100% zero emissions electricity

Supporting the Net Zero Strategy, we will procure electricity in line with RE:100 definitions of evidence.

### Management Strategy:

- Requirements in energy contracts to procure 100% renewable energy

**KPI:** % zero emissions electricity

**Target:** 100% of electricity to be from 100% renewables by 2025

## Measure whole life carbon of new development projects

Measure whole life carbon with the aim of setting an embodied carbon or whole life carbon projection targets in 2025.

### Management Strategy:

- Conduct whole life carbon assessments on all new developments
- Develop a baseline whole life carbon intensity, and define future improvements in a subsequent projects

**KPI:** measurement of 100% of development projects

**Target:** 100% by 2025

## EPC B or better

In England and Wales the government intends to make all buildings EPC B or better by 2030; this target will support planning to achieve compliance in a controlled and cost-effective manner.

### Management Strategy:

- Improvements to assets to align with improved EPC scores as required in refurbishment cycles for all assets.
- Assessment of EPC ratings on all new acquisitions and developments

**KPI:** % of EPC B or better

**Target:** 50% by 2025, 75% by 2028, 100% by 2030

## Make assets fossil fuel free

Removing fossil fuels from our buildings includes removing natural gas heating and cooking, making our buildings emissions free and supporting our Net Zero Strategy.

### Management Strategy:

- Replace fossil fuels based heating, ventilation, and air conditioning along with appliances as a part of refurbishment cycles for all assets
- Incorporate electrification as a requirement in all new developments

**KPI:** % of floor area where fossil fuels are not required for heating, operations, or cooking

**Target:** 40% of assets by 2025, over 80% by 2030 and 100% by 2033

## Make assets operationally energy efficient

Reduce cost and environmental impacts by upgrading asset quality and energy efficiency. We have included a longer term energy efficiency target to remain in line with CRREM energy intensity pathways, on which our targets are based.

### Management strategy:

- Routine review of energy performance of buildings across building management team
- Energy efficiency improvements built into refurbishment cycles for all assets
- Asset by asset targets and reporting

**KPI:** energy intensity per bed (net of onsite energy creation)

**Target:** 2,000 kWh/bed by 2033 and below 1,500 kWh/bed by 2040

## Reporting

We will report on progress towards the pathway objectives in the sustainability or ESG sections of our annual report, which will highlight performance against the above objectives.

Net zero concepts are actively evolving and the pathway is structured to be reviewed and updated at the end of "Phase 2" in 2025, which will not change the 2033 date, but rather help us incorporate what we have learned to refine the pathway milestones.

We acknowledge the important standardisation of net zero targets and pathways developed by the Science Based Targets Initiative (SBTi). However, we also recognise we have a lot of detailed planning to do before our decarbonisation pathway is sufficiently ready for accreditation. We will review SBTi accreditation following the target review at the end of the first phase of our net zero programme in 2025.

# Our Emissions Baseline

*The baseline used for this analysis was from the calendar year of 2019, as that was the most previous complete year of emissions before the COVID-19 crisis. CBRE analysed the 2020 calendar year and found it was not a representative year of energy use and carbon emissions across the portfolio due to restrictions in place to manage COVID-19.*

## Operational Carbon Footprint 2019

Footprint Scope	Greenhouse Gas Emissions	Notes
<b>Scope 1</b>	3,433 t/CO <sub>2</sub> e/y	Emissions from natural gas
<b>Scope 2, location based</b>	3,132 t/CO <sub>2</sub> e/y	Emissions from electricity
<b>Subtotal</b>	6,565 t/CO <sub>2</sub> e/y	Does not include: <ul style="list-style-type: none"> <li>– Embodied carbon of materials used in maintenance and developments;</li> <li>– waste, water; and</li> <li>– fugitive emissions from air conditioning.</li> </ul>
<b>Total</b>	<b>6,893 t/CO<sub>2</sub>e/y</b>	<b>Estimated 5% uplift for waste, water, and fugitive emissions</b>

## Assumptions

Assumptions made in this baseline included:

- A 5% increase for waste, water and fugitive emissions from air conditioning as this data was not sufficiently available for reporting.

## Source Material

The baseline was established using energy data provided by Amber Energy, who manage the energy supply contracts using monthly total consumption values provided as energy consumption data in kilowatt hours.



# Our Net Zero Plan

## Carbon Emissions in Operations and Energy Efficiency

### Fossil-fuel free buildings: Future-proofing our assets

We have begun a process of reviewing our most energy intense buildings to better understand what is required to align them to net zero definitions. This includes improving the energy performance of the buildings by addressing any challenges in building fabric, while removing any fossil fuels required for their operations such as natural gas for heating and cooking.

With utilities included in our rents, the energy performance of our buildings is not just an environmental impact, but a financial one. However, with a wide range of asset sizes and configurations, we know we will need to have an asset-by-asset plan for decarbonisation and energy efficiency.

We recognise that the combination of quality building fabric, windows and insulation, an efficient heat pump heating system and solar panels are an ideal combination to reduce emissions and position our buildings to be future-proofed. However, our ability to incorporate these features into our portfolio in a cost-effective way must be done with care.

### Powered by renewables

We have already moved the majority of our electricity tariffs to ones backed by 100% renewables, with a target of 2025 to complete this process to align with electricity contracts. We will exclusively procure electricity from high-quality green tariffs, aligned with the UKGBC Green Tariffs guidance.

### Reducing energy use in operations

Most importantly, we will be improving how we operate our buildings to be highly energy efficient. A core part of this is through the education and standards we set for our

facilities teams and in how we actively manage our assets. We know there are many ways we can reduce energy use, and its related costs, in how our buildings are operated.

In 2024, we will have a programme in place to engage with our customers to improve their awareness of energy efficiency and suggest ways to reduce unnecessary use.

## Carbon Emissions in Developments and Refurbishments

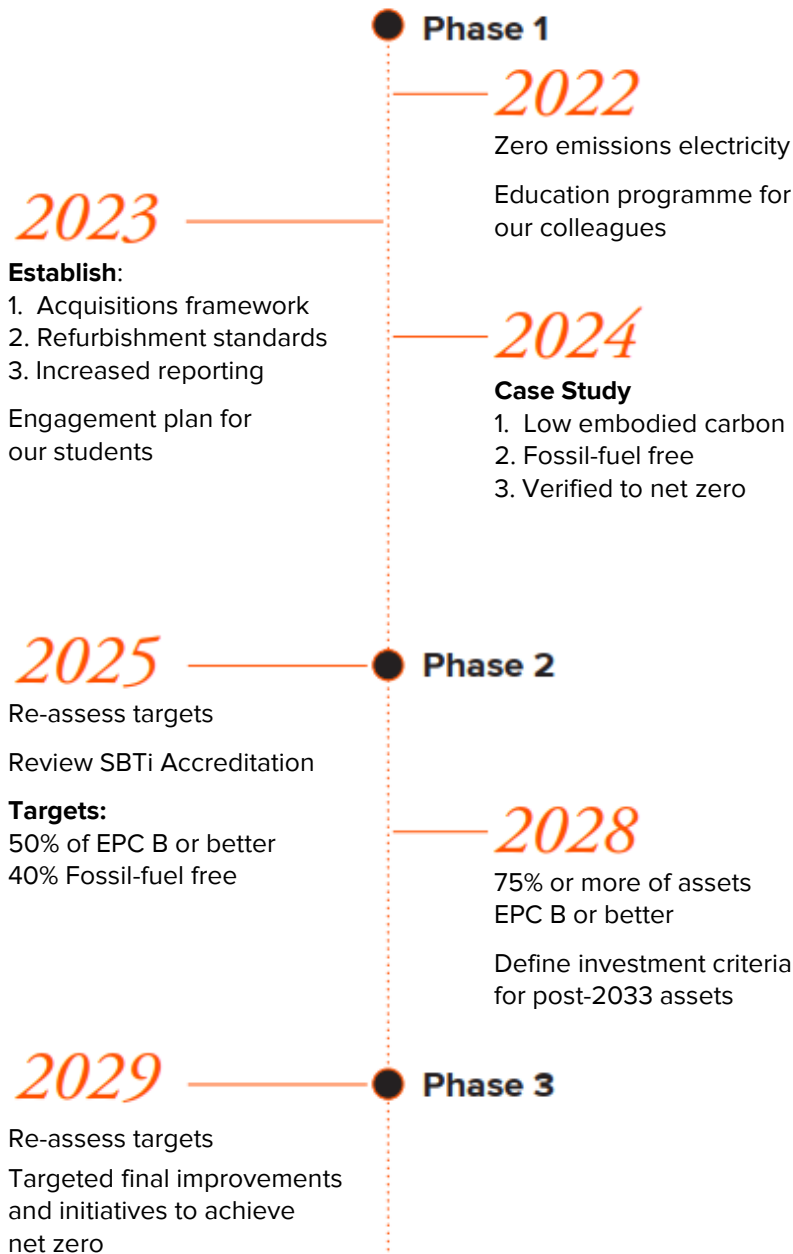
### Building on our legacy of repositioning existing buildings

We have a strong track record of converting existing buildings into PBSA, which aligns very well with the net zero agenda. We will be conducting lifecycle carbon assessments on new projects going forward, establishing a baseline and reduction targets with reference to the RIBA Climate Challenge objectives.

# Net Zero Pathway

*We have split this pathway into 3 phases allowing us to assess our progress and refine the future pathway milestones. The targets set out below are aligned with key decarbonisation targets from the UKGBC and CRREM; they reflect best practice. Achieving these targets will have the following co-benefits alongside net zero:*

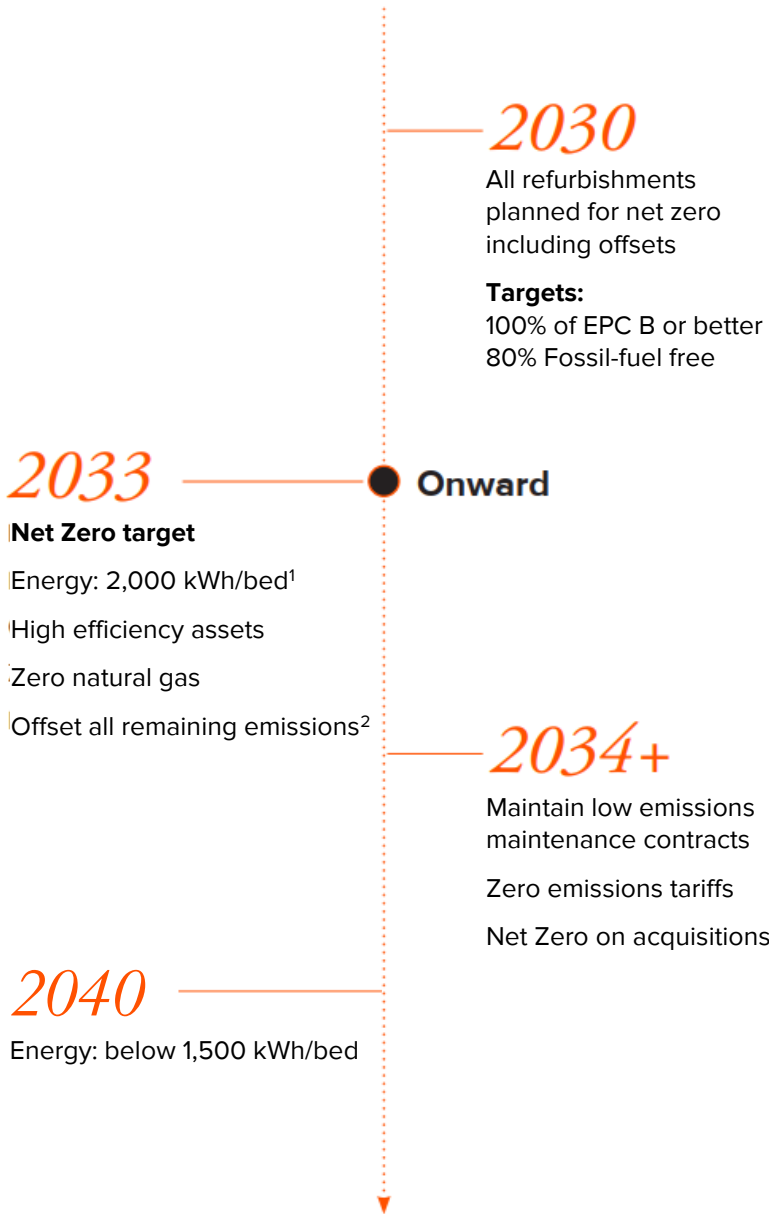
- 1.** Reduce cost and impact on cashflow, increasing profitability
- 2.** Resilient against legislation and investor requirements
- 3.** Reduced exposure to energy price instability
- 4.** Insulated, energy-efficient buildings promote comfort



*By 2025*  
**Reduction in Embodied Carbon of Developments and Refurbishments**

We will conduct a study of embodied carbon in an upcoming development to set benchmarks which align with the RIBA Climate Challenge for the embodied carbon of developments.

These targets will reflect improvements over existing projects and build on our legacy of converting existing buildings into PBSA.

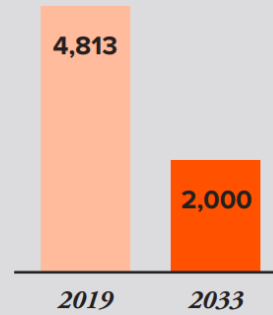


2033

**Energy Efficiency Targets<sup>1</sup>**

**Energy Intensity Target**

Energy intensity, in kilowatt hours per year per bed



59%

reduction in energy intensity per bed by 2033

2033

**Carbon Offsets<sup>2</sup>**

We will focus on energy efficiency and the removal of fossil fuels as a priority, and will begin to consider our carbon offset strategy as we enter Phase 3 of our Pathway. Offsets will be used exclusively for embodied carbon.

# Appendix – EPC Ratings and Targets

## EPC B or better

In England and Wales the government intends to make all buildings EPC B or better by 2030; the targets below will support planning to achieve compliance in a controlled and cost-effective manner.

### Target:

50%

by 2025

75%

by 2028

100%

by 2030

### Currently

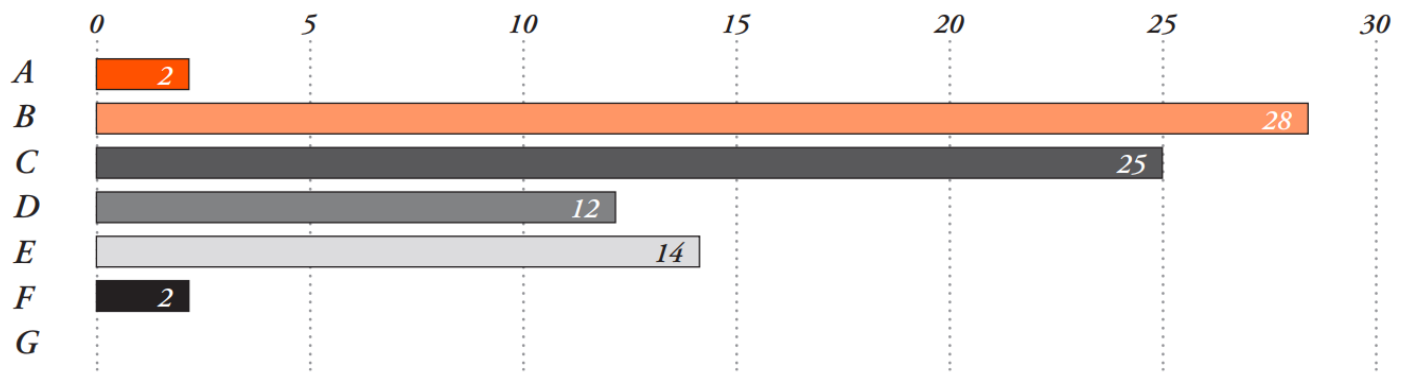
36%

of the portfolio is  
Rated “B” or better

\* Based on Operational properties as at 30 June 2022

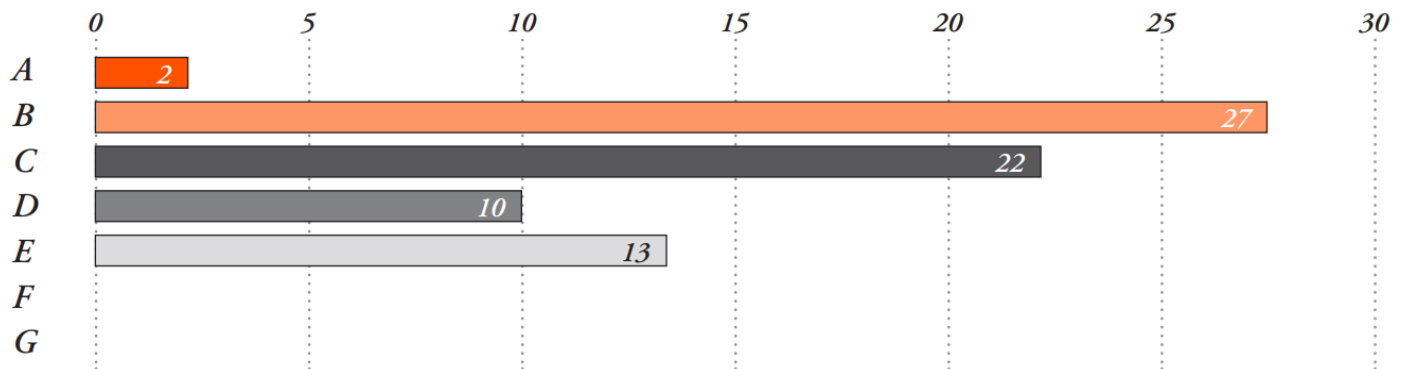
\*\* Based on average if multiple EPC ratings exist and excludes any with EPC exemptions

## EPC Ratings – Overall Portfolio



## Regional Breakdown

### EPC Ratings – England and Wales



### EPC Ratings – Scotland

