

PROPERTY INCOME TRUST FOR CHARITIES (PITCH)

Net zero carbon briefing note



The Property Income Trust for Charities announces net zero carbon commitment

December 2022

Introduction

This year's COP 27 in Egypt served as a reminder of the scale of action required to mitigate climate change as well as the challenges with mobilising accelerated action and obtaining global consensus. The Intergovernmental Panel on Climate Change (IPCC) has warned that we are not on track to limit warming to 1.5°C and that, average annual greenhouse gas emissions in the last decade were the highest in human history¹. The science is clear, if we do not limit emissions and consequent warming, we will fail to mitigate the worst impacts of climate change, with devastating consequences for ecosystems and communities.

Our Journey

Mayfair Capital, as investment manager of the **Property Income Trust for Charities (PITCH)**, has a duty to take practical steps to decarbonise, future-proof and maintain value of the real estate portfolios under our care. As a result, building climate resilience and developing a clear pathway to net zero carbon has been a primary focus for Mayfair Capital and our parent company, Swiss Life Asset Managers ("The Division"). In 2021, we commenced a Division-wide project to develop a decarbonisation pathway, with the analysis based on the CRREM (Carbon Risk Real Estate Monitor)² tool. This culminated in a Divisional commitment to reduce the carbon intensity (kgCO_{2e}/m²) of the direct real estate portfolio by 20%, in line with the aims of the Paris Agreement³.

In May 2022, the Division became signatories of the Net Zero Asset Managers Initiative (NZAMi), reinforcing its commitment to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to support investment aligned with net zero emissions by 2050 or sooner.

PITCH's Commitment

This year, we advanced the analysis for the **Property Income Trust for Charities (PITCH)**, whilst progressing our programme of asset and portfolio level net zero actions in line with our parent company's commitment to the Net Zero Asset Managers initiative (NZAMi). We set out the Fund-level commitment below:

The Property Income Trust for Charities (PITCH) is committed to the goal of limiting warming to 1.5 degrees by 2050 or sooner and taking practical steps to manage the portfolio in line with these aims.

- **By 2030**, we aim to reduce the carbon intensity (kgCO_{2e}/m²) of the portfolio by **31.5%** across scope 1, 2 and 3 greenhouse gas emissions³ and to disclose our progress.
- **By 2050 (or sooner)**, our commitment is for the Property Income Trust for Charities portfolio to be net zero carbon.

¹ IPCC Chair's remarks at the 2022 Gulbenkian Prize for Humanity Award Ceremony – IPCC - <https://www.ipcc.ch/2022/10/13/ipcc-chairs-remarks-2022-gulbenkian-prize-for-humanity-award-ceremony/>

² Carbon Risk Real Estate Monitor (CRREM) tool: the CRREM tool allows investors and property owners to assess the exposure of their assets to stranding risks based on energy and emission data and the analysis of regulatory requirements.

³ Against a 2019 baseline | CO_{2e} calculations are done in accordance with The GHG Protocol. Scope 1, 2 and 3 emissions are defined in accordance with the definitions provided by GRESB (Global Real Estate Sustainability Benchmark). Estimations were made using the 2018 CRREM estimate value for assets where we have incomplete or unreliable energy consumption data.

Quote: Simon Martindale, PITCH Fund Director



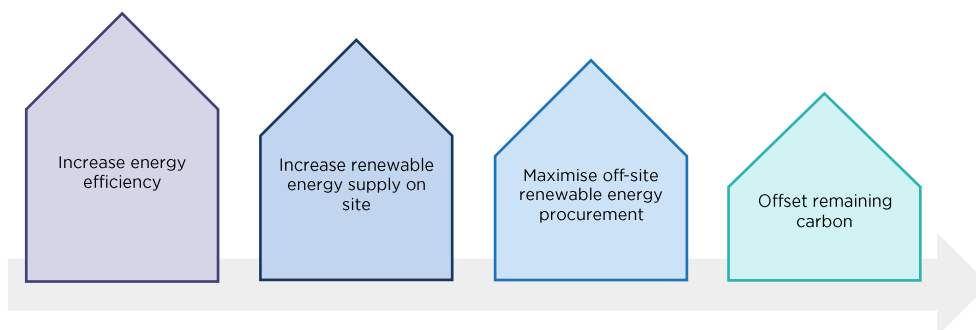
Simon Martindale
PITCH Fund Director

“This commitment represents an important and significant milestone in the history of PITCH. As stewards of charity capital, we have always taken a responsible approach to our management of the Fund, and it is right that we maximise our efforts to reduce the portfolio’s impact on the environment. As this briefing explains, we recognise that this commitment will continue to evolve as greater cost transparency becomes available, but most importantly, we now have a clear pathway and set of action plans to enhance the sustainability credentials of the portfolio and to deliver on our net zero aims.”

PITCH’s Approach

Our decarbonisation strategy follows the net zero carbon hierarchy⁴, of:

1. Increasing energy efficiency
2. Increasing renewable energy supply on-site
3. Maximising off-site renewable energy procurement
4. Offsetting remaining carbon



As part of our analysis, we have included a high-level assessment of cost. Many measures are met through standard maintenance and system replacement, whilst other energy reduction and carbon saving measures, e.g. LED lighting and solar PV installations, offer attractive payback periods. Energy and carbon reduction measures are included as part of our standard approach to refurbishment and enhancing the assets’ sustainability credentials. As we undertake more asset level net zero audits, our view on expected costs will become more exacting, which will improve over time.

PITCH’s decarbonisation strategy is not static, it will evolve as our approach to net zero carbon is enhanced, new and improved solutions become available, and we improve our energy data coverage across the portfolio. We will proactively report on changes and updates as and when appropriate.

By having a clear understanding of our pathway to net zero, we will be able to plan carefully, prioritise effectively, and utilise all the decarbonisation levers available, in order to make informed investment decisions and maintain value and performance for our PITCH investors over the long term.

⁴ Source: 2021, The 10 Green Building Principles aiming to get real estate to net-zero, World Economic Forum

Decarbonisation Strategy

Area	Objectives	
Increasing energy efficiency	Acquisitions	<ul style="list-style-type: none"> - Undertake net zero carbon screening on all acquisitions to assess operational energy and carbon performance and to identify cost measures to improve assets
	Refurbishment	<ul style="list-style-type: none"> - Aim for industry best practice operational energy and carbon reduction on all refurbishments, aligning with the latest industry net zero carbon guidance (e.g. UKGBC)
	Operations	<ul style="list-style-type: none"> - Undertake a rolling programme of asset level net zero audits, with measures factored into refurbishment plans or implemented as standalone projects (where possible) - Ensure building systems are optimised, implementing low and no cost measures - At system replacement, ensure electrification is prioritised, moving away from fossil fuels for heating
		<ul style="list-style-type: none"> - Engage occupiers to advance standalone energy and carbon reduction projects across the portfolio - Improve energy data coverage through proactive engagement with occupiers
Increasing renewable energy supply on site	Refurbishment	<ul style="list-style-type: none"> - During refurbishment, install on-site renewable energy (e.g. roof mounted solar), where feasible
	Operations	<ul style="list-style-type: none"> - Review on-site renewable energy potential and suitability across the portfolio, to identify priority assets and target occupiers - Engage and collaborate with occupiers to install on-site renewable energy
		<ul style="list-style-type: none"> - Ensure all solar production and consumption data is collected and monitored
Maximising offsite renewable energy procurement	Operations	<ul style="list-style-type: none"> - Explore procurement options for high quality off-site renewable electricity (including additionality)
		<ul style="list-style-type: none"> - Encourage occupiers onto high quality renewable tariffs, where feasible
Offsetting remaining carbon	Operations	<ul style="list-style-type: none"> - Future offsetting will be treated as the last resort. Where offsets are sought, ensure these are credible, verified and locally sourced wherever possible
Embodied carbon ⁵	Refurbishment	<ul style="list-style-type: none"> - Aim for best practice embodied carbon targets on refurbishments, monitoring performance and applying a lifecycle approach⁶

⁵ The decarbonisation pathway includes operational carbon only, however embodied carbon is a topic in scope of our action plan and we have set actions against this.

⁶ An approach that considers the environmental and carbon effects of a material during its entire lifecycle, allowing one to make informed design decisions, increasing resource efficiency and reducing carbon impact.

Methodological notes:

General:

- Pathways were used in accordance with the publicly available CRREM methodology (1.5 degree Celsius target).
- CRREM uses a transparent downscaling methodology that is based on the Sectoral Decarbonization Approach (SDA) promoted by The Science Based Targets initiative (SBTi). CRREM supports SBTi and both initiatives are “science-based”.
- The CRREM methodology is currently under public review and continues to evolve. Changes to the pathways, additions of missing asset types (i.e. industrial) and the relevant CO₂e factors are to be expected.

Scope:

- CRREM only considers operational energy consumption. The approach uses a whole building view including energy use from common space and tenant areas. Embodied carbon of the existing structure is not included. Embodied carbon resulting from a potential energetic retrofit can be analysed assessing the trade off in relation to the operational savings. The PITCH decarbonisation pathway does not currently include embodied carbon.
- The target includes scope 1, 2 and 3 GHG emissions. Scope 3 emissions are the most difficult to tackle as these refer to tenant emissions. For a significant proportion of the PITCH portfolio, we do not have landlord control with some assets subject to Full Repairing and Insuring (FRI) lease terms. As a result, we are dependent on tenant engagement and/or taking the opportunity to refurbish properties when we have secured vacant possession. This can have an impact on the achievability of the 2030 target.

Data coverage & estimation:

- Where data is unavailable, Swiss Life Asset Managers has introduced a gap filling approach, where the corresponding 2018 CRREM estimate value is used for the applicable property type and country. This approach is applicable for 48.3% of total area (for 2021, for PITCH only). This approach was also applied where we had partial or incomplete data.
- We continue to focus our efforts on improving data coverage, by engaging with our tenants and leveraging technological solutions available to us. Over time, as our data coverage improves, we expect that we will have a clearer view on current performance and will update our pathway and targets appropriately.
- For industrial assets (which are not at presently included in the CRREM methodology), we applied the industrial warehouse CRREM estimates as a proxy. For mixed used assets, the average of the estimates for the two dominant property types was applied.

About Mayfair Capital Investment Management Limited (MCIM)

MCIM is a UK real estate investment management business and a member of Swiss Life Asset Managers. Founded in 2002 and headquartered in London, Mayfair Capital is authorised and regulated by the FCA.

Mayfair Capital serves a diverse client base, through its discretionary and advisory funds, which include The Property Income Trust for Charities, Mayfair Capital Property Unit Trust, Mayfair Capital Commercial Property Trust, Mayfair Capital Residential 2, Mayfair Capital UK Thematic Growth Fund and Cadogan Income Properties.

As a Member of Swiss Life Asset Managers, MCIM is the UK real estate investment manager investing in UK and Ireland for Swiss Life's diversified pan-European Funds.

www.mayfaircapital.co.uk

About Swiss Life Asset Managers (SLAM)

Swiss Life Asset Managers is a leading institutional property investor and investment manager in Europe. SLAM's real estate portfolio includes in excess of CHF 116 billion⁷ under management and administration. The Group operates on a pan-European basis with over 2,200 real estate professionals in 23 offices in Switzerland, Germany, France, UK, the Nordics and Luxembourg⁸.

Swisslife-am.com

⁷ As of 31 December 2021

⁸ <https://www.swisslife-am.com/en/home/funds-invest/asset-classes/real-estate/about.html>