



Our Net Zero Carbon pathway

CLS Holdings plc
CLS Net Zero Carbon Pathway 2020-2030



We will become Net Zero Carbon and achieve absolute reductions in Group Scopes 1 & 2 emissions of 42% and a physical intensity reduction in Scope 3 emissions of 20% per m² NLA by 2030 from a 2020 baseline.

Our pathway to Net Zero

We developed our pathway following a full Scopes 1, 2 and 3 appraisal of our Group carbon footprint.

We obtained independent assurance of our 2020 Scopes 1 & 2 emissions against the ISAE 3000 (Revised) standard, and employed a specialist to complete a Scope 3 screening and baseline in line with the GHG Protocol.

In 2021 we employed technical experts to carry out individual property energy audits to identify energy and carbon saving opportunities. A total of 76 properties were visited from January to April 2021 across the UK, France and Germany; with new developments, properties under refurbishment, and properties earmarked for sale all excluded from the programme.

The baseline data and audit findings were aggregated into a Net Zero Carbon model, which was projected out to 2030 incorporating business growth and future electrical decarbonisation across all three countries.

The investment needed to deliver every audit finding amounts to an estimated £58 million over 9 years; achieving an absolute reduction in our Group Scopes 1

and 2 emissions of 59%, and contributing to an absolute reduction in our Scope 3 emissions of 27% in conjunction with other non-property related measures.

Combined, by 2030 these result in an absolute reduction across our total Group Scope 1-3 emissions of 32% against the 2020 baseline, equivalent to a 41% reduction once adjusted for the projected business growth throughout this period.

We are currently integrating the energy audits into each Asset Management Plan to enable strategic decisions about the refurbishment, sale, or full redevelopment of assets to be made. Where refurbishment is viable, the energy audit projects will be incorporated into each respective Property Management plan to ensure the optimal timing and allocation of capital over the course of the pathway to achieve our carbon reduction targets.

Alongside our Net Zero capital projects, we will partner with our supply chain and tenants to drive significant reductions across our Scope 3 emissions categories to exceed our targets. Finally, from 2030 we commit to procure sufficient carbon offsets for our Group Scopes 1, 2 & 3 emissions in accordance with the Oxford Principles.

An estimated

£58m

Investment



Left: Installation of roof-mounted solar photovoltaic panels at our Reflex property in Bracknell, UK.

Our 2030 science-based carbon reduction targets

From a 2020 baseline year

Scopes 1&2 Absolute reduction
42%*

Scope 3 Physical intensity reduction
20% per m² NLA

What is a science-based target?

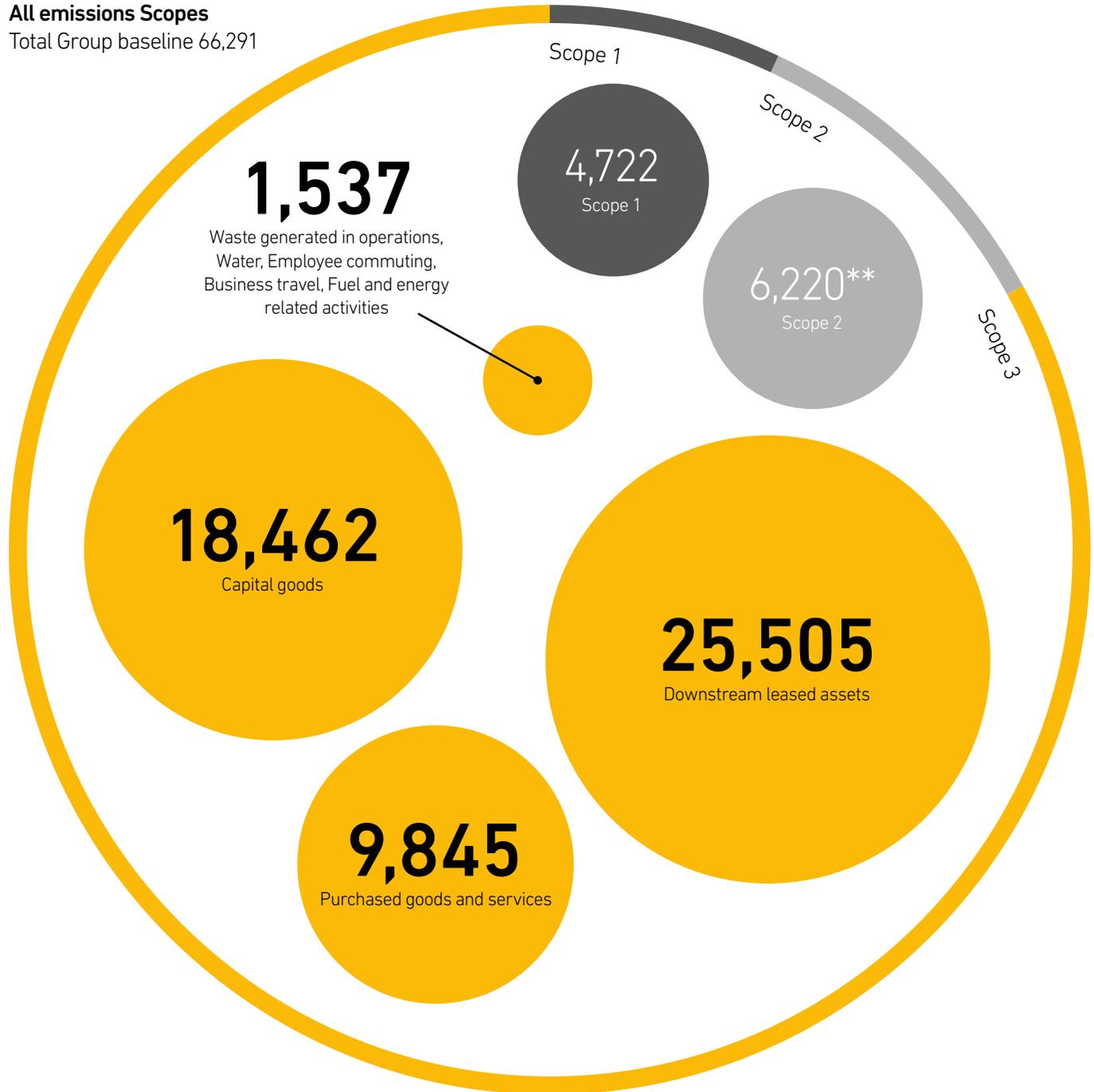
Science-based targets are designed to be sufficient to limit climate change to 1.5°C in alignment with the United Nations Framework Convention on Climate Change Paris Agreement, as measured by the Science Based Targets initiative (SBTi).

CLS is a signatory to the Business Ambition for 1.5°C pledge, and has successfully obtained SBTi verification of our absolute reduction target for Scope 1 and 2 of 42% by 2030 against the 2020 baseline.

Our 42% Science Based Target is the minimum absolute reduction in our Scope 1 and 2 emissions we will achieve by 2030.

All emissions Scopes

Total Group baseline 66,291



*Verified by the Science Based Targets initiative to the 1.5°C scenario

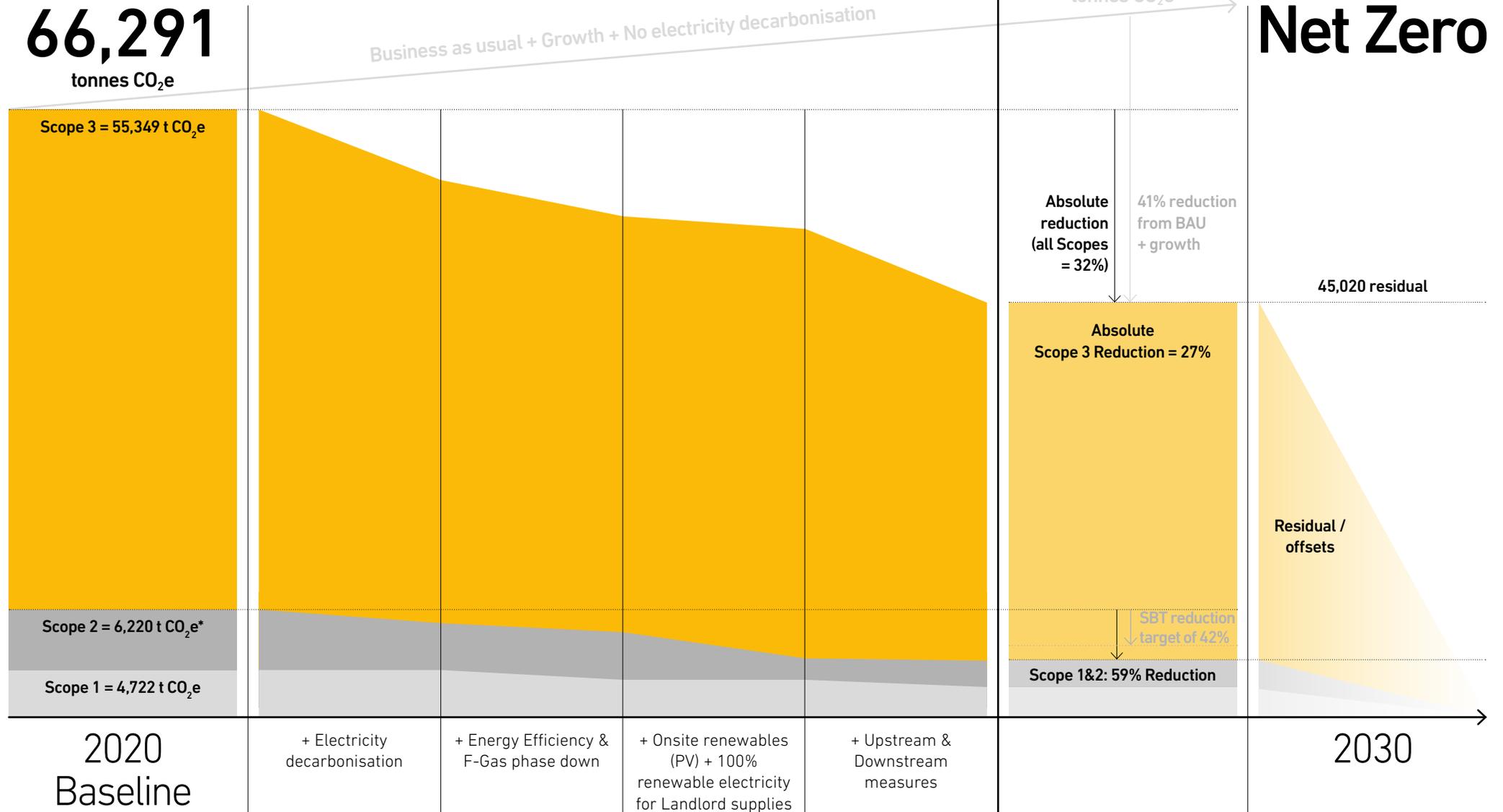
**Scope 2 Location based figure

Net Zero Carbon roadmap



Our pathway to Net Zero is based on the energy hierarchy which begins with the design, management, and occupation of energy efficient properties and procurement of sustainable energy sources. This is accompanied by measures to decarbonise our upstream and downstream business impacts, and ends with the procurement of suitable carbon offsets to cover all residual emissions.

- Scope 3
- Scope 2
- Scope 1



*Location based Scope 2 emissions



Our Net Zero Carbon pathway has been calibrated in accordance with the Better Building Partnership definition for Net Zero Carbon. This captures the full spectrum of Scopes 1-3 emissions sources that are under Landlord control across our properties in addition to our non-property related corporate emissions.

Although some activities under the control of our tenants lie outside of our emissions baseline and targets, we will take an holistic approach to decarbonising these impacts through tenant engagement and collaboration.

Investment boundaries:

Real estate assets across all geographies with capital invested by the CLS Holdings plc Group.

Carbon boundaries:

- Scopes 1, 2 and 3 emissions
- Operational carbon, critically covering whole building performance, including occupier activities; and services procured by the landlord to service and maintain the space
- Embodied carbon of development, refurbishment and fit-out works
- Carbon emissions associated with corporate activities: purchased goods and services and employee travel

Activities which generate GHG emissions for real estate investments (directly or indirectly)	Activities controlled and managed by landlords	Activities controlled and managed by occupiers	Corporate / Head Office
Energy to operate buildings (electricity, fuels and heat networks)	●	●	●
Water to operate buildings	●	○	●
Waste generated during operation	●	○	●
Refrigerants (fugitive emissions)	●	○	●
Purchase of goods and services (M&E and property management services)	●		●
Business travel (excluding that associated with development works)		○	●
New development works	●		●
Refurbishment works	●		●
Fit-out works	●	○	●



Included within carbon baseline and Net Zero Carbon pathway, within the scope of the carbon reduction target.



Outside the scope of the carbon reduction baseline and target, but will be included within our tenant engagement activities as part of a holistic approach to decarbonising our downstream impacts.



How we will do it:

1. We will align our Net Zero Carbon objectives with our finance strategy by integrating ESG targets and KPIs within our loans, aiming to have 50% of our Group debt comprised of ESG-linked loans by 2030.
2. We will incorporate the outputs from our Net Zero Carbon model into every asset management plan to ensure carbon risk is factored into the long-term strategic future of each property; influencing the decision to refurbish, redevelop or exit each asset.
3. We will decarbonise our new developments by:
 - a. designing our buildings to a high standard of energy efficiency, achieving an EPC rating A and BREEAM Excellent (or equivalent for France & Germany), and a whole-building energy intensity not exceeding 90kWh/m² NLA;
 - b. implementing a Sustainable Design Guide for new developments, refurbishment and fit-out projects to embed high standards of sustainability through the delivery of our capital projects; and
 - c. requiring low-carbon construction materials, techniques, logistics and site management practices throughout project delivery; and carbon commitments from Contractors based on project value.
4. We will utilise the data within our Net Zero Carbon model to undertake enhanced due diligence on potential acquisitions to ensure the energy and carbon risks of the property are understood and reflected accordingly in capital valuations.
5. We will decarbonise our managed assets by:
 - a. Delivering our Net Zero capital projects pipeline as identified from our energy audits; achieving as much of the 59% Scope 1 and 2 emissions saving potential through the electrification of our buildings wherever possible, alongside achieving high standards of operational energy efficiency;
 - b. reducing the carbon footprint of our air conditioning and refrigeration systems by 79% by transitioning to low-Global Warming Potential fluorinated gases through a combination of gas replacement and plant upgrades;
 - c. installing on-site renewable electricity generating technologies, where the on-site use of all power output is possible;
 - d. undertaking energy audits at our properties every four years; incorporating all opportunities into the Net Zero Carbon model and asset and property management plans;
 - e. working in partnership with our tenants to support the energy efficient occupation of our buildings and the procurement of 100% certified renewable electricity for tenant-procured supplies; and
 - f. rolling out smart meters, A.I and software solutions to accurately monitor and manage the energy performance of our properties.
6. We will decarbonise our upstream and downstream activities by:
 - a. achieving 100% certified renewable electricity for all CLS-procured contracts;
 - b. supporting our tenants' sustainable travel through investment in active transport facilities and electric vehicle charging infrastructure wherever possible at our properties;
 - c. collaborating with our tenants to support their Net Zero Carbon commitments and delivery against their carbon reduction targets, aiming to reduce emissions from our tenant energy use by at least 20%;
 - d. obtaining carbon reduction, measurement and reporting commitments, from our Purchased Good & Services suppliers on a sliding scale based on contract value;
 - e. achieving a 50% reduction in business travel emissions by:
 - i. actively seeking more sustainable modes of transport when conducting business travel, and taking flights only for journeys where a rail alternative taking 2.5 hours or less does not exist;
 - ii. where business flights are necessary, offsetting the carbon emissions associated with the journey at the time of booking;
 - iii. adopting a flexible working policy enabling home working for up to 2 days each week;
 - iv. providing incentives and amenities to support active travel commuting options by employees (e.g. cycling, running, walking), targeting a 30% reduction in emissions from employee commuting;
 - v. where vehicle hire is required to conduct business travel, giving preference to full electric or electric hybrid vehicles wherever possible; and
 - vi. Investing in smart technology solutions at our buildings to reduce the need for business travel;
 - f. developing a Circular Economy Plan by 2025 to minimise our operational waste and the embodied carbon of our material throughput; and
 - g. achieving a 20% like-for-like reduction in potable water consumption by 2030 (2019 baseline).
7. Becoming a Net Zero Carbon business by procuring carbon offsets for our Group Scopes 1, 2 and 3 carbon emissions in accordance with the Oxford Principles.



Topic	Outcomes / Aims	CLS strategy / Reporting metrics	Reporting Metrics
Operational carbon (energy, water and waste)	<p>Absolute reduction in Group Scopes 1 & 2 emissions of 42% by 2030 on 2020 baseline.</p> <p>Intensity reduction in Scope 3 emissions of 20% TCO₂e/m² NLA by 2030 on 2020 baseline.</p> <p>Like-for-like reduction in potable water consumption of 20% (2019 baseline); potable water intensity of 0.4m³/m² NLA/annum for high drought risk assets by 2030.</p> <p>Group-wide waste baseline & Circular Economy Plan by 2025</p>	<ul style="list-style-type: none"> Individual property energy audits will be undertaken every four years to drive continuous improvement in energy and carbon efficiency. Audit outcomes will feed into the Net Zero Carbon model and relevant asset management plans to determine each property's carbon reduction target and investment plan. To support the Net Zero Carbon pathway we will be investing in the roll-out of AMR across all utility supplies, supported by new software platforms to enable high-quality performance monitoring and reporting. Through our tenant engagement programme, we will work in partnership with our tenants to support the sustainable occupation of our buildings and our tenants' CSR objectives. Through our Sustainable Design Guide we will achieve a high standard of sustainability and energy efficiency (including BREEAM Excellent, EPC A and a whole-building energy usage intensity not exceeding 90kWh/m² NLA) across our capital projects, A shadow price of carbon of £80/TCO₂e has been used as a reference value within our Net Zero Carbon model. We will utilise the data within our Net Zero Carbon model to undertake enhanced due diligence on prospective acquisitions and feed into capital valuations. 	<ul style="list-style-type: none"> Total annual Group Scope 1 GHG emissions (TCO₂e) Total annual Group Scope 2 GHG emissions (Location Based & Market Based) (TCO₂e) Total annual Group Scope 1 & 2 emissions (TCO₂e) Annual Group Scope 1 & 2 emissions intensity (TCO₂e/m² NLA) Total annual Group Scope 3 emissions (TCO₂e) Annual Group Scope 3 emissions intensity (TCO₂e/m² NLA) Total annual Group electricity (Landlord shared services) (kWh) Total annual sub-metered tenant electricity (kWh) Total annual landlord-obtained electricity (kWh) Total annual landlord-obtained district heating and cooling (kWh) Total annual fuels consumed by landlord shared services (kWh) Total annual fuels sub-metered exclusively to tenants (kWh) Total annual landlord-obtained fuels (kWh) Total annual Group energy (kWh) Landlord-obtained energy intensity (kWh/m² NLA/year) Total annual water consumed for landlord shared services (m³) Total annual water consumed sub-metered exclusively to tenants (m³) Total annual landlord-obtained water (m³) Total building water intensity (m³/m²/year) <p>From 2025:</p> <ul style="list-style-type: none"> Total annual Group waste (tonnes) Percentage of total annual Group waste recycled (%) Percentage of total annual Group waste sent for energy recovery (%) Percentage of total annual Group waste diverted from landfill (%)
On-site generation	<p>Invest in on-site renewable energy generating technologies if appropriate to deliver the maximum sustainability benefit to the building.</p>	<ul style="list-style-type: none"> Renewable technology opportunities identified as part of each property energy audit Investments in renewable solutions will prioritise those where the energy will be used by the building and exports to the grid are minimised. 	<ul style="list-style-type: none"> Total year-end installed capacity of renewable energy technologies (kWp) Total annual electricity generated from on-site renewable technologies (kWh)
Renewables procurement	<p>All CLS-managed electricity supplies to be procured from 100% renewable sources.</p>	<ul style="list-style-type: none"> All CLS-procured electricity contracts to be 100% certified renewable. We will work to support our tenants in their electricity procurement to maximise the proportion of 100% certified renewable electricity across our tenant supplies. 	<ul style="list-style-type: none"> Proportion of landlord obtained electricity from renewable sources (%) Proportion of tenant obtained electricity from renewable sources (%)



Topic	Outcomes / Aims	CLS strategy / Reporting metrics	Reporting Metrics
Embodied carbon associated with capital goods, services and capital works, e.g. management, maintenance, fit-outs, refurbishment and new development	<p>Establish a methodology to measure the embodied carbon from our capital projects that does not rely on cost data.</p> <p>Deliver a 10% reduction in the embodied carbon from our capital goods and services.</p>	<p>We will decarbonise our new developments by:</p> <ul style="list-style-type: none"> • Designing our buildings to a high standard of energy efficiency, achieving an EPC rating A and BREEAM Excellent (or equivalent for France & Germany), and a whole-building energy intensity not exceeding 90kWh/m² NLA. • Developing a Design Guide for new developments, refurbishment and fit-out projects to embed high standards of sustainability through the delivery of our capital projects and tenant fit-outs. • Requiring low-carbon construction materials and techniques, logistics and site management practices on a sliding scale of project value. 	<p>Scope 3 emissions from the following categories:</p> <ul style="list-style-type: none"> • 1. Purchased Goods & Services • 2. Capital goods <p>In addition to as part of the total Scope 3 footprint:</p> <ul style="list-style-type: none"> • 3. Fuel and energy related activities • 4. Water • 5. Waste generated in operations • 6. Business travel • 7. Employee commuting • 13. Downstream leased assets
Offsetting	Procure sufficient carbon offsets to cover our Group Scopes 1, 2 & 3 emissions in accordance with the Oxford Principles from 2030.	<ul style="list-style-type: none"> • From 2030 we will become a Net Zero Carbon business by procuring high-quality, verifiable carbon offsets for our Group Scopes 1, 2 and 3 carbon emissions in accordance with the Oxford Principles. • A shadow price of carbon of £80/TCO₂e has been used for the purposes of developing the Net Zero Carbon model. 	<p>From 2030:</p> <ul style="list-style-type: none"> • Annual carbon offsets procured in accordance with the Oxford Principles (TCO₂e) • Percentage of total annual Group Scopes 1,2 & 3 emissions covered by carbon offsets (%)
Third-party verification; industry standards and certification	Obtain verification from the Science Based Targets initiative of our carbon reduction targets against the 1.5°C climate change scenario.	<ul style="list-style-type: none"> • We have successfully obtained verification of our Scope 1 & 2 carbon reduction target from the Science Based Targets initiative against the 1.5°C scenario. • We have committed to the Business Ambition for 1.5°C. • We commit to obtaining independent assurance to the (ISAE) 3000 standard or equivalent over our annual Group Scopes 1 and 2 (location and market) emissions, against which progress to our target will be measured. 	<p>Remain publicly committed to the Business Ambition for 1.5 degrees.</p> <p>Limited third-party assurance in accordance with ISAE 3000 against the following metrics:</p> <ul style="list-style-type: none"> • Total annual Group Scope 1 – direct GHG emissions (TCO₂e) • Total annual Group Scope 2 – indirect GHG emissions – location and market-based (TCO₂e) • Total annual Group Scope 1 & 2 GHG emissions – location-based (TCO₂e) • Scope 1 & 2 GHG emissions intensity (kg CO₂e/m²/year) • Total annual Group energy consumption (kWh)
			<p>From 2030, all carbon offsets will be procured in accordance with appropriate chain of custody verification in existence at the time, and in accordance with the Oxford Principles.</p>



BREEAM	Building Research Establishment Environmental Assessment Method
Carbon Offsets	A way to compensate for carbon emitted by the organisation by funding an equivalent carbon saving outside of the organisation.
EPC	Energy Performance Certificate
ESG	Environmental Social Governance
F-Gas	Fluorinated gas
KPI	Key Performance Indicator
Net Zero Carbon	The balancing of emitted greenhouse gases with an equivalent amount of emissions that are removed or sequestered from the atmosphere.
NLA	Net Lettable Area
Oxford Principles	The Oxford Principles for Net Zero Aligned Carbon Offsetting (the “Oxford Offsetting Principles”) provide guidelines to help ensure the procurement of carbon offsets actually helps to achieve a net zero society.
PV	Photovoltaic
Science Based Target	Science-based targets show companies how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change in accordance with climate science.
Scope 1 GHG emissions	Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization
Scope 2 GHG emissions	Scope 2 emissions are indirect GHG emissions associated with the generation of energy that is purchased by the organisation.
Scope 3 GHG emissions	Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the organisation, including both upstream and downstream emissions.
SMART	Specific, Measurable, Achievable, Realistic, Time-bound
TCFD	Taskforce on Climate-related Financial Disclosures



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