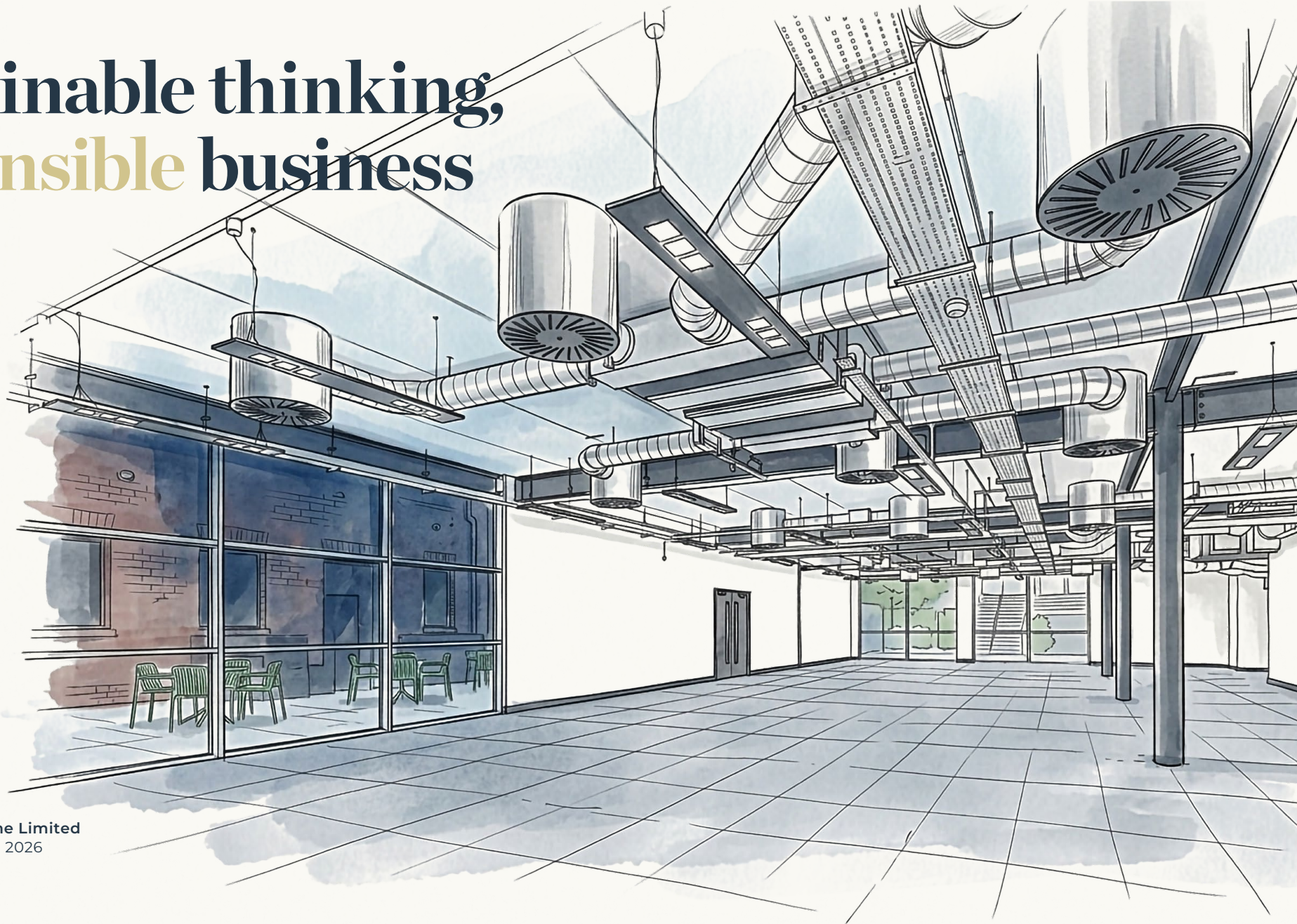


# Sustainable thinking, responsible business



## Introduction

# Achieving net zero carbon

In 2022 we published our pathway to net zero and accompanying action plan, committing to achieve net zero carbon across both operational and embodied carbon emissions by 2040, relative to a 2019 baseline. We have made substantial progress and delivered many of the early actions set out in our original pathway.

To maintain momentum and effectively monitor and drive progress in a transparent, measurable way, the adoption of science-based targets was a critical next step. We reviewed industry recognised approaches to emission reduction target-setting and aligned our methodology with the Science Based Targets Initiative (SBTi).

Although our targets have not yet been formally validated, they have been developed in full accordance with the SBTi methodology so that we remain aligned should we choose to pursue validation in the future. We have applied the Buildings Criteria introduced in August 2024, which is applied as a whole building level, and any remaining emissions are included under the SBTi's Corporate Net Zero Standard's version 1.0 'Other Scope 3' category. Our new baseline year will be 2024 which will be used for future reporting.

This process has shaped a comprehensive, target-led net zero strategy and action plan that sets out a clear and credible route to achieving our goals. Our updated strategy focuses on reducing emissions from two principal sources: whole-building in-use operational emissions, and Scope 3 emissions. It follows the established net zero hierarchy, prioritising reduced energy demand, increased renewable energy supply, and using offsets only for residual emissions that are in excess of our target commitment.

By embedding science-based targets into our strategy, we are building a net zero pathway that is credible, ambitious and achievable. Our focus is on sustained delivery and working collaboratively, alongside transparent reporting as we work towards our goals.

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Visit our website to keep up-to-date on our progress  
[www.picton.co.uk/sustainability](http://www.picton.co.uk/sustainability)



Front cover image:  
**Rum Runner Works**  
 Birmingham

# Our journey

Over the past decade, both the quality of our data and our understanding of the wider ESG landscape have advanced significantly.

We published our first net zero carbon pathway in 2022, using 2019 as our baseline year. This avoided the distortion caused by the Covid-19 lockdowns in 2020 and 2021, which affected building occupancy and data availability.

Since then, we have invested in decarbonising our assets, strengthened data quality and collection and upskilled the team.

The timeline below highlights key milestones in our journey so far.

## 2020

- Integrated ESG within our corporate strategy
- Joined the Better Buildings Partnership (BBP)

## 2021

- Published our first TCFD disclosure
- Embarked on developing our net zero pathway
- Implemented sustainable refurbishment checklists for our buildings

## 2022

- Developed and published our first net zero carbon pathway
- Became a signatory to the Better Buildings Partnership's Climate Commitment
- Undertook net zero audits at five of our buildings

## 2023

- Established the Climate Action Working Group
- Accelerated decarbonisation of assets
- Embedded net zero carbon criteria into our acquisition due diligence process
- Developed an occupier engagement plan
- Published our Sustainable Refurbishment Guidelines

## 2024

- Used the findings from net zero audits to define our building decarbonisation strategy
- Continued installation of solar panels
- Published our first Biodiversity Policy
- Updated our standard lease terms to align with the BBP Green Lease Essentials
- Invested in PropTech solutions to improve emissions data capture

## 2025

- Undertook a materiality assessment and created our new ESG strategy and policy framework, aligned to UN SDGs
- Began to investigate appropriate methods to set interim net zero targets
- Conducted whole life carbon assessments for two major refurbishment projects that met the criteria specified in our net zero action plan

## 2026

- Set SBTi-aligned net zero targets
- Published our updated net zero strategy
- Published our Climate Change Policy
- Published our revised Biodiversity Policy

# Our progress to date

Since establishing our initial 2019 baseline, we have made consistent, measurable progress toward our net zero pathway.

We have enhanced the accuracy and coverage of our emissions data and embedded carbon considerations into our strategic planning, investment decisions, and asset management. This is reflected in the progress outlined below.

	Objective	Approach	Progress
<b>Embodied carbon</b>	To minimise the embodied carbon cost of developments, major refurbishments, and occupier fit-outs	<ul style="list-style-type: none"> <li>- Development and use of our Sustainable Refurbishment Guidelines</li> <li>- Conducting whole life carbon assessments where applicable</li> </ul>	<ul style="list-style-type: none"> <li>- Whole life carbon assessments have been carried out on all major projects (over £1.5 million of capex)</li> <li>- For each project, the embodied up-front carbon used in the refurbishment fell well below the maximum threshold of 300kgCOe/m<sup>2</sup></li> <li>- Following circular economic principles, we have repurposed materials and items from other buildings during fit-outs, recycling and reusing furniture across our portfolio where possible</li> </ul>
<b>Operational carbon</b>			
<b>Optimising energy efficiency</b>	Ensure operational carbon performance and efficiency across the portfolio is improved	<ul style="list-style-type: none"> <li>- Systematic and targeted improvement of the portfolio's EPC profile to optimise building energy efficiency</li> <li>- Occupier engagement to optimise efficient use of buildings</li> </ul>	<ul style="list-style-type: none"> <li>- As of March 2026, on an ERV basis 86% of our portfolio is rated EPC A-C, compared to 55% in 2020</li> </ul>
<b>Reducing Scope 1 emissions</b>	Net zero on Scope 1 emissions	<ul style="list-style-type: none"> <li>- We are reducing our Scope 1 emissions by removing fossil fuel-based systems from landlord-controlled areas of our buildings</li> </ul>	<ul style="list-style-type: none"> <li>- Compared to 2019 Scope 1 energy intensity reduced 30% by 2025</li> </ul>
<b>Reducing Scope 2 emissions</b>	Net zero on Scope 2 emissions	<ul style="list-style-type: none"> <li>- Renewable energy procurement</li> </ul>	<ul style="list-style-type: none"> <li>- For landlord-controlled areas, 100% of purchased electricity is from REGO-backed renewable sources</li> <li>- Compared to 2019, Scope 2 energy intensity reduced 66% by 2025</li> </ul>
<b>Reducing Scope 3 emissions</b>	Net zero on Scope 3 emissions Improve Scope 3 occupier energy data collection and quality	<ul style="list-style-type: none"> <li>- Meter and submeter auditing and mapping</li> <li>- Use of automatic meter readings and energy data collection software to improve collection and coverage</li> <li>- Use of green lease clauses aligned with the Better Buildings Partnership's guidance</li> <li>- Increased occupier engagement around data sharing and energy optimisation</li> </ul>	<ul style="list-style-type: none"> <li>- Compared to 2019, Scope 3 energy intensity increased 21% by 2024, however this largely reflects the improvement in occupied data collection</li> <li>- In 2024 the occupier data collection rate was 84%</li> <li>- In 2025, by rental value 92% of new lettings, lease renewals and regears contained the BBP aligned green lease clauses</li> <li>- We are awaiting further occupier data collection for 2025</li> </ul>
<b>On-site renewable energy</b>	Maximise amount of on-site renewable generation	<ul style="list-style-type: none"> <li>- Conducted feasibility studies on the portfolio with a third-party consultant</li> <li>- Engaged with occupiers on renewable energy interest and solar power purchase agreements (PPAs)</li> <li>- Installed PV arrays at selected assets</li> </ul>	<ul style="list-style-type: none"> <li>- To date we have installed PV systems at 14 sites, with a total capacity of 796 kwp</li> </ul>
<b>Third party verification</b>	Maintain credibility and transparency of our data	<ul style="list-style-type: none"> <li>- Annual independent third-party assurance of energy data</li> </ul>	<ul style="list-style-type: none"> <li>- Environmental performance information is independently assured in accordance with the International Standard on Assurance Engagements 3000, Revised (ISAE 3000)</li> </ul>

# Net zero strategy 2026

Net zero carbon refers to achieving a balance between the release and removal of greenhouse gases in the atmosphere. Scientific consensus shows that limiting global temperature rise to 1.5°C above pre-industrial levels is essential to avoid the most severe impacts of climate change on people and ecosystems.

We have aligned our approach with the Better Buildings Partnerships definition of net zero carbon, committing to reduce emissions across all activities associated with the development, ownership and servicing of our buildings. Please refer to Appendix 1 for the BBP Climate Change Commitment's detailed carbon scope table.

The Science Based Targets initiative (SBTi) provides a globally recognised framework that enables organisations and financial institutions to set credible, Paris 1.5°C aligned net zero targets.

Sector level net zero targets are determined through a top-down calculation that allocates the projected capacity of low-carbon energy supply in 2050 across economic and built environment sectors, creating sector-specific carbon budgets. For real estate, the SBTi translates these budgets into organisation level targets that define the reductions required to ensure future energy demand can be met through low carbon supply.

Remaining within these limits ensures each organisation contributes its fair share to the UK's transition to net zero by 2050.

In August 2024, the SBTi launched the Building Sector Science Based Target-Setting Criteria. As around 70% of our emissions arise from building related activities, we are required to set targets using this framework.

The new SBTi criteria include several emissions categories that were not part of our original 2019 baseline and therefore fell outside the scope of our original 2040 commitment.

Under the updated framework we are required to set the following two types of targets;

1. Whole-building in-use operational targets
2. Corporate Net Zero Standard other Scope 3 targets

Although our targets have not yet been formally validated, they have been developed in full accordance with the SBTi methodology so that we remain aligned should we choose to pursue validation in the future.

## 1.

### Whole-building in-use operational targets

These targets cover the total annual greenhouse gas (GHG) emissions from all energy consumed and any refrigerant (F-gas) leakage across our entire portfolio, including both landlord-controlled and occupier-controlled areas.

Key differences from our original net zero data boundary:

- F-gas emissions are now included
- Water treatment and waste emissions have moved to Scope 3
- Business travel has moved to Scope 3

Performance is measured using carbon intensity: emissions per square meter of the total floor area (KgCO<sub>2</sub>e/m<sup>2</sup>).

## 2.

### Scope 3 targets

Scope 3 emissions are indirect GHG emissions that occur across our value chain but fall outside our direct operational control. Occupier controlled energy use is excluded here, as it is captured within the whole-building in-use targets.

The following categories were not included in our original net zero baseline or pathway and are required under the SBTi framework:

- Purchased goods and services
- Fuel and energy related services
- Employee commuting and home working

These targets are set as absolute reduction targets rather than intensity based.

# Our targets

Our 2022 net zero pathway committed us to achieving net zero across Scopes 1, 2 and 3 within the emissions categories included in our 2019 baseline by 2040.

Under the SBTi Buildings Criteria, our 2024 baseline has expanded significantly. Additional emissions categories are now included within both whole-building in-use operational emissions and other Scope 3 emissions.

To reflect the progress we have already made, the broader scope of the new baseline and the varying level of influence we have across different emission categories, we are going to set our new SBTi aligned net zero target to 2045 across all Scopes, five years ahead of the UK Government’s 2050 deadline. We are also introducing a near-term target of 2035 across all Scopes, to ensure progress toward our long-term goals.

	2024 baseline emissions	Near-term target 2035	Net zero target 2045
<b>Whole-building in-use operational targets</b>			
		<b>Near-term target</b> We commit to reducing Scope 1, 2 and 3 in- use operational GHG emissions of owned and leased buildings 73% per m2 by 2035 from a 2024 base year.	<b>Net zero target</b> We commit to reducing Scope 1, 2 and 3 in- use operational GHG emissions of owned and leased buildings 96% per m2 by 2045 from a 2024 base year.
<b>Emissions intensity</b>	26.9*	7.4*	1.0*
<b>Percentage reduction</b>		73%	96%

	2024 baseline emissions	Near-term target 2035	Net zero target 2045
<b>Scope 3 targets (other categories)</b>			
		<b>Near-term target</b> We commit to reducing absolute Scope 3 emissions 63% by 2035 from a 2024 base year.	<b>Net zero target</b> We commit to reducing absolute Scope 3 emissions 90% by 2045 from a 2024 base year.
<b>Absolute emissions</b>	3,830**	1,417**	383**
<b>Percentage reduction</b>		63%	90%

\* kgCO<sub>2</sub>e/m<sup>2</sup>

\*\* kgCO<sub>2</sub>e

# Our strategy

To meet our targets, we have implemented a comprehensive strategy aligned with the emissions categories defined by the SBTi framework.

## In-use operational GHG emissions of owned and leased buildings

Category	Strategy overview	Category	Strategy overview
<b>Fossil fuels</b>	<ul style="list-style-type: none"> <li>– Continue to phase out fossil fuels from buildings</li> <li>– Prioritise replacing any equipment reaching end of life with an electrical alternative</li> <li>– Develop a strategy to engage with occupiers to phase out fossil fuels on FRI assets</li> </ul>	<b>Data collection and metering</b>	<ul style="list-style-type: none"> <li>– Align the operational energy data collection methodology to the UK Net Zero Carbon Buildings Standard’s operational energy scope</li> <li>– Prioritise buildings used for manufacturing and data centres</li> </ul>
<b>Refrigerants</b>	<ul style="list-style-type: none"> <li>– For landlord-controlled areas, transition reporting to 100% actual F-gas data</li> <li>– Collect F-gas emissions data for occupier-controlled systems</li> <li>– Transition to lower GWP HVAC systems at the end of the life of existing equipment</li> </ul>	<b>PropTech</b>	<ul style="list-style-type: none"> <li>– Investigate and utilise PropTech across the portfolio to improve efficient use of buildings</li> </ul>
<b>Plant upgrade</b>	<ul style="list-style-type: none"> <li>– Continue to upgrade plant equipment to more efficient systems at the end of life of equipment to ensure that the building is energy efficient</li> </ul>	<b>Property assessments and audits</b>	<ul style="list-style-type: none"> <li>– Review, monitor and update stranding assessments as appropriate</li> <li>– Review, monitor and update net zero audits on the portfolio as appropriate</li> <li>– Carry out detailed property-level energy assessments for high-priority assets as appropriate</li> </ul>
<b>On-site renewables</b>	<ul style="list-style-type: none"> <li>– Prioritise on-site renewable generation subject to site-specific feasibility</li> <li>– Ensure that PV panels are regularly maintained to ensure that they run efficiently</li> </ul>	<b>Acquisition policy</b>	<ul style="list-style-type: none"> <li>– Continue to use the BPP acquisition toolkit</li> </ul>
<b>Procurement of renewable energy</b>	<ul style="list-style-type: none"> <li>– Transition to 100% renewable energy across all assets</li> <li>– Transition away from REGO-backed tariffs to PPAs where possible</li> </ul>	<b>Occupier engagement</b>	<ul style="list-style-type: none"> <li>– Identify assets where occupiers’ energy consumption is significant to the baseline</li> <li>– Set up an occupier engagement forum for the highest contributing occupiers</li> <li>– Continue to use the BBP green lease clauses</li> </ul>
<b>MEES</b>	<ul style="list-style-type: none"> <li>– Continue to upgrade properties to raise EPC profile</li> </ul>	<b>Offsetting strategy</b>	<ul style="list-style-type: none"> <li>– Develop an offsetting strategy and an internal carbon price (ICP) to drive emissions reductions</li> </ul>

# Our strategy continued

## Other Scope 3 emissions

Category	Strategy overview
<b>Purchased goods &amp; services (PG&amp;S)</b>	<ul style="list-style-type: none"> <li>– Improve data quality for PG&amp;S from spend-based to activity-based or supplier-specific data</li> <li>– Identify hotspots in PG&amp;S and most material suppliers that contribute the majority to PG&amp;S emissions</li> <li>– Supply chain engagement</li> <li>– Develop a procurement policy underpinned by a strategy</li> </ul>
<b>Embodied carbon</b>	<ul style="list-style-type: none"> <li>– Conduct whole-life carbon (WLC) assessments for all major refurbishments</li> <li>– Where appropriate prioritise the use of products with Environmental Product Declarations (EPDs)</li> <li>– Incorporate circular economy principles in sustainable design briefs</li> </ul>
<b>Water consumption and conservation</b>	<ul style="list-style-type: none"> <li>– Develop a water monitoring and conservation strategy for all assets</li> <li>– Embed into fit-out guidelines</li> </ul>

Category	Strategy overview
<b>Waste</b>	<ul style="list-style-type: none"> <li>– Water treatment - implement grey water recycling where feasible</li> <li>– Office waste – work with property managers to improve waste data collection and implement a strategy to reduce waste-related emissions</li> <li>– Expand the coverage of waste data collection through occupier engagement in landlord-controlled buildings</li> <li>– Engage with occupiers to ensure that landfill waste is minimised</li> <li>– Incorporate construction waste management plan (including circular economy principles) across all refurbishments in sustainable design briefs and fit-out guides to minimise construction waste to landfill</li> </ul>
<b>Business travel</b>	<ul style="list-style-type: none"> <li>– Improve data collection of business travel</li> <li>– Develop a sustainable travel policy and engage staff to implement</li> </ul>
<b>Employee commuting</b>	<ul style="list-style-type: none"> <li>– Collect data on employee commuting and establish a process for regular monitoring of employee commuting patterns</li> <li>– Conduct employee engagement to educate on low-carbon travel alternatives and encourage adoption</li> </ul>

# Net zero action plan

Our net zero action plan defines the key stages of our decarbonisation journey, supported by a timeline of milestones that chart our progress.

	2026	2027	2028	2029	2030	2035	2045+
<b>Whole-building in-use operational energy</b>	Materiality assessment using 2024 baseline emissions to identify priority assets	Annual materiality assessment using prior year emissions to identify priority assets					
	Develop implementation plan for assets based on leasing timelines and end-of-life replacement	Embed implementation plans into asset business plans	Implement decarbonisation measures				
	Monitor performance of assets annually; where buildings do not meet targets, carry out audits and further analysis						
<b>Occupier engagement</b>	Identify priority occupiers and develop occupier engagement strategy	Set up an asset-level occupier engagement forum for priority assets	Continue occupier engagement strategy, covering all assets by 2030				
<b>Purchased goods and services</b>	Identify data collection mechanism for supplier data		Implement data collection mechanism for supplier data				
<b>Offsetting</b>	Develop offsetting strategy and set carbon pricing for residual emissions						

# Appendix 1: BBP Climate Commitment

## Detailed carbon scope table and greenhouse gas protocol alignment.

The table below outlines the carbon scopes covered within the BBP Climate Commitment. It provides a breakdown of activities and categories, along with their inclusion status within our commitment.

Business area	Sub-area	GHG protocol reporting category	Carbon Scope	BBP requirement	SBTi requirement	Included in scope
<b>Corporate</b>	Head office energy use	Company facilities	1 & 2	No	Yes	Yes
	Company vehicles	Company vehicles	1	No	Yes	NA
	Business travel (excluding commuting)	Business travel	3	No	Yes	Yes
	Purchased goods and services	Purchased goods and services	3	No	Yes	Yes
	Operational waste generated	Waste generated in operations	3	No	Yes	Yes
	Operational water use	Purchased goods and services	3	No	Yes	Yes
	Employee commuting	Employee commuting	3	No	Yes	Yes
<b>Direct real estate holdings (including JVs with management control)</b>	Landlord purchased energy (electricity and fuels)	Purchased electricity, heat and steam	1 & 2	Yes	Yes	Yes
	Tenant purchased energy (electricity and fuels)	Downstream leased assets	3	Yes	Yes	Yes
	Landlord purchased capital goods and services (M&E and property management services)	Purchased goods and services	3	Yes	Yes	Yes
	Landlord refrigerants	Direct emissions	1	Yes	Yes	Yes
	Tenant refrigerants	Downstream leased assets	3	No	Yes	Yes
	Landlord purchased water	Purchased goods and services	3	Yes		Yes
	Tenant purchased water	Tenant Scope 3	-	No	No	No

## Appendix 1: BBP Climate Commitment continued

Business area	Sub-area	GHG protocol reporting category	Carbon Scope	BBP requirement	SBTi requirement	Included in scope
<b>Direct real estate holdings (including JVs with management control)</b>	Landlord managed operational waste	Waste generated in operations	3	Yes		Yes
	Tenant managed operational waste	Tenant Scope 3	-	No	No	No
	Tenant transport emissions	Tenant Scope 3	-	No	No	No
	Tenant supply chain emissions	Tenant Scope 3	-	No	No	No
<b>Developments</b>	New development (including those where funding is being provided)	Purchased Goods and Services	3	Yes	Yes	Yes
	Refurbishments	Purchased Goods and Services	3	Yes	Yes	Yes
	Fit-out (landlord controlled)	Purchased Goods and Services	3	Yes	Yes	Yes
	Fit-out (tenant controlled)	Tenant Scope 3	3	Yes	Optional	No
	End of life	End of life treatment of sold products	3	No	Only for buildings developed by Picton	N/A



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