



ESR GROUP LIMITED
(Stock code: 1821)

**NET ZERO CARBON
POLICY**

OWNER: GROUP ESG

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ESR Group Limited

Suite 2905-06, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
T +852 2376 9600 | www.esr.com

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1. **INTRODUCTION**

- 1.1 The Net Zero Carbon (“**NZC**”) Policy (“**Policy**”) outlines the commitment of ESR Group Limited and its subsidiaries (collectively, “**ESR**” or the “**Group**”) to NZC by managing our operations in alignment with net zero emissions pathways.
- 1.2 Net zero¹ is defined as reducing the amount of Greenhouse Gas (“**GHG**”) emissions to a level that is consistent with reaching net zero at the global or sector level aligned with 1.5°C pathway. Any residual emissions that are hard to abate should be offset through credible and verifiable carbon removal instruments that account for additionality.
- 1.3 This policy is guided by global Net Zero standards including the Intergovernmental Panel on Climate Change (“**IPCC**”)’s decarbonisation pathways, the World Green Building Council (“**WGBC**”)’s Net Zero Carbon Buildings Commitment and the Science-based Targets Initiative (“**SBTi**”)’s Net Zero Commitment.
- 1.4 This policy is to be read in conjunction with the Group’s Climate Change, Adaptation, Mitigation and Resilience Policy and Energy and Emissions Management policy.

2. **NET ZERO CARBON APPROACH**

- 2.1 Using a Science-based approach, the Group is developing a NZC strategy and decarbonisation roadmap to reduce (and compensate) operational² (Scope 1 and 2) and embodied³ (Scope 3) carbon emissions by 2035, with the long-term goal to achieve NZC across the value chain by 2050.
- 2.2 For the 2035 commitment, the Group aims to reduce (and compensate) operational and embodied carbon in all operations under our direct control. This entails mitigating operational carbon (Scope 1 & 2) in our standing assets and development projects and embodied carbon (upstream Scope 3) in our development projects within our direct control.

¹ In order to limit global warming to $\leq 1.5^{\circ}\text{C}$, emissions need to -50% by 2030 and reach Net Zero (full decarbonisation) by 2050: *BBC, Climate change: IPCC report is ‘code red for humanity’, Aug 2021.*

² Operational carbon refers to Scope 1 and 2 emissions associated with energy used to light, heat, cool, and power a building. [WorldGBC: Advancing Net Zero Whole Life Carbon, Sep 2021.](#)

³ Embodied carbon refers to Scope 3 emissions associated with materials and construction processes used throughout the whole lifecycle of a building or infrastructure. [WorldGBC: Advancing Net Zero Whole Life Carbon, Sep 2021.](#)

- 2.3 For the 2050 NZC target, the Group aims to achieve net zero whole life carbon across our value chain. This entails mitigating all Scope 1, 2 and 3 carbon within the full lifecycle of all our operations (including both upstream and downstream) i.e., emissions from our standing assets (e.g., tenant’s emissions) and development projects (e.g., materials and process), as well as our business and supply chain activities (e.g., other material categories outlined in the GHG Protocol Corporate Accounting and Reporting Standard⁴).
- 2.4 Direct control refers to assets and projects that ESR has financial control i.e., accounted for in our balance sheet and portfolios of our managed funds and real estate investment trusts (“REITs”), as well as operational control i.e., the full authority to introduce and implement operating policies at the operation.
- 2.5 Whole life carbon refers to both upstream and downstream carbon, covering all scopes of carbon across the value chain as defined in the GHG Protocol Corporate Accounting and Reporting Standard. This involves accounting for both direct and indirect emissions arising from the full lifecycle of a product or process, including material sourcing, production, consumption/operation, and disposal.
- 2.6 As part of the Group’s NZC strategy and decarbonisation roadmap development, ESR will embark on the following scope of works across all asset classes in the various operating markets:
- (a) Accounting of baseline GHG inventory;
 - (b) Forecasting and modelling of GHG emissions based on Business-As-Usual (“BAU”);
 - (c) Assessing and identifying opportunities for the defined portfolio;
 - (d) Incorporating low-carbon requirements relating to building design, materials and construction methods into supplier agreements/contracts;
 - (e) Establishing sustainable procurement strategy and framework;
 - (f) Developing NZC strategy and pathways;
 - (g) Setting science-based targets and developing decarbonisation roadmap;
 - (h) Implementing NZC strategy and rolling out decarbonisation roadmap.

⁴ The [GHG Protocol Corporate Accounting and Reporting Standard](#) provides requirements and guidance for companies and other organisations preparing a corporate-level GHG emissions inventory.

2.7 Aligned with the Group's NZC strategy, ESR shall set a Group-wide GHG emissions reduction target. As part of this overall target, all business units ("BUs") shall establish their respective GHG emissions reduction targets and develop GHG emissions management plans where applicable, to collectively contribute to meeting this Group-wide target.

3. **DECARBONISATION APPROACH – CARBON MITIGATION HIERARCHY FRAMEWORK**

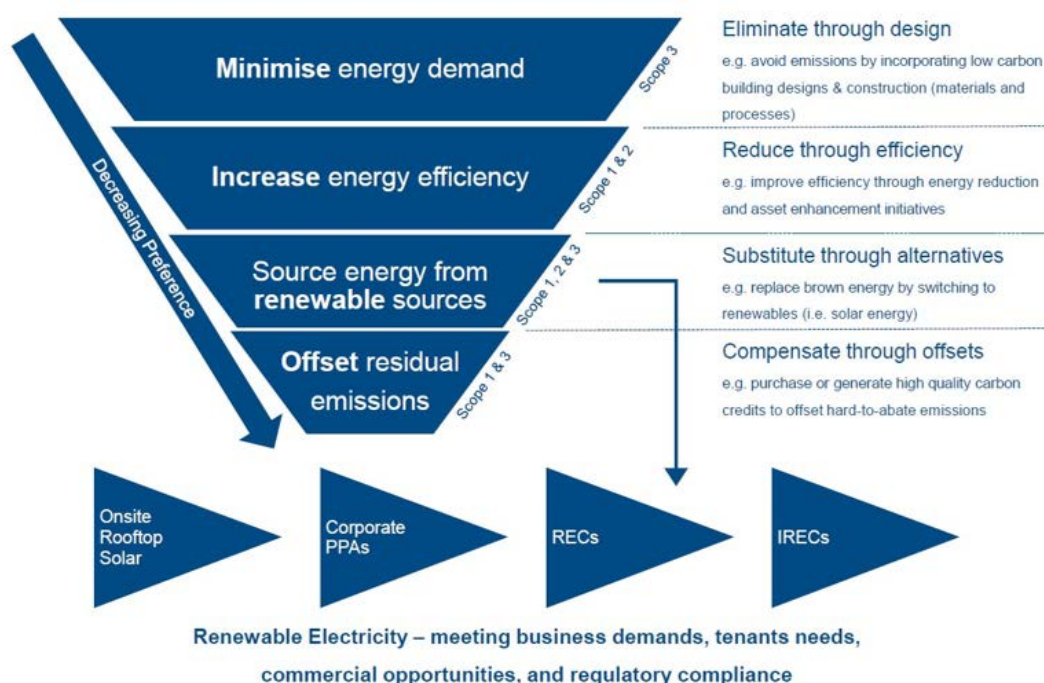
3.1 As part of our NZC strategy, the Group adopts a carbon mitigation hierarchy framework to decarbonise our value chain based on a series of preferred, sequential steps that will be taken in order to achieve NZC. This carbon mitigation hierarchy framework guides the pathways in addressing and mitigating the various scopes of carbon:

- (a) Elimination – We will eliminate emissions by integrating low carbon considerations in the building design and construction (materials and processes) of our development projects, accounting for upfront embodied emissions and designing for efficiency throughout the whole building's lifecycle. To enhance the environmental performance of our portfolio, the Group aims to obtain relevant green building certifications for new developments across all asset classes and markets. This includes certifications that focus on high-performance, low carbon buildings and spaces.
- (b) Minimisation – We will prioritise energy reduction and efficiency to ensure that our assets are performing as efficiently as possible. This includes identifying energy intensive building plant and equipment and evaluating their respective energy enhancement opportunities, as part of regular asset retrofits and upgrades. Please refer to further details in sections 2.3 and 4.2 of the Energy and Emissions Management Policy (under Appendix B3). We will also collaborate with tenants through regular active engagement to promote energy reduction initiatives, including green lease partnerships and environmental outreach efforts.
- (c) Substitution – We will replace the use of energy from fossil fuels with renewable energy sources through on-site solutions, such as rooftop solar energy generation from our assets and off-site solutions, such as corporate power purchase agreements ("PPAs"), as well as renewable energy certificates ("RECs"), subject to prevailing local

regulations and market availability, as well as applicability to the Group’s energy profile.

- (d) **Compensation** – We will offset any hard to abate GHG emissions with high quality, credible, and verifiable compensation solutions that account for additionality. For carbon credits, we will conduct due diligence on screening and sourcing to ensure that these credits are purchased from internationally recognised carbon registries (e.g., Gold Standard, VCS). Other carbon removal or sequestration solutions may include investing in long-term carbon capture and storage projects.

3.2 The diagram below illustrates the carbon mitigation hierarchy framework:



4. **CLIMATE-RELATED RISKS AND OPPORTUNITIES**

4.1 To complement our NZC strategy, the Group also evaluates climate-related risks and opportunities and the potential financial implications to strengthen the resilience of our assets and our operations. Climate risk assessments, based on climate scenarios modelled after the IPCC’s decarbonization pathways, will be progressively carried out across all our assets and projects to identify climate-related risks and opportunities and assess their impacts on our business.

5. DATA COLLECTION, REVIEW, ASSURANCE AND DISCLOSURE

- 5.1 To support GHG emissions target setting and monitoring, we will continually enhance our environmental data collection, review and reporting process, as well as improve data availability and coverage. An independent auditor may be engaged annually to conduct external assurance, to review the accuracy and reliability of our environmental data.

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