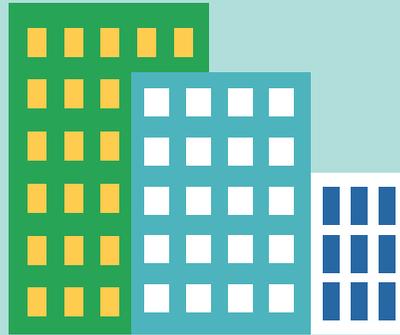


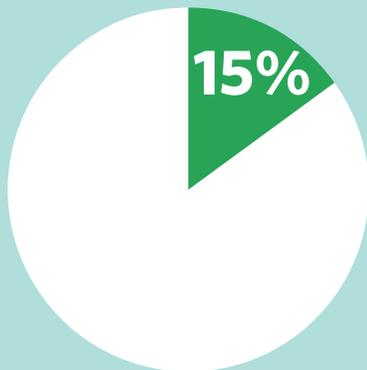
Commercial Buildings: What are emissions performance trajectories?



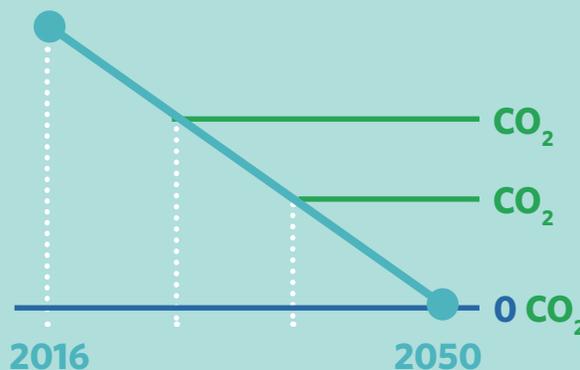
Trajectories apply only to commercial buildings and are established for specific building types (offices, hotels, shopping centers) on a city basis where data is available.



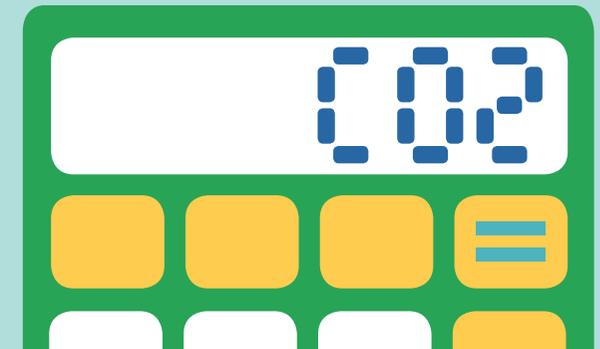
Trajectories are used to derive emissions performance targets that bond issuers must achieve to gain Climate Bond Certification.



The start of the trajectory is the carbon intensity (in kgCO_2/m^2 terms) of the most energy-efficient buildings, the top 15% of buildings in a city.



Trajectories are linear and aim for zero emissions in 2050. This means emissions performance targets for bond issuers become more demanding over time.



The Climate Bonds CO₂ Target Calculator automatically calculates the emissions performance targets for an issuer based on city, building type, bond issuance year and bond term.

Commercial Buildings:

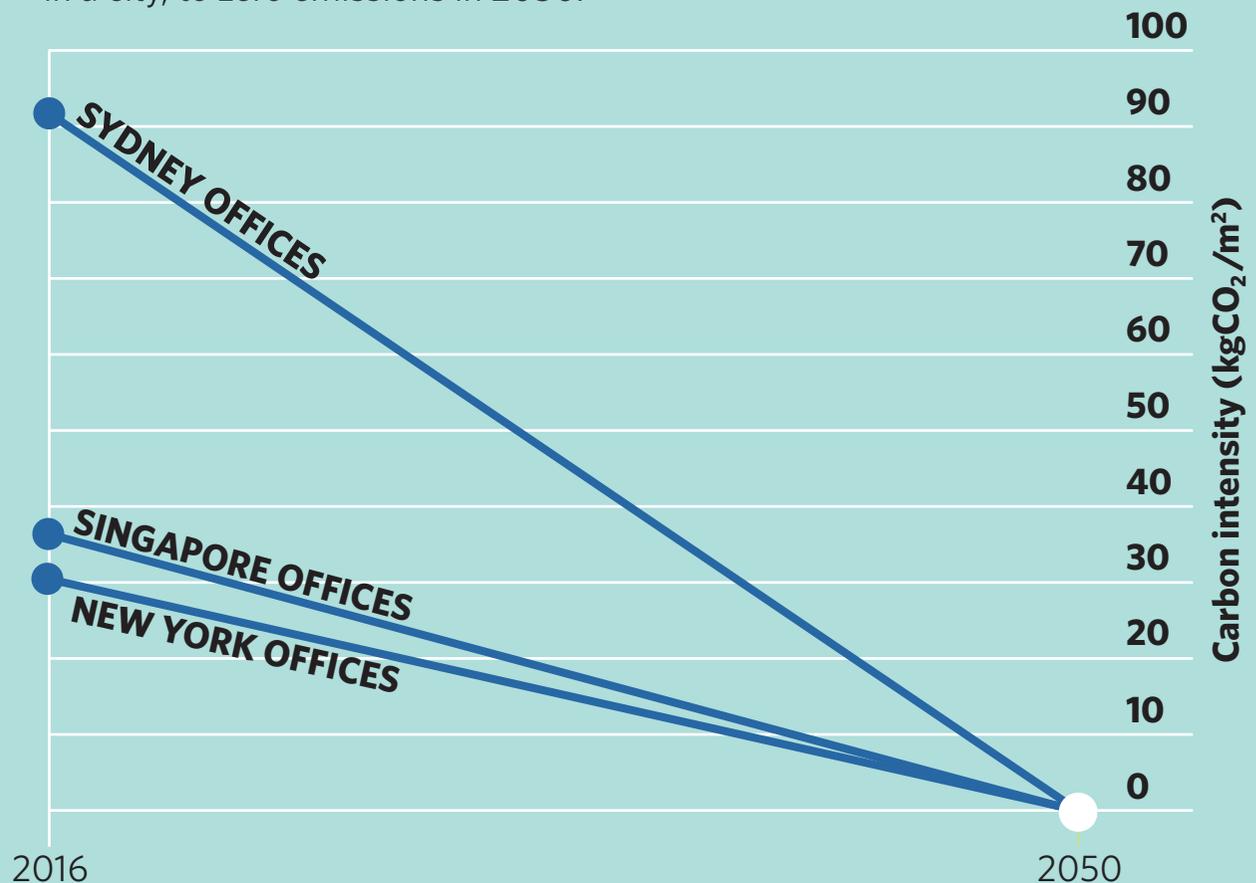
Emissions Performance Trajectories

Emission performance trajectories start at the carbon intensity of the top 15% most energy-efficient buildings in a city and end at zero emissions in 2050.

The Commercial Buildings Criteria requires issuers to satisfy emissions performance targets for buildings they want included in a bond portfolio.

Targets are expressed in kgCO_2/m^2 terms and derived from emissions performance trajectories.

- Emission performance trajectories (blue lines) are different for each city and each building type (e.g. offices, hotels, shopping centers).
- Trajectories have a linear pathway from the carbon intensity of the most energy-efficient buildings, the top 15% of buildings in a city, to zero emissions in 2050.
- Establishing emissions performance trajectories at the city level enables the Commercial Buildings Criteria to align with context of the local environment
- The local environment incorporates climate conditions and the carbon intensity of the electricity grid

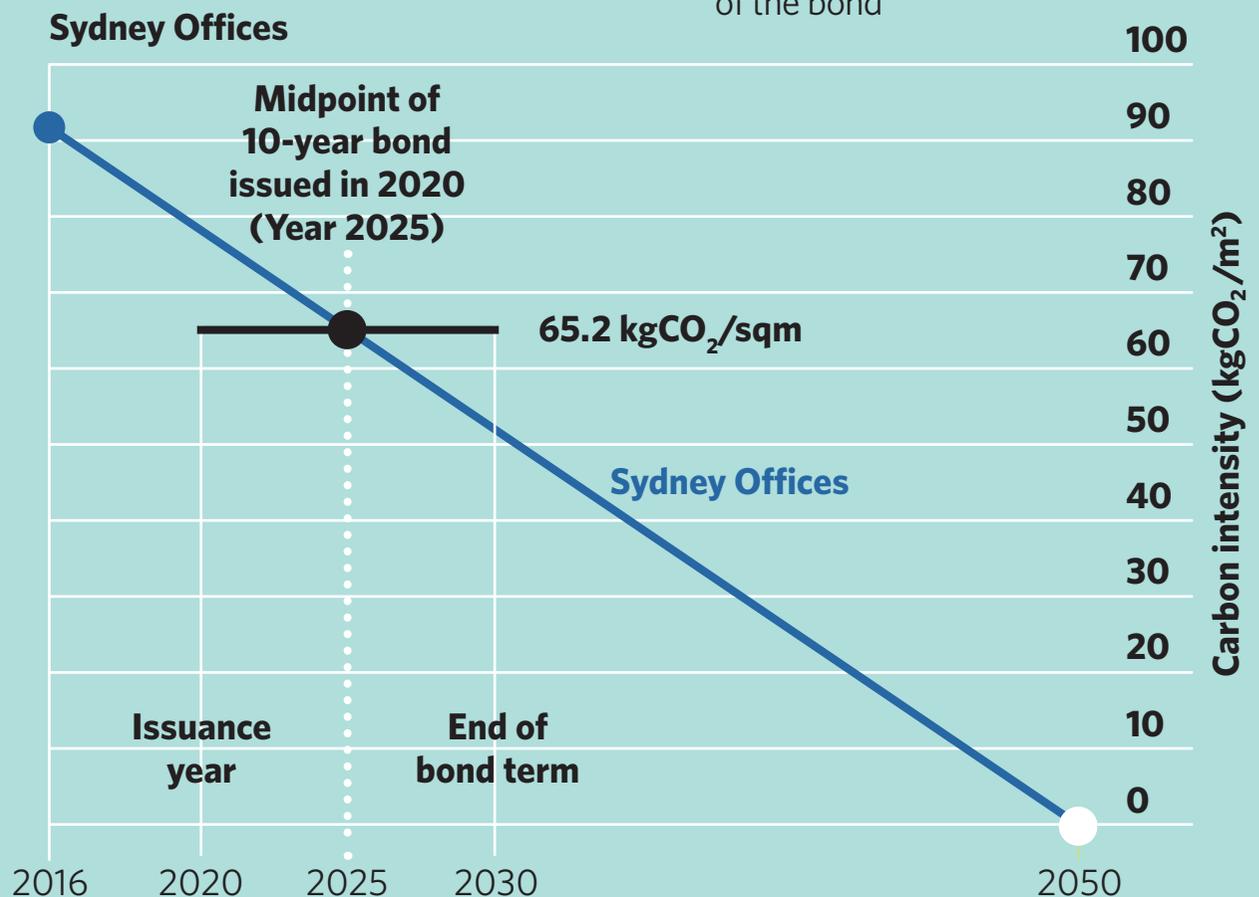


Commercial Buildings: Emissions Performance Targets

The emissions performance target (kgCO₂/sqm) that a commercial building needs to achieve depends on:

- the emissions performance trajectory for its city and building type;
- the bond issuance year; and
- the bond term.

- The blue line represents the emissions performance trajectory for Sydney offices
- A fixed line target (in black) is set to avoid issuers having to face the uncertainty of moving performance targets
- The fixed line target is the intersection between the performance trajectory (in blue) and the midpoint of the bond's term (in black)
- To gain Climate Bonds Certification, commercial buildings achieve and *maintain* this fixed target for the life of the bond



Commercial Buildings:

Targets for different bond terms

This chart uses the same example of Sydney offices.

Targets have been provided for three different bond terms:

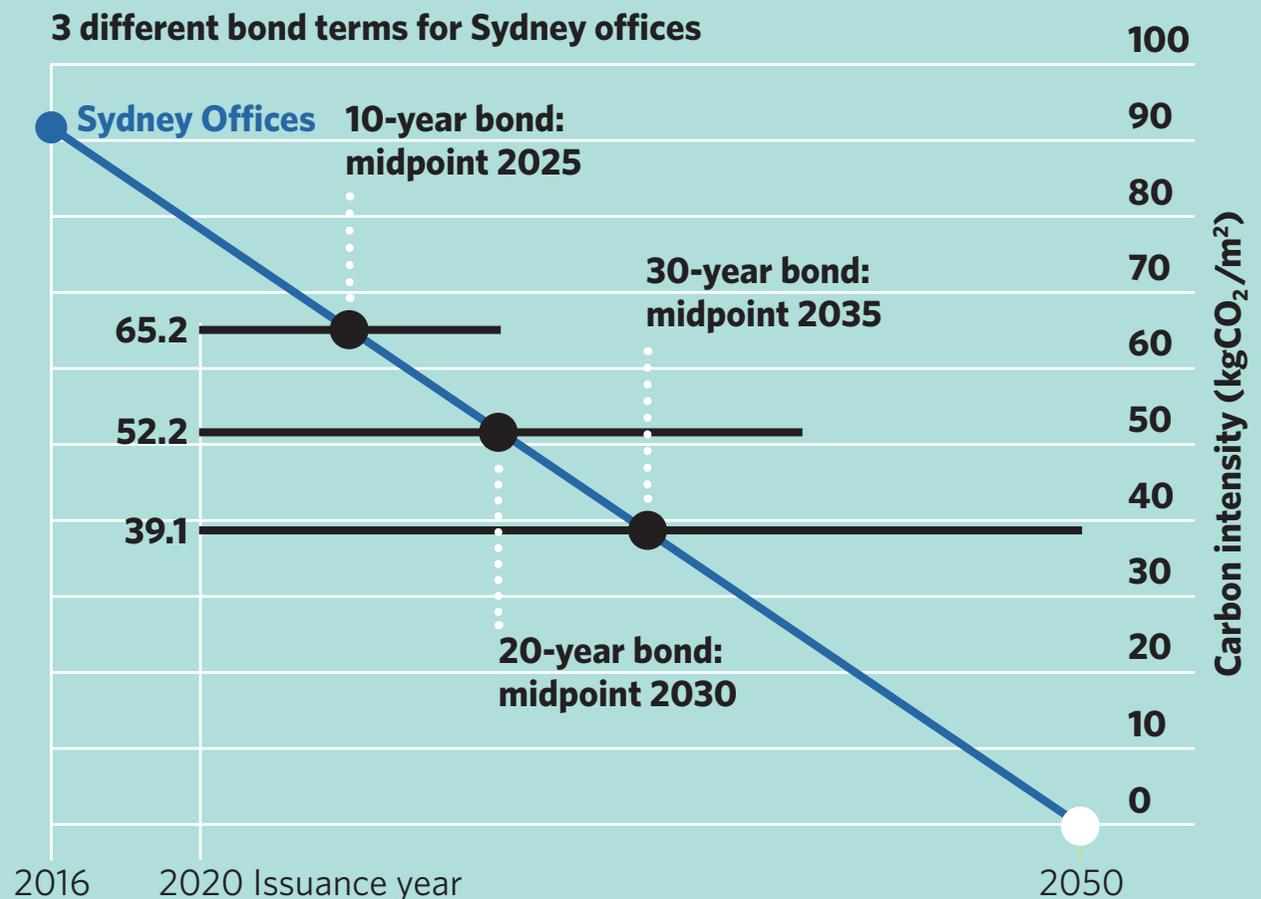
10 years

20 years

30 years

with an issuance year of 2020.

This chart demonstrates that targets become more stringent with increasing bond terms.



Commercial Buildings:

Targets for different issuance years

This chart uses the same example of Sydney offices.

Targets have been provided for three different issuance years:

2020

2030

2040

with the same bond term of 10 years.

This chart demonstrates that targets become more stringent with later issuance years.

