

ONE PLANET SWF NETWORK

CHEAT SHEET – FIRST EDITION

DECARBONISING REAL ESTATE

START

INTRODUCTION

This checklist is a practical, transaction-focused tool for investment teams to support the decarbonisation of real estate portfolios: The checklist covers three asset classes—direct equity, direct debt, and externally managed funds (blind-pool/closed-end and seeded/open-end). It distils the Playbook's guidance into an operational sequence mapped to the investment lifecycle so investment teams can assess and act on climate transition risk at each decision point and across different governance and control realities.

HOW TO USE THIS CHECKLIST

Use this checklist as execution support: apply the stepwise checks appropriate to the asset class and level of control, escalate material risks early, embed requirements into deal documents and fund terms, and ensure monitoring and governance are in place to translate commitments into measurable outcomes.

This checklist is intended to be practical and scalable across ownership structures and geographies; it assumes teams will adapt specifics (benchmarks, emission factors, procurement approaches) to local context while following the core sequence of actions described in the Playbook.

NEXT STEPS

We welcome further feedback and input to make this checklist into a practical and user-friendly guide that can be shared by investment and sustainability teams. We will refine this first version based on feedback and input received.

SCOPE AND APPROACH

The checklist follows the investment lifecycle in eight steps from screening till closing

1/ SCREENING

A high-level filter to flag stranded-asset risk, tenant demand signals, alignment and the likely quantity/quality of information that will be needed.

2/ TERM SHEET / LOI

Secure rights and document expectations early to protect downside economics and preserve upside optionality.

3/ PRE-DD

Perform light technical reviews to prioritise red flags before committing to full due diligence.

4/ DD

Independently validate ESG claims, retrofit feasibility, regulatory compliance and environmental history.

5/ MODEL / UNDERWRITING

Ensure all material DD findings are reflected in valuation and returns analysis.

6/ STRUCTURING & DOCS

Legally capture decarbonisation costs, information rights and enforceable obligations so DD can be relied upon post-closing.

7/ IC / APPROVAL

Present a decision-ready summary of plausibility, risks, scenarios, value-creation levers and costs.

8/ CLOSING

Lock sustainability and climate obligations into enforceable contracts and confirm baseline readiness.

1/ SCREENING

Perform high-level screen, identify potential stranded asset risk, tenant demand, alignment, quantity of work of information that may be required. At this early stage you may not get this information or even be able to ask.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Is the asset already Paris-aligned? (Y☐/N☐)

Is the building energy and carbon intensive?

- ☐ Identify carbon-intensive assets early – building age, EPC rating, location
- ☐ Can we access sufficient data during DD
- ☐ If possible, request preliminary energy data (last 3 years) and EPCs

Is energy performance materially worse than peer assets?

- ☐ Screen energy performance data against peers and benchmarks e.g. CRREM, BBP

Any regulatory barriers now or in the future?

- ☐ Request preliminary energy data (last 3 years) and EPCs if possible
- ☐ Assess current and future exposure

Does the asset have the technical ability to be Paris-aligned?
(Y☐/N☐)

- ☐ Request building technical information
- ☐ Screen for retrofit feasibility
- ☐ Any envelope constraints? Eg listed façade, located in heritage area
- ☐ Any physical constraints? Eg lack of space for equipment for electrification
- ☐ Alignment / portfolio strategy fit

Will decarbonisation positively or negatively attract tenant retention, attraction, revenue?

- ☐ Any green premium currently in market?
- ☐ Tenant list, with lease expiry
- ☐ Is asset aligned to tenant decarbonisation expectations or corporate commitments?

Will future buyers value decarbonized buildings in the market?
(Y☐/N☐)

Who currently manages the property?

- ☐ Do we already know them?
- ☐ If minority, what is influence over manager?
- ☐ Track record and expertise in executing decarbonisation / transition retrofits

Any other initial red flags?

- ☐ Issues or assets likely to require very high capex or detailed due diligence e.g. district heating with no decarbonisation pathway, structural constraints, tenant-controlled systems with no upgrade rights

Example tools, terms and clauses

- ☐ Building archetype table from playbook
- ☐ Retrofit checklist from playbook
- ☐ CREEM Global Pathways tool
- ☐ BBP Real Estate Environmental Benchmarking Tool
- ☐ EU Buildings Climate Tracker
- ☐ BBP Acquisitions Sustainability Toolkit – Data Request List

SUMMARY

1/ SCREENING

Perform high-level screen, identify potential stranded asset risk, tenant demand, alignment, quantity of work of information that may be required. At this early stage you may not get this information or even be able to ask.

Does the borrower, UBO and tenant mix trigger any exclusions?

☐ Where relevant, apply negative screening to exclude assets linked to thermal coal etc.

☐ Assess carbon exposure of collateral.

Does the collateral show early signs of regula-tory non-compliance or transition distress, e.g. EPC F/G ratings under MEES without a funded improvement plan?

☐ Conduct high-level energy performance screening: evaluate EPC ratings, regulatory compliance under MEES, identify F/G-rated “distressed” assets without funded upgrade plans.

☐ Require preliminary EPCs / energy data.

Do we have enough initial energy and climate hazard information (EPC or energy data, flood scan) and does the sponsor demonstrate basic ESG competence and data capability (e.g. GRESB participation) to proceed?

☐ Conduct initial flood / climate hazard scan using mapping tools to identify high-risk ge-ographies and early insurability concerns.

☐ Evaluate borrower ESG competence, includ-ing GRESB participation and data collection capability.

SUMMARY

1/ SCREENING

Perform high-level screen, identify potential stranded asset risk, tenant demand, alignment, quantity of work of information that may be required. At this early stage you may not get this information or even be able to ask.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Blind pool / Closed-end:

- ☐ Review stated decarbonisation or transition approach at strategy level
- ☐ Note examples of decarbonization execution from prior funds or comparable portfolios
- ☐ Check acknowledgement that decarbonisation requires capex over hold period
- ☐ Review portfolio strategy for exposure to older assets, carbon-intensive uses, and strict regulatory markets (e.g. EU)
- ☐ Note any reporting frameworks referenced, e.g. GRESB, EU SFDR Article 6, 8 or 9, TCFD
- ☐ Check approach to data collection and improvement is stated post-acquisition
- ☐ Consider whether decarbonized buildings are likely to be valued by target buyers

Seeded / Open-end:

- ☐ Review GP sustainability policy, targets, and transition-risk approach for fund relevance
- ☐ Scan portfolio for asset age, sectors, geographies, and tightening regulation
- ☐ Flag concentrations in older or energy-intensive assets without risk acknowledgment
- ☐ Note references to CRREM, 1.5°C pathways, or stranding analysis, even at high-level
- ☐ Look for examples of executed or funded decarbonization retrofits in existing portfolio
- ☐ If assets are externally property-managed, review managers' sustainability capabilities
- ☐ Confirm that decarbonisation requires ongoing capex in an open-ended structure
- ☐ Review disclosure of portfolio-level energy or emissions data coverage
- ☐ Determine whether data includes whole-building and tenant utilities, even partially
- ☐ Check if the fund publishes a sustainability report or participates in GRESB (note score)
- ☐ Identify likely tenant-driven emissions and any engagement or green-leasing approach
- ☐ Form initial view on inherited transition risk and key gaps for deeper DD

Screening Findings:

- ☐ Are decarbonisation risks and opportunities manageable and investable?
- ☐ Manager capability to execute decarbonisation appears: credible / unproven
- ☐ Overall transition risk appears: manageable / elevated / unclear

Example tools, terms and clauses

- ☐ Request ILPA ESG DDQ / INREV DDQ to score governance, staffing, and prior actions
- ☐ Review public sustainability reporting, commitments, and case studies, if applicable
- ☐ Review GP GRESB track record and overall management score

SUMMARY

2/ TERM SHEET / LOI

Secure rights and document expectations early to protect downside economics and preserve upside optionality.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Any immediate capex, economic or reg risks related to decarbonisation that may impact the investment case? Seller to disclose:

- ☐ Material regulatory or compliance changes
- ☐ Near-term decarbonisation capex already committed or underway
- ☐ Known encumbrances or contractual restrictions
- ☐ New sustainability/carbon related contracts e.g. new energy contracts

Do we have the right to access energy data?

- ☐ Require rights to full energy/emissions data e.g. EPC certificates, building level sustainability reports, utility costs
- ☐ Decarbonisation roadmap to be shared
- ☐ Seller to facilitate interactions with Utilities and Authorities

Do we have sufficient right to physically access the building to undertake due diligence?

- ☐ Manager cooperation with due diligence process including physical and data access

Do we have sufficient access to view tenant leases, amendment

- ☐ Request rights to view leases, docs related to tenant energy use, services changes, access, capex recovery, consents etc.

Clauses to include in LOI

- ☐ Access to information clause
- ☐ Cooperation with utilities and authorities
- ☐ Due Diligence Clause
- ☐ Tenant lease Clause

SUMMARY

2/ TERM SHEET / LOI

Secure rights and document expectations early to protect downside economics and preserve upside optionality.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

What minimum information and disclosures do we need now to justify progressing?

☐ Require EPCs, certifications and available energy or hazard data. Request delivery of all missing ESG documents within defined time.

How do we protect downside economics if ESG or technical due diligence uncovers major risks?

☐ Include rights to withdraw or renegotiate if material sustainability issues emerge.

☐ Reserve flexibility to adjust pricing, LTV or covenants based on findings.

How do we preserve optionality for a future ESG-aligned loan structure?

☐ Insert wording allowing selection of Green Loan, SLL or hybrid structures after DD. Retain full discretion to introduce KPIs, margin ratchets and reporting standards later.

What cooperation and data-sharing commitments do we need from the borrower?

☐ Require timely access to sites, energy data and engineering reviews. Set expectations on information quality, reporting formats and data-room completeness.

How do we ensure early alignment on regulatory, legal and insurance implications?

☐ Signal requirements for insurability aligned to identified hazards. Retain rights to renegotiate if planning, title or regulatory barriers prevent retrofit delivery.

Example tools, terms & clauses

☐ “Borrower to provide EPCs, energy data and any sustainability certifications prior to commencement of due diligence.”

☐ “Borrower to upload all ESG evidence to the data room within five business days.”

☐ “Lender may withdraw without penalty if material environmental, transition or insurability risks are identified.”

☐ “Borrower to maintain a complete digital data room with all requested ESG documents”

☐ “Lender may renegotiate terms if planning, title or regulatory barriers prevent required upgrades”

☐ “Term sheet subject to confirmation of insurability aligned with identified climate and hazard risks”

SUMMARY

2/ TERM SHEET / LOI

Secure rights and document expectations early to protect downside economics and preserve upside optionality.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Blind pool / Closed-end:

- ☐ Confirm accountable for decarbonisation and transition risk in investment leadership
- ☐ Confirm decarbonisation considerations are referenced in underwriting and IC processes
- ☐ Confirm transition-related capex is an eligible and underwritten use of capital
- ☐ Confirm funding for transition capex, e.g. operating cash, recycling, leverage
- ☐ Agree high-level sustainability reporting expectations and LP visibility at portfolio level
- ☐ Agree escalation discussion process for material transition or regulatory risks

Seeded / Open-end:

- ☐ Confirm accountability and decision rights for transition risk at portfolio and asset level
- ☐ Confirm transition capex is permitted within the open-ended structure
- ☐ Confirm high-level approach to funding transition capex and interaction with distributions
- ☐ Agree minimum transparency on asset-level transition risk and capex execution
- ☐ Agree principle of re-underwriting or review if regulation or transition costs materially impact value
- ☐ Agree enhanced reporting and escalation focus for higher-risk assets

Conclusion – Overall Assessment:
Do we have sufficient control, funding, and re-pricing rights to manage decarbonisation and transition risk without impairing returns?

- ☐ Yes - Proceed
- ☐ Yes, with Conditions – Proceed and Gate
- ☐ Unclear – Pause
- ☐ No – Do Not Proceed

Side letter / term examples:

- ☐ Annual Scope 1–2 emissions reporting; cadence and format aligned to LP requirements
- ☐ Annual sustainability DDQ completion (proprietary, ILPA/INREV-aligned etc.) and GRESB participation, where applicable
- ☐ Request inclusion of green lease clauses in standard terms and data-sharing protocols
- ☐ Require regulatory disclosure readiness (e.g., SFDR) and timely notice of material sustainability risks

SUMMARY

3/ PRE-DD

Perform light technical reviews to prioritise red flags before committing to full due diligence.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

What external advisers needed, timing, cost?

- ☐ ESG/technical consultants, including budget
- ☐ DD scope for decarbonisation: audits, modelling, CRREM pathway
- ☐ Prepare/review data request lists

What is our initial view on DD items below ahead of incurring costs? Any deal killers?

Will information availability, timing or other factors adversely impact the DD process?

Example tools, terms and clauses

If a very limited process, then you may need to refer on outside in information which has been provided in the screening section

SUMMARY

3/ PRE-DD

Perform light technical reviews to prioritise red flags before committing to full due diligence.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

What external advisers do we need, what is the timing and cost?

- ☐ Budget for and appoint ESG/technical con-sultants
- ☐ Define DD scope for decarbonisation: au-dits, modelling, CRREM pathway
- ☐ Prepare/review data request lists

Can we form any initial view on the DD items below ahead of incurring diligence costs? Any that would be deal killers?

Do we already suspect information availability, timing or other factors may adversely impact the DD process?

Example tools, terms and clauses

If a very limited process, then you may need to refer on outside in information which has been provided in the screening section

SUMMARY

3/ PRE-DD

Perform light technical reviews to prioritise red flags before committing to full due diligence.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Blind pool / Closed-end:

- ☐ Scan underwriting and IC materials for decarbonisation or energy-related inputs
- ☐ Validate GP investment committee process includes sustainability / climate risk review
- ☐ Confirm underwriting models include retrofit capex, opex savings, and resilience measures as core assumptions
- ☐ Validate emissions targets, interim milestones, and accountability
- ☐ Test incentive alignment, e.g. linked to emissions / EUI reductions and decarb plans

Seeded / Open-end:

- ☐ Ask GP for a prioritized list of high-carbon or regulatory-exposed assets for review
- ☐ Check whether executed upgrades or funded plans exist for higher-risk assets
- ☐ Define scope for portfolio-level CRREM or pathway analysis (if not completed by GP)
- ☐ Verify governance: ESG steering committee, quarterly dashboards, escalation pathways
- ☐ Assess green lease coverage and data-sharing so GP has access to whole-building data
- ☐ Review valuation sensitivity to retrofit capex, opex savings, brown discount / green premium assumptions

Conclusions from pre-DD:

- ☐ Decarbonisation risks understood and priced
- ☐ Execution capability demonstrated
- ☐ Items to be hardwired into definitive documentation identified

SUMMARY

4/ DD

Independently validate ESG claims, retrofit feasibility, regulatory compliance and environmental history.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Technical stream

Can we reliably confirm the building's energy and emissions base line?

- ☐ Access to full energy and emissions data
- ☐ Is there a sufficient building inventory?
- ☐ If not, what estimates or proxies can we use?

How does the asset energy intensity compare with peers in the market?

- ☐ Eg CRREM misalignment

Is Paris alignment technically feasible?

- ☐ Building fundamentally obsolete or improvable?

What decarbonisation measures are technically and commercially possible?

- ☐ Timing to implement and clear indicative costs ($/m2 and $/tCO2e basis)
- ☐ Capex alignment – aligning retrofits with plant and equipment lifecycles
- ☐ Recommended pacing of implementation
- ☐ Timing and disruption impact of each

What is the anticipated cost of decarbonisation capex and is it value critical?

- ☐ Clear indicative costs for decarbonisation measures ($/m2 and $/tCO2e basis)

Commercial stream

Does carbon performance impact tenant retention and or pricing?

- ☐ Market analysis and forecast
- ☐ Current and future tenants

Does retrofit materially disrupt occupancy or income?

- ☐ Tenant sensitivity or prioritisation of decarbonisation?
- ☐ Duration of any disruption or displacement?
- ☐ Retention and attraction
- ☐ Review of tenant maturity, commitments and public commitments

Has asset manager managed decarbonisation retrofit projects successfully before?

- ☐ Track record, delivery, outcomes,
- ☐ How incentivised

Legal stream

Do leases include mechanisms for information provision, access, any restrictions?

- ☐ Review of leases, amendments, side letter, asset management agreement etc.
- ☐ Do leases include any restrictions on access, retrofits or equipment upgrades
- ☐ Tenant data provision and submetering
- ☐ Green leases

What decarbonisation costs can be passed on to tenants via rent, service charges or other?

- ☐ What is recoverable today (OPEX, CAPEX)?
- ☐ What could be recoverable in market and jurisdiction in future negotiations/ leases?
- ☐ What is the lease renewal schedule and what might be recoverable in future?
- ☐ Right for the work to be undertaken

Any legal restrictions now or in the future?

- ☐ Heritage listings, zoning restrictions, building code restrictions
- ☐ Min. building standards, EPCs, national / state / city decarbonisation mandates / goals
- ☐ Utility interconnection restrictions which could limit behind the meter generation

Lender / financial advisor stream

Does the asset meet common green finance eligibility criteria?

- ☐ Products and pricing, eligibility criteria

Example tools, terms and clauses

- ☐ Seek reps and warranties from seller that lease allow capex / energy cost recovery
- ☐ Ensure no ongoing recovery disputes/litigate
- ☐ Where needed engagement with anchor or key tenants on decarbonisation upgrades
- ☐ EPC / NABERS
- ☐ IEA / UKGBC retrofit benchmarks
- ☐ Cross reference internal transaction comps
- ☐ ISCS BOMA service charge guidance

SUMMARY

4/ DD

Independently validate ESG claims, retrofit feasibility, regulatory compliance and environmental history.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Do independent technical reviews validate that the retrofit plan is technically viable (constraints, electrical capacity) and that costings are realistic?

- ☐ Technical DD ("Green Report"): Net-Zero feasibility audit to validate retrofit technical viability, space constraints, electrical capacity and realistic costings.
- ☐ Assess health and wellbeing features, transport connectivity and EV charging as part of the technical review.

Is the asset compliant with relevant regulation and are contamination or environmental liabilities understood through Phase I/II processes?

- ☐ Review local regulatory frameworks (e.g. MEES, Décret Tertiaire, LL97) as part of Technical DD.
- ☐ Conduct environmental DD: Phase I/II ESA for contamination risk and obtain lender reliance.

Are there title or planning constraints that could block upgrades, and does the insurance coverage align with the hazards identified in the risk work?

- ☐ Review title for restrictions preventing retrofits and confirm planning compliance with required ratings (e.g. BREEAM).
- ☐ Verify insurance cover aligns with the hazards identified through risk analysis.

Example tools, terms, and clauses

- ☐ Net Zero Carbon (NZC) audit scope.
- ☐ Phase I/II ESA protocols.
- ☐ Insurance policy review for hazard alignment

Illustrative ESG Driven Terms, Covenants & Conditions

- ☐ Reliance letters for ESG audits and ESAs.
- ☐ Covenants requiring planning compliance with environmental conditions.
- ☐ Insurance covenants ensuring adequate cover for climate identified risks.

Valuation & Business Plan Review

Has valuer incorporated sustainability factors into valuation and business plan?

- ☐ Instruct valuers to explicitly incorporate MEES compliance costs, physical and transition-risk adjustments, CRREM pathways, fossil-fuel dependency and market evidence of brown discounts.
- ☐ Challenge valuation reports where engineering DD indicates capex materially above what the valuer has deducted.

How do physical hazards (flood, storm, heat) and insurance cost inflation stress DSCR and should LTV or advance rates be adjusted to reflect insurability and value risk?

- ☐ Challenge valuation reports where DD shows that physical-risk-driven capex or insurance impacts have not been fully reflected in deductions.
- ☐ Require reconciliation between engineering-DD capex and market value deductions, especially where physical risk affects insurability or liquidity.

Example tools, terms, and clauses

- ☐ RICS Red Book sustainability requirements (as described).
- ☐ Sustainability Evidence categories: EPC, certifications, hazard exposure, energy/carbon performance

Illustrative ESG Driven Terms, Covenants & Conditions

- ☐ Valuation instruction letters requiring explicit ESG commentary.
- ☐ Requirement to reconcile engineering-DD capex with Market Value deduction.
- ☐ Special Assumptions tied to funded retrofit delivery.

SUMMARY

4/ DD

Independently validate ESG claims, retrofit feasibility, regulatory compliance and environmental history.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Blind pool / Closed-end:

- ☐ Deep-dive on GP track record delivering upgrades: envelopes, HVAC, electrification, renewables, controls
- ☐ Assess data systems/platforms for emissions tracking and benchmarking across jurisdictions and asset types
- ☐ Validate whether upgrades were delivered on time, on budget, and reflected in asset performance or exits.
- ☐ Confirm operating partner oversight, performance guarantees, and procurement approach for low-carbon upgrades
- ☐ Validate emissions targets, interim milestones, and accountability

DD takeaway (Closed-End):

- ☐ Execution capability credible
- ☐ Gaps require further DD
- ☐ Execution risk unacceptable

Seeded / Open-end:

- ☐ Review high-level energy performance of major assets against local regulatory benchmarks
- ☐ Identify assets with near-term regulatory, capex, or obsolescence transition risk
- ☐ Prioritize DD on worst performers; confirm feasibility studies and business plans for upgrades have been completed by GP
- ☐ Review asset-level 1–2 years energy data; benchmark EUI and carbon intensity vs peers (or request data from GP demonstrating this assessment., e.g. via GRESB)
- ☐ Request energy assessments and net-zero pathway studies for assets if available
- ☐ Review regulatory compliance gaps and future requirements
- ☐ Request sample or key asset-level audits: energy, net-zero pathway; and verify mitigation measures planned
- ☐ Confirm CRREM / transition pathway alignment and capex / opex plan to avoid stranding risk
- ☐ Review landlord-tenant split incentives; green lease implementation and tenant data visibility

DD takeaway (Open-Ended):

- ☐ Risks quantified and manageable
- ☐ Further asset-level DD required
- ☐ Transition risk could impair values

SUMMARY

5/ MODEL / UNDERWRITING

Ensure all material DD findings are reflected in valuation and returns analysis.

DIRECT EQUITY | DIRECT DEBT

How should decarbonisation capex and upgrade costs be modelled?

- ☐ Total cost of decarbonisation measures
- ☐ Itemised capex plan ($/m2 and $/tCO2e)
- ☐ Capex timing / phasing
- ☐ Detailed plant and equipment replacement schedule
- ☐ Mandatory vs optional measures and timing

What costs do we think are contractually recoverable from tenants?

- ☐ Capex recovery - service charges or leases
- ☐ Sensitivity analysis
- ☐ Timing or recovery

How to model costs associated with tenant displacement or disruption?

- ☐ NOI adjustment
- ☐ Cashflow stress test

Opex / energy efficiency savings

- ☐ What reductions and achievable
- ☐ What is the opex saving

Sensitivity and stress testing

Example tools, terms and clauses

- ☐ Advisor market comparables
- ☐ MSCI market comparables
- ☐ Playbook guidance
- ☐ GRESB Capex benchmarks

What is additional carbon cost, and what is just general maintenance and capex upgrades?

SUMMARY

5 / MODEL / UNDERWRITING

Ensure all material DD findings are reflected in valuation and returns analysis.

DIRECT EQUITY | DIRECT DEBT

What is the CRREM stranding year and how does transition risk affect refinance feasibility, exit liquidity and underwriting assumptions?

☐ Perform CRREM transition-risk and stranding analysis to determine stranding year and assess impact on refinance feasibility.
☐ Quantify physical climate risks (flood, storm, heat) and incorporate insurance-inflation stress tests into DSCR analysis where relevant to refinance and liquidity.)

What retrofit pathways are required (e.g. electrification, glazing) and is capex fully scoped, realistic and funded within the deal structure?

☐ Model retrofit scenarios (e.g. electrification, glazing upgrades) and ensure retrofit capex is fully costed and funded.
☐ Adjust LTV advance rates where physical risk materially threatens capital value or insurability (part of funding alignment).

Are any valuation "special assumptions" (e.g. future performance uplift) credibly tied to funded and deliverable retrofit actions?

☐ Model retrofit scenarios to validate whether performance assumptions depend on deliverable and funded upgrades (supports testing of special assumptions).
☐ Incorporate insurance-related and physical-risk impacts into DSCR to test whether special assumptions rely on unverified improvements.

Tools, terms, and clauses

☐ CRREM decarbonisation pathways and stranding curves.
☐ Insurance inflation scenarios for physical risk.
☐ Energy Use Intensity (EUI) and GHG Intensity metrics.
☐ Operational/Whole building energy data (preferred).

Illustrative ESG Driven Terms, Covenants & Conditions

☐ Reduced LTV or deliberate "equity buffers" for high physical-risk assets.
☐ Structuring of committed capex, conditional drawdowns and milestone-based funding for transition-aligned works.
☐ Inclusion of retrofit delivery as a condition of maintaining covenant headroom or DSCR compliance.

SUMMARY

6/ STRUCTURING & DOCS

Legally capture decarbonisation costs, information rights and enforceable obligations so DD can be relied upon post-closing.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Do we have binding protections? Can we rely on information gathered in DD? Do we have rights post-closing to execute on the decarbonisation plan / upgrades?

Sale and Purchase Agreement / SPA

- ☐ Reps and warranties for energy data, regulatory performance – includes accuracy and reliance
- ☐ Reps and warranties on titles encumbrances and title
- ☐ Capex approval limits and process

Shareholders Agreement

- ☐ Buyer approval rights on Capex, approval thresholds, annual operating budget requiring buyer consent
- ☐ Reporting requirements, KPIs, reporting

Asset Management Agreement:

- ☐ Define managers role post-closing including day-to-day management and execution of decarbonisation programme
- ☐ Capex approval limits and process
- ☐ Decision making thresholds and rights
- ☐ KPIs, reporting
- ☐ Data ownership, digital twins
- ☐ Alignment of fees with execution and performance
- ☐ Tenant engagement and cooperation

Leases:

- ☐ Green lease clauses; data-sharing obligations, tenant cooperation on retrofits
- ☐ Capital costs recovery

SUMMARY

6/ STRUCTURING & DOCS

Legally capture decarbonisation costs, information rights and enforceable obligations so DD can be relied upon post-closing.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Is a Green Loan or a Sustainability-linked Loan appropriate given the business plan and risks?

- ☐ Decide between Green Loan (use-of-proceeds) and Sustainability-Linked Loan (behaviour-based).
- ☐ Select material KPIs (e.g. EUI, GHG intensity) aligned to CRREM pathways when an SLL is selected.

Which KPIs are truly material (e.g. EUI, GHG intensity) and how are they calibrated to credible pathways (e.g. CRREM) to avoid weak targets?

- ☐ Select material KPIs (EUI, GHG intensity) aligned to CRREM pathways.
- ☐ For SLLs, design ESG margin ratchets with two-way incentives or penalties (typically ±2.5–5 bps).

How do we define and enforce outcomes so the ESG mechanism is robust?

- ☐ For SLLs, design ESG margin ratchets with two-way incentives/ penalties.
- ☐ Define what constitutes a “Green Breach” versus an Event of Default.

Example tools, terms, and clauses

- ☐ LMA Green Loan Principles.
- ☐ LMA Sustainability-Linked Loan Principles.
- ☐ CRREM metrics for KPI calibration.

Illustrative ESG Driven Terms, Covenants & Conditions

- ☐ KPI-linked margin ratchet.
- ☐ Controlled use-of-proceeds for Green Tranches.
- ☐ Borrower representation on ESG data accuracy.
- ☐ Event of Default for misappropriation of Green Loan proceeds.

SUMMARY

6/ STRUCTURING & DOCS

Legally capture decarbonisation costs, information rights and enforceable obligations so DD can be relied upon post-closing.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Blind pool / Closed-end:

- ☐ Include sustainability reporting and DDQ completion obligations in term sheet / LOI
- ☐ Secure LPAC seat or sustainability working group; specify approval/notification rights on major capex
- ☐ Embed fund-level decarb expectations contractually; specify KPIs, governance, and reporting obligations
- ☐ Define approval rights for budgets/capital plans; or at minimum engagement/notification rights
- ☐ Codify acquisition-stage requirements: audits, pathway analysis, and sustainability clauses in purchase terms
- ☐ Define minimum acquisition standards: energy audit, pathway analysis, and green certification/net-zero readiness

Seeded / Open-end (All of the above, plus):

- ☐ Add covenant to implement portfolio decarb plan with milestones and annual progress disclosure
- ☐ Agree fund-level KPIs and reporting templates; align to credible interoperable standards
- ☐ Set asset-level remediation plans, timelines, and capex envelopes for seeded assets
- ☐ Require tenant engagement plan and green lease roadmap to unlock data and shared cost-benefit

Structuring/documentation outcome:

Documentation ensures decarbonisation and transition risk is governed, monitored, and enforceable—not discretionary.

- ☐ Adequately protected
- ☐ Protected with conditions
- ☐ Not adequately protected

SUMMARY

7 / IC / APPROVAL

Present a decision-ready summary of plausibility, risks, scenarios, value-creation levers and costs.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Does the investment align with fund strategy, portfolio decarbonisation targets or budgets?

What is the rationale for decarbonisation?

- ☐ Fund or portfolio mandate driven
- ☐ Rationale including hold and exit
- ☐ Quick wins that impact cashflow vs accrue value accretive over hold period
- ☐ Compliance, tenant and market, OpEx savings, exit

Is it technically and commercially feasible to decarbonise the asset?

- ☐ Summary of measures, costs and timing, structural or listing constraints
- ☐ For non-managing ability to influence or require decarbonisation
- ☐ Revenue and valuation impact
- ☐ Asset sensitivity to energy costs, carbon regulation, market
- ☐ Impact or economics of executing decarbonisation pathways vs inaction
- ☐ Alignment with management and tenant

What is energy and performance baseline?

Decarbonisation risks and costs be quantified?

- ☐ Summarise findings from DD, baseline

Are projected decarbonisation capex and opex costs incorporate into the model?

- ☐ Initial and phased capex expenditure
- ☐ Projected opex savings
- ☐ ROI

Are regulatory compliance risks material? Have they been quantified and modelled?

- ☐ Current and forecast
- ☐ Energy performance, EPC, carbon pricing

What are the market and tenant impacts of decarbonisation? Are they reflected in model?

- ☐ Impact on tenants – positive and negative – attraction, retention, pricing, disruption, displacement
- ☐ Cost recovery pathways

Are we able to implement the retrofits?

- ☐ Governance rights, including contractual rights, stake, board seat, influence
- ☐ Asset management approach

Does the Asset Manager have the expertise and track record to deliver the retrofits and are they contractually obliged and incentivized to do so?

- ☐ Manger credibility and track record on decarbonisation delivery
- ☐ Manager alignment and incentives
- ☐ What happens if manager does not deliver or underperforms? What mechanisms are in place?

Is the transaction eligible for green finance or sustainability linked loans?

- ☐ Would specific upgrades or the whole acquisition be eligible for green finance
- ☐ Any pricing benefits
- ☐ What requirements on owners and asset manager, can we get data and reporting from tenants and managers

What is the ongoing reporting, engagement approach?

- ☐ Approach, cadence, KPIs

SUMMARY

7 / IC / APPROVAL

Present a decision-ready summary of plausibility, risks, scenarios, value-creation levers and costs.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Key questions:

- ☐ Decision-ready ESG risk synthesis: Does the IC pack clearly set out EPCs, certifications, CRREM outputs, physical risk and insurance viability in a way that is decision-useful?
- ☐ Sponsor governance and execution: Is the borrower's governance and capability strong enough to deliver the retrofit plan and ongoing reporting (e.g. maturity indicators such as GRESB)?
- ☐ Mitigants and conditions: Are there concrete mitigants and conditions that directly address the ESG risks (e.g. dedicated capex facility, minimum EPC targets by a set year, enhanced monitoring triggers)?

Key actions:

- ☐ Full ESG profile (EPCs, certifications, GRESB score).
- ☐ CRREM stranding year and retrofit plan feasibility.
- ☐ Physical-risk summary, insurance viability, hazard mitigants.
- ☐ Borrower governance and execution capability.
- ☐ Quantified credit mitigants linked to ESG (capex facility, milestone structure, alternative exit scenarios).

Example tools, terms, and clauses

- ☐ CRREM outputs
- ☐ Tenancy analysis
- ☐ Borrower ESG maturity assessment

Illustrative ESG Driven Terms, Covenants & Conditions

- ☐ Dedicated capex facility, minimum ongoing ratings (e.g., EPC "C" by year X)
- ☐ Enhanced reporting requirements site-monitoring triggers.

SUMMARY

7 / IC / APPROVAL

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DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

Blind pool / Closed-end:

- ☐ Confirm IC memo clearly summarizes GP execution capability, incentive alignment, and governance arrangements.
- ☐ Confirm contractual protections secured (reporting, LPAC or oversight rights, escala-tion mechanisms)
- ☐ Approve agreed decarbonisation KPIs, re-porting cadence, and engagement plan (quarterly / annual)
- ☐ Confirm escalation and remediation rights if sustainability or transition commitments are not met
- ☐ Acknowledge residual transition risk as ac-ceptable within return assumptions and fund structure

Seeded / Open-end:

- ☐ Confirm delivery and review of all priority as-set-level technical datasets required for de-cision-making
- ☐ Approve asset-level retrofit scope, timing, and funding assumptions embedded in un-derwriting
- ☐ Validate regulatory, transition, and obsoles-cence risks are mitigated or appropriately priced
- ☐ Confirm tenant, property management, and operational execution feasibility for planned upgrades
- ☐ Acknowledge remaining asset-level transi-tion risk and confirm it is fundable and con-trollable

IC decision:

- ☐ Approve
- ☐ Approve with Conditions
- ☐ Do Not Approve

SUMMARY

8/ CLOSING

Lock sustainability and climate obligations into enforceable contracts and confirm baseline readiness.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

What new steps are required with regard to decarbonisation?

- ☐ Kick off implementation and engagement: first sustainability data request, baseline plan, and annual assessment calendar
- ☐ Confirm decarbonisation staging and key milestones
- ☐ Kick off tenant engagement decarbonisation focus strategy with manager

SUMMARY

8/ CLOSING

Lock sustainability and climate obligations into enforceable contracts and confirm baseline readiness.

DIRECT EQUITY | **DIRECT DEBT** | EXTERNALLY MANAGED FUNDS

Key questions:

- ☐ Hard-wiring obligations: Do the loan docu-ments fully capture sustainability reporting, KPI definitions, ratchet mechanics and green lease obligations in enforceable terms?
- ☐ Baseline and assurance readiness: Before funding, do we have verified baseline per-formance data and, where applicable, a Green Loan Framework and second party opinion?
- ☐ Control of proceeds and risk protections: Are proceeds controls (e.g. segregated tracking for green proceeds) and final insurance con-firmations in place and aligned to DD?

Key actions:

Execute Sustainability Reporting, Green Lease obligations, KPI definitions, margin ratchet me-chanics. Condition Precedents include:

- ☐ Green Loan Framework (for GLs)
- ☐ Second Party Opinion (SPO)
- ☐ Verified baseline performance data.
- ☐ Final insurance cover aligned to hazard risk.

Example tools, terms, and clauses

- ☐ SPO providers; LMA templates.
- ☐ Insurance certificates aligned with DD find-ings.

Illustrative ESG Driven Terms, Covenants & Conditions

- ☐ Conditions precedent tied to baseline ESG verification.
- ☐ Segregated accounts or ledger tracking for Green Proceeds

SUMMARY

8/ CLOSING

Lock sustainability and climate obligations into enforceable contracts and confirm baseline readiness.

DIRECT EQUITY | DIRECT DEBT | EXTERNALLY MANAGED FUNDS

All fund types:

- ☐ Initiate post-closing sustainability data re-quest and confirm portfolio baseline meth-odology
- ☐ Approve initial implementation roadmap, in-cluding annual assessment and reporting calendar
- ☐ Confirm agreed process to update transition plans for regulatory, market, or technology changes
- ☐ Set standing sustainability and transition-risk agenda for quarterly and annual portfolio re-views
- ☐ Define escalation and change-management process for material deviations from agreed plans

Closing Confirmation (Deal Team)

- ☐ Rights and obligations live
- ☐ Execution formally commenced
- ☐ Oversight and escalation active

SUMMARY