

Product Guide

November 2021

This guide is for professional property investors and intermediaries only.



Atelier
Carbonlite Challenge

RIBA Developed with RIBA support



Atelier Carbonlite Challenge

COP26 in November 2021 is driving a global response to what the UN Secretary-General calls a "**Code Red for humanity**" – the climate emergency.

For two centuries, human activity has slowly but irreversibly changed the Earth's climate. Now, we're in critical territory. Greenhouse gas emissions from fossil-fuel burning are choking our planet and putting billions of people at immediate risk.

Amid the rhetoric and statements of intent, there is agreement on one thing: the best way to limit the damage is to slash the amount of carbon released into the atmosphere. The UK is one of many countries to have made a **legal commitment to reduce its carbon emissions to net zero by 2050**.

Hitting that target requires a national effort, and we in the property sector have a big part to play, as the sector is responsible for 40% of the UK's carbon emissions.

Experts say that through a combination of regulation and demand from investors and buyers, **net zero will become the norm across the industry within a few years**.

Commercial real estate is progressing towards zero carbon readiness, but the pace has been slower in the residential sector, where there are still some challenges to overcome.

But imagine if housebuilding were to follow the lead of commercial real estate, by actively encouraging and facilitating low-carbon construction and operation, while also rewarding both developers and end-users who **choose to go green**.

Imagine if we could create a real and direct link between greener housing developments and the global targets for net zero, without impacting the commercial viability of the UK's vibrant housing sector.

Imagine if smart capital, seeking sustainable financial and non-financial returns, could find a home that delivers all of that by building greener homes.

Introducing Atelier Carbonlite Challenge.

True to our guiding principles to be **bold, brave and better**, we are proud to bring to market an innovation that supports and rewards ambitious developers who want to reduce the carbon footprint of the homes they build.

With **Atelier's Carbonlite Challenge sustainable development loan**, our ambition and our challenge are to cut carbon in the built environment, by seamlessly **connecting capital seeking low-carbon opportunities with the most ambitious low-carbon property developers**.

It's this simple: **the more carbon-neutral your scheme is, the more you are rewarded financially**. Happy capital and happy homeowners, enhancing your reputation while helping the planet and driving the UK forward in its quest to get to net zero.

Preparing the **Carbonlite Challenge** has been quite a journey. Building a solution this complex required us to team up with some of the industry's top experts, and forge a collaboration to successfully make building lower-carbon homes financially attractive and deliverable.

The Royal Institute of British Architects (RIBA), Savills, EY, Paragon Building Consultancy, M&G Investments and Allen & Overy have worked closely with us to design, build and test our solution, and we're confident that we have created something that can help you achieve your carbon-neutral goals with a genuinely sustainable finance solution.

While the journey to get here has been a huge challenge, we've done the **forward thinking**, and we've created a platform to make it simple and seamless for you.

Key facts



The built environment is responsible for **40%** of the UK's carbon emissions (UKGBC)



The production of cement is responsible for **8%** of global carbon emissions; greener methods of construction are key to driving sustainability (Osborne Clarke)



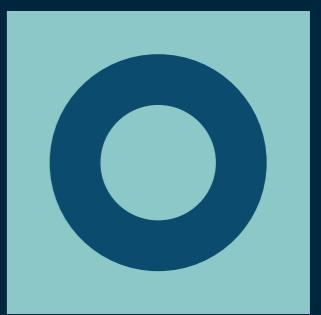
The UK needs to build **340,000** new homes a year until 2031 (National Housing Federation)



Customers pay more for property energy efficiency, and **49%** of residential occupiers say green credentials have become more important (Savills)

Carbonlite Challenge Scorecard

| Current Business As Usual Performance (compliance route) | | | RIBA  On track against RIBA Challenge v2 2025 target | RIBA  On track against RIBA Challenge v2 2030 Target | ELIGIBILITY CRITERIA | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--------------|---|---|----------------------|--------------|----------|------------------------|---------------------|----------------------|-------------------|------|----------|----------|------------------------------|----------------|---------------------------------|---------------|---|-----------------------|--------------------|---------------|-------|-------------------|-----|------------------------|-----------------------------|-------------------|--------------|-------------------|------------|--|------------|----------------------------|---------------------------|
| Sustainability Outcome Metrics | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operational energy kWh/m ² /y | 120 kWh/m ² /y | | <60 kWh/m ² /y | <35 kWh/m ² /y | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Embodied Carbon kgCO ₂ e/m ² | 1,200 kgCO ₂ e/m ² | | <800 kgCO ₂ e/m ² | <625 kgCO ₂ e/m ² | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Potable water use Litres/person/day | 125 l/p/day | | <95 l/p/day | <75 l/p/day | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Commercial Terms | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| LTGDV | Up to 60% | Up to 65% | Up to 70% | Up to 60% | Up to 65% | Up to 70% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Minimum Standard Rate | 6.99% | 7.25% | 7.99% | 6.99% | 7.25% | 7.99% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Carbon & Sustainability Rebate | 0% | 0% | 0% | 1.50% | 1.50% | 1.50% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Effective Interest Rate (3=1-2) | 6.99% | 7.25% | 7.99% | 5.49% | 5.75% | 6.49% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Minimum Standard Fees | 1.0% Arrangement Fee 1.5% Exit | | | 1.0% Arrangement Fee 1.5% Exit | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>*In exceptional circumstances, rate may be subject to loading, should any additional risk be identified during the credit process.</p> <p>The performance targets quoted within the table are aligned with the RIBA 2030 Climate Challenge v2 (2021 edition), which is referred to throughout this document as the RIBA Challenge v2.</p> <p>See https://www.architecture.com/-/media/files/climate-action/riba-2030-climate-challenge.pdf</p> <p>The targets are to be attained in-use, based where relevant on best practice predicted usage for the 12 months post-completion. Projects that enable this level of in-use performance to be achieved when occupied, are classified within the Carbonlite Challenge scorecard as 'enabled' and 'on track'.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ELIGIBILITY CRITERIA <table border="1"> <thead> <tr> <th>ITEM</th><th>CRITERIA</th></tr> </thead> <tbody> <tr> <td>Sustainability Charter</td><td>Agreement to opt in</td></tr> <tr> <td>Sustainability Score</td><td>C grade or higher</td></tr> </tbody> </table> LENDING CRITERIA <table border="1"> <thead> <tr> <th>ITEM</th><th>CRITERIA</th></tr> </thead> <tbody> <tr> <td>Security</td><td>1st legal charge, guarantees</td></tr> <tr> <td>Security types</td><td>Residential only in pilot phase</td></tr> <tr> <td>Project types</td><td>Ground-Up Development only during pilot phase</td></tr> <tr> <td>Treatment of interest</td><td>Rolled or serviced</td></tr> <tr> <td>Interest type</td><td>Fixed</td></tr> <tr> <td>Gross loan to GDV</td><td>70%</td></tr> <tr> <td>Max loan to total cost</td><td>90%, 100% development costs</td></tr> <tr> <td>Min/Max loan term</td><td>12-24 months</td></tr> <tr> <td>Min/Max loan size</td><td>£3m - £10m</td></tr> <tr> <td>Third-party mezzanine and second charges</td><td>Considered</td></tr> <tr> <td>Geographical lending areas</td><td>England, Scotland & Wales</td></tr> </tbody> </table> <p>Current lending preferences</p> <ul style="list-style-type: none"> Projects designed by a RIBA Chartered Architect and supported by a professional team capable of providing data relating to energy, carbon and sustainability Professional developers with a track record of ground-up developments Smaller developments of residential houses and apartments Urban and brownfield locations | | | | | | ITEM | CRITERIA | Sustainability Charter | Agreement to opt in | Sustainability Score | C grade or higher | ITEM | CRITERIA | Security | 1st legal charge, guarantees | Security types | Residential only in pilot phase | Project types | Ground-Up Development only during pilot phase | Treatment of interest | Rolled or serviced | Interest type | Fixed | Gross loan to GDV | 70% | Max loan to total cost | 90%, 100% development costs | Min/Max loan term | 12-24 months | Min/Max loan size | £3m - £10m | Third-party mezzanine and second charges | Considered | Geographical lending areas | England, Scotland & Wales |
| ITEM | CRITERIA | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sustainability Charter | Agreement to opt in | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sustainability Score | C grade or higher | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ITEM | CRITERIA | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Security | 1st legal charge, guarantees | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Security types | Residential only in pilot phase | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Project types | Ground-Up Development only during pilot phase | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Treatment of interest | Rolled or serviced | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest type | Fixed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Geographical lending areas | England, Scotland & Wales | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



Carbonlite Challenge: How It Works

01 Carbonlite Challenge Sustainability Charter

To be eligible for the scheme, the borrower must agree to abide by the **Carbonlite Challenge Sustainability Charter**. The borrower must also seek to instil and promote the charter's principles, where appropriate, within the practices of its suppliers. Details are available at www.carbonlitechallenge.co.uk

02 Carbon & Sustainability Assessment Form

The borrower must submit a completed **Carbon & Sustainability Assessment Form**. The information is usually available from the project's professional team.

03 Initial Carbon & Sustainability Assessment

On receipt of a completed **Carbon & Sustainability Assessment Form**, Atelier will estimate the project's **Carbon & Sustainability Score**. The **RIBA 2030 Climate Challenge** targets are used for this assessment.

04 Carbon Offsetting

A score or part of a score can be improved using responsible and prudent carbon-offsetting techniques. These can be targeted to improve a score from being on track against the RIBA 2030 Climate Challenge v2 2025 target, to the 2030 target. Restrictions and limits apply. The lowest score determines the overall score. For example, if a project is scored as 'on track towards the RIBA 2030 Climate Challenge v2 2030 target' in all areas except one (that is scoring lower), the lower score applies.

05 Indicative Terms and estimated Carbon & Sustainability Rebate

Once the score is estimated and the viability of the scheme is understood, **Indicative Terms** will be issued with details of the expected **Carbon & Sustainability Rebate**.

06 Full Carbon & Sustainability Assessment

Before drawdown of the loan, Atelier will recalculate the **Carbon & Sustainability Score** and make any adjustments as necessary.

07 Onsite Carbon & Sustainability Assessment

Once the facility has drawn, **Onsite Carbon Assessments** will be carried out periodically until the property reaches Practical Completion. A final score will be calculated confirming that the project is on track and enabled to meet the RIBA 2030 Climate Challenge v2 2025 or 2030 targets.

08 Carbon & Sustainability Rebate

On full repayment of the loan, the **Carbon & Sustainability Rebate** is paid to the developer.

09 Post-Occupancy Evaluation

After 12 months' use by the homeowner, Atelier will receive energy and water data, and will undertake a Post-Occupancy Evaluation. The study will include recommendations, which will be shared with the homeowner and used to make further improvements to the **Carbonlite Challenge** scheme.





Atelier has teamed up with a host of market-leading organisations to bring you this ground-breaking solution.

Carbonlite Challenge Collaborators



M&G Investments
Lead Investor



EY
Scheme Governance Review



Savills
Property Advisers



Allen & Overy
Legal Advisory



Paragon
Carbon & Sustainability
Assessors



SPF
Private Clients
Real Estate Debt Advisory



Carbon
Funding Consultants
Real Estate Debt Advisory



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Better
property
finance,
by design.

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