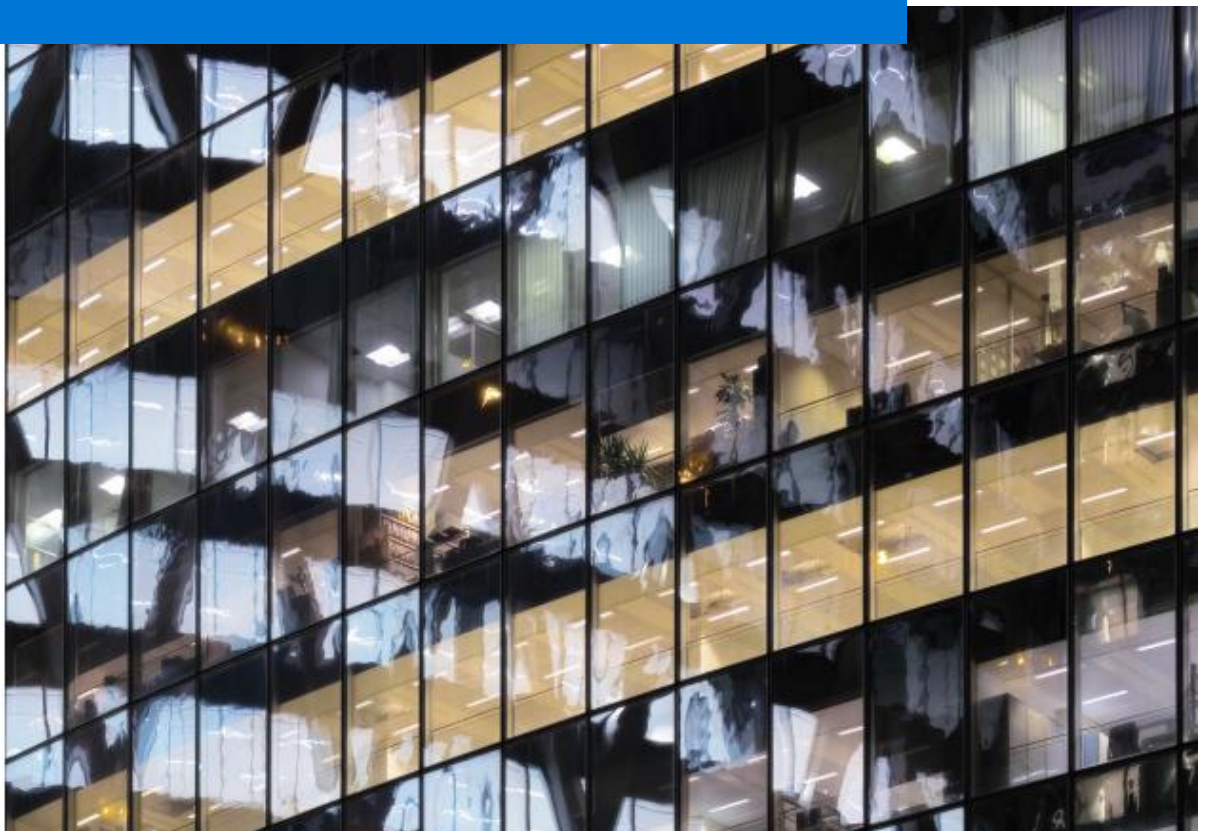


CAPITAL AT RISK.

Responsible investment policy & framework for real estate equity

June 2024



Contents

Table of Contents

1. Our approach to responsible investment	3
1.1 Introduction & Scope	3
1.2 Responsible investment purpose and guiding principles	3
Responsible investment objectives	5
1.3 Governance, roles and responsibilities	7
2. ESG integration in real estate equity	9
2.1 Management objectives	10
2.2 Activity specific objectives and implementation	12
2.3 Summary of Relevant Policies and Reports	14

1. Our approach to responsible investment

1.1 Introduction & Scope

LGIM Real Assets (LGIM RA) is a division of Legal & General Investment Management (LGIM), one of Europe's largest institutional asset managers and a major global investor. As a long-term investor in the real estate business, we believe we have a responsibility to protect our clients' capital through integrating ESG considerations into our investment process. The built environment has a significant role to play in addressing our carbon footprint and the impacts that our assets and operations have on the environment and the communities which they operate within.

This document sets out our Responsible Investment Policy for the real estate equity business. LGIM RA is committed to continually improving our policy and strategy to deliver on and actively manage the sustainability performance of our real estate property portfolios, encompassing all elements of the property lifecycle. This policy establishes the principles, governance and objectives that will be adopted by the platform. We update this policy in line with emerging ESG priorities including responding to evolving regulatory developments.

1.2 Responsible investment purpose and guiding principles

Responsible investment is an approach, which integrates environmental, social and governance (ESG) factors into investment analysis and decisions to deliver long term sustainable investment returns¹. At LGIM RA, we believe a responsible and sustainable approach to real assets investment management will enable our business to deliver long term positive value to all our stakeholders whilst also having the potential to create real world impact. Our responsible investment beliefs and core principles are embedded into our culture, asset management and investment process. We believe that effective integration of ESG factors is important for our business for the following reasons:

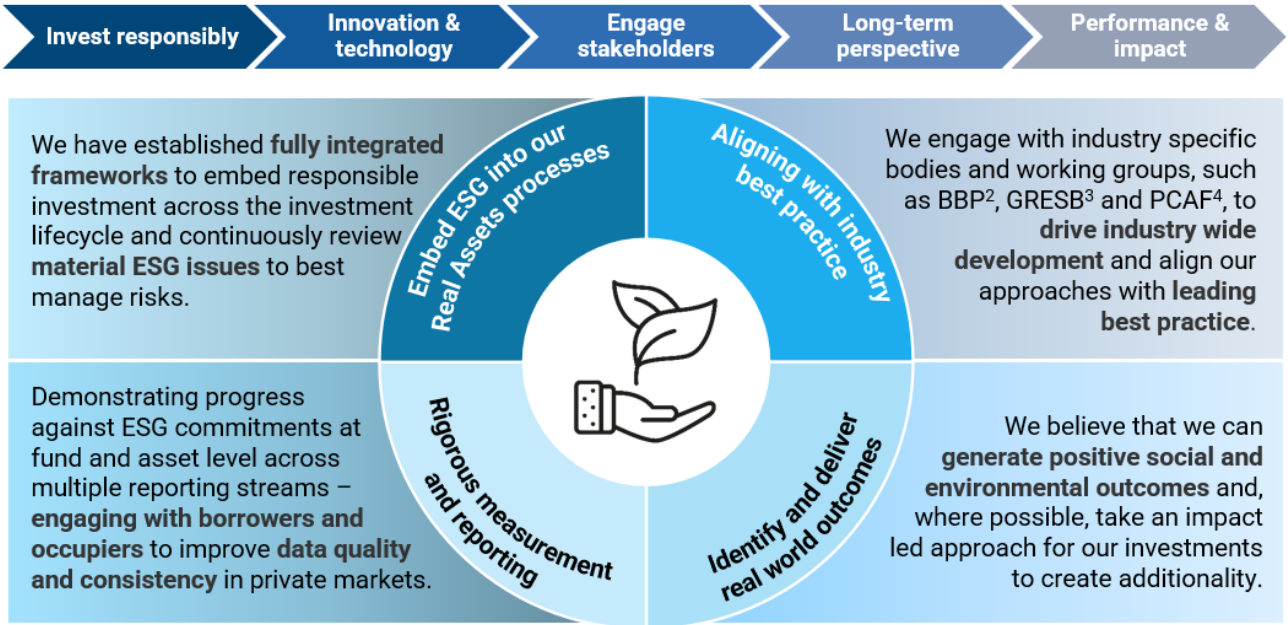
- a. LGIM believes that integrating environmental, social and governance considerations into investment processes can help to improve long-term financial outcomes. This aligns with our ultimate goal of protecting and maximising the investment returns for the benefit of our clients' interests²;
- b. Consideration of ESG issues is about risk management and is, therefore, part of fiduciary duty;
- c. Positive and negative externalities generated by companies and assets can have consequences for the economy and society at large. Therefore, we believe that investors have a responsibility to a broad set of stakeholders and the market as a whole;
- d. ESG can provide opportunities for LGIM to offer new innovative products and solutions which have the potential to influence systemic change on a global scale.

¹ LGIM applies The Investment Association industry definitions of Responsible Investment as our standard framework. The IA Responsible Investment framework published in Nov 2019 categorises and provides standard definitions for the different components of responsible investment., <https://www.theia.org/campaigns/sustainability-and-responsible-investment>

² Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

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Figure 1: LGIM Real Assets Responsible Investment Purpose & Guiding Principles



³ The [BBP](#) is a collaboration of leading property owners who are working together to improve the sustainability of commercial buildings.
⁴ [GRESB](#) provides a rigorous methodology and consistent framework to measure the ESG performance of individual assets and portfolios based on self-reported data.
⁵ [PCAF](#) is an industry-led partnership to facilitate transparency and accountability of the financial industry to the Paris Agreement

Source: LGIM, June 2024. For illustrative purposes only. Subject to change. Whilst LGIM RA has integrated ESG considerations into its investment decision-making and practices, this does not guarantee the achievement of responsible investing goals within the funds that do not include specific ESG goals within their objectives.

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Responsible investment objectives

LGIM RA sets ESG objectives across our real estate investment and management activities. These high-level objectives are implemented at both fund level and asset level, where applicable. We believe that this an important element of managing risk and helping to support income streams and capital values.

In order to support resilient long-term investment returns from our property portfolios, we recognise the need to employ robust ESG risk management processes. We view responsible investing and sustainability as an integrated ecosystem formed around six core pillars as illustrated below in Figure 2. These pillars are dynamic, interconnected and align with our wider strategic business priorities. Identifying synergies across these pillars is fundamental to achieving our long-term responsible investment objectives. We believe the implementation of this framework leads to better risk management, allowing teams to identify and invest in sustainable investment opportunities** and therefore may contribute to positive outcomes for all of our stakeholders.

Figure 2: Responsible and sustainable investment as a strategic and integrated framework, supporting our objectives

The application of the framework will vary according to fund priority and opportunity. For illustrative purposes only. Subject to change.



* For full details of our net zero carbon strategy and approach at a platform level, please refer to the LGIM Real Assets Net Zero Carbon roadmap [here](#).

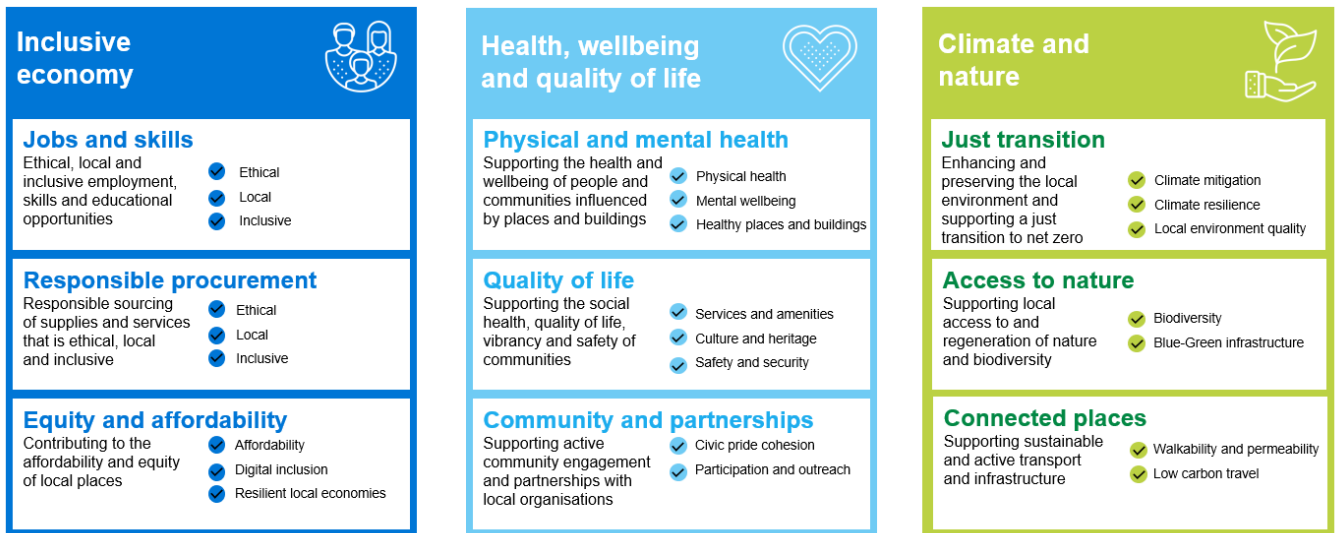
** Investments where sustainability is an important consideration throughout the property lifecycle from acquisition and throughout property management. This includes the setting of sustainability performance targets, monitoring against these targets, establishing sustainability plans for assets and investment in approaches to improve the sustainability performance and outcomes of assets and funds.

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We firmly believe that real estate owners and investors have a unique role to play in delivering on the ‘S’ of environmental, social and governance (ESG). One way we can do this is to consider the long-term impact of our investments on the local communities in which our assets are located. We define social impact as the intentional, additional, and attributable economic, social and environmental benefits to communities as a result of our investment. Where we seek to bring about positive social outcomes, we adopt a place-based approach. This means taking an asset-level view as to how we could intentionally contribute, deliver, and catalyse positive outcomes that help to address local needs.

In order to achieve this, we have created a Place-based Social Impact framework and toolkit. The foundation of this framework is based on three core themes: inclusive economy; health, wellbeing and quality of life; and climate and nature. The purpose of the toolkit is to facilitate the implementation of this framework and to empower teams across the business to take on the challenge of creating and driving positive social outcomes rather than relying on the LGIM RA’s sustainability team.

Figure 3: Social Impact core themes



For illustrative purposes only. Subject to change.

1.3 Governance, roles and responsibilities

1.3.1 Board-level governance

The Real Assets Responsible Investment Oversight Matters (RIOM) committee is responsible for overseeing the responsible investment and sustainability characteristics, objectives and commitments of all portfolios managed within the LGIM Real Assets business, including governing platform-wide responsible investment and sustainability strategies. The RIOM is a sub-committee of the LGIM Real Assets Executive Committee (RA ExCo) and is chaired by the LGIM RA Head of Responsible Investments & Sustainability. RIOM members are represented by senior heads of the respective business areas. The RIOM Terms of Reference have escalation criteria which allows the necessary LGIM-wide decision-making bodies to deliberate relevant issues when raised.

LGIM RA's responsible investment strategy and policies are aligned with both Legal & General (L&G) Group's policies and management and LGIM's responsible investment policies.

At L&G Group level, the Global Head of LGIM RA is a standing attendee on the Group Environmental Committee (GEC). The GEC has responsibility to ensure compliance with the principles of good corporate governance. It is also responsible for developing and reviewing Group ESG strategy and policies. Under the governance of the GEC, there are relevant subcommittees, where LGIM RA Responsible Investment and Sustainability members are represented:

- i. Climate Risk sub-committee
- ii. Environment sub-committee

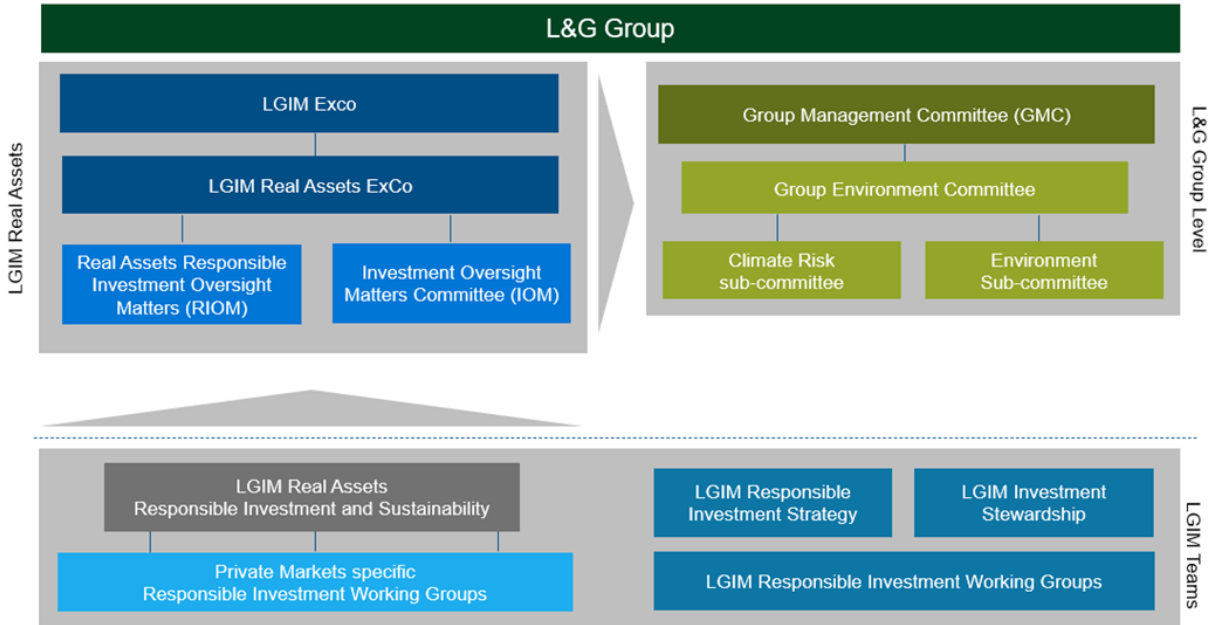
1.3.2 LGIM RA Responsible Investment and Sustainability Team

LGIM RA has a dedicated Responsible Investment and Sustainability team, led by the LGIM RA Head of Responsible Investment and Sustainability who reports into the Global Head of LGIM Real Assets. The team supports ESG integration and sustainable investment efforts across the Real Assets platform, covering debt and equity in real estate, infrastructure and private credit. Within the team, there are sustainability experts focused on Real Estate. The team are responsible for setting the ESG strategy, policies and processes and establishing objectives that support ESG integration in investment and asset management, including driving greater sustainable investments. LGIM RA has oversight of ESG integration and implementation across the real estate equity platform.

The Responsible Investment and Sustainability team works closely with various teams throughout the investment process – from fund management, asset management and property operations to transactions, development and technical services. All these areas play an important role throughout the investment process and spanning the life cycle of the assets.

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Figure 4: LGIM Real Assets Responsible Investment Governance Structure for Real Estate Equity



LGIM, June 2024

For illustrative purposes only. Subject to change.

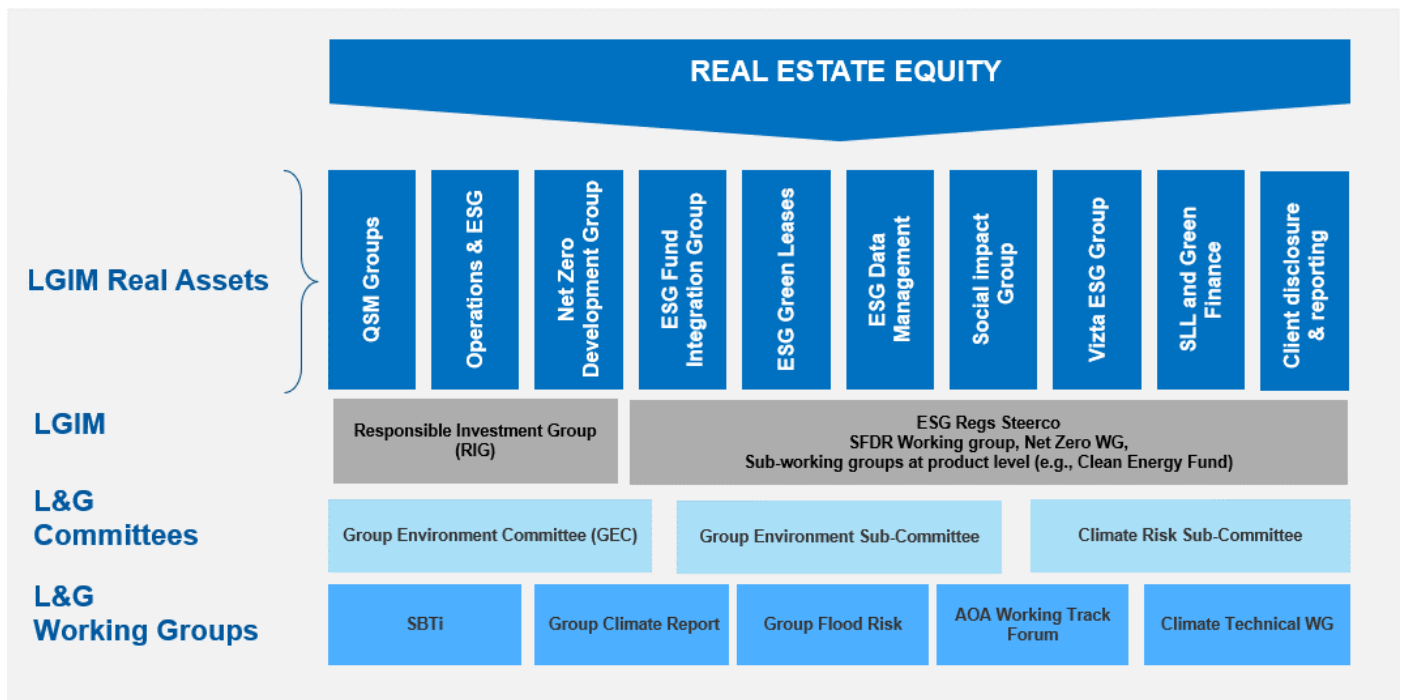
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2. ESG integration in real estate equity

We are committed to integrating responsible and sustainable principles into our investment process, seeking to ensure that the assets that we acquire and manage, achieve their highest possible performance. We integrate ESG considerations into all of our investment decision making by identifying and managing the issues that are, in our view, the most material to our assets across the asset lifecycle. ESG implementation is essentially part of the responsibility of all teams involved, from its acquisition and in some cases, its construction and development, through to its operation in-use. This ensures that ESG principles are fully integrated throughout the investment process – from acquisition through operation to exit.

To support integration, we have established a range of working groups across the LGIM RA platform which address a range of topics, including social impact, ESG data management and green leases. These groups help to disseminate policy and support delivery. In addition to the LGIM RA working groups, there are a number of key committees and working groups across LGIM and L&G Group that support integration across the wider L&G business. These groups are illustrated in Figure 5.

Figure 5: Real Assets ESG Integration operating model



LGIM, June 2024

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2.1 Management objectives

2.1.1 Governance

- To ensure that the appropriate governance and management structure is in place to approve and oversee the implementation of this policy. This includes putting in place standards and procedures to effectively manage current and emerging risks and opportunities and drive ESG performance.
- Key management and performance targets for sustainability areas are set to ensure that LGIM continually improves and pushes beyond legislative compliance and other requirements. Refer to Section 1.4 on Governance, Roles and Responsibilities.

2.1.2 Risk Control and Compliance

- To ensure that the proper approaches and controls are in place, in order to identify, manage and mitigate ESG related risks and controls.
- To use the LGIM RA governance structure to develop and adopt new standards and procedures, to meet new regulations and to pursue ESG best practices to push performance beyond regulatory compliance.

2.1.3 People and Knowledge Management

- To ensure ongoing commitment from all employees in embedding ESG initiatives in individual performance objectives and throughout the company's activities.
- To ensure that appropriate resourcing, knowledge and information is available to employees to achieve our objectives. There is emphasis placed on knowledge building and development in ESG areas. In order to achieve this, employees are encouraged to attend role-based training courses, such as Building Better Partnerships ESG training for asset managers and there are training sessions held to provides updates to members of the platform on new ESG initiatives.
- To collaborate with the LGIM RA Research team and other teams across the platform and wider L&G Group to provide cutting-edge research and analysis to help inform best practice across the business activities. This helps us to remain forward thinking in our ability to tackle all emerging ESG risks and take advantage of opportunities.

2.1.4 Stakeholder Engagement

- To communicate LGIM RA's ESG objectives, policy and strategy to all key stakeholders in order to make them aware of initiatives and support them in engaging with the material issues. This includes maintaining high levels of involvement with key industry bodies, engaging with occupiers and investors and making a firm commitment to external knowledge-sharing. This policy is communicated to those working for and on behalf of the business.
- LGIM RA is also an active participant in a number of key industry organisations working to promote and progress best practice. In 2019, we scaled up our ambition to deliver buildings that are Paris-aligned, becoming a signatory to the Better Building Partnership Climate Change Commitment and pledging to achieve net zero carbon for our real estate portfolio by 2050 or sooner. Our net zero carbon roadmap, which was published in 2020 and updated in 2023 to reflect our progress can be found [here](#).
- Occupier engagement is particularly important, as many ESG improvement opportunities require collaboration between landlord and occupiers. We will therefore seek to strengthen engagement and collaboration with our occupiers across our key ESG themes.
- To increase engagement with our property management supply chain through new approaches and to measure and monitor progress towards our ESG objectives.

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2.1.5 Target Setting

- To set platform level targets that are aligned with our net zero carbon objectives and other key ESG theme objectives.
- To ensure that, wherever relevant, our targets are aligned with LGIM and L&G Group objectives. To focus on real, measurable performance improvements which we believe will build occupier and investor trust and engagement. To this end, we will set short-term and long-term management and performance targets, which align with but go beyond relevant UK and EU government policy and legislation.

2.1.6 Measurement and Monitoring

- Based on the target and objectives defined, key performance indicators are established to track and monitor the performance and progress of our goals across the six key themes of:
 - Net Zero Carbon
 - Climate Risk
 - Social Impact and Communities
 - Biodiversity
 - Health & Wellbeing
 - Circular Economy
- Setting a baseline and rigorously monitoring performance is a key component in driving change and maintaining momentum to achieve ESG outcomes. We will use technology and innovative solutions to improve data coverage, quality and measurement.

2.1.7 Reporting

- To make sure that all our stakeholders have access to relevant information on our ESG performance, presented in a way that reflects our internal strategic and management approach. This can be achieved through a range of reporting frameworks and methods.
 - LGIM has been a signatory to the **UN Principles of Responsible Investment (UNPRI)** since 2010 and participates in the real estate module of the survey and provides reporting to investors on real estate property performance of all entities on an annual basis.
 - We are a member of the **Global Real Estate Sustainability Benchmarking programme (GRESB)**, for which we undertake annual assessments across our real estate fund portfolios. This is a standardised and validated approach in ESG performance reporting.
 - LGIM RA reports climate-related disclosures in line with TCFD recommendations in the annual **Group Climate and Nature Report** and, where required, entity and fund-level reports, as per our regulatory requirements.
 - LGIM RA reports ESG performance into the **L&G Group Annual Report**.
 - LGIM RA contributes to the **LGIM Active Ownership Report** which highlights engagement activities undertaken by the company seeking to drive positive change.
 - LGIM RA reports on how the business is implementing its ESG strategy through an annual **Responsible and Sustainable Investment Report**.
 - LGIM RA reports actions and disclosure in the **Group Social Impact Report**.

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2.2 Activity specific objectives and implementation

In order to ensure that opportunities to bring about positive social and environmental outcomes are fully realised and key risks within each focus area are effectively managed, LGIM has implemented management procedures to generate and manage strategic targets in the following core areas in which we operate:

- Acquisition and Transactions
- Occupier screening
- Fund Management,
- Asset Management,
- Property Management.
- Development & Refurbishment

This approach ensures that we manage environmental, social and economic impacts, and maximise opportunities to have positive social and environmental impact and mitigate risks in a consistent and systematic manner.

2.2.1 Acquisitions and Transactions

- To consider the risks and opportunities associated with the ESG profile of individual transactions and major capital expenditure projects.
- To ensure that the due diligence process for all new acquisitions and transactions incorporates requirements around key ESG themes.

2.2.2 Occupier screening

- We will undertake tenant screening on all new primary lease agreements based on ESG grounds to identify occupiers undertaking activities that may have a material ESG risk consideration. As part of our tenant screening, we will follow LGIM Future World Protection list policies (available on the LGIM website), which exclude companies involved in controversial weapons and coal.
- Additionally, when the LGIM Future World Protection list³ is updated biannually and circulated across the business, we will screen existing occupiers against the updated list. As part of this we identify companies who breach UN Global Compact. In the event that a tenant were to appear on the LGIM Future World Protection list the Investment Committee will be notified. For segregated mandates, we may apply additional tenant screening criteria requested by our clients as part of the fund's investment strategy.

2.2.3 Fund Management

- To develop and implement a portfolio risk mitigation and adaptation strategy.
- To incorporate the key ESG risks and opportunities from each of the six ESG key themes into our decision-making processes; this will help to support investment returns and ESG performance.

2.2.4 Asset Management

- To integrate the management of ESG risks and opportunities as identified at Fund level into Asset Sustainability Plans (ASPs).

³ <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/future-world-protection-list-public-methodology.pdf>

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- To work with our property management supply chain to implement the asset level plans and to realise ESG related opportunities, particularly through occupier engagement on ESG performance.

2.2.5 Property Management

To support our managing agents and Facilities Management Integrator in delivering annual objectives which aim to:

- a) Reduce energy use and carbon emissions in line with our science-based targets and net zero objectives, through best practice approaches to energy management and the procurement of energy efficient products and services;
- b) Prevention of pollution;
- c) Report our environmental performance against our key sustainability metrics publicly;
- d) Maintain ISO 14001 and ISO 50001, wherever relevant, to manage and continually improve the environmental impact and energy performance of our property management;
- e) Protect the environment and biodiversity, through enhancing our natural assets and the preservation and restoration of our natural ecosystem;
- f) Improve Health & Wellbeing in our properties;
- g) Support the implementation of the LGIM RA place-based Social Impact Framework and toolkit, through new initiatives and community programmes, aiming to deliver positive change through our assets and investments;
- h) Support and develop strategies targeted at identifying and mitigating climate risk and improving resilience.

2.2.6 Development and Refurbishment

- To require high ESG standards, such as for energy performance, to be considered, targeted and designed into any new development or refurbishment projects and that these standards are comprehensively reviewed on an ongoing basis.
- To minimise negative environmental and social outcomes on site and through the supply chain and to maximise the creation of positive environmental, social and economic opportunities in the local community.

2.3 Summary of Relevant Policies and Reports

LGIM Real Assets:

[Real Estate: Net Zero Carbon Roadmap 2020](#)

[Real Estate: Net Zero Carbon Roadmap 2023](#)

[LGIM Responsible and Sustainable Investment Report 2022](#)

LGIM:

[LGIM Active Ownership Report 2023](#)

[LGIM Nature Framework 2024](#)

[LGIM UK Corporate Governance and Responsible Investing Policy](#)

Legal and General:

[Legal and General: Climate and Nature Report 2023](#)

[Legal and General: Social Impact Report 2023](#)

[Legal and General Annual Report 2023](#)

Please note, this is not an exhaustive list, and it is subject to review as materials are updated.

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Key risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

Important information

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