

Sustainable Real Estate Investment Policy

One of the most critical agents of change in real estate, Sustainability is a key factor in protecting the long term value of portfolios. Sustainability in property investment, therefore, recognises that environmental social and governance considerations need to be addressed alongside more conventional financial objectives.

At Legal & General Investment Management Real Assets (LGIM Real Assets), we understand that our business activities result in both direct and indirect environmental, social and community opportunities.

Having already made significant progress across a range of sustainability initiatives, we set a goal of reaching a leadership position in Sustainability performance. By receiving GRESB Green Stars for all our applicable funds, six years in a row, we feel that we are well on the way to achieving this. We aim to achieve our ambitions through the implementation of our Sustainable Real Assets Strategy.

RESPONSIBLE INVESTMENT STRATEGY

We set ESG objectives across the full range of our real estate investment and management activities, which assist the company in delivering its core objective of strong investment returns. These high-level objectives are implemented as property-level initiatives through our ESG strategy, with the expectation of a positive impact on income streams and capital values over the long-term.

To gain support for this process from key stakeholders, we aim to clearly articulate the connections between Sustainability and value creation / protection, particularly to our occupiers and shareholders, as we consider this engagement a crucial part of our fiduciary duty and responsibility as a landlord.

To ensure resilient long-term investment returns from our property portfolio/assets we recognise the need to employ highly tuned Sustainability risk management processes.

We have identified a set of key Sustainability issues and grouped these into four focus areas: Climate Change & Energy, Resource Use & Environment, Communities and Risk Management.

In order to ensure that the key risks within each focus area are effectively managed and that opportunities are fully realised, LGIM has implemented management procedures to generate and manage strategic targets in the following activity areas: Fund Management, Asset Management, Development, Refurbishment and Property Management.

This ensures that we manage all environmental, social and economic impacts, and maximise opportunities in a consistent manner

MANAGEMENT OBJECTIVES

Governance and Compliance – to maintain a Real Estate ESG Group, which will govern a suite of standards and procedures in order to effectively manage current and emerging risks and opportunities and drive performance. Key management and performance targets tailored to each activity area are set in order to continually improve and push LGIM beyond legislative compliance and other requirements.

People and Knowledge Management – to ensure ongoing commitment from all staff in embedding Sustainability initiatives throughout the company's activities and to build knowledge management systems and training. To direct the Research team to provide cutting-edge research and analysis to inform best practice across the business activities, helping us to remain forward thinking in our ability to tackle all emerging Sustainability risks and take advantage of opportunities (with particular reference to climate change).

Stakeholder Engagement – to communicate LGIM Sustainability objectives and strategy to all key stakeholders in order to make them aware of initiatives and support them as far as possible in engaging with the critical issues. This includes maintaining high levels of involvement with industry bodies, engaging with occupier 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.

Measurement and Monitoring – to establish key performance indicators in the areas of Climate Change & Energy, Resource Use & Environment, Communities and Risk Management.

Setting a baseline and rigorously monitoring performance is a key component in driving change and maintaining momentum to achieve superior Sustainability outcomes.

Target Setting – to focus on real, measurable performance improvements which will build occupier and investor trust and engagement. To this end, we will set stretching short-term and long-term management and performance targets, which fit with and go beyond relevant UK and EU government policy and legislation.

Reporting – to make sure that all our stakeholders have access to relevant information on our Sustainability performance, presented in a way that reflects our internal strategic and management approach. This can be achieved through a range of media and reporting methods.

ACTIVITY SPECIFIC OBJECTIVES

Our goal is to seek continual improvement in Sustainability performance across our business and we commit to best practice in the four core areas of our operation.

Fund Management – to develop and implement a portfolio risk mitigation and adaptation strategy. Incorporating the key Sustainability risks and opportunities from each of the four SPI Focus Areas into our decision making processes, this will help to support both investment returns and Sustainability performance.

Asset Management – to integrate the management of Sustainability risks as identified at Fund level into the asset management plans and to realise Sustainability

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related opportunities, particularly through landlord-occupier engagement on Sustainability performance.

Property Management – to support our managing agents in delivering annual objectives which aim to;

1) Control energy use, 2) Prevention of pollution, 3) Report publicly our environmental performance, 4) Maintain ISO 14001 to manage and continually improve the environmental impact of our property management 5) and to protect the environment.

Development and Refurbishment – to encourage high Sustainability standards are designed into any new development or refurbishment programme and that these standards are comprehensively reviewed on an annual basis. Furthermore, to minimise environmental and social impacts on site and through the supply chain and to maximise the creation of economic opportunities in the local community.

Bill Hughs, Head of LGIM Real Assets, holds board level responsibility for this policy and objectives. Functional leadership is provided by the Head of Sustainability and other dedicated ESG specialists within Real Assets, as well as a network of working groups within LGIM Real Assets and the wider LGIM organization.

LGIM Real Assets is also an active participant in a number of industry organisations working to promote and progress best practice. This SREI policy and objectives are compatible with the LGIM Socially Responsible Investment (SRI) policy and the Legal & General's Corporate Social Responsibility (CSR) requirements, and are reviewed at the end of each financial year.