LaSalle

UK Stewardship Code

2023 Report

Background

LaSalle Investment Management (LaSalle) is a leading real estate investment manager, both globally and in the UK, with over 925 people employed across 23 offices in 13 countries around the world. Our global headquarters are located in Chicago, Illinois, USA and as of June 30, 2023, we manage £61.2 billion of real estate equity and debt investments. LaSalle was established in 1968 and has invested across Europe and North America for over 40 years and in Asia Pacific for over 20 years.

LaSalle is a wholly owned, operationally independent subsidiary of Jones Lang LaSalle Incorporated (JLL Inc.). JLL Inc. is a listed company on the NYSE and recently had its credit rating upgraded by both S&P Global Rating (BBB+) and Moody's Investor Services (Baa1), equating to a 'stable' outlook. It has been named one of the "World's Most Ethical Companies*" every year since 2008 by the Ethisphere Institute and is one of Fortune Magazine's "World's Most Admired Companies.*"

LaSalle's global real estate investment activities are diverse by both type and geography. We offer a full range of products, sponsoring and investing in commingled funds, custom accounts, private equity and debt and real estate securities. We also manage co-investments, joint ventures and clubs targeting large-scale transactions. LaSalle has a diverse client base, which includes public and private pension funds, insurance companies, governments, corporations, endowments and private individuals from across the globe. Our institutional clients manage assets for millions of workers and pensioners, from teachers to firefighters, and healthcare workers.

Our UK client accounts are managed by our European private equity business, our European Private Debt business and our global real estate multi-manager business, (which we refer to as LaSalle Global Solutions). **This document specifically reports on behalf of these three business units within the context of the global LaSalle organisation.**

This report covers the period 1 October 2022 to 30 September 2023.

Figures are as of 30 June 2023, unless otherwise stated.

* World's Most Ethical Companies Ethisphere, 2023 - https://www.worldsmostethicalcompanies.com/ and Fortune Magazine, 2023 - http://fortune.com/worlds-most-admired-companies/

Principle 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The structure of LaSalle's business

Through its structured business lines, LaSalle offers a range of investment solutions designed to provide clients with differing means of obtaining exposure to real estate. These can be broadly categorised as investments made via commingled funds or custom account arrangements with the objective of each fund or account is to generate returns pursuant to a specific strategy based on:

(a) **Direct investments**: the acquisition of an ownership interest in one or more real estate assets (each a "direct" investment) which are managed on behalf of clients by our Private Equity business;

(b) **Private debt investments**: the provision of loans to third parties secured against real estate owned or otherwise controlled by that third party (debt investment) on behalf of clients by our Private Debt business

(c) **Indirect investments**: the acquisition of an ownership interest via a club, co-investment or fund vehicle (i.e., an "indirect" investment) in one or more real estate assets managed by a third party, but where LaSalle represents the client's interests via our LaSalle Global Solutions business; and

(c) **Public securities investments**: the acquisition of an ownership interest (i.e., via interests listed on a recognized stock exchange) in one or more real estate operating businesses (referred to as a "public securities" investment) pursuant to LaSalle Global Solutions mandates given to our Public Equity business.

Our Private Equity and Private Debt businesses, together with certain support and oversight-related roles are managed on a regional basis by reference to "the Americas", "Asia Pacific" and "Europe" (each region having its own management structure). LaSalle Global Solutions is managed on a global basis.

LaSalle considers its custom accounts, commingled funds and any other entity it has an advisory or management agreement with via one or more of its business lines as its "clients." Collectively and individually, for the purpose of this document, reference to "our stakeholders" means and includes our clients, employees, shareholders, regulators and certain counterparties that we carry on business with, either directly or on behalf of our clients.

As noted in the Background section (above), this document specifically reports on behalf of LaSalle's European Private Equity, our Private Debt business, and the European operations of the LaSalle Global Solutions business.

European Private Equity and Private Debt businesses

We have a single, integrated European operating platform which is designed to promote close collaboration between teams and offices. Our European business is headquartered in London, with offices across continental Europe located in Paris, Munich, Madrid, Amsterdam and Luxembourg City.

Our European Private Equity and Private Debt businesses each broadly categorises client's mandates by reference to "investment pillars" which align to certain generally recognised investment strategies and are shown in **Table 1** below.

Table 1 – Investment pillars

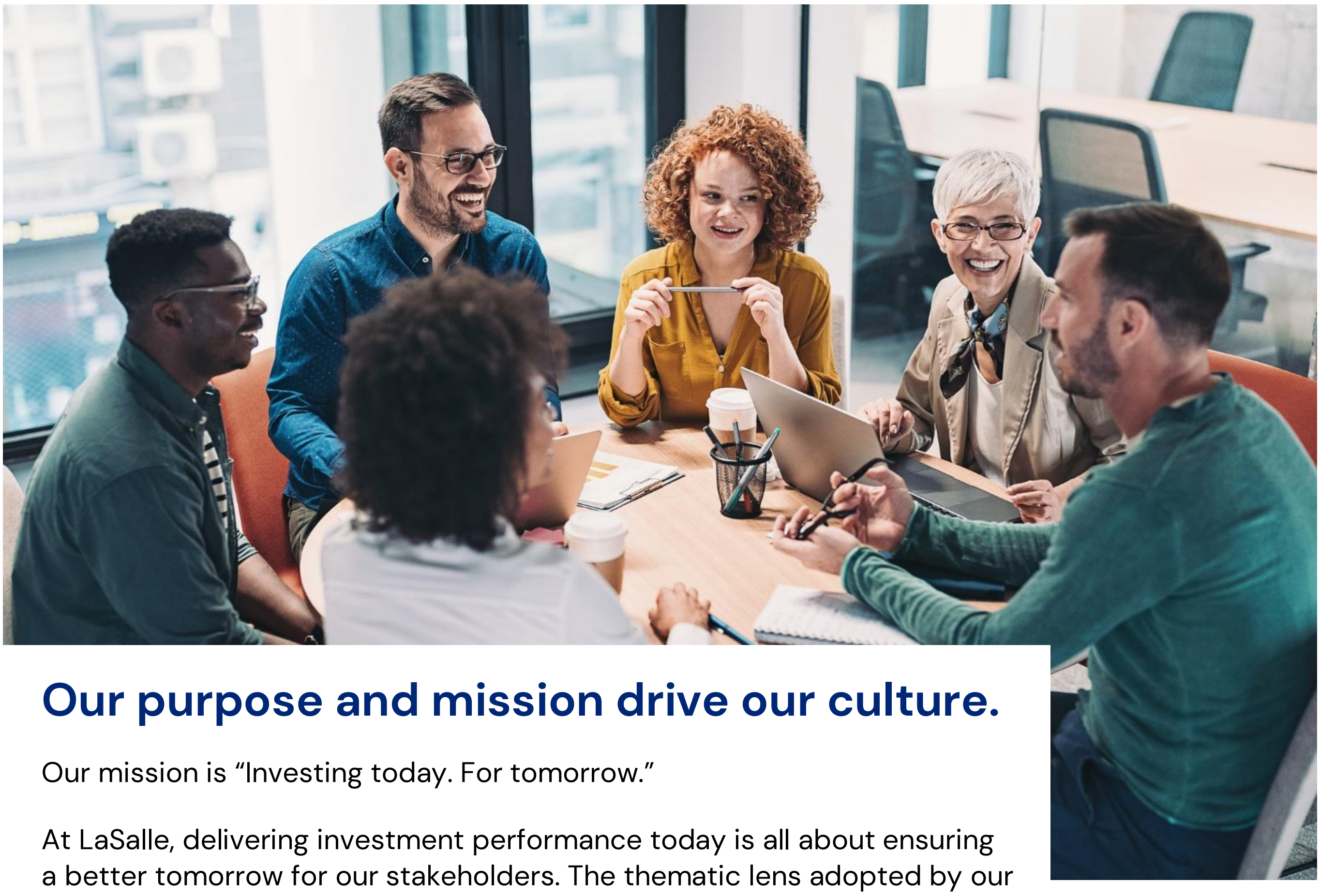
Investment pillars	AUM (£b)	Description
European custom accounts	£7.3b	Investing in direct property with a core/core plus risk profile for custom account clients.
European core commingled funds	£4.9b	Investing in direct property for our two commingled core/core plus pan-European funds; LaSalle Encore+ and LaSalle E-REGI.
European value-add strategies	£4.0b	Investing in direct property, with a synergetic approach to private real estate (higher returning) equity strategies, for custom account and commingled fund clients.
European debt strategies	£2.1b	Investing in loans secured against direct property pursuant to specific credit strategies for custom account and commingled fund clients.

Note: AUM figures subject to rounding. As of 30 June 2023

While the European core commingled funds are an integral part of our European Private Equity business, they are managed by our EU affiliates and as such they are outside the scope of this report. Due to its UK nexus, in respect of the European Private Equity and Private Debt businesses, this report focuses on the mandates managed by our UK regulated entity for the European custom accounts and European debt and value-add strategies pillars.

LaSalle Global Solutions business

The LaSalle Global Solutions business is dedicated to managing indirect investments in property via clubs, co-investments or fund vehicles (i.e., each an "indirect" investment) managed by a third party, but in respect of which LaSalle represents the client's interests. The team operates out of London, Chicago, New York, Baltimore and Singapore. The business unit has three functions investing across indirect public securities, unlisted funds as well as structured investments. The unlisted indirect team allocates capital to third-party managers and accordingly invests predominantly in real estate private equity and private debt commingled funds, co-investments and joint ventures on a global basis. LaSalle Global Solutions global assets under management (AUM) was £8.5 billion at 30 June 2023.



Our purpose and mission drive our culture.

Our mission is "Investing today. For tomorrow."

At LaSalle, delivering investment performance today is all about ensuring a better tomorrow for our stakeholders. The thematic lens adopted by our Global Management Committee (GMC) to drive this internally is centred around the phrase: **"People, Planet, Performance."**

At LaSalle, delivering investment performance today is all about ensuring a better tomorrow for our stakeholders. The thematic lens adopted by our Global Management Committee (GMC) to drive this internally is centred around the phrase: People, Planet, Performance. Our view is that delivery of investment performance and a sustainable future for our stakeholders are not mutually exclusive when acting as a steward of investment capital and that the broader economy, environment and society indirectly benefit when we deliver on our mission.

In striving to meet performance-related expectations we believe it is becoming increasingly important to have regard to both:

(a) sustainability as it relates to the investment lifecycle of real estate assets (which includes considering specific jurisdictional requirements and our client's investment objectives); and

(b) matters which concern the sustainability and viability of LaSalle as an ongoing business.

In each case, the management of short, medium and longer-term risks and opportunities such as sustainability factors incorporating (amongst others) those generically referred to as "environmental, social, and governance" (ESG) related matters need to be taken into account to the extent these are relevant to the interests of our stakeholders and also the broader economy, the environment and society.

Instilling a culture that promotes stewardship.

Although the section below titled "Principle 2: Signatories' governance, resources and incentives support stewardship" sets out additional detail in respect of our governance arrangements, we submit that our governance structure provides the cornerstone to how LaSalle retains a culture that promotes responsible stewardship. In this regard we note the following:

(a) **Global Management Committee**: As discussed above with respect to LaSalle's purpose and mission, LaSalle's GMC is central to ensuring that all employees understand LaSalle's mission and that the business is appropriately resourced and adapts strategies consistent with our mission. The GMC is acutely aware that the approach of the business to stewardship both globally and locally is dependent on "the tone from the top."

(b) **Global Sustainability Committee:** Our Global Sustainability Committee develops ESG policy, procedures and strategies, and sets global ESG goals.

(c) **Global Climate Risk Committee:** Our Global Climate Risk Committee ensures we incorporate climate risk specifically in all investment activities and to address the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

(d) **Global Consistency Task Force:** In 2023, we created our Global Consistency Task Force to improve investor reporting, identify internal process efficiencies and provide resources for improving our global messaging related to sustainability matters.

(e) **Regional Sustainability Committees:** These committees develop local initiatives, implement best practices and integrate sustainability in all investment activities aligned with investment performance and client contractual obligations. LaSalle's European Sustainability Committee is responsible for this with respect to the UK.

(f) **Investment Committees:** Our regional Investment Committees are required to consider investment level risks (including sustainability related risks and opportunities) in connection with material decisions and asset level strategic planning.

(g) **Board of Directors:** LaSalle's board of directors bear statutory and regulatory responsibility for the management of LaSalle's business.

(h) **UK Enterprise Risk Committee:** LaSalle's Risk Management Committee is mandated to identify material risks to LaSalle as an enterprise and recommend which should be prioritised, together with mitigation strategies to manage and/or plan a response to the impact of such risks materialising. This committee reports to the board of directors of LaSalle.

(i) **Managers:** Although leadership relating to investment decisions is overseen by the relevant investment committees, the day-to-day responsibility for each client mandate and long-term performance rests with the relevant fund or portfolio manager. LaSalle requires that its managers (with assistance from internal experts) identify, cost and plan for the management of reasonably foreseeable sustainability-related risks and opportunities at all stages of the investment lifecycle with a view to building longer-term "asset resilience" into investment-related decisions.

(j) **Remuneration Policy:** LaSalle's remuneration policy incorporates a requirement that employees are assessed (amongst other matters) for their contribution to LaSalle meeting any sustainability related matters consistent with the scope of their roles;

(k) **All employees**: Further detail regarding mandatory training initiatives that are specifically linked to sustainability related matters are discussed below with respect to Principle 2.

Alignment of approach, messaging and understanding of LaSalle's mission via the above groups means that the tone from the top is clear and that expectations of our employees with respect to their fiduciary obligations and the incorporation of sustainability-related factors into our business and operations directly for the benefit of our stakeholders and indirectly also the broader economy, the environment and society, is communicated and understood.

Our investment beliefs and strategy

Across the spectrum of products and services offered by LaSalle, our underlying objective is to meet the differing requirements of our clients with respect to their exposure to real estate (whether these requirements relate to their strategic allocation, risk/return profile, income, sustainability-related expectations, liquidity needs, etc). Our overarching duty is to act as a fiduciary and accordingly our primary responsibility is to always act in our clients' best interests - which means maximizing investment returns having regard to the broad strategic objectives, risk tolerance, investment constraints, applicable laws and other parameters upon which our clients have chosen to mandate LaSalle as their trusted advisor.

We believe that real estate is an important component of multi-asset class investment portfolios, based on its historically low return correlation to other asset classes, large size, and potential for inflation hedging. We believe in improving real estate market transparency and that original market research and an "owner mindset" support better investment outcomes. We also believe that many investors can optimize their risk / return profile as well as diversification through cross-border investment and by investing across the different quadrants of real estate (being those which we categorise as (1) direct investment; (2) indirect investment; (3) public securities investment; and (4) private debt investment).

Against the above background, our investment beliefs and strategy are shaped by five key components (each of which is interweaved with an element of stewardship and regard to sustainability-related risks and opportunities). These being:

(1) "DTU+E" themes – future-focused investment strategies
(2) Building "asset resilience" into the decision-making process
(3) Sustainability-related risks and opportunities considered throughout the investment lifecycle
(4) LaSalle's UK Fair Value analysis
(5) Our sustainability strategy is influenced by the UN Sustainable Development Goals (SDGs)

Each of these themes is examined on the following page.

(1) DTU+E themes: Future-focused investment strategies

LaSalle broadly subscribes to the thesis that medium and long-term investment performance of real estate-related investments will be driven by secular, society-wide themes which will shape real estate investment strategies and wider financial markets in ways that supersede and outlast the shorter-term property cycles. The on-going development and ownership of these themes are led by LaSalle's in-house research and strategy team. Specifically relevant to direct investments and indirect investments in particular, we believe that the four most important long-term secular themes driving real estate demand are:

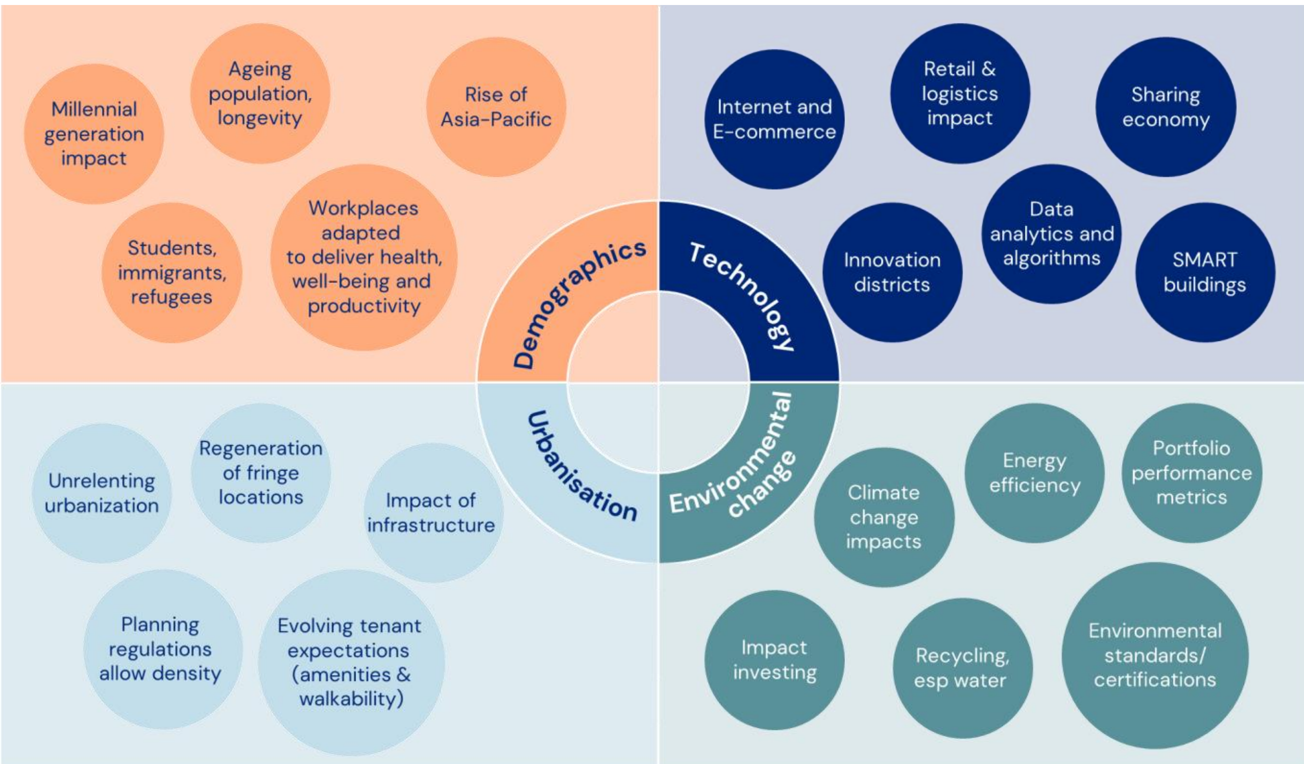
(**D)** demographics
(T) technological change
(U) urban and regional change, and
(E) environmental factors.

We refer to this framework as our DTU+E themes.

Examples of:

a) demographic drivers include ageing populations shaping demand for medical space and migration changing occupier demand for residential;
b) technological drivers are the impact of hybrid work on office demand and e-commerce on logistics demand;
c) urban and regional change drivers that matter for real estate are new transit links impacting the attractiveness of locations and changes in tenant density preferences; and
d) environmental change impacting markets are numerous, such as office tenants in London tending to relocate to buildings with high BREEAM and EPC ratings, barriers to new supply, and location-specific climate change risks.

Examples such as those set out above help to guide our views on favoured locations, sectors and asset types.



Public

ISA Focus report on the Value of Green: An example of our research into sustainability is our recently published report, *ISA Focus: What is the Value of Green?*

Numerous anecdotal examples have pointed to green asset features – such as its BREEAM rating or LED lighting - driving higher rents and values. The report seeks to go beyond these anecdotal examples to build a fuller picture of the evidence than a single study or example through meta-analysis of 41 studies. These were chosen from a larger group of over 100 studies; the subset was selected for being recent, pertaining to the last 10-15 years, empirical, and relating to institutional-quality real estate.

While this meta-analysis study does not provide a precise magnitude of impact, it does suggest there is a positive correlation. The meta-analysis finds "barring possible bias in that studies with ambiguous or negative results may not get published, the data supports a conclusion with high conviction that green characteristics are accretive to rents and values, although the magnitudes of these differentials are uncertain." The demonstrable value of a sustainable feature tends to be low at first when adoption and awareness is low, increasing as demand grows. Then the value of the feature as a differentiator eventually declines when that feature becomes standard and expected of core sets. Therefore, the premium for a particular building in a particular market will vary over time as different characteristics evolve over separate timelines.

New evidence on how ESG impacts real estate continues to be identified on a regular basis. Therefore, in order to track new evidence of price and value impacts from green building features, LaSalle has created a Value of Green Tracker. This document, available to LaSalle employees, lists studies of green features, collating reported findings from studies published by both academic sources and market participants. It includes a synopsis of results, to which market it applies, and extensive citation information to enable LaSalle colleagues to stay informed about this topic.

DTU+E themes – These themes (demographics, technological change, urban and regional change, and environmental factors) - already discussed as a component of LaSalle's investment beliefs in Principle 1 - inform LaSalle's proprietary forecasts of rent and yields in over 25 property types and geographies in the UK– which are a key resource for our investment teams. For example, the impact of hybrid work and occupier demand from technology industry tenants – part of the "T" - are each analysed in their own right and our judgement on the direction of those trends drives our forecast of London office demand and rent growth. Trends behind the 'D' of demographics, like population structure and migration, is an area of focus in our European Market View and a factor in our residential real estate forecasts.

Other LaSalle tools that help us select markets and assets, and to incorporate information on risk, include:

- **The LaSalle annual European Cities Growth Index (ECGI)** has been published since 2000. The ECGI ranks 175 European regions (over 30 of them in the UK) based on their prospects for long-term real estate occupier demand growth. The approach is a factor model with scoring based on forecast GDP and employment growth, real estate transparency, human capital, as well as sovereign default risk and political stability scores.

- **LaSalle European Human Capital Index.** This index assesses the human capital of a location and includes measuring workforce skills and education levels along with investment in technology, and research and development. We have found that strong human capital elements have driven superior productivity over time, translating into enduring demand and out-performance of the underlying real estate. Conversely, it highlights locations most at risk from long-term economic decline. It has also reinforced the importance of investing in resilient and adaptable assets in the right locations to attract tenants through cycles, allowing us to drive income generation.

- **Biannual forecasting.** On a biannual basis, the Research and Strategy team forecasts a wide variety of European real estate markets and variables, including total return, rental growth, capital value growth, income return and initial yields. When there is material uncertainty around the outlook, more than one scenario is produced, and probabilities assigned to each scenario. The Research and Strategy team leads a biannual discussion with investment decision-makers to set a shared market house view.

- **Asset-specific market reports.** The Research and Strategy team provides asset-specific quantitative rent growth and yield forecasts, as well as upside and downside scenarios, for underwriting new acquisitions and projecting portfolio performance. The team use modern statistical and machine-learning approaches, tailored based on the available data inputs, to inform many of these forecasts.

- **Strategy market reports.** Our qualitative market analysis includes LaSalle's flagship research reports, the *Insights, Strategy and Analysis* (ISA) publications. Our ISA Outlook provides a global overview of real estate investment strategy for the year to come. It compiles global views on macro real estate investment themes, local market forecasts, recommended investment strategies, and key market risks. Now in its 31st year, it provides insight on portfolio construction and the trends shaping real estate investment.

Service providers

LaSalle's commitment to sustainability includes commissioning third-party specialist services where it is appropriate to do so and/or additional resources are needed (where independent verification of objectives being met is needed, additional data is required, or specialist advice is sought). Further detail on these providers and how they are held to account is listed in Principle 8.

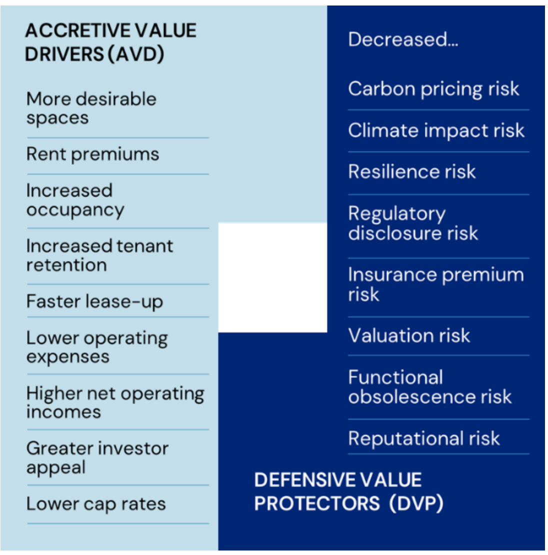
(2) Building “asset resilience” into the decision-making process

Although leadership relating to investment decisions is overseen by the relevant investment committees, our "performance culture" means that the day-to-day responsibility for each client mandate and long-term performance rests with the relevant fund or portfolio manager. Each fund and portfolio manager is supported by a team of experts dedicated to the provision of associated services that LaSalle provides depending on whether the relevant client mandate makes direct investments, indirect investments, public securities investments or private debt investments. LaSalle requires that its relevant employees (whether they are fund or portfolio managers, transaction officers, asset managers, members of our research and strategy team, development managers, or members of our dedicated sustainability teams) identify, cost and plan for the management of reasonably foreseeable sustainability-related risks and opportunities at all stages of the investment lifecycle with a view to building longer term asset resilience into investment-related decisions.

In our view, a culture which promotes the incorporation of sustainability-related risks and opportunities into material investment-related decisions constitutes prudent investment management and would be consistent with the expectations of our clients whether such matters are of a primary or secondary matter to them. In doing so, not only are we taking account of matters which may impact investment returns (which may be negative or positive), we believe that in doing so we also mitigate the investment-related risk that our clients’ investments might (in the worst case) become “stranded,” or in some other way be less financially attractive than they might otherwise have been to potential counterparties in the future (such as a purchaser, lender or occupier). It follows that where financially justifiable and prudent to do so, consideration of and initiatives to address such matters (and where within our control and consistent with the requirements of our clients, the incurring of capital expenditure) is likely to provide long-term benefits for our clients and other stakeholders (which indirectly includes the broader economy, the environment and society). These decisions are made using our professional judgment based on the best available information. It follows that we believe consideration of matters concerning asset resilience in relevant circumstances is consistent with our fiduciary duties.

Further to the above, we highlight that our approach to investment management seeks to protect, and where applicable, add value through a focus on “accretive value drivers” and fortifying “defensive value protectors” for each investment including, but not limited to, those listed in **Table 2** below.

Table 2 - Accretive Value Drivers and fortifying Defensive Value Protectors



(3) Sustainability-related risks and opportunities considered throughout the investment lifecycle

As an extension of the discussion above with respect to accretive value drivers and defensive value protectors, it is our policy that fund and portfolio managers, together with all other investment professionals, should be incentivised at all relevant stages of an asset's lifecycle to manage material sustainability-related decisions in a manner which promotes consistency and careful consideration of the accretive or defensive elements that arise in connection with both sustainability risks and opportunities.

Accordingly, we explain below how we embed certain sustainability factors into each stage of the investment lifecycle (i.e., from acquisition, through to active asset management and disposition).

(i) Assessing and managing greenhouse gas (GHG) emissions

In addition to the matters discussed below in paragraph (ii) below, LaSalle is of the view that an understanding and management of carbon emission issues is consistent with our obligations as a prudent asset manager; as such it is appropriate to consider the financial risks and opportunities, together with any relevant legal requirements on behalf of our clients that arise in connection with their investments and carbon emissions. We recognise that each investment will have its own unique sustainability profile and issues with respect to its carbon emissions and equally there will be a range of differing initiatives that will be available to mitigate carbon emission risks associated with each asset individually.

(ii) Climate change adaptation and resilience

For direct investments, LaSalle has globally adopted a Climate Action Plan pursuant to which we are targeting a reduction in scope 1 and scope 2, and to the extent possible, scope 3 GHG emissions on an "intensity basis" (i.e., by floor area) of:

- 50% by 2030 (as against a 2019 baseline); and
- 100% by 2050.

More broadly, LaSalle's fund and portfolio managers are required to consider steps to assess, adapt to and understand these risks. In this regard, we note the following.

Climate risk at an acquisition or funding level: Our managers are required to evaluate data from climate risk data providers for consideration with a view to identifying location-specific climate risks as part of the due diligence process for new acquisitions of direct investments and indirect investments. When considering the foregoing investments, our managers are required to consider:

- modelling data to assist with: (a) investment decisions and (b) whether appropriate limits of insurance are currently available to protect client interests should a natural hazard event occur; and
- measures (and associated capital expenditure) which might be implemented in order to prevent and/or mitigate loss for identified climate-related risks.

Climate risk and existing assets: Fund and portfolio managers responsible for direct investments and indirect investments are required to periodically carry out climate risk assessments for client portfolios to evaluate the impact of climate change risks and any resulting recommendations with respect to disposal and/or capital expenditures that might be required to mitigate such risks.

Although discussed in Principle 2 in greater detail, the above themes include a specific focus on climate change risk management. To promote a considered and consistent approach to climate change as part of the investment decision-making process, we have established a Global Climate Risk Committee.

(iii) Energy consumption

There is a growing recognition that buildings contribute a large portion of GHG emissions and that failure to mitigate and reduce the growth of GHG emissions will be to the detriment of the broader economy, the environment and society. It follows that that energy inefficient buildings face greater regulatory and obsolescence risk due to sub-standard energy efficiency. Accordingly, in order to protect our clients' interests and mitigate the risk of financial loss to them, in respect of acquisitions (and existing assets intended to be held for the long term) of direct investments and indirect investments, LaSalle requires that its fund and portfolio managers consider (via a baseline energy audit, or net zero carbon (NZC) audit) building energy use intensity (EUI) targets (in some cases this is for landlord-controlled use and in others, whole building).

With respect to EUI, our approach varies depending on whether an asset is an existing standing asset, or one which is subject to material development, refurbishment or near-term disposition (across this spectrum, the key drivers are the ability to directly implement initiatives through full control and access rights in respect of the investment and access to accurately metered data).

(iv) Renewable energy

Our fund and portfolio managers responsible for direct investments and indirect investments are required to consider the technical and financial viability of installing on-site renewable energy-generating equipment as part of any acquisition and periodically under asset strategy plans for operational assets. For energy demand that cannot be met via on-site generation, the relevant fund and portfolio managers are required to evaluate renewable energy power purchase agreements (PPAs) where available and the economics of doing so.

(v) Water consumption

LaSalle recognises that water consumption is an important aspect of sustainability; however, given differing global approaches and legislation, LaSalle does not currently mandate universal application of water consumption measurement and reduction. Notwithstanding this, each fund and portfolio manager is encouraged in respect of direct investments to consider (if an opportunity arises) asset-specific water management issues and related improvements.

(vi) Circular economy and waste management

When our direct investment business is considering a major development or refurbishment project, LaSalle requires that our development and project team consider material "circular economy" opportunities with respect to such projects.

(vii) Considering social factors relevant to investments

Social factors in real estate are complex and are typically unique to each property and each client. We encourage our fund and portfolio managers to consider the social factors that might directly impact investments they are responsible for and how those investments impact the immediate communities. This can take various forms such as investing in buildings with high walk scores, preparing buildings for health and wellness certifications, etc. The most effective approach is dependent on the phase of the asset lifecycle, such incorporating high design standards for well-being during development or a fit-out or the many community and social engagement activities our property managers deliver.

(4) LaSalle's UK Fair Value analysis

Specifically, on comparing returns and risk: LaSalle's research and strategy team forecasts inputs to expected returns (including market rent growth, vacancy, yields and capital expenditures) in over 25 UK property investment sectors (e.g., City of London prime offices). These proprietary forecasts take into account the DTU+E investment themes described previously, knowledge of pricing from market participants and brokers, and fundamentals like vacancy and occupier demand. We use "LaSalle's Fair Value" analysis framework (described in greater detail in **Table 3** below) to compare these expected returns with what we believe the required returns for a property type and geography should be based on risks we associate with that segment. LaSalle's Fair Value analysis is embedded in our investment processes and backed by a range of proprietary forecasts with respect to rent and yields.

These tools are at the heart of our approach to stewardship as they underpin our long-term allocation, management and oversight of capital. More detail is set out in Principle 2 and further detail is set out in LaSalle's annual flagship investment strategy publications, the ISA Outlook and the ISA Portfolio View.

Table 3: LaSalle's Fair Value framework

Principles of LaSalle's fair value approach

Over the past decade, selecting sectors with secular tailwinds has proven fruitful for investors. However, there is no guarantee that the current pattern of sector selection will be the same in another decade's time. Mispricing can be observed as bubbles form when markets get over-exuberant for strongly performing sectors and when out-of-favour sectors reprice as investor demand plummets. Additionally, market fundamentals tend to self-correct: supply finds ways to emerge in sectors with strong demand and underperforming property types may see a removal of uncompetitive stock. Just using the strength of historical fundamentals or momentum of recent returns is unlikely to provide excess performance over time; it is critical to consider the price paid relative to the prospective fundamental strength an asset offers. Because a fair value approach provides a disciplined framework through which to weigh all the factors impacting future returns, it is a critical part of portfolio construction and managing risk.

Fair value *is the comparison between:*

Required return	vs.	Expected return
= the return an investor **should demand**		= the return **offered by the market today**

Fair value approaches provide **discipline** and **consistency** for comparing expected returns with the returns we would require for a given asset. Investors should aim to be disciplined on the price paid for corresponding fundamentals and capital market conditions.

Projecting the absolute level of expected return of an investment is good starting point, but it is critical to **take account of the level of risk inherent to that investment**. Riskier assets require a higher margin of safety, because they can experience deeper periods of low or negative returns which could wipe out the excess expected return. By finding assets that are mispriced relative to their fundamental growth and risk profile, we can construct portfolios with larger margins of safety—excess on top of a typical market return.

More than just another analytical framework, this approach provides **a common language** that allows investors to focus on the key questions around decisions.

5. Our sustainability strategy is influenced by the UN SDGs

The ongoing evolution of our approach to risks and opportunities arising in connection with sustainability and stewardship related strategies is heavily influenced by the United Nations 2030 Agenda as set out in its Sustainable Development Goals (SDGs) in particular as they relate to direct investments and indirect investments given our control and ability to give effect to SDG-related initiatives and objectives, and where applicable with respect to our own business operations.

The SDGs are structured by reference to five pillars: People, Planet, Prosperity, Peace and Partnership. The SDGs are a collection of 17 interlinked objectives (and 169 associated targets) that were formulated in 2015 to create a global development framework for the future. The SDGs emphasize the interconnected environmental, social and economic aspects of sustainable development by putting sustainability at their centre. Although voluntary and not legally binding, as a set of goals, they are expected to play a crucial part in the progressive shift in the economic system towards sustainable investment.

Having regard to the nature of our business and real estate as an asset class, our Global Management Committee (see Principle 2) has determined that LaSalle will align with six of the SDG objectives (being those identified below).

Public

What effect have our actions had?

- Our purpose, beliefs and ESG strategy are by their nature forward looking; they are designed to help position our investments for the future. The full effect will therefore play out over the coming years.

- Our acquisitions process requires all proposed acquisitions to undergo ESG due diligence prior to acquisition, which based on the information available, and professional observations of our respective teams involved in that state of the process, are designed to assist LaSalle in identifying key risks; including, but not limited to, current and projected physical risks. This information is included within our Investment Committee submission templates.

- Our NZC pathway audit programme across our European direct investment portfolio has allowed us to assess transitional climate-related stranding risk potential. Whilst a portion of the energy consumption data has been estimated using building energy modelling software, and benchmarked against assets of similar energy performance, where it has been available, actual energy consumption data has been used to provide insight as to whether a particular investment is exposed to stranding risk (and potential issues which might give rise to additional capex). This stranding risk is assessed against the Carbon Risk Real Estate Monitor's (CRREM) methodology which has enabled the programme to measure and quantify this risk at the asset-level. These efforts underpin a deeper understanding at the fund level as to the climate risk profile.

- In 2022 we adopted the UK Pension and Lifetime Savings Association Carbon Emissions Template in order to provide financed emission metrics for some UK clients seeking to disclose their carbon emissions. This template allows investors to apply an aggregated metric across their portfolio from across asset classes. We have enhanced this template outputs to inform our clients of their market as well as location-based carbon emissions as well as both scopes 1 and 2, and scope 3 emissions. In 2023 we applied this emissions reporting capability across our UK funds in both direct investments and private debt investments to ensure we can facilitate clients for on demand reporting for their own disclosure purposes.

- While we have made progress, we recognise that we need to continue to refine both our investment philosophy and European sustainability strategy considering capital and occupier market trends, ensuring they remain relevant to our clients' needs. The increased focus and contribution of our Research and Strategy team to our stewardship activities are discussed in greater detail in Principle 2 (below).

- We have continued to develop in -house expertise (both in the form of enhanced sustainability and stewardship training for existing employees, but also through the hire of additional sustainability experts). These initiatives are discussed in greater detail in Principle 2 (below)

- We have developed detailed requirements relating to sustainability and stewardship matters which need to be included by fund and portfolio managers in their written submissions to our investment committees.

How can we improve?

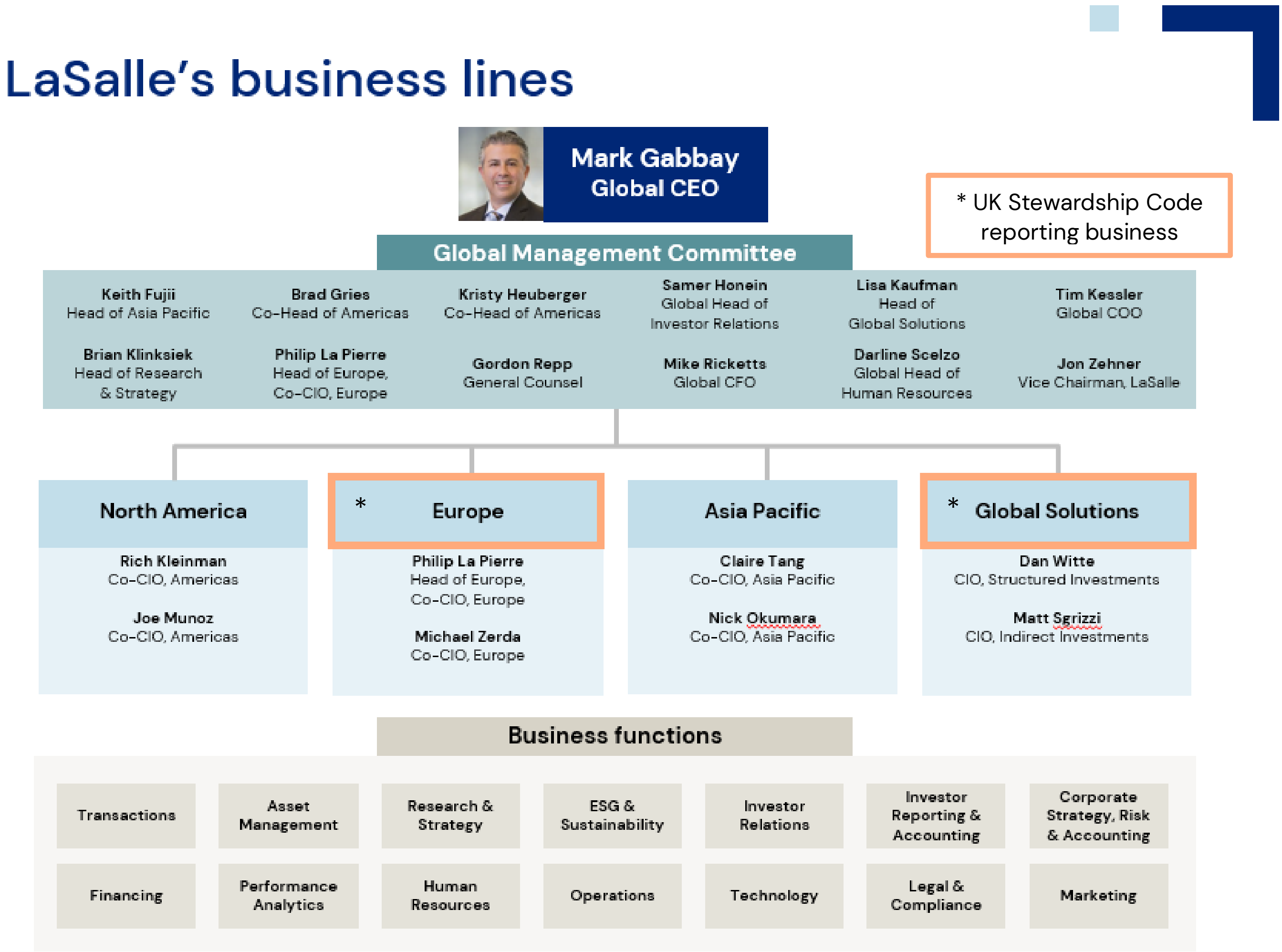
- We have conducted work with an external adviser to ensure that our approach to NZC is applied consistently to the global firm's indirect business unit, LaSalle Global Solutions. This work is based on four principles: Collect (consumption and emissions data), Engage (partners), Select (integration in the investment process) and Reduce (measurement and reporting on carbon).

- At the start of 2023 we updated our development standards which are set out in our "Building for our future: Sustainable Development Standards", which contains development targets we seek to achieve on all new developments and extensive refurbishments. To accompany this, we have developed a more extensive tool for project stakeholders (in the form of sustainability focused a "Development Checklist"). This first iteration covers both Offices and Logistics but can also be applied to other sectors. It is designed to be applicable at the initial Project Brief stage and to be reviewed in line with the Royal Institute of British Architects Plan of Work. The scope of this Checklist covers Climate, Resources, Nature, Community and Governance in 14 different sections including Climate Risk and Resilience, NZC, Circular economy principles, Water consumption, Biodiversity, Occupier health and wellbeing, Placemaking, Site and Supply Chain Management, Tenant and Community Engagement as well as Certifications. Each section is broken down into specific detailed requirements to inform stakeholders of specific requirements for performance and process. We will iteratively improve this tool based on user feedback and trial application to different asset classes across geographies.

Principle 2: Signatories' governance, resources and incentives support stewardship.

Structures and people

Our global operating structure is shown below in **Table 1**.



LaSalle global operating structure of 30 June 2023

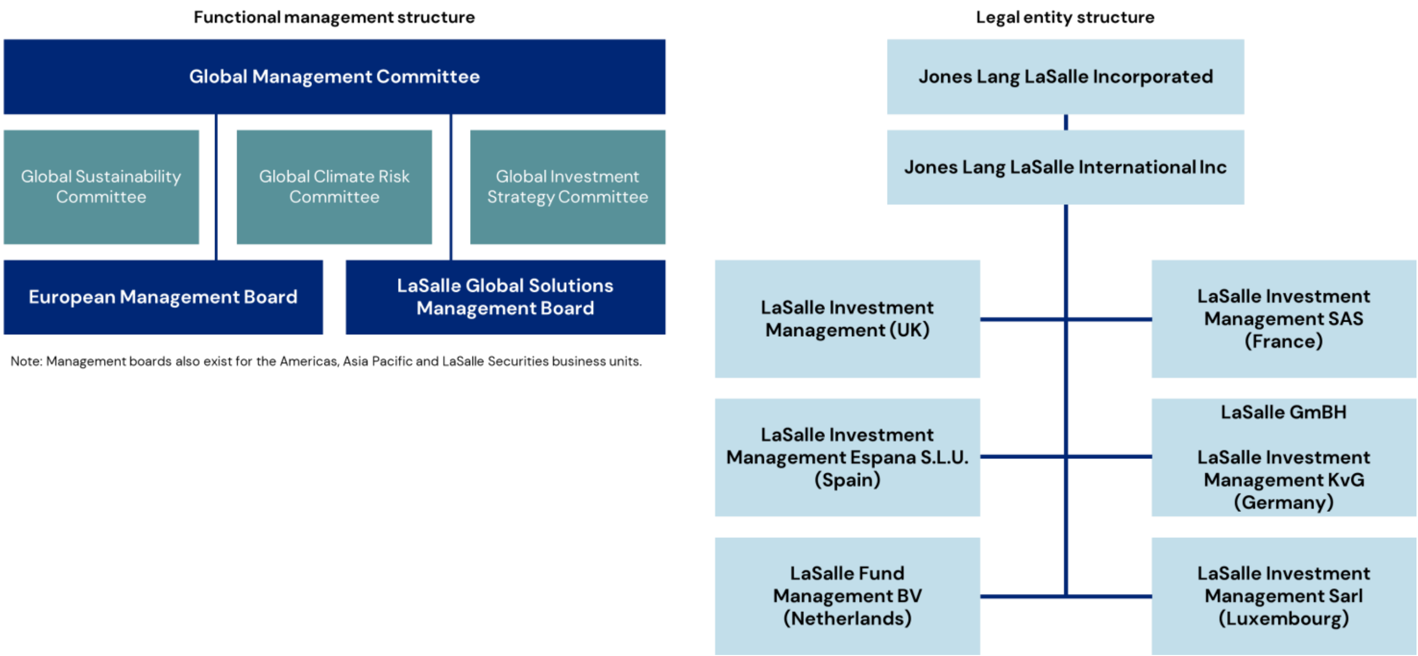
European Governance Framework

The European Private Equity (which includes our Private Debt business for this purpose) and LaSalle Global Solutions business units are each headed by a functional head, who is responsible for their units' overall performance and management. They are each advised by a management board, which is the principal strategic and day-to-day oversight forum. Philip La Pierre leads the European Private Equity business unit and Lisa Kaufman leads LaSalle Global Solutions.

To allow us to operate effectively within multiple regulated jurisdictions, LaSalle established several entities in Europe, each with a management board or committee of legally accountable directors.

The business unit management boards and legal entity boards are shown within their global context in the chart below (Table 2).

Table 2



Simplified chart of legal entities as at 30 June 2023

Simplified table of operating boards and committees as of 30 September 2023

Subject	Board/Committee	Purpose	Membership
Functional management boards	Global Management Committee	Principal strategic and operational oversight forum for LaSalle	Chairman, Global CEO, CEO Asia Pacific, CEO Americas, CEO Europe, CEO LaSalle GPS, CEP LaSalle Securities, Global Head of Research and Strategy, Global Head of Client Capital Group
	European Management Board	Principal strategic and operational oversight forum for European real estate business unit, including UK direct real estate, Continental European direct real estate and European Debt and Special Situations	CEO Europe (and Head of Continental Europe Direct), Head of UK Direct, Head of European Debt and Special Situations, CFO/COO Europe, Head of European Research and Global Portfolio Strategies, Head of Client Capital Group – Europe, European General Counsel, Head of Continental European Human Resources, Head of UK Human Resources
	LaSalle GPS Management Board	Principal strategic and operational oversight forum for LaSalle GPS real estate business unit	CEO LaSalle GPS, CFO/COO LaSalle GPS, CIO LaSalle GPS, Head of Europe LaSalle GPS, Global Navigator Fund Manager
Relevant global committees	Global Sustainability Committee	Develops ESG policies, procedures and strategies, and sets global ESG goals	Global COO, Global Head of ESG, Head of European Sustainability, Head of Americas Sustainability, Head of Development and Sustainability Asia Pacific, LaSalle Securities Sustainability Officer, LaSalle GPS Sustainability Officer
	Global Climate Risk Committee	Identifies and sets risk management policy in respect of climate change	Global Head of Research and Strategy, Global General Counsel, Global Head of ESG, Head of European Sustainability, Global Risk Management Director, 4 x global strategists
	Global Investment Strategy Committee	Established in Q3 2020. Develops and communicates high conviction global themes, identifies major risk factors and provides top down framework for business unit house views	Global CEO, Business unit CEOs and CIOs, Global COO, Global General Counsel, Global Head of Client Capital Group, Global Head of Research and Strategy, Regional heads of research, 5 x senior fund managers
Key European legal entities	LaSalle Investment Management ("LaSalle UK") Board of Directors	Legally accountable activities of entity	CEO Europe, CFO/COO Europe, Head of UK Direct, Head of European Debt and Special Situations. CEO LaSalle GPS, European General Counsel
	LaSalle SAS (France) Committee of Managing Directors	Legally accountable activities of entity	Head of France, Continental European Finance Director
	LaSalle Luxembourg entities Committee of Managing Directors	Legally accountable activities of entity	Head of Luxembourg, European CFO/COO, Head of European Compliance, Head of German Risk Management and Compliance, Head of Luxembourg and France Legal
	LaSalle KVG (Germany) Committee of Managing Directors	Legally accountable activities of entity	Head of German Fund Management, German Finance Director, Head of European Financing

Supporting committees

To enable the management boards and legal entities boards to effectively fulfil their oversight functions, a range of investment, ESG and risk committees have been established. In January 2023, the European Private Equity business unit merged its core and debt and value-add investment committees to drive greater consistency of approach across the European Private Equity business and leverage from more varied investment expertise. The structure is summarised in the tables below.

Subject	Committee	Reporting to:	Purpose	Membership
Investment Committees	European Debt and Special Situations Committee	LaSalle UK	Control of investment / divestment decisions or recommendations for European debt and special situations investments	Global CEO, CEO Europe, CFO/COO Europe, Head of European Research and Global Portfolio Strategies, European General Counsel
	Continental European Investment Committee	LaSalle SAS LaSalle KVG LaSalle Luxembourg	Control of investment / divestment decisions or recommendations for Continental European direct investments	CEO Europe, Global CEO, Head of France, Head of European Research and Global Portfolio Strategies, 2 x senior fund managers
	UK Investment Committee	LaSalle UK	Control of investment / divestment decisions or recommendations for UK direct investments	Head of UK, Head of UK Asset Management, Head of UK Research and Strategy, Head UK Real Return Strategies, Head of UK Absolute Return Strategies, Head of UK Relative Return Strategies, senior fund manager
	France Investment Committee	LaSalle SAS	Control of investment / divestment decisions or recommendations for French direct investments	Head of France, Head of Continental European Separate Accounts, Head of France Asset Management. Head of Continental European Finance (NV), Head of France Retail Asset Management, Head of France Compliance (veto), Head of France and Luxembourg Legal, Risk Manager
	LaSalle GPS Global Investment Committee	LaSalle GPS Management Board	Control of new investment / divestment decisions for LaSalle GPS	Global CEO, CEO LaSalle GPS, Global Head of Research and Strategy, LaSalle GPS CIO, Head of Europe LaSalle GPS, Global Navigator Fund Manager
	LaSalle GPS Regional Investment Committees	LaSalle GPS Management Board	Control of increased investment / partial divestment decisions for LaSalle GPS (x3 for Europe, Americas and Asia Pacific)	Europe: Head of Europe LaSalle GPS, European fund managers
	Portfolio Management Committee	LaSalle Luxembourg	To review and approve investment decisions for funds managed by LaSalle Luxembourg (advised by fund managers in other LaSalle entities)	Head of Luxembourg, Head of European Financing, Non-executive member
Sustainability, Diversity and Inclusion	European Sustainability Task Force	European Management Board Global Sustainability Committee	Design and execute sustainability strategy for European Direct RE business unit	Head of European Sustainability, Sustainability managers (2). Representatives from UK Direct and Continental European Direct investment teams (11), Research and Strategy representative (1), Client Capital Group (1), European Research team (1), LaSalle GPS (1)
	European Diversity and Inclusion Operating Committee	European Management Board	Design and execute diversity and inclusion strategy for LaSalle GPS	Head of European Research and Global Portfolio Strategies, Head of European Sustainability, Head of Continental European Human Resources, Head of UK Human Resources, Workstream leads
	European Debt ESG Committee	European Management Board Global Sustainability Committee	Design and execute sustainability strategy for European Debt and Special Situations Investment capability	Head of European Sustainability, 2 x Debt team managing directors, 2 x Debt team vice presidents, Development Director
Renumeration	European Renumeration Committee	European Management Board LaSalle GPS Management Board LaSalle UK LaSalle SAS LaSalle Luxembourg LaSalle KVG	Independent assessment of renumeration, in particular variable compensation	CEO Europe, European CFO/COO, Global CFO, Global Head of HR

Subject	Committee	Reporting to:	Purpose	Membership
Risk and Oversight	UK Enterprise Risk Committee	European Management Board LaSalle UK	Presentation and follow-up of the risk system, risk mappings, risk policy and stress tests	Chair: European CFO Members: Range of senior legal, compliance, operations and investment executives
	LaSalle Global Solutions Enterprise Risk Committee	LaSalle Global Solutions Management Board LaSalle UK	Presentation and follow-up of the risk system, risk mappings, risk policy and stress tests	Chair: Senior Executive of Global Solutions Members: Range of senior compliance, operations and investment executives
	LaSalle Global Solutions Deal Allocation Committee	LaSalle Global Solutions Management Board LaSalle UK	Management of conflicts of interest and the equality of treatment between investors	Chair: CFO/COO LaSalle Global Solutions Members: Regional Global Solutions heads, compliance and research executives
	Conduct Risk Committee	LaSalle UK	Independent group for assessing any adverse SMCR certifications	Chair: Head of Europe European General Counsel, Head of UK Human Resources, Head of Compliance (UK and Luxembourg)
	Allocations Committee	LaSalle UK LaSalle SAS	Management of conflicts of interest and the equality of treatment between investors (European Private business line)	Chair: Head of European Asset Management & Transactions Members: Compliance and performance staff
	Valuation Committee	LaSalle SAS	Validation of the retained value of real estate assets held by funds or discretionary real estate mandate	Chair: Continental European Finance Director Members: Senior French asset management and risk staff
	Compliance and Internal Control Committee	LaSalle SAS	Oversight of compliance and internal control subjects –each section head. Is to be advised and instructed by RCCI	Chair: Head of European Asset Management & Transactions Members: Senior French asset management, finance, legal and compliance managers
	France Risk Committee	LaSalle SAS	Presentation and follow-up of the risk system, risk mappings, risk policy and stress tests	Chair: Head of European Asset Management & Transactions Members: Senior French asset management, finance, legal and investment managers
	Conducting Officers Committee	LaSalle Luxembourg	Day to day management of LaSalle Luxembourg (matters ratified by the board)	Head of Luxembourg, Head of Luxembourg and France Legal, Head of Luxembourg Finance, Head of Compliance (UK & Luxembourg)

Supporting governance committees in Europe

As of 30 September 2023

Chief Financial/Operating Officer functions and Legal and Compliance function

The Chief Financial Officer and Chief Operating Officer functions are responsible for assurance of accounting and finance together with enterprise risk management and business support functions. The LaSalle Global Solutions CFO/COO is Rachel Fenwick. The European Private CFO is Alistair Seaton, and the COO is Beverley Kilbride.

The European Legal and Compliance function supports the CFO/COOs and risk committees in ensuring that LaSalle meets our local regulatory and enterprise risk obligations. We take a three-line approach to risk management with the 13-person European legal function providing first-line support, the 8-person European compliance function providing second-line support, and Deloitte, Mazars, PwC and KPMG providing third-line assurance (as internal and external auditors). The European Legal and Compliance function is led by Michael Coulton, European General Counsel.

Investor Relations

The Investor Relations team is responsible for building and maintaining investor relationships as well as promoting LaSalle's products and services to prospective investors. The team plays a key role in ensuring we deliver consistently high levels of client service across our products. Our relationship managers cover all LaSalle's global products and services and are based across the world to ensure full client coverage, they sit within the Global Investor Relations team which does not fall within the fund management team structure.

Sustainability function and ESG committees

There are Global and Regional ESG committees at LaSalle:

- **Global Sustainability Committee.** Reporting directly to our Global Management Committee, our Global Sustainability Committee develops global ESG policy, procedures and strategies, and sets global ESG goals against which regional heads of sustainability report back semi-annually.

- **Global Climate Risk Committee.** We established a Global Climate Risk Committee at the beginning of 2020 to incorporate climate risk specifically in all investment activities and to address the requirements of the TCFD. The committee has overseen working groups on Climate and Transition Risk, across our global markets; these initiatives are being reviewed with a view to formalising additional committee structures in 2023.

- **Global Consistency Task Force (GCTF).** Regional teams and business lines have evolved over time to meet their specific needs. However, this evolution identified a need for more global consistency in data management and reporting. In 2023 we created the GCTF to improve investor reporting, identify internal process efficiencies, and provide resources for improving our global messaging related to ESG and sustainability. The task force is chaired by our General Counsel.
- **Regional Sustainability Committees.** These committees develop local initiatives, implement best practices and integrate sustainability in all investment activities aligned with investment performance and client contractual obligations. LaSalle has three regional committees: the Americas Sustainability Committee, the European Sustainability Committee and the Asia Pacific Sustainability Committee.

The structure is supported by a dedicated sustainability team led by the Global Head of ESG, who is responsible for building on LaSalle's global ESG strategy and objectives, while driving programme execution in partnership with the firm's regional sustainability officers, senior leadership and portfolio stakeholders. Their oversight includes global ESG programmes, such as the firm's initiatives on ESG policy, ESG governance and ESG reporting.

James Pallett, a Chartered Accountant, has been appointed as a Director of ESG Investor Accounting and Finance to work at a global level to lead real estate carbon accounting and reporting ESG disclosures to investors.

In Europe, our dedicated sustainability team consists of seven full time members. The team is led by Alex Edds. Alex joined the firm in February 2022 from JLL, where he most recently served as Director of Innovation. Alex's principal role is to support the European business lines and Product teams with relevant advice and project delivery. Alex is a member of the European Management Board and the Global Sustainability Committee.

Over the last year our team grew again. In 2023, we hired a Net Zero Carbon Associate to support the NZC team in finalising our audit programme and advising on the implementation of the audits' findings and recommendations at asset level. Alex leads a team of based in London and Munich, the role of which is dedicated to supporting the business with sustainability and stewardship related matters at all stage of each investment lifecycle (this team includes technical experts to specifically address assessment of asset level initiatives and managing related commitments to NZC and CREEM alignment, for acquisitions, developments and existing assets.

Kathleen Jowett, based in London, is the appointed Head of Sustainability for LaSalle Global Solutions. Kathleen has 15 years' real estate investment experience and holds a Bachelor's degree in Architecture and a Master's degree in Real Estate Finance. In addition to sitting on our Global Sustainability Committee, Kathleen holds a range of industry sustainability appointments including Chair of the AREF ESG and Social Impact Committee and Chair of the GRESB Foundation Board (the key global real assets ESG benchmark organization). Previously, she was also an appointed member of the GRESB Advisory Board (2011-2021), which she chaired between 2017 and 2021.

For our European business, we believe that it is Alex's and Kathleen's blend of real estate investment and sustainability experience, together with their connectivity with the wider industry, that makes them best suited to placing sustainability at the heart our investment processes and practices, rather than treating it as an isolated subject matter; with leadership at the European Management Board this ensures implementation throughout our business lines.

In addition to the dedicated Sustainability team, the European business has designated subject matter representation from key business lines, such as Legal and Compliance, Investor Relations, as well as all key product teams participating in our European Sustainability Committee. These colleagues act as a sustainability lead within their business units and contribute their knowledge, expertise and perspective to operations of the Sustainability team. This set up allows LaSalle to leverage broader skillsets. It also helps us to understand client and market needs, and deliver the relevant insights and disclosures, and embed sustainability across the operations of our business.

Oversight via our Investment Committees

From a governance perspective, sustainability-related risks and opportunities as they relate to material investment decisions are bifurcated between those with responsibility for the investment performance of each client mandate (i.e., each fund and portfolio manager) and that group which provides oversight of material investment decisions (being the relevant investment committee of each business line). Within the foregoing construct, and having regard to the obligations of LaSalle as a fiduciary and any mandate-specific matters, LaSalle requires that:

(a) Fund and portfolio managers: each fund and portfolio manager and asset manager incorporate into their management of investment decisions (whether risks or opportunities) the effective implementation of our sustainability-related policies and procedures; and

(b) Investment Committees: each business line set out in a written charter a threshold level at which decisions relating to investments (which should include acquisitions, disposals, asset initiatives or financing for example) constitute a level of materiality such that the relevant fund and portfolio managers are required to present the proposed transaction to an Investment Committee (IC) for approval of that transaction before giving effect to it.

Amongst other matters, each IC is required to have regard to whether the fund or portfolio manager has taken account of sustainability-related risks and opportunities in a manner commensurate with LaSalle's fiduciary duties, the client mandate and any applicable legal requirements.

Having regard to the above, the GMC requires that each business line adopts a standard investment committee memo format that covers the fundamental underwriting and due diligence of the investment, including its catastrophic event and climate risk exposure, that can be addressed at both the asset and portfolio level.

Our Sustainability teams have been mandated to develop detailed due diligence and underwriting protocols that include physical, financial and climate-related risks, as well as catastrophic events, in an effort to manage sustainability risks and opportunities identified in respect of potential investments.

Training

LaSalle offers its colleagues a package of training solutions to support the change management required for embedding sustainability in the investment cycle. New joiners are required to undertake an online 'sustainability essentials' course of five training modules as an introduction to our parent company's extensive Sustainability Learning Hub. The JLL Sustainability Learning Hub provides a large range of self-learning courses available to all staff, covering sustainability themes or special interests, such as NZC or Biodiversity amongst others.

In late 2022, LaSalle commissioned a dedicated real estate ESG training course for our European staff and will run the training for up to 100 staff members by the end of 2023. The two half-day training for each participant is bespoke to LaSalle and aims to deepen the knowledge of market drivers, trends, key concepts and frameworks in sustainability as well as how to integrate sustainability across the asset lifecycle. The first cohort for 20 colleagues took place in June 2023. In total, five cohorts are planned and will be delivered throughout 2023.

In addition, LaSalle's in-house sustainability team delivers ongoing practical training and guidance to all staff on a range of topics. This featured a roadshow of training on "how to deliver NZC buildings", to various business units across LaSalle. Since October 2022, the NZC training programme was extended to Value-Add, Debt and Operations teams, ensuring that a further 25 colleagues have completed the training, bringing the total amount trained to 116 staff since May 2022. Further inhouse workshops are planned for Q3 and Q4 in 2023.

Together with our parent company JLL, LaSalle requires all employees to complete annual Ethics Certification to ensure that all employees understand their obligations under the JLL Code of Business Ethics and that they have the necessary skills and awareness required to navigate ethical dilemmas and conflicts of interest.

Research

We believe that robust research and investment processes lie at the core of successful real estate investment management. We have a global Research and Strategy team consisting of 29 people. Eleven members of the team are based in the UK and Europe, with nine based in the UK. The team is pan-European, with subject matter experts for office, industrial, residential, retail and niche alternative sectors. They focus on research and forecasts in each of the aforementioned sectors. The team also encompasses members with a focus on researching debt capital markets, and on data analysis methods. The Research and Strategy team curates a set of subscriptions to data providers, including JLL, PMA, Real Capital Analytics, MSCI, and Oxford Economics, with in-depth market statistics. The Research and Strategy team analyses this data and combines it with LaSalle's internal data and directly collected data to recommend optimal portfolio strategies and give input to individual investment decisions.

The Research and Strategy team contributes materially to our stewardship activities by providing detailed analysis on secular market drivers, which includes sustainability related factors. For example, the Research and Strategy team writes a market report for each new investment detailing the supporting rationale for the recommended underwritten market assumptions. Also, Research and Strategy works together closely with our Sustainability team to better understand the impact of green capital expenditures on real estate investments and to evaluate climate risk data.

Staff performance

LaSalle conducts an annual staff appraisal process. All employees are required to participate and there are three key stages: goal-setting completion, mid-year reviews, and year-end appraisal reviews. Managers are responsible for identifying objectives with their employees, both quantitative and qualitative criteria. In addition, several wider corporate objectives are in place on topics such as ethics, diversity, equity and inclusion (DEI), ESG and digital transformation.

All employees have sustainability-linked goals included in their annual performance objectives and are encouraged to make these goals relevant to their roles, level of responsibilities and perform towards them during the year. This plays an important role in incentivising and rewarding the right behaviours in relation to stewardship and our clients' long-term interests more generally. Overall, employees' performance against their annual goals directly affects their variable remuneration. The performance rating acts as a determining factor for whether the employee ultimately receives the full or part of the bonus potential for their role and responsibilities.

The European Remuneration policy (which is compliant with the FCA requirements) governs the remuneration framework applicable to our EMEA employees. At the centre of our remuneration policy is the alignment of individual incentives with LaSalle's risk management principles and investor interests. The policy outlines general risk alignment principles and provides for practical mechanisms of ensuring alignment of interests through setting out permitted ratios of variable to fixed remuneration and ex-post correction mechanisms.

Further, all staff who are classified as "Senior Managers" or "Certified Persons" under the FCA's Senior Managers and Certification Regime are subject to annual assessment of Fitness and Proprietary.

Diversity, Equity and Inclusion (DEI)

Our DEI initiatives are led and coordinated via our European DEI Operating committee (DEI OpCo). The DEI OpCo focuses on three pillars: community, wellbeing and DEI. It is chaired by Beverley Kilbride, European COO, and each pillar comprises of colleagues from the wider pan-European business. Together, they lead a diverse programme of activities to raise awareness in that area, drive employee engagement and help attract a more diverse workforce.

Key initiatives in 2023 so far included hosting a Summer x Pride Party in London which included an educational session around the use of pronouns, gender identity and how we can all be an ally to our LGBTQI+ colleagues and the wider community. Leaders, such as our Global General Counsel, Gordon Repp, attended. Brian Klinksiek, Global Head of Research and Strategy, shared an update on our progress in creating a more inclusive workplace at LaSalle and spoke about the importance of sharing pronouns openly to create a safe and inclusive workplace. We also marked Holocaust Memorial Day by welcoming a volunteer speaker from Generation 2 Generation to share her family survivor story via a global webinar talk.

LaSalle Europe also has specific DEI goals to drive more diversity balance, namely making positive progress toward a 50/50 gender split within LaSalle (currently 44% female in the UK). With partnerships such as Diversity Talk Real Estate, The Real Academy and Real Estate Balance, LaSalle offers opportunities to employees to join industry-leading conversations and network. In addition, senior business leaders at LaSalle participate in the Mentoring Circle initiative, established to address the gender diversity gap at senior leadership level within the property industry. While there is still much more to be done, we are proud to have achieved a key milestone in our DEI journey. Over the past year, LaSalle Europe saw the highest number of internal promotions of female colleagues since records began, with 51% of all promotions being awarded to female employees in 2022 vs 41% in 2021.

LaSalle has again worked with the 10,000 Black Interns initiative in 2023 and newly introduced the 10,000 Able Interns initiative in the UK as part of the Summer Internship Programme. After a successful first year in 2022, we again partnered with Big City Bright Future as part of a pan-European internship programme. Both programmes offer paid work experience, training, and development for young talent from diverse backgrounds.

LaSalle continues to provide a comprehensive wellness offering which includes virtual and in-person sports activities, talks and raising awareness of physical and mental health. Recent charity activities across Europe have included a memorial London to Paris bike ride, matched giving, tree planting, organised food and coat donation events and blood donations. A number of LaSalle London colleagues regularly participate in the annual LandAid Sleepout, an industry-wide fund-raising event. We also participated in the JLL Global Communities week which encouraged educational and volunteering opportunities for all to get involved.

Insight: Local Community Engagement / sharing economy

On behalf of a client, LaSalle has owned and manages a hostel for vulnerable people in London, such as the homeless, since 2018. The previous hotel facility was converted to a hostel and provides 85 bed spaces within 81 self-contained units; each unit includes private shower room/bathroom facilities and kitchenette.

Through collaboration across a number of different clients' sites we have been able to provide the residents with a more welcoming and fulfilling stay. Every summer we ask the students that occupy our student housing schemes around London to donate anything they believe would be useful to people joining us at the building. Last year we were able to send over clothes, bedding sets and kitchen equipment among other items. Furthermore, we repurposed furniture no longer required by a former tenant at a London retail property to create a welcoming area in the ground floor reception. LaSalle has itself contributed with staff donating books and puzzles as well the business donating redundant branded merchandise such as backpacks and stationery. Whilst managing a hostel that is grateful for donations is a specific case, we will also try to find a new home for unrequired items across all our portfolios. This most often occurs when tenants have made available furniture from our premises when they vacate, and these items are offered to local charities.

Insight: Careers in Focus event

In June, we hosted a Careers in FOCUS celebration event with one of our charity partners, IntoUniversity. Attending the event were students, aged between 16-17 years. IntoUniversity is an education charity that offers an innovative programme supporting young people from disadvantaged neighbourhoods, including further and higher education, employment and work-based training. Careers in FOCUS is a series of sessions for students, each based around a different career path. Students take part in various interactive workshops about the world of work, to gain experience and understanding of a variety of potential future careers. The intensive programme of talks and workshops introduces students to different careers, deepening their understanding of the working world and the skills and qualifications they need to pursue their ambitions.

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

We believe that effective management of conflicts of interest is critical to maintaining strong governance in the financial services sector. Given the breadth of our real estate investment activities, a wide range of conflicts of interest may occur (whether actual or potential). We therefore have a set of company-level policies and systems for common potential conflicts plus policies that relate to specific investment activities.

Our compliance function (see Principle 2) maintains a register that details reported conflicts as well as any mitigant implemented to manage the conflict. All employees are required to provide an annual affirmation as to their understanding of and compliance with our Conflict Policy contained within our EMEA Compliance Manual and the JLL Code of Business Ethics.

Broad sources of potential conflicts
Ownership – As set out in the Background section of this document, LaSalle is part of the global property services group Jones Lang LaSalle (JLL). We do employ JLL to provide services such as agency or property management instructions where they are considered to be best-in-class and fairly priced for a particular asset type, sector or location.

Personal – Our staff are bound by our Conflict of Interest Policy and our Code of Business Ethics that requires them to report any actual and potential conflicts of interest to our compliance team. Examples of conflicts include close relationships with people that work for competitors, suppliers, or clients, or have investments in property companies.

Manager and client alignment on stewardship – Our fiduciary obligations are paramount when undertaking investment activities pursuant to our client mandates. It follows that we strive to maximize the investment returns to our clients having regard to the strategic objectives, risk tolerance, investment constraints, applicable laws and other matters which have been agreed with our clients. Sustainability-related risks and opportunities (including relevant ESG-related factors) are considered in connection with material investment decisions (whether as a function of a specific strategy, as a matter of prudent asset management or as may be required pursuant to applicable laws), the relevant fund or portfolio manager that is the sponsor of such transaction is required to demonstrate (with the support of our internal teams, including transactions, asset management, sustainability and research and strategy teams) how such matters are expected to contribute positively to short, medium and/or long-term investment performance. This detail must be set out in papers presented to the applicable Investment Committee, and also in annual strategy plans and client reports.

European Private Equity and Private Debt
The three primary sources of conflict within direct real estate investing are the allocation: (i) of potential acquisition opportunities between mandates where both mandates could acquire the same asset; (ii) of transactions between mandates and (iii) between equity and debt investments.

Deal allocation conflicts – Our deal allocation conflicts system is governed by the European Deal Allocation Policy and overseen by the European Allocation Committee. An Allocation Committee report is circulated weekly summarising each new investment opportunity across Europe. If an investment opportunity is suitable for more than one client/mandate with similar investment strategies, the allocation will alternate fairly between mandates via a process of rotations (other than in circumstances where one particular client has a contractual priority right in respect of certain types of transactions, in which case that client would have a "right of first refusal"). Deals that were allocated by rotation are recorded in the history of the allocation rotation sheet to guarantee fair and even alternations between clients.

Given the wide range of mandates with differing investment objectives that we manage, it is unusual for acquisition conflicts to occur.

Transactions between mandates – Undertaking property transactions between client mandates is rare because of the difficulty in managing the interests of both investors. These are only recommended where there is an overwhelming case in favour of both accounts. When that occurs, strict controls, oversight and information barriers are put in place, external valuers are used and informed client consent is sought, even for discretionary custom accounts. All transactions between mandates must be approved by the Regional COO, the Regional General Counsel as well as the Global General Counsel. Furthermore, a summary of conflict mitigation measures must be submitted to the Compliance Function which oversees its implementation.

Allocation of debt investment opportunities: Within real estate debt, investments are generally allocated based on a prioritisation system as set out in each fund or custom account Investment Management Agreement. For example, the LaSalle Residential Finance Series has priority over all residential development opportunities in the UK which fit within their investment strategy. Investors (either in co-mingled funds or custom accounts) are aware of the priority at the start of their mandate.

Our debt fund managers do not lend to LaSalle entities, or any mandates managed or advised by LaSalle; all debt for our direct investments is sourced externally.

From time to time, very large debt investment opportunities are sourced by LaSalle's Private Debt business. If, for example, these are too large for a single client, then the team will consider whether a co-investing syndicate comprised of LaSalle clients can be formed. This gives rise to conflict related questions that are required to be considered and approved by the Investment Committee (these include determining the proportion of the opportunity that should be allocated to each client, alignment of investment periods and enforcement issues). The table below discusses syndication issues in additional detail.

Company
Multiple LaSalle Debt Investment mandates.

Issue
Where a potential debt investment opportunity is too large for any individual mandate and it fits the investment objectives of multiple mandates, debt Investments clients may seek to co-invest in an individual transaction.

Objective
Creating co-investment opportunities for multiple mandates.

Action
Co-investment of multiple mandates within a single transaction has multiple benefits shared by all investors, including greater diversification across a larger number of transactions as well as access to larger investment opportunities.

The split of the prospective investment opportunity between clients is determined following the prioritisation system mentioned above, taking account of available capital commitments and portfolio composition within the respective mandates.

It would be typically the case that such co-investment investment is split on a pari passu, side-by-side basis, meaning that no LaSalle client is prioritized or subordinated to another in a repayment waterfall.

Such approach allows us to ensure that the interests of all clients concerned are aligned on a comparable risk/return profile, thereby minimising any potential conflict of interests.

Case Study

In Q1 2023, LaSalle executed a large €300 million+ mezzanine debt investment. Due to fund concentration risk and restrictions, the fund with priority over the transaction decided to share the investment across a number of LaSalle funds and separate accounts. To ensure that conflicts of interest were adequately managed and explained to the investors, the transaction team worked closely with the compliance function.

The details of the conflicts management arrangements were also considered by the European Investment Committee and the Portfolio Management Committee as part of the broader deal analysis.

Conflicts between debt and equity teams – On occasion, our Debt Investments team will be approached by external sponsors for financing support on potential assets for sale on which our real estate equity investments teams may consider bidding. In these circumstances, the Debt Investments team will terminate any initial discussions.

LaSalle Global Solutions

There is a potential conflict of interest between our European Private Equity and Private Debt and LaSalle Global Solutions business units. LaSalle Global Solutions is privy to market information from external fund managers that are competitors to our European Private Real Estate and Private Debt business regarding potential asset transactions, investment strategies and valuations. Similarly, the European Private Equity and Private Debt business has a strict duty of confidentiality on behalf of its own clients' interests.

To mitigate this conflict, LaSalle Global Solutions has a high degree of independence and separation from the other business lines. Most importantly, we operate a strict information barrier between our Private Equity business and our indirect real estate investment teams. In this regard, we note that LaSalle Global Solutions has a separate governance framework, management board, investment committee structure, valuation committee and enterprise risk committee.

Conflicts and third-party commitments: One source of potential conflict for the LaSalle Global Solutions business continually addresses is that relating to the allocation of available investment opportunities as between LaSalle sponsored direct commingled funds. Where more than one client has a strategy that means a commitment to a third-party fund would be suitable for both clients, the LaSalle Global Solutions teams first seeks to meet the investment demand on both of such clients.

However, if the amount that is available for investment with a third-party manager is limited for some reason, then such investment opportunity will be first considered on a pro-rata basis for those clients.

Conflicts and LaSalle managed funds: LaSalle Global Solutions seeks best in class investments for its client mandates and is agnostic whether they are managed by the LaSalle direct teams or third-party investment managers. Some LaSalle Global Solutions clients do not permit such 'in house' investments, whilst others require their consent. If such investments are permissible by the client, then the same rigorous due diligence process is undertaken for an internal investment, as if for any other.

A good example is LaSalle's Encore+ Fund, which clients of LaSalle Global Solutions have invested in for a number of years. LaSalle Global Solutions receives the same amount of investor information and is treated as any other investor in Encore+. LaSalle Global Solutions receives no fee discount or preferential terms with this investment. Likewise, the same rigorous investment approach is initiated on Encore+ by LaSalle Global Solutions as on any other investment.

Conflicts and secondary trades: Conflicts can arise in the allocation of secondary trades. For example, if a line of stock is to be sold or purchased and there is too much demand from LaSalle Global Solutions clients, then the trade will be applied pro rata between the LaSalle Global Solutions clients. This pro-rata will be based on the size of the requirement for each client. In respect of co-investments and joint ventures, deal allocation is determined on the basis of a rotation queue and specific principles set out in the LaSalle Global Solutions Deal Allocation Policy. Transactions between clients ("cross trades") are subject to the same approval process as cross-trades within the European Private Equity business.

Case Study
Transacting unlisted stock between clients internally.

Objective
Ensuring transaction is fair and equitable between all parties concerned.

Action
In early 2022 a LaSalle Global Solutions client asked to reduce their portfolio by £50 million as they were over-weight to real estate. A sales plan was agreed with the client, with regard to what stocks had demand at their juncture and pricing. One of the positions was in a specialist healthcare fund. Another LaSalle Global Solutions client had a buy requirement for this specialist healthcare fund. Units were not available in the primary market and any transaction would therefore have to be through the secondary market. LaSalle Global Solutions put these units for sale on the secondary market and a price was obtained by the brokers for such a trade. Once this was obtained then LaSalle Global Solutions worked with the internal LaSalle compliance team on the trade.

Outcome
Both clients benefitted from this trade, as it was an arm's length transaction and no brokerage was payable, which would have been 25 basis points on the buy and sell side. The transaction reflected the pricing that could have been achieved via a secondary market broker. There was no counterparty execution risk on this trade, as can be the case with over-the-counter transactions and both clients benefited through the speed of the execution.

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Management of enterprise risks and investment related risks
LaSalle's approach to the management of market wide systematic risks can be broadly described by reference to the management of "enterprise risk" on the one hand and "investment risk" on the other (albeit, the two may give rise to issues which fall within both of these) The identification and management of enterprise risk and investment risk are the primary responsibility of the LaSalle's Head of Europe (who also functions as LaSalle's Co-Chief Investment Officer). He is supported with regard to:

(i) Enterprise risk by the European Chief Financial Officer (whose role formally includes the management of enterprise risk and) who chairs the UK Enterprise Risk Committee; and

(ii) Investment risk, by each of:
- LaSalle's other Co-CIO (being the Head of Debt and Value-Add Strategies);
- LaSalle's dedicated Head of Investment Risk Strategy and Management;
- and the European Investment Committee.

Specific to this Principle 4, LaSalle's Head of Investment Risk Strategy and Management is tasked with assessing both systematic and specific risks in respect of material asset transactions and portfolio related transactions.

Rather than a framework that constitutes a "risk police" culture, our objective is to evaluate and manage trade-offs between investment risk and reward. In addition, a key focus here is to differentiate between undiversifiable and diversifiable risk. Financial theory suggests investors are only compensated for undiversifiable risk; hence a key mission is to minimise diversifiable risk to optimise the risk/reward balance.

The goal is to assess and mitigate systematic and specific risk on a forward-looking basis based upon an improved understanding of these potential risks, and how they have impacted investment performance in the past. Our approach therefore rests on three elements, being the following.

1. **Investment risk management** – Managing the direction of and extent of exposure to risk, adjusting risk-taking behaviour in a sensible way over the overcautious-to-heedless spectrum.

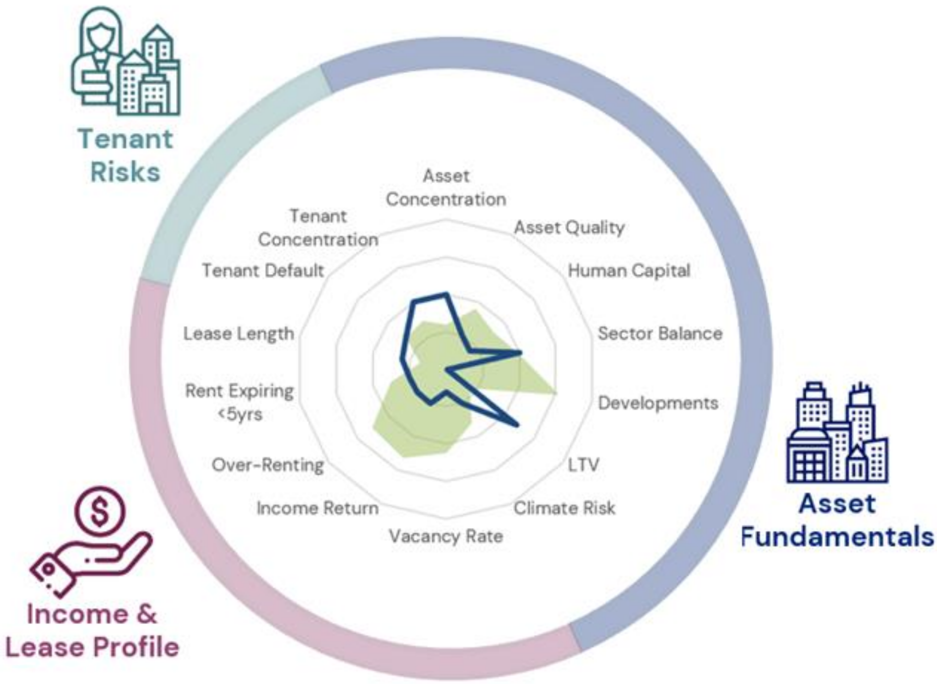
2. **Physical damage control** – Assessing the "risk impact" of identifiable and potential events (including those which might arise at systematic and specific asset level, such as climate change risk) over "risk periods" and putting in place prudential measures (such as appropriate capex, insurance, hedging, diversification, disposal strategy etc) with a view to preserving client capital.

3. **Opportunity capitalisation**–– Avoiding excessive caution by positioning to take advantage of opportunities to improve the prospect of converting promising possibilities into actual benefits.

Specific risk tools

LaSalle tracks and responds to systemic risk exposure using specific tools developed by our Research and Strategy team. Examples of these tools include:

- **LaSalle risk webs:** Portfolio Screens is LaSalle's proprietary portfolio risk management tool. Linked with our valuation and property management systems it allows for virtually real time access to all our asset level data. The key output from this is the risk web (illustrated below). Pioneered by LaSalle in the early 2000s, the risk web is a technique for graphically representing the risk profile of a portfolio. Based on years of extensive testing and management of portfolios, we have honed the risk web to include the variables we believe could meaningfully influence the performance of a portfolio. The precise variables are interchangeable to reflect the bespoke requirements from each client. The key is to understand where we want to be taking on considered risks to achieve our performance objectives. The risk web helps to us articulate this process clearly relative to the market, whereby higher than normal risks under one category are mitigated by lower risks in other elements of the risk profile.



Original market research on key real estate topics related to systemic risk: Examples include our recent ISA Briefings on the impact of mortgage resets (link here), residential rental regulation risks (link here), and vulnerability to energy shocks (link here). We also track systemic risks as part of our European Market View (link here) and Macro Quarterly (link here) publications.

Weekly macroeconomic data discussions: The Research and Strategy team presents and discusses changes in UK swap rate curves, inflation readings, economic indicators like PMI readings, and exchange rate movements – with a focus on their real estate impacts – with LaSalle's Debt and Value-Add team.

- **Capital Markets Dashboards:** We have designed proprietary dashboards to monitor and react to specific systematic risks. The Capital Markets Dashboard looks at independent data for three key areas which we believe are likely to provide advance signals that anticipate changes in market conditions.
    1. Real estate supply/demand: These metrics measure macroeconomic growth forecasts that are correlated with demand for real estate. They compare real estate occupancy rates and the level of supply response vs. history. These also measure what corporate bond spreads imply about tenant credit and risk aversion.
    2. Debt/equity flows and terms: These metrics measure whether bank lending is conservative or aggressive, bank credit, and retail investor real estate fund capital flows.
    3. Real estate's pricing relative to the capital markets: These metrics capture how real estate is priced relative to government and corporate bonds; how public REITs are priced relative to stocks broadly.

An example of the Capital Market Dashboard for the UK is shown below. Importantly, the dashboards set thresholds for each indicator, dividing readings considered positive, caution, or in the danger range. When indicators move into caution and danger, it influences our base case projections of rent growth for individual properties, and the heightened risk signal is distributed to LaSalle investment teams and posted internally. These indicators help our investment teams predict market turning points (including market liquidity) and guide purchase and sales activity.

Public

- **Global Real Estate Transparency Index (GRETI).** For over the past two decades, JLL and LaSalle have played a leading role in the pursuit of greater transparency and higher ethical standards in the global real estate market. Through eleven editions of the GRETI, we have created what is today a widely used and highly valued industry benchmark for assessing transparency. Market transparency is the foundation which allows investors and corporate occupiers to operate and make decisions with confidence. It enables governments and public bodies to function effectively, providing long-run benefits to local communities and the environment. Without high levels of transparency, real estate markets cannot work efficiently. The most recent report (2022) can be found here.

Case Study: Global Banking Monitor

Counterparty risk is a key cornerstone to the effective management of capital on behalf of our clients. Banks can be tenants in the buildings we manage but what is unique here is that we could also have borrowing relationships with them. This has always required oversight, however following the market volatility triggered by the collapse of Silicon Valley Bank in Q1 2023, a global initiative was launched to formalise and enhance monitoring controls focusing on the health of the banking sector with a particular emphasis on capturing potential contagion. Co-ordinated by LaSalle's Head of Investment Risk Strategy and Management (IRS&M), resource was provided by a global group that ranged from Research, Capital Markets and the Treasury teams to ensure business wide alignment.

Utilising the Refinitiv Eikon data platform, a model was developed that focused on key data points where changes in these measures have signalled issues within institutions. For a list of over 100 institutions, the tool includes measures such as share price, credit ratings and liquidity coverage ratios. It also includes Credit Default Swap spreads, a financial swap used as insurance against default, this typically spikes when there is perceived risk associated with an institution. In addition, we monitor Additional Tier 1 (AT1) bond trades. AT1s are the riskiest type of bond to hold due to their ability to be converted into equity or be written off entirely (as was the case with Credit Suisse). Elevated activity indicates there may be some underlying concerns or it could just be speculation. Monitoring these measures in a dashboard with key deltas over different time periods helps us to understand the magnitude of any potential risk. Colour coded flags also help us to focus on the most significant changes.

At the height of banking uncertainty, the tool was updated on a daily basis, however as the situation has calmed down, we are currently operating on a weekly refresh cycle. Available on an internal SharePoint site for easy access, major changes are communicated by our Director of IRS&M to this same global group that includes our global CEO, regional leadership, as well as our various treasury groups who are monitoring the tool against the deposits LaSalle hold. A feedback loop within this group is maintained so that whenever any news comes to light in one region it is shared with the rest of the group to ensure we keep a keen eye for any potential contagion.

The development of the tool has helped supplement our suite of tools that gives us comfort around the monitoring of wider macro conditions. At the same time, it has provided our clients with additional comfort around our processes.

Fund liquidity

Liquidity in units of commingled funds has been a well-publicised private market systemic risk, especially in the aftermath of the Global Financial Crisis, UK referendum on EU membership and onset of the Covid-19 crisis. It is a particular issue where there is a disconnect between client expectations and deliverability.

The majority of investments managed by our European and LaSalle Global Solutions business units are held in custom accounts. Client liquidity needs are regularly discussed, and changes are flagged, often many years in advance. Liquidity is also less of an issue in our closed ended funds. We aim to provide sufficient flexibility in our fund documents to mitigate liquidity issues at the end of a fund's life.

The relevant business units run three widely marketed open ended funds: Encore+, our flagship pan-European direct fund; E-REGI, our pan-European direct fund for German investors only; and Global Navigator, our global four quadrant fund. Both Encore+ and Global Navigator are domiciled in Luxembourg under the supervision of an affiliate authorised Alternative Investment Fund Manager. E-REGI is domiciled in Germany. LaSalle UK acts as an Investment Advisor to the Global Navigator fund.

Although we have the option of suspending the three funds in extreme circumstances, market conditions and stable investor flows meant that all three funds remained open during both the Covid-19 crisis and the ensuing 2022 downturn.

Climate risk

As described above in Principle 2 in respect of our governance arrangements, LaSalle believes that it has a robust risk management framework in place to address climate risk (which itself presents a broader category of risk). [return/paragraph]

LaSalle's Global Management Committee established the Global Climate Risk Committee and mandated it to further LaSalle's efforts in this area and lead the business in measuring and managing this evolving risk in order to both mitigate it, as well as identify opportunities that may result, with a view to driving investment performance. The Global Climate Risk Committee mandate covers:

1. Identify, measure and evaluate climate risk – including physical risk assessments, transitional/regulatory risk assessments, market level risk assessments (nonbuilding specific), and Insurance impacts, cost and availability;
2. Incorporate into investment decisions–– including market analyses by research teams, at acquisition, asset management of standing assets, and in portfolio strategic planning and hold/sell analysis at the asset; and
3. Implement the above on a globally consistent basis and share best practices around resilience strategies across global businesses.

LaSalle's overall risk management process starts with the investment teams, with review and oversight by each business's relevant IC. The IC must review and approve every major investment transaction before close. The IC also reviews and approves at least annually the strategic plan of each portfolio within the business. The processes require a thorough review of the risk exposures and related return. Climate-related risks are reviewed alongside all other risks through this process.

We have several lines of defence when it comes to identifying climate risks in our portfolios:

- **Line 1**: Investment teams/sustainability teams: review and monitor risk exposure at acquisition and throughout the hold period
- **Line 2**: Risk management processes and tools, such as those described above, to ensure disciplined review of risks and mitigation objectives
- **Line 3**: External audits (energy audits, NZC audits, building resiliency studies)

Through these processes we identify assets with high exposure to various climate risks. The outcomes of these assessments will be used to inform viability considerations during asset business plan reviews in order to identify technical and commercial risks for assets and fund vehicles.

Climate assessment – acquisitions: Sustainability-related risks and opportunities (including relevant climate risks) are considered in connection with material investment decisions (whether as a function of a specific strategy, as a matter of prudent asset management or as may be required pursuant to applicable laws) alongside other investment characteristics. Our transactions teams, asset managers and portfolio managers review climate risk related data at key points in the investment process, including at the time a new investment is identified, annually for standing investments, and annually in aggregate at the portfolio level.

Climate assessment – existing properties: Existing portfolio assessments are reviewed at least annually with the IC, where climate risk is evaluated amongst other portfolio risks as the portfolio managers set objectives and goals for the year, inclusive of hold/sell evaluations.

In terms of existing risks, LaSalle conducts physical hazard assessments. Modelling data is used as a tool to help:

1. with investment decisions; and
2. determine appropriate limits of insurance to protect investor financial interests and restore structures and operations should a natural hazard event occur.

Preventive / mitigation loss control strategies are developed for exposures identified. Asset and Portfolio Managers visit properties regularly to inspect and discuss issues and associated risks with property management teams. Regulatory and occupational risks are similarly addressed in conjunction with the physical due diligence and sustainability teams. Risk assessments include the annual third-party property manager's ongoing building assessment and inspection.

Our pathway to NZC

also presents a broader market risk, and also an asset specific risk. We have carried out extensive work on our pathway to NZC and continue to measure and monitor our progress along this pathway at the portfolio and asset level. This includes conducting audits our direct equity assets, charting their path along a CRREM curve, and evaluating decarbonization strategies to implement in the business plan. We are actively seeking ways to evaluate assets as quickly and early as possible ahead of acquisitions to understand the potential cost for alignment and to monitor the potential impact on a portfolio pathway.

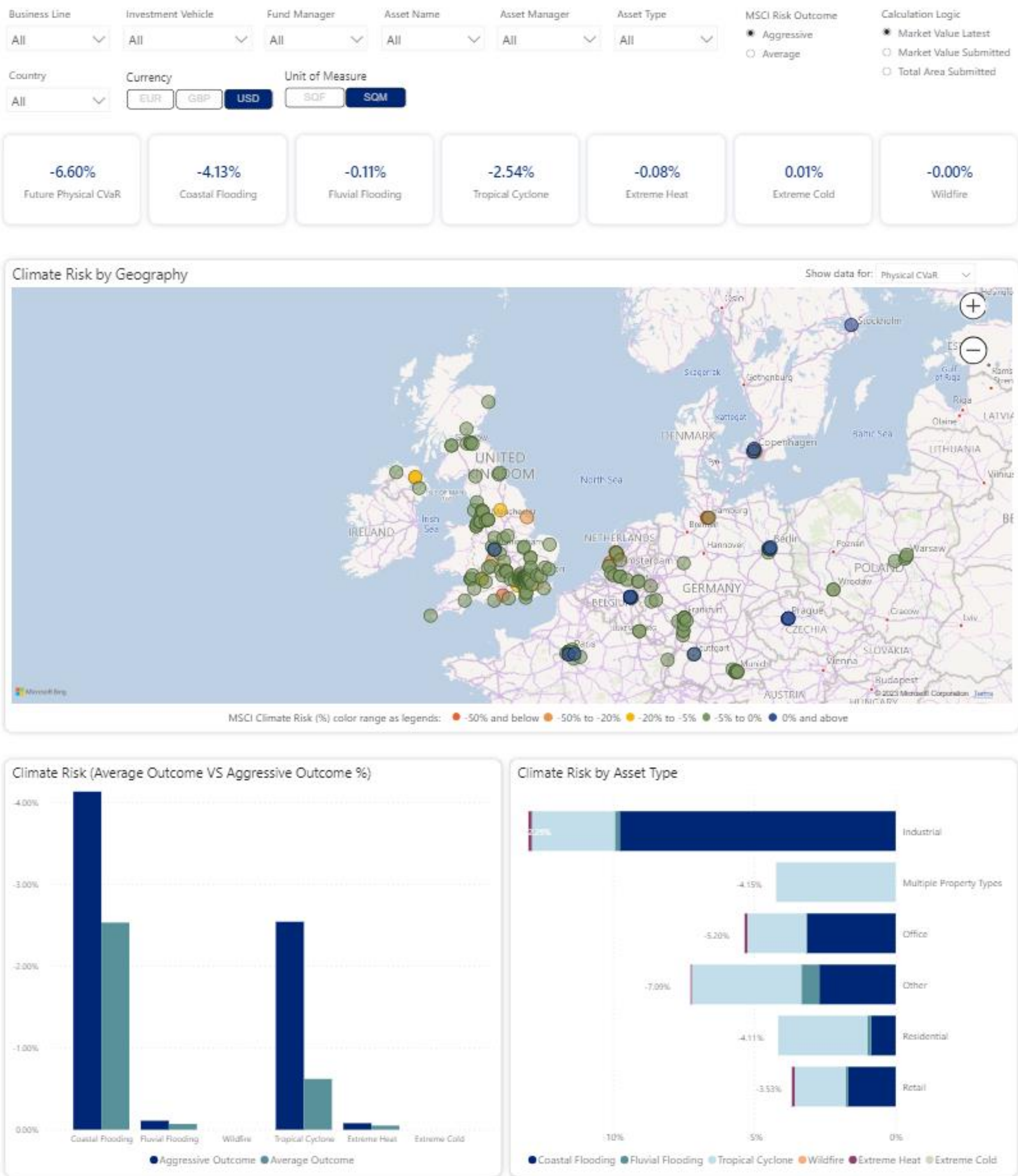
LaSalle has reviewed and vetted the capabilities of several climate change analytics and modelling firms, and as a result of this analysis, has chosen to use data provider climate risk tools to assess exposure to climate risk for specific assets and portfolios. As we detailed in our joint report with the Urban Land Institute, the data is informative for evaluating risk, but cannot be considered definitive given the known variation in results from different data providers. The data does however provide good directional indicators of the risks that can impact our investments and provides our investment teams a good starting point of what risks need to be further evaluated, if any.

Insurance plays a pivotal role in understanding the financial impact of climate change for numerous reasons. Most notably, insurance coverage is a key consideration for most firms when addressing loss from climate-related catastrophes. No matter the natural catastrophe, insurance is often the first, and sometimes only, recourse for recouping financial loss. Secondly, the insurance industry has long been the modeller of choice for predicting and evaluating these natural catastrophe events, which are now occurring with more frequency and severity. The output of these models has important implications for insurance availability and pricing, terms and conditions, regulatory oversight, and capital adequacy.

Recognising the key role of insurance, LaSalle has a climate risk management consulting agreement with its risk management advisor. This ongoing engagement enhances LaSalle's efforts to monitor and assess new climate risk management offerings, by leveraging extensive contacts in this area.

Additionally, LaSalle contracted with a large global reinsurer, to access their climate risk modelling platform and utilize it as another LaSalle resource for climate risk management. This not only supplements LaSalle's other climate risk assessment endeavours but affords insights into how one of the largest re-insurance companies is contemplating climate risk and its impact on their underwriting of risks. We have described integration of climate risk data into our research and investment processes in Principle 7.

Physical Climate Risk Dashboard, LaSalle 2023.



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Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Overarching policy and reviews
As a subsidiary of JLL Inc., LaSalle is subject to a range of JLL global and European corporate policies. This includes the JLL Code of Business Ethics and the JLL Vendor Code of Conduct. As a global real estate leader in sustainability, JLL also publishes an annual sustainability report, the 2022 report being available here. The Green House Gases data reported was independently verified by Bureau Veritas.

In addition to the JLL policies, LaSalle has a series of 15 global policies that are issued by department heads on behalf of the Global CEO. They enable consistent approaches and standards to be applied across the 14 countries in which LaSalle operates. Subjects include anti-money laundering, product marketing, ESG, hiring of JLL affiliates on behalf of clients and sale of assets between clients.

We also have sets of regional and business unit policies, which set out details of frameworks corresponding to local conditions, client expectations and regulatory requirements.

Respective department heads are responsible for ensuring policies and processes are kept current. They are updated during routine review and following compliance monitoring, business development and changes to business activities.

Findings of compliance monitoring are reported on a periodic basis to the LaSalle UK Board of Directors and to Senior Managers, which allows senior management to evaluate the robustness of our processes (see Principle 2).

Investment and sustainability policy

As highlighted in Principles 1 and 4, our investment philosophy is common across the LaSalle business. Our investment processes and policies, however, are necessarily different, and their outputs lie at the heart of our service to clients.

Our business unit heads, assisted by the respective investment committees, are responsible for ensuring that the documented investment processes remain insightful and disciplined. A range of tools are used to assure this. We provided comprehensive guides to different business lines, such as Transactions and Fund Management, to guide on how to assess sustainability related risks and opportunities on new acquisitions and investments. These guides are tailored to different departments to ensure that sustainability is integrated throughout the investment lifecycle. Other tools include a Sustainability Due Diligence Checklist which will support every new acquisition (for direct and debt).

Working with independent third-party experts, we recently revised our Sustainable Development Checklist to be used for new construction, and major refurbishments. The checklist currently covers Office and Logistics assets focusing on the UK; however, best practice case studies have been included from across Europe.

Further, we updated our Investment Committee Memo with key ESG criteria, including contribution towards objectives set out for the mandate as per the Sustainable Finance Disclosure Regulation (SFDR), and as of 2022 we have incorporated modelled future climate risk into our investment committees, to identify potential risk and impacts or unknowns to be investigated.

With specific reference to our sustainability policies, our Global Environmental, Social and Governance Policy is owned by the Global Sustainability Committee and is reviewed and approved by our Global Legal Counsel. It covers the following areas:

- Environmental considerations and sustainability
- Social responsibility
- Governance
- Fiduciary obligations
- Engagement
- Reporting on ESG implementation progress
- Administration of the policy

The global ESG policy was revised and published in September 2023. This update reflects the global nature of the policy and expand its scope to cover a broader range of LaSalle's investment products – including LaSalle Global Solutions.

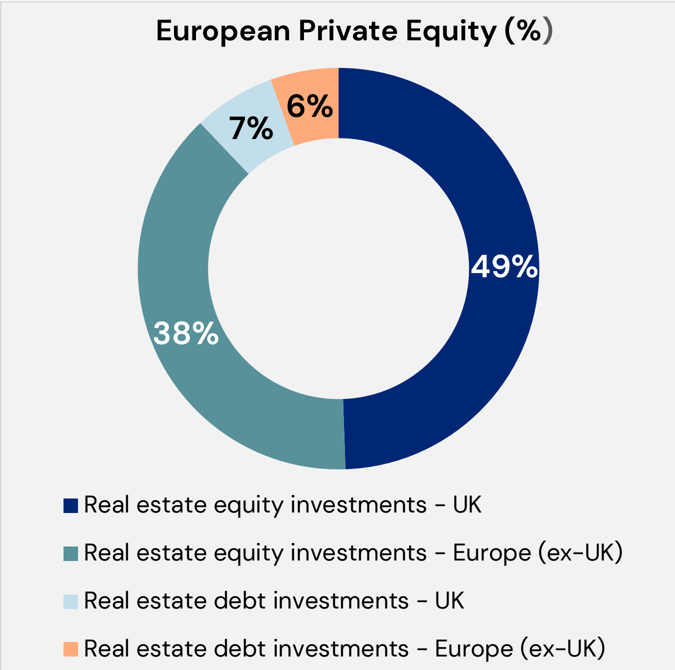
Reporting and marketing oversight
For UK Custom Account clients, our sustainability reporting includes outputs from our Sustainability Management Programme, NZC Asset Audit Programme, and EPC data for MEES regulations in the UK. For LaSalle Global Solutions UK Clients, our sustainability reporting includes outputs from the LaSalle Global Solutions engagement programme, internal analysis, GRESB and our quarterly ESG data request from underlying managers.

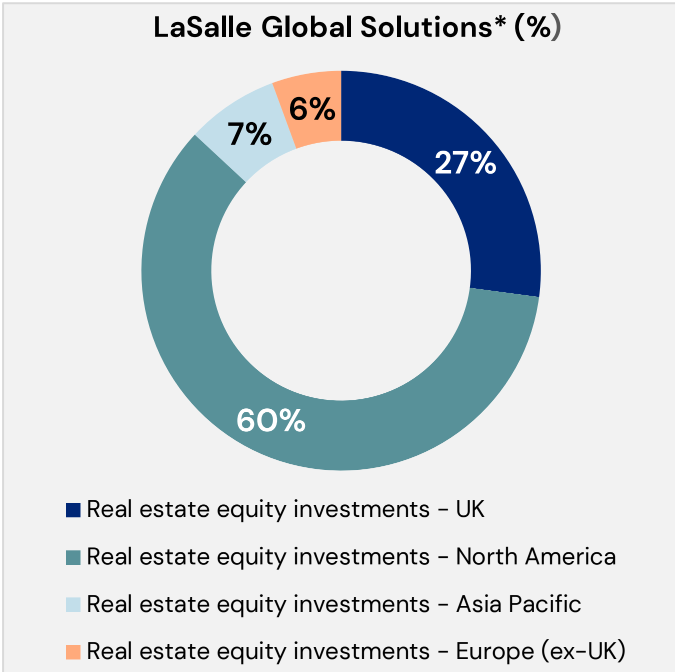
For new business, all sales and marketing presentations for LaSalle Global Solutions and UK Custom Accounts are reviewed by our European Compliance team prior to distribution; language that is not deemed balanced or proportionate is revised. Adherence to this process is reinforced via annual internal and external review.

Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

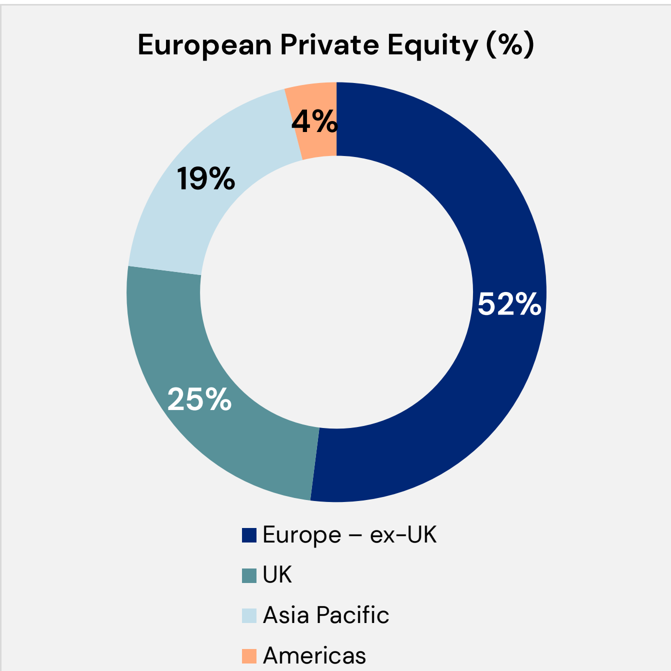
The tables below provide a breakdown of assets under management and clients. All clients are institutional.

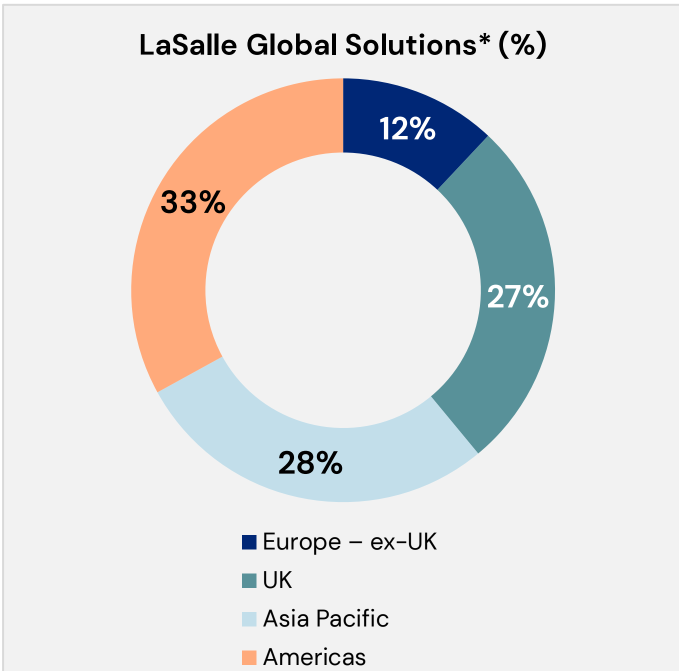
Assets Under Management





Client base





Public

Figures as of 30 June 2023. Numbers are subject to rounding. Investments are categorised at the vehicle level.
* Please note Effective 1 March 2023, the LaSalle Global Partner Solutions and Global Securities platforms combined into a singular business line known as LaSalle Global Solutions (to understand variation on AUM compared to 2022). The goal of this combination is to integrate LaSalle's global indirect businesses to improve decision-making and underwriting around global relative value, driving performance for our clients.

Client engagement

In our European Private Equity and Private Debt businesses, custom accounts represent around 67% of client capital. In LaSalle Global Solutions, separate accounts account for 83% of client capital. custom account Many of our custom account client relationships are long-standing. This allows us to build up a detailed picture of client stewardship views and needs during quarterly reviews and the annual strategy planning process.

It is more common to manage assets in line with clients' stewardship requirements, within the bounds of available data and analytical tools, since the client is the ultimate arbiter on factors such as timeframe, net income requirements and capital expenditure levels. A small number of our custom accounts are run on an advisory basis, where asset-level decision-making lies with the client and the client may conduct their own analysis.

Case Study: Adapting NZC approach to meet client requirements

Issue

Several variations as between clients with respect to their ESG related objectives and priorities

Objective

Progressing meaningful ESG initiatives while accommodating individual client requirements

Action

LaSalle engaged with each UK Custom Account client to discuss our NZC audit approach. Some clients were keen to proceed at pace, considering the approach to be in line with their ESG objectives and as a positive contribution towards providing more detailed TCFD data over time.

For one such client, they required a staged approach which resulted in one of its properties being included in our Phase I audit rollout during 2022, with a further three included in Phase II (also 2022) and the remaining held assets included in Phase III during 2023.

A second client was less inclined to commit significant expenditure on audits at such an early stage and did not feel that they were sufficiently important to include as part of TCFD preparations. We tailored our approach and following further discussion, it was agreed that just one of this client's properties would be included in our Phase III audits, with no others to be commissioned before our client had considered the results with us in further detail.

Outcome

NZC audits have been commissioned for both clients, with three completed so far. We took into account the differing requirements and priorities of each client and adapted our approach and pace of commissioning audits in order to accommodate all of them, while progressing the audit programme for all clients within the Custom Accounts team. We are now in discussions with the second client as to whether (and when) further audits can be undertaken.

LaSalle UK acts as an investment advisor or portfolio manager for several commingled funds, most of which are established or marketed in the European Union (EU). LaSalle worked on categorising our existing and prospective funds under the EU's SFDR, evaluation and alignment of our investment and risk management processes as well as disclosure and reporting frameworks. LaSalle is committed to providing the current and prospective investors with the necessary information on the sustainability profile of our commingled funds to enable the investors to make informed decisions. Furthermore, many of our funds have advisory boards whereby the largest investors and minority investor representatives are consulted and provide detailed views and insights on a range of subjects including stewardship. All investors are invited to provide feedback during quarterly calls and annual investor forums. We also conduct a significant number of bilateral investor meetings and answer sustainability questionnaires. These sources of feedback inform the strategies of the funds and mandates, and our broader organisational stewardship polices.

While only a very small proportion of LaSalle Global Solutions AUM is invested in public real estate securities, LaSalle has implemented the requirements of the revised Shareholder Rights Directive and reviewed the relevant strategies to ensure that they are compliant with the Statements of Investment Principles provided by our clients. All our public securities investments are evaluated and overseen by the specialised team within LaSalle Global Solutions dedicated solely to investment in public real estate securities. Following the investment, we work closely with LaSalle Securities throughout the holding period, leveraging off their expertise and advice relating to monitoring and asset management of the holdings.

For both custom account and commingled fund clients, our relationship managers in the Investor Relations team (see Principle 2) play an important role, both in delivering client service independently of the fund management groups and as the client voice within the product and corporate strategy development process. Notably, we explain to clients that their specific objectives for their property allocation must consider the inherent illiquidity and indivisibility of the asset class.

We use a similar approach to client engagement for indirect real estate investments via custom accounts and fund of funds. Whilst there is less control over the investment strategy when invested indirectly, our LaSalle Global Solutions clients benefit from the additional influence that we bring to fund investments since we normally represent several clients within an underlying investment fund.

Case Study: LWLS transition from Art.6 to Art.8 fund; first Art. 8 debt for LaSalle

Company
A Luxembourg Alternative Investment Fund dedicated to a single investor, being a large European Insurance Company.

Issue
The fund is an established pan-European credit programme in operation since 2018.

The fund was established with Article 6 alignment under SFDR. The sole Investor approached LaSalle requesting a transition of the fund to an Article 8 aligned programme.

Objective
Transition an existing fund from Article 6 to Article 8 alignment.

Action
LaSalle worked with a third-party sustainability advisor to create a framework for aligning the fund with Article 8. This included a bespoke due diligence checklist to assess the sustainability credentials of its debt investments. Within its Annex II disclosure, the fund committed to achieving a minimum percentage of its AUM that aligns with a baseline sustainability performance as established by the due diligence questionnaire (DDQ).

The fund also expanded its investment parameters to include the provision of “Green Loans” to support the refurbishment of standing assets to improve their energy performance and to support the development of high sustainability rated new-build properties.

Outcome
The fund successfully completed the Article 8 transition in January 2023. The programme has subsequently met all environmental characteristics promoted by the Fund, as set out in its Annex II disclosure.

Case Study: Helping clients achieve their climate commitments

Asset - 60 London Wall

Issue
While 60 London Wall reached Practical Completion at the end of 2020. As part of pre-leasing engagement, a potential tenant wished to switch from the base-build, gas-fired heating system to an all-electric system that would serve their space to assist them aligning with their own climate commitments.

Objective
The objective was to take a whole life carbon (WLC) view on any potential upgrades, not solely an operational energy view. With the building completing so recently, the embodied carbon impact of replacing heating systems so soon in their lifecycle needed to be understood. By analysing and comparing the embodied carbon and operational energy of two options, (1) continuing with base-build heating plant, (2) stripping out base-build plant in favour of an all-electric heating plant, a more informed view on how to proceed could be gathered. The five objectives of the analysis were as follows:

1) Assess the embodied carbon impact
2) Evaluate the operational energy performance
3) Determine the carbon reduction potential
4) Inform decision-making for decarbonisation based on WLC thinking
5) Contribute to knowledge and best practices

Action
Based on the tenant's requirements, a WLC study was instructed to capture the carbon impact of both options.
The base-build consisted of fan coil units (FCUs) in the tenant's demise that received low temperature hot water from gas-fired boilers in the basement. The cooling on site was already electric and as such the scope of the investigation was centred solely around heating of the tenant areas. The key objectives were:

- To understand whether the existing FCUs could be retained while still delivering the required heat to tenants with the goal of avoiding the need for FCU replacement given they were almost new.
- To understand what refrigerant would be best suited to maximise operational efficiency while minimising the impact from fugitive emissions.
- To understand whether the required power to supply an all-electric heating system was in place within the building
- To calculate the embodied carbon and operation energy of both the existing and proposed systems

Outcome
It was determined that a heat pump solution could be accommodated within the current building's infrastructure while allowing for the retention of the existing FCU system. It was also determined that there was a sufficient power provision in the building to feed an all-electric system.
The analysis showed that there was a very small difference in the WLC emissions of both scenarios (0.1%), with the retention of the current system delivering the lower of the 2 values. It was therefore concluded that stripping out the existing system in favour of a new all-electric system was not the correct option from a WLC perspective.

GRESB

For commingled funds, GRESB (the independent global real assets ESG benchmark) is especially valuable since it provides a reference point for both manager and clients. It includes an annual report and rates ESG standards for individual portfolios. In general, most clients are satisfied with our funds' GRESB performance but with the expectation that we will improve every year. In Europe, we were able to retain top 5-stars scores for our funds in 2023. For our two funds signed with LaSalle UK we achieved a 4-star rating this year. Almost all funds were able to increase their peer average score.

Investment consultant feedback
We complete annual ESG reviews with approximately seven global and local consultants acting on behalf of clients (either existing or acting for new clients that are undertaking their due diligence in respect of LaSalle sponsored products). The investment consultants have a good vantage point to objectively judge us in relation to our peers and industry best practice. We then feed consultant comments back into our ESG policy process.

Client reporting
Currently all European direct real estate fund quarterly reports include an ESG section. These contain fund-specific updates covering quantitative data (e.g., environmental performance) and qualitative updates (e.g., on refurbishment projects or community engagement programmes).

UK clients invested with LaSalle Global Solutions receive detailed ESG commentary in quarterly updates including ESG integration, engagement case studies, annual voting profile, Physical and Transitional risk dashboard, SFDR analysis, GRESB performance and the results of the annual LaSalle Global Solutions engagement programme.

For our European funds that are captured by the SFDR, we provide our clients with information on sustainability in accordance with SFDR within the annual investor report. Pre-contractual disclosures as well as reporting requirements are constantly monitored by our legal and sustainability team to ensure compliance with the latest updated of this regulation.

The UN Environment Programme – Finance Initiative (UNEP-FI) TCFD has been adopted in several jurisdictions following the 2021 agreement by G7 countries to mandate the requirements thereof, and in the UK disclosures are regulated by the FCA.

LaSalle has been a supporter of TCFD since 2019, including participating in the TCFD pilot project report and investor guide for real estate portfolios "Changing Course". In the past few years, we have continually developed our UK investor reporting capability, ensuring that we are able to provide investors with the full range of requirements within the TCFD principles, as well as adopting our existing management of climate mitigation and adaptation to align with the industry best practice guidance.

We have developed the ability to run fully aligned TCFD energy and carbon disclosure models across our UK direct equity and debt portfolios. This approach allows us to respond to investor needs on a case-by-case basis, whether they require base data to perform their own portfolio analysis, or they are seeking a Real Estate focussed TCFD compliant report, we have the capability to provide this. For our European business we use the UK's Pension and Lifetime Savings Association Carbon Emissions Template (CET) to produce financed emissions metrics. We have integrated this into our optional reporting outputs for all European funds, direct equity and debt included, to ensure we can provide clients with core emissions metrics they need for disclosure reporting, following trials in 2022 and roll out in 2023.

In addition to the carbon disclosure data, we procure Climate Value at Risk (CVaR) analytics we can apply to individual assets or aggregate at fund level at any stage of the lifecycle or for disclosure purposes. The application of CVaR is included in Due Diligence across all our business lines and used for our direct equity portfolio to inform risk management and asset business planning. The externally procured CVaR data has been integrated into out inhouse database for assets under management, an example of this Physical Climate Risk Dashboard is provided below.

We are in the process of finalizing our first Better Buildings Partnership's Climate Change Commitment Progress Report and aiming to publish this report in Q4 2023. Included within the scope of this report is European direct equity and currently excludes Debt, Value Add and LaSalle Global Solutions. Our first Progress Report will provide our 2019 annual carbon emissions profile, chosen as our baseline year, against our first reporting year of 2021. Whilst this report will not provide client-specific updates, it will highlight our progress made since we published our commitment in 2020.

Principle 7: Signatories systematically integrate stewardship and investment, including environmental, social and governance material issues, and climate change, to fulfil their responsibilities.

In Principles 1 and 4 we set out our investment beliefs centred around the macro-trends of Demographics, Technology, Urbanisation and Environmental Factors. We also showed how we combine thematic research and proprietary tools to harness long-term trends and mitigate risk. In this section we demonstrate how our philosophy is translated into sustainable action.

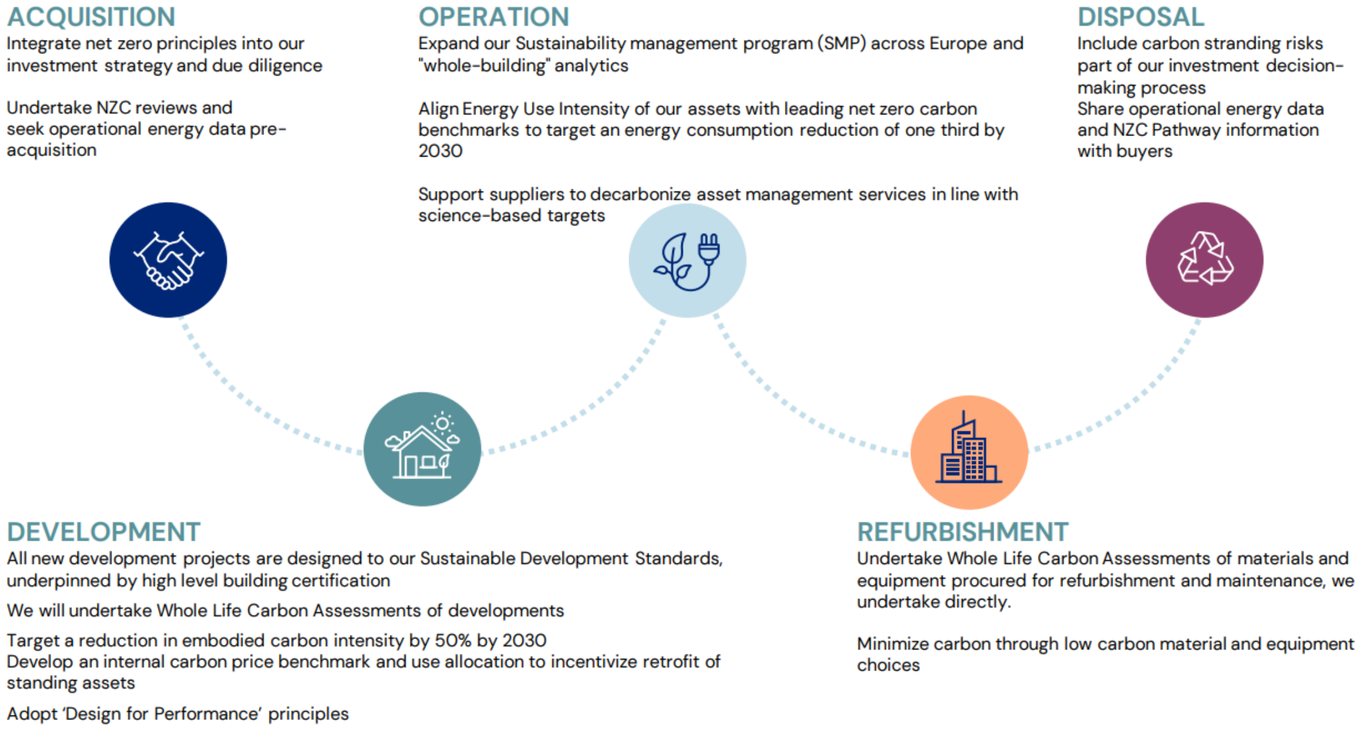
Our investment processes vary by investment type and risk profile, but all start by considering our clients' core needs at the outset including time horizon, income, and liquidity. Direct real estate assets are expensive to trade (particularly in the UK with stamp duty at around 5%, for commercial property). Our forecasts are therefore typically based on holding periods of 7-15 years (for core portfolios) with a focus on which factors prospective asset buyers will prioritise at that point. This applies in all four of our identified macro-trends but particularly in Environmental Factors.

We describe in more detail below our approach to sustainability throughout the asset life cycle, from underwriting of a prospective investment to its disposal. However, it is worth mentioning that all investment opportunities received by LaSalle are subject to initial screening, aiming to identify opportunities which fit investment objectives of the mandates we manage. High level ESG characteristics of the investment opportunities are considered at this level and assets with inadequate credentials, or where there is not an appropriate business case to improve them, are excluded to avoid waste of resources on deals which could not pass ESG due diligence.

European Private Equity

As noted in Principle 1, our European direct sustainability strategy involves a long-term, holistic approach to business and investment management at all levels and focuses on a **Sustainable Investment Culture**, **Future-Focused Investment Strategies** and **Resilient Investment Management**.

Environmental factors are considered throughout the investment process, as illustrated in the chart below.



Case Study: Making an investment decision based on ESG data

Portfolio
UK Custom Account client portfolio

Issue
High flood risk on individual asset within Custom Account balanced UK portfolio, presented a potential damage and operational financial risk to the investment.

Objective
Apply physical risk metrics to risk reviews to inform potential impact on performance of a portfolio and inform sales decisions.

Action
Annual strategy reports are written for every Custom Account portfolio. Among other things, these reports identify themes for any potential acquisition and specific assets for sale. The report considers ESG metrics, climate risk and business plans to guide LaSalle's sales decisions.

One such annual strategy report was drafted for a Custom Account client. The draft report included both ideas for acquisitions and sales. Using a rigorous hierarchy of different assessment stages, it identified one asset for sale based on performance criteria. Another asset passed those performance criteria in the first stage and was initially identified to be held, despite being identified as having a high flood risk.

At LaSalle we systematically integrate stewardship and investment, including climate considerations amongst others, to best serve our clients and improve our triple bottom line. Hence, we raised the issue with the fund manager ahead of presenting to LaSalle's Investment Committee and decided to add the asset to the recommended sales list as no financially justifiable flood risk mitigation could be identified. The report (including both proposed sales) was subsequently approved by the committee and presented to the client.

Outcome
As a direct result of ESG considerations at the annual portfolio strategy review stage, the property is now being prepared for sale. Following the sale, the portfolio will have no assets with a high flood risk. This highlights LaSalle's commitment to integrate sustainability and climate factors throughout their investment cycle, making them even exclusion criteria for portfolio decisions.

Insight: Recycling of materials / social value

One Exchange Square is a flagship redevelopment for LaSalle with 440,000 square feet of office space delivering BREEAM Outstanding and targeting NABERS 5* accreditation when delivered in late 2025. Although in its early stages of redevelopment, our commitment to the environment can be demonstrated through the reuse of materials from the original building whilst also helping the local community. LaSalle teamed up with Oasis, a charity that provides innovative and inclusive learning opportunities that enable disabled and non-disabled children. They do this by offering diverse educational play space for young people in Stockwell and building a new school extension there. Up to 100% of the steel structure and 20-50% of all materials used in the development of the school are due to come from One Exchange Square. ESG consultants from SWECO estimate that this will reduce construction costs by up to 30% and embodied carbon by up to 50%. This is in addition to our other social engagement including employing local labour on the construction.

Sustainability Management Programme

As part of our environmental commitment, LaSalle runs a Sustainability Management Programme (SMP) which is designed to monitor energy consumption, carbon emissions, water consumption and waste disposal across our European portfolio (other than where we do not control or have access to data). For assets where we have landlord control, bespoke reduction targets are set, and progress against these targets is monitored on a quarterly basis. We are expanding the programme to include all assets and have been working hard to collect actual tenant data to improve our Scope 3 coverage further, which will also support our Better Buildings Partnership's NZC commitment.

To date we have targeted our largest tenants through a range of direct requests, meetings and discussions regarding our NZC audit programme. We will be collating both data submissions and where acceptable installing automated data feeds. We plan to accelerate the roll out of automated meters on all landlord meters, and where possible, tenant supplies, and are undertaking both installations and pilots throughout 2023 which will inform the extent and timeframe to which we can gather automated data across our portfolio.

To complement this, we have also begun to procure national grid energy supply consumption data for a selection of UK portfolios and assess how to integrate this into our analysis; this is in order to not only improve the coverage of our data inputs but also the quality with regards carbon accounting standards (PCAF).

Net Zero Carbon

In September 2021, we launched the pilot phase of LaSalle's NZC Asset Audit programme. The objective of this programme is to provide a common understanding of the probable NZC interventions and costs required for a NZC retrofit on every direct equity asset within our European portfolio. This requires a common and consistent NZC baseline standard across Europe, and our preferred standard is CRREM methodology, as this allows us to identify transitional "stranding risk" events across different asset types and geographies.

With several consultancies helping to deliver these audits across several countries, LaSalle felt it necessary to standardize several of the assumptions and methodologies that were to be used. The technical and structural brief that LaSalle set out allows for the aggregation of findings and the planning of next steps following these reports to be as repeatable as possible. The standardization also enables comparisons to be made across asset types and regions in the knowledge that the process to arrive at the audit conclusions was done using a similar approach which is pivotal to the consistency we aspire to achieve.

After concluding the pilot phase in 2022, which consisted of 41 assets, we concluded the second phase consisting of a further 100 assets in April 2023. We are undertaking the third phase of the audit programme; by the end of 2023, our European portfolio aims to have audited approximately 240 assets.

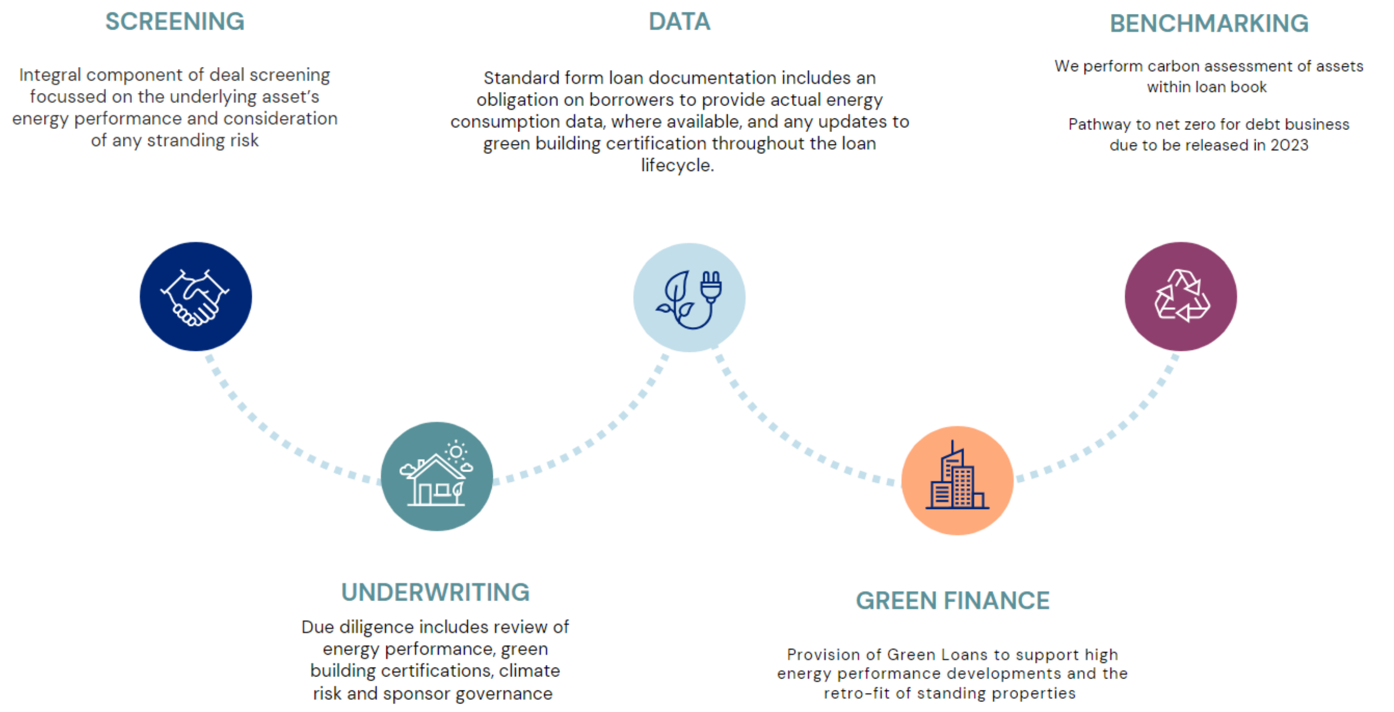
Following the NZC Asset Audit programme, we will be developing plans to implement the findings and recommendations detailed within the audits. This process will start with 10 assets in Europe and will further extend the rollout over the course of 2024. This implementation plan, where required, is aided by an asset-specific roadmap which blends the existing capital expenditure plans for the building with the relevant interventions identified within NZC audit. The result is a document that, at the asset level, bridges the gap between the valuable understanding that the NZC audits provide, and the detailed implementation steps required to deliver these interventions.

Physical Climate Risk

Climate risk science is evolving rapidly, and there are an increasing number of providers in the market using different assumptions and data sources, leading to a wide divergence in results. To better integrate our considerations for climate risk, we have undertaken a substantial review of climate risk data providers, where we have selected one as our preferred provider, MSCI, while still engaging with market participants to continually evaluate available products to inform potential future physical climate risk. In 2022, LaSalle collaborated with the Urban Land Institute (ULI) on a paper guiding users on how to judge and choose climate risk data providers, which is publicly available here.

European Private Debt

ESG factors are equally important in our European Debt Investments team. We ensure that the risks and opportunities presented by ESG factors are incorporated into our decision making at every stage of the investment process, from initial screening, underwriting, loan approval process, due diligence and post-close loan monitoring. Further detail is shown in the chart below.



Our standard form loan documentation now includes an obligation on our borrowers to provide data on actual energy consumption on the properties we finance wherever available. We hope that over time this gives us access to data on carbon consumption to monitor our transmission towards lending on greener assets.

Case Study: Example of a deal where terms were amended as a result of flood risk identified during the Due Diligence process

Asset
Urban logistics properties located in the Netherlands.

Issue
The Debt Investments team were assessing risks of a €50 million loan investment to support the acquisition of a portfolio of four urban logistics warehouses located by a global investment manager.

As part of their standard due diligence process and utilising the MSCI Climate Risk tool, the transaction team undertook a Climate Risk assessment to ascertain the physical risks presented to the properties based on their geolocation and exposure to individual hazards as a consequence of climate change.

The tool identified a Medium Risk of coastal flooding in two of the four assets with estimated potential capital value impairments of up to 100% should those identified risks present themselves.

Objective
To mitigate the climate risks identified during due diligence.

Action
LaSalle sought to verify the identified flood risk by referencing actual data on the historic flood activity in the micro-locations of the subject properties.

Despite this showing little evidence of any historic coastal flooding, the team sought to mitigate the risk by obligating the sponsor to procure flood insurance for the affected properties. The sponsor complied with the obligation and duly sourced and implemented a new insurance contract to include coverage of flood risk.

Outcome
Identified climate risk mitigated via insurance to cover any physical impact on the properties as a result of coastal flooding.

Green Loan Finance
We have sought to drive the green finance agenda with the provision of green loans to the European real estate markets. Structuring loans as green loans helps improve market transparency by requiring borrowers to provide enhanced reporting on an asset or portfolio's sustainability performance. For developments or refurbishments, it also incentivises borrowers to seek the highest possible standards of sustainability via exit fees, or other economic levers, linked to actual sustainability ratings delivered. The green loans market continues to evolve but is becoming an established product within European real estate finance. Being at the forefront of this trend positions LaSalle well to meet the growing demand for green finance products from our clients.

In real estate there is a huge opportunity to ensure transformative initiatives achieve high standards of sustainability through development and refurbishment of the built environment, and providing green loans is a key mechanism in the market to ensure accountability and ambition are incentivised appropriately. Borrowers with particularly ambitious sustainability agendas wish to align their own goals with their associated funding.

Green loans will include enhanced reporting obligations from borrowers versus traditional Commercial Real Estate loans. We aim to collect as much data as possible from our borrowers, for example the actual energy consumption from a property. This may not always possible where, for example, underlying tenants are not providing landlords with energy consumption data from their units, and we may rely on proxy data in such circumstances. Alongside formal reporting obligations, overall engagement with borrowers during the loan lifecycle offers a good source of information on the progress of an asset towards its sustainability objectives.

We work closely with third party consultants to develop our products and ensure, objectively and independently, that the criteria are both appropriate and can be verified. Working with our wider group company and independent advisors we have developed a screening tool for regulation compliance with regards disclosures, as well as a framework structure to provide rigour and standards for green loan provisions. This combination of processes allows us to evaluate suitability of deals at both a Fund and individual Loan level, ensuring we are able to apply appropriate stewardship principles in practice. Over the 2022 and 2023 period we have been reviewing, and trialling the use of these processes and tools to ensure we can deliver best practice in the market.

In 2023, we closed our third Green Loan under the LMA Green Loan Principles Framework (further details provided below) and are in the process of closing our fourth. Providing green finance to the European real estate markets is and will continue to be a key focus for our business in future.

Case study: Green financing

- Green loan to support development of a prime, 770-bed, purpose-built student accommodation in London.
- Loan completed in Q2 2023 with loan size of £130 million.
- Targeting BREEAM "Excellent" and "Two Star" Fitwell rating.
- Exit fee is linked to actual BREEAM rating achieved at completion. Loan is documented as "Green Loan" in line with LMA "Green Loan Principles."

LaSalle Global Solutions
LaSalle Global Solutions has a robust, four-level, ESG investment due diligence process incorporating environmental, social and governance issues into fund investments.

Level 1: Information is requested via an ESG DDQ on a target fund's ESG policies and philosophy, credentials and performance. A weak response may indicate a structural problem where we would choose not to invest. A wide variety of ESG indicators are reviewed including, but not limited to: GRESB participation, transition to low carbon economy, climate change scenario analysis, physical and transitional risk, energy performance, and EU Taxonomy. However, more often, we believe it to be an opportunity for value creation, in which we can use our role as an aggregator of client capital to play a leading role as an activist investor.

Level 2: Restrictions check – this includes a Sanctioned Countries and Tenants Exclusion Check. In the event that the target investment is located in any countries contained in the sanctions list, the transaction will not be permitted. In the event that, in aggregate, tenants and immediate subsidiaries in the tenant list account for more than 10% of net operating income of the target investment, such an investment will be precluded.

Level 3: ESG side letter agreement for GRESB survey participation and annual energy consumption data collection. All new investments will be requested to fill out the annual GRESB survey and annually provide ESG risk metrics in line with our TCFD and NZAMI commitments.

Level 4: NZC and Climate Risk – During due diligence, LaSalle Global Solutions analyses the location traits of our investments on a granular basis with relation to climate risk and NZC. The key building blocks of this process come from collecting property-level information from our investment partners to map and assess properties. These inputs include full address (which are converted into unique identifiable locations, or latitude and longitudes), property values, areas, ESG emissions data and property type information. With this information we are able to quantify climate risks using expert third-party models to produce property-level climate risk reports under a variety of scenarios. These providers help us estimate climate value at risk arising from a variety of physical factors - such as coastal and fluvial flooding, extreme heat, tropical cyclones, extreme heat, extreme cold, wildfires, as well as transition risks arising from emission reductions required by changing policies. Once these metrics are collected for each individual property, they can be pooled and aggregated up to an investment and portfolio/mandate level outlining the value at risk for each portfolio.

Following this due diligence process, all investment committee memos include a section reviewing and discussing the ESG qualifications of the manager and the fund. The ESG due diligence is also included in our red-amber-green assessment that is included in the IC memo.

In addition to the Level 2 check mentioned above, the ESG DDQ asks questions about fund auditors, legal counsel, depositary, administrator, independent valuer and other service providers to the fund, investment guidelines and compliance with them, investor disclosures and details of the mitigation of conflicts of interest, investor concerns with management of any fund/ vehicle of the firm, sustainability staffing, and compliance with regulations.

In both direct and indirect real estate, ESG factors are assessed by the core investment teams not by regional sustainability teams. This is an added control to ensure that analysis is intrinsic to the process and not siloed.

Securities
The LaSalle Global Solutions securities team invest in publicly traded real estate companies. Since our level of influence on property assets of companies in which we invest is limited, our integration of ESG in the investment process differs from LaSalle's private equity approach. As public market investors, our influence on ESG matters is most notably accomplished via our active role as stewards of our clients' capital by engaging listed real estate companies to embrace the values we hold to be true, where benefits can be shared by a broad group of stakeholders including, but not limited to, shareholders, employees, tenants, the local community, and society at large.

The LaSalle Global Solutions steam utilises a proprietary discounted cash flow tool, the securities Intrinsic Value Model, in order to identify mispriced real estate securities. This model is used to calculate the fair value at which we believe a company's stock should trade, taking into consideration the value of its properties, the impact of its management, prevailing market conditions, and environmental, social and governance factors (the "Intrinsic Value"). Intrinsic Value is a complete, expectations-based, going-concern valuation of a REIT's assets, capital structure, strategy and environmental, social and governance factors.

Principle 8: Signatories monitor and hold to account managers and/or service providers.

As a global policy, our Vendor Code of Conduct applies to all interactions between a vendor and JLL group companies, which includes LaSalle. It covers subjects such as regulatory compliance, business practices, health and safety, employment practices and sustainability practices. The firm is also supported by the JLL EMEA procurement team in some areas, particularly on corporate service provider management.

To support our Private Equity and Private Debt investment activities, we typically use research providers, sustainability consultants, property managers, external valuers, tax advisers, lawyers, security agents, planning and development consultants, sales and marketing agents, and other third-party advisors.

For new service provider contracts, we either run a competitive selection process or draw a provider from a standing panel, although we prefer to source sales agents from a select group of trusted providers to enhance quality and confidentiality. For unknown entities, we conduct due diligence prior to awarding contracts including checks on references, insurance, corporate policies (including on diversity and inclusion), delivery of relevant Key Performance Indicators (KPIs) to previous clients.

For discrete, time-limited tasks, the required standards are set out in the contract. For property management contracts, KPIs are set out in Service Level Agreements (SLAs), which are subject to a prescribed, regular (normally quarterly) monitoring process. A range of penalties for underperformance are set out in the SLAs, including termination.

As part of our commitment to sound controls, we annually engage Deloitte LLP to perform an assurance review in accordance with Technical Release AAF 01/20 issued by the Institute of Chartered Accountants of England and Wales (ICAEW) and International Standard on Assurance Engagements (ISAE) 3402 - Assurance Reports on Controls at a Service Organisation issued by The International Auditing and Assurance Standards Board over our UK based operations. Under AF 01/20, we are required to meet prescribed control objectives and the independent review assesses our proper operation of the controls.

This report sets out the control procedures we have in place to meet the control objectives, the testing of these controls by Deloitte LLP and any exceptions noted.

Our Audit Report is made available to clients.

Sustainability
Given the pace and variety of specialised work, third party service providers play a critical role across our portfolio providing assistance and advice in respect to managing our Sustainability Management Programme, undertaking our European NZC Asset Audit Programme, development and re-development works, as well as in an advisory role for our strategy and reporting evolution, as well as the development of our products and services.

Individual appointments are managed against specific consultancy agreements where we review their services and deliverables on a regular basis and assess them against agreed targets. If multiple providers are delivering programme outputs, such as for our NZC audits, programme leads review the consistency and quality of the service provided prior to completing the appointment deliverables provided to our business.

Research
We make extensive use of research service providers. These include:

- MSCI – market performance benchmarking and climate risk evaluation
- PMA – real estate market data and analysis
- Green Street Advisors – real estate market data and analysis
- Real Capital Analytics – market transaction data
- Oxford Economics – macroeconomic forecasts

LaSalle's Research and Strategy team curates a set of detailed data on macroeconomic trends and real estate market data. The quality of this data is tested by comparing data providers and questioning providers when data – especially historic data – differs. Many of LaSalle's market data provider contracts are longstanding whilst several of our climate risk providers are more recent additions. For our market forecasting providers, we evaluate them continuously on a qualitative basis and adjust commitments in accordance with our requirements. When evaluating climate risk data providers, we undertook an extensive review of available options and ranked them based on their scientific offering, temporal and spatial granularity of their product and we evaluated their technical ability to integrate their workflows and outputs into ours. In 2022, LaSalle collaborated with the ULI on a paper guiding users on how to judge and choose climate risk data providers, which is publicly available at this link.

Property management and transactions

We believe that an out-sourced model for property management gives our clients the best access to local market knowledge and economies of scale whilst ensuring close integration (including via our technology platform). Property Managers therefore make up a significant proportion of our supplier spend. External valuers also play a vital role in providing assurance to our clients with independent portfolio valuations that are compliant with local professional standards (the RICS "Red Book" in the UK). The frequency will depend on client requirements; normally quarterly but no less frequently than annually.

Our preferred property managers (being JLL and Workman) play a key role in delivering our ongoing sustainability strategies within our direct property portfolio. This includes data gathering and day-to-day interaction with our tenants.

Close oversight of UK property management is undertaken by our UK Asset Management team via quarterly meetings, spot checks and, if required, external evaluations by consultants. Typical contractual KPIs include:
- Rent and service charge collection
- Data entry and accuracy
- Supplier invoice payment
- Inspection of buildings
- Reconciliation of accounts
- Timely issue of budgets
- Tenant communication
- Energy consumption data

Property sales and leasing agents are generally paid on a commission basis, which we find provides the strongest incentive to achieve successful asset sales. Other service providers are engaged on fixed price or hourly charge contracts.

Insight – New Property Management Plus Concept

Property managers play an integral role in meeting our net zero commitments by 2050 on scope 1, 2 and 3 emissions as they manage both the property and occupier engagement. We therefore review their services on a regular basis to ensure that they are aligned with our sustainability strategy and that we are achieving our objectives. We hold monthly meetings with sustainability representatives of our property managers, where the sustainability objectives are reviewed, and the property managers are tasked with providing evidence on how these are achieved across the portfolio.

In 2023, we developed a new framework, the Property Management Plus concept, as part of our strategy to holistically implement sustainability in our entire asset life cycle. The Property Management Plus concept sets out how we will work with our property managers including how to achieve our ESG objectives. This includes a requirement to provide information on both landlord and tenant demises for utility data, waste management, biodiversity, landscaping, tenant and community engagement. In addition, there will be enhanced KPIs to review the performance of the property manager.

External managers

On the indirect side, LaSalle Global Solutions monitors external managers via a range of qualitative and quantitative methods including review of regular reports, maintaining regular dialogue with management, attendance at investor meetings, site visits and ad hoc surveys which relate to a specific investment matter.

The primary qualitative monitoring method is via a regular meeting, at least every six months in person with the manager. This meeting focuses on investment performance, asset business plan, transaction activity, financing strategy, updates on ESG matters, and any organisational changes. It also provides the opportunity for us to address any concerns we may have.

The primary quantitative monitoring method is analysis of an investment's balance sheet and our assessment of an investment's future performance over a 5-year horizon using our in-house fund forecast model.

We hold a regional stock review meeting, at which the nominated asset manager (team member responsible for managing and monitoring performance of the investment) will present the latest forecasts, along with a written report covering pertinent information arising from the qualitative review. The meeting concludes with a buy/sell/hold recommendation for each investment and is documented.

Monitoring
Consistent, and persistent, investment monitoring ensures that we have the information necessary to make decisions and an early warning should circumstances begin to turn negative. In many cases, we participate on a fund's advisory board, meaning that we have an opportunity to deliberate issues in a more intimate setting with the other financial partners and the Sponsor of an investment. The team will continuously compare the model portfolio / strategic framework with the existing portfolio and where material discrepancies exist will consider rebalancing. Where available and accurate, sustainability related information, such as energy consumption and physical climate risk, is reviewed and considered in order to inform potential investment impacts.

For all properties, the relevant asset manager at LaSalle prepares an individual review on a quarterly basis that focuses on:

- Recent performance trends and explanations thereof;
- Any changes to the manager team / platform and implications;
- Identifies anticipated investment activity over the forthcoming quarter;
- Confirms that aforementioned activity occurred and, if not, an explanation of why not;
- Revised cash flow forecasts setting out the assumptions utilised and any material changes to these and/or the results.

The Portfolio Management team will perform a combination of the following additional procedures on a recurring basis:

- Hold discussions with the GPs regarding the valuation method of each underlying investment.
- Review the fair value reported in the quarterly and year-end audited financial statements for reasonableness. Judgment will be used based on the team's knowledge of the investment obtained through ongoing monitoring and communication.
- Obtain of a copy of the underlying investments valuation model for further details, if needed.
- Hold further discussions with the GP of the underlying investment and/or perform additional internal valuation procedures, if required.
- Write a memo summarising agreement with the year-end fair value of the underlying investments reported in the audited financial statements, if required.

LaSalle Global Solutions is fully active in the participation of corporate actions, as they can have a material impact on the long-term value of the investments which we manage. We are committed to improving corporate governance globally and therefore actively participate in all voting events on behalf of our clients. When voting, we follow best practice corporate governance guidelines gained from our membership to INREV, AREF and the UNPRI.

The processes highlighted above have not been materially changed following the COVID 19 pandemic, however the analysts are very much aware of the quality of the key tenants in client portfolios and their ability to pay rent demands, which was one of the key issues during the COVID 19 pandemic.

Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.

European Private Equity
In LaSalle's view, a promising, but underreported development for the enhancement of sustainability initiatives in commercial real estate is a new level of cooperation between landlords and tenants on ESG matters. This has been driven by commitments being made to NZC standards by both real estate owners, managers, and corporate occupiers. For LaSalle, tenant cooperation is critical to managing stranded asset risk, since both the energy usage in the majority of let space as well as the ability to upgrade building fabric is usually under tenant rather than landlord control.
Our tenant engagement has centred on:

- Collaboration on our Sustainability Management Programme and NZC Asset Audit Programme.
- Negotiating the inclusion of green clauses in new leases.
- Collaboration on sharing of consumption data.

Case Studies: Inclusion of Green lease clauses.
At a large Greater London shopping centre with over 120 tenants, our precedent lease includes green clauses such as

- Requirement for the tenant to share data on energy, water and waste usage quarterly and on an annual basis
- Requirement to carry out alterations, repairs and decoration in a sustainable manner
- Agreement by Tenants to work with us as Landlord on a sustainability review for the asset including promoting public transport and other environmentally friendly transport options for the tenant's employees, minimising waste and maximising recycling

These have all been included in a recent lease (exchanged May 2023) with a national cosmetics retailer.

In addition to the above, in June 2023 we completed a new lease to a national food distributor on a recently refurbished London industrial unit. Although we cannot always agree all of the clauses in all of our leases, following negotiation with the tenant the completed lease included the following green clauses:

- An agreement to cooperate to identify strategies for improvement of the energy performance of the Property.
- An agreement to share environmental performance data no less than quarterly with the purpose of monitoring, measuring and improving the environmental performance of the building including allowing the installation of smart meters.
- A requirement for the tenant to use reasonable but commercially prudent endeavours to procure energy and heating for renewable energy sources.
- A requirement for the tenant to use reasonable but commercially prudent endeavours to ensure waste is recycled.

Green Lease clauses, such as those in the examples given reflect a standard that we are targeting to include in all leases we enter on behalf of clients. Any deviation from these clauses would need to be discussed and agreed with LaSalle's asset manager. As tenant engagement is not as advanced in all sectors, it is not always possible to include all our template green clauses in new leases. However, it is always an important discussion and negotiation with the prospective tenant which must be made considering best interests of the client as well as our ESG ambitions.

Whilst it isn't currently possible to assign a direct financial value to these clauses, we believe that they will unlock the following benefits:

- Significantly more accurate data to support the SMP (as discussed in detail in Principle 7) and NZC Audit programme.
- Enhanced visibility for buyers of certain sustainability metrics, and hence enhanced liquidity should the asset be marketed for sale.
- In the case of retail leases, comfort that tenants cannot downgrade the building's energy credentials through their actions.

Case Studies: Investment in buildings to improve operational efficiency

Asset - Industrial refurbishment, North London

Issue
In 2022 a refurbishment project was undertaken on a 37,232 square feet unit at a London industrial estate to retain its previous EPC rating A. The unit is in a prime London location and is a modern build.

Objectives
The objectives of the Fund were to ensure that the property was able to improve on the operational efficiency by undertaking works and ensuring that the building was able to retain the highest EPC rating possible.

Action
Working alongside the project team and the contractor and using the sustainability refurbishment guidelines, we were able to identify new features. This included:

- new energy efficient LED lights;
- roof mounted solar panels designed to provide an estimated saving of approximately £30,000 per annum;
- 3 EV charging points;
- a green roof on the cycle storage area;
- a rainwater harvesting system; and
- recycled carpets.

Outcome
By undertaking these upgrade works, we were able to achieve a BREEAM 'Very Good rating' and an EPC A+, enhancing the value of the asset.

This refurbishment created a best in class building and the unit was let in Q2 2023 at a rent above estimated rental value and above what would have been achievable had the specification been less ambitious. The letting added £3.2 million to the value of the asset and provided a 7% return. It was also the central reason why the portfolio outperformed its benchmark over the quarter.

Asset – Industrial Refurbishment, Birmingham

Issue
The property is part of a 3-unit industrial scheme situated in close proximity to Birmingham city centre. The individual industrial unit had recently become vacant and was in need of significant refurbishment and modernisation to facilitate rental growth and align with LaSalle's sustainability refurbishment guidelines.

Objective
Improve the units on the estate into high quality best in class industrial product targeting high ESG credentials. Specification to include PV panels EV charging points and a full LED light system internally to improve the operational energy performance.

Action
LaSalle alongside their project management team, discussed their expectations and objectives for a successful programme of refurbishment on the unit which had recently vacated. The unit was in significant disrepair due to the former tenant's longstanding occupation and needed a full strip out of the old building fabric and systems.

To reach a best-in-class specification, including the highest ESG credentials, LaSalle implemented the following:

- new energy efficient LED lights
- roof mounted solar panels
- 8 EV charging points
- a green roof on the cycle storage area
- VRF heating and cooling system
- rainwater harvesting system and recycled carpets.

These improvements would not only ensure that LaSalle would meet MEES regulation but go beyond minimum requirements.

Outcome
In Q3 2022 the refurbishment project was completed, resulting in an improvement of the EPC C rating to an EPC A rating.

Although an EPC rating of C would have sufficed for reletting under MEES regulation, LaSalle decided to progress their ESG strategy and target an EPC A rating. This ambitious target led to a best-in-class building and on top of that achieved a rent above the estimated rental value.

Case Study: Well-being initiatives

Asset – Central London Commercial/Office

Issue
Develop a tenant engagement strategy to create a sense of community among occupiers.

Objective
To create a programme of well-being initiatives for the benefit of the tenants in the building, improving

- A sense of community
- Diversity and inclusion
- Awareness for sustainability issues
- Mental health efforts

Action
LaSalle worked with JLL, the property manager, to develop the tenant engagement relationship with a view to meeting the objectives described above. We implemented a programme of well-being initiatives to enhance the tenants' overall satisfaction.

For this, the property managers organized regular meetings with the tenants to learn about their needs and receive ongoing feedback about well-being efforts. Further, they ran surveys with the tenants to receive additional feedback.

Out of the programme, the following actions were implemented:

- Meditation classes
- Working with plants
- Nutrition workshop
- Stress management
- All Occupier Summer and Winter mixers
- Small business pop-ups

Tenants are informed about these initiatives through a quarterly newsletter, mail shots and physical signage around the building which has resulted in good engagement from occupiers, with all events at capacity and workshops/experiences being subject to extensive waiting lists. The newsletter also informs about sustainability improvements and measurements like trialling an energy optimization technology or how 240 Blackfriars won the prestigious Green Apple Award, which recognises the contribution the building makes toward reducing its operational impact on the environment through innovation and best practice. A LinkedIn page is being created for the building, allowing for another layer of communication, which means our occupiers can share their experiences within the building more widely with their personal network.

As part of the programme, a local charity is nominated each year, fundraisers and drives are organised to support these organisations. In addition to this, a partnership drive has been undertaken to support local businesses by promoting them internally, this has proved popular with our occupiers through discounted rates and encouraging them to socialise in the local community.

Outcome
While difficult to quantify the impact on value the aim at this asset, and all LaSalle's multi-let assets, is to create a sense of community with goal of increasing tenant retention rates as well as increasing achievable rents.

Insight: Tenant engagement on sharing of energy consumption data.
In order to manage measure, assess and address matters such as Climate Risk, we are actively pursuing more accurate information across our portfolio; in some instances this can be more complicated than a simple request for information, but due to the importance we place on accurate information we continue to escalate and pursue such requests to inform our management principles. Below we outline an example of such efforts:

Attempts have been made over 2022/23 to engage with one of our largest tenants, a publicly listed hotel operator, in the hope of securing their agreement to share energy consumption data. Our approach has been in stages with each being unsuccessful and requiring further escalation as follows:

- Initially we had meetings with their third-party property managers and their internal asset manager to share LaSalle's NZC goals and aspirations and explain these in more details. These meetings involved LaSalle's asset manager and two of the ESG team. Unfortunately, the tenant has refused to share data due to the time/cost they will incur in providing the information and the implications for the rest of their portfolio if they have to start doing this more widely.
- Following receiving this response, we approached a contact on their board of directors and requested that our property managers also ask for the data, but we continued to receive a firm decline.
- Through our involvement with the Better Buildings Partnership, we have reached out to the tenant's lead contacts who joined the forum but after several chasers we were pushed back to the asset manager.
- In addition to the above we have offered to meet with their head of sustainability on three occasions but with no response as well as offering to fit clamps to make collecting data an easier process and this has been met with a firm refusal.

This is an example of how we have persisted in trying to access the consumption data we require to monitor buildings' performance. Although unsuccessful to date we will continue to pursue all avenues at our disposal to ensure this data is eventually received. For client disclosure purposes we are trialling the use of grid energy data providers where we cannot gain direct readings.

The assets mentioned above were also part of our NZC audit programme – the consultants asked to meet the tenant's technical team on site and after being pushed back several times the tenant has now agreed to allow access for the audits to be carried out.

European Private Debt
For private real estate debt investments, the bedrock of our engagement approach is the strength and length of our sponsor relationships, forged over 10+ years with around 50 high quality sponsors. An average of 72% of our loans over the last three years were originated through existing relationships. By their nature, loan investments provide LaSalle with less direct control and limited opportunity for engagement unless the default on loans triggers enforcement.

Our loan asset managers liaise closely with sponsors (and other lenders, where applicable) during the life of an investment. During the ongoing management stage this includes:

- Quarterly testing of loan covenants
- Frequent reviews with the sponsor of property level and financial level reports
- Monitoring of covenant requirements under the loan facility agreements and working with the sponsor to resolve any breaches
- Where required, conducting restructuring and enforcement action
- Development loans are subject to enhanced engagement, overseen by an in-house technical consultant. They attend sponsor construction meetings on a bi-monthly basis to detect potential construction delays.

Our debt investments have a defined term, typically 3-5 years. Our loan documents routinely contain property undertakings and representations regarding environmental compliance. A breach of these will lead to a default under the loan which, unless cured by the borrower, will give rise to rights of the lender to act. Since October 2022 we have screened our loans using a methodology designed to evaluate whether the loans would meet environmental objectives of a fund which we were transitioning to art 8 under SFDR. Over 95% of loans successfully met the requirements.

LaSalle Global Solutions
LaSalle Global Solutions takes a leading role in stewardship activities in the private real estate funds in which we are invested. This takes the form of bilateral engagement and via fund advisory boards (ABs); representatives of LaSalle Global Solutions currently sit on 32 ABs globally. Additionally, we specialise in joint venture creation and early fund participation, these strategies provide us with a greater opportunity to influence ESG integration as an investment vehicle is being constructed and the investment strategy is being written.

We prioritise issues on which to engage asset managers based on a range of sources:

- **ESG DDQ.** This is a key element, which we require asset managers to complete prior to the initial investment (see Principle 7), and annual ESG surveys thereafter.
- **GRESB scores.** We carefully review the results of funds' annual GRESB results and will engage with fund management where we believe that quicker progress can be made to increase specific scores.
- **Physical Risk.** Last year one of the LaSalle Global Solutions' engagement themes with our underlying funds was on their knowledge, awareness and approach to climate risk and to assess how far along organisations are in their pathway to achieving TCFD recommendations.
- **TNFD.** This year's engagement theme focuses on evolving nature-related risks supporting TNFD's aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

- **Transitional Risk.** In line with LaSalle's NZAMI commitment (signed in 2021), LaSalle Global Solutions regularly engages with investment partners; as regulators and policy makers strive towards a collective 2050 net zero target, both for the real estate and investment sectors it is critical our managers adhere to potential changes to legislation and standards.
- **Client views.** We canvass our own client views and stewardship priorities during bilateral meetings and pick out emerging themes (see Principle 6).
- **Proprietary analysis.** We also reference LaSalle proprietary analysis on ESG and the engagement issues that our direct Sustainability and Research and Strategy teams believe will deliver the largest benefits.

Key engagement themes during the reporting period included physical and transitional risk. The case studies below illustrate how we approached them.

On the listed side, since LaSalle Global Solutions holds a very small amount of public real estate securities, regular company meetings are conducted on our behalf by a specialised team of LaSalle Global Solutions who are dedicated to investments in public real estate securities. The meetings focus on business ESG risks and opportunities, risk management, ESG disclosure and alignment with industry best practice. The LaSalle Shareholder Rights Directive Engagement Policy is linked here.

Case Study: Fund Management Engagement

Asset: LaSalle Global Solutions, Open ended balanced UK commingled fund.

Issue: The fund management house has yet to make a NZC commitment in line with LaSalle's NZAMI commitment.

Objective: One of our key engagement themes in last year's LaSalle GPS Future Trends survey was on each underlying fund's NZC targets, and how their portfolios are being future proofed against potential changes to legislation stemming from efforts to collectively reach NZC by 2050 in line with LaSalle's Net Zero Asset Managers Commitment (NZAMI).

Action: Due to the lack of a NZC commitment at fund or house level, an engagement meeting was held with the fund management team on the topic of their future NZC plans. The aim of the conversation was to ensure that LaSalle Global Solutions understood how the fund management team's plans would affect our ability to adhere to our NZAMI commitment.

Result: The manager was receptive to our feedback and over the course of several engagement meetings agreed to document the fund's NZC ambitions through a published NZC pathway and is investigating an SDR rating.

Case Study: Fund Management Engagement

Asset: LaSalle Global Solutions, Open ended balanced UK commingled fund.

Issue: The fund management house has yet to make a NZC commitment in line with LaSalle's NZAMI commitment.

Objective: As part of last year LaSalle Global Solutions Future Trends survey, one of our key engagement themes was on each underlying fund's NZC targets, whether these have been set and how their portfolios are being future proofed against potential changes to legislation stemming from efforts to collectively reach NZC by 2050.

Action: Due to the lack of a NZC commitment at fund or house level, an engagement meeting was held with the fund management team to discuss future plans in regard to NZC.

Result: The manager was receptive to our feedback and over the course of several engagement meetings agreed to document the fund's NZC ambitions through a published NZC pathway and is investigating an SDR rating.

Case Study: Fund Management Engagement

Asset: LaSalle Global Solutions, Closed-ended specialist UK commingled fund.

Issue: Poor GRESB score progression and little progress in terms of carbon, energy, water and waste collection.

Objective: As part of our regular engagement programme, we review fund GRESB performance to highlight areas of weakness and best practice to external managers. We also aim to ensure that as a house, LaSalle is able to adhere to our NZAMI commitment and TCFD reporting obligations.

Action: Due to poor GRESB score progression and little progress in terms of carbon, energy, water and waste collection, an engagement meeting was held with the fund management team to discuss future plans in the regard to these items in order for LaSalle GPS to adhere to our NZAMI commitment and TCFD reporting obligations.

Outcome: The manager came to the meeting prepared with a plan of action and agreed to work with a dedicated sustainability consultant to do a full gap analysis in order for the manager to better integrate data collection and performance into their investment process. The engagement with this manager is still on-going and we look forward to reporting further outputs in our next UKSC report.

Case Study: Fund Management Engagement

Asset: LaSalle Global Solutions, US Listed Company

Issue: Meeting held to engage with listed company regarding the setting of long-term carbon and energy targets, carbon pricing policy, capital expenditure disclosure, and asset level sustainability plans.

Objective: To encourage enhanced disclosure and further integration of sustainability into the entity's investment process.

Action: LaSalle participated in a collaborative meeting with a large US listed company in order to engage further with the entity in relation to climate risk factors and disclosure.

Outcome: Post the engagement meeting the manager committed to develop improvement plans at the asset level based on energy audits, embodied carbon polices and process for embodied carbon assessments to be included in future ESG report and continued work on the development of a NZC pathway.

Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.

The real estate investment management sector is small and highly inter-connected, especially in Europe. Whilst there are no issuers in the traditional sense for direct real estate investors, there are many collective initiatives on stewardship where peer real estate investment management firms hold each other and themselves to account, often co-ordinated through industry bodies. Informed external clients and real estate multi-manager teams, such as LaSalle Global Solutions, also play a key role in applying pressure for direct real estate investment managers to participate.

LaSalle plays a leading role in these bodies as shown below.

LaSalle roles held in global real estate ESG bodies – 2023:

- GRESB Foundation Board
- GRESB member of NZC Working Group
- Fund Manager Member of GRESB
- Founding GRESB Investor Member
- ULI Greenprint Europe Member
- ULI Sustainability Councils Member
- Co-Chair Better Building Partnership's Investor Engagement Working Group
- Chair of AREF ESG and Social Impact Committee
- AREF Management Board - with top level oversight of AREF ESG and Corporate Governance policy
- INREV Due Diligence Committee – oversight of INREV ESG DDQs
- INREV Board Member (with top level oversight of INREV ESG policy)
- Advisory Board member of the DGNB
- NAREIT Board and Sustainability Committee
- Contributing author of the UK Net Zero Carbon Buildings Standard

*Note that roles held by all LaSalle business unit managers have been included since LaSalle Global Solutions invests globally.

Global Real Estate Sustainability Benchmark Foundation Board

In 2021, Kathleen Jowett, Head of Sustainability for LaSalle Global Solutions, was appointed as a voting member of the GRESB Foundation Board after serving on the GRESB Advisory Board for 10 years. The GRESB Foundation Board is an independent standards-setting body, which works to develop, maintain, improve and publish GRESB Standards annually, in time for GRESB BV to perform its assessments. Over the course of 2022, the committee was involved in the following initiatives:

- Creation and selection of members appointed to the GRESB Foundation Board, Real Estate Standard Committee and Infrastructure Standards Committee;
- Review of stakeholder feedback from 2022 survey and scopes for improvement to the GRESB Standards including addition of CRREM and the creation of a NZC Expert Resource Group; and
- Development and approval of GRESB standards for 2023;

AREF ESG and Impacting Investing Committee

Kathleen Jowett, Head of Sustainability for LaSalle Global Solutions serves as the chair of the Association of Real Estate Funds ESG and Social Impact Investing Committee. This committee is responsible for analysing emerging UK and EU legislative and regulatory developments in relation to ESG and impact investing that may have a potential impact on AREF member funds and AREF best practice, responding to formal consultations relating to ESG and social impact in AREF's name, and the production of explanatory material and training for dissemination to members and other relevant audiences. Over the course of 2022, the committee was involved in the following initiatives:

- FCA consultation on enhancing climate-related disclosures;
- Event focusing on the challenges and solutions to addressing carbon emissions associated with tenant activities in buildings;
- Event covering the FCA's proposals relating to SDR, topical issues regarding the policy intent of the UK regulator and the strategic challenges and opportunities for the sector; and
- Creation of an impact training series for AREF members together with the Good Economy focusing on place-based impact investment, impact frameworks, regulatory landscape, intersectionality of environmental and social impact, and value implications of positive social impact creation.

INREV Due Diligence Questionnaire Committee

Alistair Dryer, Head of Europe at LaSalle Global Solutions is a member of the INREV DDQ Committee. This Committee leads on updating and reviewing the INREV DDQ. The INREV DDQ provides a standardised and well adopted framework, helping investors achieve a high level of scrutiny when investing in an unlisted property fund for the first time. The DDQ is one of the most downloaded documents held by INREV. Alistair was involved in the latest 2023 version.

To reflect the latest market and regulatory developments in the 2023 version ESG issues were integrated across the different stages of due diligence. At the front of the DDQ, a dedicated ESG section was included in the vehicle fact sheet and ESG references were added to the investment manager statement. The ESG questions are now spread across the Preliminary and Advanced stages and align with the new INREV Sustainability module and its related sustainability reporting guidelines of the INREV Reporting module.

There are always upgrades being considered for the DDQ and we continue to contribute to such initiatives.

NAREIT Advisory Board of Governors / Real Estate Investment Advisory Council

Lisa Kaufman sits on NAREIT's Advisory Board of Governors which provides advice and assistance to the Executive Board which is responsible for all long-term planning, financial budgets, policy positions and statements regarding NAREIT, its membership and the REIT industry. Areas of focus in 2022-2023 have been on federal government tax policies, pending environmental reporting requirements by the SEC and challenges in the office sector. Lisa Kaufman also chairs NAREIT's Real Estate Investment Advisory Council which convenes real estate investors and investment managers to collaborate with NAREIT to discuss topical issues and to promote REITs within the investment community.

Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.

This principle is difficult to apply to Private Equity and Private Debt since the relationship with a tenant or sponsor is necessarily limited to the specific contract for building occupation or loan. If the counterparty is fulfilling their part of the contract the actions which can be taken by LaSalle (including escalation) are very limited.

We have therefore focussed on how escalation is approached by LaSalle Global Solutions.

Within indirect real estate fund investment, our preferred method of engagement is bilaterally with the fund team and/or during fund advisory board or all-investor meetings, particularly where majority investor consent is required for an action or change of terms. In general, there is ample opportunity for dialogue and consensus to be found within these meetings, especially over time.

However, we will escalate beyond the fund manager to the Chief Executive Officer or Chief Investment Officer where we believe that the fund manager is not acting in the best interests of all investors (i.e., where there is a conflict of interest between the fund manager and the investors, or favouritism of some investors) or where we simply believe that the fund manager is otherwise acting unethically. As a top five (by AUM) global real estate multi-manager, we feel a wider obligation to ensure co-investors of all sizes in commingled funds are treated fairly. Escalation most commonly arises in matters of fund governance.

Whilst we have escalated activities to industry bodies in the past (such as the Association of Real Estate Funds), we have not had to do so recently.

Disinvestment can be used as the ultimate sanction, although the illiquid nature of private real estate and the relatively small investment universe are constraints in doing so repeatedly whilst still achieving investor returns. We therefore prefer escalation to achieve behavioural change from managers and disinvestment is normally used as a method of protecting our clients' capital.

Regarding public securities, the size of our holdings significantly limits the influence we can exert over issuers via escalation. We therefore focus on representing client interests through company meetings, voting and ultimately disinvestment.

The recent example below illustrates LaSalle Global Solutions approach to escalation.

Case Study: Escalation to Real Estate Body Asset: LaSalle Global Solutions, UK fund market

Issue: In Q4 2022 many open-ended funds in the UK were in receipt of mounting redemption requests and were not being transparent with investors about the volume of redemptions outstanding. Often the reason given for withholding this information was that the manager wanted to avoid appearing 'distressed' which could in turn cause a run on the fund.

Objective: To achieve full transparency of outstanding redemptions in the UK fund market. In our view the funds' ability to suspend and/or defer already deals with any risks of increasing redemption volumes, and from a governance perspective withholding information from investors is very poor.

Action: LaSalle has a seat on the Association of Real Estate Funds Investor Committee (AREF), and the issue was flagged to this committee to tackle from the position of an industry body, to try to get some consistency across the market.

Outcome: AREF confirmed that disclosure of subscription and redemptions queues is part of AREF's Code to which members are expected to adhere. Within the next two to three quarters, all our investment managers provided redemption disclosures with the exception of one. Please see the next case study for a summary of continued escalation on this point.

Case Study: Fund Management Engagement – Fund Liquidity Information

Asset: LaSalle Global Solutions, Open ended UK Balanced Fund

Issue: After having received a large volume of redemption requests, which included a redemption submitted for a LaSalle Global Solutions client, the manager of the fund had chosen to defer redemption requests. The manager cited that it would not be in the best interests of unit holders as a whole as this would have an adverse effect on the cash flow of the fund. The manager then progressed with asset sales to help satisfy these redemption requests as immediate liquidity requests (redemptions) would not be feasible. There was no deferral time period set however, as per the Trust documentation, the hard stop date to satisfy these redemptions would be one year from any requests.

Objective: Following the notification to defer the LaSalle Global Solutions client's redemption, a request was made to gauge the exact volume of redemptions the fund had received (as a percentage of the fund) as well as what order the LaSalle Global Solutions client falls within the pay-out queue. The manager of the fund on numerous occasions was not willing to provide this information which was unacceptable as this is needed to help manage liquidity required by the client and important for ongoing portfolio management. This is also information requested from underlying fund managers on a quarterly basis and transparency is not only expected, but also required. At that stage, every manager with the exception of this fund had provided this information.

Action: An email was sent by a senior fund manager of the LaSalle Global Solutions team, escalating this to the Fund Director, as communication to this point was directly with the Client Relations Manager of the fund. The email informed the manager that transparency with investors is seen as a mark of good governance and indicative of an approach which is collaborative rather than combative. It was requested that regardless of the reason to withhold information, that the exact volume of outstanding redemptions be disclosed. The manager was also informed that failure to do so would result in escalation to the LaSalle Global Solutions Investment Committee, the senior management of the fund and the AREF Investor Committee.

Outcome: The information was thus disclosed shortly after at an Investor Update meeting and a follow up email disclosed the volume of redemptions received as well as the LaSalle Global Solutions client's position in the pay-out queue. The manager also outlined the key sales that would be moved forward to satisfy these redemption requests with a pay-out to the LaSalle Global Solutions client provided well ahead of the hard stop date of one year. The LaSalle Global Solutions client was second in the redemption queue and the full redemption payment was received nine months post the request.

Case Study: Company Engagement and Escalation Public Securities

Investment Type: US Healthcare REIT

Summary: LaSalle Global Solutions identified shortcomings on ESG issues that it believed were contributing to stock underperformance. LaSalle Global Solutions engaged CEO, CFO and members of the Board of the healthcare REIT in 2023. The table below lists the issues raised and the resulting outcomes.

ESG	LaSalle Engagement Issue	Results
Environmental	• Lack of commitment to sustainability	✓ Issued detailed corporate responsibility report: • Partnerships with tenants to achieve climate goals, (e.g. net zero pledges by the largest tenant) • TCFD disclosure • Diversity statistics and visibility into employee engagement efforts
Social	• Lack of commitment to social responsibility	
Governance	• ESG shortcomings and inadequate investor communication • Outsized corporate overhead expense	✓ Detailed investor presentation at June 2023 industry conference, addressing: • Prioritization of balance sheet improvement in capital allocation • Adequacy of capital sources • Historical validation of investment acumen

Principle 12: Signatories actively exercise their rights and responsibilities.

European Private Equity
This principle applies less to direct properties since there are no voting rights.

European Private Debt
On our private debt investments, we frequently engage with our sponsors and under the loan documents sponsors are required to provide periodic reporting on asset performance. This allows us to identify potential problems and solutions at an early stage.

Our loan facility agreements and intercreditor agreements provide us with certain rights to protect our investments; in our capacity as a lender, we monitor asset financial performance, construction progress (in case of developments and refurbishments), and financial covenants. We also review yearly budgets and business plans as frequently as dictated in the facility agreements in place. The extent of our engagement increases following us enforcing on a position. Where it is in the best interests of our clients, our priority is to work pragmatically with sponsors, including negotiating additional equity commitments by the sponsor, partial loan repayments, introduction of interest reserves and similar liquidity measures. In return loan extensions and/or short-term covenant relaxation may be offered.

If a satisfactory consensual solution cannot be found with the Sponsor and/or other lenders we may exercise certain rights available to us under the loan documents and ICAs, including senior purchase rights, step in rights and enforcement action.

LaSalle Global Solutions
We fully participate in every corporate action for all underlying real estate investments that we manage on behalf of clients. Notifications of impending fund votes are considered initially by the LaSalle Global Solutions Multi-Manager Investment Committee (MMIC).

The MMIC will consider whether the management proposal is in the best interests of investors and whether it raises fund ESG standards. If a potential vote surrounds a fundamental change that has resultant financial impacts, the vote may be escalated to the LaSalle Global Solutions Global Investment Committee for review. Client views are considered as part of the engagement process outlined in Principle 6, but the voting decision lies with LaSalle Global Solutions for discretionary mandates.

Whilst we acknowledge that in some instances, we are unable to directly control the practices implemented by our underlying funds, we are able to use our influence and positions on fund unitholder advisory committees to engage with managers and promote best practice, furthering our clients' interests. During 2022 we participated in 68 unitholder votes, across 141 client positions, voting on 353 resolutions of which 263 related to votes for public investments.

The LaSalle Global Solutions voting record is compiled annually. The record for 2022 (both private funds and public securities) is shown below. There were no abstentions.

	Against	For
Amendment to Investment Management Arrangements	2	24
Fund extensions	1	1
Liquidation matters	0	1
Annual accounts / reports	0	28
Renumeration matters	2	26
Appointment of auditor / custodian	1	27
Appointment of Board / Committee members	7	161
Discharge of Board / Committee / General Partner	0	10
Equity matters (Listed investments)	0	12
Share matters (Listed investments)	1	5
Listed investment related	0	24
Meeting formalities	0	6
Transact any other business / Misc.	0	14

Case Study: Fund Management Engagement – Redemption

Asset: LaSalle Global Solutions, open ended balanced UK commingled fund.

Issue: The manager of the fund was proposing to change the strategy of an established UK Fund, to become a Social Impact Fund. In proposing this change the Manager confirmed in a meeting between the Fund Manager and Investor Relations Staff and a Senior Fund Manager at LaSalle, that only 50% of the existing assets suited an Impact strategy, and the decision to change the strategy was driven in large part by the manager's view that the Impact sector was easier to raise capital in. In becoming a Social Impact Fund, the fund would retain all of its existing objectives and add new objectives regarding Social Impact rather than replacing the existing objectives.

Action: A summary of the proposed changes was discussed at LaSalle's Investment Committee which concluded that in view of the transactional costs that would be incurred in rotating the portfolio, and also considering that the change of strategy is not in line with the current strategies of the client capital we have invested, the proposed changes were not in our client's interest. We subsequently engaged with the manager to provided clear feedback to the manager regarding our views and intended course of action which would be a full redemption.

Outcome: The manager was unwilling to change their plans, resulting in LaSalle submitting full redemptions for all clients.

For votes pertaining to public securities investments, we vote in accordance with the proxy advisor's recommendation, unless our securities team or the LaSalle Global Solutions fund manager's view is contrary to the recommendation. Included below are several case studies where LaSalle Global Solutions voted against the recommendation of the proxy advisor's recommendation.

ISS Recommendation	LaSalle Engagement Issue	Outcome
Vote in favor of board member nomination who serves on the governance committee	• LaSalle voted against the ISS recommendation: • Board member's lack of stewardship • Support for the election of the Chairman's brother to the board • Support of staggered director elections	• While the outcome was in favor of the director (consistent with ISS and management), there were ~20% of votes cast against the director – a level that typically catalyzes investor outreach ahead of future proxy votes.

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