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# CLARION GRAMERCY

## 1. Introduction

This document sets out the Clarion Gramercy Limited (“Clarion Gramercy” or “the Manager”) strategy for managing Environmental, Social and Governance (ESG) matters relevant to Clarion Gramercy’s managed funds. includes roles and responsibilities, objectives and targets, monitoring, supply chain management, reporting procedures and the strategy review process. The aim of this document is to provide a framework to ensure all commitments, responsibilities and objectives are clearly defined and communicated to key stakeholders, both internal and external. This document will be reviewed and updated annually.

This document can be used to signpost users to additional material, documents and processes utilised by Clarion Gramercy to effectively integrate ESG matters into the overall fund strategy.

### *Clarion Gramercy ESG Policy*

Clarion Gramercy is a pan-European investor into income operating real estate assets with a focus on logistics and light industrial properties. Clarion Gramercy is committed to incorporating Environmental, Social and Governance (ESG) issues into the full life cycle of investment decisions, where technically and economically feasible to do so. The ESG ambitions of Clarion Gramercy are articulated in this policy, which is intended to be applied to the operation of its managed funds.

In recognition that ESG is a key priority for our investors and key stakeholders, Clarion Gramercy has established an ESG strategy that is operated in alignment with good practice sustainability guidelines and, wherever possible, in-keeping with the United Nations’ Sustainable Development Goals. Clarion Gramercy believes that the integration of ESG programmes into acquisition strategies and via active asset management has the potential to add material value to the portfolio, while enhancing environmental and social conditions of our tenants and wider communications.

Clarion Gramercy has developed an ESG framework to identify and manage ESG risks and opportunities inherent within real estate investment. As a responsible owner and operator of real estate assets, Clarion Gramercy aspires to:

- Establish an Environmental Management System (EMS) aligned to the international standard ISO14001:2015.



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- Continue to participate in GRESB and disclose results with investors, where requested.
- Develop a fund sustainability report to disclose energy, water, greenhouse gas, and waste impacts, together with an overview of our performance programmes.
- Continue to implement a data management system to collate and analyse sustainability performance data, where made available.
- Incorporate ESG responsibilities into role profiles across internal and external stakeholders, as relevant to role functions and where Clarion Gramercy has the ability to do so.
- Integrate ESG considerations into the acquisition process and assign governance oversight for material ESG risks to the Investment Committee.
- Achieve green building certification for all development projects where Clarion Gramercy acts as the development manager.
- Identify EU Energy Performance Certificate (EPC) risk profiles and seek to establish minimum performance levels for standing investments when undertaking renovations and refurbishment projects.
- Seek to procure energy from renewable sources, where acceptable to our tenants, and undertake feasibility studies for onsite solar PV generation to mitigate against future climate change and resilience impacts.
- Seek to install electric vehicle charging points to alleviate local air quality issues through pollution prevention.
- Aim to enhance tenant engagement via programmes through completion of a tenant satisfaction survey programme, collaboration on improvement initiatives and sharing of data, where possible.
- Encourage development and implementation of biodiversity strategies, where possible.

This policy and our ESG strategy is endorsed by the CEO of Clarion Gramercy. Progress against stated commitments are reviewed by the ESG Committee on a regular basis and by the CEO at least annually.

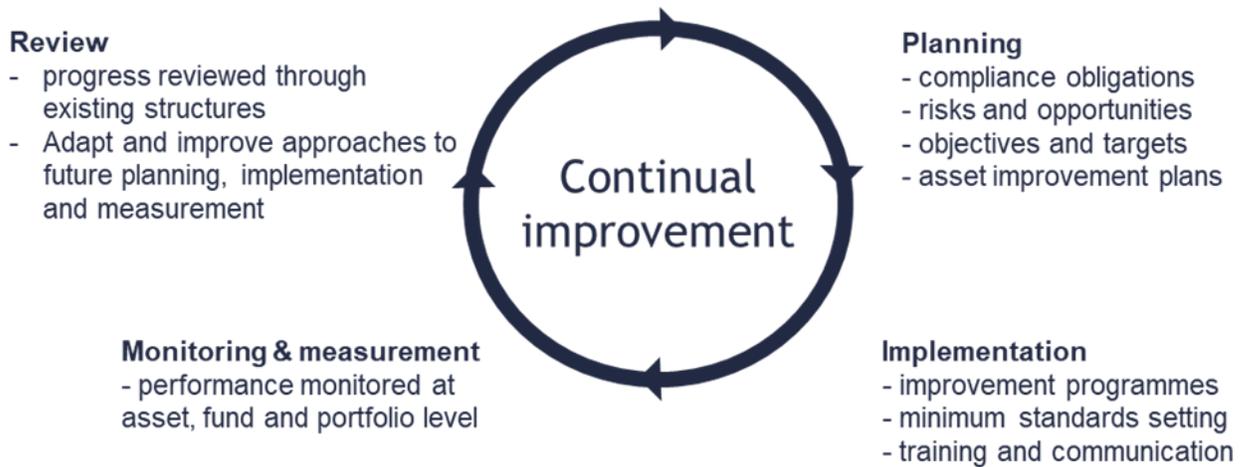


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## 4.1 Scope, Development Process and Key Documentation

This ESG strategy has been developed at the Clarion Gramercy corporate level, however, the application of its intent is predominately at the fund level, covering investment, fund, asset and property management activities, processes and procedures. The strategy has been devised to ensure that Clarion Gramercy's ESG policy and strategy is integrated with business processes at the fund level and considers all applicable aspects of the asset life-cycle. Moreover, the ESG strategy aims to integrate within the Clarion Gramercy risk management process to ensure governance risks and ESG opportunities are integrated with business processes.

In alignment with the internationally recognised Environmental Management System Standard, ISO 14001:2015, Clarion Gramercy's ESG strategy is underpinned by a Plan-Do-Check-Act approach, which is summarised as follows:



*Figure 1 Continual improvement framework of the Clarion Gramercy ESG strategy*

Figure 2 overleaf details the structure of the ESG strategy document map. Each section directly supports the continual improvement framework depicted above, which in turn informs the ongoing review and development of documentation.



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## Clarion Gramercy ESG Policy

|   |   |   |
|---|---|---|
| <b>ESG strategy [this document]:</b>  |   |   |
| <ul style="list-style-type: none"> <li>• ESG context</li> <li>• Roles &amp; responsibilities</li> <li>• Objectives &amp; targets</li> </ul>   | <ul style="list-style-type: none"> <li>• Monitoring</li> <li>• Supply chain management</li> <li>• Reporting</li> <li>• Review process</li> </ul>  |   |
| <p><b>Acquisition:</b></p> <ul style="list-style-type: none"> <li>• Technical due diligence request list and reports</li> <li>• Acquisition Checklist</li> <li>• Investment committee memorandum</li> </ul> | <p><b>Operation:</b></p> <ul style="list-style-type: none"> <li>• 5-year asset business plan</li> <li>• Property Management Agreement</li> <li>• Sustainability audits</li> <li>• Standard lease terminology</li> <li>• Monitoring &amp; Reporting (SIERA)</li> </ul> | <p><b>Engagement:</b></p> <ul style="list-style-type: none"> <li>• Quarterly Property Management</li> <li>• Quarterly report board pack</li> <li>• Investor annual report</li> <li>• Annual Report (INREV)</li> <li>• GRESB Disclosure</li> <li>• Employee performance assessment</li> <li>•</li> </ul> |

Figure 1 Clarion Gramercy ESG document map (above). Figure 3 document significance (below).

| Stage       | Document / Function   | Strategic Relevance   |
|-------------|---|---|
| Acquisition | Technical due diligence request list / technical building reports | Sets out the sustainability criteria that should be considered by due diligence vendors during acquisition, highlighting investment critical issues, establishing the key criteria to be addressed during the due diligence process and identifying whether any mitigation measures are required. See Appendix 1 for full list of topics. |
| Acquisition | Acquisition checklist   | To highlight ESG red flags identified during the due diligence process e.g. flood risk, energy performance certificates (EPCs) and also ESG enhancements over and above like-for-like technical replacements.   |
| Acquisition | Investment Memorandum   | To communicate, among other issues, material ESG issues and associated costs / liabilities identified during due diligence.   |
| Operation   | 5-year asset business plan  | Established late November / early December, the document sets the annual property management budget and five-year business plan. ESG initiatives, costs and impacts should be considered, as relevant.  |
| Operation   | Sustainability Audits   | Periodically conducted by appointed third-party consultants to identify asset-level sustainability improvements, including energy, greenhouse gas (GHG)   |



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|                        |   |   |
|------------------------|---|---|
|                        |   | emissions, water and waste efficiency measures, and wellbeing initiatives.  |
| Operation              | Monitoring & Reporting (SIERA)  | An ongoing programme to monitor performance at the asset-level. This includes data collection, validation and annual reporting.   |
| Operation              | Standard lease terminology  | To include clauses (where acceptable to both parties) that can protect and / or enhance ESG performance of asset and fund. For example, this may include clauses on data sharing, collaboration and minimum energy standards.   |
| Operation / Engagement | Property Management Agreement / Quarterly Property Management Reports | Inclusion of ESG requirements within Property Management Agreement (PMA) to enhance performance and minimise risk through Property Manager interventions, where appropriate. Quarterly Property Management Report to contain update on notable ESG issues, as relevant. |
| Engagement             | Employee Self-Assessments   | All employees are required to include ESG within their performance self-assessments as to ensure that Clarion Gramercy's ESG strategy is integrated within day-to-day activities, where appropriate.  |
| Engagement             | Fund ESG Report / Annual Report / Investor Report                     | Performance to be disclosed annually in an INREV-aligned report as a means to engage with key stakeholders on fund ESG performance and initiatives. Key findings to be incorporated into Fund Annual Report / Investor Reports, as deemed necessary.                    |
| Engagement             | GRESB Disclosure  | GRESB is adopted as a framework for evaluating our ESG credentials and conveying performance to investors, who consider GRESB to be a key indicator of ESG practices.   |



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## 2. ESG Context and Risk Identification

The diagram below summarises the key risks, enablers and challenges that Clarion Gramercy has considered in its approach to ESG matters. Through developing ESG Objectives (see Section 3), Clarion Gramercy has incorporated ESG risk mitigation measures into its investment process to manage these issues, as appropriate.

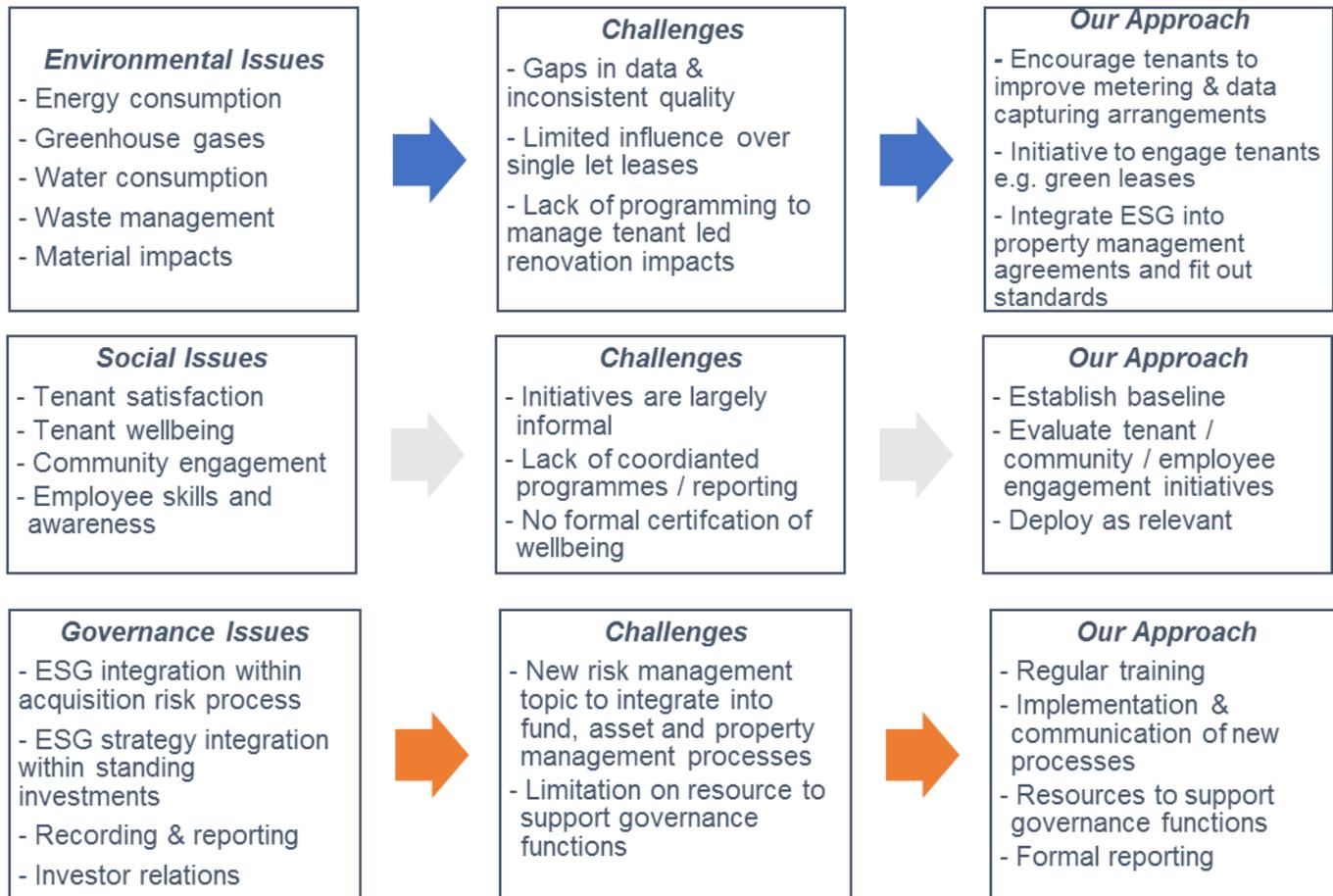


Figure 4 Objective selection criteria



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## *4.2 Roles & Responsibilities*

Key roles and responsibilities have been defined to ensure effective operation and integration of the ESG strategy.

### **Chief Executive Officer (CEO)**

The CEO of Clarion Gramercy has ultimate authority over its ESG strategy. They are responsible for ensuring that the ESG framework is appropriately resourced and is effective in satisfying the needs of stakeholders, including the Boards of Clarion Gramercy-advised funds. The CEO is responsible for ensuring alignment with Clarion Partners global ESG commitments, where relevant. Accordingly, the CEO delegates responsibility for enacting this fund-level ESG strategy to the appropriate teams and conducts regular reviews. The CEO is the most senior decision-maker accountable for ESG issues.

### **ESG Committee**

The ESG Committee currently comprises the Head of Asset Management, Asset Manager, Executive Assistant and Vice President Investments. The ESG Committee is responsible for ensuring the ongoing development, maintenance, review, and improvement of this ESG framework and its implementation. The ESG Committee identifies the expectations of stakeholders and, in light of Clarion Gramercy's wider commitments, establishes and reviews fund-level objectives and targets.

With support from external ESG consultants, the Executive Assistant shall facilitate the collection of data for performance monitoring and communicate ESG performance to stakeholders, where appropriate. They are responsible for embedding ESG principles within internal operational practices, in support of the objective set out in this strategy and promoting sustainable practices within the company.

### **Investment Team**

During acquisitions, the Investment Team will seek to conduct adequate ESG due diligence and ensure that material risks and opportunities are communicated via the Investment Committee Memorandum. This ESG policy and ambitions should be considered within the initial acquisition target phase.



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## **Asset Management**

The Head of Asset Management along with support of an Asset Manager is responsible for supporting environmental and social improvement programmes at the asset-level, ensuring that adequate resource is provided to manage ESG risks and opportunities appropriately. This may include enacting, where feasible, the inclusion of green lease terminology, inclusion of ESG requirements within Property Management Agreements and supporting Property Management Quarterly Reports, and the progression of ESG initiatives at asset level.

## **Risk Management**

Risk Management maintain processes for identifying direct, governance-related risk exposure and opportunities as part of the wider risk management processes. This includes risks such as bribery and corruption, and human rights.

## **All Clarion Gramercy Employees**

All employees are required to understand the ESG related impacts of their roles and must adhere to policies and operational procedures. Employees are actively encouraged to participate in ESG training sessions and to include ESG objectives within their Annual Performance Appraisal Form, where appropriate.

## *4.3 Competence*

Employees actively involved in managing Clarion Gramercy-advised funds shall be provided with the necessary training in order to deliver their responsibilities against the requirements and commitments of the Clarion Gramercy ESG Policy and Strategy. Training plans for 2020 include:



| <i>Training</i> | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GRESB Overview  |        |        |        |        |        |        |        |        |        |        |        |        |
| ESG Interviews  |        |        |        |        |        |        |        |        |        |        |        |        |
| ESG Strategy    |        |        |        |        |        |        |        |        |        |        |        |        |
| GRESB Reporting |        |        |        |        |        |        |        |        |        |        |        |        |
| GRESB debrief   |        |        |        |        |        |        |        |        |        |        |        |        |

### 3. Objectives and Targets

#### 4.4 Rationale

Clarion Gramercy’s ESG objectives have been determined to go through both a top-down and bottom-up review of the fund strategy and individual asset initiatives to identify relevant and practical value-driven objectives. Priorities and expectations have been identified primarily via interviews with the ESG Committee. All objectives have been reviewed and approved by the CEO. The following topics have also been taken into consideration:

- **Investment strategy** – Clarion Gramercy is a pan-European investor into income-operating real estate assets, with a focus on logistics and light industrial properties. It acquires assets subject to existing leases, invests through sale-leaseback transactions and funds build-to-suit and speculative developments. The assets are typically of strategic importance to the underlying tenant. The integration of ESG programmes into acquisition strategies and via active asset management has the potential to add material value to the portfolio.
- **Legislation** – The European ESG agenda is driven by increasingly stringent legislation. Examples include the Minimum Energy Efficiency Standard (UK), Article 173 "Décret tertiaire " (France) and the (currently voluntary) Task Force for Climate-related Financial Disclosure (TCFD). Clarion Gramercy is acutely aware of the risk



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such legislation poses and sets objectives and targets to address the drivers that underpin such legislation, where relevant.

- **Investor expectations** – Clarion Gramercy’s investors consider GRESB to be an important indicator of the success of Clarion Gramercy’s ESG strategy. The benchmark provides a framework for targeted improvement for participating funds.
- **Clarion Partners:** Clarion Gramercy has reviewed the existing [corporate responsibility commitments](#) implemented by Clarion Partners to align strategies, where relevant. For example, this includes the development of commitments that align with UN Sustainable Development Goals as well as identifying targets and performance metrics for implementation and alignment.

The principles that underline Clarion Gramercy’s ESG objectives can be summarised as follows:

- **Environment:** Acquisition and development of modern logistics sites to deliver more efficient stock, aligned with tenant preferences, with active management to improve, track, and report environmental performance, where possible.
- **Social:** Promote safe buildings that deliver positive customer experiences for workers and visitors who use them.
- **Governance:** Ensure that robust processes are in place to minimise legislative, environmental and social risks throughout the applicable stages of the investment cycle, whilst disclosing our activities and progress.

Where appropriate, our objectives abide by the SMART criteria (specific, measurable, attainable, relevant and time-bound). Objectives and targets are reviewed by the ESG Committee on a regular basis and by the CEO at least annually.

Where relevant, the “high level” Sustainable Development Goal is displayed next to each category.

Figure 6: Objectives and Targets Summary

| Category   | Item | Objective  | Target  | Scope  | Timeframe            | KPI  | Responsibility                       |
|--|------|--|---|--|----------------------|--|--------------------------------------|
|     | 1    | Continue to implement a data management system to collate and analyse sustainability performance data, where made available. | Obtain annual sustainability performance data, where possible | All assets held for longer than 12 months.   | Q2 2020 and annually | 75% overall data coverage by floor area for utility consumption including water. | Property Managers                    |
|  | 2    | Achieve green building certification for all development projects where Clarion Gramercy Europe acts as development manager. | Obtain minimum 'Very Good' BREEAM rating or equivalent        | Development sites at RIBA Stage 4 or earlier | Ad hoc               | Achievement of green building certificate rating                                 | Asset Management and Investment Team |
|  | 3    | (Phase 1) Identify EU Energy Performance Certificate risk profiles   | (Phase 1) identify existing EPC profiles, including gaps      | All assets                                   | Q2 2020              | 100% coverage of assets  | Asset Management                     |



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|   |   |   |  |  |         |   |                         |
|---|---|---|--|--|---------|---|-------------------------|
|  |   | <p>(Phase 2 – not yet deployed)<br/>establish minimum performance levels for standing investments when undertaking renovations and refurbishment projects.</p>  |  |  |         |   |                         |
|   | 4 | <p>(Phase 1) Seek to procure energy from renewable sources, where acceptable to our tenants,</p> <p>(Phase 2 – not yet deployed)<br/>Undertake feasibility studies for onsite solar PV generation to mitigate against future climate change and resilience impacts.</p> | <p>(Phase 1)<br/>Recommend green energy tariffs to tenants</p> | <p>All assets where tenants benefit from landlord-controlled (electricity) suppliers</p> | Q4 2020 | <p>Notification of opportunity to 100% of relevant assets / tenants</p> | <p>Asset Management</p> |



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|   |   |   |  |  |         |  |                   |
|---|---|---|--|--|---------|--|-------------------|
|   | 5 | Encourage development and implementation of biodiversity strategies, where possible.  | Identify locations with known biodiversity opportunities   | All assets   | Q4 2020 | Reporting of existing initiatives and opportunities              | Property Managers |
|   | 6 | Seek to install electric vehicle charging points to alleviate local air quality issues.   | Identify highest priority locations according landlord / tenant benefit                              | All assets (on prioritised basis)                        | Q4 2020 | List of highest priority sites and indicative installation costs | Asset Management  |
| Social<br> | 7 | Enhance tenant engagement programmes through completion of a tenant satisfaction survey programme, collaboration on improvement initiatives and sharing of data, where possible | Completion of a tenant satisfaction survey. Development of action plan to respond to survey findings | All assets   | Q4 2020 | 100% coverage of tenants   | Asset Management  |
|   | 8 | Incorporate ESG responsibilities into role profiles across internal and external  | Completion of ESG training to Clarion Gramercy employees   | All employees responsible for Clarion Gramercy's managed | Q1 2020 | 100% employee coverage via in person training and / or online    | ESG Committee     |



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|  |    | stakeholders, as relevant to role functions and where Clarion Gramercy has the ability to do so.        |   | funds                                    |                                     | distribution of training material   |               |
|--|----|---|---|--|-------------------------------------|---|---------------|
| Governance<br><br> | 9  | Establish an Environmental Management System (EMS) aligned to the international standard ISO14001:2015. | Gain CEO and Fund Board sign-off of ESG Strategy.<br><br>Integrate relevant ESG components into investment management process | Clarion Gramercy-advised comingled funds | Q2 2020                             | Signed Policy<br><br>Inclusion of ESG components within investment management process e.g. PMAs, acquisition checklist etc. | ESG Committee |
|  | 10 | Continue to participate in GRESB and disclosure of results with investors, where requested.             | Submission of assessments for Clarion Gramercy-advised funds that owned assets at relevant cut-off date                       | Clarion Gramercy-advised comingled funds | Q3 2020 (submission) / Q4 (results) | GRESB benchmark report  | ESG Committee |
|  | 11 | Develop a fund sustainability report to   | Production of INREV aligned fund  | Clarion Gramercy-advised                 | Q3 2020                             | Publication of report   | ESG Committee |



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|  |    |   |  |  |         |   |                 |
|--|----|---|--|--|---------|---|-----------------|
|  |    | disclose energy, water, carbon and waste impacts together with an overview of our performance programmes.                                     | report(s).<br>Inclusion of ESG programmes and overview within fund annual report | comingled funds                          |         |   |                 |
|  | 12 | Integrate ESG considerations into the acquisition process and assign governance oversight for material ESG risks to the Investment Committee. | Inclusion of material ESG risks into standard acquisition process                | Clarion Gramercy-advised comingled funds | Q4 2020 | Amendment of acquisition checklist and / or IC memo | Investment Team |



## 4. Monitoring

ESG performance data will be monitored and collected in order to:

- Contribute to entity and asset risk profiling,
- Assist in the identification and development of improvement initiatives to manage entity and asset resilience,
- Assist in the reduction of consumption,
- Enable tracking of performance over time; and,
- Support internal and external reporting.

### 4.5 Asset-level ESG Data

A (non-exhaustive) summary of asset-level data collection requirements for the relevant stages of the property life cycle is detailed below. Data outputs are not expected from all assets. In a number of cases, funds will be reliant on tenants sharing data.

| Stage       | Data Collection Requirement |  | Timeframe |
|-------------|-----------------------------|--|-----------|
| Acquisition | Supply contracts            | <ul style="list-style-type: none"> <li>• Extent of landlord responsibilities, metering infrastructure and supply contracts concerning the provision of utility services (i.e. energy, water and waste).</li> </ul>     | Ad hoc    |
|             | Resilience                  | <ul style="list-style-type: none"> <li>• Flooding and natural hazard risks.</li> </ul>   |           |
|             | ESG ratings                 | <ul style="list-style-type: none"> <li>• Presence of asset energy ratings (e.g. EPCs) and green building certifications (including scope of certificate, awarding body, achieved rating and year of award).</li> </ul> |           |
|             | Lease provisions            | <ul style="list-style-type: none"> <li>• Existence of any ESG-related clauses within tenant agreements or Memorandum of Understanding.</li> </ul>  |           |
|             | Technical building systems  | <ul style="list-style-type: none"> <li>• Description of mechanical and electrical systems including risks, observations and</li> </ul>   |           |



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|                     |                                    |  |        |
|---------------------|------------------------------------|--|--------|
|                     |                                    | opportunities for improvement.   |        |
| Property Management | Landlord / tenant responsibilities | <ul style="list-style-type: none"> <li>Extent of landlord / tenant responsibilities, metering infrastructure and supply contracts concerning the provision of utility services (i.e. energy, water and waste)</li> </ul> | Annual |
|                     | Energy                             | <ul style="list-style-type: none"> <li>Energy (kWh) – electricity, gas, fuel, oil and district heating / cooling consumption data.</li> <li>Energy generation data (kWh).</li> </ul>                                     |        |
|                     | Water                              | <ul style="list-style-type: none"> <li>Water (m3) – consumption and onsite collection data.</li> </ul>   |        |
|                     | Waste                              | <ul style="list-style-type: none"> <li>Waste (tonnes) – waste stream and final destination data.</li> </ul>  |        |
|                     | ESG ratings                        | <ul style="list-style-type: none"> <li>ESG certifications (e.g. BREEAM, LEED).</li> <li>Energy performance certificates (EPCs).</li> </ul>   |        |
|                     | Improvement activities             | <ul style="list-style-type: none"> <li>Audits / condition surveys completed.</li> <li>Efficiency technologies installed.</li> </ul>  |        |
|                     | Other                              | <ul style="list-style-type: none"> <li>Tenant satisfaction surveys / results.</li> </ul>   |        |
| Asset Management    | Improvement activities             | <ul style="list-style-type: none"> <li>Fit-out and Refurbishment activities.</li> </ul>  | Annual |
|                     | Other                              | <ul style="list-style-type: none"> <li>Green lease clauses.</li> <li>Occupancy / vacancy rates.</li> </ul>   |        |

## Data Management Software

Clarion Gramercy utilise the sustainability Data Management System SIERA to hold asset-level ESG information. The software is managed by the ESG consultancy EVORA.

## Data Quality – Actual versus Estimates



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Energy and water consumption reporting should be based on actual records, where possible (i.e. records from automatic meters, validated invoices or manual meter reads). The use of estimates should be avoided, wherever possible.

Waste data will be sourced from appointed contractors, where available. Estimations can be made if waste contractor reports are not readily available. Volume to weight estimations can be made based on the following variables:

- Type of waste stream (e.g. general, paper, plastics)
- Number of containers
- Size of containers
- Frequency of collection
- End disposal route (recycling, incineration, landfill etc)

## Data Validation

Prior to submission of data, property managers and site teams are encouraged to undertake initial verification exercises to review accuracy and completeness of reported data. The appointed ESG consultant, EVORA, shall seek to undertake additional verification to understand anomalies and potential errors in data submitted by property managers. Additional clarification shall be requested from property managers where annual like-for-like and / or degree day adjusted usage differs significantly.

## Single-Tenancy Leases

Data returns from single-tenanted assets are encouraged, as this permits for portfolio-wide reporting and progress tracking. It is recognised that data acquisition from tenants may be a challenge where lease provisions do not allow for data transfer. As such, Clarion Gramercy is reviewing opportunities to insert data sharing clauses where possible.

## Reporting Timeframe

Asset-level data is required for annual reporting purposes (INREV aligned sustainability reports and GRESB). The collation and reporting of asset-level data shall take place within the following timeframes:

| <i>Data Period</i> | <i>Reporting Deadline</i>   | <i>Validation Deadline</i>  | <i>Reporting Deadline</i> |
|--------------------|-----------------------------|-----------------------------|---------------------------|
| 2019 (full year)   | 31 <sup>st</sup> March 2020 | 30 <sup>th</sup> April 2020 | 31 <sup>st</sup> May 2020 |



## 5. Supply Chain Management

Clarion Gramercy recognise the need to work collaboratively with our supply chain, so it can positively influence the impact of its funds and assets through the progression of our ESG objectives.

Prior to appointment, Clarion Gramercy shall consider contractor and supplier ESG performance, as relevant to the appointment, across a range of topics, such as:

Business ethics – for example, via the provision of policies relating to:

- Corporate social responsibility / ESG
- bribery and corruption policies
- Child labour / modern slavery
- Working conditions and worker rights

Environmental process standards – for example procedures relating to:

- Waste management
- Conservation of resources (energy, water, materials)
- Implementation of Environmental Management Systems

Environmental / health product standards – for example via the use of materials with:

- High recycled content
- Low volatile organic compounds
- Minimum standards for the health-related attributes of products

Health, safety and wellbeing programmes for employees, tenants and/or sub-contractors

Clarion Gramercy will seek to encourage major suppliers to implement the following programmes where possible and appropriate:

- Development of an ESG Policy and / or strategy.
- Development of an action plan in relation to initiatives and reporting programmes to be undertaken at sites owned by Clarion Gramercy funds.
- Reporting to Clarion Gramercy on the implementation of actions including a review and evaluation on effectiveness and measurable impacts, where possible.
- Completion of training programmes to employees, as relevant, to ensure site based ESG risks and opportunities, as well as contractual requirements, are understood



## 6. Reporting

### 6.1 *Internal*

#### **Asset-level ESG Performance**

Asset level ESG programmes and compliance issues will be documented quarterly (as relevant) via Quarterly Property Management Reports. Asset and Property Management teams shall review current and potential future programmes to identify the need for additional action / resource on ESG matters, which will be raised during asset review meetings.

Additionally, environmental performance data shall be collated annually as a minimum, where data is available, to be reported within the fund ESG report and GRESB submission (See Section 5.2).

#### **Clarion Gramercy ESG Strategy**

Clarion Gramercy will monitor progress against the ESG objectives and targets set out in this document on an annual basis, as a minimum. Progress will be assessed, documented and communicated to the CEO and Fund Boards, with defined actions as is necessary to remain on track with ESG objectives.

### 6.2 *External*

Clarion Gramercy's managed funds shall disclose ESG practices and performance via the following means:

- Completion of fund ESG report in line with INREV sustainability reporting guidelines, including disclosure of quantitative impacts
- Inclusion of ESG strategy and initiatives within fund annual reports
- Inclusion of ESG updates and achievements within quarterly investor reports, when relevant
- Submission of annual GRESB Real Estate assessment.



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Additional external communication of ESG matters may be required. Instances of material significance will be communicated to the ESG Committee for review if necessary. This may include:

- Requests for information from interested parties (including tenants and investors);
- Communication from environmental regulators; or
- ESG-related complaints that cannot be resolved at the property-level by operational teams.

## 7. Review Process

### 4.6 Management Review

An annual Management Review of progress and performance against objectives will be conducted to evaluate the overall effectiveness of the ESG strategy. This will identify strategy-level actions for ensuring the continual improvement of ESG performance. This will be attended by the ESG Committee and others as deemed relevant and will address the following items:

- Review Clarion Gramercy's ESG Policy to ensure that it reflects current and forthcoming priorities.
- ESG risk assessment and management
- Roles and responsibilities
- Performance against objectives
- Training and awareness-raising programmes
- Monitoring and reporting processes
- Any other relevant ESG issues / requirements.

Minutes and details of agreed actions will be retained and evaluated during subsequent reviews.

## 8. ESG Programme

An indicative and high-level plan of the key components of the ESG programme are set out in figure 5 below.



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| Task                                   | 2020 |     |     |     |     |     |     |     |     |     |     |     |
|--|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|  | Jan  | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| ESG Workshop                           |      | ■   |     |     |     |     |     |     |     |     |     |     |
| ESG Training                           |      | ■   |     |     |     |     |     |     |     |     |     |     |
| Fund Annual Report                     |      |     | ■   |     |     |     |     |     |     |     |     |     |
| ESG Strategy Development               |      | ■   | ■   | ■   |     |     |     |     |     |     |     |     |
| GRESB submission management            |      |     |     | ■   | ■   | ■   | ■   |     |     |     |     |     |
| GRESB Results                          |      |     |     |     |     |     |     |     | ■   |     | ■   |     |
| INREV Sustainability Fund Reports      |      |     |     |     |     | ■   | ■   |     |     |     |     |     |
| Quarterly Property Management Meetings |      |     |     |     |     |     |     |     |     |     |     |     |
| Asset Business Plan development        |      |     |     |     |     |     |     |     |     |     | ■   | ■   |
| ESG Annual Review & Planning           |      |     |     |     |     |     |     |     |     |     |     | ■   |

Figure 7 ESG high level programme delivery timetable – 2020



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## Appendix 1: Due diligence vendor ESG brief

In addition to topics included within “traditional” due diligence vendor briefs, the inclusion of the following “ESG” measures should be considered:

**Biodiversity and habitat** - Issues related to wildlife, habitat management, and relevant topics. Biodiversity refers to the variety of all plant and animal species. Habitat refers to the natural environment in which these plant and animal species live and function.

**Climate/Climate change adaptation** - Preparation for long-term change in climatic conditions or climate related events. Example of climate change adaptation measures can include, but are not limited to: building flood defences, using tree species resistant to storms and fires, adapting building codes to extreme weather events.

**Energy efficiency** - Refers to products or systems using less energy to provide the same consumer benefit.

**Indoor environmental quality** - Refers to the conditions inside the building. It includes air quality, access to daylight and views, pleasant acoustic conditions and occupant control over lighting and thermal comfort.

**Transportation** - Risks associated with transportation around the location of a building in relation to pedestrian, bicycle and mass-transit networks, in context of the existing infrastructure and amenities in the surrounding area.

**Waste management** - Issues associated with hazardous and non-hazardous waste generation, reuse, recycling, composting, recovery, incineration, landfill and on-site storage.

**Water efficiency** - Refers to the conservative use of water resources through water-saving technologies to reduce consumption.



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