UK Stewardship Code

2022 Report

Background

LaSalle is a leading real estate investment manager, both globally and in the UK, with approximately 950 people employed across 22 offices around the world. As at 30 June 2022, we manage £67 billion of real estate equity and debt investments. LaSalle 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 group of subsidiaries 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' for 15 consecutive years (2008-2022) 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. Nearly all our UK client accounts are managed by our European Private real estate business unit, and by our global real estate multi-manager business unit, LaSalle Global Partner Solutions ("LaSalle GPS"). **This document specifically reports on behalf of these two business units within the context of the global LaSalle organisation.** It is our intention to broaden future report to our global business as our reporting systems develop.

This report covers the period 1 January 2021-30 September 2022.

Assets under management figures are as at 30 June 2022 unless otherwise stated.

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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.

Our purpose and values
Over the reporting period we refined how we articulate our purpose beyond profit. This is summarised as:

One LaSalle
We are united by a singular purpose: to deliver investment performance for a better tomorrow for all our stakeholders. We collaborate as an integrated team at both a European and global level to achieve this goal.

Authentic
Transparency and trust are at the heart of who we are. We always expect our employees to act with integrity.

Inclusive
We drive a sense of belonging and a Culture of Care – for each other, our investors and our world. We value our people's whole selves, and the unique perspectives and experiences they bring to LaSalle and our investors.

Sustainable
With a sense of urgency, we are committed to driving consistent and thoughtful action toward sustainable solutions.

Owner mindset
Our culture is defined by our sense of responsibility and accountability to our shareholders, investors and each other.

The LaSalle Owner Mindset – Employee co-investment

It is our firm belief that taking an owner mindset means we are more aligned and accountable to our clients. Our closed ended fund investment teams have co-invested in their own funds for many years. In 2021 we opened up co-investment rights to our entire firm (save a small number of staff precluded by local regulators). The employee personally commits a minimum level of equity, on which the firm provides an amount of low interest, non-recourse leverage. The top-level risk is therefore taken by the employee, but the risk is capped at their original equity stake.

In the programme's first year, 198 (c. 22%) staff co-invested into one fund. During 2022 and 2023 the firm plans to open a further 19 funds to the employee co-investment scheme, and we expect the participation rate to grow significantly.

Our business model

We are one of a very few firms that operate globally at scale whilst managing only real estate asset class investments. We believe that this ensures a relentless focus on our core business and fully aligns our interests with those of our clients. Within real estate we provide a full breadth of capabilities. Our global headquarters is located in Chicago, Illinois, USA.

European Private business unit

Our European Private business is headquartered in London. This is supported by colleagues based in five Continental European offices (Paris, Munich, Madrid, Amsterdam and Luxembourg City). In 2021, we re-organised our business to align our internal structure to a pan-European one, rather than having duplicate teams in different regions. This 'One Europe' model reflects evolving client priorities (particularly ex-European clients). Our investment pillars are shown below.

Pillar	AUM (£bn)	Description
European Core Separate Accounts	£9.5bn	Investing in direct property with a core/core+ risk profile for separate account clients.
European Core Commingled Funds	£5.4bn	Investing in direct property for our two commingled core/core+ pan-European funds; Encore+ and E-REGI.
European Debt and Value Add Funds and Separate Accounts	£7.1bn	Making debt investments for separate account and commingled funds. Investing in direct property via higher returning strategies, for separate account and commingled fund clients.

Note: AUM figures subject to rounding. As at 30 June 2022

LaSalle Global Partner Solutions business unit

Our LaSalle GPS business is led from London, with team members also located in Chicago, New York and Singapore. It 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 GPS assets under management ("AUM") were £6.5 billion at 30 June 2022 (excluding capital invested in LaSalle funds).

Our investment beliefs and strategy

Our focus on the long-term interests of our clients is exemplified by our core beliefs - our investment philosophy. This is underpinned by secular, society-wide themes that we believe will drive performance over the long term: Demographics, Technology, Urbanisation and Environmental Factors ("DTU+E").

These secular drivers will shape real estate and wider financial markets in ways that supersede and outlast the shorter-term property cycles. They cover trends such as ageing populations, evolving working and shopping patterns, infrastructure, and climate change. They guide our views on favoured locations, sectors and asset types.

This investment philosophy is far more than a simple statement of intent. It shapes our whole approach to investing across regions and capabilities. It is embedded in our investment processes and backed by a range of proprietary tools. These beliefs and tools are at the heart of our approach to stewardship since they underpin our long-term allocation, management, and oversight of capital. More detail is set out in Principle 4.

Our investment philosophy is further applied through our sustainability strategies. Our Sustainability framework is set out in the graphic below, which maps to the United Nations Sustainability Development Goals.

Sustainability Framework

A summary of our global portfolio management ESG strategy is outlined below.

Global ESG strategy to 2025

The 4 aspects of our environmental and social framework:

Environmental			Social
Climate Action *2022 Focus*	**Resources** *2023 Focus*	**Nature** *2024 Focus*	**Community** *2022-2024 Focus*
Climate risk	Green supply chain	Biodiversity / habitat	Engage with stakeholders
Carbon emissions	Embodied carbon	"Do no significant harm"	Diversity, Equity, Inclusion
Resilient portfolios	Energy, water, waste	Pollution reduction	Health, wellness, safety

Governance embedded across all aspects

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.
- We have refined our purpose and values, thinking deeply about our role in the lives of our (pension fund and insurer) clients' beneficiaries. This message sets the tone for our teams and our clients.
- The employee co-investment programme ensures further alignment of our business with interests of our clients.
- Our re-orientated European Private business will better focus on our clients' demands.
- We 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.

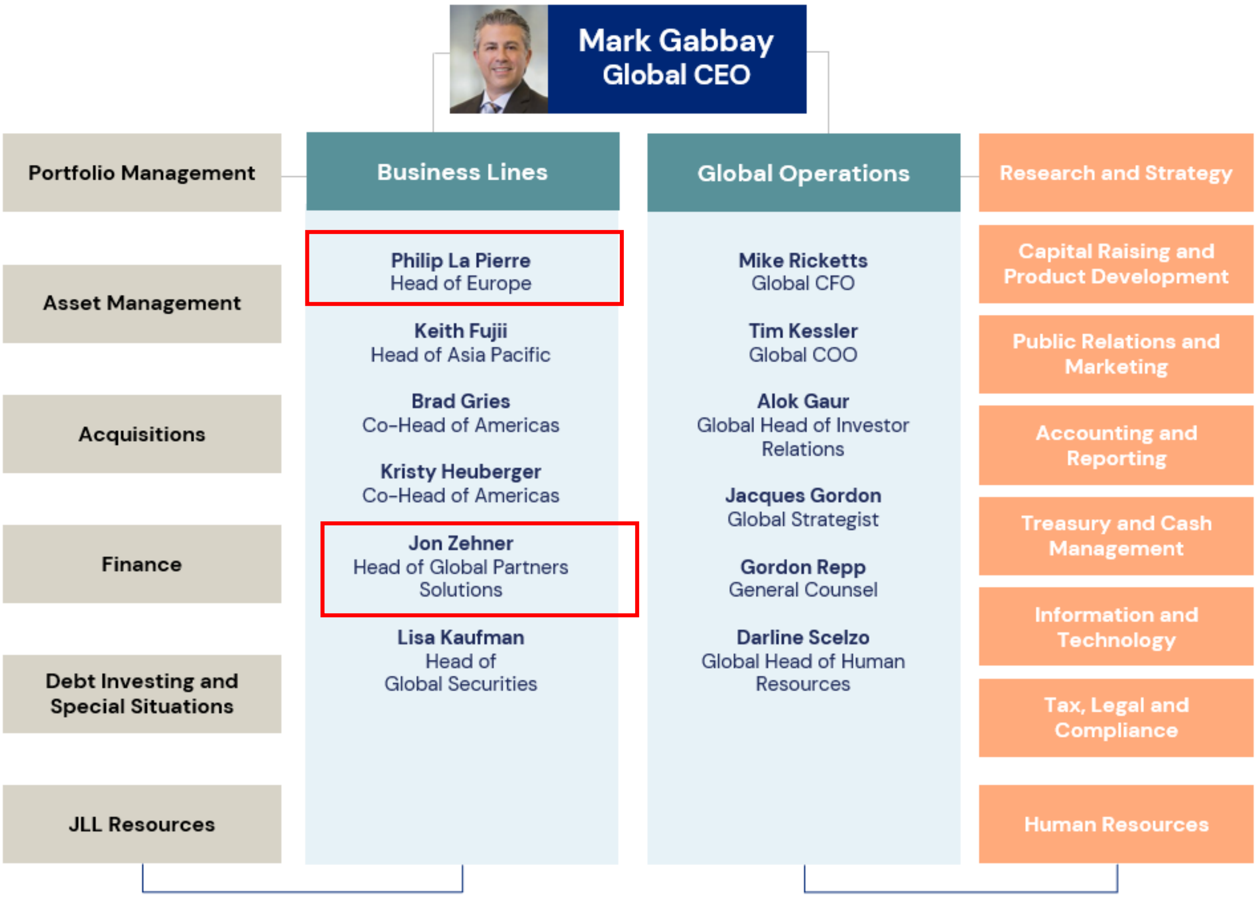
How can we improve?

- We are conducting work with an external adviser to ensure that our approach to net zero carbon is applied equally consistently to the global firm's two indirect business units, LaSalle Global Partner Solutions and LaSalle Global Real Estate Securities. 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).

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

Structures and people

Our global operating structure is shown below.



LaSalle global operating structure at 30 June 2022

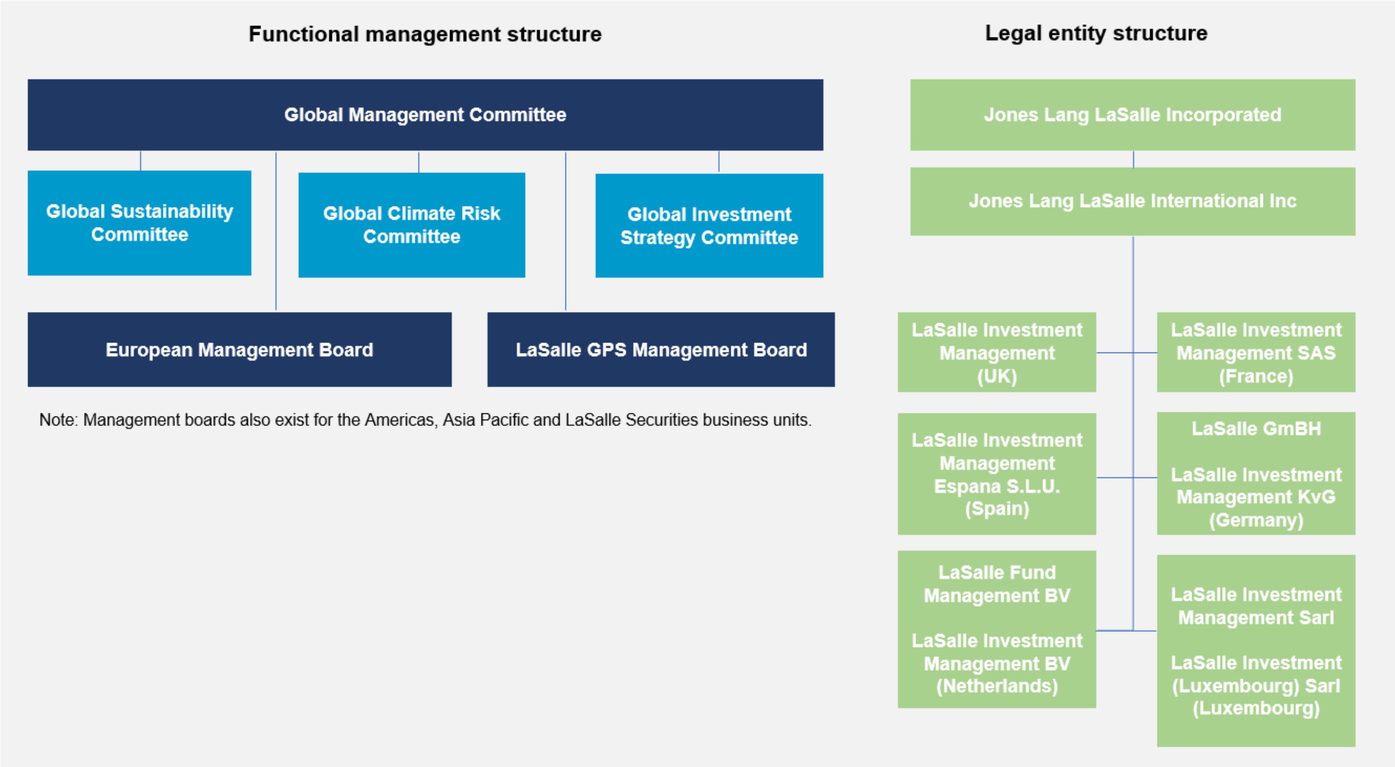
UK Stewardship Code reporting business unit

Business unit management boards and legal entities

The European Private and LaSalle GPS business units are each headed by a functional head, who is responsible for its 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 business unit and Jon Zehner leads LaSalle GPS. Both leaders are based in London.

On a legal basis, several LaSalle entities in Europe have been established that allow us to operate effectively within multiple regulated jurisdictions, each with a 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.



Simplified chart of legal entities

As at 30 September 2022

Subject	Board/Committee	Purpose	Membership
Functional management boards	Global Management Committee	Principal strategic and operational oversight forum for LaSalle	Chair: Global CEO Members: Business unit and department heads
	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	Chair: Head of Europe Members: European team heads (including European Head of Sustainability)
	LaSalle GPS Management Board	Principal strategic and operational oversight forum for LaSalle GPS real estate business unit	Chair: Head of GPS Members: GPS senior managers
Relevant global committees	Global Sustainability Committee	Develops ESG policies, procedures and strategies, and sets global ESG goals	Chair: Global COO and Global Head of ESG Members: Senior departmental managers from across business
	Global Climate Risk Committee	Identifies and sets risk management policy in respect of climate change	Chair: Global Head of ESG Members: Senior departmental managers from across business
	Global Investment Strategy Committee	Develops and communicates high conviction global themes, identifies major risk factors and provides top down framework for business unit house views	Chair: Global Head of Research & Strategy Members: Senior fund and research managers
Key European legal entities	LaSalle Investment Management (UK) Board of Directors	Legally accountable for activities of entity	Senior executives based in the relevant country
	LaSalle Investment Management SAS (France) Committee of Managing Directors		
	LaSalle Luxembourg entities Committee of Managing Directors		
	LaSalle KVG and GmBH (Germany) Committee of Managing Directors		
	LaSalle Netherlands entities		
	LaSalle Investment Management Espana S.L.U. (Spain)		

Simplified table of operating boards and committees

As of 30 September 2022

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 2021, this structure was simplified, with the merger of investment committees to drive greater consistency of approach across the European Private business unit. The structure is summarised in the tables below.

Subject	Committee	Reporting to:	Purpose	Membership
Investment Committees	European Investment Committee	European Management Board	Control of investment / divestment decisions or recommendations for European core/core+ investments	Chair: Head of Europe Members: Selected European senior executives
	European Debt & Value Add Investment Committee	European Management Board	Control of investment / divestment decisions or recommendations for European debt and value add investments	Chair: Head of Europe Members: Selected European senior executives plus Global CEO
	LaSalle GPS Global Investment Committee	LaSalle GPS Management Board	Control of new investment / divestment decisions for LaSalle GPS	Chair: CIO, Global Partner Solutions Members: Selected senior GPS executives plus Global CEO
	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)	Chair: Head of GPS Region Members: Regional 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)	Chair: Head of Luxembourg Members: Senior compliance and finance executives plus NED
Sustainability, Diversity and Inclusion	European Sustainability Task Force	European Management Board Global Sustainability Committee	Design and execute sustainability strategy for European Private business unit	Chair: Head of European Sustainability Members: Senior representatives from European departments
	European Diversity and Inclusion Operating Committee	European Management Board	Design and execute diversity and inclusion strategy for LaSalle GPS	Chair: Head of European Research & Strategy Members: Senior representatives from European departments
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	Head of 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/COO Members: Range of senior legal, compliance, operations and investment executives
	LaSalle GPS Enterprise Risk Committee	LaSalle GPS Management Board LaSalle UK	Presentation and follow-up of the risk system, risk mappings, risk policy and stress tests	Chair: Head of GPS Members: Range of senior compliance, operations and investment executives
	LaSalle GPS Deal Allocation Committee	LaSalle GPS Management Board LaSalle UK	Management of conflicts of interest and the equality of treatment between investors	Chair: CFO/COO LaSalle GPS Members: Regional GPS 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 2022

Public

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 GPS CFO/COO is Rachel Fenwick. The European Private CFO/COO has been Jamie Lyon for most of the reporting period. In September 2022, the role was split, with Beverley Kilbride appointed as the COO and Alistair Seaton appointed as CFO.

The European Legal and Compliance function supports the CFO/COOs and risk committees in ensuring that we comprehensively meet 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. The function is led by Michael Coulton, European General Counsel.

Investor Relations function
The Investor Relations function is responsible for building and maintaining investor relationships and promoting LaSalle services to clients and prospects. The team plays a key role in advising new clients on suitable products and services to meet their objectives, and for delivering consistently high levels of client service. Our relationship managers sit outside of the fund management team structure, looking across all available products and services.

Sustainability function and ESG committees
There are three relevant 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 Task Force on Climate-related Financial Disclosures ("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.

- **Business Unit Sustainability Task Forces.** These task forces develop local initiatives, implement best practices and integrate sustainability in all investment activities aligned with investment performance and client contractual obligations.

The structure is supported by a dedicated sustainability team led by the Global Head of ESG, David DeVos. David is responsible for building on LaSalle's global ESG strategy and objectives, while driving program execution in partnership with the firm's regional sustainability officers, senior leadership and portfolio stakeholders. His oversight includes global specific ESG programmes, such as the firm's initiatives on climate change and health and wellness.

In Europe, our real estate dedicated sustainability team consists of six people, led by Alex Edds. Alex joined the firm in February 2022 from JLL, where he most recently served as Director of Innovation. He is an established thought leader in the sustainability and PropTech sector and sits on several industry boards. In his new role here with us, Alex will drive forward the execution of our sustainability programme, seek to accelerate our progress, and strengthen our long-term strategies. Alex is a member of the European Management Board and the Global Sustainability Committee.

Three new starters have joined the European Sustainability team this year. Adam Dawson is the (UK) Sustainability Manager with 15 years' experience in real estate and sustainability, Brett Ormrod is the Net

Zero Carbon Lead for Europe, bringing over a decade of experience in technical delivery of net zero carbon projects, and Yasmin Le is the (UK) Sustainability Analyst with extensive experience in EU policy and sustainable finance. Brett and Yasmin are filling newly created roles. We have trebled the size of our European Private Sustainability team in the past three years.

Kathleen Jowett, based in London, is the appointed Sustainability Officer for LaSalle GPS. Kathleen has 14 years' real estate investment experience and holds a Bachelor's degree in Architecture and a Master's degree in Real Estate Finance. As well as sitting on our Global Sustainability Committee, Kathleen holds a range of industry sustainability appointments including Chair of the AREF ESG & Social Impact Committee and GRESB Foundation Board Member (the key global real assets ESG benchmark organisation). Previous appointments include GRESB Advisory Board member (2011-2021), which she chaired between 2017 and 2021 and a member of the United Nations Environment Programme Finance Initiative ("UNEP FI") Property Working Group.

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 ideally 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.

Training

LaSalle offers its colleagues a comprehensive package of training solutions to support the change management required for embedding sustainability. All staff are <u>required</u> to undertake an online 'sustainability essentials' of five training modules as an introduction to our parent company's extensive Sustainability Learning Hub.

LaSalle has also supported the development of a bespoke real estate sustainability training course through the industry body Better Buildings Partnership. This course requires 16 hours of work. In the reporting period, 25 fund managers, research analysts and investor relations colleagues completed the course.

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 Net Zero Carbon buildings', including a global webinar with 180 attendees. We created and presented webinars on climate risk in real estate, addressing both physical and transition risks. Lastly, the team also runs bespoke training on the tools and application of our programme to ensure colleagues are fully aware and trained. Further, 91 colleagues received specific NZC training.

Research

We believe that robust research and investment processes lie at the core of successful real estate investment management. We have a global Research & Strategy team consisting of around 25 people, eight of which are based in London and one is based in Munich. This includes a data analytics sub-team that provides proprietary measurement of real estate and management activities which work closely with our Sustainability team and external climate risk data providers.

The Research & Strategy team contributes materially to our stewardship activities by providing detailed analysis on secular market drivers, which includes environmental factors. We also conduct specific research on stewardship matters within our Sustainability team.

An example of how LaSalle research has been used to develop ESG investment ideas is shown in the case study below on real estate impact investing in the UK.

Energy impact investing

Many governments and organisations have made commitments to be net zero carbon by 2050 (or earlier) and around 40% of global carbon emissions occur via real estate. Delivering this commitment is exceptionally complicated in the real estate sector; around 80% of properties that will exist in 2050 have already been built. These properties will need retrofitting in a way that makes commercial sense.

LaSalle has spent 18 months developing a global fund that will help alleviate this daunting problem by marrying capital, technical expertise and regulatory knowledge to create a stock of low carbon buildings. Conversations with seed investors are ongoing and we expect to publicly launch the fund in 2023. The fund sponsor is our Global CEO, who has been closely involved in fund strategy.

Service providers

LaSalle's commitment to sustainability includes investing in 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 held to account are listed in Principle 8.

Staff performance

LaSalle conducts an annual staff appraisal process. All employees are required to participate and there are three key stages: objective-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.

Employees are encouraged to make these goals relevant to their roles and 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.

LaSalle has a European Remuneration policy. At the centre of our remuneration policy is the alignment of risk management with investor interests. Our UK renumeration policy is FCA-compliant and our compensation consists of a fixed base salary and variable compensation.

This is reflected in alignment between Variable Bonus being a function of margins linked to total investment value under management and a separate longer term profit share arrangement linked directly to the achievement of returns consistent with investor strategies and return of their capital.

Further, all staff who are classified as Senior Managers and Certified Persons (around half our London-based staff) under the FCA's Senior Managers and Certification Regime are subject to annual assessment of Fitness and Proprietary.

Diversity, Equity and Inclusion

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 specifically. It is chaired by Brian Klinksiek, Head of European Research, and each pillar comprises passionate 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 2022 so far included hosting a series of DEI events namely holding an educational event in Munich around the use of pronouns and gender identity. Leaders, such as Global CEO Mark Gabbay, attended. Brian Klinskiek spoke about the importance of sharing pronouns openly to create a safe and inclusive workplace. We also hosted a DEI event at the annual flagship MIPIM real estate conference, at which Brian spoke.

LaSalle in Europe has implemented specific DEI goals to drive more diversity balance, namely making positive progress toward a 50/50 gender split within LaSalle (currently >40% female in the UK). With partnerships such as Diversity Talk Real Estate, The Real Academy and Real Estate Balance, LaSalle offers opportunities to diverse employees to join industry-leading conversations and gain networking exposure. 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.

LaSalle has also launched new internships as part of the 10,000 Black Interns program in the UK and the Big City Bright Future pan-European programme. Both programmes offer paid work experience, training, and development for young people either black or from different socio-economic backgrounds.

LaSalle continues to provide a comprehensive wellness offering which includes virtual and in personal sports activities, talks and raising awareness of physical and mental health whilst encouraging best practices. Recent charity activities across Europe have included awareness days, matched giving, a long-distance bike ride to MIPIM, and participation in Global Communities week which encouraged educational and volunteering opportunities for all to get involved.

Case study: Contribution to DEI within the real estate industry

In May 2022, Jon Zehner, Head of LaSalle GPS, was awarded the Urban Land Institute's Trish Barrigan Award for his leadership and exceptional contribution in promoting Diversity, Equity and Inclusion in the real estate industry. An example of Jon's achievements includes pushing DEI up the agenda at the ULI and driving the UrbanPlan programme, which aims to inspire initiative and participation in the industry amongst 16-18 year olds from all backgrounds.

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. We therefore have a set of company-level policies and systems for common potential conflicts plus policies that relate to specific investment activities. The nature of acquisition conflicts, for example, vary by type of real estate investment and so are addressed per business unit.

Our compliance officers (see Principle 2) maintain 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 Code of Business Ethics.

Broad sources of potential conflicts
Ownership - As set out in Principle 1, LaSalle is part of a global property services group. We do hire JLL to provide services, such as valuations and property management when we consider them to be best qualified in competition with other property services providers for the specific project or account under tender.

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

Manager and client alignment on stewardship – We operate within the LaSalle ESG policy for all mandates. For separate accounts we agree on the approach to ESG with clients at the outset and during annual strategy reviews. For commingled funds where we control the underlying investment in direct real estate, we develop a detailed ESG plan. Further detail on client engagement on stewardship is outlined in Principle 6.

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

Deal allocation conflicts – Our deal allocation conflicts system is 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. Deals that were allocated by rotation are recorded in the history of the Allocation Rotation Sheet to guarantee fair and even alternations between clients.

If there is no rotation history between the relevant clients, the Head of European Transactions and Asset Management makes an allocation based on reviewing the transaction fit with the overall client strategy. The Allocation Rotation Sheet is updated accordingly. In the case of disagreement over a decision by the Head of European Transactions and Asset Management, an Independent Allocation Conflict Committee acts as arbiter. Typically, around five transactions in the UK per year are subject to the rotation policy.

However, given the wide range of mandates with differing investment objectives that we manage, it is unusual for acquisition conflicts to occur. We have on occasion declined to bid for work in Europe over the past five years where it would result in specific acquisition conflict with existing mandates managed by LaSalle.

Transactions between mandates - Undertaking property transactions between client mandates is rare because of the difficulty managing the interests of both investors. These are only recommended where there is an overwhelming case in favour for 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 separate accounts.

The approach of our European Debt Investments team on conflicts is necessarily different. Within real estate debt we operate a prioritisation system for potential investments between individual funds and client accounts with a similar investment objective. Separate account clients accept their place in the priority list at the start of the mandate. It is for this reason that we tightly control the number of separate accounts that we accept. For commingled funds, the fund priority policy is stated during marketing and documented in the relevant fund legal agreement.

Case study: Direct real estate cross-mandate transaction

The last time we undertook a direct property cross sale was in 2020; both clients were UK corporate defined benefit pension schemes. Client A was looking to dispose of their real estate assets while Client B had an ongoing objective to upweight their exposure to real estate as part of their overall de-risking approach.

In accordance with the LaSalle conflict policies, dedicated fund teams and external advisers were in place to represent the interests of their clients; this included independent investment consultants. Internal information barriers were in place, including strict controls on storage and communication of data. The transaction was overseen by separate LaSalle investment committees and the property was sold at the price established through an open marketing exercise.

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; equity has priority over debt.

Our debt fund managers do not lend to LaSalle entities; all debt for our direct investments is sourced externally.

LaSalle GPS

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

To mitigate this conflict, LaSalle GPS has a high degree of independence and separation from the rest of the business. Most importantly, we operate a strict information barrier between the direct and indirect real estate investment teams. LaSalle GPS has a separate governance framework, management board, investment committee structure, valuation committee and enterprise risk committee.

One source of potential conflict is allocations to internal, LaSalle direct commingled funds. LaSalle GPS 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 GPS 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.

Where clients of LaSalle GPS are on opposite sides of an internal transaction (a 'cross trade'), then the LaSalle Compliance Department are made aware of the trade and the details of the cross trade. Third-party, arms-length evidence for the price of any such deal is provided in the rationale as a prerequisite. Under the

LaSalle GPS Investment Committee Charter such matters can also be requested to be put before the Global Investment Committee for discussion.

Conflicts can arise in the allocation of trades. For example, if a line of stock is to be sold or purchased and there is too much demand from LaSalle GPS clients to be sold or purchased, then the trade will be applied pro rata between the LaSalle GPS 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 rotation queue and specific principles set out in the LaSalle GPS Deal Allocation Policy.

Case study: UK outlet mall investment straggling direct and indirect investment teams

LaSalle GPS has been tracking the UK outlet malls market for some time. There have been limited ways of accessing the sector, either through holding shares in a UK REIT (of which an element of the portfolio was invested in outlet malls) or an existing pan European fund specialising in outlet mall investment.

In 2021, LaSalle GPS became aware that a European outlet mall fund would be divesting of some UK assets. With a view to find a co-investment partner LaSalle GPS had discussions with potential purchasers of the two UK assets marketed by the Fund. One of the potential purchasers was represented by LaSalle's Value-Add team, who quickly became the primary bidder.

To fairly manage interests of all interested investors represented by LaSalle GPS and LaSalle Value-Add teams, LaSalle implemented a conflicts management process, including information barriers and dedicated experienced transaction teams. This helped us to ensure equal access to information. Fair economic participation in the opportunity was agreed considering the investment appetite of each interested investor and the principles set out in LaSalle's deal allocation processes.

Case study: LaSalle GPS investment in internal funds

LaSalle GPS have long been invested in LaSalle's Encore+ fund for some of their clients. Encore+ is one of the most established open ended pan European property funds, with a well-regarded management team.

LaSalle GPS receives the same amount of information and is treated as any other client in Encore+. LaSalle GPS receive no fee discount or preferential terms. Each quarter LaSalle GPS undertake a stock review process on the investment, which is their Buy/Sell/Hold analysis, and this investment is treated to the same rigorous process as all other investments.

As a policy, LaSalle does not broker or match clients entering or leaving Encore+ on the secondary market but simply refers enquiring clients to one of the two established secondary market platforms. If LaSalle GPS wish to increase or reduce its holding in Encore+, it will use one of the two brokers to source a counterparty and agree terms.

The Fund is valued, priced and traded on a monthly basis. Valuation and pricing information is kept strictly confidential within the Fund team until publication and LaSalle GPS receives no prior information on it.

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

Our Capital Markets Dashboard is a key tool, enabling us to monitor and react to specific systematic risks. Our investment philosophy and supporting tools allow us to consider and respond to market-wide risks more broadly. In this section we have also addressed fund liquidity, given its importance to the wider financial system.

Capital Markets Dashboard

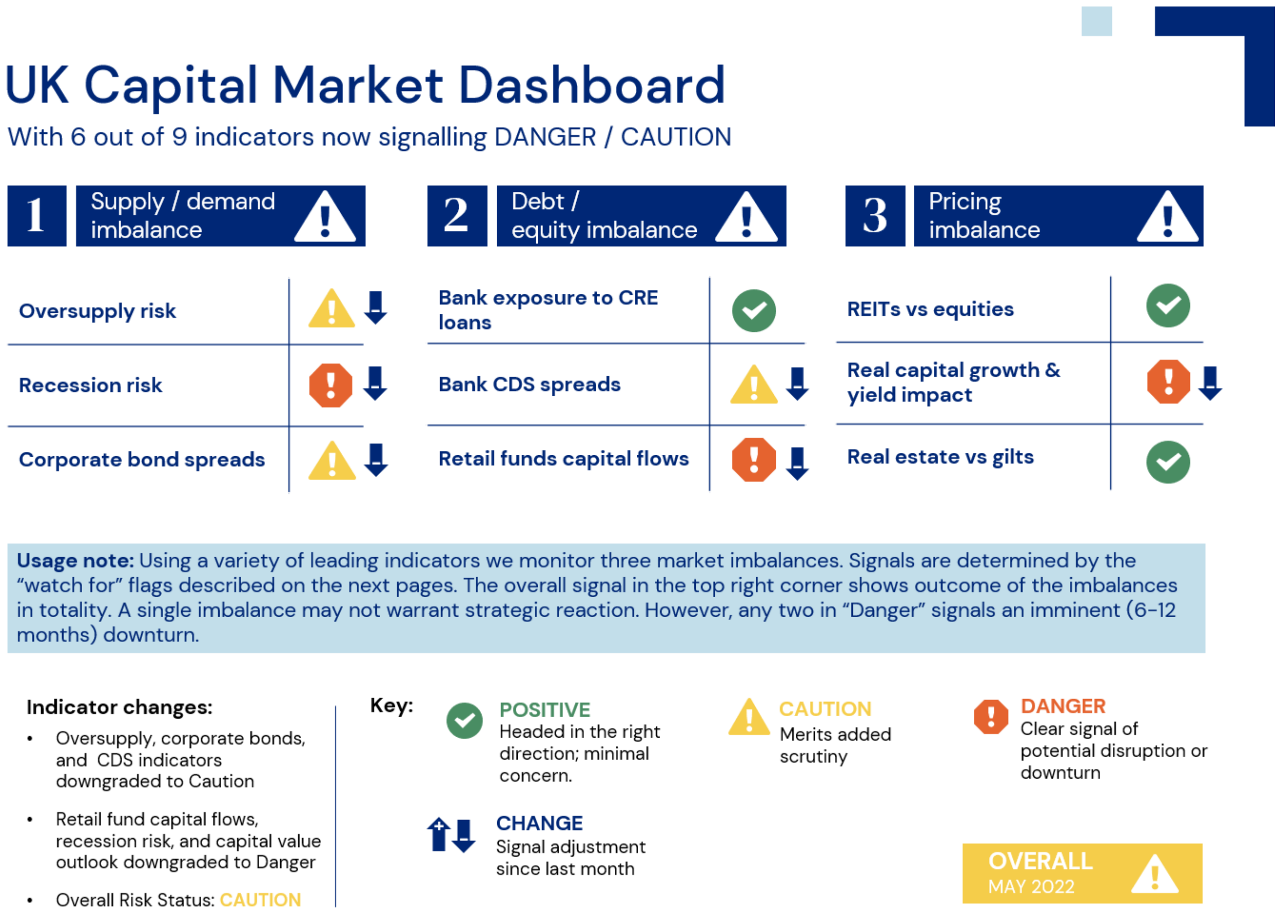
The Capital Markets Dashboard looks at independent data for three key areas that are likely to provide advance signals that anticipate changes in market conditions:

1. Real estate supply / demand: What are likely future economic conditions and how do they affect demand for real estate? What are real estate occupancy rates and the level of supply response? What do corporate bond spreads imply about corporate solvency risks?

2. Debt / Equity flows and terms: Is bank lending conservative or aggressive? Are banks still in good health? What is contributing to the debt / equity imbalance? What are retail investor fund capital flows telling us?

3. Real estate's pricing relative to the capital markets: Is real estate fairly priced relative to Government and corporate bonds? Are REITs overpriced relative to stocks? What is REIT pricing telling us about public market views of real estate?

Examples of the Capital Market Dashboard for the UK and Germany are shown below.



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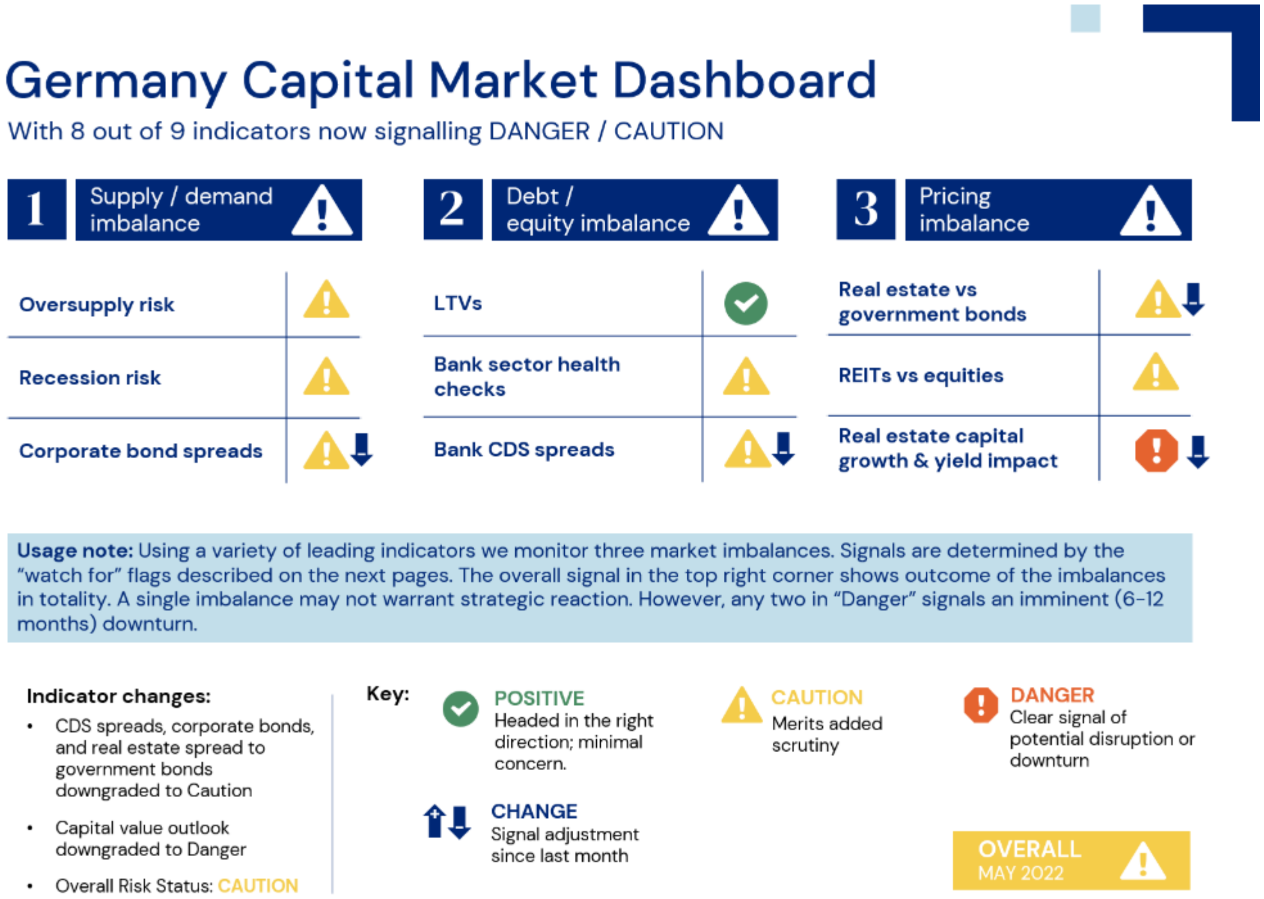


These indicators help our investment teams predict market turning points (including market liquidity) and guide purchase and sales activity. When there is material uncertainty around the outlook, more than one scenario can be produced, and probabilities assigned to each scenario. This can include stress-testing the impact of interest rate changes, especially implications for government bond yields, and inflation under a variety of macro-economic scenarios. We can also re-appraise tenant credit risk in anticipation of market conditions changing. This all flows through to asset-level projections and, where appropriate, projected performance of individual properties is stress-tested against a range of scenarios, especially those underpinned by inflation-linked leases.

In-house risk management function

Risk management is an intrinsic part of LaSalle's investment philosophy and permeates throughout the teams, from the CEO, CFO/COO, fund managers and analysts that work on our mandates. LaSalle has recently created a new role, Director of Investment Risk Strategy & Management (IRS&M) who is tasked with providing an independent perspective to portfolios and transactions through the construction and management of a set of proprietary risk tools.

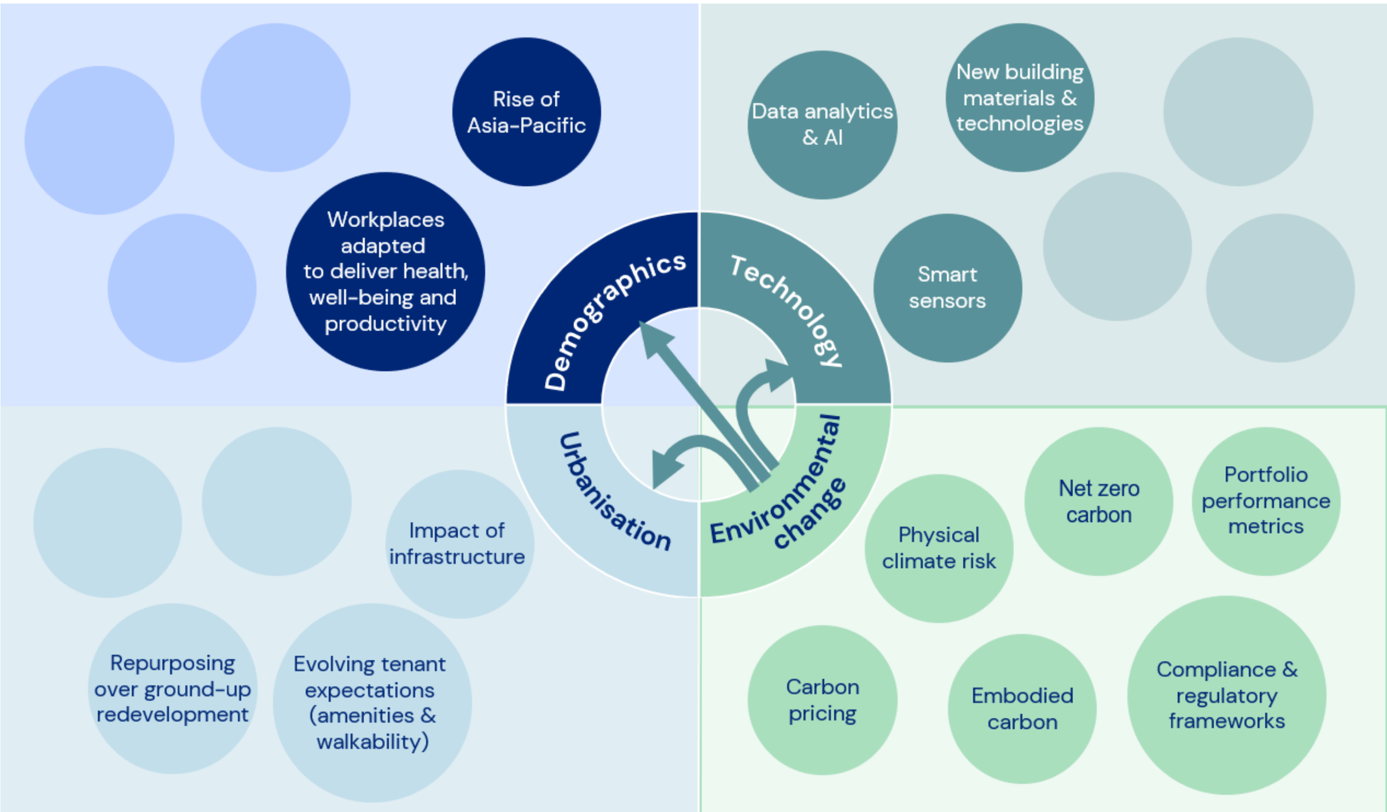
A common concern with typical Investment Risk Management (IRM) functions is the lack of respect and acceptance by investment decisionmakers. In our view, the reframing of IRM helps to mitigate this problem by shifting the approach away from "risk minimisation" towards "risk optimisation". Rather than creating a "risk police", our objective is to evaluate and manage trade-offs between 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 be smarter on a forward-looking basis based upon an improved understanding of actual risk, and how it has impacted investment performance in the past. Our approach therefore rests on all three elements.

1. **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. **Damage control** - Protecting against the ravages of bad luck by prudential measures such as insurance, hedging, diversification, etc.
3. **Opportunity capitalisation** - Avoiding excessive caution by positioning to take advantage of opportunities to improve the prospect of converting promising possibilities into actual benefits.

Broader approach to market-wide risk

LaSalle's investment philosophy is underpinned by the secular, society-wide themes of Demographics, Technology, Urbanisation and Environmental Factors (DTU+E – illustrated below). The environmental component which joined the framework in 2016 has become the driving force of change in real estate. This approach allows us to take a long-term view of market-wide risk including physical climate risks to considerations for net-zero carbon and stranded assets to protect our clients' investments, achieve required returns, understand future capex demands, and contribute to a stable financial system.



Guidance and frameworks are provided to fund managers to quantify DTU+E through tools, market forecasts and qualitative sector outlooks, target locations and sources of future disruption.

Tools include the LaSalle annual European Cities Growth Index ("ECGI"), which has been published since 2000. The ECGI identifies the European regions and cities with the best economic growth prospects hereby, approximates the relative strength of future occupier demand for real estate. It incorporates:

- **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 2022 report can be found here.

- **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.

Pertaining to market forecasts, on a bi-annual 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 equivalent or initial yield. When there is material uncertainty around the outlook, more than one scenario is produced, and probabilities assigned to each scenario.

In terms of quantitative research, the Research and Strategy team provides market intelligence and urban analytics by harnessing the team's strong data analytical capabilities. In particular, the team has developed pan-European tools using unsupervised machine learning models to track sectors and highlight core growth drivers. Acting as experts, the team produces customised asset projections, risk assessments, and scenario testing in order to help identify attractive investment propositions.

Qualitative analysis includes the Investment Strategy Annual ("ISA"), LaSalle's flagship research report and a global overview of real estate investment strategy for the year to come. It compiles views from around the world on macro real estate investment themes, local market forecasts, recommended investment strategies, and key market risks. Now in its 27th year, it provides insight on portfolio construction and the trends shaping real estate investment. The ISA was the catalyst for our DTU+E approach. As a result, our (UK) portfolios have seen a reduction in their relative exposure to retail in favour of assets within the alternatives sector such as care homes, residential and supported living.

We have described integration of **climate risk** data into our research and investment processes in Principle 7.

Topical systemic risks: The impact of inflation

The most important change in the macroeconomic outlook this year is the apparent end of the “low-low-low” era in interest rates, inflation, and growth. Many world events simultaneously contributed to this inflection point including: the reopening of economies after Covid-19, Russia’s invasion of Ukraine, trade wars, and government stimulus spending.

Private equity real estate is a relatively long-duration asset class. Transaction costs are high, so quick-flip trading is rarely economical. This means investors need to look beyond the next six months, when inflation will likely remain elevated. Thus, investors will need a framework to evaluate their real estate portfolios under different inflation/interest rate scenarios in the years ahead, just as they would with their other investments. The points below demonstrate different ways a real estate portfolio can be protected against inflation:

Signals of inflation hedging: Strength

- Landlord pricing power (market rental growth potential)
- Lease structures that pass-through inflation (e.g., short leases, indexed leases)
- Tenants with resilience to operating expense inflation and can absorb higher occupancy costs
- Optionality for capital expenditures (for refurb or new construction) to cope with volatility of construction costs

Signals of inflation hedging: Weakness

- Weak fundamentals where current rents are lower than expiring leases
- Gross lease structures that put inflation risk on landlords
- Long, flat leases without indexation
- Tenants who cannot afford higher occupancy costs from pass-throughs
- Weaker terms in “guaranteed maximum price” contracts, where risk is shifted from the contractor to the developer/investor

Key macro considerations and concerns such rising inflation and interest rates are deeply ingrained in the formulation of LaSalle’s House View, a guiding strategy for investment decisions that is constructed twice a year. Taking into account the current macro-environment, the House View strategy aims to provide strategic advice on how to find attractive investment propositions even within an adverse macro-climate and generate returns for investors.

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 GPS business units are held in separate accounts. Client liquidity needs are regularly discussed, and changes are flagged well – 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 our authorised Alternative Investment Fund Manager. E-REGI is domiciled in Germany.

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.

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 2021 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 14 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 22 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 provide more detailed guidance in accordance with 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.

As part of our commitment to sound controls, we annually engage Deloitte to perform an assurance review in accordance with International Standard on Assurance Engagements 2402 and ICAEW Technical Release AAF 01/06 (“AAF”) over our UK based operations. Under the AAF, firms are required to meet prescribed control objectives and the AAF independent review assesses the proper operation of the controls.

Findings of compliance monitoring are reported on a periodic basis to the LaSalle Investment Management UK Board of Directors and to Senior Managers, which allows senior management to evaluate robustness of our processes (See Principle 2). In 2022, we expanded the AAF audit to produce a bespoke report for our LaSalle GPS business unit, ensuring best practice is disseminated widely.

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. For example, as of 2022 we have incorporated modelled future climate risk into our investment committees.

With specific reference to our sustainability policies, our Global Environmental, Social Responsibility and Corporate 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 policy is currently being updated and will be published in early 2023. The update will reflect the global nature of the policy and expand its scope to cover a broader range of LaSalle's investment products – including LaSalle GPS. Following this update, we are drafting clearer guidance notes covering the various business units of LaSalle, including clearer guidance for our suppliers.

A key method that we use to assess the effectiveness of our ESG policies is annually submitting funds to GRESB (the independent global real assets ESG benchmark). We also obtain an independent assurance statement where required in accordance with the AA1000AP (2018) standard. Further detail on GRESB is provided in Principle 6.

Reporting and marketing oversight

For existing clients, our sustainability reporting is highly quantitative and includes GRESB results, outputs from our Sustainability Management Programme, Net Zero Carbon Asset Audit Programme, and EPC and MEES data.

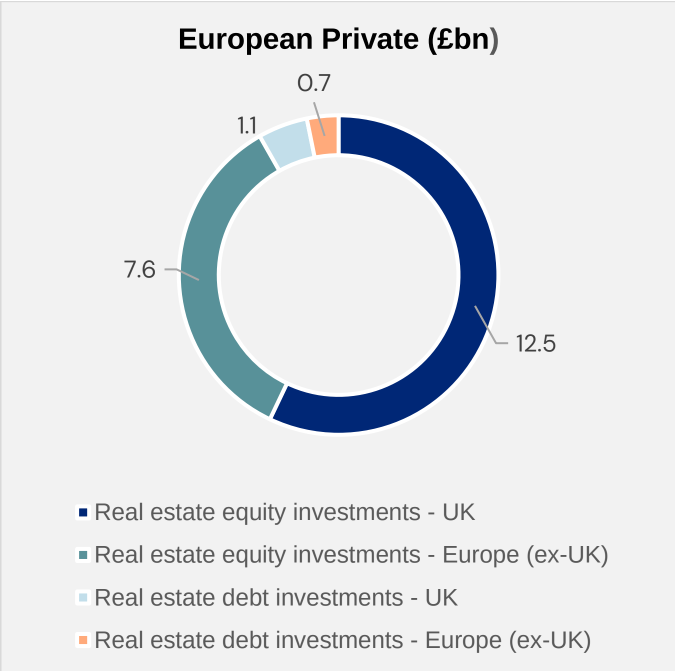
For new business, all sales and marketing presentations are reviewed by our European Compliance team prior to distribution; language that is not deemed balanced or proportionate is revised. Adherence to this process is reinforced via annual internal and external audit checks.

The area of ESG disclosure is becoming ever more complex. We are therefore upgrading our own approach and by the end of November 2022, we will have established a specific ESG governance committee to provide detailed oversight of disclosure at a global level. It will ensure we continue to keep pace with regulatory and client requirements, scrutinise how disclosure is made and that our process and policies are consistently aligned. We look forward to outlining the impact of this change in our 2023 report.

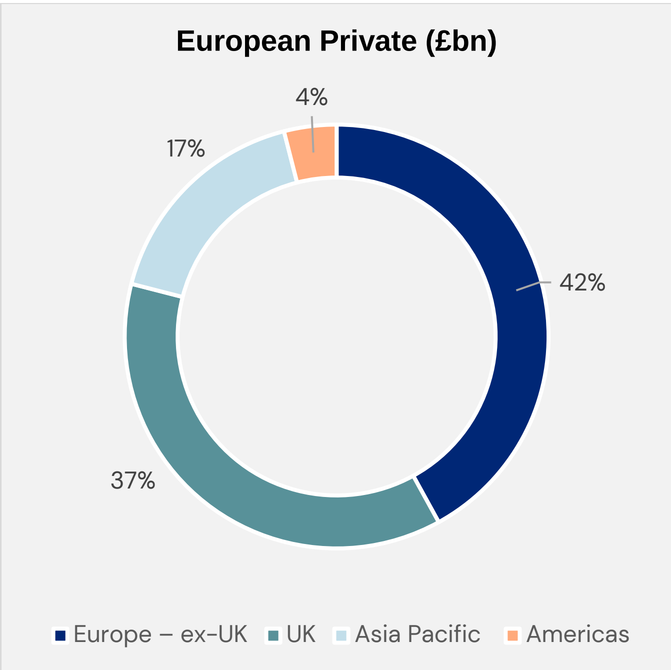
Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

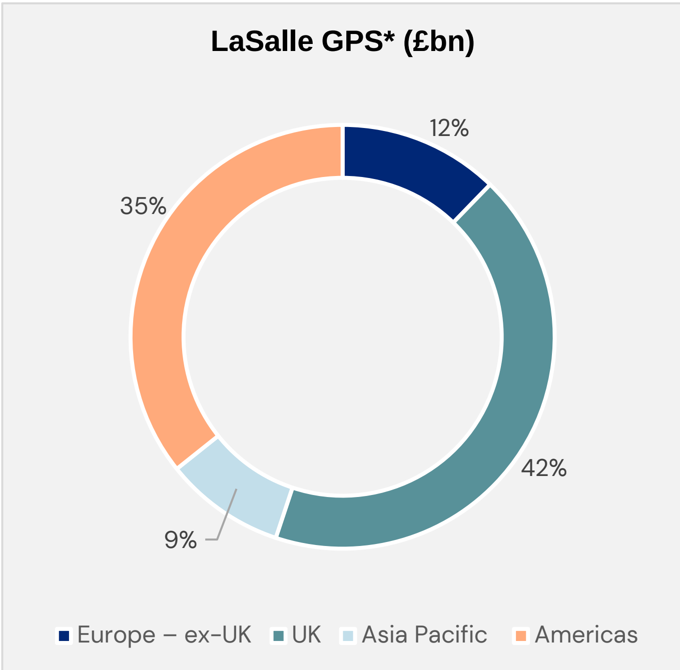
The tables below provide a breakdown of assets under management and clients. All clients are institutional.

Assets Under Management



Client base





*In addition to the AUM shown, LaSalle GPS has c. £370m invested in LaSalle private real estate strategies and c. £60m invested in LaSalle global listed securities strategies on behalf of clients.
Figures at 30 June 2022. Numbers are subject to rounding. Investments are categorised at the vehicle level.

Client engagement

Around 71% of client capital is invested via separate accounts in our European business unit and 83% in LaSalle GPS. Many of our direct separate 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 relatively easy 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 separate 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: Creating an ESG strategy with a direct separate account client

As our approach and the complexity of the market and regulatory environment expand, the UK Sustainability team worked closely with the Fund Manager for one of our UK direct real estate separate account clients (with an account AUM of £700m+). We developed a bespoke ESG report to accompany the Annual Strategy for the mandate based on the client's own ESG policies and requirements and the start state of their assets.

We provided detailed insights into the complexity of subjects such as Physical and Transitional Climate risks. We explained how physical risk projections give Climate Value at Risk metric, and how this is integrated with our baseline risk management reviews. We gave specific examples of how ongoing asset audits in the client's portfolio are being used to generate Net Zero Carbon capex plans.

In the case of our commingled funds, many have advisory boards whereby the largest investors and a minority investor representative 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.

Case study: Commingled fund client engagement on carbon pricing

To help future proof, Encore+, our €4 billion+ pan-European diversified fund, we have incorporated analysis on internal carbon pricing to highlight the potential downside performance impacts of not decarbonising the portfolio. Carbon prices vary around the world and are widely expected to increase over time.

Through applying a carbon price per tonne, the annual whole building CO2 equivalent emissions over the past 12 months (c.75% actual data, 25% estimated using benchmarks), the Fund has calculated a cost of the carbon emitted. If this sum were then to be deducted from the Fund's annual distribution, as a carbon tax, the Fund was able to calculate the impact of carbon emissions in basis points of income return.

Engagement with the Fund's clients has been critical on this initiative. We have canvased views and inputs from sophisticated ESG focused investors on a one-to-one basis, particularly from the Nordic region and Netherlands. They provided guidance on the initiative's role and utility; they also provided encouragement! Based on this feedback, the Fund will use and report the carbon price analysis to assess the potential future value of decarbonization initiatives.

While only a very small proportion of LaSalle GPS AUM is invested in listed 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 listed investments are made through our US-based business unit, LaSalle Securities for LaSalle Global Partner Solutions. 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 separate 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 separate accounts and fund of funds. Whilst there is less control over the investment strategy when invested indirectly, our LaSalle GPS clients benefit from the additional influence that we bring to fund investments since we normally represent several clients within an underlying investment fund.

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 scores on ESG standards in our funds. 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 thrilled to retain top 5-stars scores for Encore+ and E-REGI in 2022.

Investment consultant feedback

We complete annual ESG reviews with approximately seven global and local consultants. 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). Reporting aligns with the four pillars of sustainability (See Principle 1).

UK, European and Asia-Pacific clients invested with LaSalle GPS receive detailed ESG commentary in quarterly updates including ESG integration, governance, annual voting profile, Physical and Transitional risk dashboard, GRESB performance and results of the annual LaSalle GPS engagement programme.

For our European funds that are captured by the European Union's Sustainable Finance Disclosure Regulation (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) Taskforce on Climate-related Financial Disclosures (TCFD) has been adopted in several jurisdictions following the 2021 agreement by G7 countries to mandate the requirements thereof.

Previously, 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 year we have 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.

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. We have developed our ability to run fully aligned TCFD energy and carbon disclosure models across our UK portfolio, as well as procuring CVaR analytics we can apply to individual assets or aggregate at fund level at any stage of the lifecycle or for disclosure purposes.

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance 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%). 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.

European Private

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 Focussed Investment Strategies** and **Resilient Investment Management**.

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

ACQUISITION

We assess new investments against our Sustainable Investment Principles, at Investment Committee and throughout due diligence.
Includes:
- Net Zero desktop audits
- Climate risk analysis

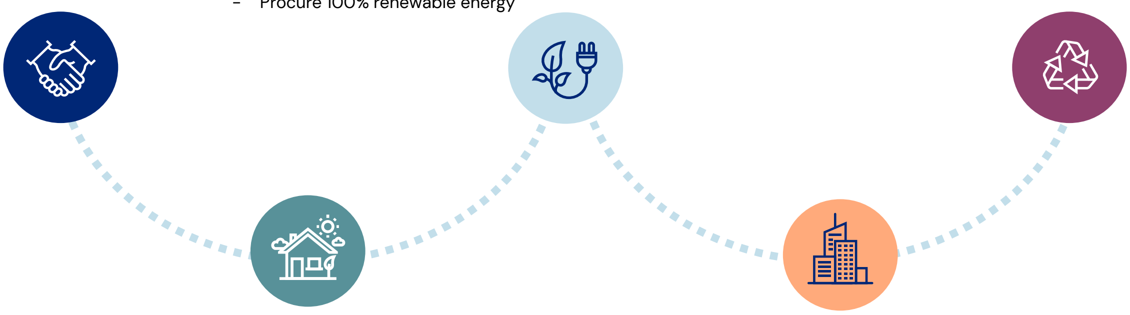
OPERATION

We work in partnership with our third-party property management suppliers to ensure that sustainability is considered throughout the operation of a building.
Includes:
- Sustainable management programme monitoring energy, water & waste
- Net Zero Carbon audits & CRREM pathways for each asset inc. EUI benchmark
- Active tenant engagement
- Procure 100% renewable energy

DISPOSAL

Identify carbon stranding risks part of our hold decision-making process

Share operational energy data and NZC Pathway information with buyers



DEVELOPMENT

All new development projects are designed to our Sustainable Development Standards, underpinned by high level building certification

Includes:
- Undertake Whole Life Carbon Assessments of developments|
- Cut embodied carbon intensity by 50% by 2030
- Build to 'Design for Performance' principles

REFURBISHMENT

Cut carbon intensity through low carbon material, equipment choices and supply chain collaboration
Includes:
- Undertake Whole Life Carbon Assessments of materials and equipment procured for refurbishment and maintenance.
- Minimize carbon through low carbon material and equipment choices

As part of our environmental commitment, LaSalle runs a Sustainability Management Programme ("SMP") which monitors and manages energy consumption, carbon emissions, water consumption and waste disposal across our European portfolio. For assets where we have landlord control, bespoke reduction targets are set, and progress against these targets is monitored on a quarterly basis and reported to our clients. We are expanding the programme to include all assets and setting ambitious targets to collect all tenant data which will also support our Better Buildings Partnership's Net Zero Carbon ("NZC") commitment. To date we have targeted our largest tenants and have confirmed over 50% agreement to share data on ESG and specifically energy/carbon for disclosure. We will be collating both data submissions and where acceptable installing automated data feeds. We will continue to expand this coverage over the 2022 period.

In September 2021, we launched the pilot phase of LaSalle's Net Zero Carbon 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. In April 2022 we concluded the pilot phase, which consisted of 41 assets, and as of August 2022, midway through Phase 2. By the end of 2022, Our European Private business unit will have audited approximately 150 assets and identified the necessary NZC interventions and costs to either align assets with CRREM 1.5C pathway or consider disposal.

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 engaged with two more (TCS and MunichRE). This process has enabled us to report climate risks within respective portfolios to clients, in accordance with the recommendations of the TCFD.

Case study: Developing sustainable buildings

During 2022 redevelopment work started on a low carbon building project for Encore+.

In 2018 the Fund acquired an office building in Munich with a business plan to redevelop it to create a new building that would meet the high standards of international occupiers. During the project underwriting, the Fund team decided to that the new development should be as sustainable as possible, as it was anticipated that tenants and investors would place increasing importance on reducing energy consumption and carbon emissions in the future. The 15,000 sqm office, named Tri, will be built using hybrid-timber construction technology and will include ground source heat pumps, solar panels and the latest building management technology to allow the tenants to monitor and control their energy consumption.

According to the preliminary energy certificate, Tri will have an energy demand 54% below a conventional new Germany office building. Using DGNB benchmarks, approximately 28% less carbon will be emitted during the construction phase and 65% less when the asset is in the operating phase. The project has already received a DGNB Platinum Pre-Assessment.

Looking beyond the operational phase of the current building components, the Fund has integrated a circular economy approach, through material passports, to help measure and optimise the embodied carbon emissions associated with the project. The concept of material passports is to create detailed documentation of all components used in the construction of a building to facilitate the reuse of valuable building materials, reducing waste and ultimately future carbon emissions.

At the Tri development, the process involves the following steps:

Step 1

- Material information is included in the BIM (Building Information Modelling) file, collaboratively built by the design team
- An initial embodied carbon estimate can be calculated based on this design information

Step 2

- BIM data uploaded to the online platform: Madaster
- Building contractor uploads a material datasheet of each component when the specification and quantity is confirmed

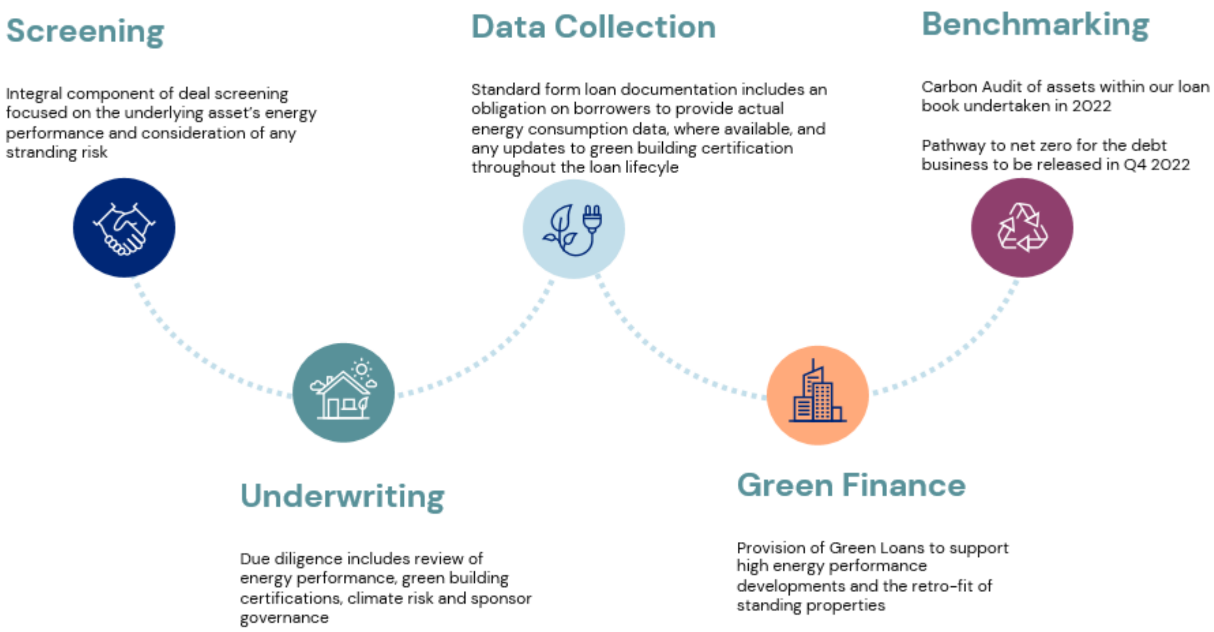
Step 3

- Actual quantities are recording in “as-built” information and during site visits

Step 4

- Material information is logged, allowing the value of future re-use and recycling opportunities to be documented and assessed

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.

In 2022, we closed our first Green Loan under the LMA Green Loan Principles Framework (further details provided below) and are in the process of closing our second. 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, 852-bed purpose-built student accommodation in central London.

- Completed in Q1 2022 with loan size of £147m at 59% loan-to-value on a loan term of 3+1 years.

- Targeting BREEAM "Outstanding" & Passivhaus design standard. Ambition to achieve net zero carbon via high levels of insulation and installation of solar PV panels.

- Exit fee is linked to actual BREEAM rating achieved at completion. Loan is documented as 'Green Loan' in line with LMA 'Green Loan Principles'. Worked with sponsor to develop a green loan framework.

LaSalle GPS

LaSalle GPS has a robust, four-level, ESG investment due diligence process incorporating environmental, social and governance issues.

Level 1: Information is requested via an ESG Due Diligence Questionnaire ("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 & Tenants Exclusion Check. In the event that the target investment is located 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: Net Zero Carbon and Climate Risk – During due diligence, LaSalle GPS analyses the location traits of our investments on a granular basis with relation to climate risk and net zero carbon. 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.

Case Study: Project Wildflower, New York Film Studio Development

During due diligence the target asset was flagged for high flood risk using the MSCI Climate VAR tool. Therefore, one of GPS's primary concerns during due diligence was flood/storm surge risk given the asset's proximity to the water and the area's history of hurricanes (leading to storm surge).

In discussions with the JV partner, we learned that the development team considered this risk during the design phase and included a flood gate in the project's design/budget to protect the asset from flooding. Other flood protection features included rip-rap installation along the riverbank and the placement of mechanical/electrical equipment on the building's upper levels.

These considerations by the development team gave us comfort that the property can withstand flood events. Additionally, construction drawings reviewed illustrated provisions for the manual installation of flood gates at the pedestrian lobby entrances and other access points to mitigate flood damage.

If in the event we found that the developer had neglected to adequately mitigate flood risk, the deal team would have included a capital expenditure budget to cover the works described above into their underwriting model and IRR/equity multiple calculation.

Case Study: Underlying manager assessment

As a part of our due diligence process the deal team review both the LaSalle ESG RAG Assessment and the LaSalle ESG due diligence questionnaire which include a variety of ESG indicators 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.

The results of this analysis are included in all investment committee papers and form a part of the final investment decision.

In 2021, a target US investment scored a RED on the LaSalle ESG RAG Assessment due to an unwillingness to participate in GRESB and provide emissions data at asset level.

This led to several meetings with the target manager, the GPS deal team, GPS fund managers and the GPS ESG Taskforce Leader to discuss an improvement strategy. Over the course of several months we received confirmation that the target manager would participate in GRESB, provide asset level emissions / locational data and look at adopting a net zero carbon strategy.

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

We use service providers to support both our investment and corporate activity. For corporate activity support we draw on a range of lawyers, auditors, technology, HR and office supply service providers. However, the response below has been focussed on investment service providers that are most directly involved with our stewardship activities.

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 direct investment activities, we typically use research providers, sustainability consultants, property managers, external valuers, tax advisers, lawyers, planning and development consultants, and sales and marketing agents.

For many 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 maintain 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.

Sustainability
Given the pace and variety of specialised work, service providers play a critical role across our portfolio, managing our Sustainability Management Programme, undertaking our European Net Zero Carbon Asset Audit Programme, as well as in an advisory role for our strategy evolution, the development of our products and services. This includes:

- We use a range of JLL sustainability services, for example to operate our Sustainability Management Programme (underpinned by Deepki’s real estate sustainability platform) which tracks and monitors energy, carbon, water and waste data across our portfolio. JLL also advise our Debt investment team on bespoke sustainability strategies.
- Verco, a climate change consultancy, has assisted our Global Sustainability team with the development of our Global Net Zero Carbon Strategy, in addition to our European Net Zero Carbon Pathway Strategy, which is aligned to our Better Buildings Partnership Climate Commitment.
- ATP Sustain, Drees & Sommer, Longevity Partners, JLL, Verco, WSP, Hollis, and TFT Consulting, are in the process of completing Net Zero Carbon Audits across our European portfolio.
- Argentus / Westbridge Advisory has assisted our Continental European ESG Team in the bundling and retendering of our energy supply contracts for electricity, restructuring of main meters and sub metering as well as the assurance of a digital meter reading infrastructure in Germany.
- Arc have pioneered biodiversity initiatives across our UK portfolio, including the concept of creating “biodiversity islands” which can be adapted to various urban and real estate contexts.

- We engage circa a dozen project and development management teams, across our business lines ensuring that we have the appropriate representation in each project to deliver our sustainability objectives on a scheme-by-scheme basis.
- Hillbreak are the selected delivery partner of the BBP training programme we participate in for sustainability; we are developing this relationship beyond the public programmes to offer our colleagues bespoke training materials and toolkits.
- Longevity – European wide legislation tracking is periodically circulated to the European ESG and Compliance teams ensuring current and imminent regulatory requirements are integrated in our existing and evolving systems and processes.

Individual appointments are managed against specific consultancy agreements; where multiple providers are delivering programme outputs, such as 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 – market forecasting
- Greenstreet – market forecasting
- TCS – climate risk evaluations
- MunichRe – climate risk evaluations

Our market forecasting and benchmarking contracts are longstanding whist our climate risk providers are more recent hires. 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. For our market forecasting providers, we evaluate them continuously on a qualitative basis and adjust commitments in accordance with our requirements. We remain content with the service provided.

Property management and transactions

We believe that an out-sourced model 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 property managers - JLL, Savills, Workman, BNP Paribas, Cushman & Wakefield and MVGM - also 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.

In most cases, our property managers have performed to a high standard. We currently have one case where a property manager is underperforming, and we are currently in discussions on remedial action.

Case study: Property manager action at Allegro, Birmingham

During the reporting period, our property manager at Allegro, a rental apartment complex in Birmingham has designed and implemented a range of sustainability initiatives. These include:

- Marking Earth Hour by asking residents to turn off lights for 1 hour.
- Alle-GROW initiative – bulbs, soil, plant pots have been provided to willing residents to grow bee friendly spring flowers. The next phase is to create moveable planters in the communal gardens for residents to grow plants, flowers, herbs etc to improve biodiversity.
- A partnership with HelptoMove who are partnered with an energy provider. This ensures that all new and renewed tenancies are automatically switched to green tariffs.
- A partnership with White Rose charity who provide clothing recycling points in the scheme.
- Allegro foodbank donation points.
- The my.wellness programme has been launched via resident app provided by Pinglocker. The aim is to provide residents with resources to help them on their journey to a healthy lifestyle, with a key focus on physical, emotional, and social health. Residents can access on-demand health and wellbeing content, take part in classes, book personal training, or enter fitness challenges and competitions. The programme will also be hosting a range of seminars to give insight into a specific wellbeing-related topics and to provide actionable goals for residents to take away. The wellness directory will offer residents an opportunity to explore a range of local health and wellbeing services in the local area.

External managers

On the indirect side, LaSalle GPS monitor 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 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 minuted.

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

European Private

One of the most promising but underreported developments of the last three years in commercial real estate is a new level of cooperation between landlords and tenants on ESG matters. This has been driven by committing to net zero carbon standards by both real estate owners and managers, and corporate occupiers. For professional service tenants, real estate and staff business travel are by far the two main source of emissions. For LaSalle, tenant cooperation is critical to managing stranded asset risk, since energy usage in the majority of let space is under tenant rather than landlord control.

Our tenant engagement has centred on:

- Collaboration on our Sustainability Management Programme and Net Zero Carbon Asset Audit Programme
- Feasibility of green lease clauses
- Community and tenant wellbeing initiatives.

Case study: Green lease clause

In March 2022 we negotiated a deed variation with a well-known hotel brand on a hotel located in Southwest England as part of a Covid arrears deal. The clause included tenant commitments to:

- Share data on energy, water usage, waste production and recycling on an annual basis
- Not carry out any works that could harm the building's EPC rating

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

- Significantly more accurate data to support the SMP and NZC AAP
- Enhanced asset liquidity by making it more attractive to buyers, if the asset was put up for sale.

Case study: Local community engagement

At the Quadrant Shopping Centre in Swansea, as well as the Glades in Bromley, the team have adopted a multi-faceted approach to ensure the broadest community engagement achievable, working with local organisations to drive initiative such as:

- providing internships,
- establishing return to work and employment hubs,
- supporting local start-ups, creative endeavours and colleges.

Particular efforts are made to support mental health and LGBTQ+ groups, ensuring that their efforts are facilitated and championed in these important community locations.

Case study: Working with tenants to create net zero carbon operational buildings

This year we are proud to announce the occupation of a new logistics hub in Tottenham, to be occupied by Volta Trucks; this is the first full electric truck facility in the UK and was designed to be net zero carbon in operation. This is a demonstration of the application of our policies on sustainable development and refurbishment, as well as our ambition to deliver the next generation of real estate assets to the market ensuring that our investors and tenants can manage and adapt to future climate risks.

Case study: Tenant wellbeing initiatives

Across our commercial offices and residential assets there is a particular focus on the occupiers themselves. Ongoing initiatives across our entire direct portfolio include:

- Periodic surveys to ensure the teams are cognisant of diversity, satisfaction and provide a platform for feedback.
- Creation of digital platforms to support people with access to health and well-being programmes, including sports, charitable volunteering, and connection with local businesses.

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.

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. He attends 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.

LaSalle GPS

On the indirect side, LaSalle GPS 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”); LaSalle GPS currently sits on around 40 ABs globally. Additionally, we specialise in joint venture creation and early fund participation, ensuring that we can 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 Due Diligence Questionnaire.** 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 GPS's 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 Task Force on Climate Related Financial Disclosures ("TCFD") recommendations.

- **Transitional Risk.** In line with LaSalle's NZAMI commitment (signed in 2021), LaSalle GPS regularly engage with investment partners to ensure our managers are how portfolios are being future proofed against potential changes to legislation stemming from efforts to collectively reach net zero carbon by 2050.

- **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 GPS holds a very small amount of listed real estate securities, regular company meetings are conducted on its behalf by LaSalle 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: LaSalle GPS Future Trends Survey

Background: On an annual basis, the GPS team looks to provide clients with information obtained from the underlying invested funds which speaks to our continuous commitment to being a responsible member of our communities. The annual GPS Future Trends Survey focuses on issues that currently or most recently affect our communities today from an environmental and social perspective.

Aim: One of the key themes over the last three years has been Net Zero Carbon adoption and Physical Risk, areas of ESG at the forefront of legislative change globally with far reaching consequences for real estate. In 2021, we re-ran this analysis to track the progress of our managers' NZC adoption and Physical Risk assessment across the underlying portfolios. Our aim is that with regular engagement with managers, we are aware of where these risks lie and we can identify potential risks to ensure the future proofing of our underlying portfolios.

Transitional Risk Results

Questions	Global	BREAKDOWN BY REGION			
		US	Europe	Asia Pacific	UK
Number of funds who completed the survey:	60	15%	13%	20%	52%
% of organisations who have made a commitment to NZC:	80%	56%	100%	58%	90%
of which have published their pathway to NZC:	56%	60%	13%	71%	68%
Scope includes:					
Whole building emissions:	73%	60%	75%	57%	79%
Landlord controlled emissions:	77%	80%	88%	86%	71%
Embodied carbon:	63%	40%	50%	43%	75%
All investments in the fund:	85%	80%	88%	86%	93%

- **68%** of managers publish updated NZC pathways annually
- **45%** of managers have undertaken CRREM analysis for their portfolios. Only utilised by the **US, UK** and **European** managers. None of the underlying fund managers in **Asia** undertake CRREM analysis.

Physical Risk Results

Questions	Global	BREAKDOWN BY REGION US	Europe	Asia Pacific	UK
% of underlying fund managers who assess physical risk:	93%	100%	100%	83%	94%
% of funds who include physical risk as part of buy/hold decisions:	92%	78%	88%	83%	100%
% of underlying fund manager's portfolios that have been evaluated for climate risk:	78%	88%	75%	52%	87%
% of underlying fund manager's portfolios exposed to high risk hazards:	6%	4%	13%	10%	2%
Risk exposure by type:					
Flood risk:	9.4%	0.4%	5.0%	12.3%	11.9%
Extreme cold:	1.7%	0.0%	0.0%	0.0%	3.2%
Extreme Heat:	5.4%	2.4%	0.0%	8.7%	6.5%
Extreme Wind:	4.0%	0.5%	0.0%	11.2%	3.3%
Tropical Cyclone:	3.5%	0.7%	0.0%	0.0%	6.5%
Wild Fire:	3.8%	0.0%	3.6%	0.1%	6.5%
Drought:	4.1%	8.8%	0.0%	5.4%	3.2%
Water Stress:	4.1%	8.4%	0.0%	5.8%	3.3%

- **15%** of managers use MSCI's Climate VaR tool (13% Europe; 19% UK and 8% Asia, 11% North. America) when assessing exposure to physical risk.
- **35%** of manager's use more than one data provider.
- **65%** of managers are reporting in line with TCFD (**44%** US, **63%** Europe, **71%** UK and **67%** Asia)

Case study: Fund management engagement

Fund type: Open ended specialist UK commingled fund.

Summary: As part of the LaSalle GPS Future Trends survey, one of our key engagement themes was on each underlying fund's net zero carbon ("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 net zero carbon by 2050 in line with LaSalle's Net Zero Asset Managers Commitment ("NZAMI").

Issue: 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 the regard to NZC in order for LaSalle GPS to adhere to our NZAMI commitment.

Result: The manager was receptive to our feedback and agreed to document the fund's NZC ambitions through a published NZC pathway.

Case Study: Governance during a global crisis

When any material event occurs, the GPS asset managers will first internally assess whether there is any impact on their investments as well as the portfolio managers assessing the overall impact for an investor's portfolio. The asset managers will then reach out to all the affected funds and investments for confirmations and information on the impact. This process is the same whether it is for a natural disaster, political situation or financial event. Post event, Asset Managers will continue to engage with their investments until the risk has neutralised and present any updates in the quarterly reporting package.

Information regarding large scale natural disasters, credit deterioration and financial market impacts (for example Covid-19) are included in our quarterly reporting package. This typically includes a summary of the issue at hand, client level impact to performance/portfolio and the results of our engagement with various counterparties. Issues raised in the last two years include: major flooding events, loss of rental income during Covid and indirect impact of financial sanctions imposed in the aftermath of Russia's invasion of Ukraine.

For example for the Ukraine crisis the below was sent to underlying managers:

1. Do you have arrangements in place to ensure compliance with financial sanctions? Please indicate:
   a. Types of entities subject to screening;
   b. Periodicity of screening;
   c. Whether you are relying on an automated system or conducting screening manually

2. Are any of your investors, financing providers, tenants or key service providers subject to sanctions?
3. Have you evaluated adequacy of your IT framework in light of the increased cybersecurity risks?
4. Please confirm that you will inform LaSalle of any material issues related to sanctions compliance and data security
5. What % of the fund's investors are Russian or Ukrainian?
6. Does the fund have exposure to Russian or Ukrainian companies as tenants? If yes, what is the percentage exposure of portfolio income.

Outcome: LaSalle GPS could inform clients that it had made every effort to confirm that it no asset level exposure to Russia and Ukraine.

Case study: Engagement with US healthcare REIT

ESG	Issue	LaSalle Engagement	Result/Expectations
Environmental	• No stated environmental policy	Letter to Board March 2022	✓ Undertaking to incorporate policy
Social	• Lack of Board diversification		✓ Undertaking to incorporate policy
Governance	• More engaged asset management • Conflict of interests		TBD

Public

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 GPS, 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 – 2022

- GRESB Foundation Board member
- Asia GRESB Benchmark Committee
- Chair of AREF ESG and Social Impact Committee
- Fund Manager Member of GRESB
- Chair of the ANREV Sustainability Committee
- INREV Board Member (with top level oversight of INREV ESG policy)
- Advisory Board member of the DGNB
- NAREIT Real Estate Sustainability Committee RESC
- Committee member of UK Net Zero Carbon Buildings Standard

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

The examples below illustrate the range of activities in which LaSalle has participated during 2021/2.

Case study: UK net zero carbon industry standard development

In 2022 Brett Ormrod, European Net Zero Carbon Lead, was appointed to the UK Green Building Council Taskforce. It will to help develop a new standard, enabling industry to robustly prove their built assets are net zero carbon and in line with UK climate targets.

The Standard will cover both new and existing buildings and will set out performance targets addressing operational energy and embodied carbon emissions to align with the UK's 2035 and 2050 emissions targets. It will also cover the procurement of renewable energy and the treatment of residual emissions, including carbon offsetting.

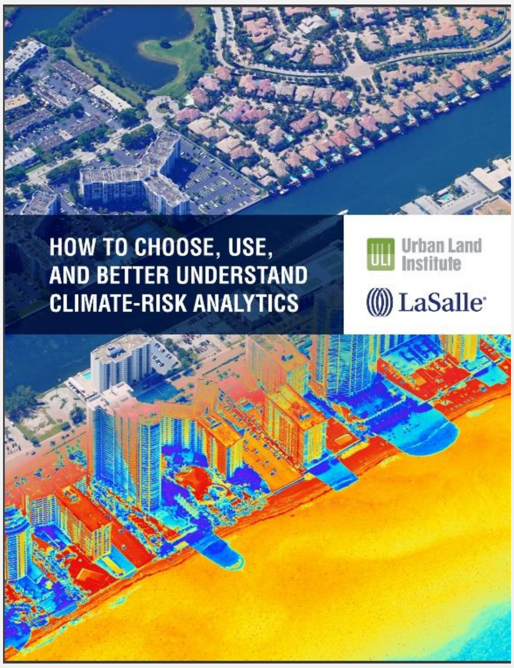
Work is ongoing and we look forward to reporting further outputs in our next UKSC report.

Case study: Collaborating to drive industry carbon data consistency

Real estate investment managers across the UK have found it difficult to integrate carbon data into their investment processes, given the inconsistency between providers' data.

In 2021 we launched a project with the Urban Land Institute (ULI) to assess the data quality and develop ways of integrating it. The work was published in September 2022 here and addressed four questions:

- How do physical risk analytics firms measure climate change, and what do they measure?
- How are real estate investment firms assessing and addressing physical risk in their business today?
- To what extent, if any, is current physical risk priced into commercial real estate?
- How can real estate investors and climate-risk analytics providers improve decision-making?



Through extensive interviews, we have helped establish a dialogue between the institutional real estate industry and physical data analytics firms that can help advance the interest of both parties and the global industry as a whole through increased transparency, regulations, and better alignment of scores.

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

This principle is difficult to apply to direct private real estate equity and 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, there is no recourse.

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

Within private 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 listed 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 our private real estate approach to escalation.

Case study: Fund management escalation

Fund type: Open ended specialist UK commingled fund.

Issue: This investment operates a Bid/Offer spread rather than raising capital at NAV. The Bid/Offer spread reflects the costs of buying and selling underlying assets, such that investors in the fund pay the costs associated with deploying their capital. Having received a redemption request at the same time as having a subscription queue, the manager organised a trade of units between the counterparties, which is reasonable practice.

However, the manager reflected the price of this trade in the Bid/Offer price of the fund, which in turn impacted the Mid-Price which many investors use to value their holding rather than using the NAV. LaSalle's view was that this was unreasonable and not market standard, and that the Bid/Offer spread is there to ensure costs of investing are shared fairly between existing, exiting, and entering investors. As such any trading between investors should not impact the pricing of the fund in any way.

Escalation measures: Governance issue was escalated to senior management at the investment manager, who engaged external legal advice in order to update the fund's legal documentation.

Outcome: Fund manager accepted our proposal and updated the fund's governance rules in order to make the necessary change in the benefit of all investors.

Principle 12: Signatories actively exercise their rights and responsibilities.

European Private
This principle applies less to direct properties since there are no voting rights. On our real estate 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. 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 GPS
On the indirect side, we fully participate in every corporate action for all underlying real estate investments. The same voting policy applies for all LaSalle GPS regions and mandates/funds. Notifications of impending fund votes are considered initially by the relevant LaSalle GPS Regional Investment Committee ("RIC").

The RIC 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 GPS 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 GPS for discretionary mandates.

LaSalle Global Partner Solutions continues to be fully active in the participation of corporate actions, as we acknowledge that 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 participate in all voting events. 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 2021 we participated in 79 unitholder votes, across 188 client positions, voting on 346 resolutions of which 212 related to votes for listed investments. An overview and the composition of these votes have been set out below (the record has been anonymised to reflect the unlisted nature of the investments):

The LaSalle GPS voting record is compiled annually. The record for 2021 (both private and listed) is shown below. There were no abstentions.

	Against	For
Amendment to Investment Management Arrangements	11	32
Fund restructuring	0	1
Fund extensions	2	6
Liquidation matters	0	3
Acquisitions, Mergers and Disposals	0	4
Annual accounts / reports	0	36
Renumeration matters	1	22
Appointment of auditor / custodian	2	21
Appointment of Board / Committee members	3	148
Nomination of Board / Committee members	0	4
Discharge of Board / Committee / General Partner	0	9
Equity matters (Listed investments)	0	6
Share matters (Listed investments)	0	2
Listed investment related	1	26
Meeting formalities	0	4
Transact any other business / Misc	0	2

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

Case study: Listed Investment Voting (1)

Investment type: Diversified listed entity specialising in retail, restaurant, office and industrial properties located in the United States.

Issue: In this case, the proxy advisor's recommendation was to vote against the re-election the Nominating and Corporate Governance Committee chair, as in the view of proxy advisor, the board adopted an "unduly restrictive" exclusive forum bylaw without shareholder vote. However, the board selected the Circuit Court for Baltimore City as the sole forum, being where the company is registered. They did this to make it easier to deal with class actions claims that always come after an announced merger deal. This is not uncommon and therefore the Securities team recommended voting against the proxy advisor's recommendation.

Escalation measures: Due to the Securities team recommending voting against the proxy advisor's advice, this corporate action was escalated to the LaSalle GPS European Investment Committee for approval.

Outcome: The LaSalle GPS European Investment Committee voted unanimously in favour of the securities team's recommendation and subsequently voted in favour of all 13 resolutions.

Case study: Listed Investment Voting (2)

Investment type: Listed entity specialising in residential development in China.

Issue: In this case, the proxy advisor's recommendation was to vote against three of the resolutions which covered 1. the re-election of one of the board directors, 2. approval of new equity issuance up to 20% without pre-emptive rights, and 3. to authorise the reissuance of repurchased shares with no specified discount limit.

1. The Securities team advised voting with the proxy advisor's recommendation to vote against 1 due to "over-boarding" as this member was on seven public company boards, above the reasonable best practise threshold of six.

However, the Securities team recommended voting against the proxy advisor's advice on 2 and 3.

2. The proxy advisor has a standard threshold of 10% for voting against share issuance without pre-emptive rights, whereas the market standard is 20%. The Securities team was therefore comfortable that the 20% the board requested was reasonable.

3. While the company did not specify a discount limit, the listing rules mitigate this by allowing for a maximum discount of 20% to the market price. Additionally, it is common for the discount limit is not specified given the listing rules.

Escalation measures: Due to the Securities team recommending voting against the proxy advisor's advice, on 2 and 3 this corporate action was escalated to the LaSalle GPS European Investment Committee for approval.

Outcome: The LaSalle GPS European Investment Committee voted unanimously in favour of the Securities team's recommendation.

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