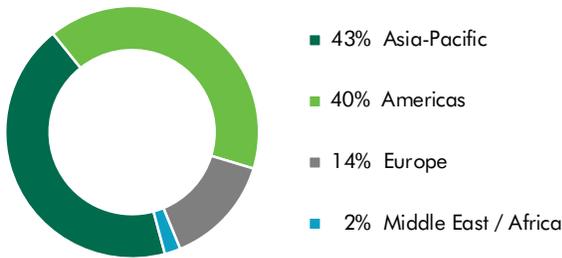


ESG

Real Estate Companies are a Positive Force

The real estate industry has shown a growing commitment to environmental, social and governance (ESG) practices. The consistent interaction between management teams and the investment community positions listed property companies as a critical player in the evolution of ESG. Given the size of the listed property company universe, the continued adoption of ESG practices by real estate companies will have a meaningful impact on ESG and its significance as an investment practice.

Public Real Estate Companies Offer ESG Investors a Large and Diverse Investment Opportunity Set CBRE Clarion Investment Universe by Region



The global universe of public real estate companies is comprised of 969 companies and ~\$3.3 trillion of assets, or 14% of the world's institutional real estate

Source: CBRE Clarion investable universe as of 12/31/2017. Percentages may not add to 100% due to rounding.

THE REAL ESTATE INDUSTRY IS A KEY PLAYER IN SUSTAINABILITY

Commercial and residential buildings account for 30% of carbon dioxide emissions globally (nearly 40% in the U.S.). Commercial real estate is at the nexus of many of today's most important issues, including resource depletion, land use, transportation, workplace health and climate change.

ESG STANDARDS ARE GAINING TRACTION

Listed property companies increasingly find value using an ESG framework that is defined and measured with an improving level of sophistication. It is now common practice for listed companies to have documented ESG policies and measurements via a Corporate Responsibility Report, a dedicated ESG staff, and committed support by the CEO.

CBRE WALKS THE TALK

CBRE Group is a signatory and member of many global and regional ESG-related networks and initiatives, including for example UNPRI and GRESB. CBRE Clarion and its investment affiliates understand the significant impact the built environment has on the global environment and believe that it has a responsibility to demonstrate ESG best practices in all corporate and investment management activities to add greater value for its stakeholders.

ENVIRONMENTAL

The environmental aspect of ESG tends to capture outsized attention of the three factors, partly because it is the most visible and appeals to a growing consensus that the world's resources need to be used more efficiently with less waste. Environmental best practices include reducing carbon emissions, waste and the use of energy and water that can be measured, mitigated and reported on through established protocols. Environmental considerations include:

- Minimizing the carbon footprint
- Responsible land use including development of brownfield projects
- Using renewable energy such as natural light and water
- Sustainable design and innovation
- State-of-the art, high efficiency HVAC and LED lighting
- Minimizing landfill waste
- Developments that integrate well with mass transit and improve, enhance or complement existing infrastructure
- Recycling paper, cardboard, plastic
- Certifications from widely respected entities

Case Study: Environmental¹

Boston Properties is a leading U.S. Class A office REIT with space totaling 48.4 million square feet comprising 164 office properties with a significant presence in Boston, Los Angeles, New York, San Francisco and Washington D.C. The below gives specific examples of how this leading company is improving the environment:

Energy Conservation

Boston Properties retrofitted the conventional T8 florescent lighting at The Prudential Center garage with light emitting diode (LED) tubes. The LED tubes have a lighting efficacy of 131 lumens per watt, compared to a baseline fluorescent efficacy of ~90. With a lifespan of 65,000 hours and no ballasts, the LED tubes will run 2.3X longer than fluorescents and ballast replacement will never be required.

- 440 tons annual CO₂e reduction
- 57% reduction in average power demand
- \$240,000 / 1,500 MWh annual savings

Solar Panels

Boston Properties partnered with Healthy Planet Partners and Solaire Generation to install a 1.4 acre 842kW solar canopy on the garage of 950 Winter Street. Boston Properties hosts the array, buys metering credits and thereby reduces energy emissions and utility cost for the tenants. This initiative:

- Produces 1 million kWh electricity annually
 - Enough energy to power 130 Massachusetts homes
 - Offsets 340 metric tons of carbon dioxide emissions
 - Equivalent to twenty percent of the building's total consumption

Bee Keeping

Boston Properties partnered with Best Bees in 2013 to install beekeeping operations on four rooftop locations. Bees pollinate more than 100 fruit and vegetable crops that contribute more than \$15 billion annually to the U.S. economy. Urban bee survival rates are higher because of urban heat-island effect and lower pesticide use. Urban agriculture too is helped which improves access for local food to areas including low income or at-risk communities.

- 100 liquid pounds of honey produced/year

Harvesting Rain

Atlantic Wharf is a 32-story development located on Boston's new Greenway and features a half-acre green roof that captures rainwater while a system of vegetated trays retain water and reduces the heat-island effect common to office building roofs.

Rainwater is collected at 71 drainage points and carried through a half-mile pipeline system to a 40,000 gallon water tank. The water is filtered and pumped to the cooling tower system. From the roof, the water is chilled then pumped to on-floor air handlers.

- Projected to save over 12.5 million gallons of water per year
- Equivalent to 19 Olympic swimming pools

The Environmental component of ESG positively impacts the world's resources while providing a cost savings for companies

Greenhouse Gases

A greenhouse gas (GHG) is any gas in the atmosphere which absorbs and re-emits heat, thereby warming the planet. GHG's occur naturally in the Earth's atmosphere, but human activities such as the burning of fossil fuels, are increasing the levels of GHG's in the atmosphere.

Carbon dioxide (CO₂) is the most common GHG emitted by human activity even though water vapor, methane (CH₄), nitrous oxide (N₂O) and ozone collectively make up the main GHGs in the Earth's atmosphere in addition to CO₂. As a result, CO₂ is a shorthand expression for all GHGs.

SOCIAL

Social aspects of ESG may appear “softer” than ESG’s environmental components since they are more difficult to measure but are no less important. Social best practices include treating employees and tenants well through engagement and inclusivity, maintaining safety at properties, creating a sense of “well-being,” and engaging with the community at large.

- Favorable physical work environment with attention to space, light, air quality and employee amenities; could include bike racks and showers as examples
- Employee satisfaction including the ability to provide feedback, training programs
- Employee satisfaction measurement such as frequency of labor disputes, staff turnover
- Building design and management to maximize well-being and productivity
- Workplace health and safety
- Employee initiatives including community investment, philanthropy, volunteering
- Community engagement such as creating jobs and opportunities like offering conference rooms for such engagement

Case Study: Social Well-Being²

Land Securities, a bellwether London-based office/retail company, recently renovated an older Victoria property in order to relocate its head office and over 400 staff; a renovation that demonstrated Land Securities’ commitment to sustainability.

WELL Building Renovation

During renovation, Land Securities specified the materials, including paint, glue and varnish to completely remove harmful chemicals. The new space offers increased fresh air and maximizes daylight through use of Circadian lighting systems to match the behavior of natural light. Employees enjoy free healthy food, a juice bar, a social hub and shower facilities. The improvements resulted in:

- 25% increase in lighting satisfaction and a 40% increase in air quality levels
- Awarded a BREEAM Fit-Out “Outstanding” at design stage

- On target to be the largest, fully certified WELL Building Standard space in the U.K.
 - WELL is an industry measure for health and wellness for employees
 - The WELL Building Standard, launched in 2014 is on the forefront of ESG
 - Often leads to increased productivity, engagement and retention
- Energy Star computer equipment allows for efficient energy usage, including LED lighting
- Data analytics system helps property management assess and improve operational performance.

Community Employment

Since 2011, Land Securities has helped 962 people into work. The company:

- Opened a learning academy in partnership with Highbury College and the local Jobcentre Plus where candidates develop customer service skills with the aim of securing a job with retail brand partners
- Launched a two-week program offering customer service training with brand partners such as Apple and John Lewis
 - 11 previously unemployed candidates progressed into employment
- Partnered with Construction & Housing Yorkshire to help candidates develop construction skills
- Work with charity partners to help the disabled and young people, such as Mencap, the U.K.’s leading learning disability charity, including the Step Up Challenge, where employees raised money by climbing 37 floors of Land Securities iconic 20 Fenchurch Street (the Walkie Talkie building)

Reduce Waste & Help the Community

- 98% of materials removed during the renovation were recycled and reused
- Pre-development furniture donated to parties including the University of Arts London, Scout Groups and Chicken Shed Theatre
- 5 tons of old IT equipment donated to Green Machine, which provides affordable computers to charities and people on low incomes

Initiatives designed to have a social impact range from improved employee satisfaction to philanthropic endeavors

Corporate Social Responsibility (CSR)

CSR is an area where companies must invest, in many ways without a quantifiable return to the bottom line. However, a commitment to CSR practices can strengthen a company’s foundation in terms of recruitment and retention of employees, relationships with tenants, overall goodwill within the community and risk management.

GOVERNANCE

Governance best practices reflect the responsibility of management and the board to promote a corporate governance structure that is responsive to stakeholders by addressing issues such as board structure, committee structure, diversity, code of ethics and conflicts of interest. Governance considerations include:

- Board structure, including declassified or classified, number/proportion of independent members, and separate Chairman and CEO roles.
- Compensation, alignment of management incentives, short-term versus long-term incentive structure, and alignment with shareholders with proper vesting
- Internally managed companies
- Equity structure including no supermajority voting
- Diversity of employees, management and Board
- Management's willingness to engage with shareholders
- Commitment to ESG via dedicated management, support from the top (CEO), sufficient resources and reporting via a Corporate Responsibility Report

Listed companies enable potential shareholder activism, an increasingly popular form of engagement, against companies with poor governance. Staggered boards, dual share classes and decision making that does not maximize shareholder value are all examples of governance issues that shareholder activism can address. Proxy voting has long been an instrument of investors used to impact the behavior of management. More frequent interaction particularly among listed company investors and management teams has accelerated and sharpened this dialogue.

Case Study: Corporate Governance Framework³

Dexus Office Trust is a leading office REIT with an AUD\$12 billion portfolio across Australia with a sizeable third-party management business and development pipeline. The total office portfolio comprises 1.8 million square meters.

Dexus has specific Board policies towards auditor independence, Board membership (number of Boards), diversity and inclusion principles, diversity targets, performance evaluation and securities trading.

Diversity

In 2017, Dexus achieved its internal target of 33% female representation for senior managers. Dexus has strong diversity at the board level, with 43% female non-executive directors. Dexus achieved gender pay equity for like-for-like roles for the first time in 2017.

Dexus scores high in Governance as the result of the specific and formalized nature of these policies. For example, the diversity and inclusion principles address responsibility and reporting. There are specific goals for diversity on the Board and in senior management through a committee which reports to the Board; similarly, there are specific Board-level policies on recruitment, fair pay, training and flexible work hours.

Proactive Reporting and Communication

In the company's annual report, Dexus now includes a summary and timeline of the items where the Board played an active role in decision-making. The summary provides transparency to investors regarding the matters that the Board reviewed over the past year.

Corporate governance aligns company interests with stakeholders' interests through issues such as employee diversity, fair pay, and flexible work hours

Governance Trends

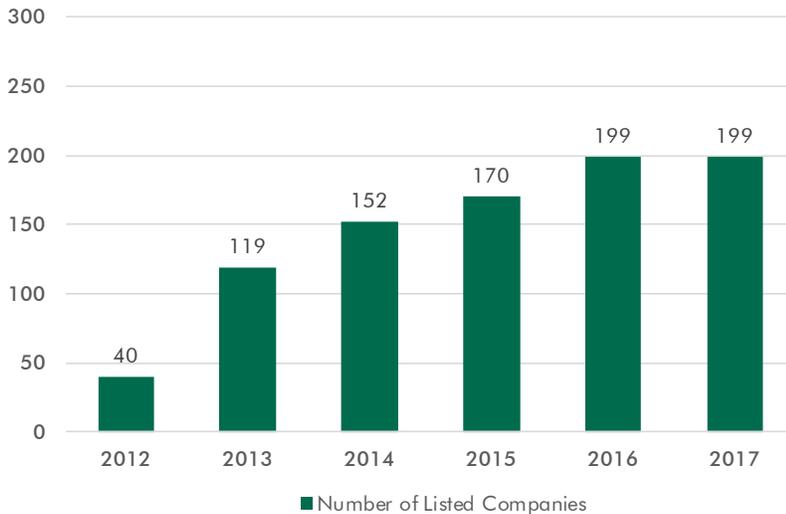
Board structure and diversity are two important factors in the makeup of a board, to provide well-rounded leadership. The number of women and minorities on boards continue to rise. Additionally, Chairman and CEO roles are increasingly split into distinct roles, a positive trend in governance.

INDUSTRY COMMITMENT

The Global Real Estate Sustainability Benchmark (GRESB) is the bellwether ESG litmus test among listed property companies. GRESB is an industry-driven organization committed to assessing the sustainability performance of real estate portfolios around the globe, both listed and unlisted. GRESB emerged from a collaboration of the world's largest pension funds and academics from Maastricht University and the University of California at Berkeley. In 2017, GRESB assessed 850 property companies and real estate funds, representing 66,000 assets and US\$3.7 trillion in asset value.

The number of listed companies/funds which participate in GRESB has grown over time, gaining further visibility, credibility, and use as listed companies are proving to be a positive force in ESG.

ESG is Growing Among Listed Property Companies
GRESB Participation Rate

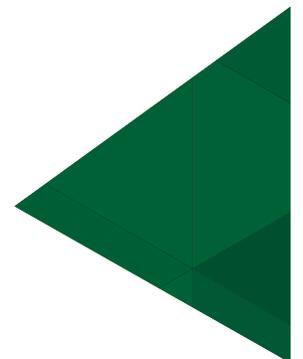


Source: GRESB as of 12/31/2017.

As a member of GRESB, CBRE Clarion Securities plays a significant role in expanding its penetration by actively reaching out each year to listed companies which have never completed the GRESB assessment, with positive success rates each year, thereby effecting change. In 2017, CBRE Clarion reached out to the 30 largest global listed companies yet to complete the GRESB assessment. Over the past four years, with encouragement from CBRE Clarion, eleven companies on CBRE Clarion's target list are now participating in the GRESB assessment.

By the end of 2017, there were 199 publicly traded property companies participating in the GRESB survey, comprising approximately 51% of the market capitalization of the industry standard FTSE EPRA/NAREIT Developed Index. In addition to GRESB, several other data providers are also developing broader screening mechanisms for ESG factors across a number of industries, including real estate.

The listed real estate industry is engaged and active in ESG. The increased participation and sophistication of many real estate companies across all aspects of ESG demonstrates their commitment to a positive and transformative force in real estate today



CBRE WALKS THE TALK

CBRE Global Investors and CBRE Group, Inc. understand the significant impact the built environment has on the global environment. Commercial and residential buildings account for 30% of carbon dioxide emissions globally (nearly 40% in the U.S.), and this is just the "E" part of ESG.

Commercial real estate is at the nexus of many of today's most important issues, including resource depletion, land use, transportation, workplace health and climate change. CBRE understands that it has a responsibility to incorporate and demonstrate ESG best practices in all corporate and investment management activities. Alongside its commitment to the United Nations Global Compact and PRI, CBRE Global Investors is also a signatory, member or participant in many other global and regional ESG-related networks and initiatives, reinforcing CBRE's commitment to ESG practices. These initiatives include:

- ANREV
- Building Owners and Managers Association ("BOMA") International
- Global Real Estate Sustainability Benchmark ("GRESB")
- Green Rating Alliance
- INREV, Institutional Investors Group On Climate Change ("IIGCC")
- International Sustainability Alliance
- Sustainability Accounting Standards Board ("SASB")
- Sustainable Building Alliance ("SBA")
- Urban Land Institute Sustainability Council ("ULI")

In 2009, CBRE Global Investors became a signatory to the United Nations Principles for Responsible Investment (UNPRI). The UNPRI were developed in 2005/2006 by an international group of institutional investors to reflect the increasing relevance of environmental, social and corporate governance issues in investment practices. The Principles are voluntary and intended to be actionable and measurable.

CBRE Clarion believes that these principles provide a useful framework to promote a closer alignment between the objectives of institutional investors and those of society at large.

Features of the UNPRI Agreement

1. Incorporate ESG issues into investment analysis and decision-making processes
2. Be active owners and incorporate ESG issues into ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which they invest
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance effectiveness in implementing the Principles
6. Report on activities and progress towards implementing the Principles

CBRE Clarion is actively engaged with management and boards of listed companies. Internal proxy guidelines are reviewed and updated annually, and proxies are voted by CBRE Clarion as a fiduciary to our clients. CBRE Clarion remains committed to including ESG activities in its underwriting of management and believes that this will add value for all shareholders and stakeholders over time.

CBRE Clarion and its investment affiliates are committed to demonstrating ESG best practices in all corporate and investment management activities and act as a signatory, member or participant in many ESG-related initiatives



ABOUT CBRE CLARION SECURITIES

CBRE Clarion Securities is an industry-leading global investment management firm specializing in the management of listed real asset securities including real estate, infrastructure, and master limited partnerships (MLPs). CBRE Clarion manages client portfolios with a focus on generating attractive risk-adjusted returns through a total return, income focused, and absolute return-oriented strategies. Headquartered near Philadelphia, Pennsylvania, the firm has over 90 employees located in offices in the United States, United Kingdom, Hong Kong, Japan, and Australia.

The global transfer of ideas, in-depth local market research, and market intelligence distinguishes CBRE Clarion. Our team of over 41 dedicated listed real asset investment professionals draws upon the research and resources of CBRE's global organization. Our global perspective and local infrastructure and real estate market insight combined with our disciplined investment approach enhance our teams' ability to underwrite risks and capitalize on potential opportunities.

CBRE Clarion Securities is the listed equity management arm of CBRE Global Investors, an industry-leading global real asset investment firm sponsoring investment programs across real estate, infrastructure, and private equity.

IMPORTANT DISCLOSURES

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Past performance of various investment strategies, sectors, vehicles and indices are not indicative of future results. Investing in real estate securities involves risk including to potential loss of principal. Real estate equities are subject to risks similar to those associated with the direct ownership of real estate. Portfolios concentrated in real estate securities may experience price volatility and other risks associated with non-diversification. While equities may offer the potential for greater long-term growth than some debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. There is no guarantee that risk can be managed successfully. There are no assurances performance will match or outperform any particular benchmark. Indices are unmanaged and not available for direct investment.

¹ Boston Properties. <http://www.bostonproperties.com/pages/sustainability#CaseStudies>. Accessed January 2018.

² Land Securities. <https://landsec.com/experiences/sustainable-business>. Accessed January 2018.

³ Dexus. <http://dexus2017.reportonline.com.au>. Accessed January 2018.

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