



2018

**CBRE GLOBAL INVESTORS  
GLOBAL RESPONSIBLE INVESTMENT MANAGEMENT POLICY**

**CBRE**  
GLOBAL  
INVESTORS

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## CBRE GLOBAL INVESTORS

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# I. SCOPE

Responsible real asset investment management requires a commitment to environmental, social and governance (“ESG”) practices, an understanding of their impact on all stakeholders, the stewardship of investments managed and a dedication to upholding high standards of responsible corporate citizenship. Responsible environmental best practices include, for example, addressing climate change resilience and reducing carbon emissions, waste and the use of energy and water that can be measured, mitigated and reported on through established protocols. The use of such practices is often reflected in certifications such as those offered by the U.S. Green Building Council (“USGBC”), LEED, BREEAM or U.S. Environmental Protection Agency (“U.S. EPA”). Social best practices include a company treating its employees and tenants well through engagement and inclusivity, maintaining the safety of properties owned, and its engagement with the community at large. Governance best practices reflect management’s responsibility to promote a corporate governance structure that is responsive to stakeholders by addressing issues such as committee structure and roles, code of ethics and conflicts of interest.

More broadly, CBRE Global Investors and its parent company, CBRE Group, Inc. (“CBRE”) are committed to responsible business practices represented by our support of the 10 Principles of the United Nations Global Compact, the six Principles for Responsible Investment (“PRI”), the 17 United Nations Sustainable Development Goals (“SDGs”) and the Task Force for Climate-Related Financial Disclosures (“TCFD”) Recommendations. We understand the significant impact the built environment has on the global environment. Real assets are at the nexus of many of today’s most important issues, including resource depletion, land use, transportation, workplace health and climate change. We believe that we have a responsibility to incorporate and demonstrate ESG best practices in all of our corporate and investment management activities. The policy provided herein seeks to provide a framework for such practices.

## II. INTRODUCTION

Studies have consistently shown an important link between ESG performance and financial returns. Harvard Business School research has shown that companies with a high commitment to ESG in their organizational processes, structures and disclosures “significantly outperform their counterparts over the long term, both in terms of stock market as well as accounting performance.”<sup>1</sup> Research presented by McKinsey and others confirm this correlation. Paul Mathew at Lawrence Berkeley National Laboratory has done empirical research showing a statistically significant correlation between energy use/price and mortgage default risk. At CBRE Global Investors, we agree that responsible business is “good” business and have developed both a philosophy and a wide range of policies and practices to ensure adherence to ESG principles.

The long-term value of real assets is enhanced by the application of ESG principles and practices. At CBRE Global Investors, we believe that taking ESG considerations into account during an investment decision can enhance returns and preserve value for our investors. Consequently, we actively seek to invest in assets, companies or funds that deliver long-term financial value while producing direct and meaningful benefits for the users of the real assets and other stakeholders.

In 2007, CBRE became the first commercial real estate services company to join the United Nations Global Compact and embrace its 10 principles in the areas of human rights, labor, environment and anti-corruption. That same year, CBRE introduced policies to better define and improve its practices in six areas of deepest concern to its stakeholders: governance, ethics and compliance; environmental stewardship; employee relations and diversity; health and safety; community involvement; and philanthropy, which CBRE Global Investors adopted. In 2009, CBRE Global Investors became a signatory to the PRI. We believed then, as we do now, that these principles provide a useful framework to promote a closer alignment between the objectives of institutional investors and those of society at large. The principles are voluntary and intended to be actionable and measurable. In particular, signatories to the PRI agree that they will:

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

CBRE Global Investors completes PRI’s assessment of our ESG practices on an annual basis, which is benchmarked against our peers. We scored above median for four of the five modules completed in 2018 and at median for the additional module. CBRE Global Investors and all of its business units contribute to promoting these principles, which are reflected throughout this Responsible Investment Management Policy (“RIM Policy”). CBRE Global Investors and CBRE also support the TCFD Recommendations and the United Nations SDGs. We have identified 11 of the 17 SDGs that we believe we can impact through our investment management work and will continue to assess and establish protocols to codify our efforts during 2019.

CBRE Global Investors is also a signatory, member or participant in a number of other global and regional ESG-related networks and initiatives, including The Investor Agenda, Global Real Estate Sustainability Benchmark (“GRESB”), Better Buildings Partnership (“BBP”), ANREV, Building Owners and Managers Association (“BOMA”) International, INREV, Institutional Investors Group On Climate Change (“IIGCC”), International Sustainability Alliance, Sustainability Accounting Standards Board (“SASB”),

<sup>1</sup> Sustainability Accounting Standards Board, “Fundamentals of Sustainability Accounting,” 2016 and Eccles, Robert, Ioannis Ioannou, and George Serafeim, “The Impact of a Culture of Sustainability on Corporate Behavior and Performance,” Harvard Business School Working Paper, May 2012.

Sustainable Building Alliance (“SBA”), and Urban Land Institute Sustainability Council (“ULI”). Our involvement in these organizations reinforces our commitment to ESG practices.

We benefit from CBRE’s associations as well, including their participation with Delos’ WELL Building Standard™, World Green Building Council (and regional Green Building Councils), Real Estate Roundtable, GRI Community, SASB Alliance, Corporate Eco Forum, the Business Roundtable and others.

Harvard Business School Professor Michael Porter has developed and promoted an advanced concept of corporate responsibility, called “shared value,” whereby a company develops a comprehensive business strategy aimed at mitigating the most damaging aspects of its business impacts while creating practices designed to promote best outcomes and positive results for the company and the community at-large. CBRE and CBRE Global Investors have developed a corporate-wide “Shared Advantage” approach to how we conduct our business which is rooted in this concept. The Shared Advantage approach consists of policies and practices that help to define our approach to creating value, thereby establishing a competitive advantage while strengthening the communities in which we operate or have investments and the tenants and users of the assets we manage, recognizing that our assets perform better when the overall community and all stakeholders benefit. A particular focus includes the health impact that real assets have on occupants in those buildings, users of infrastructure and the broader communities in which an investment is located.

## A. CORPORATE MISSION

CBRE Global Investors seeks to be the global leader in the real assets investment management industry by building customized real assets solutions for institutional investors by offering a broad and deep investment platform that consistently delivers world-class investment results and exceptional client service. We believe that ESG practices are more than trends; rather, they are fundamental to our business strategy.

## B. RATIONALE FOR RESPONSIBLE REAL ASSET INVESTMENT MANAGEMENT

The purpose of the Responsible Real Asset Investment Management Policy is to:

- Promote transparency and disclosure on material ESG issues. Since developing our first Sustainability Policy in 2013, the demand has grown from investors seeking disclosure and best practices addressing not only environmental, but social and governance factors as well. We believe that sustainability and other ESG issues are a material consideration in the underwriting and management of all our investments including unlisted direct real estate, listed property companies, unlisted indirect real estate, infrastructure and private equity. We are mindful that business requirements vary across regions and investment programs.
- Seek alignment of CBRE Global Investors’ goals with CBRE’s corporate ESG goals. As such, we seek to employ responsible ESG policies and practices for our discretionary programs and elevate our ESG disclosure rankings in GRESB and PRI, as well as to share such policies and best practices with our non-discretionary clients and within industry organizations.
- Commit CBRE Global Investors to responsible investment throughout its operations, and
- Outperform and be a leader in ESG performance as evaluated by industry benchmarking initiatives such as GRESB and PRI.

By adopting a culture of responsible investment, we hope to create value for our investors via:

- Higher returns related to higher occupancy, higher rents and lower operating costs for our investments in properties; higher shareholder value due to property companies adopting responsible business practices and governance resulting in stronger performance for our investments in listed securities; and/or strong performing investments due to mitigation of significant risks and identification of opportunities in the infrastructure and private equity asset classes.

- Risk mitigation by addressing ESG-related legal or regulatory requirements, climate change issues, early recognition of emerging tenant and client demand for addressing ESG-related factors, and an ability to capitalize on government and utility district incentives by implementing ESG systems and best practices.

Through this policy, we strive to meet goals that are driven by:

- Our fiduciary responsibility to identify potential intangible risks (e.g. climate change impacts, water supply, energy costs) that could impact our investments;
- Local and national governmental regulations for building development, building operations, infrastructure, corporate transparency and reporting, that mandate minimum ESG-related standards;
- Investors seeking strong performance while also meeting ESG targets to comply with commitments made to their beneficiaries, governmental agencies and non-governmental agencies (“NGOs”), such as PRI; and
- Institutional investors who increasingly require measurable and material ESG metrics from investment managers.

## C. GLOBAL RESPONSIBLE INVESTMENT MANAGEMENT COMMITTEE AND REGIONAL COMMITTEES

The role of the Global Responsible Investment Management Committee (“RIMCo”) is to oversee the development of ESG-related policies and investment and management practices. The Global RIMCo is supported by the Global Head of ESG and is comprised of senior leadership and other selected company professionals with demonstrated expertise or current responsibility for ESG-related activities or impacted by ESG matters. The Global RIMCo is accountable for implementing, governing and further developing ESG initiatives. Regional and business line RIMCos (EMEA, U.S. and APAC direct real estate businesses, CBRE Global Investment Partners (“CBRE GIP”), CBRE Caledon Capital Management (“CBRE Caledon”) and CBRE Clarion Securities (“CBRE Clarion”)) have also been created comprised of representatives from investment teams who will be managing ESG activities. These regional and business line RIMCos may include representatives from the Global RIMCo who provide input regarding investor and general ESG requirements.

## D. ESG FACTORS

The concept of materiality recognizes that some information is more important to stakeholders in making investment decisions than others.

Identifying and defining which ESG matters are material to our business is an essential part of an ESG strategy and practice. Consistent with accepted Global Reporting Initiative (“GRI”) principles, CBRE conducted a materiality assessment in 2017 to determine the economic, environmental and social issues that are most important to the company’s business and stakeholders. More than 125 internal and external respondents, including a number of CBRE Global Investors stakeholders, were asked to rank 55 items that could be considered material to a global real estate/real asset services business on the degree to which they felt the issue was significant to CBRE. Results were evaluated and incorporated in our ESG approach.

In addition to the internally developed CBRE assessment, CBRE Global Investors utilizes SASB’s materiality factors to determine which ESG considerations are important to CBRE Global Investors and its funds. The Global RIMCo identifies which factors are relevant to the overall organization. Portfolio management teams identify factors relevant to their specific fund. The results of the formal and informal materiality assessment(s) are used to inform CBRE Global Investors’ ESG policies and practices as well as corporate and fund ESG strategies.

## III. INVESTMENT OPERATIONS

### A. INTRODUCTION

CBRE, the Global RIMCo, regional RIMCos, and portfolio management teams conduct ESG materiality checks, which are the foundation for corporate, fund and client-specific ESG strategies. The purpose of these ESG strategies are to reduce risks, identify opportunities and maximize performance results. Most ESG strategies include science-based carbon reduction targets, consumption-related targets, tenant engagement targets among other relevant key performance indicators (“KPIs”). CBRE Global Investors is subject to a wide variety of local, national and international environmental regulations, policies and guidelines. We seek to comply with prevailing environmental laws and regulations throughout our global operations.

### B. REPORTING

CBRE Global Investors seeks to provide comprehensive ESG reporting to investors to comply with disclosure commitments made toward initiatives such as PRI, GRESB, the Task Force for Climate-Related Financial Disclosures (“TCFD”) and others; to include relevant stakeholders, and to comply with governmental regulations.

CBRE Global Investors contributes to CBRE’s annual Corporate Responsibility Report, which complies with the Global Reporting Initiative Standards and demonstrates our commitment to the UN Global Compact Principles. Additionally, we are working on creating an annual CBRE Global Investors’ ESG Report that will provide an overview of our ESG activities and accomplishments during the year.

Portfolio management teams include ESG reporting in investor communications, including ad hoc communications regarding relevant events, and quarterly and annual reports. We have also begun exploring options for examining, performing scenario testing, mitigating and disclosing climate change physical and transitional risks in alignment with the TCFD recommendations.

All of our discretionary strategic programs participate in GRESB, an annual survey which provides real estate companies and investors the tools to benchmark the sustainability performance of their real estate portfolio against peers operating in the same property type and region. Most of CBRE Global Investors’ funds and accounts that report to GRESB have achieved Green Stars. In addition, our indirect business lines utilize GRESB results in their investment assessments of funds and REITs. We also report our ESG activities annually to PRI, which rates CBRE Global Investors’ performance and benchmarks that performance against its peers. In 2018, we outperformed our peers in the PRI annual assessment.

CBRE Global Investors also shares a worldwide ESG knowledge pool with CBRE and is committed to developing tools and sharing best practices to provide investors and clients with full integration of ESG principles throughout the investment process.

### C. DIRECT REAL ESTATE INVESTMENTS

ESG is integral to our investment management process and incorporated into CBRE Global Investors’ Investment Policies and Procedures and CBRE Global Investors Way (our investment process). This RI Policy is supported by ESG strategies and targets by product. Minimum standards, ESG-related operating procedures and implementation approaches are developed based on our ESG ambitions and communicated both internally and externally. We seek to partner with our external service providers, such as property managers, to ensure consistent application of our ESG approach and compliance with all regulations, fully cognizant that business requirements and regulations vary across regions and investment programs.

At CBRE Global Investors, a specific emphasis is placed on environmental sustainability and improving the environmental footprint of each asset under management. We recognize that we can make a tangible impact on improving energy efficiency, reducing greenhouse gas emissions and slowing climate change.

As such, we require investment teams to evaluate opportunities for green improvements for each asset prior to acquisition and track efficiency and performance during the hold period with clear guidelines that we implement across our global investment

programs at all stages – starting with the acquisition due diligence process and continuing throughout our asset management activities. We routinely engage third-party consultants to evaluate the physical and environmental characteristics of potential investments to identify opportunities for improvements that would reduce a property’s environmental impact.

Each team considers these findings when defining the investment strategy and capital expenditure program for a property, including location; energy savings; building environmental characteristics (orientation, facades, landscape, etc.); presence of harmful materials or contamination; access to public transportation and environmental characteristics impacting tenants (such as lighting, air quality, etc.); as well as other relevant sustainability factors.

## INVESTMENT LIFE CYCLE

- **Portfolio level:** Portfolio-level strategies seek to include material ESG factors which get tracked and analyzed through a global data management system. CBRE Global Investors will, in an advisory capacity, seek to work with our separate account clients on the implementation of appropriate ESG initiatives designed to enhance portfolio performance.
- **Exclusions:** We generally seek to exclude investments in assets with a primary use being in industries involved with armaments (manufacture or storage), nuclear/unknown, tobacco and tobacco-related products, gambling, pornography, prostitution, child labor, endangered wildlife or prohibited substances (e.g. ozone depleting substances).
- **New acquisitions:** Due diligence checklists seek to include measurable ESG factors appropriate to the asset class and market.
- **Existing portfolio assets:**
  - The Annual Business Plan and Hold-Sell Analysis includes measurable ESG factors appropriate to the asset class and market.
  - Semi-annual reporting processes include measurable ESG factors appropriate to the composition of the portfolio.
  - Vendor contracts (including property managers) include implementation and reporting of ESG factors.
  - In addition, we seek to join CBRE’s central procurement initiatives to track vendor ESG performance.
- **Partial interest/joint venture assets:** CBRE Global Investors seeks to support and educate all partners on ESG issues as applicable. We seek to work with all partners to develop and implement measurable ESG asset management initiatives.
- **Refurbishment:** Capital expenditure programs and refurbishment strategies will seek to evaluate the possibility of improving all aspects of the asset including addressing ESG issues. If an ESG improvement project is determined to be unfeasible (e.g. uneconomic, pay-back period too long, not approved by investors) this shall be documented.
- **New development:** New developments will seek to incorporate the highest ESG standards feasible and seek to attain a domestic and/or an international green certification, such as LEED, BREEAM, Green Star Rating, Energy Star or HQE.
- **Leasing and operations: Investment teams will seek to:**
  - Provide a tenant signing a new lease with the opportunity to participate in an ESG memorandum of understanding or include Green Lease clauses in their standard lease agreement.
  - Engage tenants through an annual tenant satisfaction survey.
  - Engage employees of our tenants through programming as part of our proprietary operating programs for office, retail, multifamily assets and industrial assets.
  - Provide customer service and other trainings for our service provider staff.

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- **Dispositions:**
  - Hold-Sell Analyses will seek to include ESG improvements to each asset and measure results of the improvements.
  - Due Diligence Checklists will seek to include measurable ESG factors appropriate to the asset class and market.

## D. INDIRECT REAL ESTATE INVESTMENTS

ESG practices are an integral part of the analysis and management of indirect investments through CBRE Clarion and CBRE GIP. Many of the property companies and funds that we view as high-quality investments for our listed securities and unlisted indirect real estate portfolios have incorporated favorable business practices over time. This includes, for example, the practice of developing and maintaining portfolio assets, which at some level conduct activities which emphasize the use of resources more economically, including increased waste paper recycling, the economical use of water and energy, HVAC upgrades, building energy management systems and creating desirable work spaces for users. From a corporate governance perspective, such practices include responsible board structures, a code of ethics and conflicts of interest policy, compliance structure as well as accurate and transparent accounting methodology.

### INVESTMENT LIFE CYCLE

ESG factors are incorporated into the investment process, portfolio construction and the risk management framework of CBRE Global Investment Partners. CBRE GIP actively discusses ESG factors with our fund managers/operating partners throughout the investment process from the initial due diligence, to ongoing monitoring and approvals at the asset level e.g. strategic asset plans, major upgrades/capital expenditure projects, etc.

### INDIRECT UNLISTED REAL ESTATE INVESTMENTS

#### PRE-INVESTMENT

Prior to investing, CBRE GIP actively ensures that the local operating partner has the policies, systems and expertise needed to integrate environmental considerations into their investment decisions and ownership activities; that the operating partner will not engage in socially irresponsible activities; that the operating partner's governance provisions meet best practice standards; and that reporting will meet CBRE GIP requirements for transparency.

At the planning stage, we look for operating partners who systematically include ESG issues into their investment acquisitions and asset management processes, and those that demonstrate "best practice." Additionally, at this early stage, we look for "red flags" such as determining if buildings are leased to companies involved in practices that are harmful to human life or the environment. CBRE GIP will typically exclude investments where the major use of buildings acquired by the local operating partner includes industries involved with armaments (manufacture or storage), nuclear/unknown, tobacco and tobacco-related products, gambling, pornography, prostitution, questionable work practices (e.g. child labor), endangered wildlife and prohibited substances (e.g. ozone depleting substances).

During the selection process, we share our ESG policy and Exclusion List so that fund managers are fully aware of CBRE GIP's investment philosophy, approach and expectations. CBRE GIP includes an assessment of an operating partner/fund manager's approach to ESG in investment recommendation papers such as those related to strategy, due diligence process when acquiring buildings, team resources, adequacy of financial reporting, internal controls procedures, track record of good corporate governance and incorporation of ESG in their investment strategies as well as transparent engagement with investors. Annual participation in GRESB is a requirement for all new investments.

CBRE GIP has developed a standard terms document to ensure consistency of approach from a legal perspective and this is regularly reviewed to ensure it incorporates best practice governance measures. CBRE GIP seeks seats on Advisory Boards when available to be able to monitor and engage with operating partners on ESG.

CBRE GIP's Global Investment Committee includes three independent members who approve all investments when there may be a perceived or actual conflict of interest with other divisions within CBRE and CBRE Global Investors.

#### POST-INVESTMENT

Once invested in an indirect vehicle, our on-going role encompasses voting, monitoring how the local operating partner is integrating ESG issues into their investment decisions, and asset management along with engaging on specific ESG issues. CBRE GIP takes a partnership approach; for example, the annual results from the GRESB survey are used as a tool to work with fund managers to further improve and develop their ESG capability and the ESG performance of the underlying assets, benefiting all parties. GRESB is also used to benchmark the underlying fund investments as well as a client's portfolio.

All portfolio managers are responsible for engaging with the operating partners on ESG. Portfolio managers are able to leverage off the regional members of the CBRE GIP RIMCo for more specific assistance as well. As ESG is integrated into the everyday investment process, engagement on these issues is regular, and a part of the structured monitoring/managing process. CBRE GIP consistently monitors investments on all ESG-related issues, whether positive, neutral or negative. Monitoring and engagement activities, as well as any follow-up, are recorded within a centralised database. Every investment is reviewed on an annual basis, including an evaluation of any ESG-related incidents within the portfolio and the operating partner's response. The portfolio manager confirms that the operating partner acted in a manner consistent with the agreed upon ESG parameters for that investment and that the investment is not exposed to specific ESG risks. When CBRE GIP is required to approve strategic business plans or major capital expenditures, ESG expectations are further communicated to ensure their consideration as part of the process and recommendation. We include ESG as a regular item on the agenda of Advisory Boards and encourage managers/operating partners to regularly update investors on these issues.

#### INDIRECT LISTED SECURITIES

##### UNDERWRITING

CBRE Clarion believes that ESG issues are relevant and can be material in evaluating management teams of listed property companies. More specifically, we believe that management teams which articulate, enact and measure ESG issues are generally more likely to make superior business decisions. CBRE Clarion employs a large team of securities analysts responsible for fundamental analysis of the companies in which we invest client assets. Our analysts integrate proprietary information and data from property visits, management meetings and modeling to develop investment recommendations. Analyst research is the primary input to Relative Value Analysis ("RVA"), our proprietary factor-based investment tool. ESG factors are incorporated primarily into RVA's "Quality" factors, which focus on property and management quality. Quality factors comprise 25% of a company's overall RVA score.

Accordingly, companies whose management teams are evaluated more favorably regarding ESG issues will generate higher overall RVA scores. Our assessment of company management reflects our assessment of management execution, alignment and corporate governance. Within those broad categories, specific items such as board independence and structure, ownership, proxy access and takeover defenses are evaluated, as is executive compensation. To the extent that management's view towards ESG issues adds to shareholder value over time, other inputs to the RVA score will also indirectly reflect this impact via higher earnings growth and potentially higher valuation multiples.

##### GRESB

CBRE Clarion uses the GRESB score as a point of reference and part of its assessment of management as well as of its property portfolio. Additionally, CBRE Clarion actively encourages real estate companies each year to complete the annual GRESB survey as part of its engagement efforts.

##### PROXY VOTING

CBRE Clarion treats proxy voting as a fundamental responsibility of shareholders – one which can work to affect positive management behavior over time and therefore ultimately contribute to generating economic value to shareholders. CBRE

Clarion maintains internal guidelines, which have been developed internally by the senior portfolio management team, reflecting our preference for a corporate governance structure that is responsive to company stakeholders and supportive of responsible investment goals. These guidelines are reviewed and updated annually. CBRE Clarion subscribes to third-party sources for reference materials and voting administration. Although CBRE Clarion engages a third-party to help administer the process, voting elections are determined by the appropriate CBRE Clarion analyst, in accordance with CBRE Clarion guidelines. Voting elections ultimately are approved by our designated senior portfolio managers or head of proxy voting. In the event that there is a vote against internal guidelines, the CBRE Clarion analyst must document the reason for the vote and a designated member of the investment team must approve the vote.

## ENGAGEMENT POLICY

CBRE Clarion believes active ownership is an essential element of responsible investment. Being a significant investor in many real estate and infrastructure companies provides CBRE Clarion with access to company management teams and board members. CBRE Clarion frequently engages with portfolio companies on a variety of issues, including ESG-related matters as guided by the CBRE Clarion RIMCo.

### Engagement Philosophy

Alongside proxy voting, engagement is a key pillar of active equity ownership. At CBRE Clarion, engagement is driven by our investment professionals and most often focused on matters material to the investment case.

Engagements focused on company-specific issues are prioritized by our investment analysts, who are responsible for incorporating ESG factors into our proprietary investment model. Investment analysts are likewise responsible for voting decisions and engagements often related to governance matters and other items subject to shareholder vote. In these cases, the investment analyst determines the objective of the engagement and monitors the company's response. At times, the CBRE Clarion RIMCo may prioritize engagement with multiple companies on a broader theme, such as disclosure or transparency. Although these engagements are most often carried out by investment analysts, the CBRE Clarion RIMCo determines the objective of the engagement. Given this approach, CBRE Clarion tends to engage more frequently with companies whose shares we own or which are significant in size relative to industry benchmarks (i.e., prioritization is correlated with the exposure of client portfolios).

Engagements may be carried out through private meetings, conference calls or correspondence (ranging from simple emails to formal letters to Boards of Directors). The CBRE Clarion RIMCo is responsible for tracking engagements, including maintaining a list of company engagements, the subject matter and detail. Since our engagements tend to be closely aligned with our investment views (which are considered proprietary), we do not normally publish the results of our engagements with companies.

### Collaborative Engagement

Since our engagements are closely aligned with our investment process and given the competitive nature of our business, we are sensitive to combining efforts with peer firms in a way that might reveal proprietary elements of our investment process or our fundamental investment analysis in relation to particular companies. We are also sensitive to the perception of collusion by portfolio companies or industry regulators. Accordingly, we do not normally collaborate directly with peer firms. Our collaborative efforts include efforts to promote and support GRESB and involvement in industry organizations.

## E. INFRASTRUCTURE AND PRIVATE EQUITY

CBRE Caledon seeks to address ESG with respect to its investments by considering ESG-related matters as part of the underwriting process and by tracking and reporting on ESG matters when possible and reasonable to do so across investments.

CBRE Caledon formally considers ESG characteristics as part of its investment process when evaluating investment opportunities in both infrastructure strategies and private equity. The investment process consists of a (minimum) two-stage approval process whereby the deal team presents each investment opportunity at least twice to the CBRE Caledon Investment Committee (consisting of the CBRE Caledon's Partners) and once to the CBRE Caledon Advisory Committee (consisting of experienced external advisors). The deal team is required to directly address ESG considerations in presenting to the Advisory and Investment Committees. In this way, ESG considerations are brought to the fore and inform the decision to approve or reject each underwritten investment.

## IV. CORPORATE OPERATIONS

### A. INTRODUCTION

For corporate operations, CBRE Global Investors, in coordination with CBRE, has put in place initiatives that address many ESG factors. Corporate environmental initiatives include the establishment of a science-based carbon reduction targets, the location of our own offices in environmentally certified spaces when feasible, participation in a corporate-wide internal certification program, recycling, and a commitment to actively participate in academic research aimed at advancing actionable knowledge in environmental and energy matters. We seek to reduce energy, water and other resource consumption through the implementation of best practices across all operations in each of the global regions and seek to measure those reductions through the implementation of environmental management systems.

Corporate social capital is addressed through such initiatives and policies as our commitment to fair marketing and advertising, tenant and investor engagement, diversity and inclusion initiatives, philanthropy, data security, and investor privacy. Our HR practices and commitment to CBRE Global Investors' values and CBRE RISE (Respect, Integrity, Service, Excellence) values described below are the key fundamentals addressing human capital. We acknowledge that long-term thinking accounting for externalities, research, development, innovation and our investments' societal value and their impact are core components of our business model and innovation aspirations. Under leadership and governance, CBRE Global Investors will continue to implement and advance procurement standards that incorporate ESG best practices for operational consumables (e.g. office supplies, furniture, IT systems and equipment); adhere to all regulatory requirements; have a code of ethics; adhere to risk management practices; and develop accident/major incident procedures among other governance best practices.

### B. CBRE GLOBAL INVESTORS VALUES AND RISE VALUES

CBRE Global Investors, its leadership team and the entire staff are dedicated to striving for high performance in everything we do. Our shared values govern how we conduct our relationships with each other and with our investors, clients and stakeholders.

We deliver a culture of performance by living our CBRE Global Investors values every day:

- Always remember the investor and the client first in all decisions.
- Pursue excellence in everything we do.
- Bring collaboration, teamwork and communication to bear in solving problems.
- Embody and stand up for integrity, trust and honesty.
- Demonstrate respect for all people – staff, clients, and investors.
- Have fun in the workplace and create a rewarding work environment.

The CBRE Global Investors' values are aligned with the CBRE RISE values and are incorporated into our daily business decisions and CBRE's Standards of Business Conduct to which all employees must adhere. These RISE values are:

- Respect for everyone.
- Integrity in all we do.
- Service delivered at an extraordinary level.
- Excellence in every aspect of our business.

## C. HR POLICIES

We are focused on talent attraction, professional development, diversity and inclusion practices, and a healthy culture in which all employees feel engaged and excited to work for us.

### COMPENSATION

CBRE Global Investors' compensation and incentive structure is highly competitive and performance-oriented to attract and retain best-in-class investment professionals. Each investment team's compensation is comprised of base salaries and annual bonuses. Base salaries are typically at "market." For our investment personnel, annual bonuses and long-term compensation are based on performance appraisals and objectives set for each professional. Objectives are overweight toward client portfolio performance when applicable with a component attributed to overall profitability of the business unit. Targets for asset managers are focused on leasing or other operational goals. Alignment of compensation with roles include targets for acquisitions professionals in certain regions that are based on production targets. To encourage retention of key employees, in some regions, 25% of bonus compensation above a certain threshold is deferred for three years.

### PROFESSIONAL DEVELOPMENT

We are committed to providing our employees with opportunities for learning and development through:

- On-the-job work/doing the job at hand;
- Formal in-house or external training to improve a skill or increase expertise; and
- Coaching through direct feedback from a boss, peer or mentor.

### ESG COMMUNICATIONS AND TRAINING

CBRE Global Investors continues to expand efforts to communicate its ESG commitment and programs to all employees, so all employees are aware of the commitments made and their role in helping achieve the ESG goals. We publish an ESG newsletter and provide ESG staff trainings.

### DIVERSITY AND INCLUSION

Along with our parent company, CBRE Global Investors strives for a work environment that reflects the clients and investors we serve, provides everyone with the opportunity to succeed, values the differences of each individual and recognizes their contributions to the success of our business.

Diversity of thought begins with a diverse workforce and employee engagement. CBRE Global Investors has adopted CBRE's Equal Employment Opportunity Policy. CBRE has established policies and practices that support the company's position on prohibiting discrimination or harassment on the basis of race, color, religion, national origin, sex, pregnancy, childbirth, age, citizenship, marital status, disability, veteran status, political belief, sexual orientation, gender identity or any other basis protected by applicable law. CBRE has also adopted Affirmative Action Programs and is committed to making good faith efforts toward achieving its objectives. CBRE has a Corporate Diversity Advisory Council to oversee internal and external diversity initiatives companywide. The Council's goal is an inclusive workplace that emphasizes fairness, recognizes each individual's unique value and sees differences as an opportunity to improve the organization.

CBRE Global Investors strives to provide a work environment that attracts, develops, and celebrates the professional success of every individual, regardless of gender, ethnicity, race, age, or sexual preference. The culture of the organization aims to reflect the clients served, provide opportunities for success for all employees, value the differences of every individual, and be cognizant of the contributions of every team member toward the overall success of CBRE Global Investors. We conduct an annual employee engagement survey and management seeks feedback from employees at town halls and informal breakfast meetings with various cohorts of employees, including millennials, women and minorities. We have a culture in which opinions of all employees are valued and encouraged.

CBRE Global Investors developed a committee of approximately 30 employee volunteers to focus on the people and culture of the organization (the “People and Culture Advisory Committee” or the “Committee”). The members of the Committee are comprised of employees at various levels of seniority, regional locations around the globe, ethnicities, and gender. The Committee’s efforts are resulting in greater awareness of such issues as the importance of a diverse workforce, unconscious bias and behavioral styles. Senior members of CBRE Global Investors have KPIs related to diversity.

As a wholly-owned subsidiary of CBRE, CBRE Global Investors has access to a variety of inclusion networks throughout the world. Examples of such networks include the Women’s Network, African-American Network Group, Hispanic & Latin Business Resource Group, Asia Pacific Network, LGBTQ & Allies, CBRE Military, Rising Professionals Organization (the Millennial Network), EMPOWER Mentoring Program, and IMPACT! Female Leadership Development, among others. IMPACT! is a two-year program run by CBRE but open to CBRE Global Investors, in which 20 high-performing women across business functions and regions are chosen to participate and given C-suite-level mentors and interactions, coaching and in person meet-ups. The aim of the program is to train up women from within to create better diversity at the most senior levels of the company. The CBRE Women’s Network recently hosted a simulcast featuring a conversation with renowned author and speaker Amy Cuddy, which was viewed by more than 3,000 employees across the globe. Through our parent company, we have signed the CEO Statement of Support for the United Nations Women’s Empowerment Principles.

CBRE has attained top scores on diversity-related indices, including Forbes: A Top Company for Diversity; Forbes: A Best Employer for Recent Graduates; Barron’s: A Top Company for Sustainability; Ethisphere: One of the World’s Most Ethical Companies; and Dow Jones Sustainability Indices: Included in DJSI North America. In addition, CBRE received a perfect score for the fifth straight year on the 2018 Corporate Equality Index (“CEI”), a national benchmarking survey and report on corporate policies and practices related to LGBT workplace equality.

## D. EMPLOYEE ENGAGEMENT AND PHILANTHROPY

We are committed to our employees and being a responsible corporate citizen by supporting and adding value to the communities in which our employees and tenants live and work, where our investments are located, as well as in communities where the need is greatest. We encourage our employees to support local community efforts independent of and as a participant in activities and initiatives sponsored by CBRE Global Investors and CBRE. CBRE Global Investors offices worldwide sponsor many different philanthropic initiatives in their local communities. The CBRE Foundation is an independent, non-profit, public-benefit corporation that funds CBRE’s philanthropic programs. The CBRE Foundation funds programs that strive to create real benefit for individuals in need through local community outreach and support, disaster-response initiatives, community environmental efforts such as CBRE Green Week and locally driven, nationally-sanctioned programs.

## E. PUBLIC POLICY

CBRE Global Investors will continue to take an active role in the public policy debate regarding effective solutions to climate change including participation in such forums as PRI, Urban Land Institute, The Investor Agenda, the Better Buildings Partnership, the Sustainable Building Alliance and the Institutional Investors Group on Climate Change.

## F. GOVERNANCE

CBRE Global Investors’ corporate and investment operations are overseen by a Global Executive Committee (“GEC”), Global Investment Committee (“GIC”), Regional and Business Line Investment Committees (Americas, EMEA, Asia Pacific, CBRE GIP, CBRE Clarion and CBRE Caledon), Portfolio Oversight Committees and Regional Risk Committees. These committees work together to ensure proper execution of our investment strategies, consistent application of our Investment Management Policies and Procedures and compliance with local and regional regulatory requirements. The GEC oversees the strategic direction of CBRE Global Investors, establishes global investment programs, and designs and implements the material policies and procedures governing our operations, including our ESG practices.

## COMPLIANCE

CBRE Global Investors is firmly committed to conducting business with the highest integrity and in compliance with the letter and spirit of the law. All employees must adhere to CBRE Global Investors' Investment Management Policies and Procedures. These policies contain a code of ethics, a delegation of authority matrix, requirements for delivery and composition of marketing materials, and administration and records retention policies, among others. The Global Chief Executive Officer and other Global Executive Committee members, in cooperation with the Global General Counsel and Chief Compliance Officer, are responsible for the implementation, monitoring, review and enforcement of the Investment Management Policies and Procedures.

CBRE Global Investors has a compliance department led by the Global General Counsel/Chief Compliance Officer and regional and business line Chief Compliance Officers. The Global General Counsel/Chief Compliance Officer implements and oversees global legal and regulatory compliance and risk management. The functions of the regional and business line compliance departments include, among other things, making regulatory filings, reviewing, updating and maintaining policies, advising on new laws, reviewing marketing materials and reviewing conflicts of interest.

Employees in every department undergo training so that they are informed of their compliance obligations and how to identify compliance issues.

All sustainability actions and initiatives will comply with government laws and regulations, CBRE Global Investors' Investment Management Policies and Procedures, as well as any applicable policy and procedures for each region or strategy in which we operate and invest.

## CONFLICTS OF INTEREST

CBRE Global Investors seeks to avoid and/or minimize potential conflicts of interest. However, when a conflict of interest arises, we address the conflict in a proactive and transparent way. For the most common conflicts, we have policies and procedures in place on how to handle them. For new or unique situations, senior management in cooperation with the compliance department will determine the best course of action. Conflicts of interest are addressed as part of CBRE's Standards of Business Conduct, to which employees must adhere.

Funds or separate accounts may retain CBRE and its affiliates to provide services for investments, which creates a potential conflict of interest. The structure of CBRE Global Investors' relationship to its parent and affiliates serves to minimize this conflict of interest, as follows:

- All investment decisions, including the selection of service providers, are made solely by CBRE Global Investors professionals.
- No employee of CBRE Global Investors is financially rewarded in any way for fees paid to affiliates. There is no financial incentive to engage or retain affiliates other than on the basis of performance and cost.
- The compensation of senior management and investment teams is largely dependent upon portfolio performance which aligns the economic interests of investment professionals with investors, clients and partners.
- The relationship between a CBRE Global Investors' entity and affiliated service providers is governed by an agreement which ensures access to the highest quality professionals on arm's length terms and outlines the services to be delivered by CBRE.

To further mitigate conflicts of interest and avoid any potential incentive to direct business to CBRE on behalf of funds/client accounts, we prohibit our employees from owning CBRE stock without the consent of senior management and the Global Chief Compliance Officer. In addition, all investment professionals must disclose to senior management and the Compliance Department any personal investments in third-party funds, partnerships, joint ventures, individual commercial real estate assets, or otherwise which may have overlapping investment objectives with any CBRE Global Investors' investment programs.

CBRE Capital Advisors is the investment banking business of CBRE. Any use of CBRE Capital Advisors' services will be subject to the control and limitations on affiliate engagements.

## RISK MANAGEMENT

CBRE Global Investors' governance model is designed to manage two primary areas of risk: investment risk and operational risk. Senior management identifies and manages these risks through internal committee structures and global investment management policies and procedures.

### INVESTMENT RISK

Investment risk is overseen by the Global Investment Committee and Regional and Business Line Investment Committees, which monitor all capital transactions within our investment programs. These committees ensure that investment teams place the proper emphasis on preservation of capital, identification and management of investment risk and appropriate pricing of risk at the portfolio and property level.

CBRE Global Investors' portfolio oversight committees are responsible for monitoring portfolio risk and reviewing each of the investment portfolios on a semi-annual basis in each region.

### OPERATIONAL RISK

The regional risk committees are tasked with identifying, capturing, assessing, managing and monitoring the operational risks including litigation, insurance and regulatory compliance, tax and IT disaster recovery procedures.

### ESG INCIDENT RESPONSE

Our asset and/or portfolio managers are responsible for monitoring ESG events both planned and unforeseen. In the case of a serious ESG incident, which could include an earthquake, major chemical spill, fire or flooding, the asset or portfolio manager will notify the regional or business unit Operational Risk Committee ("ORC") and Global RIMCo. An ESG Incident Response Team will be convened to include legal counsel, a representative from the ORC, Global RIMCo and/or HR if applicable, the Chief Investment Officer for the region/business unit and the portfolio manager and asset manager. The Response Team will collaborate to seek a rapid coordinated response to address the issue and mitigate risk.

## V. CONCLUSION

CBRE Global Investors' Responsible Investment Management Policy is broad in scope to address our commitment to all aspects of ESG. This policy creates a framework whereby ESG considerations are incorporated into every aspect of our business and for all business lines. New ESG initiatives will continually be developed. Formalized support will be provided for implementing such initiatives and for sharing best practices across the CBRE Global Investors' platform.



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