

Responsible property investment strategy

2021 to 2025



ROYAL
LONDON

ASSET MANAGEMENT

“It is imperative that we respond to the growing demand for net zero carbon buildings.”



Foreword

I am delighted to present Royal London Asset Management’s (RLAM) new Responsible Property Investment (RPI) strategy. This report provides information about RLAM’s RPI journey, introduces our new RPI strategic framework and explains how we implement RPI across each stage of the property investment life cycle, highlighting practical examples of our achievements and future actions planned.

Property has been a key investment for RLAM for decades. As a result, we are one of the largest landlords in the UK with around £8.5bn of assets under management (Source: RLAM as at September 2021) and a strong performance track record. We manage established mature portfolios of sizeable prime properties, mainly commercial, and our aim is to make the most of these assets through active asset management and development.

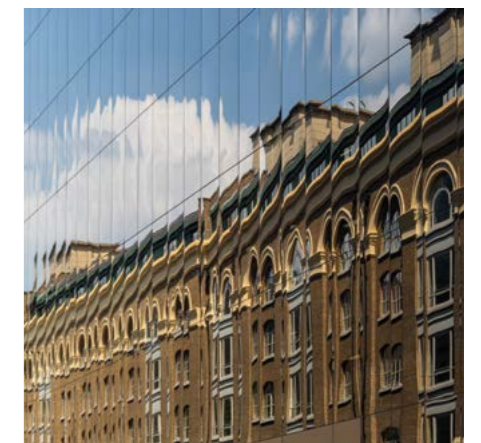
We see property as a truly long-term responsible investment. This focus helps offset the lower liquidity and higher transaction costs of the asset class and allows us time to realise the full potential of each property we own, whether that is through improving the quality of that asset and the income it produces or selling when market conditions are favourable. This long-term investment approach, coupled with a relentless focus on optimising value, means that RPI has become integral to our mindset. It is imperative that we respond to the growing demand for net zero carbon (NZC) buildings and ensure that our assets are not subject to physical and transitional risks associated with climate change. It is also essential that we maximise the positive effect

of our properties and operations on our occupiers’ health, wellbeing and prosperity, aligning to their needs.

As such, our new RPI strategy builds on our previous commitments and achievements by embedding more ambitious environmental and social performance goals and risk mitigation tactics into our acquisition due diligence; planning, tendering, design and construction processes for new developments; our leasing strategy; and our asset and property management approach. In practice, RPI integration is already delivering tangible benefits to our investor clients, occupiers and other stakeholders. We believe that market, regulatory and societal pressures combined will make RPI performance an even greater differentiator and driver of value as we move forward.

I hope that you find this report interesting and informative.

Mark Evans, Head of Property



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**Protecting today,
investing in tomorrow**

Introduction

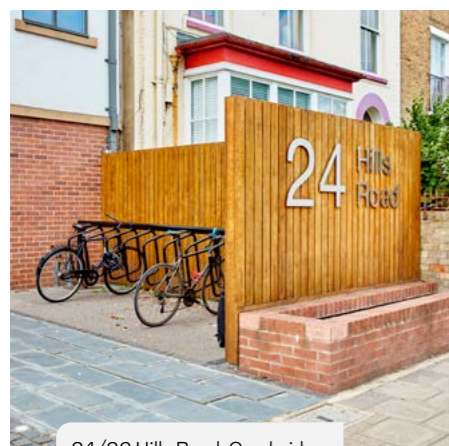
About us

- One of the UK’s leading fund management companies.
- Practise responsible investment across fixed income, equities and property.
- Long-standing track record of delivering successful investment strategies.

RLAM is an integral part of the Royal London Group, the UK’s largest mutually owned pension and investment company. Our direction is driven by a shared purpose: **Protecting today, investing in tomorrow. Together we are mutually responsible.** Our purpose underpins our strategy to be a growing modern mutual with a focus on delivering for our clients.

We help a wide range of clients across the globe achieve their investment goals. This means managing our clients’ assets in the right way. We believe in the long-term value of active portfolio management, with all of our strategies drawing on research-led investing, combining top-down and bottom-up analysis when building active portfolios and tailoring this to suit the underlying investment market.

For us, generating returns is about more than simply buying and selling assets. We are long-time advocates of the need for asset management firms to be good owners. We believe that it is in the best interest of our clients for RLAM to integrate Environmental, Social and Governance (ESG) issues in our investment process in a manner appropriate to each investment. This improves standards, reduces risk and enhances return potential for our clients and delivers benefits for our society.



24/26 Hills Road, Cambridge



Ashford Designer Outlet, Ashford



Our investment beliefs

As a member-owned organisation, our investment philosophy is centred on our customers and clients – our FOCUS. By applying FOCUS, we practise good stewardship of our clients’ assets and promote responsible investment and good governance across all of our asset classes to support and enhance risk-adjusted returns.



Financial outcomes

By working with our clients to understand their needs and expectations, we create strategies that seek to meet their objectives and deliver optimal outcomes, whether that is a tailor-made solution or a fund that is part of their overall investment strategy.



Opportunity orientated

We use our understanding of investment markets to focus on areas where we believe there are opportunities to enhance returns. We use a combination of active and passive solutions to exploit these.



Client-centric risk management

We aim to provide the appropriate mix of risk and return to suit client needs and look to exploit opportunities where risk is being mispriced by the market. Diversification is a powerful risk management tool but is used for a purpose rather than seen as a goal in its own right.



Unconstrained thinking

We believe in research-led investing, combining the best of top-down and bottom-up analysis when building active portfolios and tailoring this to suit the underlying investment market. We believe that market benchmarks are useful yardsticks rather than a basis for active portfolio construction.



Stewardship and responsible investment

Good investors are good owners. ESG issues are increasingly affecting asset prices. We believe that it is in the best interest of our clients for RLAM, where appropriate, to integrate these issues in our investment process with the aim of improving standards, reducing risk and enhancing return potential.



ESG integration

Across the breadth of our asset management business our approach to Responsible Investment (RI) is focused on providing the appropriate governance, tools, expertise and support to our investment teams to help them identify investment opportunities and avoid risks. We do not prescribe a 'one-size-fits-all' approach to ESG risk integration because we fundamentally believe that it is most effectively integrated when investment teams embed it into their research and decision-making processes. Our variety of asset classes and strategies each have their own defined investment processes and objectives. For RLAM Property, this includes our RPI approach described on page 16.

Our investment teams, led by their respective Heads of Asset Class, are responsible for considering ESG factors in their investment processes, alongside financial and other non-financial factors. They are supported by our RI team and their research and insight. The RI team also helps coordinate our response to the Task Force on Climate-related Financial Disclosures (TCFD) and the EU Sustainable Finance Disclosure Regulation (SFDR). They provide ESG insights, analysis and challenge through informal regular conversations, formal ESG portfolio reviews and via proxy voting, governance research and industry engagement.

Governance and oversight

The Board has ultimate responsibility for setting RLAM's risk appetite and reviewing our strategic risks. Our Chief Investment Officer (CIO) is a regulated senior management function and is a member of RLAM's Executive Committee, accountable for setting the

investment strategy, and overseeing our RI function, including our approach to stewardship and climate investment risk. The CIO is also responsible for ensuring responsible investment, stewardship and climate change risk management is embedded across RLAM's investment strategies. Within RLAM Property, the Head of Property and CIO jointly hold accountability for our RPI strategy, with day-to-day responsibilities led by our RPI Manager.



Aurora, Bristol



Ashford Designer Outlet, Ashford



Reporting and disclosure

Communication forms a large part of building trust among our clients and is essential if we are to live our purpose of being 'mutually responsible'. RLAM publishes an annual report evidencing our commitment to being a good steward of our clients' assets and our adherence to the requirements of the UK Stewardship Code. From 2022 RLAM Property plans to publish an annual RPI report disclosing fund and asset level performance data, to track progress against targets and our evolving RPI strategy. We also provide details on RI activity to our clients through regular reporting and responses to queries.

Furthermore, we regularly publish webinars, blog posts and articles,

and participate in industry knowledge sharing forums to further demonstrate to our clients how RI is integrated across the portfolio.

We have been a signatory to the United Nations Principles for Responsible Investment (PRI) since 2008. In 2020, RLAM Property achieved an 'A' rating against a median score of 'B'. This result demonstrates outperformance against our peers and is testament to our RPI leadership.

In 2020 we reported under the TCFD.

For more information about RLAM, our investment beliefs and RI approach, please see our [Responsible Investment Policy](#) and [2021 Stewardship and Responsible Investment Report](#).

“Communication forms a large part of building trust among our clients and is essential if we are to live our purpose of being ‘mutually responsible’.”

Our funds

Royal London UK Real Estate Fund (RLUKREF)

An open-ended fund under active management, with 79 investments in offices, retail holdings, industrial assets and alternatives, centred on London.

Royal London Pension Property Fund (RLPPF)

A life and pensions insurance fund with 138 investments in quality commercial property across industrial estates, office buildings, high street retail units, leisure developments and others. Maintains an overweight position in industrials and alternatives and underweight in retail, building a stronger focus on London and the South East.

Royal London Property Fund (RLPF)

An open-ended investment company (with some external capital) which manages Royal London Group funds. 31 investments in a diversified portfolio of UK properties, maintaining at least 80% commercial properties and a preference for London and the South East.



Our property investment activity

RLAM is a key player in the UK commercial property investment market, investing on behalf of the Royal London Group and external pension fund clients. As of September 2021, we managed 248 real estate assets, with a combined value of approximately £8.5 billion.

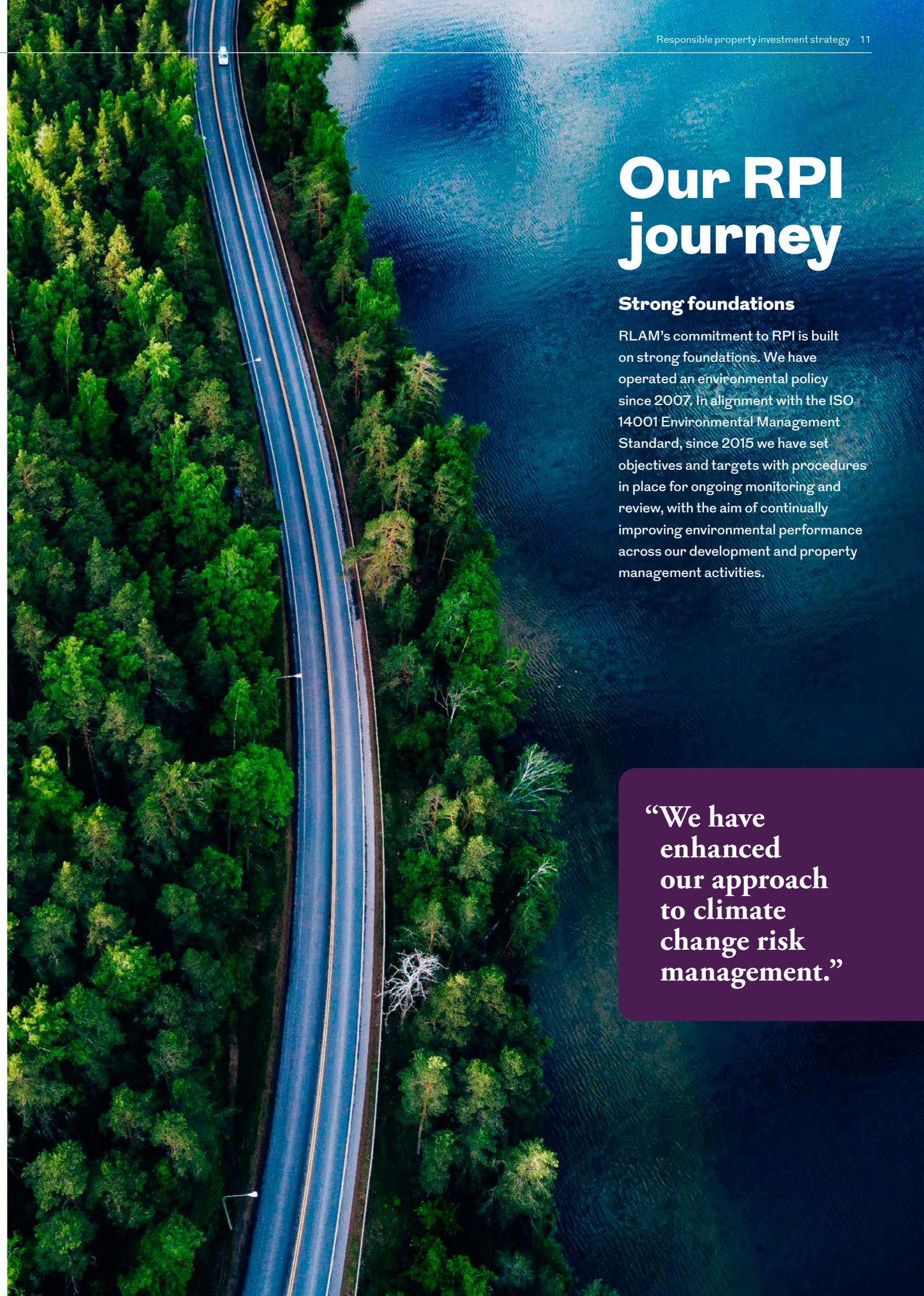
We integrate the ESG factors that we have identified as material into the property investment process and across the full property life cycle. This helps us in our aim to deliver better returns for our clients, minimise the adverse environmental impact of our assets and enhance the additional social and economic benefits we can offer to occupiers and communities.

Our RPI journey

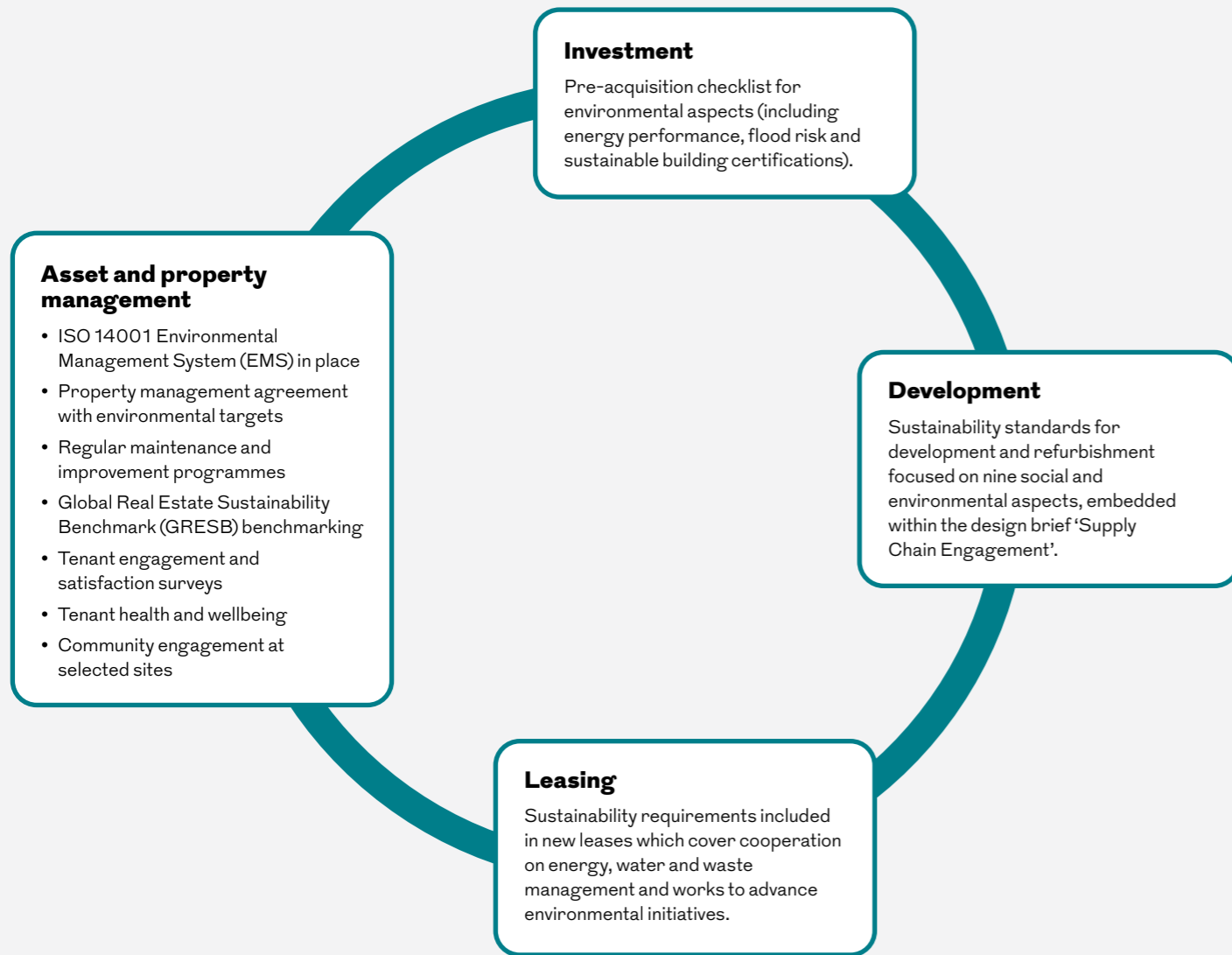
Strong foundations

RLAM's commitment to RPI is built on strong foundations. We have operated an environmental policy since 2007. In alignment with the ISO 14001 Environmental Management Standard, since 2015 we have set objectives and targets with procedures in place for ongoing monitoring and review, with the aim of continually improving environmental performance across our development and property management activities.

“We have enhanced our approach to climate change risk management.”



Responsible property investment throughout the asset life cycle

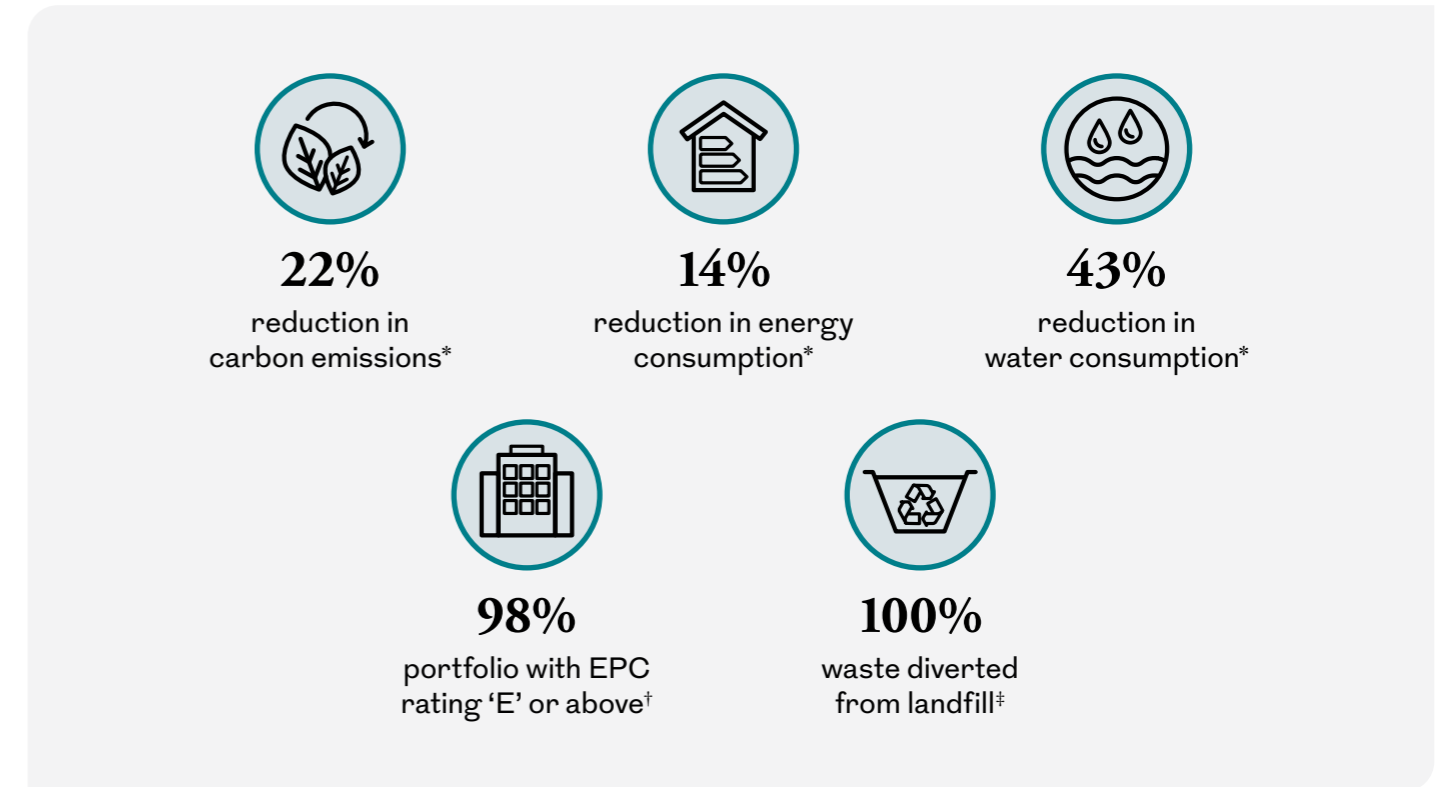


Through this approach we have increased the efficiency of our operations, reducing energy and water consumption and increasing diversion of waste from landfill. We have engaged with our occupiers, such as through distributing satisfaction surveys, and responded to demand for certified sustainable and low carbon assets. Among other certifications we are

rolling out a programme of Building Research Establishment Environmental Assessment Method (BREEAM) certifications. As of July 2021, we had a total of 44 BREEAM New Construction/Domestic Refurbishment and 10 BREEAM In-Use certified properties across our portfolio. At the same time, we have focused on reducing exposure to Energy Performance

Certificate (EPC) risk, with 98% of assets by floor area with an EPC rating now rated 'E' or above. These actions, combined with the implementation of our new development standards, increase our preparedness for evolving sustainability related regulations.

Our recent achievements



 5.8 million sq ft of the portfolio (19%) certified to BREEAM†	 4 star rating for RLUKREF and 3 star ratings for RLPPF & RLPF§	 'A' rating for property compared to industry median 'B'¶	 Committed industry engagement◊
 Climate Commitment to deliver net zero buildings◊	 ISO 14001 EMS ^Δ certified by Lloyd's Register Quality Assurance (LRQA)	 10 Green Apple awards for biodiversity best practices§	 RLAM TCFD report published#

* Like-for-like changes 2019 v 2020
 † As of July 2021
 ‡ Portfolio annual diversion rate
 § 2021
 # 2020
 ◊ Active member since 2020
 Δ In place since 2015

The evolving context

The RPI landscape is evolving apace. The COVID-19 pandemic has brought to the fore issues of health and wellbeing and social and racial inequality has also refocused attention on the interconnection between the natural environment and human society. At the same time, extreme weather events and evolving scientific evidence of the impacts of climate change have continued to remind us of the potentially drastic consequences of not limiting global warming to the target thresholds defined by the Paris Agreement.

In this context, investors are increasingly concerned with environmental and social risks and the impacts associated with their investments and there has been a significant shift in investment allocation towards low carbon opportunities and responsible investment funds*. A study by PWC found that 77% of institutional investors plan to stop buying non-ESG products, i.e. all asset classes, by 2022†.

Regulatory pressure has also been stepping up to promote more sustainable investment. To enable this the EU launched the SFDR which came into force in December 2019, with most of its provisions applied from March 2021. The SFDR requires asset managers and advisors to disclose information about sustainability risk management and adverse sustainability impacts, with additional provisions for transparent disclosures on products marketed as 'sustainable'. In the UK, the Pension Schemes Bill introduces new obligations in relation to climate change risk management and the Government has unveiled plans to make TCFD aligned disclosures fully mandatory on a phased basis across the economy by 2025.

In the corporate occupier market, there is growing demand for sustainable space. By 2020, 126 companies occupying a combined area of 12 million sq ft in central London had signed up to the Science Based Targets initiative.

Occupying high-quality, sustainable office spaces will be fundamental to achieving such targets. Furthermore, the launch in November 2020 of NABERS UK, a new operational energy efficiency rating scheme for UK offices, is set to bring increased demand for buildings which demonstrate high performance levels in use. However, there are currently minimal NZC office buildings available in central London. Jones Lane Lasalle (JLL) predicts that NZC buildings will drive enhanced premium value for at least the next five years‡.

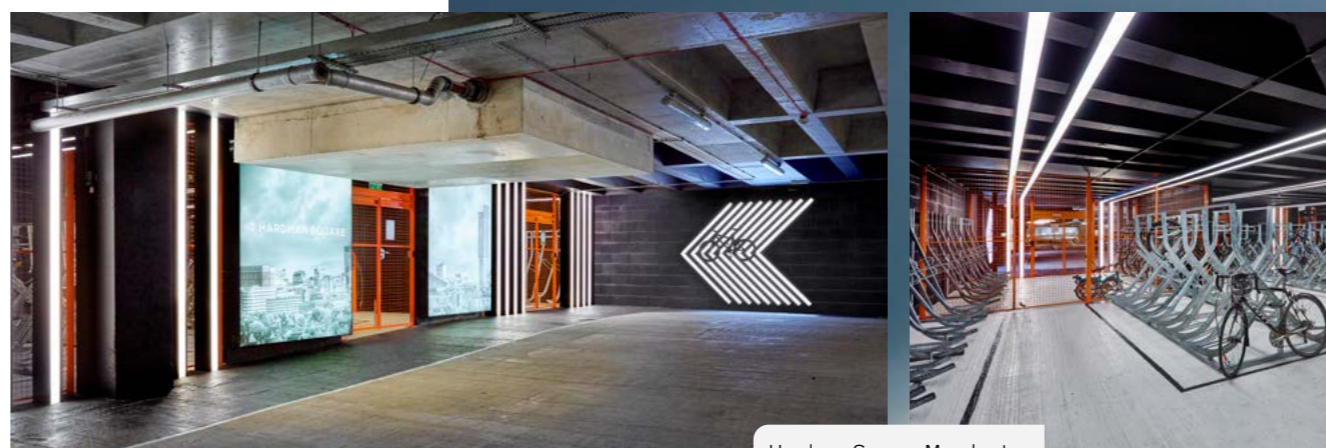
Despite the assumed rising construction costs, overall capital value is also expected to increase. This enhances the long-term advantage of investing in our assets to be as energy efficient as possible in order to meet the growing demand for NZC buildings.

Our future ambition

We recognise the urgent need to address the impact our property investments have on climate change. In 2020 RLAM Property undertook the development of a new long-term and comprehensive RPI strategy, alongside RPI policies for its investment, development and asset management activities.

Our strategy development process involved a detailed review of the sustainability related risks and opportunities affecting RLAM's property investment activities. We used JLL's Hallmarks of Sustainability Leadership® analysis framework to

develop our new RPI strategy with the ambition to reach a leadership position in RPI whilst contributing to RLAM's overarching RI objectives. It provides us with a framework and action plan to deliver goals aligned to material aspects such as NZC, health and wellbeing, circular economy, climate resilience and purposeful construction for positive social impact.



Hardman Square, Manchester

* For example, inflows into responsible investment funds in the UK increased nearly fourfold during the first three quarters of 2020, compared to the same time period in 2019, according to The Investment Association (November 2020), Europe-domiciled ESG funds accounted for record-breaking total inflows of €233bn and represented 45% of overall European fund flows in the fourth quarter according to Morning Star (February 2021).

† PWC, '2022-The growth opportunity of the century – Are you ready for ESG change?' Oct 2020.

‡ The impact of value on sustainability – Developing the business case for new zero carbon buildings in central London', JLL Research, May 2020.

“There has been a significant shift in investment allocation towards low carbon investment opportunities.”



“Our RPI ‘material issues’ are the foundation of our strategic framework.”

Our strategic framework and RPI objectives

Our new RPI framework and objectives

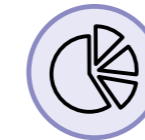
In keeping with RLAM’s overall RI policy and approach to ESG risk integration, our new RPI strategy is designed to ensure that all material non-financial factors continue to be comprehensively integrated into investment decisions across all our commercial real estate assets.

We have defined RPI objectives for each of our focus areas, along with a set of high-level key performance indicators

(KPIs) which will be used to track quantitative performance against each one. Our objectives are linked to a RPI roadmap of actions providing practical guidance to enable us to achieve our goals.

Our RPI ‘material issues’ are the foundation of our strategic framework and are applicable to the property life cycle and RLAM Property at corporate level. As such, they are aligned with but not identical to our development themes (see page 37), which are specifically adapted for our development activity.

RLAM’s RPI framework



Investing in a resilient portfolio

Applying future-proofed investment decisions to shape resilient portfolios within which the assets meet the evolving needs and aspirations of our occupiers and investors.



Developing for the future

Creating thriving buildings and places through sustainable development and refurbishment which have enduring appeal for occupiers and add value to local communities.



Managing assets for positive impact

Working in partnership with our occupiers and local stakeholders to deliver social value and positive environmental outcomes through our assets.



Responsible decision making

Drawing from trusted partnerships with a diverse range of stakeholders to make forward-thinking decisions that address our material issues and ensure transparency.













Our material issues

- Transition to net zero carbon
- Climate resilience, adaptation and risk mitigation
- Safeguarding natural resources
- Biodiversity and green infrastructure
- Progress to a circular economy
- Purposeful construction and placemaking
- Sustainable transport and connectivity
- Health, safety and wellbeing
- Diversity and inclusivity
- Building certification



Our material issues

Material issue	Descriptor	Linked UN SDG
 <p>Transition to net zero carbon</p>	Mitigating carbon emissions through building design and construction processes, operational efficiency measures, procuring renewable energy through on- and off-site generation and offsetting residual emissions.	 
 <p>Climate resilience, adaptation and risk mitigation</p>	Safeguarding against the physical risks to buildings posed by climate change, including flooding, overheating, subsidence and weather damage, as well as mitigating any risks posed to the investment portfolio due to the transition to a low carbon economy. At the development stage, involves passive and active design strategies to develop resilient buildings.	 
 <p>Safeguarding natural resource</p>	Managing energy and water use in developments and standing assets to minimise costs and pressure on resource availability.	  
 <p>Biodiversity and green infrastructure</p>	Minimising any negative impacts of development sites and operational assets on biodiversity, implementing measures to enhance biodiversity across the portfolio and installing green infrastructure wherever suitable.	 
 <p>Progress to a circular economy</p>	Developing principles and processes for procurement; design; construction and asset management to maximise the value and longevity of materials and resources and minimise the production of waste.	 

Material issue	Descriptor	Linked UN SDG
 <p>Purposeful construction and placemaking</p>	Preserving heritage, where appropriate, and using the unique qualities of the local area to create high quality developments and public spaces that demonstrably benefit the local area and local people.	
 <p>Sustainable transport and connectivity</p>	Promoting sustainable forms of transport and reducing the need to travel.	
 <p>Health, safety and wellbeing</p>	Creating a safe, healthy and productive environment for all building users through the design and development of new buildings, upgrades to existing buildings and conscientious management of construction projects and operational assets.	
 <p>Diversity and inclusivity</p>	Promoting diversity and inclusivity throughout our own operations and via relevant touchpoints throughout our portfolio, including in relation to local communities and providing facilities and services in a way that caters to the needs of a diverse population.	 
 <p>Building certifications</p>	Use of building standards and ratings such as BREEAM, NABERS and the WELL Building Standard to promote the robust implementation of sustainable design and operational practices.	



RPI objectives

We have defined RPI objectives for each of our focus areas, along with a set of high-level KPIs which will be used to track quantitative performance against each one. Our objectives are linked to a RPI roadmap of actions providing practical guidance to enable us to achieve our goals.



Investing in a resilient portfolio

Objective

Applying future-proofed investment decisions to shape resilient portfolios within which the assets meet the evolving needs and aspirations of our occupiers and investors.

Example KPIs

- Rental premium, leasing velocity; capital value uplift; capital raised from assets with high sustainability credentials.
- Energy efficiency (kWh/m²/year), water efficiency (m³/m²/year), GHG emissions (kgCO₂/m²/year) sustainability certifications and tenant climate risk rating of assets post-acquisition.

Actions for 2021-23

- Update our acquisition checklist and investment decision-making process to fully integrate risk assessment and mitigation costs associated with all RPI material issues, including occupier sustainability-related risks and NZC assessment and investment costs.
- Set bold, aspirational firm commitments for 2030 to support long-term investment security, resilience and growth, along with short-term goals and milestones to increase the percentage of assets in our portfolio with high sustainability credentials (i.e., either certified or aligned to robust certification standards).
- In all transaction papers submitted to the Investment Committee, include a section detailing ESG factors, to be given due consideration by the committee in reaching its decision and ensure that the way in which ESG considerations impact the outcome of investment decisions is documented.
- Investigate establishing an internal carbon price for investment decisions.
- Create standard sustainability metrics and information requirements for post-acquisition asset business plans.

- Review and update the fund offer and fund marketing approach to build sustainability and responsible investment information into these.
- Review and update our risk register and other risk management tools to ensure that material RPI issues are appropriately covered.

Actions to 2025

- Define a set of specific metrics to capture investment value created through RLAM's RPI approach by tracking a shortlist of specific metrics that can be linked to building or fund sustainability attributes and performance (e.g. rental premium, leasing velocity, capital value uplift, capital raised).
- Track the financial benefits of sustainability credentials to RLAM and occupiers by updating relevant fields in the databases used by RLAM's properties and use the findings to integrate sustainability data points more effectively into financial performance models.



Developing for the future

Objective

Creating thriving buildings and places through sustainable development and refurbishment which have enduring appeal for occupiers and add value to local communities.

Example KPIs

- Energy and sustainability certifications/ratings: BREEAM, NABERS UK, EPC rating.
- Embodied carbon (kg/CO₂/m²) compared to London Energy Transformation Initiative (LETI) benchmark.
- Target emissions rate for CO₂ emissions (kg/CO₂/m²/year) compared to Part L building regulations.
- Indoor air quality (WELL building measure).
- % of parking spaces designated for electric vehicles (EVs).
- % of cement replacement in concrete specification; % of timber and timber products sourced from accredited sustainable sources (FSC or PEFC); % of granite and stone sourced through the Ethical Trading Initiative; % of plasterboard, aggregates, concrete, cement, asphalt, block-work and rebar materials with ISO 14001 and/or BES 6001 Very Good certification.
- Construction waste (m³ or tonnes per 100m² net internal floor area).
- % of demolition, strip-out, excavation, construction and fit-out waste (by weight) diverted from landfill.
- Target reduction (%) in mains water use compared to BREEAM baseline.
- Biodiversity net gain (%).
- Considerate Constructors Scheme score.

Actions for 2021-23

- Review and update the development and refurbishment standards (already achieved – see page 38).
- Create a biodiversity strategy for developments.
- Develop a whole life cycle approach to all resource use in development and major refurbishment processes and set targets for net zero waste, water reduction and to eliminate the use of non-sustainable materials.

- Establish and implement a process for checking progress against the new property development sustainability standards and develop additional development guidance as/where needed, giving priority to NZC, climate risk adaptation, biodiversity and green infrastructure creation.
- Consider whole life carbon assessments for all new developments, refurbishments, and Category A fit-outs.
- Ensure contractors and suppliers meet the funds' collective sustainability standards for property development and applicable external certification standards.
- Review and where necessary update heating, ventilation and air conditioning (HVAC) design strategies in the context of climate change and (COVID-19) health prevention requirements.
- Ensure all new buildings have automated meter reading devices (AMRs) installed for both tenanted and landlord areas and are retrofitted to existing buildings. Install sub-metering to tenanted areas, ideally for each tenant in the building.
- Integrate sustainability within development innovations and R&D work and consider R&D partnerships.

Actions to 2025

- Undertake a pilot assessment to assess the biodiversity impacts associated with specified building materials, including materials likely to be used for the maintenance and refurbishment of the asset during the operations phase.
- Consider a detailed programme to track, monitor and measure emissions associated with end of life (demolitions) and offset these emissions.



Managing assets for positive impact

Objective

Working in partnership with our occupiers and local stakeholders to deliver social value and positive environmental outcomes through our assets.

Example KPIs

- Energy and sustainability certifications/ratings: BREEAM, NABERS UK, EPC rating.
- Energy efficiency (kWh/m²/year).
- Water efficiency (m³/m²/year).
- GHG emissions (kg CO₂/m²/year).
- Total weight of waste by type and disposal route (tonnes and %); waste recycling and landfill diversion rates.
- Occupancy rates (%) and occupier satisfaction score.
- Indoor air quality (WELL building measure).
- Wired score.

Actions for 2021-23

- Undertake asset energy and carbon audits and an asset level energy target setting exercise.
- Integrate energy efficiency improvements into current planned maintenance, refurbishment and repositioning strategies and implement an enhanced EPC improvement plan.
- Conduct renewable energy feasibility studies for assets, integrating the assessment into key intervention points where possible e.g., refurbishment, lease break.
- Consider a whole life cycle approach to all resource use in property management activities, for example setting standards for the consideration of life cycle carbon and the reuse of otherwise waste materials in maintenance, repairs and equipment replacement.
- Review and where necessary update HVAC management and maintenance strategies in the context of climate change and (COVID-19) health prevention requirements.
- With legal advisors, review and enhance our energy and carbon-related lease clauses.

- Agree an enhanced occupier engagement programme including improved access to utility data and potentially increased renewable installations.
- Support occupiers to build networks with each other and local community organisations through physical and virtual RLAM spaces.
- Actively market asset level sustainability credentials.

Actions to 2025

- Investigate the potential to obtain a power purchasing agreement with a UK-based renewable energy generator, with the possibility of pooling demand with other Better Buildings Partnership (BBP) members or via the managing agent.
- Launch an annual NZC awards programme to recognise good performance amongst the individual property managers, aligned with the targets.
- Liaise with key occupiers (high rental income/high occupied floor area) to understand their energy reduction plans and develop joint energy efficiency action plans.
- For operational sites, develop site specific biodiversity strategies/ action plans in line with Local Nature Recovery Strategies and track evidence of positive outcomes, particularly on industrial estates which are likely to offer greater potential for biodiversity enhancement.
- Within fund strategies and asset business plans, consider the social purpose of each asset connected to its financial performance and opportunities to create additional social value through repurposing, redevelopment and/or asset and property management practices.



Responsible decision making

Objective

Drawing from trusted partnerships with a diverse range of stakeholders to make forward-thinking decisions that address our material issues and ensure transparency.

Example KPIs

- GRESB and PRI (property module) ratings.
- Community engagement activities supported (by number of activities and people reached).
- Training and skills initiatives supported (by number of events and number of people reached).

Actions for 2021-23

- Confirm the NZC target and publish a pathway to achieve it, covering embodied and operational carbon.
- Define environmental and social KPIs at corporate level and for developments and operational assets (build on existing), explicitly linking these to value creation and risk management.
- Review and update existing systems for sustainability related data gathering.
- Publish annual reports and quarterly investor updates on the RLAM website covering the detail on RPI activities and performance at corporate, fund and asset level.
- Update fund brochures and other collateral for investors to include relevant information on the RLAM RPI strategy and objectives. Ensure sustainability metrics and performance are clearly communicated.
- Maintain a leadership position in industry benchmarks and ESG ratings.
- Create a RLAM sustainable procurement policy and supporting guidance covering all aspects of property management and development procurement, including template supplier contract wording in line with RPI requirements.

- Create a role-specific training programme for all property staff, tailored to specific job functions.
- Integrate suitable RPI and NZC action plan targets into objectives and performance appraisals.

Actions to 2025

- Form strategic partnerships to develop key initiatives in areas such as building technology, energy, social value, biodiversity, circular economy, air quality, etc.
- Develop a comprehensive social value strategy with clear targets and KPIs at corporate, development and operational asset level, differentiated by geography and local authority priorities. As part of the strategy development process, carry out a deep dive impact measurement project to assess RLAM's social impact at corporate/asset level, at a local level.

RPI governance

Our Head of Property and Chief Investment Officer jointly hold senior leadership accountability for our RPI strategy, with day-to-day responsibilities led by our RPI Manager.

We have an RPI Working Group in place which is chaired by our RPI Manager and includes representation from across the RLAM Property and RI teams, as well as an external independent member. The RPI Working Group meets on a quarterly basis and directly oversees the implementation of our RPI roadmap. RLAM Property leverages further support from RLAM's RI team and external consultants who provide subject matter expertise to facilitate the ongoing identification and monitoring of ESG risks and principle adverse impacts on the environment and society.

We will be monitoring our performance against our KPIs on an ongoing basis, with internal reporting through the RPI Working Group occurring on a quarterly basis. Overall performance against our RPI roadmap and long-term objectives will be reported on an annual basis to our investors and other stakeholder groups through various communication formats. Moreover, RLAM Property funds each submit RPI data and information to GRESB on an annual basis and contribute to the property module of RLAM's PRI Transparency Report.

RLAM demonstrates visible commitment to responsible investment and leverages knowledge sharing with the wider industry through its sustained participation in the United Nations Principles for Responsible Investment (UNPRI) and the Institutional Investors Group for Climate Change. RLAM is a Gold Leaf member of the Replace with UK Green Building Council (UKGBC), a member of the BBP and of the British

Property Federation. We are also represented by our RPI Manager in the Investment Property Forum Sustainability Interest Group. Over time we will be forming further partnerships to support our ambitious objectives, in areas of innovation such as building technology, energy, biodiversity and circular economy.



Horsted Retail Park, Chatham



Vision Park, Cambridge





City Place, Gatwick

“The foundation of our RPI approach is making forward-thinking decisions that address our material issues and ensure transparency.”

Responsible decision-making

Synopsis

The foundation of our RPI approach is making forward-thinking decisions looking to address our material issues and ensure transparency. To do this effectively, we need to ensure that RPI policies, actions and ‘attitude’ are embedded throughout RLAM Property fund management practices and operating procedures. This includes data gathering, internal and external reporting, benchmarking, fund and asset manager training and performance management as well as practices and procedures specific to our investment, development and asset management activities. These are presented on page 30.

In 2020/21 we enhanced our capacity for responsible decision making and transparency by developing our NZC pathway, implementing the recommendations of TCFD, submitting our funds for external benchmarking through GRESB and enhancing the accuracy and completeness of our environmental performance datasets.

Going forward, we plan to develop a social value strategy to guide decision-making for the purpose of optimising our positive social impact across our corporate, development and property management activities. We will also:

- define environmental and social KPIs across corporate, development and operational assets, explicitly linked to value creation and risk management

- review and enhance existing systems for data gathering against these KPIs and
- communicate with our stakeholders on our performance.

Net zero carbon pathway

We have developed a NZC pathway to steer us through the process of delivering a building portfolio that is net zero carbon in both embodied and operational emissions. We will embed a NZC mindset into acquisition, development, leasing and property management practices. Our NZC pathway will cover both new and existing buildings from the target years onwards.

For more information about our NZC pathway, please see our [NZC Report](#).



15 Rathbone Place, London

Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD was created by the Financial Stability Board to encourage company disclosure of material climate-related risks and opportunities. In 2017, the TCFD published its recommendations for all sectors with additional disclosures for asset managers. This framework encourages action and transparency in the following areas: governance and oversight, strategy, risk and opportunity management and metrics and targets to assess progress. In 2020 the UK Government announced TCFD reporting would become mandatory by 2025.

The TCFD framework helps RLAM put climate at the forefront of our investment thinking and decision-making, in alignment with our [Climate Risk Policy](#). In 2020, RLAM analysed and enhanced the quality of its climate data, agreed policies and practices and confirmed the structures which will govern and oversee how we view climate risk from a firm-wide perspective. For RLAM Property, this has involved several metrics including using asset-level environmental performance data as well as EPC ratings as indicators to help monitor exposure to climate transition risk and confirming our targets for EPC 'A' and 'B' ratings for all new developments and refurbishments respectively. The development of our NZC pathway and delivery of embodied carbon assessments for all new build and major refurbishment projects are also aligned to our TCFD response. During 2021, RLAM Property will undertake a flood risk assessment across our entire portfolio.

RLAM commenced reporting against the TCFD framework in 2020, ahead of our requirement to report from a regulatory perspective by 2023. To ensure we have access to best practice datasets for our reporting, RLAM will be continually

reviewing and evolving our approach to climate risk and TCFD reporting. To read about how RLAM has implemented the TCFD recommendations in full, please see our latest [TCFD Report](#).

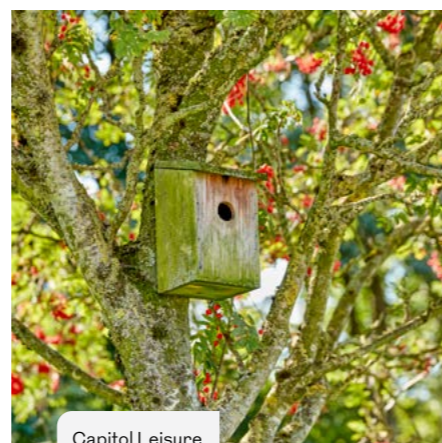
Global Real Estate Sustainability Benchmark (GRESB)

GRESB is a global benchmark rating system for the real estate industry. The rating system is intended to provide an indication of the sustainability performance of real estate investment entities to provide standardised and validated data to the capital markets. It includes management, performance and development components and an overall score is generated through an evaluation against a range of different aspects.

The GRESB assessment also helps us to identify actions to drive continuous improvement in RPI management.

Our three property funds submitted data to GRESB in 2021, with the following outcomes:

- **RLUKREF** achieved a 4* rating and was ranked 5th place out of 79 funds within its peer group. The fund also entered the Development section achieving a 4* rating and was ranked 3rd place out of 6 funds within its peer group.
- **RLPPF** achieved a 3* rating, marking an improvement in ranking from 11th place out of 59 funds in 2020 to 7th place out of 79 in 2021 within its peer group. The fund also entered the Development section achieving a 5* rating and was ranked 2nd place out of 11 funds within its peer group.
- **RLPF** achieved a 3* rating improving its score from 69/100 in 2020 to 75/100 in 2021 and was ranked in 17th place out of 79 within its peer group.



Capitol Leisure Park, Preston



Responsible decision-making in practice: our net zero carbon pathway

We are reimagining the future for the built environment as one that is positive for people and planet.

In 2021 RLAM committed to achieving NZC by 2030 for its directly managed assets and developments and 2040 for its indirectly managed assets. In setting these targets, we aim to achieve NZC in advance of the deadline set through The Paris Agreement and respond to demand from policymakers, investors and occupiers for NZC buildings.

To develop our NZC pathway, we have evaluated the present and projected emissions of our portfolio out to our target years to understand what reductions and interventions will be needed. We have identified targets for embodied carbon and operational energy reduction for standing assets and

new developments, on-site renewable energy capacity, off-site renewable energy procurement potential and carbon offsetting.

With the direction of travel outlined, we have proceeded to develop a detailed delivery plan for achieving NZC that has concrete actions for the short-, medium- and long-term. These actions are now being embedded into RLAM Property's RPI governance structure, acquisition process, leasing strategy, property management approach and development pipeline plans, prompting responsible decision-making that brings NZC to the fore.

For further detail on how we are embedding NZC at each stage of the property life cycle, please see our [NZC Report](#).

STEP 1
Understand the drivers for net zero carbon



STEP 2
Define the scope and boundaries



STEP 3
Identify carbon footprint and trajectory



STEP 4
Reduce embodied carbon



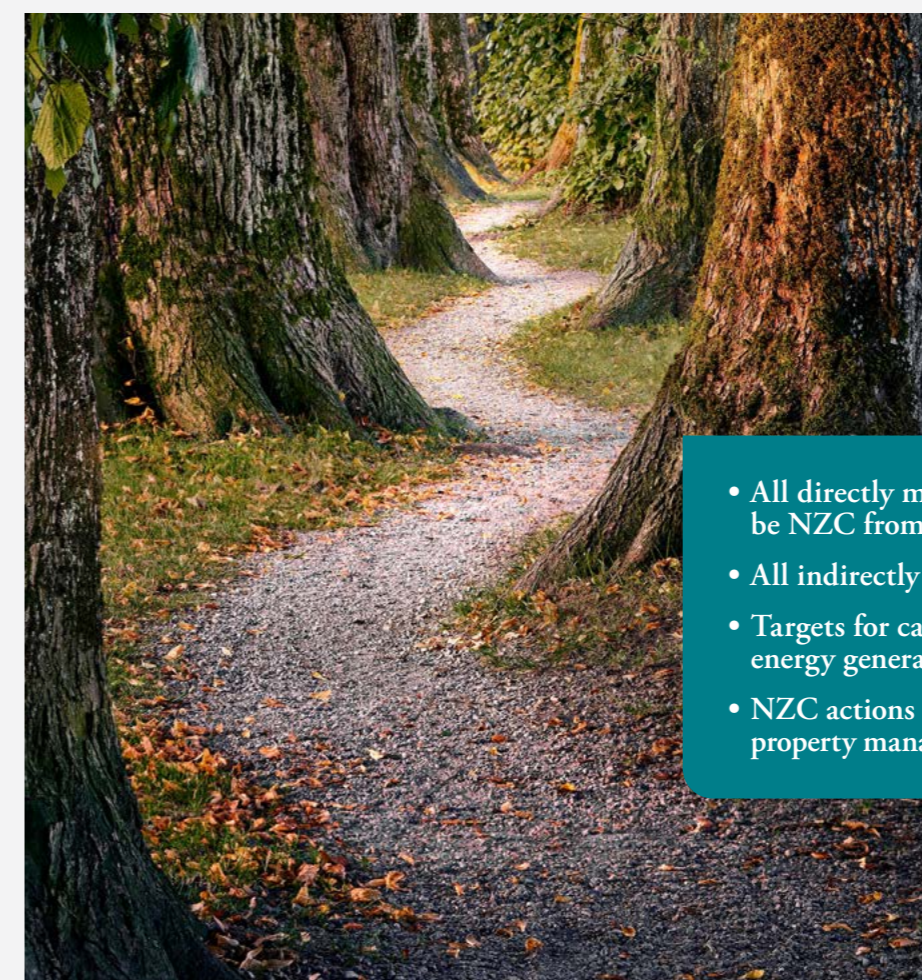
STEP 5
Increase operational efficiency



STEP 6
Increase renewable energy supply



STEP 7
Offset residual emissions



- All directly managed assets and developments to be NZC from 2030
- All indirectly managed assets to be NZC by 2040
- Targets for carbon reduction and renewable energy generation and procurement
- NZC actions embedded into acquisition, leasing, property management and development approach

Investing in a resilient portfolio

Synopsis

We strive to ensure that the assets we invest in will fit the needs of occupiers and investors, now and in the future. We are updating our acquisition checklist to assess a wider range of sustainability aspects which may affect asset values and ensuring that ESG factors are included in all transaction papers submitted to the Investment Committee. We are introducing procedures to evaluate asset sustainability performance post-acquisition and setting ambitious targets to achieve 'best in class' environmental and social performance across our portfolios by 2030. We are also establishing metrics to help us to assess and communicate the investment value and financial benefits of assets with high sustainability credentials.

Acquisition due diligence

Since 2009, we have used an acquisition environmental checklist to assess risks and opportunities for our funds during the due diligence stage. The checklist requires the following studies to be undertaken and results considered:

- A minimum of Phase 1 environmental survey, to identify potential sources of contamination, hazardous substances and materials, among other liabilities.
- Flood risk assessment, covering both pluvial and fluvial flood risk.
- Energy survey (office buildings) and EPC review, enabling us to understand the current energy profile of an asset and scope to improve energy efficiency.

- Detailed mechanical and electrical survey to examine plant and equipment, where deemed relevant.

In 2020 we introduced further criteria to increase the robustness of our environmental risk screening, namely:

- For buildings with an EPC 'F' or 'G' rating, an 'EPC F/G grade (2023) Improvement Cost Assessment' must be commissioned. This will show how the building rating can be improved to an EPC 'E' or better to ensure we have EPC 'F' or 'G's from the 1 April 2023.
- A requirement to undertake (i) a new EPC even if the unit/building already has one, and (ii) an 'EPC A grade (2030) Improvement Cost Assessment', so that we are informed as to what works, and potential capital expenditure may be required to improve the rating.

Our acquisition checklist will be reviewed and updated, with the intention to introduce more detailed due diligence criteria to ensure that all RLAM's RPI material issues are fully assessed. In alignment with RLAM's climate risk policy, RLAM Property is working to establish a partnership with a climate change modeller to assist us in assessing other physical climate change risks.

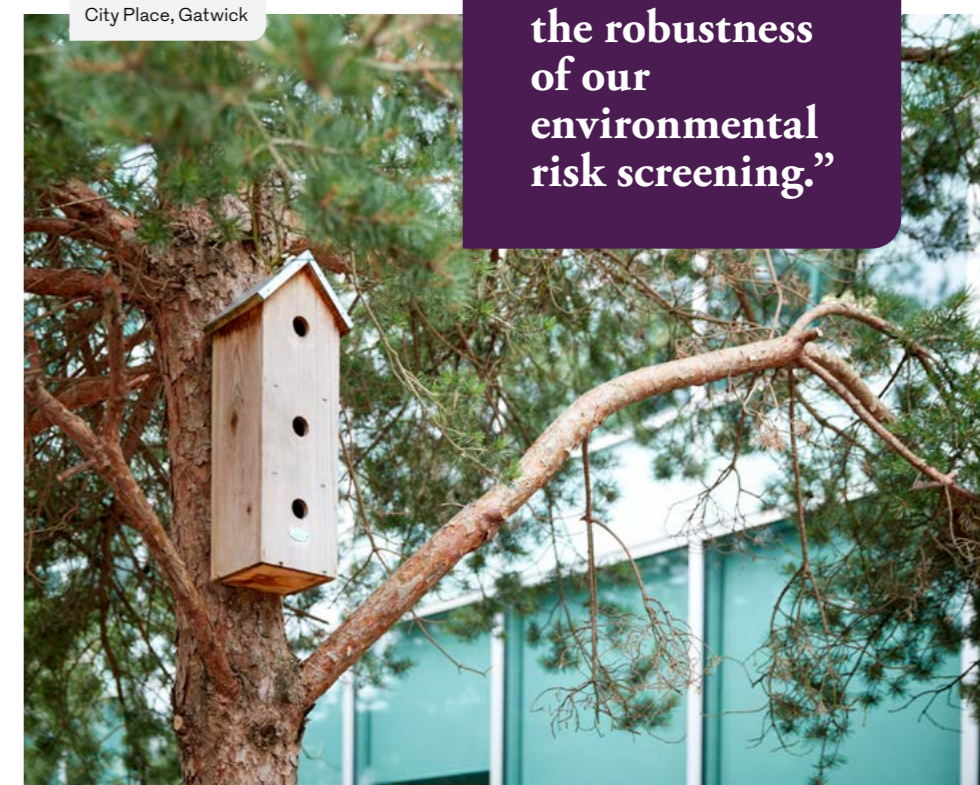
The purpose of this assessment is to identify potential future risks for the current portfolio which can be mitigated in advance, with mitigation costs factored into investment appraisals.

Asset upgrades and refurbishments

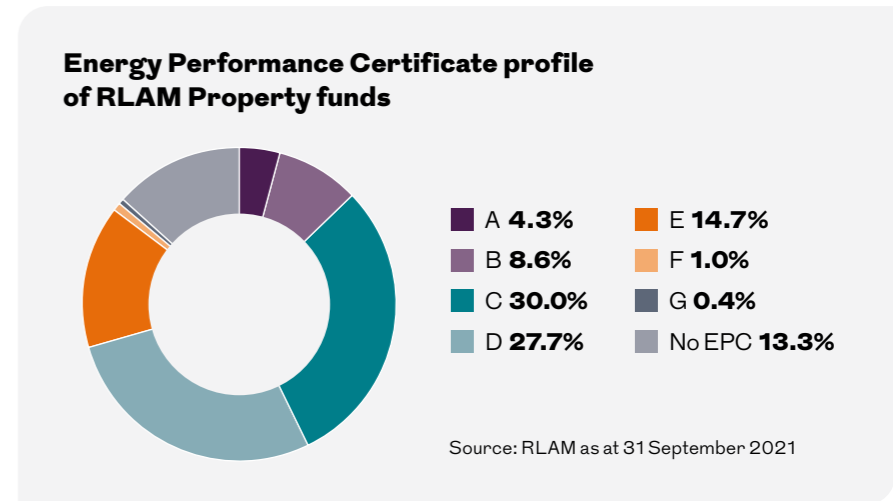
Post-acquisition, we formulate asset business plans which include details on how to enhance the operational performance, occupier proposition and longer-term resilience of the building. Where it is demonstrated that an improvement will add significant rental and/or capital value, we will move forward with a major refurbishment or redevelopment.

In 2020/21, we successfully implemented value-enhancing refurbishment and upgrade projects on several assets, for example:

- Comprehensive refurbishment of Units 5 & 6 Redbourne Park in Northampton, which included swapping out the wet heating system in the office areas and installing more energy efficient variable refrigerant flow units, as well as changing the lighting. These measures enabled us to improve the EPC rating of the unit from a 'D' to an 'A'.
- Refurbishment of Unit 23, Bicester Road Industrial Estate, Aylesbury, involving the installation of new LED high-bay lamps, double-glazed windows and doors. A new roof was also installed across the building incorporating triple-skinned roof lights for increased thermal performance. These changes improved the EPC rating of the unit from a 'F' to a 'B'.
- Refurbishment of Unit 3, Trident Industrial Estate, Hoddesdon, including a LED lighting retrofit, UPVC windows, heating system and complete roof replacement. As such, the energy rating of this unit was increased from an EPC 'F' to a 'B'.



“In 2020 we introduced further criteria to increase the robustness of our environmental risk screening.”



We have been working to minimise the legislative risk from low-rated EPCs in our portfolio and continue to make good progress in resolving the remaining issues. As this chart shows, 98.6% of the EPCs by floor area are now rated E or above, or do not require an EPC due to an expiry.

CASE STUDY

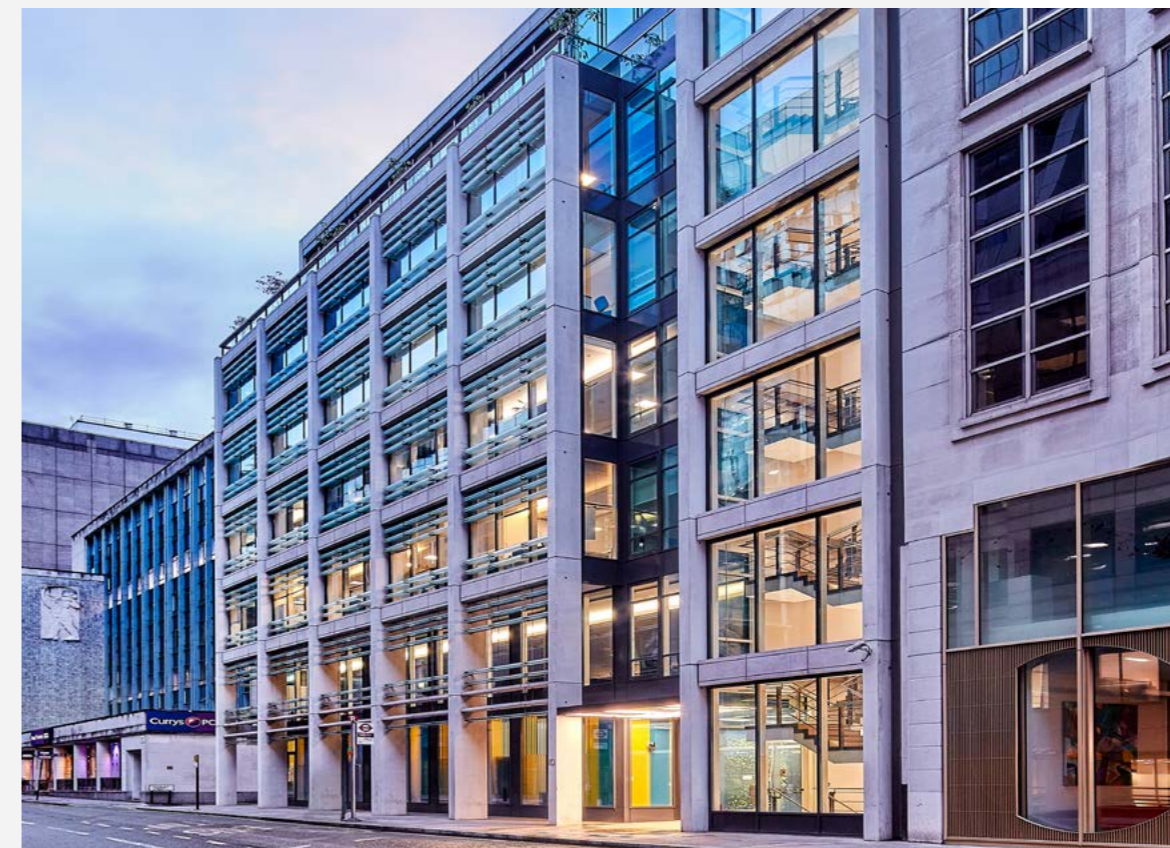
10 Chiswell Street

Investing in a resilient portfolio

10 Chiswell Street, London, EC1 was acquired for the RLPPF in January 2020. A prime Grade A office building located to the north of the City Core, the property comprises 58,000 sq ft of net internal area arranged over lower ground, ground and seven upper floors. The building has excellent existing transport links which will be further enhanced by the arrival of The Elizabeth Line (Crossrail).

Prior to acquisition we identified some deficiencies in the amenities and common parts areas of the building which were impacting on occupier satisfaction and rental levels, including the limited availability of bicycle storage, changing facilities and showers. It was therefore a priority post-acquisition to implement a series of asset management initiatives to reposition the asset and improve its performance.

Negotiations were concluded with the 6th floor occupier to surrender a car parking licence on the ground floor to free up storage space and allow a comprehensive reconfiguration to deliver end of journey facilities. This included new shower and changing areas, improved cycle storage and drying rooms.



Additionally, we undertook a comprehensive refurbishment of the reception area to create a higher quality and more welcoming entrance to complement the new 'CAT A Plus' offer and improve levels of satisfaction among existing occupiers.

This proactive strategy produced a significant uplift in occupier enquiries which subsequently led to the letting in one of the few City leasing transactions that concluded during the first pandemic lockdown. A new lease was secured at £65 per sq ft which reflected pre-pandemic rental levels.

Since the acquisition we have maintained a dialogue with all occupiers in the building. Conversations with one occupier who occupies two floors resulted in them not implementing their break clause which increased the weighted average unexpired lease term significantly; improved the risk profile of the asset and had a positive impact on the asset value.

- Upgraded reception design
- New shower areas and improved cycle storage
- Strong occupier engagement programme
- Asset value uplift due to subsequent new lease and occupier retention

Developing for the future

Synopsis

We have around 50 active construction projects within our property portfolio including offices, retail, hotel, industrial and residential developments of various size and complexity across the UK. The majority are for commercial use and include both new build and refurbishment, with projects at different stages of the development process from inception to completion.

We aim to create thriving buildings and places which have enduring appeal for occupiers and add value to local communities. In 2020, in parallel with our strategic sustainability review process, we initiated a thorough review of our development sustainability standards. This was to ensure they remained fit for purpose in the context of evolving global trends, in particular limiting global warming in line with the Paris targets and halting the decline of biodiversity and the natural environment. This process led to the creation of a new set of standards which we consider to be both aspirational and market leading. We continue to translate our ambition into practice on projects in construction. We undertook embodied carbon studies on two out of three projects completed in 2020; achieved EPC 'A' or 'B' ratings on all projects; delivered our first all-electric building for heating, cooling and hot water and pioneered the use of the BBP's Design for Performance (DfP) tool. As testament to the effectiveness of our sustainability approach, we achieved and 4* and a 5* GRESB rating

for the Development scorecard of both the RLUKREF and RLFFP funds respectively, in 2021.

Going forwards, we plan to advance our approach focusing on four key areas: NZC, circular economy, biodiversity and social value. We will establish NZC guidance for development projects as part of our NZC strategy and implement embodied carbon assessments and reductions for all new projects. We will look to pilot a circular economy approach on new and major refurbishment projects to help us to deliver carbon savings, reduce materials use and maximise future flexibility and durability of buildings. Applying our new property development sustainability standards (described on page 36), we will also review opportunities to maximise the integration of design features which support biodiversity. Beyond the physical asset, we will build on our previous success in supporting local communities through training and skills development. We also plan to identify and explore new ways to enhance social value within our new projects and set a strategy for our development teams to incorporate.

The effective implementation of our development approach is contingent on the ability of our contractors and suppliers to meet our own sustainability standards, targets and certification/rating schemes. As such, we will intensify our engagement with our development partners both in preparation for and during the construction process itself, particularly around the newer and more

complex areas of circular economy, biodiversity and NZC design. Working collaboratively with contractors and supply chains we will help to support and influence suppliers of all sizes to improve their understanding of sustainability and influence change throughout the industry.



Aurora, Bristol



15 Rathbone Place, London



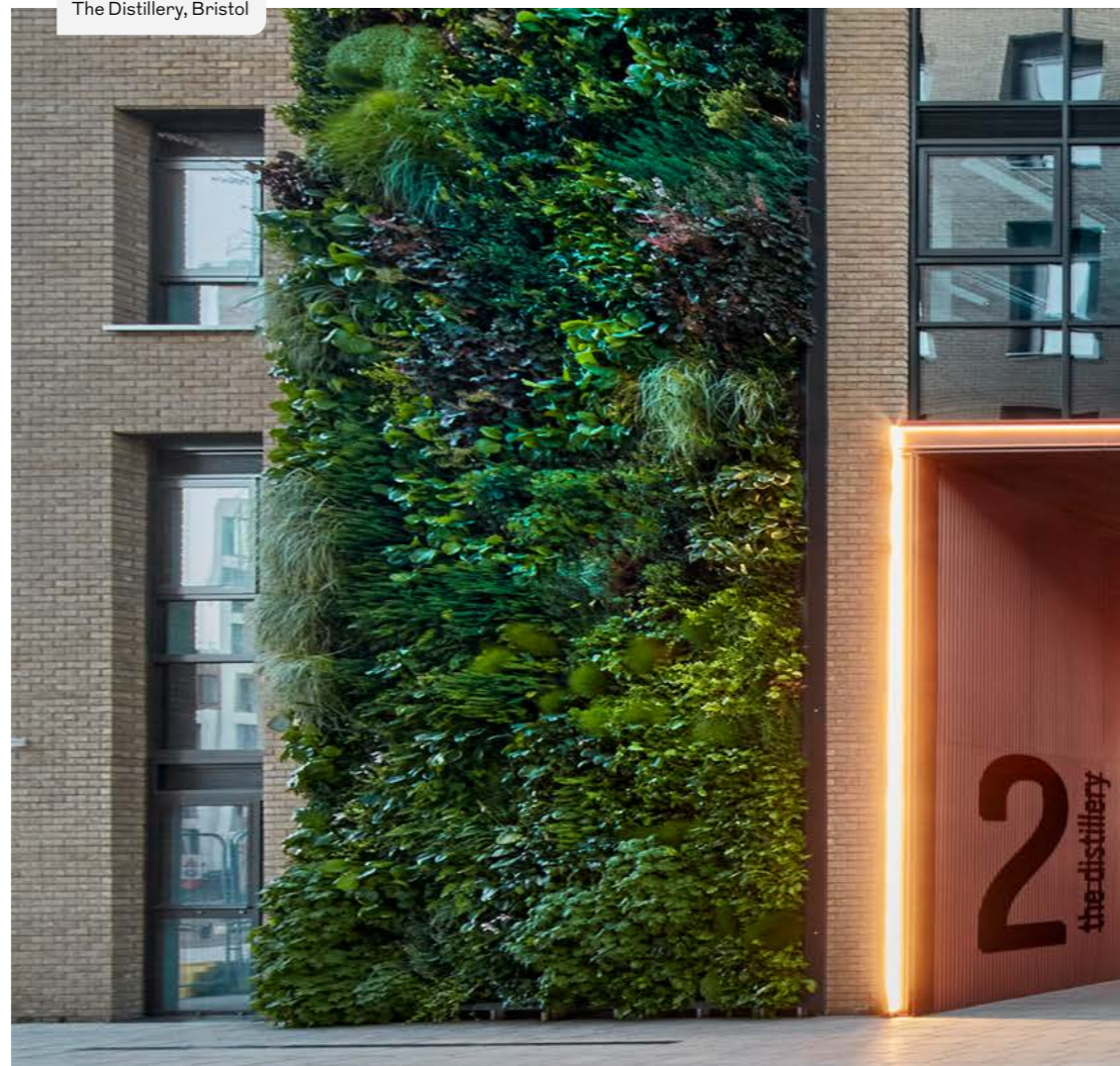
“We aim to create thriving buildings and places which have enduring appeal for occupiers and add value to local communities.”



Property development sustainability standards

In 2020 we carried out a comprehensive project to update our development sustainability standards. This entailed a review of existing commitments, an examination of current regulations, local policy requirements and future trends and an assessment of occupier needs and priorities. We also undertook a detailed review of industry practices and frameworks, taking account of leading peers' strategies, the LETI carbon reduction targets and international sustainability frameworks, such as GRESB, the United Nations sustainable development goals (SDGs) and certification standards including WELL Building and BREEAM. We then undertook an appraisal of key drivers and challenges for sustainable design through focused internal engagement sessions.

Altogether, this process enabled us to identify and prioritise nine key themes for our property development activity. These themes were further interrogated to develop a new set of 58 ambitious targets, rebranded as our 'property development sustainability standards' and KPIs which are used as indicators across our portfolio of assets. To note that while our development themes are aligned to our overarching RPI strategy, they represent a subset of more granular issues specific to the construction context. They therefore have a narrower focus than that of the full set of RPI issues which apply to the entire property investment life cycle. The link between each development theme and the relevant RPI issue is provided in the table on page 38.



RLAM's property development sustainability standards are intended to be applied on all new construction and major refurbishment projects where renovations affect more than 50% of total building floor area or cause relocation of more than 50% of regular building occupants.

Minor refurbishment projects will review the standards and implement them where possible. The standards have been designed to help design teams identify sustainability requirements that apply to their project based on the scale and type of development.

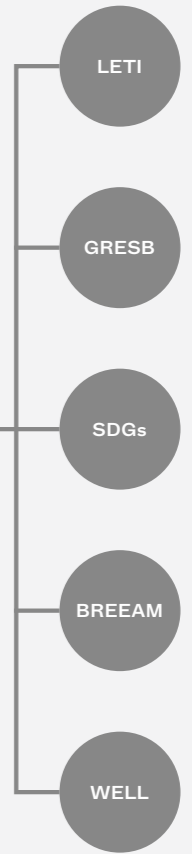
Creating our new property development sustainability standards

Framework of targets and metrics based around **nine key themes**:







Comprehensive context review involving **seven stages**:

- 1 Understand RLAM ethos and values
- 2 Review of RLAM portfolio status (new/existing developments and master plan)
- 3 Understanding current regulations and relevant future trends
- 4 Review of relevant local policy changes
- 5 Understand end user needs and priorities through stakeholder engagement
- 6 Gap analysis review
- 7 Key drivers for sustainable development



Property development sustainability standards

			Linked material issue
 Energy and carbon emissions	Mitigating carbon emissions through embodied and operational design measures (nine targets)	<ul style="list-style-type: none"> All major development and refurbishment projects to undertake an operational energy net zero carbon feasibility assessment at the early stages of the design process. All new build and major refurbishment projects to target a reduction in embodied carbon in construction A1-A5 as follows: office 600kg/CO₂/m²; retail 600kg/CO₂/m²; hotel 400kg/CO₂/m²; residential 400kg/CO₂/m²; industrial 600kg/CO₂/m². 	Transition to net zero carbon Safeguarding natural resources
 Materials and supply chain	Targeting ethical construction practices through specifying, certifying and embracing circular economy principles (ten targets)	<ul style="list-style-type: none"> Design team to review and adopt the Living Building Challenge Materials Red List where possible. Where products specified do not meet this requirement, this should be flagged to the client. Undertake a workshop and produce a Circular Economy Statement, by the end of Stage 3, in line with 2020 GLA guidance, implement targets within the design. 	Progress to a circular economy
 Waste	Strategies for minimising and recycling construction waste (four targets)	<ul style="list-style-type: none"> 95% of demolition, strip-out, excavation, construction and fit-out waste by weight to be diverted from landfill and recycled or recovered for purposes other than energy generation. Contractors to reduce single-use plastic packaging from material importation on site. Contractors are to report on single-use plastic figures, highlighting reduction measures undertaken as part of construction. 	Progress to a circular economy
 Water	Strategies to reduce water consumption, whilst improving its health and wellbeing benefits (four targets)	<ul style="list-style-type: none"> All new build and major refurbishment projects shall incorporate water efficiency measures and/or water recycling to reduce mains water use by 40% compared to the BREEAM baseline. Residential targets to target less than 105 litres/person/day. Meet threshold requirements for fundamental water quality in line with WELL v2. Testing to be carried out at the start of design and at post-completion to verify compliance. 	Safeguarding natural resources
 Climate Resilience and Adaptation	Passive and active strategies to design buildings resilient to climate change (six targets)	<ul style="list-style-type: none"> Explore the opportunity for natural ventilation within developments. Where natural ventilation is being pursued the design shall limit the risk of overheating in accordance with CIBSE TM52 and appropriate future weather files. Select materials for external horizontal surfaces that have a high albedo (SRI of 78 or higher) or are covered in vegetation to reduce local overheating and the urban heat island effect. 	Climate resilience, adaptation and risk mitigation
 Biodiversity and habitat	Increasing the abundance and diversity of plant and animal species appropriate to local ecology (five targets)	<ul style="list-style-type: none"> All new and major refurbishments to maximise biodiversity net gains in accordance with DEFRA Metric 2.0 methodology, on-site or nearby. Actively consider and, where possible, incorporate biodiverse green roofs on all appropriate roof space, for new and major refurbishment schemes. 	Biodiversity and green infrastructure

			Linked material issue
 Health, safety and wellbeing	Creating a safe and healthy environment during and after construction through empirically evidenced strategies. (eleven targets)	<ul style="list-style-type: none"> Contractors to comply with the real living wage rates and to work collaboratively with the Gangmasters and Labour Abuse Authority to share information that will help stop or prevent the exploitation or abuse of workers. As part of the post-occupancy evaluation, after 12 months of full occupancy, occupant health and wellbeing to be assessed for commercial office developments. 	Health, safety and wellbeing
 Social value	Incorporating opportunities to create social value in the local community and on-site (five targets)	<ul style="list-style-type: none"> Major new build and major refurbishment developments will support and promote the provision of training and skills initiatives in the local area during the construction phase, with a minimum of two apprenticeships or work experience students during construction and on-site visits for local schools/residents. Promote inclusive design in the project, beyond meeting regulations into best practice and design for all protected characteristics under the Equality Act. Design team to undertake a review and confirm how this has been implemented in the design. 	Purposeful construction and placemaking Diversity and inclusivity
 Building certifications	Use of building standards and ratings to promote the robust implementation of sustainable design and operational practices (four targets)	<ul style="list-style-type: none"> All new and major refurbishment projects to achieve a BREEAM Excellent and develop a pathway to achieving BREEAM Outstanding for review by project director or strategic sustainability consultant. Design team to review the feasibility of applying WELL Core 'Platinum' and Fitwel shell and core '3' Rating' on all new build commercial office developments and pursue certification in accordance with one system. All new build and major refurbishment office developments to undertake UK NABERS DfP Certification. 	Sustainable transport and connectivity Building certifications

We have developed a robust process for embedding the standards across our projects, from engagement with project teams to inform decision-making at the initial design stage, to developing delivery requirements aligned to the sustainability brief, monitoring performance, implementing effective handover to contractors and assessing final performance as well as capturing lessons learned. Design teams are

expected to update a sustainability tracker at each Royal Institute of British Architects (RIBA) stage with feedback on the status of design highlighting where standards are under review, on track and achieved. If a deviation to a standard is requested this will need to be fully justified by the design team and the RLAM development management team to determine whether it is acceptable.

BREEAM®



Certification standards and rating systems

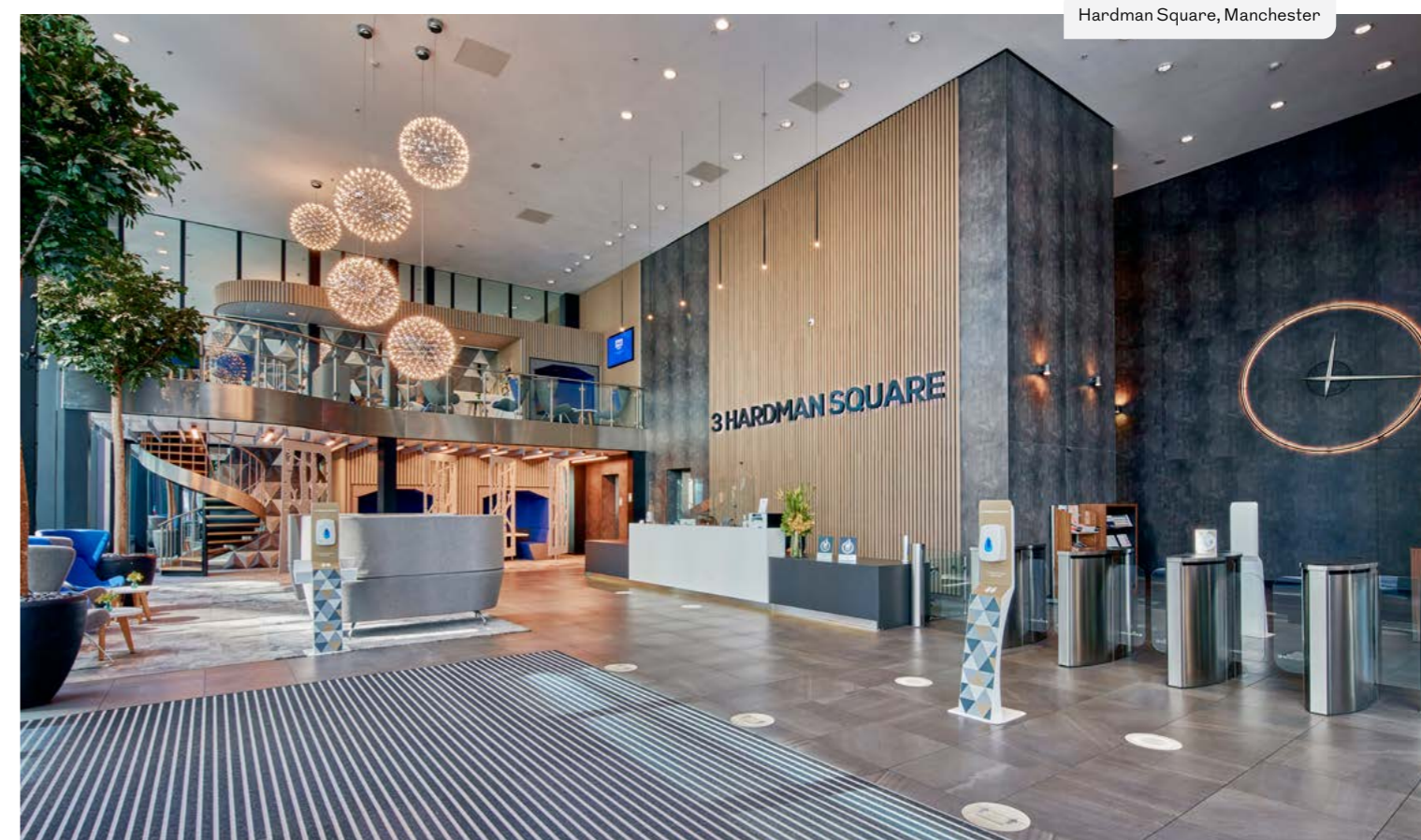
In addition to applying our own property development sustainability standards we continue to target external certification standards and rating systems which we believe will add value to our investment portfolio and our occupier proposition.

BREEAM is the leading sustainability assessment method for master planning projects, infrastructure and buildings. It recognises and reflects the value in higher performing assets across the built environment life cycle, from new construction to in use and refurbishment. All our new and major refurbishment projects commit to achieve BREEAM 'Excellent' rating and develop a pathway to achieving BREEAM 'Outstanding'. Our recently completed projects The Distillery and Leonardo Royal Hotel, both in Bristol, achieved BREEAM 2014 'Excellent' ratings. Additionally, Statesman House, Maidenhead and The Earnshaw, London are on track to achieve BREEAM 'Outstanding'. Applying the BREEAM framework aligns with the delivery of many of our own targets for aspects such as energy, water, waste and materials.

DfP is an industry backed project established to tackle the performance gap and provide an approach, based on measurable performance outcomes, to ensure new office developments deliver on their design intent. It involves harnessing the knowledge and success of the Australian NABERS rating system by applying the same principles for new UK office developments, with support from industry partners and DfP pioneers, including RLAM. Unlike the EPC rating system, which assesses theoretical energy performance based on building design, NABERS measures the operational energy performance of

a building in use. Our Statesman House development project is using enhanced operational and system energy modelling to serve as a DfP/NABERS UK pioneer. Our property development sustainability standards now include a target for all new build and major refurbishment office developments to undertake UK NABERS DfP Certification, as well as setting a minimum threshold for EPC rating of 'A' for new build and 'B' for refurbishments.

The International WELL Building Institute's WELL Building Standard provides a roadmap for creating and certifying spaces that advance human health and wellbeing. It is centred on 10 core concepts to support physical and mental health through design interventions, operational protocols and company-wide practices verified by a third party. Fitwel® is an international certification system that provides tailored scorecards for existing and new buildings to optimise their health and wellbeing performance. Our standards include a target for design teams to review the feasibility of applying WELL Core 'Platinum' and Fitwel shell and core '3* Rating' on all new build commercial developments and pursue certification in accordance with one system. We have established other targets aligned to WELL in relation to water and air quality, materials selection and post-occupancy evaluation. WELL 'Gold' or 'Platinum' certification is currently being targeted on three of our development projects.



Hardman Square, Manchester



Vision Park, Cambridge

CASE STUDY

The Distillery







Developing for the future

The Distillery is a newly completed office development comprising two buildings in Glassfields, Bristol. It has achieved all applicable property development sustainability standards in addition to an EPC 'A' rating and is currently finalising certification for a BREEAM (2014) 'Excellent' certification and a Fitwel 2* rating.

The Distillery, along with our Leonardo Royal Hotel development (also in Bristol) was one of our first projects to complete an embodied carbon study and whole life carbon emissions assessment during the construction stage, covering substructure, superstructure, façade, internal finishes and building services. The study showed that the embodied carbon of The Distillery A1-A5 (product sourcing and construction stage) is 469kgCO₂/m², which compares favourably to the LETI 2020 construction target of 600kgCO₂/m² for offices. Lower embodied carbon was partly achieved through the use of a 50% ground granulated blast-furnace slag (GGBS) mix in the substructure. GGBS is a by-product used as a cement replacement and we calculated that on its own the carbon saving of using GGBS at a ratio of 25kgCO₂/m² was equivalent to the number of emissions generated by 284 flights between London and New York!*

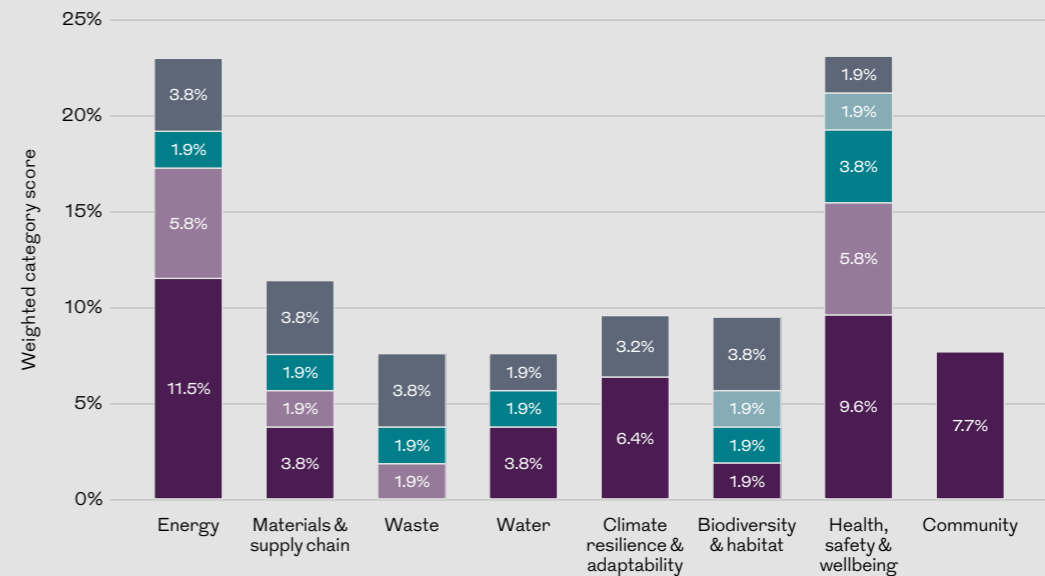
To reduce CO₂ emissions in operation, The Distillery has been designed to achieve a 20% improvement on building regulations. A 288m² rooftop array of solar photovoltaic (PV) panels has been installed and passive design measures have been incorporated to reduce cooling demand and help reduce future overheating. The Chartered Institution of Building Services Engineers (CIBSE) TM54 energy analysis demonstrates that energy performance in use will be in line with the BBP Good Practice Benchmark for offices.

The Distillery also boasts features which promote the health and wellbeing of both its human occupants and wildlife, such as a green 'living' wall, trees, bug and bee hotels and aesthetically pleasing interior design. Natural ventilation and separate heating and cooling systems for each floor provide additional occupier comfort and support COVID-19 prevention.

-  Designed to achieve a BREEAM 'Excellent' rating
-  Designed to achieve a 20% improvement on building regulations
288m² rooftop array of solar PV panels
Over a 50% reduction of embodied carbon saving compared to a typical commercial building of 1,000kgCO₂e/m²†
-  105m² green wall with two bee and bug houses
-  Designed to achieve a Fitwel 2* rating
Mental health first aider on site during construction

Overarching theme performance

■ % achieved ■ % partially achieved ■ % on track ■ % under review ■ % not in scope



Source: RLAM Sustainability Standards Tracker, Q1 2021

* LETI Embodied Carbon Primer, business as usual figure.

† Based on estimate of 986kg CO₂ per passenger, data provided by Atmosfair.



CASE STUDY

The Earnshaw, London

Developing for the future

The Earnshaw (previously known as Castlewood House) is a new build mixed use office development in the West End of London, comprising 139,000 sq ft office space and 27,000 sq ft retail space.

The development is targeting ‘best in class’ credentials in line with RLAM Property’s RPI strategy.

To deliver long-term resilience and carbon reduction, the development includes all-electric building systems removing the need for gas powered plant and equipment and on-site solar PV for renewable electrical energy production. RLAM’s updated property development sustainability standards will be applied, with targets relating to energy, materials, waste, water, climate resilience, biodiversity, health, safety and wellbeing and social value. Moreover, The Earnshaw will be designed to achieve BREEAM ‘Outstanding’ certification.

To enhance its appeal to occupiers, now and in the future, the building design provides additional safety and comfort in relation to COVID-19 with individual WC cubicles, SMART technologies to allow circulation between floors and zones without the need to push or pull buttons and door handles and improved fresh air ventilation rates exceeding current industry benchmarks. The WELL Building ‘Gold’ standard will be targeted to give occupiers added assurance of the high standards of health and wellbeing applied through the base build and fit-out.



Designed to achieve a BREEAM ‘Outstanding’ and WELL Gold



COVID-safe design features



NZC aligned – with all-electric systems and on-site PV

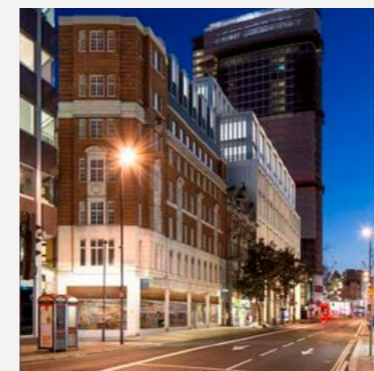
Targeting WiredScore platinum
Communal pavilion and terrace
Office floors with natural light on three sides

Landscaped arrival

EPC ‘A’ grade

SMART system to enhance user experience and optimise operations allowing remote bookings, lighting control and environmental monitoring

21 showers and 234 bicycle bays



Managing assets for positive impact

Synopsis

We manage over 250 assets held in our funds' portfolios. Working in partnership with our occupiers, managing agents and other local stakeholders, we aim to manage our assets in a way that delivers social value and positive environmental outcomes. To date, the main focus of our efforts has been to maintain an ISO 14001 certified EMS, monitor and optimise utilities consumption, reduce our portfolios' carbon footprint, reduce the impact of waste production and engage with our occupiers to support these endeavours.

In the context of the COVID-19 pandemic, we have been working hard to ensure our buildings are operating normally. We have produced a very detailed guide for occupiers on how they can continue to occupy their spaces safely. We have sought to ensure a

balanced approach between our goal to reduce energy consumption and the need to provide an excellent flow of fresh air into each building.

Going forwards, we will continue to prioritise the integration of energy efficiency improvements into current planned maintenance, refurbishment, and repositioning strategies in order to reduce energy costs and carbon-related liabilities. We plan to agree an enhanced occupier engagement programme to identify areas for closer collaboration with occupiers on sustainability aspects and share utilities consumption data. We will also develop portfolio-wide strategies for biodiversity enhancement and social value creation to provide a consistent framework and guidance to encourage property managers to implement innovative practices in these areas.

Environmental performance management

We monitor and report utilities consumption and waste management data for assets where we have operational control. For electricity, this typically includes consumption in common areas and/or shared services and can include occupier spaces, for gas and water this typically covers consumptions across whole buildings. Environmental performance data is reported annually on an aggregated basis in our RPI Report and for each fund in their investor reports using industry standard metrics aligned to Investors in Non-Listed Real Estate Vehicles (INREV). The participation of our funds in GRESB also enhances this approach to performance transparency.

In our large multi-let office assets we have implemented a monitoring and targeting (M&T) programme whereby all half-hourly

electricity consumption is reviewed and reported, facilitating optimal management and performance. M&T enables us to identify 'quick wins' for improving assets' energy performance, such as adjusting equipment settings, optimising chillers, upgrading building management systems (BMS) and occupier engagement to improve temperature control. In 2019, such measures enabled us to benefit from energy cost savings of nearly £200,000 from approximately 5% of assets. We have also made efforts to improve the monitoring of water consumption by upgrading to AMR water meters and we request quarterly waste collection and treatment data from managing agents.

We run an ongoing programme of asset sustainability audits which involve a deeper dive assessment of assets' energy, water, waste and health and wellbeing performance and enable us to identify opportunities for improvement through better management practices and investments. We are increasingly using the BREEAM In-Use certification standard for the same purpose, as well as to provide evidence of robust environmental management practices to our external stakeholders.

Since 2018, we have significantly reduced our portfolios' aggregated environmental impact:

- Energy consumption decreased by 11% and water by 7%, on a like-for-like basis between 2018-2019. It decreased substantially again in 2020, but this was due to the impact of COVID-19 closures on many of our assets so is not a representative comparison.
- In 2020 we have maintained 100% diversion of waste to landfill and reached a recycling rate of 44%. This is likely due to the impact of COVID-19.

To reduce the carbon impact of our operational portfolio, we have switched

100% of our assets' landlord-controlled electricity contracts to renewable (REGO – Renewable Energy Guarantees of Origin) supplies. Acknowledging the fact that REGO supplies are limited by the amount of renewable energy infrastructure in place, we are also planning to undertake renewable energy feasibility studies on operational assets to identify opportunities to integrate on-site renewable energy systems such as rooftop solar PV.

Between 2018-2019, we reduced the GHG emissions generated by our portfolio by 17% on a like-for-like basis and again saw a substantial reduction in 2020.

We continue to monitor the use of ozone depleting substances in the provision of cooling operations and aim to minimise leakage rate through effective monitoring and maintenance. We seek to reduce the carbon impact of travel to and from our assets through the progressive implementation of EV charging points across our retail parks.

We obtain waste collection and treatment data from managing agents and monitor waste recycling, waste to energy and landfill performance. Engagement with occupiers and cleaning contractors to promote good practice waste separation has enabled us to improve recycling rates in retail and multi-let office properties. We have also implemented ad hoc initiatives to tackle difficult waste streams, including the introduction of battery and toner recycling facilities at many properties, a clothes hanger reuse project at Lower Precinct Shopping Centre and a rubber and latex glove recycling at 60 Fenchurch Street and Peninsular House which we plan to roll out more widely. An innovative food waste collection scheme is being undertaken at several locations which is allowing us to generate financial savings and reduce environmental impact.

“Between 2018-2019, we reduced the GHG emissions generated by our portfolio by 17%.”

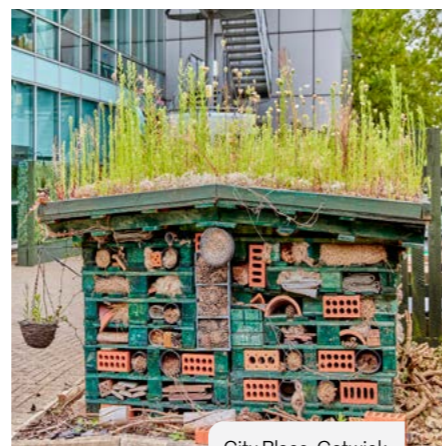


Metroplex Business Park, Salford

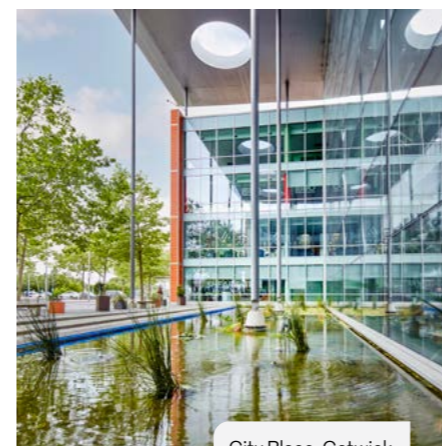
Habitats for wildlife

We continually look for opportunities to maintain, create and enhance habitats for wildlife in and around our sites. In 2020, our managing agents concluded sustainable planting initiatives at 15 properties, created wildflower-friendly hedging and shrubbery at 16 properties, created wildflower areas at six properties and installed 15 bee and bug hotels and seven bird boxes. Moreover, our funds received a combined 12 Green Apple Awards for a variety of biodiversity initiatives. For example:

- At Metroplex Business Park in Salford, two 25m² wildlife zones were created encompassing shrub and wildflower planting to attract various forms of insects, birds and bees along with bug houses made from the re-use of landscaping offcuts and debris found on-site.
- At 2 City Place, Gatwick, bug and bee hotels were created and a water feature was converted into a wildlife pond.
- At Cambridge Research Park, a wildflower meadow roughly the size of a football pitch was created on the edge of the adjacent nature reserve. This included the construction of three beehives, with honey sold to raise funds for a local children's charity.



City Place, Gatwick



City Place, Gatwick

Support for communities

RLAM Property has always been concerned with ensuring good relationships with the local communities around our assets and supporting our occupiers, building staff, local suppliers and local residents.

We encourage our sub-contractors to support community initiatives across our portfolios and over 100 such initiatives were carried out in 2020. Of these, around half were focused on promoting employment and skills. This included a programme of events hosted by Wates, one of the key sub-contractors across several Royal London sites, involving:

- A National Apprenticeship Week to demonstrate the variety of roles in the construction industry, designed to provide guidance for those of all ages looking to get out of short-term employment into a training opportunity with qualifications, experience and a career.
- Open Doors Week for potential students, showcasing the built environment as a career. This offered career mentoring, CV advice, mock interviews and career options within the built environment.
- BuildForce Insight Day for ex-military/active soldiers looking for a career path beyond The Army, showcasing the variety of roles where skills are transferable, particularly from the military into facilities management.

At six Royal London sites, a networking event was held with Nuneaton Signs and Commercial Foundation to provide opportunities for local social enterprises to meet with public and private sector buyers. Nuneaton Signs employs a high percentage of people with disabilities and has provided COVID-19 signage for the funds' sites throughout the pandemic.

Mental health and wellbeing was the second most significant theme of our social activities, 34 initiatives were held in 2020 including 'fitness fortnight' events, inclusion and diversity training, managing aggression training and suicide awareness courses which were offered to property management services partners at 12 sites.

In the context of the COVID-19 crisis, we have also facilitated initiatives to support the NHS and people in need, such as:

- In 2020 we completed a letting of a 240,000 sq ft refurbished distribution building operated by a logistics firm which needed to urgently establish a new supply chain for personal protective equipment (PPE) products for the NHS. The letting is on a short-term basis supporting the national effort in fighting the pandemic. We are, however, in discussion with the occupier regarding a longer-term lease.
- At Cambridge Research Park, our facilities manager reached out to the site's occupiers during the pandemic to ask if they would kindly donate gloves, masks, PPE, etc. to the local emergency services. Four businesses came forward to support the idea and occupiers reached out to their contacts and donated any stock held on site.
- At Hurlingham Retail Park, a vacant retail unit was let to two local foodbanks, pending redevelopment for retail purposes. A vacant retail unit was also let to the Hammersmith & Fulham and Wandsworth foodbanks, allowing them to operate at a time when there was an increase in local residents who required support.

CASE STUDY

60 Fenchurch Street

Managing assets for positive impact

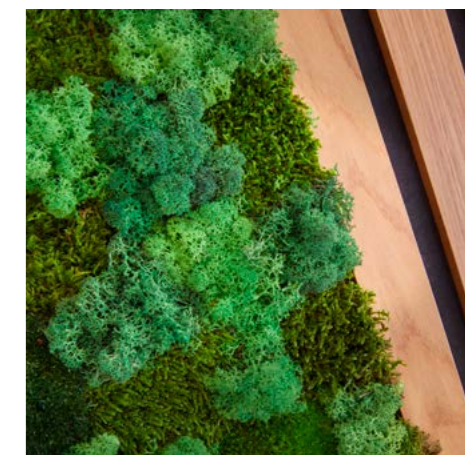
60 Fenchurch Street is a 12-storey tower located in the City of London that offers around 55,000 sq ft of Grade A office space. It provides accommodation to seven tenants, consumes approximately 1.2 million kWh of energy and generates around 50.5 tonnes of waste per year.

Over the past few years, we have implemented measures to reduce the environmental impact of the asset and enhance tenants' health and wellbeing.

By working closely with occupiers, cleaning and waste contractors we have been able to reduce waste production by 23% and increase the waste recycling rate to 75%. For us, it is vital that everyone in the building understands the impact of waste and what we can do to promote closed-loop cycles, reducing waste to landfill and raw material extraction by prolonging the useful life of the products and packaging we use. We made sure that waste became a topic of discussion at every tenant meeting. We worked with cleaning teams to make sure that they knew how to correctly segregate all the different waste streams. We encouraged tenants to reduce the number of bins that they have per floor and educate their staff to use the coloured recycling bins. Furthermore, we installed both food waste recycling facilities and a rubber glove recycling point after we found that these waste streams were increasing the amount of non-recyclable waste produced. Rubber gloves are collected when deliveries of consumables are made, thereby reducing the need for additional collections.



- Increased waste recycling rate by engaging with tenants and service providers
- Recycling facilities and collections added for new waste streams
- LED lighting upgrade
- Green wall installed to improve air quality



We have also reduced utilities consumption through more efficient use of HVAC systems and water tanks and by carrying out a LED lighting retrofit on the 12-storey north side staircase and in roof and basement areas.

To promote the health and wellbeing of occupiers, a moss wall was installed within the reception area. Moss walls have been demonstrated to improve air quality and reduce noise, whilst the presence of greenery in an office setting has been found to reduce stress and increase productivity.*

* For further information about the health and wellbeing benefits of biophilic features in offices, see the World Green Building Council's '[Health, Wellbeing & Productivity in Offices](#)' (2014) report.

CASE STUDY

Cambridge Research Park

**Managing assets for positive impact**

Cambridge Research Park is a multi-tenanted, self-contained community capable of providing office, laboratory, hi-tech and industrial accommodation. The quality of the park and its ability to support enterprise provides an unrivalled environment for business in Cambridge.

Sited within a 32-acre nature reserve which combines a wildlife lake, a willow wood and open grassland areas, Cambridge Research Park is a significant departure from a typical business or science park. The nature reserve has been preserved intact as the natural habitat of resident species like golden oris and great crested newts and is open to anglers, photographers and bird watchers.

To support the wildlife present on the site, we have been working with our service providers to exploit opportunities for biodiversity enhancement, besides taking actions to reduce the environmental impact of the physical assets to the benefit of investors, occupiers and wider society.

As a first step, we introduced a new planting scheme on the roundabout area at the site entrance, planting a selection of herbaceous perennials and grasses that are beneficial to pollinators, insects and birds. It will also provide a colourful display from spring through to autumn, adding to the visual appeal of the site.

Secondly, we are proceeding with the installation of 20 bird boxes which will be placed around the site in carefully selected locations to provide a nesting habitat for a variety of small birds. A third project involves the installation of a three-bay composting bin which will allow the landscaping contractor to reduce the amount of green waste that is taken off-site whilst providing a nutrient rich compost that can be used on the planted areas around the site.

We have been actively implementing our M&T programme within the Research Park's buildings, engaging with tenants and making adjustments to BMS settings, timings and set points in line with seasonal changes and occupancy trends. Furthermore, we have replaced both the chillers and boilers in two buildings, taking account of latest available technology and sustainability aspects to select new efficient plant which will reduce operating costs and environmental impact and improve indoor air quality.

- Wildflower planting and installation of bird boxes to support biodiversity
- Setting up on-site composting
- Delivering energy savings through M&T programme
- Upgrading chillers and boilers





All information is correct at December 2021 unless otherwise stated.
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