For professional clients only, not suitable for retail clients.

Responsible Property Investment Report 2023

issued September 2024

60 Fenchurch Street, London

ROYAL LONDON
ASSET MANAGEMENT

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Foreword

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Mark Evans
Head of Property

In 2023, we experienced another year of significant climatic impacts, new policy and regulatory frameworks, and market shifts in the real estate industry. Last year was reported to be the hottest on record, the results of which illustrated the effect that increasingly complex and unpredictable climate change can have on physical assets[1]. Given this challenging context, ensuring those assets are resilient and able to adapt to future changes is more critical than ever.

When we reflect on the past year, it is clear that the introduction of various new reporting frameworks and regulatory requirements highlights the ever-increasing demand from stakeholders for transparency. The launch of the Taskforce on Nature-related Financial Disclosures (TNFD) framework emphasised the growing importance of assessing nature and biodiversity, amid investor concern over the deteriorating state of both. In addition, the release of the Sustainability Disclosure Requirements (SDR) was a significant step, ultimately aiming to minimise greenwashing across the investor market. For the built environment specifically, the evolution of the new UK Net Zero Carbon Buildings Standard is being closely monitored, with anticipation growing towards its launch in the coming year.

Alongside an increase in regulatory requirements, we are undoubtedly seeing greater demand from occupiers and investors for best-in-class spaces that target top Environmental, Social and Governance (ESG) credentials. Evidence of how ESG generates premiums in the real estate industry is steadily increasing, creating the business case for investing in properties in order to deliver positive environmental and social outcomes for occupiers and other stakeholders. This has been a priority for us over the last year, minimising the risk of stranded assets. In addition, the commencement of new strategies addressing a range of ESG issues, including biodiversity, climate risk and social value, emphasises our focus on taking a holistic approach to asset-level improvements that target a variety of demands.

1. https://www.bbc.co.uk/news/science-environment-67861954

The 28th United Nations Conference of the Parties (COP 28) saw the announcement of a target to triple global renewable energy generation by 2030[2], as governments were urged to move away from fossil fuels. COP 28 made it clear that global efforts towards minimising greenhouse gas emissions and increasing climate resilience must accelerate rapidly. Our commitment to transition our portfolio to net zero carbon* underpinned several critical initiatives in 2023, such as implementing an extensive building audit programme, exploring smart building technologies, and identifying opportunities to install renewable energy technologies. Collaboration with our occupiers remains key to facilitating this transition, alongside our continued engagement with industry bodies to share learnings as we work towards the same goals.

This Responsible Property Investment (RPI) Report provides an update on the progress made over 2023 in delivering against our RPI Strategy. Our new portfolio targets and associated key performance indicators (KPI) are now in place and being used to track measurable progress against our strategic framework and material RPI issues. The use of quantitative metrics to support a qualitative narrative is an impactful way of demonstrating this progress to our stakeholders, whilst creating accountability for us to continually strive for improvement and deliver positive outcomes.

Mark Evans, Head of Property

This year, embedding RPI across our team has been a key priority, highlighted by our bespoke Responsible Property Investment training day.

Harlow Hall Care Home, Aldershot

2. https://unfccc.int/cop28

*See page 6 for more details on our commitment to achieve net zero carbon.

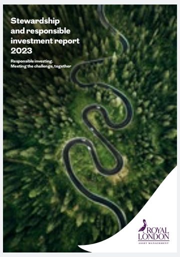
Document map

This document aims to highlight the progress made on our RPI Strategy. Helping us to achieve our strategic objectives is a suite of documents and guidance notes disclosing the standards we should be reaching for new and existing assets, as well as detailed statements of achievements against these. The map below sets out this wider suite of supporting documents.

Our reporting suite

This report forms part of our wider Responsible Investment and Property-specific reporting suite:

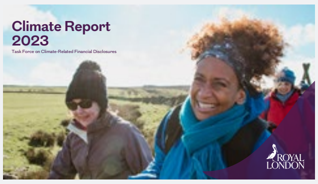
Responsible Investment



Stewardship and Responsible Investment Report 2023[1]

Our report as part of our commitment to the UK Stewardship Code

[1]These reports cover the reporting period 1st January 2023 to 31st December 2023



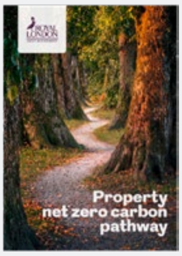
Royal London Climate Report 2023

This report in line with the Task Force on Climate-related Financial Disclosures

Royal London Asset Management Property

Responsible Property Investment Strategy 2021 to 2025

Sets out our RPI strategic framework and how we embed RPI across our portfolio

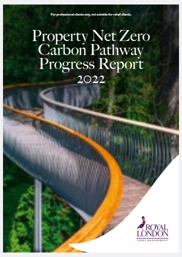


Property Net Zero Carbon Pathway 2021

Sets out our strategy to achieving net zero carbon by our target years

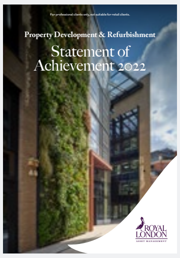
Responsible Property Investment Report 2022

Highlights our progress of delivering against our RPI strategic framework over 2022



Property Net Zero Carbon Pathway Progress Report 2022

Highlights our progress over 2022 towards achieving our net zero carbon goals



Property Development & Refurbishment Statement of Achievement 2022

Sets out our performance highlights against our New Construction and Major Refurbishment Sustainability Standards

New Construction and Major Refurbishment Sustainability Standards

Our development standards mapped against eight sustainability categories

For more information, please visit www.rlam.com/uk/institutional-investors/responsible-investment/ and https://www.rlam.com/uk/institutional-investors/our-capabilities/property/responsible-property-investment/

Renaissance, Croydon

About us

Royal London Asset Management is part of Royal London, the UK's largest life, pensions and investment mutual. We have been investing in property on behalf of Royal London for decades and are currently one of the largest UK landlords, with £8.2bn of assets under management (AUM)[3]. At the core of our property approach is our commitment to RPI, underpinned by our long-term investment approach to maximising value.

Our sustainability journey began when we developed our first environmental policy in 2007. Since inception, we have been committed to embedding RPI across the property investment lifecycle, from acquisition to development to property management. We believe that integrating ESG is vital to delivering long-term value to our stakeholders and futureproofing our property assets.

In 2021, we published our RPI Strategy. This provided our strategic framework and associated action plan up until 2025, outlining how we will address our material RPI issues and deliver against the four pillars that underpin our framework. That same year we also published our Net Zero Carbon Pathway Report that defined a detailed, seven-step pathway to net zero. We are targeting achieving net zero carbon by 2030 across our directly managed assets and developments, and 2040 across our indirectly managed assets[4]. To support this commitment, Royal London Asset Management joined the Net Zero Asset Managers Initiative (NZAM) and became a signatory to the Better Buildings Partnership (BBP) Climate Commitment.

Our commitments are based on the expectation that governments and policymakers will deliver on the commitments to achieve the goals of the Paris Agreement and that the required actions do not contravene our fiduciary duty to our members and customers.

This report provides an update on progress against our RPI framework, highlighting key initiatives, case studies and our strategic aims for next year. We intend to release a RPI Report annually to create transparency with our stakeholders, as well as reflect internally on the progress made in the previous year against our commitments.

3. Total assets as of 31st December 2023 (excludes Cash).
4. Directly managed assets are those over which Royal London Asset Management has complete operational control, greater that 50% equity share and joint ventures where they would cover the proportionate amount of emissions. Indirectly managed assets are either partially managed by Royal London Asset Management or managed wholly by the occupier. Developments are any new development or major refurbishment that comes online from 2030 onwards.

Protecting today, investing in tomorrow. Together we are mutually responsible.

Our funds

Royal London UK Real Estate Fund (RLUKREF)

Launched in October 2017, RLUKREF is a Balanced, Core Plus open-ended fund. As of December 2023, it held 68 assets predominantly within the office, retail and industrial sectors plus some leisure and hotel assets, supporting over 650 tenants, with total AUM of £2.9bn.

Royal London Property Fund (RLPF)

Launched in 1999, RLPF is an open-ended investment company managing Royal London Group funds. As of December 2023, the fund held 27 assets, supporting over 140 tenants, with total AUM of £338m.

Statements made in this document about Royal London Asset Management's corporate ambitions across its property funds do not guarantee any of these funds will try to meet that objective individually. If you are seeking a particular 'green' outcome, always remember to check the fund objectives to ensure it will meet your needs.

RLPPF

Managed by Royal London since 2001, RLPPF is a life and pensions insurance fund with 132 investments in commercial property across industrial, office, retail, leisure developments and others, supporting over 1,300 tenants, with total AUM of £4.6bn.

2024: published the second iterations of our RPI Report and Net Zero Carbon Pathway Progress Report

ESG journey to date

2007

Implemented Property's first Environmental Policy

2008

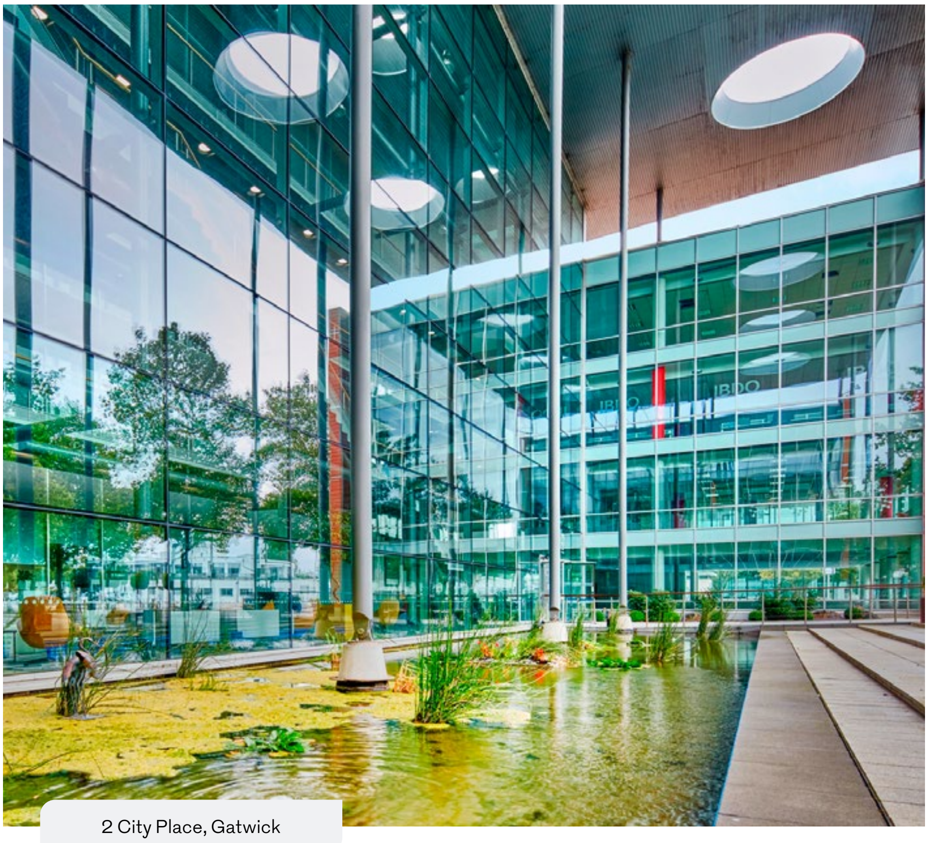
Became a signatory to the United Nations Principles of Responsible Investment (UN PRI)

2015

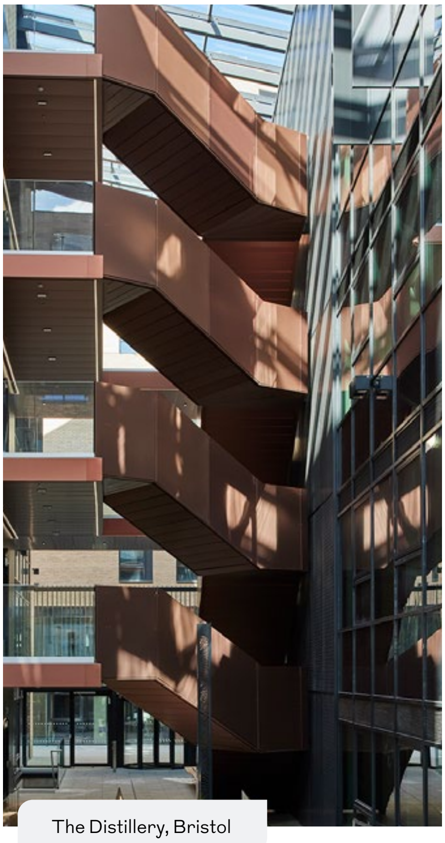
Implemented an ISO14001-aligned Environmental Management System (EMS); updated annually with environmental objectives and targets

2018

Creation of the New Construction and Major Refurbishment Sustainability Standards; updated annually



2 City Place, Gatwick



The Distillery, Bristol

2020

Royal London Asset Management reported in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

2021

- Launched our RPI Strategy
- Developed our first Property Net Zero Carbon Pathway, as part of our pledge to the BBP Climate Commitment
- Signed up to NZAM, part of the UN-convened Race to Zero

2023

Published our first RPI Report (2022) and Net Zero Carbon Pathway Progress Report (2022)

2024

Published the second iterations of our RPI Report (2023) and Net Zero Carbon Pathway Progress Report (2023)

RPI Strategic 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

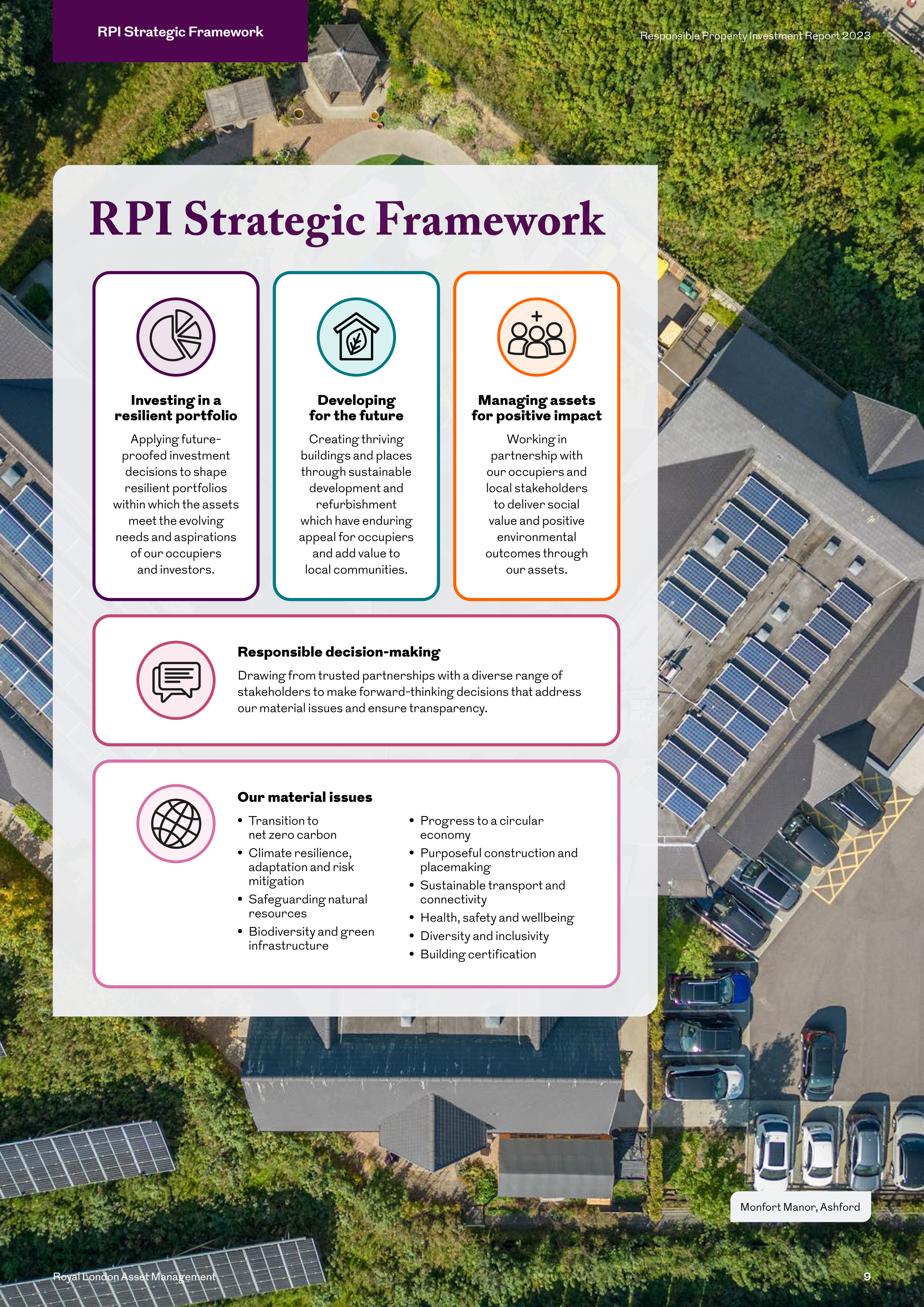
Working in partnership with our occupiers and local stakeholders to deliver social value and positive environmental outcomes through our assets.

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



Monfort Manor, Ashford

Our 2023 highlights

22
Completed net zero carbon audits across our multi-let offices

58
biodiversity initiatives undertaken across our managed portfolio*

44%
utility data coverage across the portfolio, +2% from last year+

41%
reduction in Scope 1, 2 and 3 emissions compared to our Net Zero Carbon Pathway baseline year (2019)‡

Implemented a Building Management System optimisation technology across nine offices

Signed our first Power Purchase Agreement with an occupier

290
Completed Energy Performance Certificate Building Upgrade Reports

Held an all-day Property team RPI Training Day

BREEAM®

18% of our portfolio certified to BREEAM[+]

GRESB® REAL ESTATE

Standing Investments: 4-star rating for RLUKREF and 3-star ratings for RLPPF and RLPF
Development: 4-star ratings for RLUKREF and RLPPF

PRI Principles for Responsible Investment

96% score for property compared to industry median score of 64%

CERTIFIED ISO 14001 UKAS MANAGEMENT SYSTEMS 0001

Continued to maintain ISO 14001 accreditations across all buildings within our Environmental Management System[Δ]

GREEN APPLE ENVIRONMENT AWARDS

Received 24 Green Apple Awards

+ By floor area
‡ Absolute changes
* As of September 2023
Δ In place since 2015

RPI objectives and portfolio targets

During 2022, we developed a set of RPI portfolio targets to address the material topics identified in our RPI Strategy, accompanied by a set of KPIs. This year will mark the first reporting of these KPIs which will be measured annually and tracked internally to monitor progress. They will be used as a means of engagement internally as well as externally with stakeholders, including our property managers and occupiers, to drive improvements across the portfolio.

RPI objectives and portfolio targets

Climate resilience, adaptation & risk mitigation

Operational

Explore forward-looking climate risk assessments and commence across all assets from 2024

Development

Commence forward-looking climate risk assessment at design stage and integrate adaptation solutions within the design on all new build and major refurbishment projects from 2024

Building certification

Operational

Aim to align with UKGBC NABERS UK Energy for offices with 5-star rating for all directly managed offices by 2030

Aim to have 25% of the total portfolio[5] certified to BREEAM In Use by 2030

Development

Undertake UK NABERS Design for Performance (DfP) certification and aim to achieve a NABERS 5-star rating from 2023 across all office new build and major refurbishment projects[6]

Target BREEAM Excellent and develop a pathway to achieving BREEAM Outstanding across all new build and major refurbishment projects

Sustainable transport and connectivity

Operational

Explore options for improving sustainable transport options across our industrial assets and retail parks

Development

Aim to meet local planning requirements for the proportion of vehicle spaces that are designated to electric modes of transport across all new build and major refurbishment projects

Material issues | Operational/development | Targets

5. By Net Lettable Area (NLA).

6. Applicable for projects over 2,500 sqm.

Transition to net zero carbon

Operational

Target net zero carbon across our directly managed property assets and developments by 2030[7]

Target net zero carbon across our indirectly managed property assets by 2040[8]

Generate up to 9.5 GWh (equivalent of 11.2 MW of capacity) of renewable energy onsite per year by 2040

Development

Aim to achieve a reduction in embodied carbon (A1-A5)[9] across all new build and major refurbishment projects in line with our New Construction and Major Refurbishment Sustainability Standards

Purposeful construction and place-making

Operational

Develop a Social Value Framework to begin implementation in 2024

Development

Aim to support a minimum of two apprenticeships or work experience students during construction, and one site visit for local schools/residents across all new build and major refurbishment projects

Health, safety and well-being

Operational

Aim for zero reportable health and safety incidents across the managed portfolio

Development

Aim for zero reportable health and safety incidents on construction sites across all new build, major and minor refurbishment projects

Progress to circular economy

Operational

Target a minimum 60% recycling rate across our managed portfolio by 2030

Development

Aim for 30% of materials by value to be derived from recycled/reused content by 2030 across all new build and major refurbishment projects

Safeguarding natural resources

Operational

Target a 30% reduction in Energy Use Intensity (EUI) across our directly managed portfolio by 2030, against a 2019 baseline

Aim to align with UKGBC Paris-proof Energy Use Intensity target of 70 kWh/m2 by 2030 across our directly managed offices

Development

Target the UKGBC Paris-proof Energy Use Intensity target across all office new build and major refurbishment projects of 90 kWh/m^2 by 2025, and 70 kWh/m^2 by 2030[10]

Aim to incorporate water efficiency measures and/or water recycling to reduce mains use by 40% compared to the BREEAM baseline across all new build and major refurbishment projects[11]

Biodiversity and green infrastructure

Operational

Develop a biodiversity baseline and produce a Biodiversity Strategy in 2023

Development

Exceed 10% Biodiversity Net Gain on all new developments and major refurbishments

Material issues | Operational/development | Targets

7. Directly managed property assets are those over which Royal London Asset Management has complete operational control, greater than 50% equity share, and joint ventures where they would cover the proportionate amount of emissions. Developments are any new development or major refurbishment that comes online from 2030 onwards.
8. Indirectly managed property assets are either partially managed by Royal London Asset Management or managed wholly by the occupier.
9. Within the whole life carbon assessment, life cycle stages A1-A5 cover the embodied carbon to practical completion of a building, comprising the product and construction stages. Source: Whole life carbon assessment for the built environment, Royal Institute of Chartered Surveyors (RICS), 1st edition, November 2017
10. Through undertaking operational energy modelling using CIBSE TM54 methodology. This target also applies to offices designed from either 2025 or 2030.
11. This excludes residential projects.

Pillar One: 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.

Performance highlights

Commenced new portfolio-wide flood risk assessments

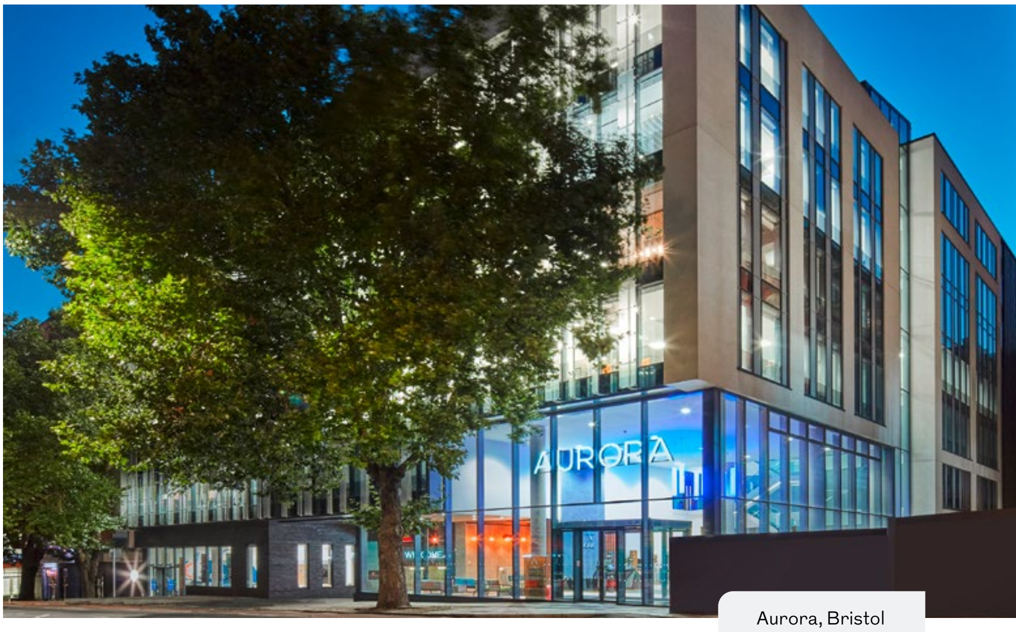
90% of our portfolio has an active EPC rating

Signed our first Power Purchase Agreement (PPA) with an occupier

290 EPC Building Upgrade Reports undertaken

Over the last year, we have continued to focus on building resilience within our portfolio. When making investment decisions, we recognise the fundamental importance of considering the evolving needs of our occupiers and investors, while also factoring in climate change and the ever-shifting regulatory landscape. The intrinsic link between embedding RPI practices and the value of assets is becoming clearer and more widely recognised throughout the industry. This increases the need to make future-proof investment decisions across all aspects of the property lifecycle that look at the long-term, whilst still considering any short-term challenges and opportunities.

Our efforts to embed climate resilience across our assets came against a backdrop of increasingly frequent and complex impacts from climate change, with more operational disruptions occurring as a result. These observations, combined with the overarching aim of increased returns for clients, have prompted us to undertake asset-level assessments against climate change scenarios. These have highlighted not only potential risks, but also opportunities for adapting to and mitigating against climate change. Along with physical risk, measures to minimise transitional risks across our portfolio continued last year. Efforts have focused on ensuring compliance with Minimum Energy Efficiency Standard (MEES) regulations that came into effect in April 2023, as well as working towards a potential update of these regulations that would require an Energy Performance Certificate (EPC) B rating by 2030.



Aurora, Bristol

Ashford Designer Outlet, Ashford

Progress to date

Energy Performance Certificate (EPC) Programme

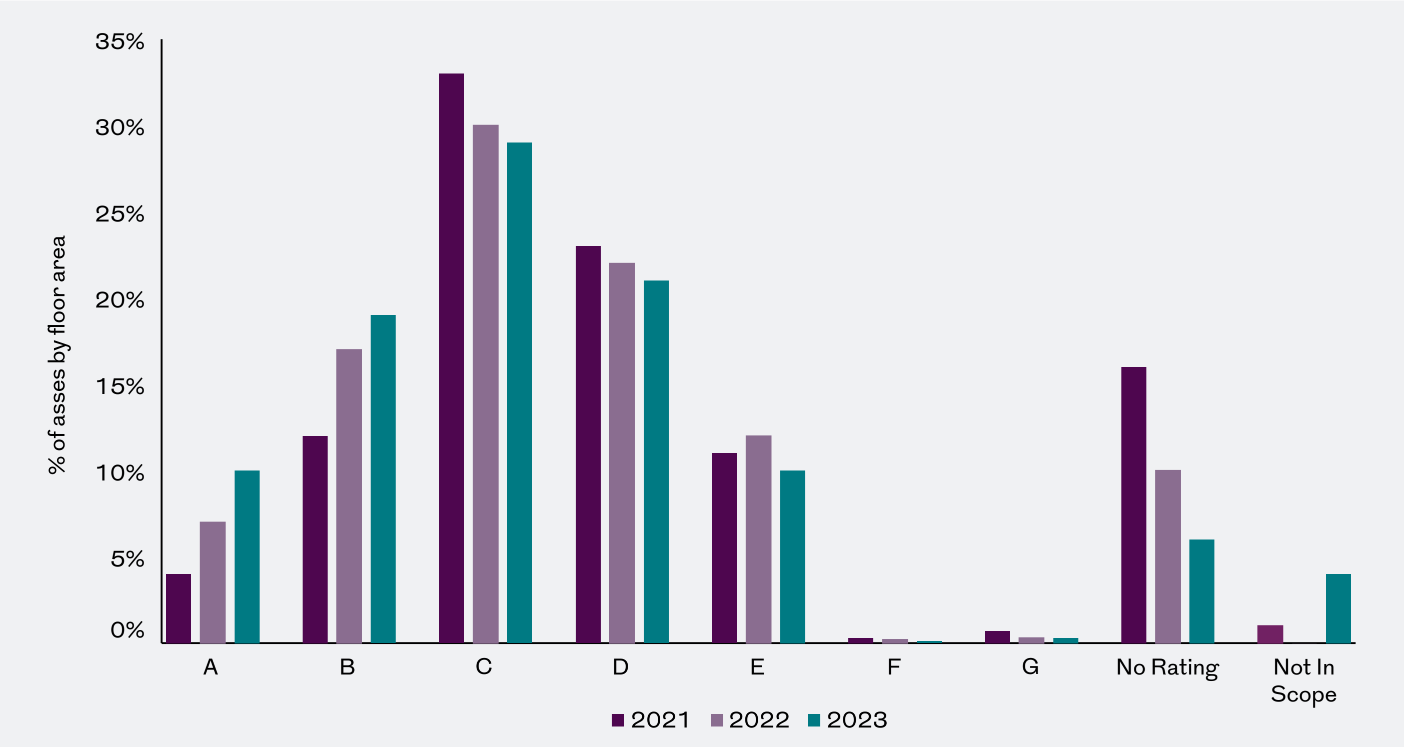
Since 2022, we have been implementing an enhanced EPC programme across our portfolio. With future MEES standards expected to require commercial property to achieve a minimum EPC B rating by 2030, the aim of this programme is to minimise our assets' transition risk and build resilience across the portfolio. In 2023, we continued to aim for EPC A ratings on new build development projects and EPC B ratings for refurbishment projects. We fulfilled this target when Springfield Business Park in Chelmsford, our sole completed development project of the year, received an EPC A rating.

Addressing assets with no EPCs, or EPCs that were close to expiring, was also a priority during 2023. Since 2021, we have increased our proportion of assets with an EPC A and B rating by 14%, reaching 30% across our portfolio, while 90% of assets now have an active EPC rating. The number of assets with an EPC F or G rating has reduced year-on-year since 2021 too, going from 1% of assets in 2021 to 0.4% of assets in 2023.

Furthermore, we have been undertaking EPC Improvement Cost Assessments to provide a Building Upgrade Report on any asset with a rating below B. These provide recommendations to raise the EPC rating up to a minimum of a B, along with an indication of the capital expenditure and payback period. Since the start of the programme, we have produced 290 EPC Building Upgrade Reports. Where these assessments have been undertaken, the recommendations are transferred into our Asset Business Plans, giving each asset manager the responsibility to implement them and provide the detail with which to engage our occupiers.

The past year has seen continued efforts to ensure asset managers follow our EPC procedure, with regular updates at team meetings and discussions in the quarterly ESG action plan meetings across the sectors. Additionally, we have set up an EPC Working Group involving the RPI team and a sector specialist across the office, industrial and retail teams. The group enables the RPI team to provide updates on overall programme delivery, discuss and address concerns pertinent to the different sectors, and further ensure EPCs are being approached consistently and undertaken correctly. The creation of this working group has also enabled us to further embed RPI practices across the Property team.

EPC Key Progress



*as of September 2023.

Case study: 15 Rathbone Place, London

Obtaining improved EPC ratings

In 2015, the 22,129 sq. ft. office asset at 15-18 Rathbone Place underwent a retained façade development involving enhancements to the building fabric and installation of new glazing. An EPC B rating was awarded at the time.

During 2023, as part of our portfolio-wide programme, a new EPC assessment was undertaken to determine if we could improve this asset's score and rating. This was particularly relevant to Rathbone Place, as occupiers in the offices market are increasingly seeking higher EPC ratings when selecting premises. Following a re-assessment, the asset's EPC rating improved to an A – a significant achievement. This higher rating serves to minimise the asset's transition risk, with government regulations on EPCs expected to become more stringent for landlords. Rathbone Place's refurbishment had reconfigured the asset to operate entirely on electricity, utilising high-efficiency heat pumps and Mechanical Ventilation with Heat Recovery (MVHR) systems. The EPC assessment methodology was updated in June 2022, providing more favourable ratings for properties that operate using electricity rather than gas. The design and reconfiguration of Rathbone Place was therefore critical to the uplift in its EPC rating.

15 Rathbone Place, London

Flood Risk Assessments

Understanding the flood risk profile of our assets is critical to ensuring we have a resilient portfolio and that we are able to make well-informed investment decisions. We undertake regular assessments of our properties to make sure we are monitoring those most at risk from flooding and implementing mitigation measures where necessary. New acquisitions must undergo a flood risk assessment as part of our Sustainable Acquisition Checklist, with further assessments required if the property is within Flood Zone 2 or 3 to reflect mitigation options, capital expenditure and related timescales in the Asset Business Plan.

New flood risk assessments were undertaken across all properties in 2023. These assessments provided an overall flood risk score for each property, and against each flood source, including pluvial (surface water), fluvial (rivers and coastal) and groundwater, ranging from 'Negligible Risk' to 'Very High Risk'. Each property is scored on current day level of risk and a future risk based on climate change projections (specifically Representative Concentration Pathway (RCP) 8.5, the most extreme RCP scenario) to understand the 'worse-case scenario'. With the impacts of flooding expected to increase, we recognised the importance of understanding how the flood risk profile of our assets could be altered by climate change.

All flood risk assessments, if required, recommend mitigation measures to minimise flood risk, along with estimated costs. Additionally, they provide indicative flood cost for property and contents damage based upon the depth and frequency of internal flooding at each site. The findings from these flood risk assessments are recorded in our Asset Business Plans, providing a reference for the asset manager to work to.

We have determined assets requiring further assessments by setting a threshold risk score across both present-day and future flood risk. These further assessments will be absolutely critical to informing our investment decisions and fund strategies, particularly potential divestments, in order to reduce the physical risks our assets face and build resilience into our portfolio.

Climate Change Risk Assessments

Assessing the risk to our assets from climate change is a priority, with stakeholders increasingly citing it as a key consideration. Climate resilience, adaptation and mitigation constitute one of our material RPI issues, reflecting the relevance of it for Property. We recognise that flooding is only one physical climate risk. A 2022 assessment of our climate-related risks and opportunities further identified extreme weather as a material physical risk, with such impacts as damage to standing assets as well as disruption to construction activities.

2 City Place, Gatwick

With this in mind, we are commencing climate change risk assessments across our portfolio. The first stage of this programme is to develop customised request for information (RFI) templates that will consider our eight building typologies and potential climate risks. We will then pilot these RFI templates across eight properties, working to create a bespoke approach to our climate risk assessments. Although there are some similarities in building types within sectors, each property is unique and there are many factors that vary asset by asset that could influence the degree of climate risk. These include the building's orientation, amount of glazing, proximity to flood sources, and onsite environmental features. It is therefore essential that we undertake an assessment of every property, with this programme set to commence during 2024.

We have also introduced the requirement to undertake a climate change risk assessment within our updated New Construction and Major Refurbishment Sustainability Standards (2024). We have developed a methodology for these assessments that ensures consistency across each project, including the climate projections to be assessed against and the physical climatic impacts to review. A risk tracker will be created, enabling project teams to disclose the medium- and long-term risk issues for the project, as well as identify appropriate mitigation measures to be undertaken during the design and following practical completion if risks are still apparent. The addition of this target will ensure we are developing future-proof assets with resilience at the forefront of the design.

Case study: Pasadena Distribution Centre, Hayes

Installing onsite renewables to create a financial opportunity

In 2023, the 72,000 sq. ft. industrial and logistics facility, Pasadena Distribution Centre, underwent a significant refurbishment. ESG measures were heavily integrated into the design, including the installation of LED lighting, 10 electric vehicle charging points and a 220 kWp solar photovoltaic (PV) system comprising 544 PV modules. These design features enabled the property to achieve an EPC A+ rating, the highest rating possible. Pasadena Distribution Centre has been let on a long-term lease to Panalux, who cited the property's ESG credentials as a key driver behind their decision, in keeping with their own sustainability strategy. The solar PV has also created the opportunity to enter into Royal London Asset Management's first PPA with Panalux, generating a financial return. We have agreed a 15-year contract at a rate of 20p/kWh (subject to indexation), cheaper than the current energy market rate, creating an appealing offer for the occupier. This is a significant milestone for us, demonstrating how investing in ESG can both attract occupiers and create financial benefits.

Mark Furssedonn, Managing Director of Panalux, commented, "After an extensive search, it was clear that this location ticks all the boxes for our operations and our customers while aligning with our focus on sustainable practices. The site is conveniently positioned within west London's motion-picture production corridor, and it provides the space to house our complete London operations at a single location, with room to grow moving forward."

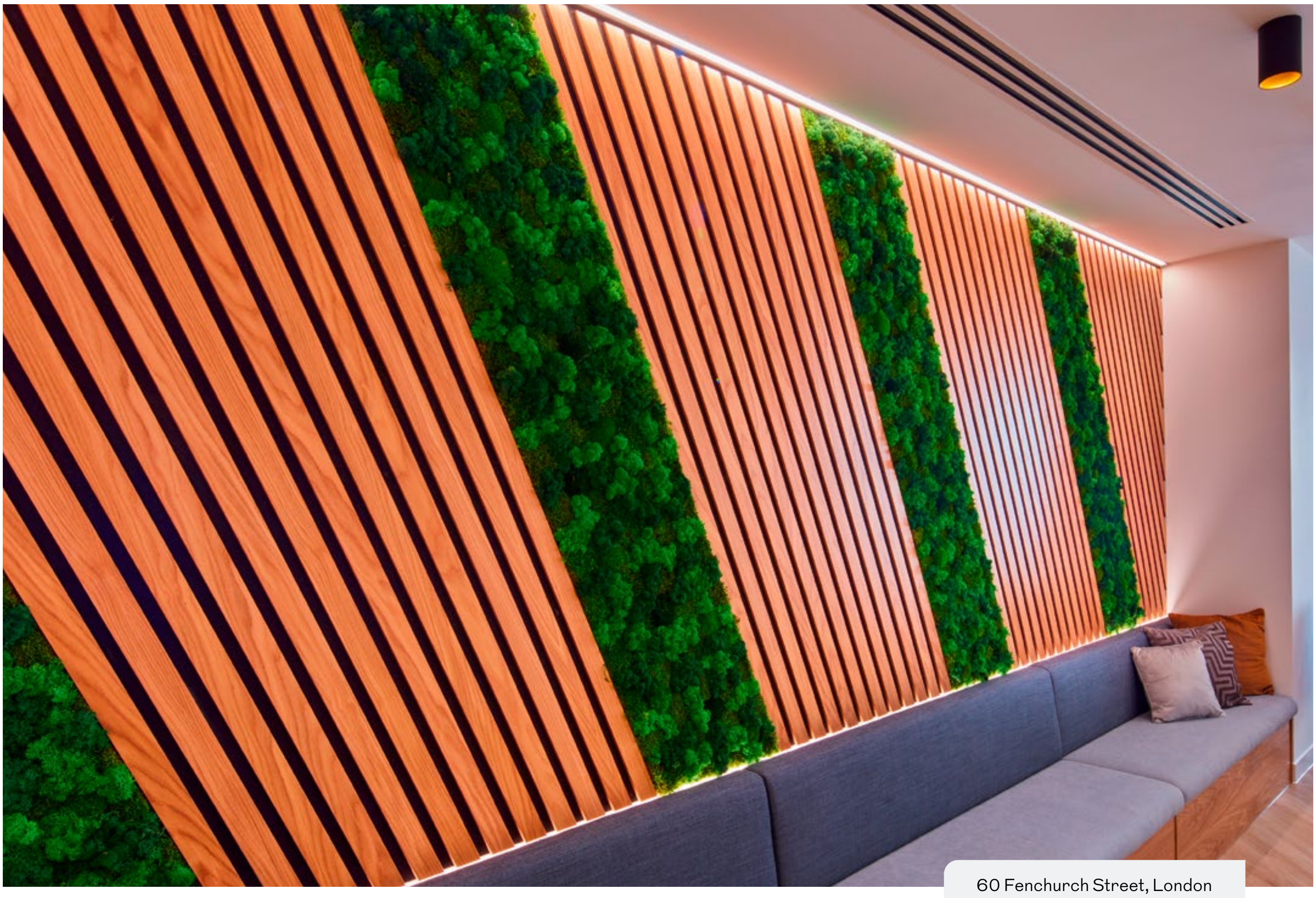
Pasadena Distribution Centre, Hayes

Looking forward

The acceleration of the sustainability agenda will continue to be a focal point for us. Evolving stakeholder expectations, along with increases in both the volume and stringency of regulatory requirements, highlight the need for organisations to ensure portfolios are resilient to climate change and to reduce their impact on the environment. Regulations that will retain our focus include advances in the UK Government's Transition Plan Taskforce (TPT) disclosure, and the development of the European Union's (EU) Taxonomy – specifically the Principle Adverse Impacts (PAI).

With the eagerly anticipated update to the BBP Acquisition Toolkit in 2024, we are also aiming to update our Sustainable Acquisition Checklist first created in 2022. It is vital that we continue reviewing this checklist regularly, responding to changing regulations and priorities across the real estate industry. Part of this will involve exploring the various climate risk rating tools available in the market for use on acquisitions. We will also focus on improving its usability and format. This will enable asset managers to complete it more efficiently, as well as facilitate the transfer of collected data from the checklist to our internal databases that can track each asset's ESG credentials. Additionally, we will seek to investigate the use of quantitative climate-related scenario analysis as part of the due diligence process for potential purchases. As long-term investors, climate risk is a critical consideration for any new transaction; the need to incorporate it into the acquisition process is clear.

With an increasing demand from occupiers to install solar PV panels on our buildings, we are seeking to establish a solar PV specification that occupiers must adhere to. This will ensure best practice across the design, installation and maintenance of PV systems, and will cover multiple areas including design guidance on key system components, fire safety requirements and roof condition considerations. The specification will also ensure consistency for landlord-led PV installations, which can vary in approach due to the range of project teams being used across the portfolio.



60 Fenchurch Street, London

Pillar Two: 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.

Performance highlights

One new build achieved an EPC A rating and is targeting BREEAM Excellent[12]

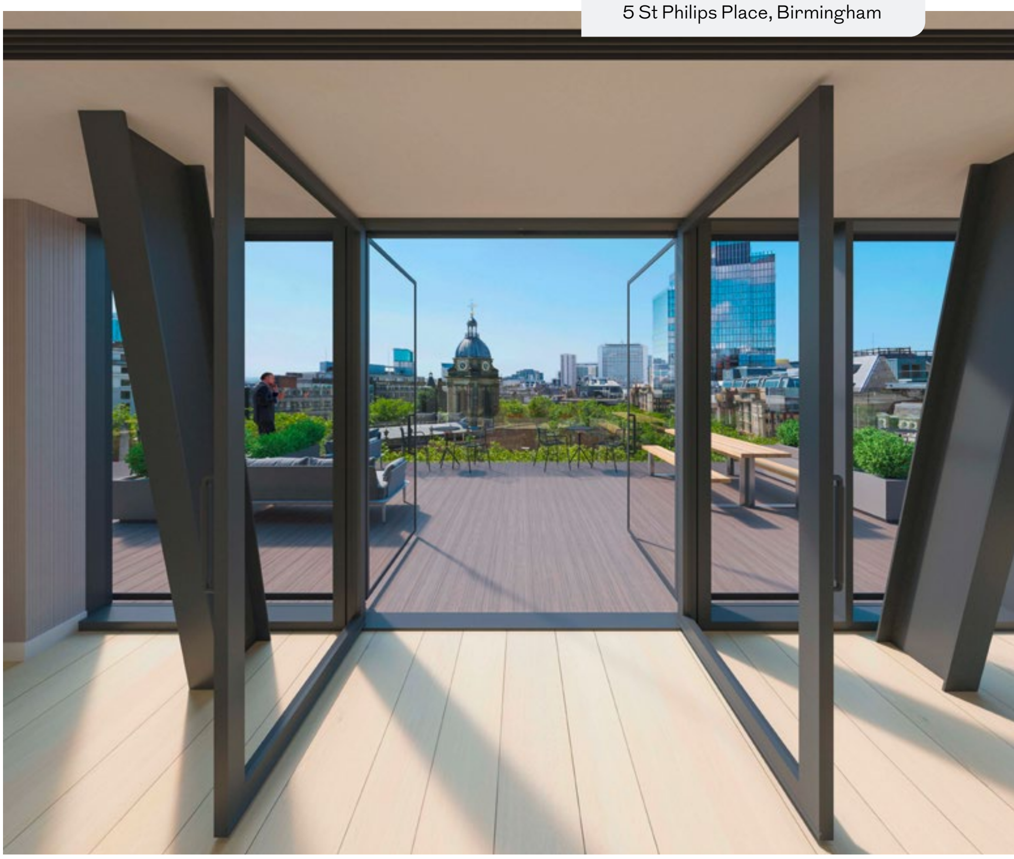
First embodied carbon assessment undertaken for a healthcare asset

New Construction and Major Refurbishment Sustainability Standards updated to encourage the measurement of whole life carbon

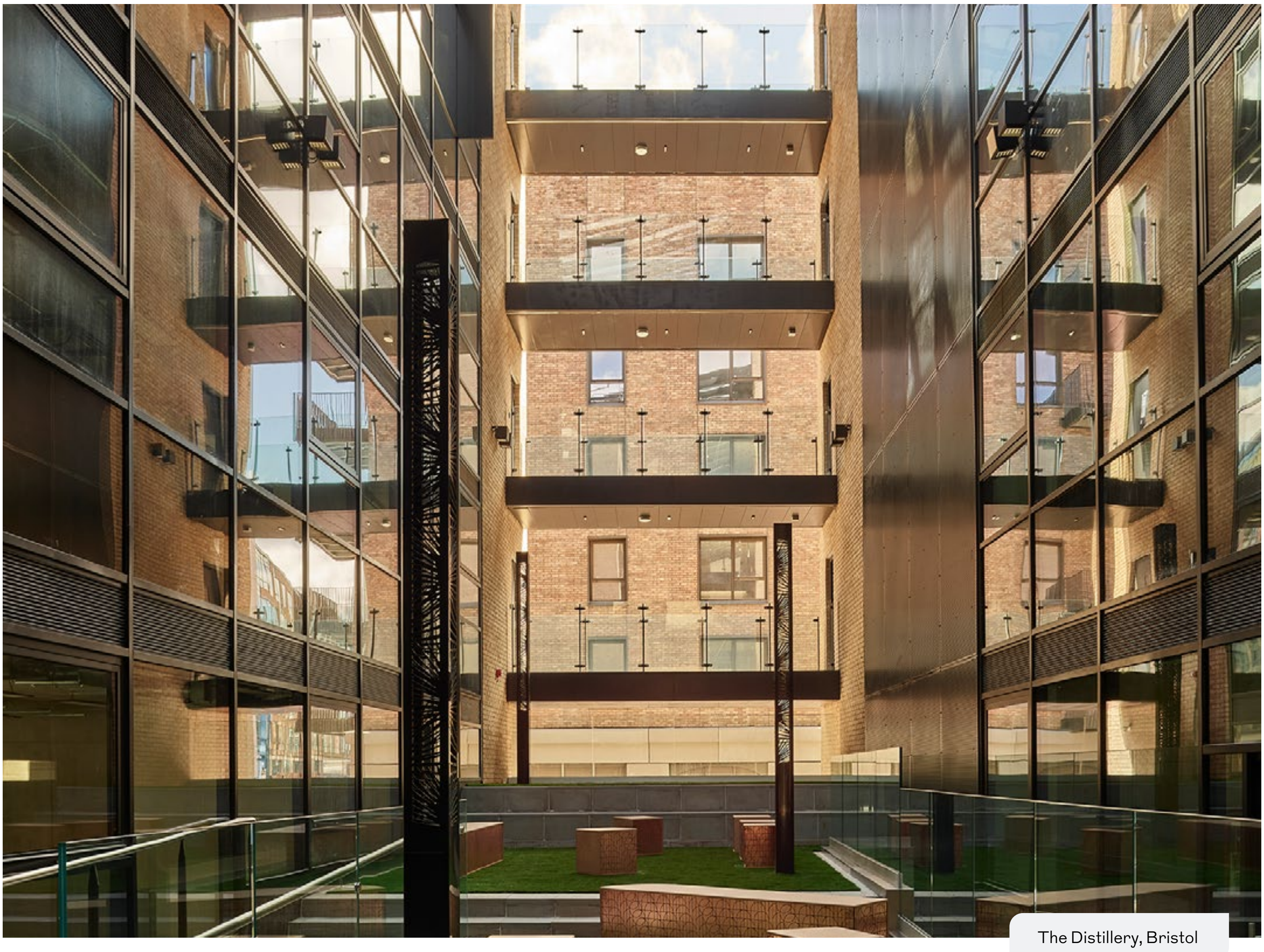
Began developing bespoke residential sustainability standards

As a long-term property holder, we are committed to delivering high-quality developments that attract and retain occupiers while creating positive social and environmental impacts, both within the asset itself and across the wider community. We want to create buildings that reflect exceptional ESG standards and establish thriving spaces for their occupants. The continued evolution of our New Construction and Major Refurbishment Sustainability Standards helps ensure we are always targeting the highest sustainability credentials, reflecting Royal London Asset Management's priorities as well as industry practices and regulatory requirements. Across our property portfolio, we currently have 68 developments being worked on at various life cycle stages, including The Earnshaw and Holborn Viaduct in London, Test Lane in Southampton, and 5 St Phillips Place in Birmingham.

5 St Philips Place, Birmingham



12. As of December 2023.



The Distillery, Bristol

Progress to date

New Construction and Major Refurbishment Sustainability Standards

We review our New Construction and Major Refurbishment Sustainability Standards (hereafter 'Development Sustainability Standards') on an annual basis to confirm they align with best practice. These reviews also ensure our standards reflect upcoming and new regulations as well as the evolution of our RPI Strategy, including new portfolio targets. The standards are grouped into nine material sustainability categories: Energy and Greenhouse Gas (GHG) Emissions; Materials & Supply Chain; Waste; Water; Climate Resilience & Adaptation; Biodiversity & Habitat; Health, Safety & Wellbeing; Social Value; and Building Certifications.

The implementation of our standards during 2023 included more operational energy performance targets across various sectors, aligned with the UKGBC Net Zero Carbon pathway. Setting Energy Use Intensity (EUI) targets across more sectors is key to our delivery of best-in-class developments, particularly when we are focusing on portfolio diversification and the potential expansion into other sectors, such as Life Sciences and Residential. Furthermore, the standards introduced a specific target around refrigerants, setting a leak detection requirement and a maximum limit on a refrigerant's Global Warming Potential (GWP). This is crucial in futureproofing our assets to upcoming standards, specifically the UK Net Zero Carbon Buildings Standard, which revealed a proposed GWP limit for refrigerants as part of its Technical Consultation in July 2023.

Several other targets were updated due to regulatory shifts. The most notable is the upcoming change in the Environment Act 2021, requiring developments to deliver a Biodiversity Net Gain (BNG) of at least 10%. In response, our Development Sustainability Standards target a minimum 10% BNG, reflecting our proactive approach to upcoming legislation. In addition, our energy targets were updated to reflect changes to Part L of the Building Regulations that were implemented during 2022. We will remain vigilant to the ever-changing regulatory landscape and ensure our standards continue to reflect such updates.

Sustainable Development Brief and Sustainable Asset Management Brief for healthcare

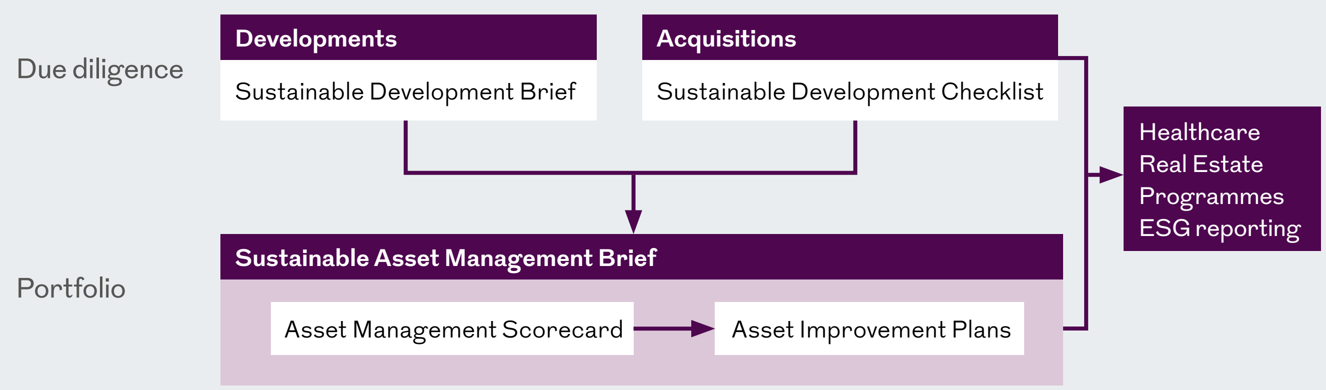
Following the launch of our healthcare strategy in 2022, we have invested in 15 healthcare assets, of which 13 are standing assets and two are ongoing developments. Over the last year, we have continued to apply our Sustainable Development Brief (SDB) to all new healthcare developments. Additionally, we have created another tool to be used across healthcare: the Sustainable Asset Management Brief (SAMB). Its purpose is to outline our strategy when acquiring standing healthcare assets, as well as our approach to the ongoing reporting of all operational assets and their continuous improvement plans. Both documents form a critical part of our due diligence process.

During 2023, we undertook a review of the SDB. Regular reviews are vital to ensure the SDB reflects best practice industry guidance and to demonstrate our commitment to being a leader in healthcare. Following the review, we have updated one of our three sustainability objectives from 'Community' to 'Social Value' to align better with our portfolio targets and our ongoing development of a Social Value Strategy. This objective sits alongside 'Net Zero Carbon' and 'Health & Wellbeing', which have remained key priorities. All objectives are mapped against the United Nations Sustainable Development Goals (SDGs), placing them in a greater context.

Furthermore, we have undertaken a review of the KPIs set out in both the SDB and the SAMB against the EU Sustainable Finance Disclosures Regulation (SFDR) and the EU Taxonomy. Whilst we have no legal requirement to comply, we recognise that the criteria to ensure compliance with both regulations provides a best-practice approach to disclosing how sustainability is being embedded across assets. Across both documents, this has resulted is an updated set of KPIs across our three sustainability objectives that are split into 'Mandatory Indicators' and 'Optimisation Indicators'. Each indicator has a minimum requirement and an aspirational requirement level of performance, which development and asset management teams are encouraged to pursue.

Across both the SDB and the SAMB, reporting against each indicator is critical. This ensures transparency and accountability, whilst enabling informed decision-making across both our developments as well as our sustainable asset management efforts. Under the SAMB, all assets must also be assessed annually, with Asset Improvement Plans created where required. These will ensure assets meet their targets by setting out recommendations aligned to existing asset management cycles, capital expenditure and delivery timescales. Furthermore, indicators set out in the SAMB will be tracked and reported using Asset Management Scorecards, offering a holistic view of the asset's performance.

Healthcare sustainability framework



The Earnshaw, London

Expansion into UK Living

Royal London Asset Management is expanding its investment horizons into the UK Living sector. We are aiming to invest in UK Living real estate in a sustainable manner, aligning to Royal London's Purpose and reflecting our mutual mindset by focusing on needs and affordability. Our desire to develop new housing for rent has created the need for sustainability standards bespoke to the residential sector, with variations in priorities and regulation for residential compared with the commercial sector.

During 2023, we began the process of developing bespoke residential standards by first undertaking a review of our existing Development Sustainability Standards. This exercise created a shortlist of targets to keep, remove or add. A key framework applied during this process was the Home Quality Mark (HQM), a certification scheme for new homes based on design, construction and sustainability. Embedding HQM principles within our standards would ensure we adequately cover various ESG factors, whilst offering the best opportunity to achieve high HQM ratings on future developments. Additionally, a peer review was undertaken to highlight HQM's priorities for residential developments and cross-reference against our own standards.

Our aim for 2024 is to finalise our Development Sustainability Standards for residential, determining a set of both primary and secondary targets. We will also seek to create a robust governance structure for the implementation, delivery and reporting against these standards, ensuring all stakeholders are involved, with the ultimate aim of delivering homes with strong ESG credentials.

Case study: Springfield Business Park, Chelmsford

Development Sustainability Standards in action

In March 2023, we completed on the development of two industrial units at Springfield Business Park in Chelmsford, totalling 35,871 sq. ft. The development has provided high-quality units boasting strong ESG credentials, with reduced energy use and carbon emissions integrated into the design. Springfield Business Park achieved an embodied carbon figure of 409 kgCO_2e/m^2, bettering our target of 600 kgCO_2e/m^2 for industrial buildings. This is a significant achievement and a testament to our focus on reducing embodied carbon emissions. To maximise the building's operational efficiency, air-source heat pumps (ASHP) and rooftop solar PV panels were installed, alongside passive design measures. The EUI of the building is estimated to be 42.74 kWh/m^2/year, achieving a figure below the Royal London Asset Management target of 60 kWh/m^2/year for industrial assets.

Working towards the principles of a circular economy was also a key focus, with the development diverting 96% of waste from landfill, above our target of 95%. Furthermore, the park achieved a reduction in mains water use of more than 50% through incorporating water efficiency measures, exceeding our target of 40%.

By embedding ESG within the design, the development has achieved an EPC rating of A and is targeting BREEAM Excellent. The combination of the development's strong ESG credentials and its position within an undersupplied local market create a strong marketing angle for this new space.

Springfield Business Park, Chelmsford

Looking forward

For 2024, we will seek to publish our updated Development Sustainability Standards. The updated standards will reflect industry shifts, regulatory requirements and our RPI strategic focal points. These will be applied to any new build or major refurbishment commencing from 2024. An overarching aim is to streamline these standards significantly, reflecting our top priorities and allowing for a more focused review by our design teams, while making it easier to track project progress. We are confident that any target removed will continue to be addressed, either through the requirements of other targets or through our methodology documents, such as our Approach to Net Zero document and our Circular Economy Brief. The review will also cover our sub-£3 million Development Sustainability Standards tracker, which is used by our external project managers.

Along with continuing to calculate upfront embodied carbon, the new standards will seek to encourage the reporting of whole life carbon (A-C, excluding B6 & B7)[13]. We recognise a growing trend in the industry towards calculating whole life carbon, including among local planning authorities, and there is some expectation that the new UK Net Zero Carbon Buildings Standard may introduce targets for different typologies. We will seek to calculate this across projects from next year, with the long-term aim of setting targets similar in approach to our upfront embodied carbon benchmarks.

Embedding net zero carbon into the design of our new build and major refurbishment projects remains a priority for us. The reduction of fossil fuel use in buildings is vital to achieving net zero carbon. Our 2024 Development Sustainability Standards will introduce a new target that restricts the use of fossil fuels for heating, hot water and cooking. We recognise that this target presents challenges to some sectors, specifically food and beverage occupiers across retail. Therefore, if fossil fuels are essential to a development, it will still be required to outline a clear trajectory detailing how and when fossil fuels will be phased out. As well as creating accountability across our development projects, this target highlights a significant step towards achieving our net zero carbon goals – one that we will seek to review and refine in future.

During 2024, we will be closely watching the development of the UK Net Zero Carbon Buildings Standard, as this will directly influence our evolving Development Sustainability Standards along with our accompanying guidance – specifically the Approach to Net Zero document. In addition, the anticipated release of BREEAM Version 7 in 2024 will necessitate a review of our BREEAM Alignment Document, ensuring our guidance documents remain current.

Statesman House, Maidenhead

13. Within the whole life carbon assessment, life cycle stages A1-A5 cover the embodied carbon to practical completion of a building, comprising the product and construction stages. [Source: Whole life carbon assessment for the built environment, Royal Institute of Chartered Surveyors (RICS), 1st edition, November 2017]

Pillar Three: 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.

Performance highlights

Implemented a Building Management System (BMS) optimisation technology across nine multi-let offices

Utility data coverage has extended to 44% of our total portfolio

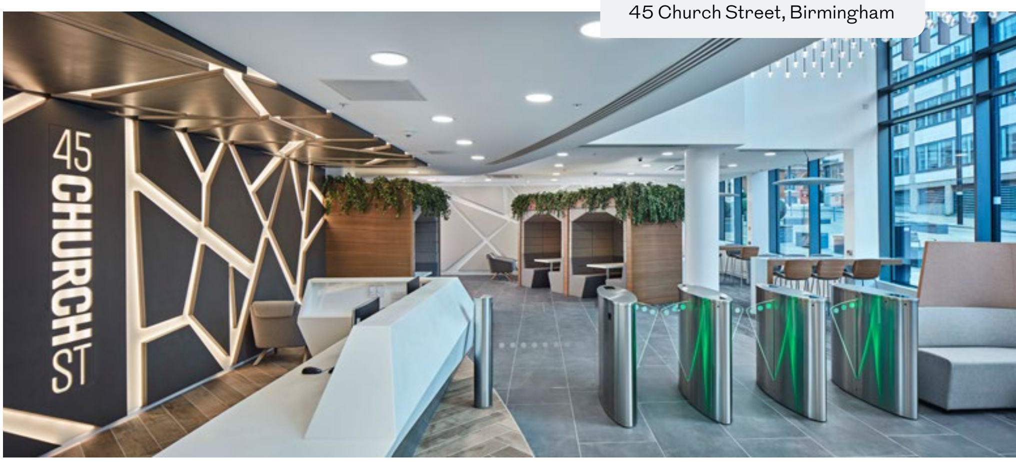
58 biodiversity-related initiatives completed[14]

Completed net zero carbon audits across 22 multi-let offices, with a further 12 underway

Last year we continued to implement a range of programmes that have the ultimate objective of delivering positive environmental and social outcomes to our stakeholders. The commencement of two new strategies, Social Value and Biodiversity, represents a significant achievement, with the aim of creating flexible frameworks applied across all assets to deliver positive outcomes. Occupier engagement remained a central focus and was a key factor behind an increase in occupier utility data coverage to 44% of our whole portfolio. This data will inform strategies and develop initiatives across our assets, improving their performance and delivering benefits to our occupiers.

We achieved completion of our ESG database during 2023, storing asset-level ESG performance data for our managed properties within the portfolio. Using a scoring matrix against each ESG criterion, our asset managers have been able to identify the leaders and the laggards across their property assets, enabling them to set asset-level targets that will improve the property's ESG credentials. These targets cover a range of ESG initiatives, including biodiversity, sustainability certifications and onsite renewables, exemplifying the holistic approach we take to improving an asset's performance.

In addition, we have successfully implemented a Building Management System (BMS) optimisation software, Hank, across nine multi-let offices. Hank is an artificial intelligence (AI) software that optimises the heating, ventilation and air conditioning (HVAC) equipment within a building, with the ultimate aim of reducing unnecessary energy consumption. Its implementation at our office asset, 45 Church Street in Birmingham, has resulted in significant energy and carbon savings, benefiting both Royal London Asset Management as well as the occupier.



45 Church Street, Birmingham

14. As of September 2023.

Aurora, Bristol

Progress to date

Social Value Strategy

Across our property portfolio, social value is created by delivering intentional social, economic and environmental benefits for individuals and communities through our investment and development activities. Maximising the social value our properties, while aiming to a positive impact on local communities, became a core focus for Royal London Asset Management in 2023. We commenced the creation of our Social Value Strategy, a bespoke framework that can be applied across different asset types and throughout a property's lifecycle. Our framework enables us to deliver measurable, positive social outcomes to the local communities of our assets, and to provide consistency in reporting the social value generated from our direct activities.

The initial stage of developing our Social Value Strategy has seen our appointed consultants engage with selected representatives across the Property team, including sector specialists and fund managers, as well as external stakeholders such as our property managers and valuers. Understanding how social value is currently viewed, considered and embedded within property is crucial to developing a unique approach for us. Additionally, a place-based needs analysis was conducted across six geographic locations that have the greatest concentration of our properties. Analysing the local policy drivers and socio-economic datasets allows us to better understand needs, challenges and opportunities in these key locations, assisting us in maximising the social outcomes we intend to deliver. For example, for The Distillery in Bristol, we were able to analyse levels of deprivation, employment rates and availability of green space. Using these insights, we can develop an evidence-based approach to delivering social value at our asset, identifying potential interventions to address any issues.

Over the coming year, we will use the findings of this initial research to embed social value within our briefs and tools, such as our Sustainable Acquisition Checklist, Asset Business Plans and the Development Sustainability Standards. This also creates the opportunity for social value to become business-as-usual by seamlessly integrating it into our existing processes. Our Social Value Strategy will include a series of KPIs and a reporting framework to follow, promoting consistency in measuring social value and enabling us to monitor progress both quantitatively and qualitatively.

1 New York Street, Manchester

Net Zero Carbon Audits and Technical Feasibilities

Decarbonising our property portfolio remains an important priority. Understanding the operational performance of our portfolio is critical to delivering on our net zero carbon goals. During 2023, we completed net zero carbon audits across 22 of our managed properties that are targeting net zero carbon by 2030. There are a further 12 underway, with the aim of completing audits on all multi-let offices by the end of 2024. The audits undertaken to date have produced detailed recommendations for improving the energy and carbon performance of each asset, providing a clear pathway towards net zero.

The audits consider the energy characteristics of the building, including user behaviour, building controls and management, systems and lighting specifications. The building energy performance is evaluated against industry benchmarks, including the UK Green Building Council (UKGBC) EUI targets for offices, the BBP Real Estate Environmental Benchmark (REEB) and the Carbon Risk Real Estate Monitor (CRREM) 1.5-degree pathway. Using these strategies, the audits provide us with potential energy conservation measures plotted against our Net Zero Carbon by 2030 pathway, as well as simulating how these measures would subsequently affect building energy performance. All audits undertaken prior to the release of version two of the CRREM standard have since been reviewed and pathways plotted against the latest 1.5-degree benchmark, ensuring the recommended interventions are up to date.

Following these initial 22 audits, we recognised the importance of assessing other factors that could affect the practicality of implementing their recommendations. Current lease arrangements, potential planning requirements and existing plant lifecycle are just some of those factors we needed to overlay when developing an asset's decarbonisation strategy. To this end, we commissioned technical feasibility studies across the 22 multi-let offices, where required. These analysed each recommended intervention from the net zero carbon audit, creating a shortlist of those that would be appropriate once other key factors had been considered. The feasibility studies also proposed where new equipment could be installed within the property and broadly estimated the associated electrical load of each intervention. An estimation for capital expenditure was then provided, with this outline covering the next five to 10 years.

Recommendations from these audits and feasibility studies have been captured in the Asset Business Plans, enabling asset managers to oversee their implementation. We will be seeking to work collaboratively with our occupiers throughout each building upgrade, bringing them along the decarbonisation journey of each asset and highlighting the mutual benefits on offer. Where occupiers have strong net zero carbon or ESG commitments, we will also look to identify opportunities to jointly fund asset improvements, where financially viable.

Wycliffe Village, High Wycombe

Biodiversity Strategy

Across our managed properties, we continued to implement biodiversity initiatives where possible, achieving a total of 58 initiatives in the reporting year[15]. These included the installation of bird boxes, bug hotels, wildflower planting and nature arks. The rate of new regulatory requirements on biodiversity is driving us to integrate nature-based solutions and identify opportunities for improvements across our assets. New Biodiversity Net Gain (BNG) requirements will be introduced in 2024, placing further emphasis on this strategy as well as the importance of baselining and measuring progress in delivering such initiatives. In addition, the launch of the Taskforce on Nature-related Financial Disclosures (TNFD) framework demonstrates the growing demand for nature-related information and for organisations to report risks they face due to biodiversity loss.

In line with our portfolio target, we are developing a Biodiversity Strategy to build upon the existing efforts of our property managers. Its overall intention is to aid the delivery of a targeted, quantifiable increase in biodiversity and ecosystem service provision for the mutual benefit of Royal London Asset Management, our occupiers and the environment. Our approach will follow five key steps:

1. Assess the biodiversity features that we have.
2. Identify opportunities for new biodiversity features.
3. Set quantifiable targets to improve biodiversity.
4. Develop a specification to achieve these targets.
5. Monitor ongoing progress to ensure the targets are met.

Last year, we commenced work to establish the biodiversity baseline of our portfolio through a combination of desk-based approaches and site visits to a select number of properties. By understanding baseline performance, we can develop targets and KPIs against which success in meeting our strategic objectives can be measured.

Once our biodiversity baseline is established and opportunities for enhancement identified, we will be developing sector-specific, nature-based solution (NBS) design guides that can be used to inform interventions across our sites. Potential interventions will be suggested, using the baseline exercise to identify which are most appropriate. These NBS guides will provide our asset managers and property managers with a single master document for each sector, through which they can ensure progress towards our objectives set in the Biodiversity Strategy and demonstrate measurable improvements to our stakeholders.

15. As of September 2023.

Case study: Cambridge Research Park, Cambridge

Occupier engagement in action

In 2023, we undertook an occupier survey report across Cambridge Research Park, a 1.7 million sq. ft. science park covering 150 acres, of which Royal London Asset Management owns approximately 230,000 sq. ft. The survey had a particular focus on amenities and events at the park, with the ultimate aim of understanding the wants and needs of our occupiers in order to help shape future outcomes and our strategy for the site. The survey demonstrated a good level of occupier engagement, with a total of 128 responses representing 36% of the park's occupiers. As part of the survey, we calculated a Net Promoter Score (NPS), a metric we can use to measure occupier satisfaction and loyalty to our site. We will seek to improve our NPS year-on-year through focusing on initiatives that will deliver a best-in-class customer experience to our occupiers.

A primary focus of the survey was to establish whether occupiers required an increase in the park's bus shuttle service. From the 16% of respondents who used the bus shuttle service, 67% were interested in its expansion. Responding to these findings, Royal London Asset Management is aiming to introduce a third shuttle bus in 2024, increasing the frequency of bus services for occupiers to approximately every 10 to 20 minutes at peak times. This expansion also created the opportunity to upgrade our existing fleet to hydrogenated vegetable oil (HVO) shuttle buses next year. These use renewable diesel fuel, eliminating up to 90% of net carbon dioxide (CO_2) as well as other pollutants. This initiative demonstrates our focus on addressing the needs of our occupiers, whilst still reducing our environmental impact and working towards our RPI goals. We look forward to further improving occupier experience at Cambridge Research Park in 2024.

Cambridge Research Park, Cambridge

Looking forward

With our portfolio being heavily weighted towards single-let properties, the achievement of our RPI and net zero carbon objectives will be greatly influenced by the behaviour of our occupiers. Whilst this creates a challenge, we see this as an opportunity to further engage with our occupiers, establish strong relationships and work collaboratively towards improving the ESG credentials and performance of our properties. We will continue gathering occupier utility data through the installation of utility loggers and AMR devices where possible, both when units become vacant but also through liaising with occupiers and outlining the mutual benefits of data sharing; these include allowing us to monitor asset performance and identify ways to minimise energy usage, thus creating financial savings for the occupier.

In 2024, we will be establishing a robust occupier engagement strategy, building on our existing approaches and introducing new initiatives. We will continue engaging with occupiers through regular meetings with asset managers and property managers. To develop this further, we will be reviewing our occupier engagement materials, such as occupier guides and handbooks, identifying how we can better communicate our RPI goals and tailor them to the reader.

Additionally, we will be reviewing and updating our green lease clause, following the release of the BBP's updated Green Lease Toolkit. We continued to monitor the success of implementing our green lease clause throughout 2023, using this to determine which clauses are more challenging across the different sectors. We are aiming to develop a more strategic approach to our green lease clause by exploring lease renewal opportunities and better understanding our occupiers' ESG commitments, so that we may identify those more open to integrating stronger green lease clauses. We will also seek to group our green lease clauses into minimum standards, progressive standards and leading standards. This will enable us to integrate the most appropriate clauses based on the occupier's profile and the property's strategy.

Our occupier engagement strategy includes the creation of Occupier Sustainability Fit Out Guides. These aim to encourage occupiers to align with our Development Sustainability Standards and our Net Zero Carbon Pathway. We will seek to create sector-specific fit-out guides that are tailored to their specific requirements, all of which will be framed around our material RPI issues. Additionally, each guide will provide guidance on both the general fit-out (outlining the process and offering recommendations to occupiers) and on the technical fit-out (aimed at design teams who are undertaking the fit-out). These guides will help to maximise the sustainability credentials of fit-out projects, reducing our embodied carbon and increasing operational performance.

Renaissance, Croydon

Pillar Four: 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.

Performance highlights

Achieved improvements in GRESB scores across all property funds

Continued RPI training for the Property team

Received 24 Green Apple Awards

BBP ESG training undertaken by 12 Royal London Asset Management Property team members

Royal London Asset Management is dedicated to integrating RPI across all investment, development and asset management activities. A strong corporate governance system is critical to ensuring that RPI activities are embedded across the Property team and integrated effectively into the ongoing operations of our funds. Good governance is also fundamental to making well-informed decisions, ensuring all stakeholders are involved in the process, with the ultimate goal of delivering returns for our clients.

We are committed to being transparent with stakeholders regarding our investment activities and how we integrate RPI throughout. The emergence of additional ESG disclosures reflects both a growing demand from investors for transparency and the growing prominence of ESG within the market. The Financial Conduct Authority (FCA) published its policy statement on Sustainability Disclosure Requirements (SDR)[16] and their investment labels in November last year, providing details of the relevant obligations and a timeline for implementation. This is a critical regulatory framework for sustainability-related investment products in the UK. The new anti-greenwashing rule under SDR will be introduced from May 2024 and apply to all UK authorised funds, highlighting this need for transparency. The UK Government has also published its Transition Plan Taskforce (TPT) disclosure framework[17], a key step in providing companies with a framework for developing and reporting their transition plans. Transition plans form a crucial part of an organisation's wider strategy, as well as a platform for communicating to stakeholders how net zero will be reached.

Alongside regulatory frameworks, updated versions of INREV's Due Diligence Questionnaire[18] and its reporting guidelines[19] further reflect how an organisation's approach to integrating ESG into their strategy is a significant consideration for investors. We remained alert to these regulatory shifts throughout 2023, using them to inform our strategy and shape our decisions.

Renaissance, Croydon

16. www.fca.org.uk/publication/policy/ps23-16.pdf
17. www. transitiontaskforce.net/wp-content/uploads/2023/10/TPT_Disclosure-framework-2023.pdf
18. www.inrev.org/library/inrev-due-diligence-questionnaires-ddq
19. www.inrev.org/guidelines/module/reporting#inrev-guidelines

Holborn Viaduct, London

Progress to date

Governance and ESG Integration

We are committed to maintaining a strong governance structure across Royal London Asset Management in order to maintain accountability and transparency. Our fourth pillar reinforces the aim of creating strong, trusting relationships with our stakeholders and considering RPI across all decisions made in relation to our portfolio. This is fundamental to optimising the environmental and social impact of our property assets, whilst delivering better returns for our clients.

Throughout 2023, we maintained our efforts to embed RPI across Property through the quarterly RPI Working Group meetings, led by our RPI Lead and chaired by our Investment Director. The group involves representatives from our sector teams (Development, Retail, Office and Industrial), a member of the Responsible Investment team, and an independent external member. It has proven to be an excellent forum for sharing cross-sector knowledge, remaining updated on industry shifts and regulatory changes, and ensuring our RPI strategic framework is being delivered. We also continued conducting quarterly meetings with various teams across Property to work through their bespoke RPI Action Plans, monitoring progress against actions. Given they were created in 2021 alongside the launch of our RPI strategy, all action plans underwent a review last year to ensure they remained current and reflected the Property team's programme of works.

A critical part of having a robust governance structure is maintaining awareness of any risks facing an organisation. Royal London Asset Management maintains a comprehensive Principal Risk Register covering high-level risks and controls throughout the business. We seek to regularly assess our risk management regime across RPI, ensuring any critical risks are considered. During 2023, a detailed review of all RI risk controls was undertaken by the Royal London Asset Management Risk team, which identified three new risk controls covering RPI activities. Creating new controls ensures we are adapting to the changing risk environment, as well as ensuring accountability for the delivery of RPI objectives. We will aim to continue assessing our RPI risk management regime regularly as our strategies evolve, including our Net Zero Carbon Pathway and RPI Strategy.

Case study: Property RPI Training Day

Building RPI competencies across our team

Embedding Responsible Investment across Royal London Asset Management is fundamental to delivering our corporate ESG and climate goals. During 2023, we launched our Responsible Investment Programme. A key element of this programme was to undertake company-wide training, with the aim of building responsible investment competencies across the business and ensuring our strategy and goals are understood. With Royal London Asset Management Property having its own bespoke Net Zero Carbon Pathway and RPI Strategy, a separate training day was held in September 2023 for the Property team, focused on our RPI policies and practices. Led by an external consultancy, the training not only informed Property on emerging regulation and evolving stakeholder demands, but also utilised our RPI strategy to create points of discussion and frame scenarios across investment, development and asset management activities. The training's interactive nature encouraged high levels of engagement and cross-sector conversations, enabling different viewpoints to be shared and allowing the team to consider issues from fresh perspectives.

Amazon, Redditch

GRESB

In 2023, we continued to submit our three property vehicles to GRESB Real Estate Assessment, the global ESG benchmark for real assets. The assessment collects information on how ESG is managed across our organisation, as well as performance data for our assets. Our aim is to improve the completeness of our data annually and maintain transparency with our stakeholders, including investors and occupiers. Our fund's GRESB results enable us to identify areas for improvement across our assets and funds, which we can integrate into our strategic projects that deliver against our RPI framework.

We are delighted to announce that we achieved an increase in GRESB scores across all property vehicles in 2023 within the Standing Investment section, with the assessment outcomes as follows:

Successfully increasing points across all vehicles reflects the greater coverage of occupier utility data that we submitted in 2023. We have made significant efforts to gather occupier data – particularly across our single-let assets, as they create challenges regarding data sharing. Our results highlight the success of the various initiatives implemented in 2023, which are outlined in the Managing assets for a positive impact section; our commitment to achieving greater data coverage will be sustained through the coming year. Our increased scores were also driven by improvements in like-for-like energy performance across all three funds. This demonstrates our focus on driving down energy consumption as we work towards our Net Zero Carbon Pathway and portfolio targets. Furthermore, our 2023 GRESB results are reflective of a greater number of green building certifications being awarded, including BREEAM In Use, further highlighting progress against our portfolio target. During 2024, we will continue efforts to increase our data coverage and boost efficiency to improve our GRESB scores, whilst ultimately ensuring we deliver against our own RPI objectives and targets.

Standing Investments section

RLUKREF
Out of 100

2020	2021	2022	2023
79	80	82	83

Peer comparison

7th out of 100

United Kingdom of great Britain and Northern Ireland | Diversified | Core | Tenant Controlled

★★★★☆

RLPPF
Out of 100

2020	2021	2022	2023
73	79	77	81

Peer comparison

13th out of 100

United Kingdom of great Britain and Northern Ireland | Diversified | Core | Tenant Controlled

★★★☆☆

RLPF
Out of 100

2020	2021	2022	2023
69	75	73	76

Peer comparison

39th out of 100

United Kingdom of great Britain and Northern Ireland | Diversified | Core | Tenant Controlled

★★★☆☆

Development section

RLUKREF
Out of 100

2020	2021	2022	2023
89	90	92	94

Peer comparison

3rd out of 6

United Kingdom of great Britain and Northern Ireland | Diversified | Core | Tenant Controlled

★★★★☆

RLPPF
Out of 100

2020	2021	2022	2023
87	91	94	91

Peer comparison

4th out of 7

United Kingdom of great Britain and Northern Ireland | Diversified | Core | Tenant Controlled

★★★★☆

United Nations Principles for Responsible Investment (UN PRI)

The UN PRI is an international organisation that works to promote the incorporation of ESG considerations into investment decision-making. Royal London Asset Management has been a signatory of UN PRI since 2008, reporting annually against various ESG criteria. In 2023, Royal London Asset Management submitted responses across nine modules including real estate, where Property achieved 96%, equating to the top 5-Star rating. This was higher than the median score of 64% in this module. This indicates our continued progress in embedding RPI within all stages of the property lifecycle and its consideration by the Property team in their investment decisions.

Case study: Green Apple Environmental Awards

Recognising ESG achievements at our properties

Our property managers are dedicated to enhancing the environmental and social performance of our properties, providing mutual benefits to our occupiers and local communities. The Green Apple Environmental Awards recognise, reward and promote environmental best practice. In 2023, we received 24 Green Apple Environmental Awards – up from 14 the previous year. These were awarded for a range of initiatives covering various property types, including the following which achieved a Gold or Silver Green Apple Environmental Award:

- **Overton Park, Peterborough – improving habitat.** This park presented significant opportunities to enhance biodiversity due to having large areas of open grass, trees and dense native hedge planting. The project enhanced existing wildlife habitats and created new ones, including bird boxes, a bug hotel and log piles.
- **25 Soho Square, London – water-saving technology.** To improve water efficiency, we implemented a sustainable alternative to other forms of cleaning: the iMop. Compared to a mop and bucket approach to cleaning, the iMop uses 17 litres less water per day across a 3,000 sq. ft. area. In partnership with global water charity, Made Blue, the water savings at 25 Soho Square have translated to donating more than 3,000 litres of clean drinking water to deprived villages in developing countries.
- **3 Hardman Square, Manchester – cardboard baler initiative.** Due to the significant volume of cardboard waste generated onsite, a cardboard baler was installed at this asset. This compresses cardboard waste until it is compact, reducing the space required to install it, along with minimising waste collection requirements. Since installation, over 800 kgCO_2e has been saved through reducing collections, thus reducing transportation to the site.

3 Hardman Square, Manchester

Looking forward

We gained significant value from the Property RPI training day, with positive engagement across the team and improved levels of knowledge. Following its success, we are seeking to undertake quarterly RPI training for the Property team that is tailored to our RPI framework, whilst still updating them on the ever-changing regulatory landscape. These sessions will continue to be interactive, allowing attendees to request topics they would like to focus on ahead of the training. This will help ensure it is tailored to meet the needs of the wider Property team, particularly around those more challenging areas.

Further monitoring of the UK's SDR will be a critical focal point for us through 2024. We will look to undertake a review of all our funds to understand SDR's impact, including mapping them against the four voluntary fund labels to determine our stance. As the corporate component of SDR will be heavily based on the International Financial Reporting Standards (IFRS), we will also monitor the evolution of these standards as well as the UK Government's decision on the IFRS's first two standards that were released last year (IFRS S1 and S2). Furthermore, we will analyse how outputs from the TPT change over time – specifically its guidance notes and sector guides, both of which opened for consultation at the end of last year. Whilst the TPT framework is not yet mandatory, the direction of travel is clear. This is underlined by the FCA's belief that the TPT framework will assist with reporting against the International Sustainability Standards Board's (ISSB) Climate Related Disclosures (IFRS S2), which the UK is expected to incorporate within its SDR. Given the interlinking nature of these regulatory frameworks, it is critical that Royal London Asset Management maintains a close watch on how they progress.

We will continue to monitor the evolution of existing regulatory requirements, such as the EU SFDR and the EU Taxonomy. The alignment of our healthcare sustainability documents with the SFDR has provided useful insights into its reporting requirements and improved our knowledge of the regulation. Whilst we have no existing requirement under the SFDR, taking a proactive approach has ensured we are well positioned for any possible change in this situation. Given that the EU SFDR is undergoing a major review that may lead to significant changes, we will track these updates attentively and be sure to take action on our current alignment to SFDR through our healthcare sustainability briefs.

To deliver against our objective of ensuring transparency with stakeholders, we will be looking to undertake an audit of our ESG-related data and governance structure through an external consultancy. With the growth of reporting frameworks and increased expectations from stakeholders, including occupiers and investors, we believe in the importance of having robust data that is collected, analysed and reported effectively. This would also ensure consistency throughout our datasets, the number and diversity of which are increasing rapidly, along with a common approach across the various stakeholders involved in the collection, monitoring and reporting of our data. In light of the risks associated with poor-quality ESG-related data, this audit could prove to be a significant opportunity to increase the sharing of company data.

Harlow Hall Care Home, Aldershot

Appendix 1 - Terminology and acronyms

Terminology

The following table lists key defined terms used throughout the report.

Word/Phrase	Definition
1.5° Aligned/1.5° Pathway	A target, commitment or reduction pathway which, if applied globally, will ensure global warming is either limited to 1.5°C above pre-industrial temperatures, or allow them to return to 1.5°C above by the year 2100 (following an overshoot). See also 'Paris-aligned'.
Asset Owner	An individual or organisation allocating capital for the acquisition, development or operation of a building – potentially as part of a pension fund, endowment or foundation, or for high-net-worth and retail investors who own underlying real assets but charge the management of those assets to asset/investment managers.
Base Building	Areas of a building managed by the landlord, rather than the occupier.
Biodiversity Net Gain	An approach to development, and/or land management, that aims to leave the natural environment in a measurably better state than it was beforehand.
BREEAM	Building Research Establishment Environmental Assessment Model (BREEAM) is a green building certification used to assess, rate and certify the sustainability of a building.
Carbon Offsetting	Actions or investments made at a building or organisational level to facilitate another party to reduce or avoid emissions, or absorb atmospheric carbon. Often used as a means of compensation for emissions generated elsewhere. This is in the context of the built environment.
Circular Economy	The circular economy prioritises the reuse of materials, preventing the over extraction of natural resources and the number of usable materials that end up in landfill.
Climate Change Mitigation	Actions or investments made at a building or organisational level to reduce or prevent the emission of greenhouse gases.
Directly Managed Property Assets	Property assets where Royal London Asset Management has complete operational control and greater than 50% equity share, and joint ventures where they would cover the proportionate amount of emissions.
Embodied Carbon	Greenhouse gas emissions associated with building construction, including those arising from extracting, transporting, manufacturing, and installing building materials, in addition to the operational and end-of-life emissions of the materials.
Energy Hierarchy	A principle which prioritises the improvement of energy performance above all other carbon mitigation/compensation methods and allows offsetting to be used only as a last resort in any net zero carbon definition.
Energy Use Intensity	The measured unit of consumption (kWh) per unit of floor area (m^2) for a property.
Fitwel	A global building certification system used to assess, rate and certify a building based on its promotion of health and wellbeing within buildings.
Global Warming Potential	Measure of how much energy the emissions of 1 ton of gas will absorb over a given period of time, relative to the emissions of 1 ton of carbon dioxide (CO_2). The higher the global warming potential, the more that given gas warms the Earth compared to CO_2.
GRESB	Formerly the Global Real Estate Sustainability Benchmark, GRESB is a global sustainability benchmark for commercial real estate and infrastructure.
Indirectly Managed Property Assets	Property assets that are either partially managed by Royal London Asset Management or managed wholly by the occupier.
ISO 14001	International standard for designing and implementing an Environmental Management System.
Landlord	An individual or organisation responsible for the ownership of a building which is rented or leased to an individual or organisation.

Word/Phrase	Definition
NABERS UK	Green building certification that uses the actual operational performance of a building to assess, rate and certify the sustainability of a building.
Net Zero Carbon Building	A building-level status whereby the building has undergone steps to improve the energy performance and reduce inefficiencies. Building-level status is also achieved on completion of national grid decarbonisation. Residual emissions are offset.
Occupier	An organisation residing in/operating from a building.
Operational Carbon	Greenhouse gas emissions associated with the operational stage of a building's lifecycle, mostly attributed to emissions from energy use.
Paris-Aligned	A target, commitment or reduction pathway which is aligned with the requirements of the Paris Agreement (2015) — synonymous with 1.5° aligned.
Paris-Proof	A concept pioneered by the Dutch Green Building Council basing energy reduction requirements on the future zero carbon energy generation capacity. Paris Proof targets set out the expected magnitude of energy efficiency improvements required by 2050.
Property Manager	Third party service, procured by the asset owner, who manages the operational stage of a building lifecycle.
Refrigerants (Fugitive Emissions)	Emissions that are not produced intentionally — within the built environment, this is usually attributed to leakage of refrigerants from cooling systems and heat pumps.
Renewable Energy Guarantees of Origin (REGO) Certificate	A certificate issued by the Office of Gas and Electricity Markets (Ofgem), certifying that the electricity in respect of which the certificate is issued, was electricity produced from renewable energy sources. This is in the context of the built environment.
Scope 1 Emissions	All direct emissions from sources that an organisation owns or controls directly, such as emissions associated with fuel combustion in boilers.
Scope 2 (location-based) Emissions	Indirect emissions from electricity purchased and used by the organisation. Emissions are based on the average emission factor of the UK National Grid.
Scope 2 (market-based) Emissions	Indirect emissions from electricity purchased and used by the organisation. Emissions are based on the emission factors of the chosen energy contract.
Scope 3 Emissions	All other indirect emissions from upstream and downstream activities of the organisation, occurring from sources that they do not directly own or control.
Stranded Asset	Stranded assets are properties that will not meet future energy efficiency standards and market expectations, increasing their risk of a reduced financial value.
WELL	Green building certification used to assess, rate and certify the health and wellbeing performance of a building.
WiredScore	Building certification used to assess, rate and certify the digital connectivity of a building.
Whole Life Carbon	Greenhouse gas emissions associated with the full lifecycle of a building, from materials and construction through to demolition, combining embodied carbon, operational carbon and any other sources of emissions.

Acronyms

The following table includes a list of acronyms used throughout the report.

Abbreviation	Meaning
AI	Artificial Intelligence
AMR	Automatic Meter Reading
ASHP	Air Source Heat Pump
AUM	Assets Under Management
BBP	Better Buildings Partnership
BMS	Building Management System
BNG	Biodiversity Net Gain
BRE	Building Research Establishment
CapEx	Capital Expenditure
CIO	Chief Investment Officer
CO_2e	Carbon Dioxide Equivalent
COP	Conference of the Parties
CRREM	Carbon Risk Real Estate Monitor
DfP	Design for Performance
EMS	Environmental Management System
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
EU	European Union
EUI	Energy Use Intensity
EV	Electric Vehicle
FCA	Financial Conduct Authority
FRI	Fully Repairing and Insuring
GHG	Greenhouse Gas
GWP	Global Warming Potential
HVAC	Heating, Ventilation and Air Conditioning
HQM	Home Quality Mark
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
IRR	Internal Rate of Return
ISSB	International Sustainability Standards Board

Abbreviation	Meaning
KPI	Key Performance Indicator
kWh	Kilowatt hour
kWp	Kilowatt peak
LED	Light-emitting Diode
MEES	Minimum Energy Efficiency Standard
MHVR	Mechanical Ventilation with Heat Recovery
MW	Megawatt
NBS	Nature-based Solutions
NLA	Net Lettable Area
NPS	Net Promoter Score
NZAM	Net Zero Asset Managers Initiative
NZC	Net Zero Carbon
PAI	Principle Adverse Impacts
PPA	Power Purchase Agreement
PV	Photovoltaic
RCP	Representative Concentration Pathway
REEB	Real Estate Environmental Benchmark
REGO	Renewable Energy Guarantees of Origin
RFI	Request for Information
RI	Responsible Investment
RPI	Responsible Property Investment
SDG	Sustainable Development Goal
SDR	Sustainability Disclosure Requirements
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPT	Transition Plan Taskforce
UKGBC	UK Green Building Council
UN PRI	United Nations Principles for Responsible Investment

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