



BARINGS

SUSTAINABILITY POLICY

for

BARINGS REAL ESTATE

“The Barings Real Estate Sustainability Policy serves as a foundation upon which we can build our commitment to the environment.”

2018

Barings, as a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI) initiative, commits to the following statement:

“On behalf of institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, and asset classes and through time). We also recognize that applying these principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the six principles of UNPRI.”

Additionally, we value transparency in reporting our ESG strategy and performance data. Barings is a member of the Global Real Estate Sustainability Benchmark (GRESB) and has been reporting since 2013. The GRESB reporting framework allows us to benchmark our ESG performance so that we may strive to improve and update our ESG program each year.

Recognizing that different asset classes have different roles to play, Barings empowers its investment teams to create a bespoke policy relevant to the specific asset class but operating within the guiding principles of UNPRI and GRESB. Barings ESG Committee comprises senior personnel, including Board Members, and has representation across the business, including Barings Real Estate. Reflecting this structure, Barings Real Estate has an ESG Committee comprising senior personnel, including the global head of real estate, with representation across the various markets in which it operates.

PURPOSE & SCOPE OF POLICY

Barings' Real Estate Sustainability Policy is intended to establish principles, strategies and tactics that should be applied by Barings Real Estate with regard to sustainable investment and management of real estate assets that we manage for our clients. Barings Real Estate may also choose to augment or supplement this policy with additional principles, strategies and tactics that are appropriate for our particular geographic locations; the needs of the particular clients whom we serve; and the type and nature of real estate assets that we manage.

“We are entering an age of increased regulation on energy efficiency and increasing occupier demand for greener buildings. Improving the environmental performance and reducing the carbon emissions of properties are therefore vital steps if such challenging targets are to be met.”

INTRODUCTION & RATIONALE

Sustainable properties may be defined as those capable of being continued in use with minimal long-term effect on the environment or depletion of natural resources. There are many aspects to sustainability. The core issues are energy, water use and waste treatment with low usage, leading to low emissions and pollutant levels. Ideally, a building should also be constructed of environmentally friendly materials, be sensitive to its surroundings and the needs of its occupants (particularly with regard to health, welfare and safety), and be close to public transport or cycling routes.

Property markets throughout the world are increasingly reflecting the importance of sustainability in investment and occupational decisions. Many investors/fund managers are now interested in the sustainability performance of property funds in which they invest. Evidence suggests that the value of the worst performing buildings will fall as legislation tightens and, without intervention, may help push buildings towards obsolescence.

Furthermore, Barings Real Estate believes that “Green” properties may become synonymous with “Prime” properties, and that adopting sustainability measures may therefore present opportunities to reposition and enhance existing buildings.

With a growing demand from occupiers to reduce environmental impacts, efficient buildings which have higher sustainability credentials should be more attractive. Research shows that green design attributes of buildings and indoor environments can improve worker productivity and occupant health and well-being, resulting in bottom-line benefits for businesses. Offering occupiers a building with a lower total cost of occupancy, and moreover one which aligns with their own carbon reduction and sustainability commitments, can be more attractive to occupiers. For owners, such a building provides an opportunity to increase occupancy rates and reduce vacancies by demonstrating improved, and cost-competitive, building performance.

We are entering an age of increased regulation on energy efficiency and increasing occupier demand for greener buildings. Improving the environmental performance and reducing the carbon emissions of properties are therefore vital steps if such challenging targets are to be met.

ENHANCE

To enhance a property’s “Green” credentials during Barings Real Estate period of management.

There are several ways in which Barings Real Estate may help to improve the sustainability of the properties that it manages for its clients. In general, and depending on the nature of the property and the economic costs of such measures, Barings Real Estate’s personnel should seek to reduce energy, water and waste consumption; make a positive impact on the environment; and improve the financial performance of assets that we manage for our clients through cost saving measures.

REDUCE

To seek cost-effective ways of reducing energy consumption, carbon emissions, water consumption, and waste generation while providing positive benefits to the occupiers of the buildings under management.

For participating Funds, we have set long-term reduction targets as part of our overall ESG strategy and objectives based on 10-year targets.



ENERGY AND GHG EMISSIONS
reduce consumption by 15%



WATER
reduce consumption by 15%



WASTE
increase recycling rates by at least 15%

Specific reduction targets per property type are included in Barings’ Real Estate Sustainability Guidelines. Achieving our reduction targets requires accurate measurement and monitoring of a building’s energy, GHG emissions, water and waste data.

When feasible, Barings Real Estate’s personnel should seek to install or maintain appropriate metering and sub-metering systems to record the energy and water consumption of different elements throughout the building. This data may be used to obtain a better understanding of when and where energy and water is being consumed within a building, and to allow waste to be identified and suitable corrective measures to be taken.

MEASURE

To measure the impact of properties on the environment, including positive impacts of any sustainability measures undertaken

The gathering of environmental performance data is the bedrock to a robust strategy that can help Barings Real Estate manage its clients’ portfolios in a more efficient manner, understand relative performance, and track asset performance over time. The information gathered via this process can be used for all manner of internal or external disclosures. Measuring a building’s ESG performance is essential in managing costs and important ESG impacts. The collection and measurement of data is a key component in identifying and delivering longer-term enhancements to properties. Without limiting the foregoing, Barings Real Estate’s personnel should seek to collect, collate and report data on the following topics and by the following forms of measurement where economically and operationally feasible.

ENERGY



ELECTRICITY
consumption (kwh), consumption per square foot/meter and/or consumption per head



GAS
consumption (kwh), consumption per square foot/meter and/or consumption per head, GHG emissions



RENEWABLE ENERGY
generation/consumption from onsite and offsite renewable energy sources (kwh), other fuels sources where applicable



GHG EMISSIONS
greenhouse gas emissions in metric tons



WASTE
landlord-controlled waste, in metric tons and in percentage proportion of weight



WATER
consumption (in cubic meters, per square foot/meter and/or per head)

ENGAGE

To engage our identified stakeholders through appropriate communication channels and disclose sustainability objectives, strategies and performance regularly

Barings Real Estate provides its clients with an investment platform that excels in its commitment to ethical, sustainable and responsible investing. We embrace a culture of taking responsibility and making decisions that are right: Decisions that are right not only for our investors, but also for the world in which we live. We stand behind our commitments, and we want our investors to feel proud to have retained Barings Real Estate to help them meet their financial and investment goals. We are committed to engaging with all relevant stakeholders through various communication channels.

TENANTS, PROPERTY MANAGERS, DEVELOPERS AND ENGINEERS

Barings Real Estate's personnel should regularly communicate regarding ESG issues not only with building occupiers, but with third-party property managers, developers and engineers who are associated with the properties that are owned by our clients. These communications should include training, education, and enhancing awareness of best environmental practice issues. Examples include switching off lights; waste re-cycling; and ensuring plant and equipment is not operating outside of the building's normal business hours.

INVESTORS

Barings Real Estate engages with investors through its disclosure of ESG performance in investor reports, in our annual Barings Real Estate ESG Report and third-party reporting schemes such as the Global Real Estate Sustainability Benchmark (GRESB).

EMPLOYEES

Employee engagement is critical to our success. Barings' commitment to corporate citizenship includes diversity, ethics, financial support of social initiatives, and sustainability. We are an equal opportunity employer with a diverse workforce and an affirmative action/diversity program in place. We also hold ourselves and our employees to the highest standards of ethical conduct. Barings has a formal Code of Ethics, which our employees review and certify to annually.

COMMUNITIES

Barings is committed to making a difference in the communities where our employees live and work and the communities surrounding our properties. We demonstrate that commitment through partnerships with a number of civic, philanthropic and nonprofit initiatives. We actively support numerous charitable organizations worldwide, through both monetary donations and employee volunteerism.

LEAD

To promote our ESG (Environmental, Social, Governance) objectives, strategies and tactics through the governance of our ESG committee

As an investment adviser that is registered with and regulated by multiple governments and financial regulatory authorities around the world, we comply with a vast array of laws and regulations surrounding our investment and other business decisions. Barings' Compliance Committee is responsible for monitoring the global regulatory environment and overseeing compliance with its activities as a registered investment adviser, including fiduciary standards and personal trading, as well as enterprise, operational, and insurance risk management. With respect to socially responsible investment activities, Barings Real Estate maintains an independent ESG Committee with reporting responsibilities to Executive Management. The role of the ESG Committee is to review all real estate environmental, social and corporate governance matters, including, but not limited to: setting policy, completing surveys, pursuing memberships, and reporting on the respective topics.

Additionally, Barings strives to transparently report ESG strategy and performance through third party reporting schemes and frameworks. As a reflection of our commitment to best serving our fiduciary obligations to our clients and to incorporating ESG issues into our investment decision-making process, Barings LLC is a signatory to the United Nations-supported Principles for Responsible Investment ("PRI") initiative.

CONCLUSION

Barings' Real Estate Sustainability Policy serves as a foundation upon which we can build our commitment to the environment. Following the formation of Barings' Real Estate Environmental, Social and Corporate Governance Committee in 2013, we have made great strides to strengthen our commitment to sustainability. Barings Real Estate Advisers has joined with like-minded organizations to develop best practices and ensure the real estate industry continues to take a proactive and responsible approach toward investing. Our participation in key industry surveys, as well as our membership in leading industry organizations, further demonstrates this commitment. Through our allegiance with these organizations, we advocate for responsible decision-making and sustainable growth within the industry.

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