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Global Presence... Local Execution.

BARINGS REAL ESTATE

(HQ) Hartford, CT
Boston, MA
Chicago, IL
Dallas, TX
Glastonbury, CT
Los Angeles, CA
Newport Beach, CA
Oakland, CA
New York, NY
Stamford, CT
Washington, DC

London
Amsterdam
Berlin
Düsseldorf
Frankfurt
Hamburg
Helsinki
Madrid
Milan
Munich
Paris
Rotterdam
Stockholm

Hong Kong
Tokyo
As a responsible corporate citizen, our commitment to **Environmental Sustainability**, **Socially Aware Investing**, and **Governance** begins with our people. Barings Real Estate Advisers LLC (“Barings Real Estate”) maintains a strong corporate culture that impresses upon each employee the absolute obligation to conduct himself or herself with the highest standards of integrity, responsibility and propriety. As a firm, we are committed to creating and fostering a work environment in which employees continually demonstrate that they respect the opinions and attributes of anyone with whom they come in contact during their daily work. Barings Real Estate rewards individual achievements and team contribution, in order to sustain and enhance its entrepreneurial, performance oriented culture. Employees are encouraged to maintain a favorable work-life balance as this is important for the sustainability of career success and the achievement of Barings Real Estate’s business goals.

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.

In 2007, Barings Real Estate implemented its Green Initiative Program to reduce energy consumption, make a positive impact on the environment, and improve the financial performance of our properties through cost saving measures. This program includes ongoing training of all asset managers, property managers, development personnel, and third-party engineers on Barings Real Estate's Green Initiatives. Since that time, the program has expanded to include representatives from a diverse cross-section of the business, ultimately forming Barings Real Estate’s ESG Committee in 2013. We have demonstrated our commitment to leading industry organizations such as GRESB, EPRA, and the United Nations Principles for Responsible Investment. And it doesn’t stop there. Barings Real Estate will continue to talk to its clients and constituents to understand what is most important to them. As we continue to expand our global footprint, we will endeavor to improve and enhance our approach to ESG matters. Our commitment to ESG is an evolution, a journey on the road to excellence.

**Scott Brown**

*Global Head of Real Estate*
ESG Accomplishments

Reduction of Carbon Emissions
Premier Member
of ENERGY STAR Certification Nation in 2015

50 ENERGY STAR certified buildings

68% of Barings Real Estate’s office portfolio

LEED Certification
14 office buildings earned or underway

Lighting Retrofits
$5.9M savings since payback

Lighting Projects
$5.5M and offsets 85,000 U.S. tons of CO₂ emissions

ESG Accomplishments 2015

Energy and H₂O
$14M conservation savings

$9M additional opportunities

810,000 U.S. tons of CO₂ Offset

Proprietary Software Tracks
LEED/Green Key Certification
ENERGY STAR Certification
Energy Conservation
Water Conservation
Recycled Waste
Reduction of Carbon Emissions
Our Process

Barings Real Estate believes that sustainable investment and management can contribute to enhanced returns to investors, particularly as price differentials emerge to reflect either the extent of an asset’s green credentials or its potential obsolescence. Sustainability risk factors can affect the rental income and future value of real estate assets, in turn impacting investor returns. Making the right decisions now can help maintain and potentially increase investment value by complying with expected future legislation and increase the environmental and social appeal of buildings to current and potential tenants and owners.

With a growing demand from tenants to reduce environmental impacts, efficient buildings with higher sustainability credentials should be more attractive. Research shows that green design of buildings and indoor environments can improve worker productivity and occupant health and well-being, resulting in bottom line benefits for businesses. A lower total cost of occupancy, carbon reduction and sustainability increases marketability and provides a compelling case for forward looking tenants. For owners, it provides an opportunity to increase occupancy rates by demonstrating improved, cost competitive building performance.

We are entering an age of increased regulation on energy efficiency and changing demand for greener buildings from both owners and tenants. Improving the environmental performance and reducing the carbon emissions of properties is therefore vital and Barings Real Estate is committed to playing its part in helping achieve this, often going further than legislation requires.

In order to formalize our approach to environmental matters, Barings Real Estate developed its Sustainability Policy, a copy of which can be viewed on our website. The Policy has established principles, strategies and tactics that are applied by Barings Real Estate and its global subsidiaries with regard to sustainable investment and management of the real estate assets that Barings Real Estate manages for its clients.

U.S. Program Overview

Evaluation of ESG issues and opportunities begins during the pre-acquisition underwriting stage. As property expenses are underwritten by Barings Real Estate’s asset managers, opportunities for energy-saving improvements are evaluated, with an eye toward identifying “low-hanging fruit,” such as lighting retrofit opportunities. During due diligence, Barings Real Estate evaluates additional opportunities taking into consideration the return on cost of improvements in conjunction with the overall strategy for the property. As soon as possible following acquisition, Barings Real Estate’s asset managers engage consultants to perform LEED Gap analyses, which determine what improvements properties would need to complete in order to become LEED (Leadership in Energy and Environmental Design) certified by the U.S. Green Building Council.

During the operating period of an equity investment, Barings Real Estate’s asset manager continually seeks opportunities for sustainability improvements utilizing shared databases developed by Barings Real Estate’s Director of Engineering. Asset managers receive monthly reports to identify sustainability improvement opportunities. This includes, but is not limited to: (i) sustainability dashboard reports that summarize energy consumption and cost data, Energy Star ratings, and performance relative to other properties in the portfolio; (ii) energy improvement project reports, which detail payback and other analyses of projects in progress or under consideration; (iii) sustainability initiative implementation and performance reports, which serve as checklists and detail results. Barings Real Estate’s asset managers review these reports with their third-party property managers, which are required to comply with Barings Real Estate’s Sustainability Policies. The property managers receive extensive training from Barings Real Estate’s regional engineers, who help ensure compliance and implementation.
Barings Real Estate’s asset managers also ensure business decisions for each property remain in compliance with all applicable laws, remain ethical and do not contravene social and societal norms. In addition, the asset managers are responsible for executing Barings Real Estate’s responsible contractor policy, which establishes criteria for prequalification, and encourages an evaluation which balances weighted qualitative and quantitate parameters.

**European program overview**
Barings Real Estate - Europe takes its sustainability credentials very seriously, regularly reviewing the management of each property we manage to ensure, where practicable, best practices are adopted. We align ourselves with INREV and EPRA’s approach to environmental policies and reporting requirements and our practices are implemented with the assistance of, and in conjunction with, our appointed property managers and other external advisers.

Across our portfolios, Barings Real Estate - Europe’s approach to sustainability is threefold with all actions taken in the context of relevant legislation. We focus our efforts on (i) enhancing a building’s green credentials during our period of ownership, (ii) reducing energy consumption and carbon emissions whilst providing positive benefits to the occupiers of the buildings under management; and (iii) measuring sustainability performance. We have a progressive policy of accelerating the retrofitting of low carbon technologies to existing buildings to improve energy efficiency whilst also concentrating on managing down energy usage.

**Key legislation**
The Energy Performance of Buildings Directive (EPBD) is a European Union measure designed to tackle climate change by reducing the amount of carbon produced by buildings. The requirements of the Directive have been interpreted by each member state and incorporated within their respective domestic legal systems, and we ensure compliance at all times. In the UK, for example, the Directive has been implemented on a phased basis by the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007. This has
manifested itself in the adoption of Energy Performance Certificates – EPCs: a sliding scale rating system of A (best) to G (worst) – as the main tool to force the property industry to focus on sustainability and carbon reduction.

The Energy Act 2011 commits the Secretary of State for Energy and Climate Change to bring into force by April 2018 regulations making it unlawful to lease properties in England and Wales which do not meet a prescribed minimum energy performance standard (MEPS). This minimum standard has now been confirmed as an E rating. Consequently Barings Real Estate - Europe has undertaken an EPC audit of all its properties in the UK to highlight any at risk letting units to allow appropriate measures to be taken (e.g., energy efficient building retrofits) to comply with the legislation. Where economical to do so, we aim to exceed the minimum standards and, as part of our pre-purchase due diligence and sustainability assessment, we will not acquire any asset with a EPC rating below a D unless it can be enhanced during the hold period to comply with legislation with the associated cost included in the acquisition underwriting.

**Tenant engagement**

Barings Real Estate - Europe encourages ‘Green Forum’ meetings between its managing agents and occupiers to encourage collaboration and explore ways to reduce carbon output, establish sustainable procurement procedures and encourage positive behavioral change. Where possible, Barings Real Estate - Europe requires its occupiers to enter into ‘Green Leases’ to share energy, waste and water consumption data and not to negatively affect the environmental performance rating of the building.

**Environmental Performance Monitoring**

Similar to Barings Real Estate’s proprietary web-based database in the U.S., Barings Real Estate - Europe has appointed Upstream Sustainability Services (“Upstream”), part of JLL, to assist with the environmental performance monitoring across our portfolio. The information obtained enables Barings Real Estate - Europe to measure its baseline performance, monitor trends over time, benchmark performance against peers and industry norms, and communicate successes to clients and stakeholders. The reports produced by Upstream align with best practice initiatives such as GRESB, EPRA and INREV and it is our intention to expand their services across the wider European platform.

In summary, Barings Real Estate - Europe manages its European assets in accordance with the firm’s Sustainability Policy and adopts the core principles set out therein. However, these are supplemented with the relevant regional objectives and initiatives that are pertinent to each specific jurisdiction, particularly in light of the differing legislation across Europe and how it is interpreted and implemented. We recognize therefore there is no one size fits all approach to sustainability.
**Hays House, Guildford, England**

*Barings Real Estate - Europe* is pleased to highlight Hays House, Guildford, England, a sustainable office refurbishment by Barings Real Estate - Europe on behalf of a third party pension fund client.

Hays House is an existing office building in Guildford, an affluent town in Surrey located 31 miles southwest of London. The property, originally constructed in 1983 to comprise 18,037 sq ft offices, was recently comprehensively refurbished including the construction of an extension to the rear. The project was undertaken to a high standard incorporating sustainable materials and an energy efficient specification including:

- Installation of energy efficiency lighting, LEDs etc;
- Implementation of smart controls on the lighting system (occupancy sensing and daylight dimming);
- Installation of highly efficient VRF air conditioning system and new gas efficient boilers;
- Installation of high efficiency local mechanical ventilation units with heat recovery; and
- Addition of insulation within the roof space.

As a result of the high end refurbishment, we successfully pre-leased the available space increasing the rental income by 32%.

In accordance with a European Union Directive relating to the energy performance of buildings, it is a requirement for most properties in the UK that are to be sold or leased to have an Energy Performance Certificate (EPC) commissioned. The buildings are rated on a scale of A (most efficient) to G (least efficient). Following the works, the EPC for Hays House as a whole has improved from a rating of E to a C, and to a B for the office floors that underwent refurbishment.

This is an excellent result and demonstrates that retro-fitting an existing building can deliver significant sustainable benefits. We will monitor the energy consumption going forward and it is anticipated that a considerable reduction will be witnessed leading to lower energy bills for our tenants.
Barings Core Property Fund ESG

Barings Real Estate has a stated objective to make a positive commitment toward the environment through the implementation of a sustainable investment and management policy. Our sustainability objectives include the following:

- Benchmark, measure and monitor the energy, emissions, water and waste within Landlord control for 100% of the Fund’s standing investments.
- Drive improvements in environmental performance of standing investments and pursue established reduction targets for energy, water and waste by property type.
- Provide our third-party Property Managers with Energy & Sustainability Procedures for implementation at the asset level.
- Pursue the ENERGY STAR® label for 100% of office assets and evaluate the feasibility of pursuing LEED® certification for office buildings and Green Key certification for hotels.
- Develop and implement a robust tenant/resident engagement program.

The Barings Core Property Fund* has participated in the GRESB survey since 2013 and achieved a Green Star Rating in 2015, ranking in the upper quantile for NFI-ODCE.

(*Formally, Cornerstone Patriot Fund)

BARINGS CORE PROPERTY FUND SUSTAINABILITY METRICS

**OFFICE**

- 17 buildings with over 3.9 MGSF
- Average SF-weighted ENERGY STAR Rating: 79
- Average SF-weighted Energy use: 63 BTU/GSF
- Percent waste recycled: 37%
- Buildings completing LEED GAP analysis: 6

**HOTEL**

- All hotels are Green Key Rated

**APARTMENT**

- All multifamily properties collect data on energy use, water use, and waste recycling for common area facilities, and when available, for tenant use.
The Atrium, Irvine, CA

In November 2014, The Atrium was certified Leadership in Energy and Environmental Design (LEED®) Gold by the U.S. Green Building Council. This was achieved through the following improvements:

The Atrium’s central plant consists of two 350-ton centrifugal chillers that have been configured to regenerate the 360,000 gallon, in-ground chilled water thermal storage tank. Thermal storage reduces chiller size and shifts compressor energy, condenser fan and pump energy from peak electric hours, when electric costs are high, to off-peak hours, when energy is more plentiful and less expensive. Unlike conventional systems where the chillers load and unload to satisfy cooling requirements, thermal storage allows for the smart management of energy consuming components.

An extensive, multi-floor plumbing retrofit consisting of flush valve replacement and installing low-flow aerators was completed during the certification project. The Atrium realizes a 39% overall reduction in potable water use by installing new plumbing fixtures from the LEED baseline.

During the LEED performance period, 805 pounds of electronic waste, appliances and cell phones were diverted from the landfill.

The building implemented a high-performance green cleaning program that incorporates janitorial training in the hazards, use, maintenance, disposal and recycling of cleaning chemicals, dispensing equipment and packaging.

**LEED Facts**

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<thead>
<tr>
<th>LEED for Existing Buildings: O+M</th>
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<tbody>
<tr>
<td>Certification Awarded</td>
<td>60pts</td>
</tr>
<tr>
<td>GOLD</td>
<td></td>
</tr>
<tr>
<td>Sustainable sites</td>
<td>6/26</td>
</tr>
<tr>
<td>Water efficiency</td>
<td>8/14</td>
</tr>
<tr>
<td>Energy &amp; atmosphere</td>
<td>26/35</td>
</tr>
<tr>
<td>Materials &amp; resources</td>
<td>3/10</td>
</tr>
<tr>
<td>Indoor environmental quality</td>
<td>9/15</td>
</tr>
<tr>
<td>Innovation</td>
<td>6/6</td>
</tr>
<tr>
<td>Regional priority credits</td>
<td>2/4</td>
</tr>
<tr>
<td>*Out of a possible 110 points</td>
<td></td>
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97 ENERGY STAR® score

39% water use reduction

805 pounds of electronic waste diverted from landfill
Affordable Housing Operations

*Barings Real Estate provides innovative financing strategies for a full spectrum of affordable housing initiatives.*

Socially conscious investments for the preservation and creation of safe, quality, affordable housing

$3.6 billion of transactions

Financing for 50,000 affordable housing units across the United States for families and seniors

Established partnerships with experienced, creative sponsors and mission-driven nonprofit developers

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**Inclusionary Housing**

**ARROYO AT BAKER RANCH in Lake Forest, CA**
189 units of affordable housing for families

- Nearby public schools frequently appear on the list of California Distinguished Schools
- Community amenities include bike trails, clubhouse, parks, tennis courts, and swimming pools
- Developed by Meta Housing to fulfill Baker Ranch master planned community zoning requirements
- Tax-Exempt Bond financing provided by Barings Real Estate

**A MILL-ARTIST LOFTS in Minneapolis, MN**
251 units of affordable housing for artists

- National Historic Landmark; adaptive reuse of Pillsbury Flour Mill built 1869
- LEED Certified - hydrothermal system using the Mississippi River
- Developed by Dominium
- Tax-Exempt Bond financing provided by Barings Real Estate

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**Adaptive Reuse**

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LONGFELLOW STATION in Minneapolis, MN
180 units of affordable housing for families

- Studio, one and two bedroom units in a smoke-free community
- Adjacent to Light-Rail and Metro Transit Lines
- Developed by Sherman Associates
- Tax-Exempt Bond financing provided by Barings Real Estate

LINCOLN GARDENS, Columbus, Ohio
100 units of affordable housing for seniors

- Safe, quality, affordable housing for seniors
- Developed by National Church Residences; the nation’s largest nonprofit provider of senior housing
- On-site social service coordinator
- Tax Credit Equity facilitated by Barings Real Estate

HISTORIC SOUTH END in Boston, MA
146 units of affordable housing for families

- Originally built between 1880 and 1920
- Redeveloped by The Community Builders
- Boston-based nonprofit developer
- Tax Credit Equity provided by Barings Real Estate
- Complex capital structure with State and Federal historic and low income tax credits

BIENVILLE BASIN in New Orleans, LA
227+ units of affordable housing for families

- HUD Choice Neighborhoods Initiative—transforming distressed public housing into mixed-income neighborhoods
- 81 public housing units, 97 market rate, and 49 “workforce” housing
- Developed by HRI in partnership with the Housing Authority of New Orleans
- Tax-Exempt Bond financing facilitated by Barings Real Estate
The role of ESG in Securities Portfolio Management
Barings Real Estate’s securities group incorporates ESG analysis in its “bottom up” analysis of listed real estate companies. This analysis is formalized and tracked in our proprietary Analytic Ranking Model (ARM), within the context of rating company management and corporate strategy. We believe that high-quality companies outperform in the long run. We found that these high quality companies have embraced ESG, creating shareholder value. The following factors are used in our analysis:

Corporate Governance. We look at transparency, potential conflict of interests, independent boards, and management compensation programs. This is especially important to understand when evaluating companies in emerging markets, which tend to have less transparency. For example, China’s current environment to combat corruption could help companies in this country develop strong corporate governance policy.

Environmental. Like all real estate owners, listed companies are monitoring how their portfolios affect the environment in terms of energy usage, pollution, water usage and waste, and recycling. This is monitored through programs such as LEED certification, monitoring energy use, and studying environmental impact. It is also important to engage tenants as partners to work together on these issues. As an example, according to Prologis’ 2014 Corporate Responsibility Report, the company leads all U.S. REITs in rooftop solar installations, which increases property revenue and reduces demand from traditional energy sources.

Water usage is especially important for companies with holdings in California. To combat severe drought conditions in this region, AvalonBay undertook an initiative to replace 3,575 toilets with lower-flow units, reducing residents’ water bills as well as conserving this scarce resource.

Social. This encompasses the company’s relationship with the community, customers, vendors, and employees, including employee giving and volunteer activities in the community, employee health and safety, and community engagement programs. Tenant well-being is also a consideration, with attention given to lighting, ventilation, green spaces, and even artwork within properties.

It has become commonplace for public companies to release annual ESG reports in order to demonstrate their commitment to these values to shareholders. Through shareholder communications such as company sustainability reports, we are able to monitor management’s commitment to ESG. Barings Real Estate’s portfolio managers or analysts meet with company senior management two to four times per year, during which time sustainability issues are reviewed as applicable.

Through our voting on shareholder resolutions, we are able to support issues relating to ESG.

Many public companies adhere to the Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines and sector-specific guidelines for real estate and construction. This ensures that company comparisons are consistent.
Examples of ESG in Listed Securities

- When property companies work to monitor and reduce energy costs, this will not only benefit the environment but can reduce expenses. For example, per their annual report, The Link Real Estate Investment Trust reduced CO2 emissions by 155,478 tons across their portfolio, for a savings of HK$23.0 million in 2013/2014.

- Social initiatives benefit employees, tenants, and the local communities. Although harder to measure, these also can have a positive financial impact. Employee programs are positive for morale, boosting productivity. Charitable giving and service projects in the local communities can help relationships with local government, tenants, and community groups near their properties, and give positive media attention. Community events held at The Link REIT’s shopping centers encourage shoppers to visit the centers.

- Environmental commitment can be measured by looking at industry property certifications. For example, 39% of Kilroy’s portfolio was LEED-certified in 2014, and 56% earned ENERGY STAR certifications.

- Due to daily tenant turnover, the hotel sector presents unique challenges to monitor and manage energy, water, and waste management. For example, Host Hotels & Resorts is improving in-room energy management systems. By installing low flow water fixtures and improved irrigation systems for landscaping, the company reduced water consumption by 14.7% from 2008 levels.
Decisions that are right.
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.

To that end, Barings Real Estate has joined the nearly 1,500 asset owners, investment managers, and service partners as a signatory to the United Nations Principles of Responsible Investing or UN PRI, the leading global network for investors to publicly demonstrate their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues.

As a signatory to UN PRI, Barings Real Estate affirms:

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, 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 following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3: We will seek appropriate disclosure on ESG issues by entities in which we invest.
Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
Principle 6: We will report on our activities and progress towards implementing the Principles.

Since its launch in 2006, the PRI initiative has been instrumental in raising awareness about responsible investment among the global investment community. The level of transparency around the activities and capabilities of its signatories has increased and has fostered collaboration between them, while supporting their engagements with companies and policymakers on ESG issues. Assets under management by PRI signatories now stand at more than US$59 trillion.

For Barings Real Estate, the UN PRI initiative provides a global platform from which to support our ESG initiatives, collaborate amongst like-minded firms, and leverage resources to both better educate and support our clients and employees to make decisions that are right.

Source: UNPRI
About GRESB
The Global Real Estate Sustainability Benchmark (GRESB), is an international assessment used to measure the sustainability performance of direct real estate portfolios. GRESB seeks to foster transparency in the sustainability performance of property companies and funds. The information collected in its annual survey discloses material Environmental Social and Governance (ESG) performance at the portfolio level, such as energy and water consumption, green building and energy certifications, and sustainability risk assessments, as well as indicators related to governance and stakeholder engagement. GRESB is industry-driven and is backed by more than 50 institutional investors.

Barings Real Estate Commitment
As a member of GRESB, Barings Real Estate is committed to the disclosure of its ESG performance to investors and is an active participant in the annual GRESB assessment. The Barings Core Property Fund* has participated in GRESB since 2013. In 2015, Barings Core Property Fund ranked 8th out of 33 in its peer group of diversified funds, achieving a Green Star Rating and improving its overall score by 34 points from 2013. The graph below illustrates Barings Real Estate’s GRESB performance.

Barings Real Estate has implemented strategic sustainability policies and measures to create a robust sustainability program. A large part of the success of the Barings Real Estate sustainability program comes from Barings Real Estate’s proprietary data management system (DMS), which is a comprehensive database that tracks energy, GHG emissions, water, waste, green building certifications as well as current and completed sustainability projects implemented at the properties. Energy Dashboard reports are generated out of the DMS to help manage, organize and share-property level data. These reports empower decision-makers to improve the energy efficiency of buildings while cutting expenses and increasing the internal rate of return.

More recent focus has been on increasing green building certifications and energy ratings. 62.5% of the Barings Core Property Fund office buildings are ENERGY STAR certified. For those that are not currently certified, improvement plans are being implemented based on commissioning reports and ROI analysis. 62.5% of the office buildings are LEED certified or are currently pursuing LEED certification and 100% of hotels are Green Key rated.

(*Formally, Cornerstone Patriot Fund)
Barings Real Estate’s private debt groups maintain policies that enhance portfolio asset quality, heighten borrower creditworthiness, and mitigate risk to investors and other stakeholders. Vigorous due diligence policies, effective asset management, and responsive relationships with borrowers allow Barings Real Estate to manage downside risk, a vital component to achieving attractive, consistent risk-adjusted returns.

<table>
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<tr>
<th>Risk</th>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
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<tr>
<td><strong>Credit</strong></td>
<td>Borrowers are required to hold environmental insurance with acceptable limits and/or indemnify Barings Real Estate and its clients against potential liability</td>
<td>Barings Real Estate actively seeks to foster relationships with borrowers that exhibit a positive track record of developing projects that are accretive to communities</td>
<td>UCC searches for judgements, bankruptcies, tax liens, and pending litigation are part of Barings Real Estate’s due diligence process</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td>Site testing by third party engineers and environmental firms to ensure compliance with federal, state, and local regulations</td>
<td>Barings Real Estate’s employees comply with the Firm’s Code of Ethics</td>
<td>Barings Real Estate performs OFAC checks and maintains KYC policies to adhere to regulatory guidelines</td>
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<tr>
<td><strong>Strategic</strong></td>
<td>LEED certification and transit oriented development enhance collateral value and stability</td>
<td>Socially aware and ethical employees help align the firm with the ethical missions of its clients</td>
<td>Barings Real Estate seeks to partner with sponsors that have strong corporate governance</td>
</tr>
<tr>
<td><strong>Reputational</strong></td>
<td>Barings Real Estate actively asset manages debt investments to ensure sponsor adherence with any required environmental remediation</td>
<td>Barings Real Estate’s Responsible Contractor Policy encourages sponsors to pursue union bids when possible and requires contractors and subcontractors to comply with all laws including fair wage and anti-discrimination</td>
<td>Active due diligence ensures that borrowers meet ethical standards</td>
</tr>
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Corporate Citizenship

Thus far, we have provided an in-depth look at Barings Real Estate’s commitment to sustainability and socially aware investing, but being a responsible corporate citizen goes beyond that. Corporate governance, education, and diversity are key drivers to running a successful organization. The examples below provide some insight as to how we keep these matters in the forefront of our business.

The critical importance of good corporate governance
Barings Real Estate, as an investment adviser, along with its subsidiaries, is registered with and regulated by multiple governments and financial regulatory authorities around the world, and complies with a vast array of laws and regulations surrounding its investment and other business decisions. When making the decision to invest in public or private real estate companies, Barings Real Estate assesses not only the company’s key performance drivers, but also the risks facing the company. Of these risks, the management of the company – particularly including the company’s governance structure – is given the greatest weight in our financial modeling. Key determinants include: the absence of conflicts of interest; the quality of the disseminated financial information; the shareholder structure; compliance with regional standards of best practices; and the independence of the company’s valuations.

Barings Real Estate utilizes the services of ISS Proxy Advisory Services to obtain its governance ratings of companies in which Barings Real Estate seeks to invest on behalf of its clients, and then applies Barings Real Estate’s research capabilities to arrive at a proprietary Barings Real Estate rating of the quality of a company’s corporate governance attributes.

Teaching employees the rules of the road
Good corporate governance also means ensuring that a company’s employees understand the company’s rules of the road. Barings Real Estate’s Legal and Compliance Groups work to ensure Barings Real Estate and its subsidiaries fulfill their regulatory obligations around the globe.

Each year, members of Barings Real Estate’s compliance team fan out across the United States and the globe, providing in-person training and reinforcement of the company’s Compliance policies, including its Code of Ethics, not only to new hires, but also to staff who in some cases have served with the company for decades, both in the U.S. and in its international offices.
Barings Real Estate Advisers LLC

Education starts from within
Barings Real Estate values its employees and is committed to creating an entrepreneurial organization that relies heavily on teamwork. Employee development is key to attract and retain talented individuals, as we believe every employee has an integral role in aligning our interests with those of our clients. Thus, the firm has an educational assistance program, which is designed to support employees’ participation in educational courses, degree programs and professional designation programs.

Focus on Diversity
Barings Real Estate has a culture that understands and values the impact diversity has on business outcomes. We seek out internal and external talent that offers differing perspectives and experiences, and our recruiting efforts focus on creating opportunities for women and minorities by:

* Utilizing recruiting sources such as CREW Network which is the industry’s premier business networking organization dedicated to supporting the achievements of women in Commercial Real Estate.
* Sourcing candidates through historically black colleges.
* Providing internship opportunities during summer and/or winter break in a professional environment where the emphasis is on learning. The purpose of our internship program is to develop and strengthen the student’s educational and career preparation. An internship at Barings Real Estate will expose the student to the financial services industry and the interpersonal relationships required within a professional organization. Since 2007, 30% of our internship recipients have been women and 10% have been minorities.

However, diversity goes beyond our own employees, and should be a factor when considering the business partners with whom we align. An example of how we collaborate with business partners to ensure our diversity goals are shared. In 2015, Barings Real Estate began requesting that major law firms that negotiate transactions on behalf of Barings Real Estate’s clients begin reporting on their efforts to improve diversity within their organizations. Barings Real Estate expects to continue this program in 2016, and to increase the number of outside law firms that it asks to report on the progress of their efforts.
Charitable Giving

What began as a humorous dare by one of our colleagues in London resulted in one of Barings Real Estate’s more colorful commitments to charitable giving. In 2014, a dozen Barings Real Estate - Europe employees donned Lycra and bought and borrowed bicycles to participate in the Snowdonia Charity Challenge, a day-long event of cycling, mountain climbing, and kayaking through Northwest Wales. By the end of the trek, the team had raised more than £12,000 for Regain – The Trust for Sports Tetraplegics.

We believe that charitable giving can be not only fun and inspiring, but also enormously valuable to those in need. During the last five years, Barings Real Estate has significantly enhanced its charitable commitments. We instituted a company-match policy for charitable donations made by employees. As a company, we have made substantial donations to causes that the Firm and its employees value, including but not limited to: The Wounded Warrior Project; One Fund Boston (for survivors of the Boston Marathon bombing); Habitat for Humanity; The Village for Families and Children; and the American Red Cross.