

Responsible Investment Policy

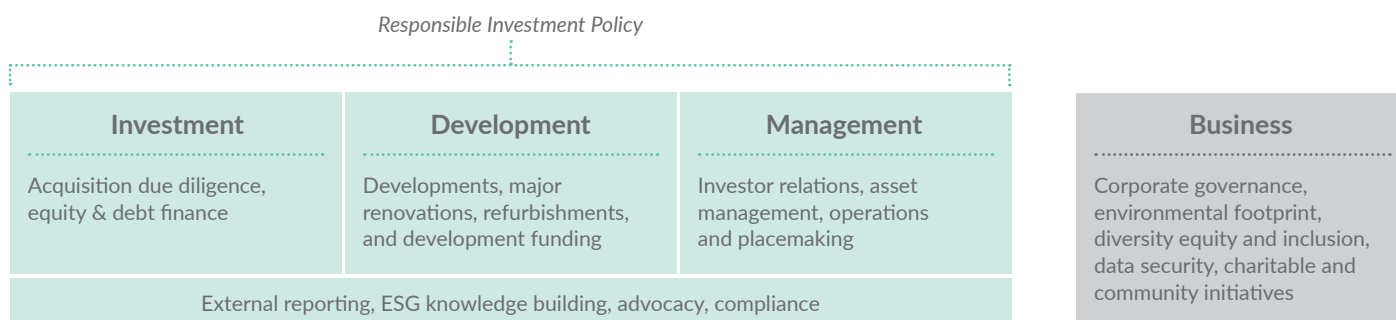
April | 2023

About Us

Delancey is a UK-based real estate asset management and advisory company, investing in real estate investments, developments, and related businesses on behalf of global institutions including pension funds, endowments, and family offices. We are a UK specialist and create value from property through innovative strategies, partnerships and decades of industry relationships and transactional experience.

Scope of the Policy

This policy outlines our responsible investment activities with the objective to provide transparency around our responsible investment beliefs and investment approach. Due to the varied nature of our core business activities, the way we incorporate Environmental, Social, and Governance (ESG) considerations depends on the business activity in question. This policy therefore describes our approach to being a responsible investor, developer, and asset manager. Our corporate responsibility is not covered as part of the scope of this policy.



This policy applies to all funds and client mandates that we manage with changes to implementation depending on the investment strategy at hand. Wherever the approach is different we provide details in this policy.

Responsible Investment Philosophy

Delancey's core objective is to maximise investment returns in its role as Investment Advisor or Investment Manager on behalf of its clients/joint venture partners and in line with the client's pre agreed investment strategy and appetite. We have the fiduciary duty to act in the best interests of our clients, which is why we integrate ESG factors into our investment, development, and asset management process.

Beyond our fiduciary duty, we have the responsibility and opportunity to influence numerous environmental and social aspects through our investment and asset management approach. The real estate industry is known for its emissions intensity and impact on communities and individuals, and therefore we believe it is our duty to analyse, consider, and act on ESG risks, opportunities, and impacts as a core part of the work that we do. Our current funds are not marketed as impact-first funds. Instead, we integrate ESG risks, opportunities, and impact as part of our investment analysis and decision-making processes across all stages of the asset lifecycle.

Our commitment to responsible investment has a foundation of four distinct pillars:

- **Value Creation:** ESG factors can significantly impact the performance of our investments. Analysing ESG factors therefore helps identify value creation opportunities for our clients and stakeholders.
- **Risk Mitigation:** ESG factors have the potential to create significant risks for our assets or counterparties. Our approach therefore looks to uncover any ESG related risks to ensure that these are assessed and mitigated.
- **Positive Contribution:** Given the nature of our investments, we have an opportunity to create positive environmental and social impact on our stakeholders and the responsibility to ensure minimizing potential negative impacts. We therefore identify possible impact areas as part of our investment process.
- **Investor Alignment:** We take a collaborative approach to responsible investment with our Clients and seek to create outcomes that support their responsible investment strategies. In practice, we do this through additional agreed ESG criteria and objectives, and tailored reporting.

How we define E, S, and G

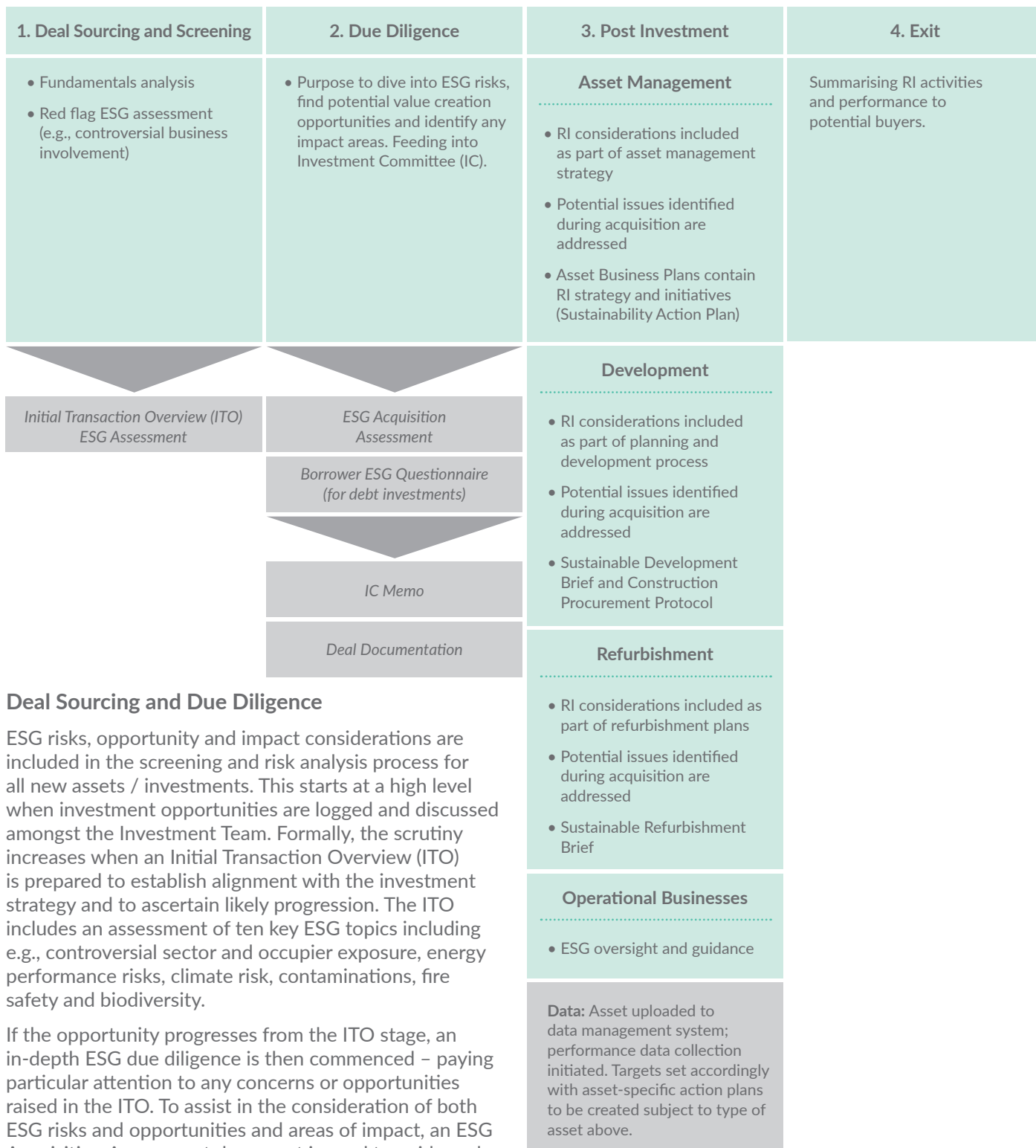
We look at ESG issues through the lens of exposure to and management of investment risks and opportunities, and the impact on stakeholders. In practice, depending on the type of asset analysed, the actual key performance indicators (KPIs) used to define an ESG issue may differ (e.g., some assets having specific regulatory requirements, or development assets having different certifications compared to operational assets etc.).

Environmental	Social	Governance
<p>Environmental issues cover an asset or company’s impact (negative and positive) on its surrounding environment as well as the risks and opportunities that the environment may pose on the performance of the asset or company.</p> <ul style="list-style-type: none"> • Energy Efficiency • Climate Change and Emissions • Waste Management • Water Management • Pollution, Contamination and Hazardous Materials • Biodiversity • Building Materials • Transport 	<p>Social issues cover an asset or company’s impact (negative and positive) on its stakeholders (employees, customers, suppliers, occupiers, and communities) as well as the risks and opportunities that social issues may pose on the performance of the asset or company.</p> <ul style="list-style-type: none"> • Health and Well-being • Occupier and Community Engagement • Labour Management and Human Rights • Diversity, Equity, Inclusion and Accessibility 	<p>Governance issues cover an asset or company’s system of business practices, controls, and operational processes. These issues evaluate governance risks and opportunities to the asset or company.</p> <ul style="list-style-type: none"> • Traditional Governance Factors (accounting, tax, ownership structure, shareholder rights, etc.) • Business Ethics • Oversight and Leasing • Accreditations and Certifications

Responsible Investment Approach

Over the past years, we have worked to formalise our approach to responsible investment, and we continue to actively seek ways in which we can improve.

Responsible Investment Process



Deal Sourcing and Due Diligence

ESG risks, opportunity and impact considerations are included in the screening and risk analysis process for all new assets / investments. This starts at a high level when investment opportunities are logged and discussed amongst the Investment Team. Formally, the scrutiny increases when an Initial Transaction Overview (ITO) is prepared to establish alignment with the investment strategy and to ascertain likely progression. The ITO includes an assessment of ten key ESG topics including e.g., controversial sector and occupier exposure, energy performance risks, climate risk, contaminations, fire safety and biodiversity.

If the opportunity progresses from the ITO stage, an in-depth ESG due diligence is then commenced – paying particular attention to any concerns or opportunities raised in the ITO. To assist in the consideration of both ESG risks and opportunities and areas of impact, an ESG Acquisition Assessment document is used to guide and prompt investigation during the due diligence period.

The ESG Acquisition Assessment raises a range of potential impacts for consideration at the progressive stages of the acquisition process, each stage requires ESG considerations to be reported upon and the respective documentation to be completed.

	Controversial Sector and Business Involvement	Environmental	Social	Governance
Initial Transaction Overview	<ul style="list-style-type: none"> • Potential controversial sector issues • Occupier / tenant involvement in environmentally or socially harmful activities 	<ul style="list-style-type: none"> • Energy Performance Risks • Building Certifications • Physical Climate Risk • On-Site Land Contamination • Biodiversity 	<ul style="list-style-type: none"> • Occupier Safety • General risks or opportunities 	<ul style="list-style-type: none"> • Traditional Governance factors assessed separately from ESG ITO
ESG Acquisition Assessment	<ul style="list-style-type: none"> • Exposure to fossil fuel related businesses • Exposure to energy-inefficient real estate assets 	<ul style="list-style-type: none"> • Energy Efficiency • Climate Change and Emissions • Waste Management • Water Management • Biodiversity • Building Materials • Transport 	<ul style="list-style-type: none"> • Health and Wellbeing • Occupier and Community Engagement • Labour Management and Human Rights • Diversity, Equity, Inclusion, and Accessibility 	<ul style="list-style-type: none"> • Business Ethics • Oversight and Leasing • Accreditations and Certifications

Investment risk and alignment with business values.

Issues looked at for investment risk, value creation opportunities, and areas of positive and/or negative impact. Potential implications to CAPEX, future income uncertainty, reputational concerns, asset stranding risk etc. included in Investment Committee Memo.

For our debt strategies, the sourcing and due diligence stage includes a borrower ESG questionnaire, whereby emphasis is placed on assessing the quality of the counterparty's ESG practices.

Our DV5 Fund (equity fund) is classified as an Article 8 Fund under the EU Sustainable Financial Disclosure Regulation (SFDR). As such, it has its own pre-determined E and S characteristics that it formally seeks to promote. More detail on our SFDR disclosure is available on our website, in the fund pre-contractual disclosures and periodic reporting, and on request.

We are a strategic adviser to NW1 Partners and oversee their Responsible Investment approach, which is based on this policy. At the time of writing, they are in the process of formalising their own Responsible Investment policy, which will be available on request.

We evaluate any controversial sector and business involvement during our investment process to ensure that our investment practices follow all applicable laws regulations, economic sanctions, and pay heed to market sentiment. We have agreed specific investment restrictions for some client mandates in order to align with their needs, but have not defined a specific exclusions policy at the time of writing.

Execution and Closing

Once the due diligence has been conducted, an Investment Committee Memorandum (IC Memo) will be written and presented to the Committee for its approval. A summary of the ESG Acquisition Assessment is required to be provided within the IC Memo.

Post-Investment

For our equity investments, once an investment has been made or an asset has been acquired, the findings from the pre-investment stage will help develop the sustainability plan for the asset. The approach depends on the type of the asset in question:

- **Operational Assets:** ESG considerations are embedded as part of the asset management strategy and potential issues identified during the acquisition stage are addressed. A formal Sustainability Action Plan will be created for each asset.

- **Development Assets:** ESG considerations are embedded as part of the planning and development process and potential issues identified during the acquisition stage are addressed. A Sustainable Development Brief will be created for each asset and reviewed at each development milestone. Furthermore, construction activity is governed by Contractor Procurement Protocols and Minimum Building Contract requirements, which set our expectations for construction contracts. All current development schemes must achieve a minimum BREEAM 'Excellent' rating for commercial property, with an aspiration for 'Outstanding', depending on the sector. Current development schemes also must achieve an EPC certificate of B or better and for residential property a minimum 4-star Home Quality Mark. Other standards are also considered on a case-by-case basis.
- **Refurbishment Assets:** ESG considerations are embedded as part of the refurbishment plan and potential issues identified during the acquisition stage are addressed. A Sustainable Refurbishment Brief will be created for each asset, aiming for all refurbishments to achieve a minimum EPC of B and achieving a minimum BREEAM 'Excellent' rating, subject to the sector.
- **Operational Businesses:** Autonomy is given to operational businesses to manage their ESG strategy. However, we have ultimate oversight of their processes, provide the direction of travel, and support the teams through ongoing dialogue and guidance.

At the time of writing, we are in the process of upgrading our Key Service Provider (KSP) onboarding and certain procurement processes in order to formally ensure that third-party contractors have good ESG practices.

We have partnered with a third-party to assist with ESG data collection and management. ESG data is hosted in a data management system, which allows for streamlined reporting and management of asset-specific action plans. At the time of writing, this has been rolled out to specific funds and mandates, but we look to embed this across all our funds during 2023. Data quality and coverage is a key focus area across all our funds, and we are in the process of creating a formal occupier engagement strategy to improve in both areas over time, whilst also establishing strong relationships with our stakeholders.

We work closely with our operational business assets on various ESG topics, including data management. Ultimately, they have the autonomy to implement the systems that work best for them and will provide data to us on a quarterly basis. We assist them with guidance on best practice where needed.

For our debt investments, we actively engage with our counterparties during the pre-investment stage, and, where necessary, will require the borrower to improve their ESG practices and share ESG data as part of the deal documentation. Compared to our equity investments, we have relatively less influence over the asset-level sustainability improvements by the counterparty but will look to embed specific ESG requirements and assist them with guidance on best practice where needed.

Exit

ESG performance may feed into the exit decision and when readying an asset for sale. A summary of key ESG topics will be highlighted to the investment and asset management teams and can be provided to potential buyers.

Reporting and Transparency

Delancey will report our ESG performance through disclosure in alignment to industry standards, including the following:

- Annual fund-level reporting to investors will include ESG information as recommended by the INREV Sustainability Reporting Guidelines.
- SFDR: Our DV5 Fund will provide periodic disclosures in line with SFDR requirements.
- UN PRI: As a signatory since 2021, we report to the UN PRI on an annual basis.
- GRESB: DV5 is committed to reporting in line with GRESB; some assets in DV4 have already been reporting in line with GRESB since 2015.

- TCFD: We have undertaken an exercise to assess alignment with TCFD guidelines and are working towards voluntarily reporting in line with TCFD over time. Currently, we do so indirectly at the request of investors who fall in scope.
- Tailored reports: We provide quarterly reports to investors which includes ESG. Some of our funds have specific investor requirements that include periodic tailored reporting with sections on Responsible Investment.

We are working to create our company-wide Sustainability Report, which will disclose our progress and performance on ESG across the funds. This will include reporting of the quantitative key performance indicators (KPIs) as well as commentary on important projects and initiatives.

Governance

The ultimate oversight and leadership on responsible investment rests with Delancey's Executive Directors (currently Jamie Ritblat, Paul Goswell, and Stafford Lancaster) determining the commitment and direction at an organisational level. The RI approach is then overseen by Delancey's Responsible Investment Committee (RIC), which comprises senior members across the business, including the Chief Investment Officer, Chief Compliance Officer, Director of Development, Director of Asset Management, Director of Property and Funds, and the Directors of Responsible Investment and ESG. Other employees may be invited to attend all or part of a meeting as required. The RIC reports into the Executive Directors.

The RIC meets on a quarterly basis to review ESG-related practices and progress. The RI policy is formally reviewed on an annual basis. Sub-groups are responsible for implementing objectives for each of the identified policy areas. The Terms of Reference are available on request.

Our Responsible Investment team comprises our Responsible Investment Director and ESG Director, and is supported by a third-party sustainability consulting team, who assists with e.g., data collection, training, and physical and transition climate risk modelling.

Delancey also has an established Governance and Operational Board. The Governance and Operational Board meets every eight weeks to discuss key governance, regulatory, compliance, operational risk and any other operational matters, to consider any governance or regulatory issues arising in respect of new mandates/fundraising, to confirm all compliance reporting deadlines have been/will be met, and to consider and plan for any significant changes to governance, regulatory or statutory/ legislative obligations.

Finally, it is important to highlight that within Delancey's responsible business culture, responsible investment accountability lies with all employees.

ESG Capabilities

We provide ESG training to all staff on a quarterly basis, with ad hoc sessions scheduled as and when needed. Our Responsible Investment Director and ESG Director are responsible for our ESG Capability Building Strategy, which includes team-specific training sessions, rolling out online training, updating our ESG guidance documents and internal knowledge base on our Intranet site. Beyond training for our own teams, we also host ESG sessions for our operational businesses and will look to organise training for property managers, on-site teams, and contractors.

As mentioned in the Governance section, we are also supported by a third-party sustainability consultant bringing complementary skills on data management, compliance, and climate modelling among other topics.

Advocacy

Delancey is committed to collaborating with industry groups, peers, academia, and investors on ESG matters and promoting best practice regarding Responsible Investment. Specifically, we are a signatory to the UN Principles of Responsible Investment, member of INREV, and, at the time of writing, report to GRESB for some of our assets and funds. As our processes evolve, we will seek to become members and supporters of other initiatives that are aligned to our values and additive to our objectives.