2022 INAUGURAL CLIMATE REPORT

Task Force on Climate-related Financial Disclosures (TCFD)

BentallGreenOak 😚

"We are investing in and managing real assets that help power global economies and bring optimism and inspiration to local communities. Our primary role as stewards of our clients' capital is intimately tied to the well-being of our social and natural ecosystems. The journey to net zero is an important movement and should, in our opinion, be regarded as an urgent priority."

Sonny Kalsi & John Carrafiell Co-CEOs BentallGreenOak



INTRODUCTION

For over a decade, BentallGreenOak (BGO) has been a leader in environmental, social and governance (ESG). In 2008, we became a signatory to the Principles for Responsible Investment (PRI). In 2009, we were named an ENERGY STAR Partner, which we have received now for twelve consecutive years, and began participating in GRESB, the global ESG benchmark for real estate. These actions and commitments have and will continue to evolve with developments in the ESG field.

As part of this journey, in 2021 we joined the Net Zero Asset Managers (NZAM) initiative. Our 2022 inaugural Climate Report is aligned with Task Force on Climate-related Financial Disclosure (TCFD) recommendations and demonstrates our progress and continued commitment to address climate risk and opportunities.

Editor's Note:

Effective July 1, 2019, GreenOak Real Estate merged with the Bentall Kennedy real estate investment management platform and now operates as BentallGreenOak ("BGO") through various legal entities on a global basis. This report covers our North American core equity strategies. Information for BentallGreenOak's global debt series and mortgage investments, European and Asian Core Plus and Value-Add strategies, Asian and European separate accounts, and Asian debt series have been excluded unless otherwise noted. BGO continues to expand our Sustainable Investing initiatives and ESG performance data collection process globally and is implementing a consistent data collection approach across the firm. The environmental performance data reported excludes the greenhouse gas emissions, energy, water and waste data associated with tenant-paid invoices. All figures are as of December 31, 2021, unless otherwise stated.

OUR APPROACH & NET ZERO COMMITMENT

We approach environmental, social, and governance, including climate change, from both a risk mitigation and a value creation perspective to help enhance the long-term financial and operational resiliency of our portfolios¹. We focus on future-proofing our portfolios, where we are able, to help drive long-term returns and support an orderly transition to a low-carbon economy.

Climate-resilient buildings are important to creating environments where our communities thrive.

BGO was an original participant in the United Nations Environmental Programme Finance Initiative (UNEP FI) Task Force on Climate-related Financial Disclosures (TCFD) Real Estate pilot group in 2018. Since then, we have collaborated with internal and external stakeholders to enhance our climate approach. In 2021, we joined the Net Zero Asset Managers initiative, embarking on one of the firm's most significant undertakings.



¹ Our portfolios refer to those portfolios defined by the Editor's Note.



GOVERNANCE

BentallGreenOak has a Sustainability Governance Framework to encourage information sharing and engagement, assess sustainability risks and opportunities, provide oversight of sustainability decisions, and track progress as it aligns with our investment strategies.

Board Oversight

The BentallGreenOak Board, along with the Global Executive Team, are responsible for overseeing management of BentallGreenOak, and approves budgets, strategic plans, material changes to People and Talent policies, strategic transactions, appointment of senior officers and delegation of signing authorities. The Board provides direction and oversight to management to meet our fiduciary responsibility to clients, execute our strategic plan, and deliver on our responsibilities to our owners and other stakeholders. BGO's Board receives reports regarding regulatory compliance and risk management. Our Sustainable Investing Team provides quarterly updates on the firm's ESG and climate strategy and initiatives.

The Board is also involved in the firm's Enterprise Risk Management, which is overseen by the Compliance and Risk Committee, to identify and manage risks and opportunities, including climate-related risks and opportunities. Our Board sets the risk tolerances for the firm as a whole, with executive management responsible for managing their business areas within those risk tolerances.

Management's Responsibilities

BGO's Global Executive Team (GET), a group of BentallGreenOak's senior executives, reviews sustainability risk management approaches and oversees our sustainable investing strategy and disclosures. Members of the GET are actively engaged in our commitment and actions on climate change.



ESG and climate change risks and opportunities are integrated into our management committees, including:

Compliance and Risk Committee

Oversees the risks affecting BGO and reviews reports to the Board regarding the risk matters overseen by the Committee, including any potential material ESG risks. BGO's Chief Risk Officer assesses and reports on the management of material risks across BGO. Each portfolio manager, and the relevant investment committee, is responsible for managing risks applicable to the real estate investment portfolios that they manage. Climate risks, to the extent material within the relevant risk framework, are managed according to that framework.

New Product Committee

Consists of senior executives and is responsible for the consideration and approval of all new products to be created within the firm. Following the concept approval of a new product, the Head of New Product Development will coordinate with various teams, including product sponsor, investment team, fundraising, legal, tax, and accounting and sustainable investing to obtain the appropriate information to evaluate the product in advance of the final approval by the committee.

Climate Working Group

Supports BGO's climate and net zero ambitions. It is a cross-functional group focused on our climate strategy and execution.

Sustainable Investing Team

An in-house team that helps deliver world-class ESG strategies to our global investment platform. The Team partners with our investment and real estate management professionals to help integrate ESG across the asset lifecycle in alignment with client goals. These strategies help target risk mitigation, value creation, industry stewardship, and stakeholder engagement to help deliver ESG performance for our clients.

STRATEGY

As a global leader in ESG, our strategy draws on the dual tenets of risk management and value creation. Our commitment to support investing aligned with net zero emissions by 2050 and create climate resiliency is foundational to our long-term strategy. We have and will continue to take a data-driven approach to drive performance and reduce our impact.

Risks and Opportunities

We identified physical and transition-related climate risks and opportunities and their potential impacts:

| Risk | Description | Timeframe ² | Potential Impact | Mitigation |
|---------------------------------------|--|--------------------------------|--|---|
| Physical: Acute & Chronic | Impacts from increases in severity and frequency of extreme weather, including floods from extreme precipitation, hurricane-force winds, sea level rise, water stress, heat stress, wildfires and earthquakes | Medium and Long Term | Increased capital expenditure Damage to properties Increased insurance cost Decreased asset valuation | Evaluated through physical risk assessments and mitigation plans developed where appropriate Adequate insurance coverage |
| Transition: Policy & Regulation | Emerging regulation that impacts our operations (e.g. energy efficiency) and increased reporting requirements | Medium and Long Term | Increased compliance costs Decreased asset valuation | Regular monitoring of emerging regulations Evolving data and tools to support analysis and disclosure Assessed during due diligence and mitigation plan developed where appropriate |
| Transition: Technology | Risks associated with requirements to keep pace with technological advancements to reduce emissions and mitigate climate impacts | Medium and Long Term | • Increased costs | Regular monitoring and assessing of new technologies Pilot projects Sustainability Innovation Lab |
| Transition: Market | Rapid shifts in demand for net-zero buildings | Medium Term | Increased costs Decreased demand for high emitting assets | Assessed through market research Regular monitoring of regulatory changes Integration of energy and emission reduction technologies and approaches into operational assets and new developments Evaluated during acquisitions and mitigation plans developed where appropriate |
| Transition: Reputational | Increasing stakeholder expectations on climate actions and disclosure | Short, Medium and Long Term | Decreased demand for products and services Increased compliance and reporting costs | Regular and continuous engagement with tenants and investors Annual disclosures, such as our <u>CR Summary</u> report |

 2 short (0-5 yrs), medium (5-15 yrs), and long (>15 yrs) term.



The transition to a zero-carbon economy presents opportunities, including:

| Opportunities | Description | Timeframe | Potential Impact | Approach |
|--|---|--------------------------------|--|---|
| Resource Efficiency: Increases in energy efficiency, low carbon materials, and technologies | Increases in energy efficiency, low carbon materials and technologies to reduce building's operational and embodied carbon | Short, Medium and Long Term | Decreased operating expenses Increased demand for assets | Evaluating and implementing energy efficiencies Developing to net or nearly net zero standards Introducing technologies into new and existing buildings to improve efficiency |
| Energy Source: Onsite and off-site renewables | Increase onsite and off-site renewable energy buildings and transitioning away from fossil fuels | Short, Medium and Long Term | Decreased operating expenses Increased demand for assets | • Assessing and developing onsite renewable where possible and identifying off-site renewable solutions |
| Products & Services: Product growth and expansion | Continuing to reduce impacts of existing products and potentially developing new products based on market demand | Medium and Long Term | Decreased operating expenses Increased demand for lower carbon products | • Continuing to enhance efficiencies of current products and potentially developing new products based on market demand |
| Markets: Investor demand for lower carbon products | Meet increasing investor demand for lower carbon products | Medium and Long Term | Increased demand for products | • Evaluating investor and market demands |
| Resilience | Enhancing climate resilience of assets | Short, Medium and Long Term | Decreased expenses due to climate impacts Increased demand for assets | Developing and implementing climate resilience plans at assets including new developments Evaluating climate resilience of assets during acquisition due diligence |





Integrating climate risks and opportunities

We address physical and transition-related climate risks and opportunities throughout the lifecycle of an asset.



Acquisitions

BGO analyzes climate-related risks across select funds³ with the following tools and programs:

Physical climate risk • To help identify exposure to physical climate risks for certain new acquisitions, BGO utilizes Moody's ESG Solutions as a Climate Risk Provider. Included in the assessment are projections of exposure to floods from extreme precipitation, hurricane-force winds, sea level rise, water stress, heat stress, wildfires, and earthquakes. Risks identified in this assessment are included in underwriting with details of what may be causing this risk and mitigation actions.

Transition risks • As part of BGO's ESG Risk Matrix for new acquisitions, assets are scanned for indicators that may impact transition risk such as energy performance, GHG emissions, and the existence of any local regulations. Transition risk metrics such as utility price impacts and government regulations are continually monitored for certain assets at the property level through our sustainability data management systems.

³ North American equity, European and equity, and Asia Core Plus Strategy



New developments

Our Canadian equity development team is assessing and implementing net zero and net zero ready building standards into the design and development of certain new buildings.

Operational performance

Portfolio and Property Level • *Annual Benchmarking, Diagnostic and Target Setting* Properties within select portfolios complete an annual Sustainability Benchmarking Survey which tracks property-level sustainability data and provides relevant information to property, asset management, and portfolio management teams to inform budget decisions, drive business performance, and improve reporting for clients. The survey benchmarks properties and funds against best practices in the following areas: energy, water, waste, health and wellness, building certifications, and tenant engagement.

To inform property-level ESG strategy and support continual improvement, certain property teams are equipped with an annual Diagnostic containing a set of actionable recommendations, customized to each asset, to improve ESG performance. Property teams use the Diagnostic to plan and manage activities for the current year and inform the upcoming annual property budget.

BGO's Target Setting Program is the company's formalized approach to planning and implementing energy efficiency improvements on certain assets to help reduce energy consumption, GHG emissions, and operating costs across BGO's office, multi-family residential and enclosed retail portfolios. Through this program, property management teams identify opportunities for energy/cost savings through energy audits, develop an implementation plan over a 6-year timeframe, implement measures, and track performance against the plan. **Climate resilience plans** • BGO provides select property and asset management teams with asset-level climate adaptation action plans which include a customized climate risk assessment. The assessment identifies the priority climate-related threats that may pose a risk to each asset, as well as evaluates the current level of operational preparedness. The primary goal of climate adaptation action plans is to connect vulnerabilities to actions that could enhance the resiliency of the building. These climate adaptation action plans provide actionable best practices for both the asset and the properties to consider implementing to enhance their resilience to our changing climate. The result is increased building-level operational efficiency and enhanced tenant satisfaction.

(11)

Net Zero Strategy

BGO joined the Net Zero Asset Managers initiative in 2021, pledging to support the goal of net zero emissions by 2050, in line with global efforts to limit warming to 1.5° Celsius. By joining this initiative, we will work in partnership with clients on meeting their decarbonization goals⁴.

In the past year, we have worked with internal and external experts to develop highlevel decarbonization pathways for select funds that have adopted net zero goals and have identified three key decarbonization levers:



ENERGY EFFICIENCY AND ELECTRIFICATION – As part of our data-driven approach, we leverage our sustainability data management systems and annual benchmarking and diagnostic programs to identify opportunities to enhance energy efficiency at our operational sites. We are prioritizing energy conservation measures and then building more capital-intensive upgrades into our operational and capital planning for assets.



RENEWABLE ENERGY – A number of our sites have on-site renewable energy and we are continuing to identify opportunities to deploy solar energy. As part of new developments and acquisitions for certain funds, we assess solar feasibility. We are also evaluating offsite renewable energy procurement options, such as renewable energy certificates (RECs), where on-site renewables are not feasible.



HIGH-QUALITY CARBON OFFSETS – We are committed to prioritizing on-site emissions reductions at our assets and and will limit our use of offsets to residual emissions. We will offset no more than 10% of our emissions and will seek to purchase offsets that represent additional emissions removed, are permanent, and come from activities that do not significantly contribute to social or environmental harms.

⁴ The Net Zero Asset Managers ("NAZM") initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. As a signatory to the NAZM initiative, BGO has pledged to work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management. More information is available at https://www.netzeroassetmanagers.org.





Our Approach to Reducing Emissions

Emissions Chart: Application of decarbonisation levers to achieve Net Zero Carbon

CASE STUDY MARYLAND

Maryland, US - BGO's First Community Solar Project

BGO's first community-use solar project is in progress in partnership with Summit Ridge Energy and Black Bear Energy. It will be comprised of two solar projects and will be hosted on two of our industrial assets. Both rooftop systems will participate in Maryland's community solar program to provide renewable power to local residents and businesses. The systems are expected to produce 3,498,755 kWh of electricity, enough to power approximately 300 homes every year.





CLIMATE REPORT BGO 2022

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Scenario Analysis

BGO was one of the original participants in the UNEP FI TCFD Real Estate Pilot Project in 2019. As part of this pilot, we quantified the exposure of select managed portfolios to climate risk, using the total dollar value-at-risk (VaR) metric at both the portfolio and property levels. The outcomes from this 2019 project continue to inform BGO's climate risk mitigation strategies that influence future transactions, asset management, and operational activities. For the UNEP FI Investor Pilot, climate risk analytics firm Carbon Delta's tool was used for scenario analysis and considered 1.5, 2, and 3 degrees Celsius scenarios.

Business-as-Usual Physical Risk Assessment

We assess acute and chronic climate physical risks of our assets as part of our due diligence and ongoing operational management. BGO utilizes Moody's ESG Solutions, a leading publisher and provider of market intelligence on the economic risk of climate change, as a climate risk provider for our investments. Individual asset and select portfolios are evaluated based on an RCP 8.5 scenario. Each asset and portfolio are categorized as low, medium or high risk based on their exposure to physical climate risks, including, but not limited to floods from extreme precipitation, hurricane-force winds, sea level rise, water stress, heat stress, wildfires and earthquakes.







CASE STUDY WELPUT & CRREM

CRREM Analysis for WELPUT Fund

In 2022, we assessed WELPUT's assets utilizing the Carbon Risk Real Estate Monitor (CRREM) tool, the leading global standard and initiative for operational decarbonization of real estate assets. CRREM provides science-based energy and emissions reduction pathways for the commercial real estate sector to align with Paris ambitions to limit global warming to 1.5°C. The CRREM tool projects the portfolio's emissions intensity to 2050 taking into account the asset class, geography and grid decarbonisation. The pathway includes emissions associated with whole building operations, including tenants' energy usage.



RISK MANAGEMENT

Managing climate risk requires data-driven insights, standardized methodology, industry best practices, and robust stakeholder engagement. BGO's dedication to climate resilience is our way of future-proofing our portfolios to help drive long-term returns for our clients and investors. We address climate risks at both property and portfolio levels, assessing and mitigating critical vulnerabilities.

Identification:

Climate-related risks are identified during our due diligence process. Physical risk assessment is completed using Moody's ESG Solutions, which assess exposure to floods from extreme precipitation, hurricane-force winds, sea level rise, water stress, heat stress, wildfires, and earthquakes. Transition risks, such as energy performance, local regulation, renewable feasibility and net zero assessments, are identified as part of BGO's ESG Risk Matrix. Transition risk metrics such as utility price impacts and government regulations are continually monitored for certain assets at the property level through our sustainability data management systems.

Assess and Evaluate:

Climate-related risks are assessed as part of our ongoing property and portfolio management. Properties within select portfolio complete an annual Sustainability Benchmarking Survey, which tracks propertylevel sustainability data and evaluates properties and funds against best practices in energy, water, and waste management.

Manage and Mitigate:

Ongoing monitoring of assets helps us manage climate-related risks. For example, spikes in energy usage for assets are flagged and property managers are notified for assets utilizing our sustainability data management platform. For natural disasters, our teams work to notify property managers and tenants and provide emergency preparedness instructions and tips.

To inform property-level ESG strategy and support continual improvement, select property teams are equipped with an annual Diagnostic containing a set of actionable recommendations, customized to each asset, to improve ESG performance. Property teams use the Diagnostic to plan and manage activities for the current year and inform the upcoming annual property budget.



CARBON EMISSIONS SCOPES: 1, 2 AND 3 DEFINED

BGO'S EMISSIONS ARE DEFINED AS:

SCOPE 1

Direct Emissions

Sources: All direct emissions from owned and controlled sources (e.g. Natural Gas)

SCOPE 2

Indirect Emissions

Sources: Indirect emissions generated from purchased Energy (e.g. Electricity, District Heating, District Cooling)

SCOPE 3

Indirect Emissions

Sources: All other indirect emissions from upstream and downstream value chain emissions (15 total categories)

BGO'S CORPORATE EMISSIONS



GHG Emissions (tCO2e) Across North American Portfolio ⁵



Total GHG Emissions (tCO2e) Across North American Portfolio ⁶



⁵ Environmental performance (greenhouse gas emissions, energy, water, waste, and green building certifications) data for BGO's global debt series and mortgage investments, European and Asian Core Plus and Value-Add strategies, Asian and European separate accounts, and Asian debt series has been excluded. BGO continues to expand the environmental performance data collection process globally and implementing a consistent data collection approach across the firm. The environmental performance data reported excludes the greenhouse gas emissions, energy, water, waste data associated with tenantpaid invoices.

⁶ Ibid.

We annually report on our emissions for our North American equity portfolio in our <u>GRI Disclosures</u>.



Targets

In 2021, BGO joined the Net Zero Asset Managers initiative, which commits the company to support investing aligned with net zero emissions by 2050.

Utilizing a 2019 baseline, our 2030 interim targets are⁷:

 BGO Corporate Emissions (Scope 1 & 2 emissions): 72% reduction in GHG intensity (kgCO2e/sqm)
 Investment targets (Scope 3 emissions) covering 44% of our 2019 assets under management:

Residential: 50% reduction in GHG intensity (kgCO2e/sqm)

Commercial: 57% reduction (kgCO2e/sqm)

Methodology

To model our net zero target, BGO is aligning with the Science Based Targets Initiative (SBTi) as it's one of the methodologies recommended by the Net Zero Asset Managers initiative. We utilized the SBTi tool for Financial Institutions aligned with the 1.5-degree scenario for BGO's Corporate Emissions (Scope 1 and 2). For our investments (Scope 3) emissions, we utilized SBTi's Sectoral Decarbonization Approach for commercial real estate and mortgages. This approach has a separate target for residential and service buildings as they have slightly different decarbonization approaches.

⁷ Investment targets cover 44% of our 2019 assets under management.



Next Steps

We are actively working to meet our net zero targets by further integrating climate into our management and assessment of properties.

For 2023 and beyond, we will develop decarbonization plans tailored to specific building types; continue to assess performance against the 2019 baseline; assess and develop an action plan to reduce emissions at our corporate offices; and continue to further integrate climate into our business.







Engagement & Policy Advocacy

BentallGreenOak works within the political, legal and regulatory frameworks of the regions where our clients invest. Engagement with policy-makers occurs through industry associations to ensure that BGO has a voice in achieving common objectives with policy-makers.

To showcase our commitment to transparency and industry leadership, we participate and engage in a number of collaborative initiatives. These include, but are not limited to:

GRESB

BGO is a member of and discloses sustainability performance and practices annually to the GRESB Real Estate Assessment to demonstrate our commitment to transparency and industry leadership.

Principles of Responsible Investing (PRI)

BGO has been a signatory to the PRI since 2008.

Urban Land Institute (ULI) Greenprint Center for Building Performance The ULI Greenprint Center for Building Performance is a worldwide alliance of leading real estate owners, investors and strategic partners committed to improving the environmental performance of the global real estate industry.

Real Property Association of Canada (REALPAC)

BGO is a member of REALPAC, which is the only national association representing top tier executives and decision makers of the Canadian commercial real estate industry.





TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (**TCFD**)