

# Global Listed Real Estate

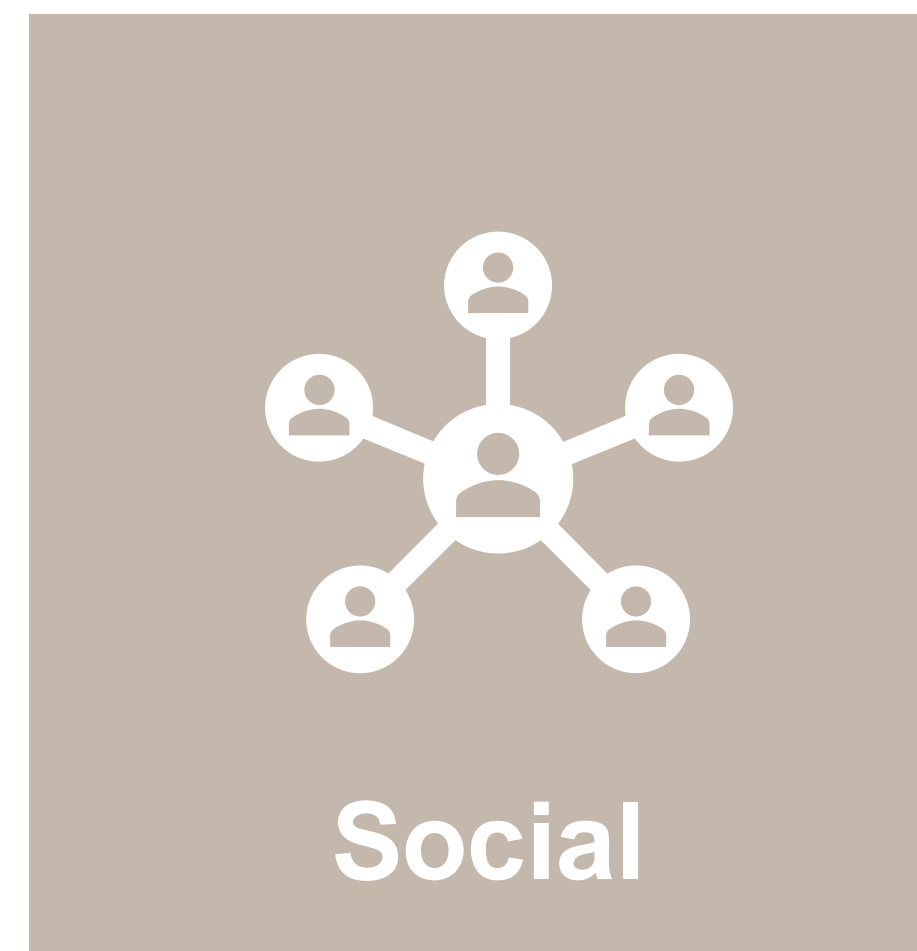




# *Why is ESG important in Listed Real Estate?*

# ESG & Responsible Investment

- A certified investment process by the Responsible Investment Association Australasia
- 20 years of institutional knowledge and experience integrating Environmental, Social and Governance factors in investments
- Active collaboration in international forums targeting improved governance, transparency, and responsible investment practices across global markets
- Experienced investment team combining decades of experience, provides unique investment insights and informs our active management with companies and assets on ESG topics

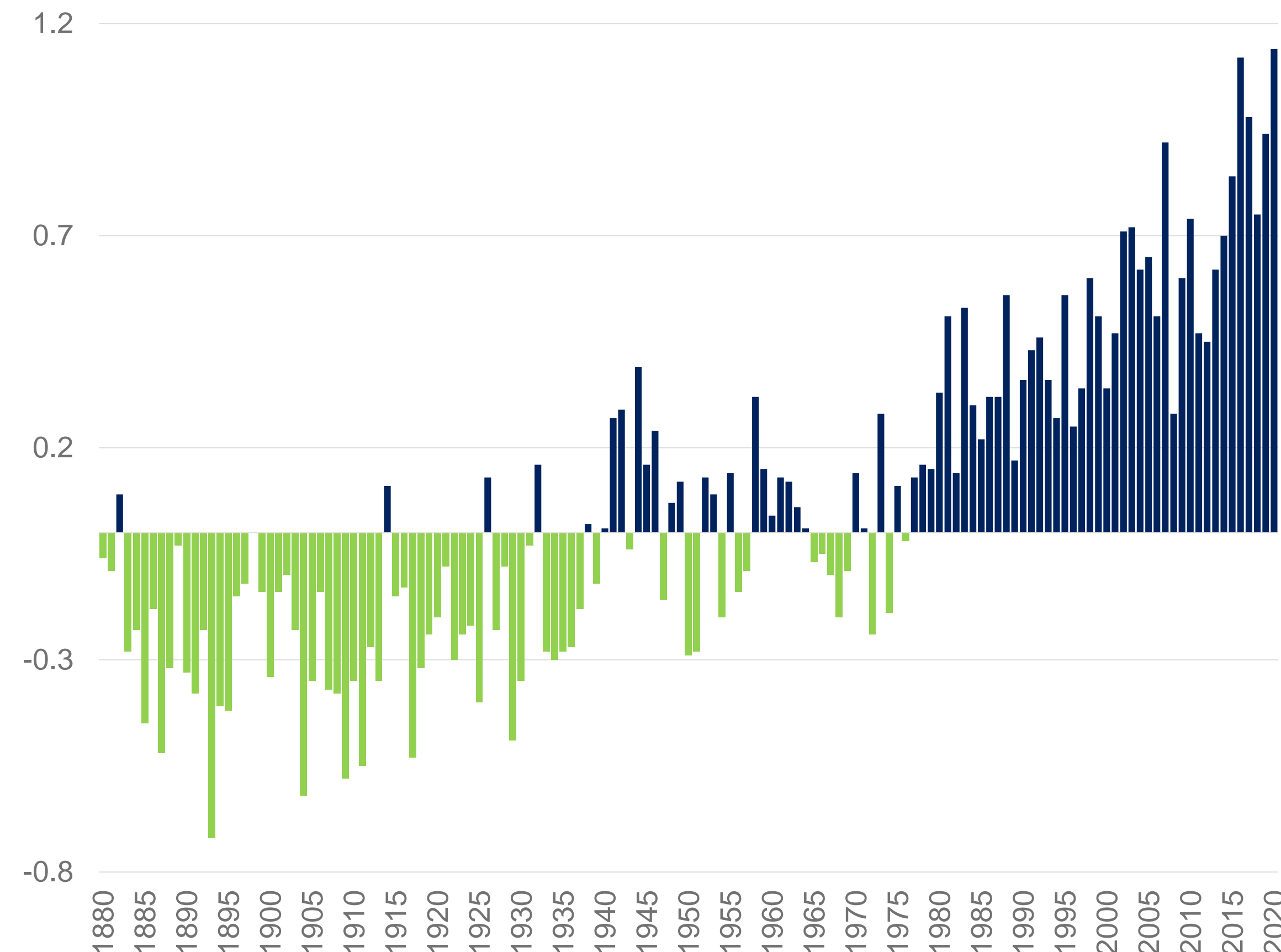


# Environmental

## Why is it important?

- The frequency of global temperature anomalies is **rapidly increasing**
- No sector is **more exposed** than real estate
- Storms, droughts, sea level rise, storm surge and heat waves are **key risks**
- It is critical that companies **manage their carbon footprint**
- And that investors are **actively engaging** to ensure these issues are being considered

## Annual Global Temperature Anomalies



## Financial risks of climate change:

- Higher costs and capex
- Higher insurance costs
- Increased energy consumption
- Business interruption
- Depreciation/obsolescence of old and inefficient buildings

# Social

## Why is it important?

- At its core, social impact relates to company’s treatment regarding people, workers and local communities, including health and safety issues
- Social factors drive the fabric of a business, both internally and externally and is the foundation of culture
- A strong social responsibility profile can empower employees, boost productivity and unlock value as resources are utilised for good, and lead to greater employee morale

## Implications for Investors

- Consideration of employee wellbeing, strong community engagement and acting as a good corporate citizen delivers positive long-term outcomes in business through improved brand perception and productivity.
- For real estate, buildings are where we live, work and play so any social, technological and demographic trends that shape the way we use buildings will have a material effect on investment in global listed real estate.
- If real estate owners do not position their assets to meet the new wave of social trends, they will be left with underperforming assets on their books. It is for this reason AMP Capital pays particular attention to social trends.

## Key Considerations



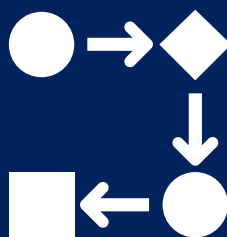
### Safety

Strong and well defined safety standards with safety targets of zero workplace fatalities



### Health and Wellbeing

Employee programmes to maximise health and well-being



### Supply Chain

Global supply chain and ethics policies to mitigate supply chain risk and take ownership of outcomes



### Community Engagement

Building long-term relationships with local communities is critical to the sustainability of a business

# Governance

## Why are strong governance practices important?

- Conflicts of interest are rare and when they exist they are well managed in businesses with strong corporate governance
- Management is appropriately incentivised to deliver
- The board is independent, diverse, experienced and operating as a team
- Succession planning is managed appropriately leading to sustainability
- Creates a culture of transparency and accountability across the business
- Enables clearly stated systems and processes for dealing with risk, compliance breaches and whistleblowing
- Guidance on earnings appear credible

## What does a strong REIT board look like?



- **Independence:** AMP Capital considers independence to be a valuable trait for directors as they make judgements and balance the conflicting interests of various stakeholders.
- **Skills:** In general, directors require skills in governance, finance, risk management, law, regulation, pay and people management.
- **Diversity:** having diversity on boards leads to better decision making and better financial performance and gender diverse workplaces are also seen as being more productive and happier.
- **Capacity:** Shareholders expect directors to be committed to their role. It is important that directors have the time to devote to discharge their directors duties.



*How the AMP Capital Global  
Listed Real Estate team  
considers ESG*

# Stock Selection Investment Process

Top Down  
Analysis

## Macroeconomic and Top-Down Overlay

The top down perspective provides a check & balance

Macroeconomic					
Demographic factors	Economic factors	Financial factors	Valuation factors	Real Estate Cycles	Volatility factors

Strategy Packs



Bottom Up Process

### [W] score

3

Flexibility in valuation technique to capture the impact of the marginal price

Valuation				
Balance sheet metric	Cash flow metric	Profit & loss metric	Alternative metric	Property specific

### [V+] [V-] score

2

Incorporate upside and downside risks, recognising that risk is asymmetric

Volatility				
Property	Management	Balance sheet	Marginal price	Exogenous factors

### [Q] score

1

We start with quality, in line with our investment philosophy

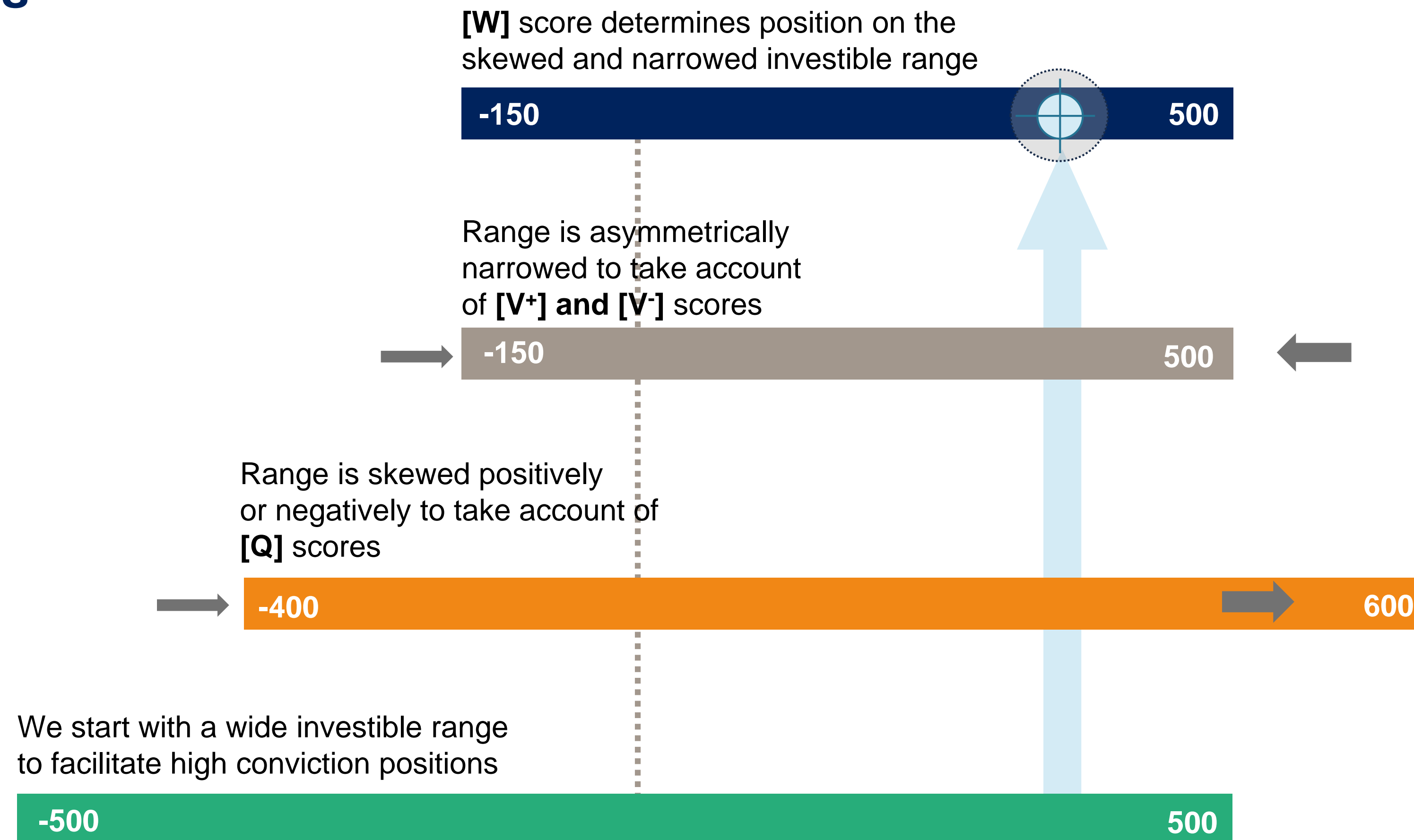
Quality				
Capital structure	Real Estate	ESG	Management	Structural



# Stock Selection Investment Process

[W] SCORE	[V+] SCORE
[V-] SCORE	[Q] SCORE

 Target portfolio weight

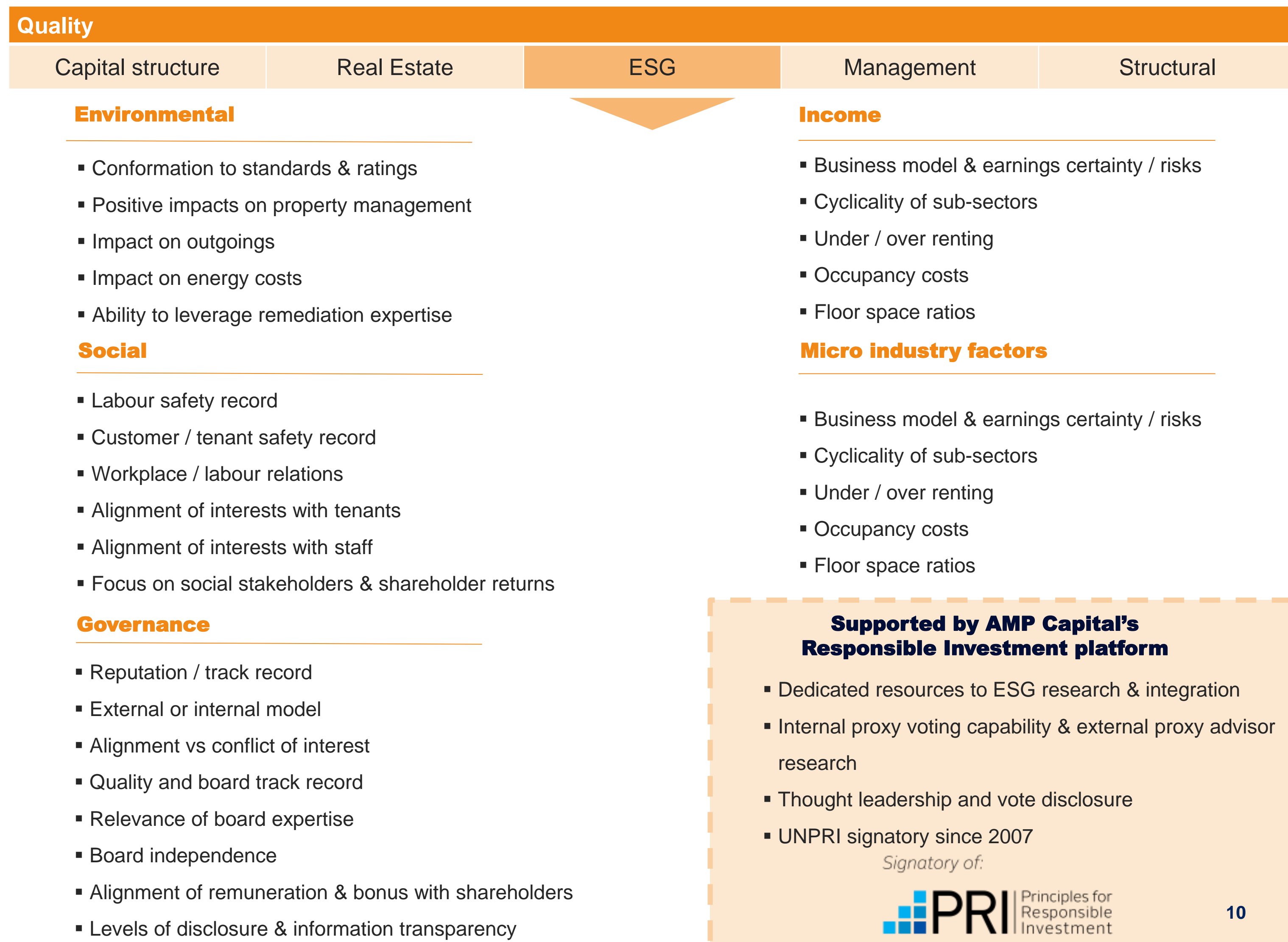


# Process Sustainability

We believe that real estate securities supported by a **sustainable business model** and **quality assets** will outperform over the long term

Our investment process assesses and captures an **holistic view** of sustainability, including ESG

The Global Listed Real Estate investment team is able to leverage the AMP Capital firm-wide **responsible investment platform**





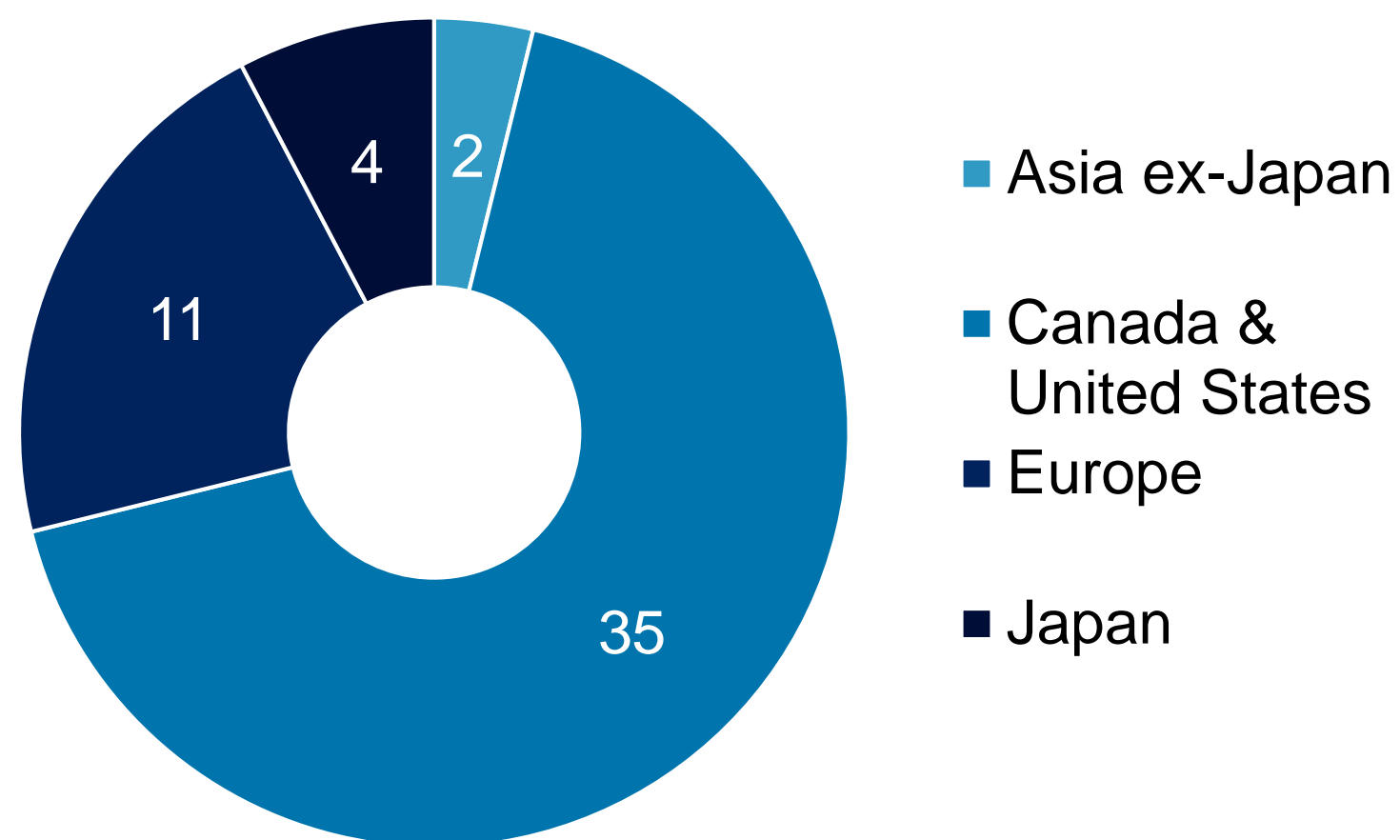
# *ESG Reporting*

# Stichting Pensioenfonds Staples Fund - Q2 2021 Voting

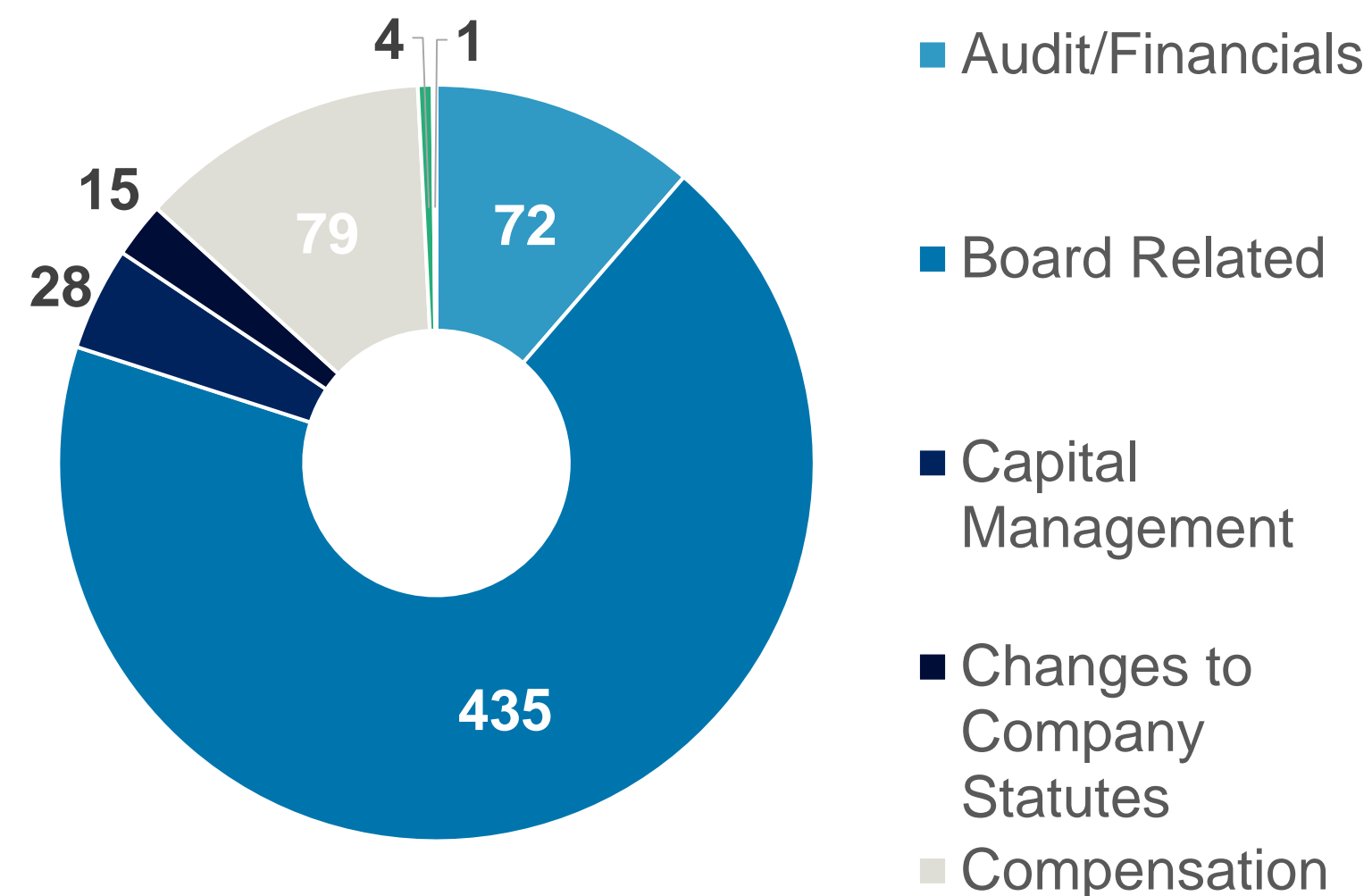
## Active Ownership and Engagement

- Active ownership means the use of shareholder rights to **improve the long-term value** of a company
- Engagement enables the team to put ESG at the forefront of conversations with portfolio companies
- The AMP Capital Global Listed Real Estate team conducts over 1,200 meetings annually, discussing ESG issues with executive management teams on behalf of shareholders to **manage risks** and **influence change**
- The majority of votes conducted by the team were in Europe and the United States and Canada, this is reflective of the portfolio composition
- The majority of votes conducted by the team were *for* proposals, particularly proposals relating to board composition

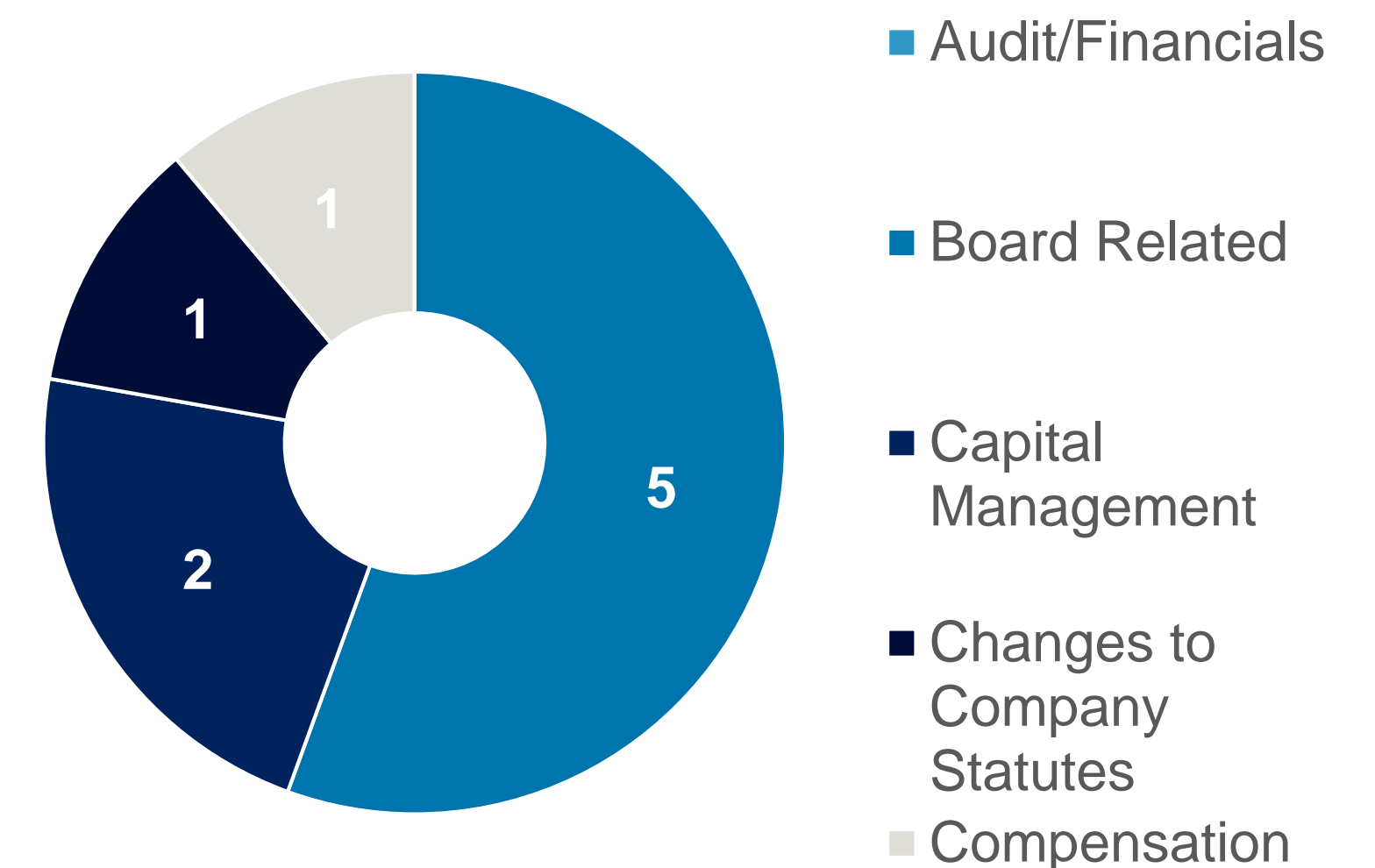
Votes by Region



Votes For Proposals



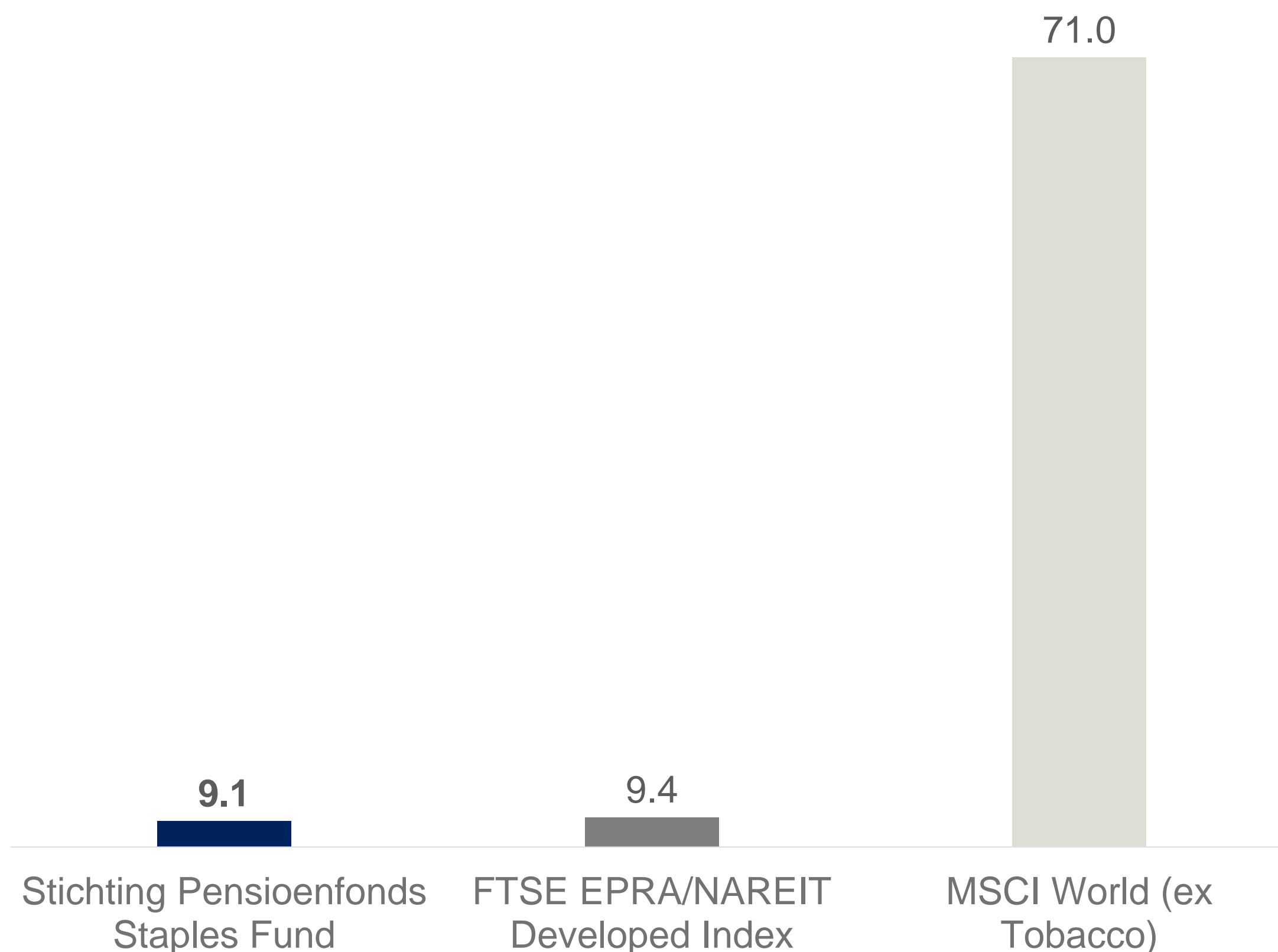
Votes Against Proposals





# Carbon Emissions

## Emissions (Kgs CO2/Thousand \$ Invested)



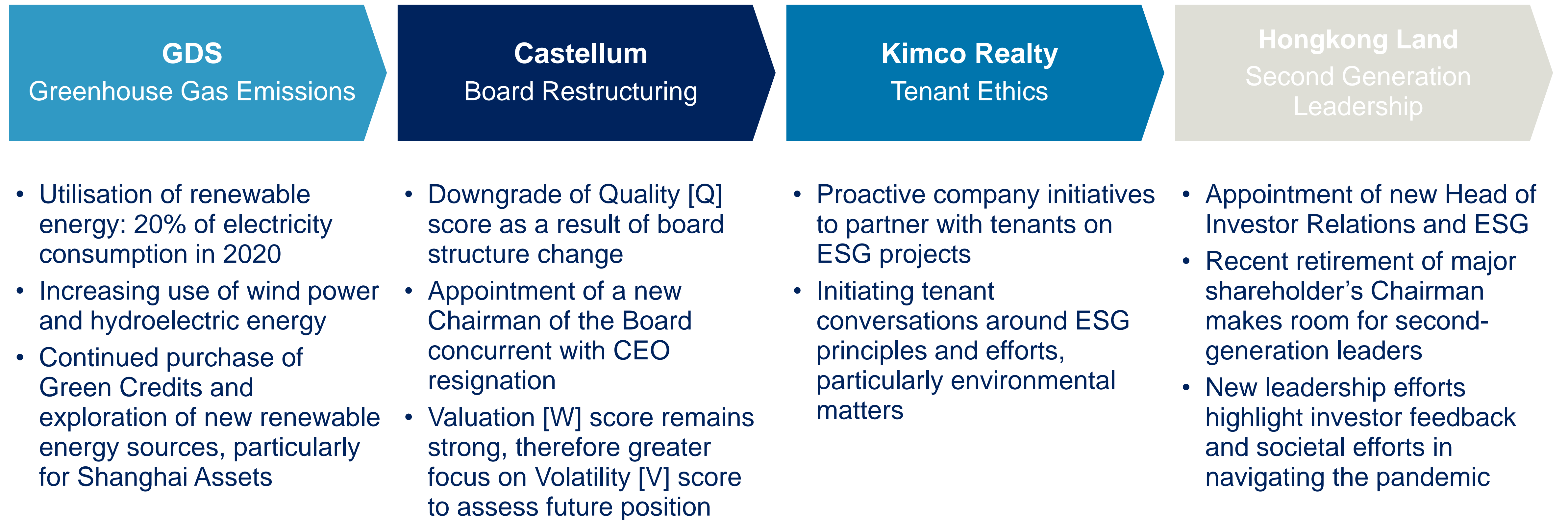
## What is Carbon Footprinting?

- Carbon footprinting is a way to measure the exposure of a portfolio of companies to greenhouse gas emissions.
- A carbon footprint is the total quantity of greenhouse gas produced both directly and indirectly to support a company's activities.
- Examining carbon footprint across a portfolio assists our understanding investment risk and provoking a discussion of the investment impact of emissions.
- Our Global Listed Real Estate team seeks to consistently assess and minimise investment risks from climate change including, but not limited to:
  - the physical impacts of climate change on investments
  - the potential impacts on the demand and price of commodities, in particular fossil-fuels, as the world decarbonises
  - the potential regulatory or government policy changes to drive a decrease in greenhouse gas emissions.

1. 1. Source: AMP Capital. As at 31 August 2021. In considering the carbon footprint of our funds, we use a measurement of kilograms of CO2-e (carbon dioxide equivalent) produced per year per thousand dollars invested into a fund. The carbon footprint is representative of the equities and/or fixed income portions of the funds as seen in the sixth column of the table below. We also calculate the emissions of the benchmark which the fund's financial performance is typically assessed against. While we recognise the limitations of carbon footprinting, we think it is an important part of our pledge to be transparent and accountable to our clients.

# 2021 Key ESG Engagements

## AMP Capital Quarterly Investor Board meetings





# ESG Case Study

## Fund Holding – Goodman Group (GMG AU)

- A fully integrated global logistics property group that own, develop and manage industrial real estate in 17 countries including logistics and industrial facilities, warehouses and business parks
- Total AUM of \$51.8bn up 5% on 1H FY20, external AUM increased to \$48.5bn (6% growth on 1H FY20)
- Clear focus on investing and developing high quality industrial properties in strategic locations, close to large urban populations and in major gateway cities globally, where demand is strong for E-commerce
- Own + develop + manage model is an integrated customer service offering at the heart of their business



## Sustainability – highlights

- Goodman was awarded Global Sector Leader in the 2019 Global Real Estate Sustainability Benchmark (GRESB) Sector Leader award in the Industrial – Developer category
- Completed a global climate risk assessment in accordance with recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)
- Increased target from 100MW to 400MW of solar PV capacity installed by 2025
- Reduced energy use by approximately 15% across the Australian office portfolio
- Continued major water-saving initiatives at our Australian properties reducing consumption by about 60%

Assessed and captured within the investment process through the quality > ESG > environmental score

## 2030 Sustainability Strategy Targets – Property, People and Culture

Target	Progress	Target	Progress
100% renewable energy use within our operations by 2025	Increased use of renewable energy globally in rooftop solar investments and installations  Commenced programme to purchase renewable energy through power purchase agreements  ● ● ○ ○ ○	Safe working environment	Targeting zero workforce fatalities  Implemented initiatives including: + Goodman safety framework + Safety in design guidelines + Critical risk controls + Safety training and contractor management procedures  ● ● ○ ○ ○
100MW of solar PV in operation by 2025	Approximately 40MW of solar PV installed on Goodman's rooftops globally  This includes 4MW of solar PV installed in Japan and Continental Europe this year  Design underway for further solar installations in all regions  ● ● ○ ○ ○	Global supply chain ethics policy	Outlined a two-year plan in which we will: + Expand our business ethics programme + Look at the human rights and social equity of our global supply chains + Assess our supply chains for risks such as modern slavery and bonded labour  ● ● ○ ○ ○
Carbon neutral operations by 2025	Continued investment in on-site and off-site solar energy and other efficiency projects  Continued roll out of energy efficiency measures including energy tracking, LED lighting upgrades, translucent roof sheeting and sub-metering  Investigating offsetting to achieve carbon neutral day-to-day operations (excluding development activities)  ● ● ○ ○ ○	Gender ratio of 50/50, with 40% female senior executives	Assessed current gender ratio at 45% female and 55% male  25% of senior executives are female, up from 20% in FY18  ● ● ● ○ ○
Maintain >95% overall occupancy rate	Assessed average occupancy rate at 98% (target set at >95% in acknowledgement that external factors cause occupancy rates to fluctuate).  ● ● ● ● ●	100% of employees assessed as demonstrating Goodman's values	Internal training and awards programme coupled with consistent internal communication to educate our people and reinforce the Goodman values  Performance management platform (Aspire) in place to assess how employees are displaying our values.  ● ● ● ● ○



# ESG Case Study

## Fund Holding – Prologis (PLD US)

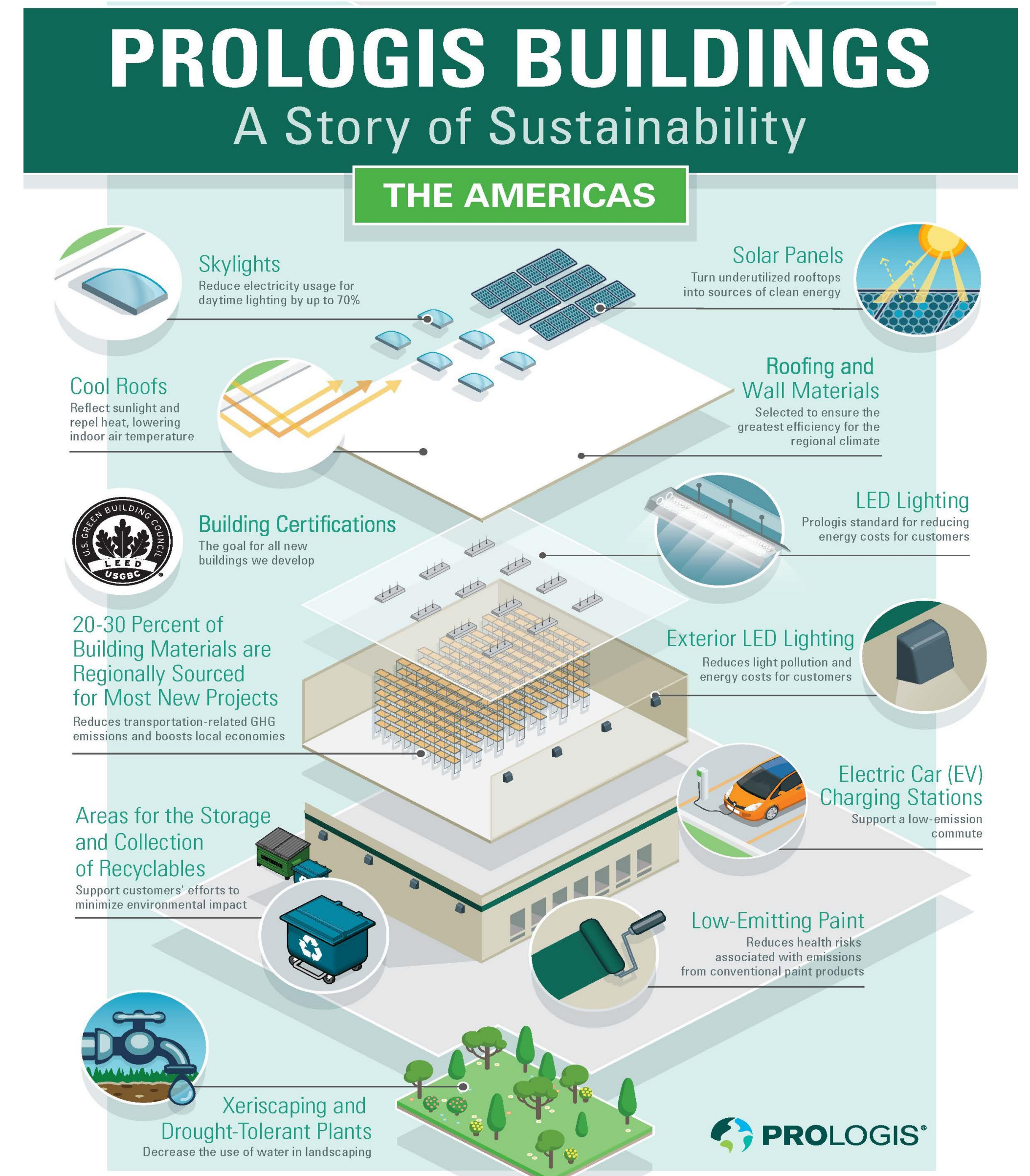
- Founded in 1983, Prologis is the global leader in logistics real estate with \$118 billion in AUM
- Prologis leases modern logistics facilities to a diverse base of approximately 5,000 customers across 19 countries, with a portfolio of over 964 million square feet and 4,649 buildings
- Industry leading ESG philosophy - 1<sup>ST</sup> in GRESB 2020 Public Industrial Funds in the Americas, UK, Brazil and China
- In 2020, 12<sup>th</sup> year among the Corporate nights Global Sustainable Corporations, & top 10% of global sustainable companies recognized by the DJSI World Index 2020.



## Sustainability – highlights

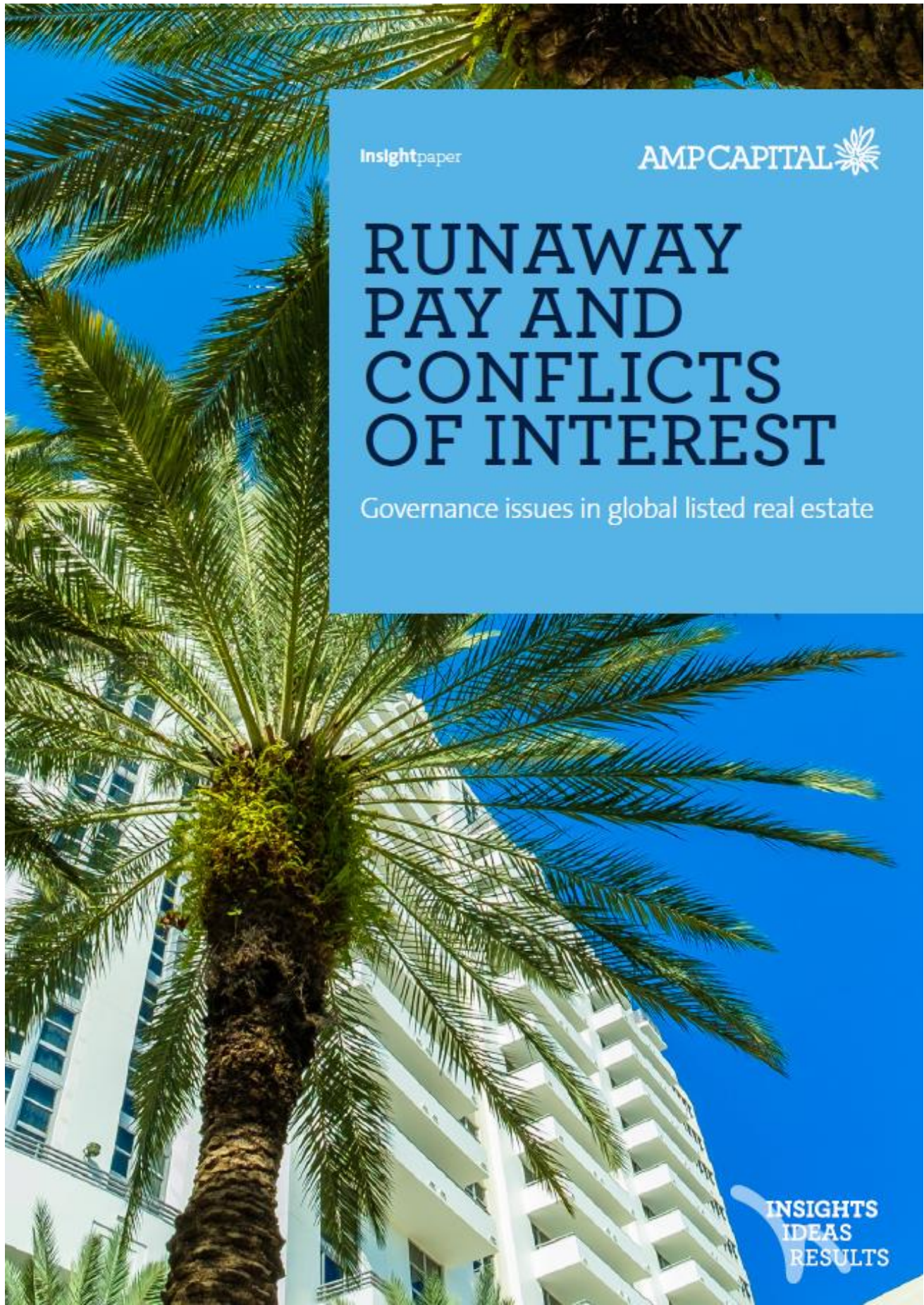
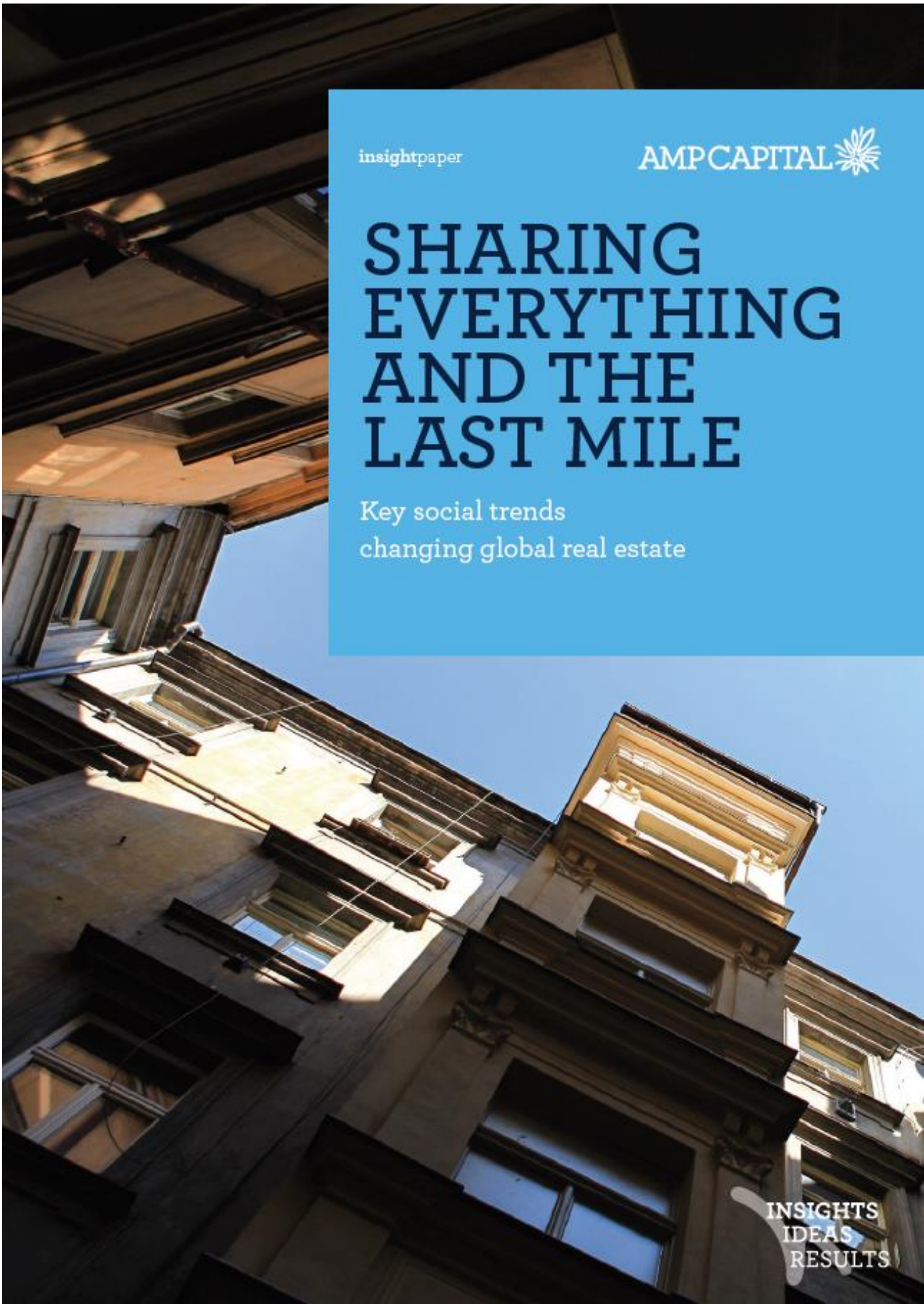
- First logistics real estate company in the world to:
  - Achieve WELL certification per the International Well Building Institute
  - Receive an approved Science Based Target (SBT), a greenhouse gas reduction goal approved by SBTi, the internationally recognised assessor of greenhouse based goals
  - Issue green bonds globally to fund sustainable development projects
- 489 sustainable building certifications totalling 179million square feet
- Installed 40 MW of additional Solar Energy capacity in 2020, for a total of 252MW globally
- In 2021, first developer in the U.S. with a LEED Volume Program for Core & Shell under V4 of LEED

Assessed and captured within the investment process through the  
quality > ESG > environmental score





# Global Listed Real Estate ESG Resources





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