

PRINCIPAL REAL ESTATE

REPORTING ARTICLE 29 OF THE ENERGY-CLIMATE ACT YEAR 2022

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A. GENERAL ESG APPROACH

a. Overview of the entity's general approach for taking account of environmental, social and governance quality

Principal Real Estate belongs to the Principal Financial Group (“PFG” or “Principal”) that has a long-standing Environmental, Social, Governance (ESG) strategy at the company and fund level. Since 2013, a unique, overarching ESG framework called the Pillars of Responsible Property Investing (PRPI) initiative is used. This framework serves as a guide for driving efficient asset management and fiduciary governance while delivering positive financial results and successful ESG outcomes for our clients and investors.

In 2019, Principal Real Estate Europe (“PrinREE”, the European Real Estate Branch of the Group), adopted the Group ESG Policy and Guidelines which are implemented at the property and fund level. These policies inform our approach to real estate investment and management while emphasizing ESG considerations as an integral approach to our fiduciary responsibility and critical in delivering superior risk adjusted returns.

Our ESG Policies incorporate ESG factors into all stages of the real estate investment lifecycle, as illustrated by the following practices.

- ESG Policy: documents the ESG strategies that are integrated into our real estate equity and lending operations.
- Health and wellness guidelines: provides an overview of our health and wellness goals and healthy building practices for operational assets.
- Real estate development guidelines: framework on the incorporation of ESG considerations for new development and major renovation activities.
- Building technology and innovations guidelines: documents our approach to ensuring specialized smart building aspects are appropriately incorporated into each of our individual assets.
- Responsible Contractor guidelines: documents our expectations that all contractors maintain a work environment where people are treated with dignity and respect and comply with all applicable laws and regulations.
- Carbon Reduction Strategy: a pathway to net zero carbon for the assets in all of our portfolios is developing.

Our ESG Policy and Guidelines guide our approach to real estate investment and management and states that appropriate consideration of environmental issues is integral to our fiduciary responsibility and critical in delivering superior risk adjusted returns. The following ESG strategies outlined below are applicable to Principal Real Estate and its most recent funds and are integrated into every stage of the real estate investment lifecycle – including acquisitions, development, operations, and dispositions:

- (i) Partner with clients and investors to implement ESG strategies and best practices.
- (ii) Engage property tenants, residents, and guests to build partnerships and programs that meet the needs of our communities.
- (iii) Collaborate with joint-venture partners, property managers, technicians, vendors, service providers, and lenders to implement our responsible property investing strategies, help ensure best-in-class operations, and help to potentially increase the value of our investments.

- (iv) Evaluate ESG aspects in due diligence activities of new acquisitions and loans, including utility performance, quality of building systems, resilience, transportation options, health and wellbeing aspects, and socio-economic factors.
- (v) Monitor and track the sustainability performance of our investments including energy use, greenhouse gas (GHG) emissions, water use, and waste production in addition to building-level sustainability attributes such as certifications.
- (vi) Optimize building performance, decrease risk, and reduce climate and environmental impacts of investments by:
 - Implementing best-practice operational policies and energy, GHG, water, and waste management techniques, as applicable.
 - Enforcing compliance of operational and/or utility management requirements.
 - Pursuing cost-effective development and management strategies that enhance operational and environmental performance.
 - Requiring all properties to meet or exceed all applicable ESG laws and regulations.
 - Achieving portfolio-wide energy, GHG, water, and waste performance targets for investments, as applicable.
 - Promoting accomplishments in the market; share best practices with the industry; and certify properties in LEED, BREEAM, and other industry recognized certification programs where appropriate.
 - Implementing carbon reduction strategies across all assets.

Within Principal, as investment managers and community members, transparency and rigorous oversight provide a foundation for our shared success. The following governance and management activities are designed and implemented to ensure accountability, mitigate risks, and provide clear indicators of progress:

- Disclose ESG performance through our ESG report and regular reporting to GRESB, PRI, and CDP.
- Support Principal Financial Group's alignment with industry frameworks such as UN SDGs, TCFD, GRI, and SASB.
- Participate in industry organizations and research opportunities to engage and influence policy makers on ESG issues and stay on the forefront of ESG best practices.
- Educate and provide resources to third-party joint venture partners, property managers, technicians, vendors, service providers, and lenders on our ESG expectations and monitor compliance.
- Engage real estate ESG working groups to formulate strategy, monitor progress, and ensure results, and provide accountability and oversight on ESG program implementation.
- Maintain a system of checks and balances to prevent conflicts of interest and preserve the integrity of our investment management process.
- Underwrite, evaluate, and monitor third-party property managers, service providers, and joint venture partners.
- Implement comprehensive data management and quality control procedures to ensure data integrity.

- Align our Sustainability Management System (SMS) with the ISO 14001 standard and its continuous improvement process.
- Provide employees with regular training on our ESG platform, diversity, equity and inclusion, and ethical business practices.
- Ensure employee compliance with the Global Code of Conduct, including employee restrictions on investments and political contributions, charitable gifting, cybersecurity, and data protection and privacy.

Principal Real Estate does not report PAI at the entity level, due to concerns around the availability and quality of data required to comply with the entity level PAI reporting. In addition, the entity falls below the regulatory thresholds for mandatory reporting. A statement on the entity level PAI regime is published on the Group website:

<https://brandassets.principal.com/m/63dad84566d71cb0/original/Statement-on-the-SFDR-Principal-Adverse-Impacts-Regime.pdf>

b. Extra-financial reporting

The ESG objectives, targets and strategy for investment funds/mandates are communicated to investors through a range of different documents and updates provided in quarterly and annual investor meetings. These documents will include:

- Private Placement Memorandum
- Marketing materials, including examples of ESG focused documents
- Quarterly and annual investor reporting
- Quarterly and annual investor meetings

Three of the funds managed by Principal Real Estate participate in the GRESB ESG benchmark on an annual basis. The GRESB benchmark includes information on the funds' ESG targets and progress towards achieving those targets. Copies of GRESB benchmarking reports are made available to investors on request.

Information is also made available to investors through our website, this includes Principals' commitment to sustainable investing, ESG policies and regulatory disclosures. Relevant links to the Principal website are provided below.

Principal ESG Report:

<https://brandassets.principal.com/m/fbb8e4224a8495f/original/ESG-at-Principal-Real-Estate.pdf>

Principal Sustainability Report:

https://secure02.principal.com/publicsupply/GetFile?fm=EE12535&ty=VOP&_gl=1*17zoxnd*_ga*NzE4NzI2NTEuMTYxMDY1NzkzNw..*_ga_GP3ZP21MGH*MTY4MzEyMjYzMC4zMi4wLjE2ODMxMjI2MzAuMC4wLjA

- #### c. List of financial products mentioned under Article 8 and 9 of the Disclosure Regulation (SFDR)

As of 31 December 2022, Principal Real Estate was managing 3 OPPCIs and 4 Luxembourg funds for a total of € 573M assets under management. Principal Real Estate manages funds solely investing in real estate in France; there is no plan to extend the activity to other mandates or ESG services.

Two of the funds were classified as Article 8 according to the SFDR, representing € 364M and 64% as a percentage of the outstanding amount managed. These funds are dedicated to professional investors. None of these funds had an NAV as of 31 December 2022 exceeding €500M.

Fund	AUM (in €m)	Classification
Principal European Data Centre Fund	122	Article 8
Principal European Core Fund	242	Article 8

The remaining funds are classified as Article 6 according to the SFDR. Those represent € 209M and 36% as a percentage of the outstanding amount managed.

- d. Integration of environmental, social and governance quality criteria in the decision-making process for the allocation of new management mandates

Not applicable to Principal Real Estate

- e. Adherence of the entity to a charter, code, initiative, or obtaining certification for taking account of environmental, social and governance quality criteria

The Group has a long-standing commitment to corporate stewardship and an established track record in responsible property investing, starting with the first iteration of the responsible property investing framework in 2008. Since then, the framework has been expanded and enhanced to encompass environmental, social, governance and resilience, becoming the Pillars of Responsible Property Investing (PRPI) platform. This organization-wide platform guides our investment management practices and is utilized by Principal and our third-party joint venture partners and property management companies.

In addition, separate targets and strategic ESG objectives are adopted at fund/mandate level, as an example, for one of our Article 8 managed fund these targets include:

- Net Zero: carbon neutral by 2035
- 40% energy usage reduction by 2035
- 20% water reduction by 2035
- 20% waste diversion by 2035
- 50% data coverage by 2025
- 10% of total energy use from renewable energy
- ESG building certifications on 50% of total SF by 2025

- f. Balanced representation of women and men

As of 31 December 2022, the investments decision team at Principal Real Estate is balanced in term of women and men representation. The objective is to maintain the balance as much as possible and to have at least a third of women.

B. INTERNAL RESOURCES DEPLOYED BY THE ENTITY

Principal including PrinREE and Principal Real Estate believes ESG forms part of the responsibilities of all employees and all business areas. To ensure implementation of sustainability topics in the different business areas and support operational teams, a dedicated sustainability team of three persons has been set-up for all real estate activities of the Group: the Managing Director of ESG and Operations, a Senior ESG Analyst, and an ESG and Operations Data Analyst. This team is also supported by several ESG resources within the Group. In addition, there two external sustainability consultants who provide support for ESG strategy, sustainability program oversight, data collection and analysis, and property initiatives.

The staff of Principal Real Estate regularly receives ESG training and communication. All employees receive ESG education upon joining and throughout their career at the firm. This includes the following but is not limited to:

- Quarterly updates to ESG Working Groups, the Group's ESG Teams on progress towards targets, key initiatives, building certifications, and industry trends
- Governance training videos
- Code of Conduct and Ethics training
- Fiduciary due diligence
- Environmental, social, and governance trends
- Principal-specific ESG initiatives

Additionally, the Group and our sustainability consultants provide regular training sessions to property management teams. These trainings provide information about the Pillars of Responsible Property Investing ESG platform, Property Manager responsibilities, and resources and best practices.

C. APPROACH TO TAKE ACCOUNT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE QUALITY CRITERIA AT ENTITY GOVERNANCE LEVEL

a. Governance structures in place to oversee ESG matters

Principal Real Estate utilizes the Group's Corporate Governance platform as the foundation for our fiduciary responsibility to our clients. It includes several facts:

Investment Oversight and Governance

A system of checks and balances are designed to help prevent conflicts of interest and preserve the integrity of our advisory services:

- The portfolio team is responsible for the day-to-day activities of the portfolio, and for making recommendations to the relevant management board for consideration;
- Certain funds we manage have advisory committees, made up of fund investor representatives that oversee fund performance and provide guidance to fund managers;
- Investments will be evaluated by an investment committee using a process that includes environmental, social and governance variables. These variables are incorporated into the initial underwriting and annual business plan for each asset; and

- All employees subscribe to the Corporate Code of Conduct and Ethics and adherence is monitored by an in-house compliance department.
- We leverage the expertise of third-party sustainability consultants to assist with program strategy, administration and technical support, training, reporting, tool and resources development, site assessments, engineering support, and marketing.

ESG Governance bodies at Group level

- Strategic Working Group: it is comprised of senior decision makers from across the department who approve the strategy and goals including the sustainable investing strategy.
- Sustainability Team: The Managing Director of ESG and Operations works closely with senior management at Group level and regularly reports on performance, progress, and initiatives to the Strategic Working Group and PFG Board of Directors. In addition, the Sustainability Team includes two ESG Analysts. The analysts are responsible for researching industry trends and best practices, managing and analyzing environmental performance data, coordinating ESG projects at property and portfolio level, creating communications materials and marketing documents, supporting industry reporting, and overseeing certifications management.
- Sustainability Working Groups: these are made up of key representatives from various disciplines across the organization including acquisitions, asset management, operations, underwriting, loan servicing, engineering, sales and marketing, and portfolio management with representation from each of the investment strategies. The purpose of these groups is to set both organizational and investment strategy level priorities and to help drive those through the organization.

Policies and Procedures Compliance

Rigorous standardized procedures and practices help ensure control and compliance with management direction:

- Ongoing review and audit of investment management services;
- Engaging with independent third-party vendors to perform annual audits of investment processing controls and audits of investment vehicles' financial statements; and
- Conducting on-site property management financial and operational audits to help ensure compliance with policies and procedures and to educate and enforce best practices.

Partner Due Diligence and Oversight

We conduct thorough and extensive due diligence and underwriting on all of our joint venture partners to help insist that they abide by the same high standards for ethics, governance, and financial practices that we demand from ourselves. This process typically involves financial checks, reference checks, and Office of Foreign Assets Control verification on all potential joint venture partners and vendors.

- b. Inclusion in remuneration policies of information on how those policies are consistent with the integration of sustainability risks ESG matters

The Group Remuneration Policy describes the criteria that are used to determine bonuses. It includes in particular the achievement of sustainability objectives within an individual's performance goals, where such individual is actively involved in transaction and portfolio management.

Sustainability Risk Policy:

<https://brandassets.principal.com/m/34270c7ea6201b31/original/SFDR-Sustainability-Risk-Policy.pdf>

SFDR Remuneration Disclosure:

<https://brandassets.principal.com/m/471b567ad8a98935/original/SFDR-Remuneration-Disclosure.pdf>

- c. Integration of environmental, social and governance quality criteria into the by-laws of the entity's board of directors or supervisory board

The PFG Board of Directors and executive management team regularly review best practices for corporate governance and modify policies and practices as necessary. The Board is comprised of 13 individuals: 12 of the 13 are independent directors, 5 of 13 identify as a women, 2 of 13 identify as a person of color, and 2 of 13 are diverse in their national origin.

Within the Board, the Nominating and Governance Committee monitors risks and mitigation related to our environmental, sustainability, and corporate governance responsibilities, as well as our political contribution activities. They also oversee the company's sustainability strategy and key initiatives, receive updates from management regarding the company's ESG activities, and provide guidance to the Board, other Board Committees, and management, as appropriate, concerning ESG matters. This Committee receives updates about specific sustainability metrics, such as our climate goals and performance, twice per year during two of the quarterly Committee meetings. The Committee also monitors whether the Board and its Committees have the collective skills and experience necessary to monitor the risks facing Principal.

The Enterprise Chief Risk Officer and other members of senior management provide reports and have quarterly and annual discussions with the Board and its Committees regarding our risk profile and risk management activities, including reviews of ongoing adherence to policy, current and planned mitigation, impacts of external events, and how strategy, initiatives, and operations integrate with our risk objectives.

The Board also receives input on these issues from external entities, such as our independent auditor and consultants. These activities provide the Board with a greater understanding of the material risks we face, the level of risk in matters presented for Board approval, and how risks are related.

D. ENGAGEMENT STRATEGY AND ITS IMPLEMENTATION

Not applicable to Principal Real Estate.

E. EUROPEAN TAXONOMY

The EU Taxonomy Regulation requires EU financial undertakings subject to the Non-Financial Reporting Directive (NFRD) / Corporate Sustainability Reporting Directive (CSRD) to disclose their share of EU Taxonomy-aligned investments. Principal Real Estate falls below the regulatory thresholds under the definition of a 'large company' and therefore is not required to disclose the share of EU Taxonomy-aligned investments at the present time.

F. INFORMATION ON THE STRATEGY FOR ALIGNMENT WITH THE INTERNATIONAL CLIMATE CHANGE LIMITATION OBJECTIVES OF THE PARIS AGREEMENT

The PFG, including Principal Real Estate, has a target for net zero emissions by 2050 and an interim target of 40% reduction in emissions by 2035 based on a 2019 baseline.

This target covers Scope 1 and 2, and to the extent possible, Scope 3 emissions. We define net zero in accordance with the Net Zero Asset Managers Initiative: the annual carbon emissions generated from a building's use of fossil fuel, greenhouse-gas-emitting energy reduced to zero based on the adoption of energy efficiency, on and offsite renewable energy sources, and lastly carbon removal offsets, if needed.

We use an external methodology known as the "operational control" method as described in the World Resource Institute's (WRI) GHG Protocol Corporate Accounting and Reporting Standard (the "Corporate Standard") to define the inventory's organizational boundary and track tenant emissions as scope 3 emissions. The GHG inventory is a consolidated statement of emissions from business activities that fall within an organizational boundary. The Corporate Standard is a widely accepted guidance document for companies that want to understand, account for, and address their GHG emissions. Developed by the WRI and the World Business Council for Sustainable Development, the Corporate Standard outlines methods for accurately representing the emissions associated with a company's activities. A Corporate Standard-compliant GHG inventory is meant to provide a holistic representation of the emissions from a company's activities. The Corporate Standard allows for two methods for determining this boundary:

- Equity Share, where the emissions from a company's activities are tallied pro-rata with its owners' equity share; or
- Control, where 100% of the emissions from a company's activities are attributed to the organization that controls those activities, with control being based on either:
 - Financial Control: If a company can make financial decisions (e.g., purchase or sale) or gains economic benefit from an activity it is said to have financial control of that activity; or
 - Operational Control: If a company can introduce and implement operating policies of an activity, it is said to have operational control.

We use the operational control method for GHG Inventory.

The internal approach is cumulative and is to input utility data into the management tool ENERGY STAR Portfolio Manager on a monthly basis at a property level. The data is then downloaded into a database where it is tracked through quarterly reporting that is published with emissions performance for the quarter. The time horizon for evaluation is from 2019 to 2050.

Climate risk analysis is done on all new and standing assets using MSCI, so the coverage rate of this is 100%. Climate risks are assessed through "MSCI Real Estate Climate Value at Risk" reporting. MSCI maps the location of each asset and provides a risk level and estimates the property's value at risk (expressed as a dollar amount and percent of overall value). MSCI Transition risk assessments are calculated on three different degree pathways – 1.5°C, 2.0°C, and 3.0°C – using different carbon price inputs. The sources of the integrated assessment models are:

1. AIM CGE – Asia-Pacific Integrated Assessment/Computable General Equilibrium
2. GCAM – Global Change Assessment Model
3. IMAGE – Integrated Model to Assess the Global Environment
4. REMIND – Regional Model of Investment and Development.

Transition scenarios are based on CRREM 2C and CRREM 1.5C. Physical scenarios are based on RCP8.5.

ESG factors are evaluated throughout the investment lifecycle, starting at the acquisition of an asset. When acquiring an asset, our standard due diligence checklist includes analysis and review of a broad spectrum of ESG issues include but are not limited to:

- Overall building performance
- Energy, water and waste usage and efficiency
- History of the location for type and frequency of natural hazards
- Climate risk assessment to identify future high-risk climate hazards (coastal flooding, fluvial flooding, tropical cyclones, extreme heat and extreme cold) and transition risks (greenhouse gas emissions, regulatory requirements)
- Ecological impact assessment (for new development projects)
- Viability of green certifications
- Indoor environmental quality
- Occupant health and safety
- Presence of toxic materials and proximity to health and environmental concerns such as pollution sources and sensitive ecologies
- Phase 1 environmental assessments
- Compliance with accessibility regulations
- Affordable housing (for multifamily assets)
- Tenant satisfaction

Owned assets in our Article 8 managed funds will participate in Carbon Action Planning which helps to evaluate and accelerate progress towards the net zero targets. This includes an analysis of each asset's sources and uses of emissions, documents efficiency projects already completed, and identifies emissions reduction projects to be completed. One of our Article 8 managed funds has already developed Carbon Action Plans for assets in the fund, and continued application to other strategies is anticipated in the coming years.

G. INFORMATION ON THE STRATEGY FOR ALIGNMENT WITH LONG-TERM BIODIVERSITY GOALS

Not applicable to Principal Real Estate.

H. ACCOUNTING FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE QUALITY CRITERIA IN RISK MANAGEMENT

The Principal Group assess physical and transition climate risk as part of its standard due diligence process for new developments and acquisitions. Physical risks reviewed include sea level rise, flooding, tropical cyclones, wildfires, extreme heat, extreme cold, and water stress. For any identified high-risk hazards, relevant due diligence consultants are alerted to consider the high risks in their analysis of the property.

Recommended mitigation strategies identified by the due diligence consultants are incorporated as needed in underwriting and business planning. Post-close, information on high risks, pre-identified mitigation strategies, and climate risk prescriptions are shared with the asset manager and property manager. From a policy and legal perspective, an increasing number of jurisdictions and regional governments are adopting climate action plans, renewable energy portfolio standards, or other environmental regulations targeting greater energy efficiency and reduced carbon emissions associated with commercial buildings. Our transition risk analysis provides a rating for each asset's estimated value at risk as a result of anticipated regulations in alignment with various 1.5°, 2°, and 3°C warming scenarios. This is based on the property's actual emissions (depending on data availability) or a proxy based on property type and location.

Biodiversity is reviewed as warranted during the acquisitions process. Biodiversity impact reduction and risk mitigation plans are created if needed.

In addition to the climate risk analysis, hawse have identified the below climate-related risks and opportunities:

- Current and emerging regulation - Principal properties are subject to climate-related transition risks, which includes emerging regulations. New benchmarking and disclosure laws are created each year to monitor and reduce greenhouse gas emissions at a city or country level. Principal Real Estate considers current and emerging regulation both a risk (due to fines from non-compliance or costs associated with required building upgrades) and an opportunity (due to high-performing buildings receiving positive recognition from a jurisdictional level).
- Acute physical damage and disruptions to property operations - Climate change may lead to an increase in the frequency and severity of natural disasters, such as changes in precipitation extremes and droughts.
- Chronic physical damage and disruptions to property operations - In addition to acute increases in frequency and severity of natural disasters, climate change may also lead to an ongoing increase in the frequency and severity of natural disasters or change from one form of natural disaster to another over time.
- Changing operational parameters - Climate change is forecasted to increase the duration and intensity of heating and cooling days, thus necessitating longer HVAC and capital equipment utilization schedules. Principal Real Estate relies on capital equipment to ensure the comfort and well-being of tenants. Ensuring systems and equipment can operate under more intensive temperature extremes and focusing on efficiency and maintenance of capital equipment will potentially reduce asset risk.
- Rising utility costs - Climate change may impact utility availability and pricing due to supply and demand. Principal Real Estate relies on utilities to provide building occupants with services, and we must be aware of any threat to utility availability and changes to utility costs. Principal Real Estate considers rising utility costs both a risk (due to increased operational costs) and an opportunity (due to resource efficient buildings whose operations are not negatively impacted by rising utility costs, which could give our buildings a competitive advantage against peers).

- **Rising insurance premiums** - Climate change may lead to rising insurance premiums due to potential increased property damage from changing climate patterns and increased severity of natural disasters. Principal may have assets that could be deemed to be in a vulnerable area, leading to possible increased insurance premiums.
- **Reputation** - Climate change may lead to reputational damage since physical damage to properties negatively impacts a variety of factors, including building occupant comfort, tenant/resident health and safety, work and lifestyle disruption, loss of continuity of operations, loss of client confidence in our investments, and more. Principal Real Estate prides itself on providing best-in-class property operations and valuable investment opportunities for clients. Principal Real Estate Investors considers reputation as both a risk (due to potential loss of clients and building occupants from negatively affected operations or asset value) and an opportunity (due to potential gain of clients and building occupants if climate adaptation strategies help properties retain their value and maintain operations during climate change events).

Material transition risks have been identified in four categories: Policy and Legal, Technology, Market, and Reputation.

- **Policy and Legal:** All Principal Real Estate property managers are contractually required to ensure their properties are in compliance with all local rules and regulations, including current and emerging climate-related laws, such as benchmarking regulations. Additionally, Principal continually monitors reporting obligations, such as the SFDR. Principal recognizes that there are costs associated with compliance with emerging regulations, such as the costs associated with monitoring regulations and for energy audits and upgrades in order to comply with new regulations. Non-compliance with emerging regulations will also result in fines and judgements.
- **Technology:** Principal Real Estate continuously monitors low carbon technology options and their associated costs including solar panels, efficient building systems, and others. Where financially appropriate, Principal will invest in low carbon technologies.
- **Market:** Principal Real Estate monitors market trends and changing customer behavior for low-carbon buildings. In addition to our internal research teams who review industry trends, we also have a third party ESG expert conduct market research.
- **Reputation:** Principal Real Estate recognizes that many investors are increasingly looking for low carbon products. Additionally, Principal's internal research teams and third party ESG expert also conduct research about changes in customer preferences.

Risk management scope, including insurance and climate risk is reviewed annually.

ESG related risks are assessed throughout the investment cycle. When acquiring an asset, the transaction team is required to assess ESG risk as part of the initial due diligence process. This will cover Environmental aspects (GHG emissions, energy certification, climate or physical risks (e.g. flooding)), Social (tenant activity, impacts on local community) and although more limited in scope for a real estate acquisition, Governance.

The level of risk identified during the initial due diligence will then dictate the scope of the acquisition due diligence to be completed. This may include the appointment of external consultants to complete detailed environmental risk assessments looking at the risks associated with flooding or other natural disasters, an environmental audit of the asset assessing GHG emissions and measures that can be taken to improve performance.

The impact of identified risks are assessed during the underwriting stage. Based on input from external consultants where required, sensitivity analysis will be undertaken to assess the financial impact of the risks. In the case of real estate, this may be reducing rents due to poor ESG performance or reduced liquidity and value on exit.

Climate risk analysis is completed using the MSCI climate risk analysis tool, which provides an overview of risks and value impact for each asset acquired or held by one of our mandates.

The assessment of ESG risks forms part of the annual business planning process and is reviewed at both asset and fund level. This should cover the change of local regulation and any operating or capital expenditures required at asset level to meet new standards or mitigate potential risks.