

# BGO – Prime Canadian Property Fund Sustainable Investing Policy

## 1. Scope and Purpose

This Sustainable Investment Policy (the “Policy”) relates to the Fund (as defined below) and outlines:

- the general principles for how environmental, social and governance (ESG) factors are integrated in the investment strategy of the Prime Canadian Property Fund (the “Fund”), to which BentallGreenOak (“BGO” or “Portfolio Manager”) acts as portfolio manager;
- the environmental characteristics promoted by the Fund;
- the Due Diligence process to be adopted by BGO when considering investment opportunities for the Fund and on an ongoing basis; and
- how the environmental characteristics are monitored by BGO, together with the methodologies, data sourcing and processes utilised.

## 2. Approach to ESG integration in its investments

For the purposes of this Policy, the Portfolio Manager understands “Sustainability Risk(s)” to be an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the relevant investment.

The Portfolio Manager is committed to integrating ESG and Sustainability Risk analysis into the investment decision-making process and asset management of the Fund. The Portfolio Manager is focused on acquiring properties that meet the Fund’s investment mandate and will look to maintain and improve assets to strive for greater sustainability performance and mitigate against Sustainability Risks. New acquisition opportunities are expected to be evaluated on their sustainability performance using various data points, such as energy performance certificates and green building certificates.

The Portfolio Manager recognises that the Fund also seeks to promote certain environmental characteristics and consider certain principal adverse impacts (PAIs) when making investments (in each case as described further below).

## 3. Investment strategy, Promotion of Environment Characteristics and Principal Adverse Impacts

### Investment Strategy of the Fund

The Fund focuses on high quality, core assets with qualities that are difficult to replicate in terms of size, location, tenant mix and other attributes. The Fund targets assets with the potential for strong income growth in the medium to long term and uses Build-to-Core to create best-in-class assets in strategic locations. The Fund seeks to construct a diversified portfolio targeting the following primary asset types: Industrial, Office, Multi-Family and Retail.

The Portfolio Manager shall continue to manage the Fund and establish a portfolio of investment in accordance with the Fund's constitutional documents.

#### Promotion of Environmental Characteristics

BGO acknowledges that the Fund looks to promote environmental characteristics and to this end the Fund will seek to ensure that at least 70% of the Fund's net rentable area will achieve a green building certificate (as defined in the offering documents of the Fund) and that it reports to GRESB (Global Real Estate Sustainability Benchmark) on an annual basis.

When assessing investment decisions for the Fund, BGO will use a proprietary ESG analysis to identify and measure the ESG opportunities and challenges of each potential acquisition. This includes assessing Sustainability Risks and the extent to which such acquisition contributes to the Fund's environmental characteristics described above.

#### Consideration of Principal Adverse Impacts (PAIs)

BGO acknowledges that the Fund considers the following two (2) mandatory PAI for investments in real estate assets:

- Exposure of the Fund to fossil fuels through real estate assets; as well as
- Exposure of the Fund to energy-inefficient real estate assets<sup>1</sup>;

BGO acknowledges that the Fund further considers the following two (2) voluntary indicators for investments in real estate assets:

- Greenhouse gas emissions generated by the real estate assets contained in the Fund, the Portfolio Manager will monitor Scope 1, 2 and 3 emissions; and
- Energy consumption in GWh of owned real estate assets per square meter of the real assets contained in the Fund.

#### **4. Investment Process and Monitoring**

When making investment decisions and asset management decisions for the Fund and its investments, the Portfolio Manager will endeavour to do so in a manner that will enable the Fund to promote the environmental characteristics and to consider the PAIs described above and shall assess and monitor this on an initial and ongoing basis.

In this regard, the Portfolio Manager has diligence processes designed to enable this.

##### **4.1 Pre-investment Diligence**

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<sup>1</sup> To respond to this PAI, the EPCs and Nearly Zero Emission Building (NZEB) of the real estate is required. Energy Performance Certificates (EPCs) and NZEB are only related to real estate located within the European Union. Therefore, given the Fund does not invest in real estate located within the European Union, this PAI is not considered applicable to the Fund. An EPC is a rating scheme to summarise the energy efficiency of buildings or devices.

As part of the investment decision making process, the Portfolio Manager will utilize a proprietary ESG due diligence analysis designed by the Portfolio Manager's Sustainable Investing team in order to identify, measure and understand the ESG and Sustainability Risks as well as related strengths and weaknesses of each investment, on an individual investment and portfolio basis. As part of the due diligence assessment, the Portfolio Manager may utilise third-party providers (such as Moody's), as additional resources to assess climate specific risk.

The ESG due diligence analysis will form part of the investment memorandum required for each investment, which is submitted to the investment committee and whose approval is required before investments are made by the Fund.

#### **4.2 Post Investment Diligence**

After acquisition, the Portfolio Manager will proactively monitor the performance of each asset, and their Sustainability Risks, through regular monitoring and reporting as part of the Portfolio Manager's asset management practices. This includes the implementation of the Portfolio Manager's proprietary internal benchmarking program to assess and drive ESG performance and support continued improvement for factors that include energy, water, waste, health and wellness, building certifications, and tenant engagement. Based on the results of the survey, assets will receive a customized diagnostic report, which identifies and informs asset-level ESG strategy as well as opportunities for improvement, annual planning and budget decisions.

Through BGO's sustainability data management platform, utility data is collected for select properties on varying frequencies. The Fund is benchmarked using the GRESB assessment, and all material ESG metrics are tracked and reported through GRESB annually.

### **5. Monitoring**

The sustainability indicators used to measure the attainment of the above mentioned environmental characteristics are: (i) annual submission to GRESB; (ii) targeting that, at least seventy per cent (70%) of the Fund, based on net rentable area, will achieve a Green Building Certificate; and (iii) regular monitoring and reporting as part of the Portfolio Manager's standard asset and portfolio management processes on GRESB results and achievement of Green Building Certificates. Through the regular reporting requirements on each investment, the Portfolio Manager should become aware of ESG related updates in the portfolio and recognize early warning signs of potential deviation from the agreed ESG targets or aspired Green Building Certificate targets.

BGO will utilize its sustainability data management platform, environmental checklists, tenant screening risk analysis, as well as internal data sources to collect and report on PAI data annually. BGO uses a comprehensive sustainability data management system to track meaningful analytics on energy, water, waste and greenhouse gas emissions data at the asset level for select portfolios. Carbon emissions primarily resulting from energy consumption at assets, are measured and tracked in both intensity and annual changes.

This Policy is reviewed at least on an annual basis or regularly whenever required due to changes of general principles set out in this Policy or in case of regulatory changes.

#### Key Contacts

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#### Version Control

Name/Title	Version
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