

# Stockbridge

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## **Environmental, Social Responsibility and Governance: Policy and Procedures (the “Policy”)**

Stockbridge Capital Group, LLC and Core and Value Advisors, LLC (collectively, “Stockbridge” or the “firm”) are affiliated Registered Investment Advisers with the United States Securities and Exchange Commission. Stockbridge manages real estate and real estate-related assets on behalf of its clients, which include private comingled funds, separate accounts and co-investment vehicles (collectively, “Clients”) on both a discretionary and non-discretionary basis.

As an investment manager, Stockbridge is first and foremost a fiduciary on behalf of its Clients. As a fiduciary, the firm believes that its employees must always act in the best interest of its Clients to maximize investment returns. To that end, Stockbridge acknowledges a responsibility to conduct business and manage investments in a way that is moral, just, and responsible, as these are in the best interests of its Clients.

Stockbridge believes that environmental, social responsibility and governance (“ESG”) factors can have an impact on investment performance and should be considered when evaluating investment decisions and engaging in the day-to-day management of investments. Additionally, the firm believes that a commitment to ESG principles is not limited to the management of the firm’s Clients’ investments, but also extends to how Stockbridge operates. Stockbridge strives to take ESG considerations into account in the operation of its business, with the goal of setting a positive example for those with whom conduct business with the firm. The firm seeks to implement this policy and integrate ESG into the day-to-day activities of its business by, among other things, requiring that the firm’s employees maintain consistently high standards of professional and business conduct.

### ***Purpose***

The purpose of this policy is to define Stockbridge’s approach to integrating the consideration of ESG risks and value creation opportunities into investments made on behalf of its Clients. Stockbridge commits to consider material ESG issues in the course of its due diligence and in the monitoring of portfolio investments to the extent reasonably practical, subject to the provisions of the operating agreements, confidential private placement memorandums and investment management agreements applicable to its Clients, and to the duty of Stockbridge to seek to maximize investment returns for its Clients.

## **Objectives**

As part of the firm's commitment to be a responsible manager and consistent with the fiduciary responsibilities to its Clients, Stockbridge has committed to the following principles and will:

- Understand Clients' ESG principles and make recommendations to Clients regarding ESG best practices as they relate to investment performance;
- Work with the firm's Clients and investors, peers in the industry, and broader investment community to enhance its effectiveness in implementing ESG principles;
- Incorporate ESG factors into Stockbridge's investment analysis and decision-making processes, through thorough due diligence procedures;
- Be active owners and incorporate ESG issues into our ownership policies and practices;
- Ensure appropriate disclosure on ESG issues to our Clients and investors, business partners, and in the communities and markets where we operate; and
- Report on our activities and progress towards implementing ESG principles, overseen by the Stockbridge ESG Steering Committee.

We believe that by properly evaluating ESG factors in our acquisition analysis and asset management processes, Stockbridge can better manage risks and opportunities while enhancing long-term returns for its Clients.

Interpretation and application of ESG principles and considerations varies amongst industries, asset classes, and geographical regions. As an investor in real estate and real estate-related companies in the United States, it is important for Stockbridge to define ESG as it relates to its specific business and investment mandates. We believe that interpretation of ESG factors is not static and will likely change over time as new issues emerge, best practices change, and ideas around these wide-ranging topics evolve. Stockbridge frames its understanding of the four principal aspects of ESG as follows:

### (i) **Environmental**

Stockbridge defines environmental sustainability as the effort to reduce energy consumption, reduce water usage, reduce waste disposal, identify and avoid hazardous material, and promote lifestyles which reduce carbon emissions through reduced commute times or the use of public transportation.

In connection with the management of real estate portfolios for our Clients, Stockbridge acquires properties in multiple asset classes, including industrial, multifamily, office and retail properties and in some circumstances, development land. Through capital improvements and management, there are several steps that may be taken to address energy consumption, water usage, waste disposal, hazardous material identification, and reduced commute times, among other items.

We believe that it is important to understand how our activities and those of our Clients' investments contribute to the production of carbon emissions. While always considering Client objectives first and foremost, we seek and procure investments that are consistent with the transition toward a global low-carbon economy. We believe it is important to proactively assess climate change risks and opportunities in our Clients' investments and incorporate these factors into investment strategies and the due diligence process, with a specific focus on assessing: Energy use efficiency, carbon intensity and on-site specific renewable opportunities (i.e., solar, biomass, cogeneration etc.); Water use efficiency and water conservation measures; and Adaptation and Resilience needs and opportunities, and disaster risk management.

We believe that global population growth and greater prosperity are putting increasing pressure on water supplies and other natural resources, and that clean drinking water, and the food supplies which it enables, are increasingly out of reach for large groups of people. Water scarcity is a hugely relevant investment topic, both from a risk perspective (such as price increases) and an opportunity perspective (water innovation). We believe that it is important to understand our water risk and impacts, and it is important to pay attention to potential water

resource scarcity, efficient water management (limiting losses and avoiding pollution upon discharge) and the energy consumption used in water treatment.

In order to do work towards environmental sustainability, we believe in and recommend the process of **Measure, Reduce, and Compensate**.

Stockbridge identifies the following as the key aspects that comprise Environmental Sustainability, and has implemented the following procedures to meet our objectives as it relates to these aspects:

#### **Environmental Aspects**

- *Energy consumption*
- *Water consumption*
- *Waste disposal*
- *Hazardous material identification*
- *Reduced commute times*
- *Biodiversity and Habitat*
- *Climate/Climate Adaption*
- *GHG Emissions/Management*

#### **Procedures**

- Completion of an ESG Checklist at time of acquisition
- Consider potential ESG-related certifications for Client properties, and pursue such certifications subject to Client approval
- Measure landlord and tenant energy consumption, water usage and waste disposal, and implement processes subject to Client approval
- Consider the benefit of energy and waste audits and implement such audits subject to Client approval
- Consider energy efficiency projects, water preservation projects, and implementation of recycling programs
- Periodic ESG surveys completed by third-party managers
- Quarterly ESG newsletters (training) sent to third-party managers
- At the corporate-level: Surveys, analysis and practices relating to energy, water and waste management, and supply chain/vendor ESG analysis
- A Vendor Code of Conduct is provided to all business partners, third-party managers, vendors and service providers that outlines the company's position on environmental stewardship; third-party managers are required to provide the Code to vendors and suppliers that serve our Clients' investments
- Inclusion of Management Agreement ESG provisions and 'Green' lease provisions
- Sustainability Guidelines and Tenant Fit out Guide provided to third-party managers

#### **(ii) Social Responsibility**

Stockbridge approaches Social Responsibility in two primary ways. First, from the property perspective, Stockbridge defines Social Responsibility as a commitment to providing a safe, healthy and satisfying environment to tenants, accessibility to the disabled, and ensuring fair labor standards are being met by third-party managers and vendors serving our Clients' investments, including the identification and prevention modern slavery and human trafficking. Stockbridge is also committed to using responsible, reputable partners, managers, contractors, vendors and other suppliers, and utilizing competitive bidding. Stockbridge understands its role in being a responsible member of the communities in which it operates, be it development activity or ongoing property management. Second, Stockbridge defines Social Responsibility from a corporate point of view as working to benefit the community through various initiatives to support those in need or provide opportunities for underserved segments of the population, and working to provide a safe, positive and collegial work environment.

To that end, Stockbridge undertakes various initiatives to promote Social Responsibility for our stakeholders, our local communities and the real estate industry in general. The people we engage are pivotal to our core business. We will meet or exceed all applicable labor laws and standards in jurisdictions where we operate, which includes respecting human rights, offering competitive wages and implementing nondiscriminatory hiring practices. We aim to have zero serious safety incidents within our businesses by working toward implementing consistent health and safety principles across the organization. We commit to engage with community groups that might be affected by our actions to ensure that their interests, safety and well-being are appropriately integrated into our decision-making. Lastly, we encourage our employees to participate in the communities in which we operate.

Stockbridge identifies the following as the key aspects that comprise Social Responsibility, and has implemented the following procedures to meet our objectives as it relates to these aspects:

### **Social Aspects**

- *Tenant safety and satisfaction*
- *Corporate community engagement and giving*
- *Investment community engagement and giving*
- *Promote ESG principles and engage stakeholders*

### **Procedures**

- Work with management companies and insurance carriers to conduct safety reviews
- Each of the firm's offices, and the company as a whole, participates in community engagement programs
- The firm encourages property managers to hold community engagement opportunities at their assets
- A Vendor Code of Conduct is provided to all business partners, managers, vendors and service providers that outlines the company's values; managers are required to provide the Code to vendors and suppliers that serve our Clients' investments
- Members for the company participate in real estate industry groups and network with peers to promote ESG principles and help develop best practices
- Participation in GRESB, subject to Client approval

### **(iii) Governance**

Stockbridge defines Governance as the policies, processes and practices impacting the way an organization and its investment activities are controlled. As a U.S. SEC Registered Investment Adviser (a "RIA"), Stockbridge endeavors to use best practices for the management of its Client accounts, including implementing a Code of Ethics and other institutional-quality policies and procedures.

As a RIA, Stockbridge's Code of Ethics and other policies and procedures are distributed to all employees. Pursuant to SEC rules and regulations, Stockbridge is required to have systems and procedures in place to facilitate effective implementation of all our policies and procedures, including this Policy. These documents are frequently updated to reflect changes in the organization and help us promote a culture of compliance in the company which begins with Stockbridge leadership and is instilled in the rest of the organization. Stockbridge identifies the following as the key aspects that comprise Governance, and has implemented the following procedures to meet our objectives as it relates to these aspects:

### **Governance Aspects**

- *Fiduciary duty and ethics*
- *Cybersecurity and Privacy*
- *Investment ESG due diligence and asset management*
- *Employee matters; diversity, equity and inclusion, and health and wellbeing*

- *Assessments and training; employees, partners, managers, vendors and service providers*
- *Corporate resilience*
- *Portfolio/property-level resilience*

#### **Procedures**

- Committees established to ensure governance and compliance; ESG Steering Committee and Compliance & Risk Committee
- Policies & Procedures; including ESG Policy, Corporate Code of Ethics, Investment Lifecycle (Acquisition through Disposition) Policies, Risk Management Policy, Technology & Security Policy, Vendor Code of Conduct, Diversity, Equity & Inclusion Policy and Anti-Harassment & Discrimination Policy
- Ongoing Environmental, Social & Governance Risk Assessments - Firm & Portfolio Level
- Business Partner, Manager, Vendor and Service Provider (“vendors”) Supervision Program, including the initial assessment of vendors, further periodic assessment, and compliance certifications by business partners and third-party managers
- Third-party ESG expert engaged to ensure we meet industry standards
- ESG awareness-raising and training for business partners, third-party managers and employees
- Annual compliance, cybersecurity and anti-harassment training for all employees
- Publicly recognizes responsibility for our impacts on internal and external stakeholders
- Defines sustainability strategies, goals and policies in consultation with key stakeholders
- Consults stakeholders in dealing with implementation dilemmas and challenges and invites them to take active part in reviewing performance
- Establishes channels to engage with employees and other stakeholders to hear their ideas and address their concerns and protect ‘whistle-blowers’
- Undertakes due diligence to ensure that the company identifies any negative impacts caused by its operations and activities
- Places responsibility for execution of sustainability strategy in relevant corporate functions (procurement, human resources, compliance, etc.) and ensure that no function is operating in conflict with sustainability commitments and objectives of company

#### **(iv) Resilience**

Stockbridge defines Resilience as the ability to withstand social and environmental shocks (e.g., fire, hurricane, and flood) and stress (e.g., environmental degradation, poverty, etc.). Our goal is to assess the vulnerability of assets and corporate business operations and develop specific actions to promote resilience, as well as develop responses to disruptive events.

Steps to build corporate resilience:

- The company has a Business Continuity/Disaster Recovery Plan, tested and updated annually, which allows it to continue or resume operations following a disruption. The plan includes the adoption of multiple communication channels so that communications can flow within the company as well as to key stakeholders in the event of a disruption or emergency. The plan also includes an assessment of critical vendors, partners and managers
- The company has a Succession Policy & Plan

Steps to build resilience within our portfolios:

- Diversification of energy and water systems: Planning for alternative sources that can be deployed if access to the key systems are disrupted
- Design for resiliency: Construction and processes that are able to withstand hazardous events (e.g., severe storms, flooding, etc.)

- Risk Management protocols include insurance carrier assessment of climate change related risk with respect to potential acquisitions, the insurance against such risk, a contract with a national (emergency) remediation firm, a system for the notifying property managers of pending severe weather and other potential perilous events, and the assessment of emergency preparedness by third-party managers
- Social cohesion and inclusion: The inclusion of local stakeholders in decision-making that affects them and building relationships that will help when support is needed to recover from a disruption, to address a stressor (e.g., environmental quality issues), and to maintain the social license to operate