



**LF CANLIFE
UK Property ACS**

**Sustainability
Report 2020**

Table of Contents

1. Introduction.....	3
2. ESG.....	7
2.1 <i>ESG throughout the investment life cycle.....</i>	7
2.1.1 Acquisition.....	7
2.1.2 Development & Major Refurbishment.....	8
2.1.3 Ongoing Asset Management.....	9
2.2 <i>Our Approach to the ‘E’ of ESG: Environmental.....</i>	11
2.2.1 Environmental Performance.....	11
2.2.2 Addressing travel.....	Error! Bookmark not defined.
2.2.3 Nature & Biodiversity.....	Error! Bookmark not defined.
2.2.4 ESG Compliance.....	Error! Bookmark not defined.
2.3 <i>Our Approach to the ‘S’ of ESG: Social.....</i>	14
2.3.1 Employees.....	14
2.3.2 Health & Wellness.....	15
2.3.3 Community Actions.....	15
2.3.4 Charity & Philanthropy.....	16
2.4 <i>Our Approach to the ‘G’ of ESG: Governance.....</i>	17
2.4.1 Real Estate ESG Steering Group.....	17
2.4.2 GRESB.....	18
2.4.3 Green Certifications & Energy Ratings.....	18
2.5 <i>Targets & Objectives.....</i>	20
3. Closing Statements.....	24
3.1 <i>Materiality.....</i>	24
3.2 <i>INREV Reporting Content Index.....</i>	25
3.3 <i>Third Party Validation.....</i>	26
3.4 <i>Performance Data.....</i>	27

1. Introduction

About this report

This is our annual sustainability report, covering the ESG activities of LF Canlife UK Property ACS ("the Fund"), for the calendar year ending 31 December 2019.

This document has been prepared by members of the Canada Life Asset Management (CLAM) Real Estate ESG Steering Group following INREV guidelines¹. The portfolio/asset performance data presented in this report refers solely to the **LF Canlife UK Property ACS**. The market performance data has been collated from publicly available sources.

Specific environmental performance disclosures may be broken down by asset class where appropriate. Unless otherwise stated, environmental data in this report pertains exclusively to the assets and activities within CLAM's operational control and does not include data for assets where we do not have operational control.

In this document we account for our sources of the data, assumptions and conversion factors used in the context of our sustainability reporting.

No significant changes occurred in CLAM's organisation or chain of suppliers during 2019.

Our sustainability consultant, EVORA, has prepared this report using information provided by CLAM. EVORA also provides verification for our energy, emissions, waste and water reported data. The majority of energy consumption across the Fund is received directly by managing agents. The Manager appreciates that best practice dictates that tenant data should be disclosed if available and efforts are made to obtain this information on an annual basis. However, the decision has been made not to report tenant derived data within this report as the Fund has no operational control over this aspect of sustainability performance.

¹ <https://www.inrev.org/guidelines/module/sustainability>

Letter of Introduction from our Head of UK Property

We are pleased to present you with this years' LF Canlife UK Property ACS Sustainability Report.

This document is to provide all our stakeholders with an overview of our Environmental, Social and Governance (ESG) practices within the Fund.

Our ESG efforts are broader than just a focus on narrowly defined environmentally friendly investment strategies. At CLAM, we believe that sustainable investments will result in better (financial) performance in the medium to long term, as they are better positioned for future economic, legislative and environmental developments.

We believe that adopting a culture of sustainability helps us deliver performance for our clients and creates value by reducing risks. Therefore, ESG factors are considered at all stages of the investment lifecycle, from due diligence to the management of our portfolios, and for all types of investments. Within this report, we provide investors with transparent reporting on our ESG initiatives and progress toward our goals.

Our sustainability efforts contribute to our overall goal, which is being one of the UK's leading investors in sustainable real estate. A commitment our people have been working on for years. To ensure the fundamental importance that ESG is recognised across the entire real estate division, we continue to develop training programmes that grow ESG awareness within our teams.

We hope you find this report informative, and we welcome a continuing conversation with you about the work we are doing.

Sincerely,

Michael White

Michael White

Head of UK Property & Chair of the Real Estate ESG Steering Group

Canada Life Asset Management Overview

Canada Life Asset Management (CLAM) is the overarching brand name for the investment activities of Canada Life Asset Management Ltd, Canada Life Ltd and Canada Life European Real Estate Ltd, collectively responsible for managing more than £38bn of equities, fixed income and property. CLAM seeks to ensure that sound management, investment and ethical principles are incorporated throughout all business activities.

CLAM have managed diversified property funds for over 50 years and have a strong track record of delivering long term income returns and capital growth to investors through direct investment in UK commercial property assets.

The Real Estate team within CLAM now comprise 12 experienced property professionals and currently manage in excess of £2.5bn in property assets for a variety of professional and institutional investors.

Fund Overview

The LF CanLife UK Property ACS ("the Fund") seeks to deliver long-term income returns and capital growth, investing primarily in a diversified portfolio of UK commercial property, selected from across retail, office, industrial and other sectors, including leisure and hotels.

The Fund is managed via a blended approach, incorporating both top-down and bottom-up research. In addition, CLAM believe actively managing assets enables the generation of the best risk-adjusted returns. It has an in-house asset management team which allows the business to add value to each individual property.

The Fund operates under the CLAM environmental management system (EMS), with all associated policies and procedures, governed by the Real Estate ESG Steering Group which meets on a quarterly basis. The Fund commits to regular reviews and where appropriate, improvement of the EMS.

Fund statistics as at 31st December 2019:

Residence	UK
Launch Date	27/10/2017
Total Number of Assets	32 (48% office, 12% industrial, 10% retail, 9% retail warehouse)
Size (£m)	£344.1m

ESG Strategy

CLAM is committed to managing their ESG impact in the most effective, responsible and sustainable manner possible. An environmental management system (EMS) has been established and is aligned to the internationally recognised standard ISO14001.

Objectives and targets have been established to reduce directly managed environmental impacts and to incorporate environmental management into the service offering. Embedding environmental management into the service offering helps deliver positive outcomes for our investors.

CLAM does not have direct control over budget setting for environmental improvement plans at tenant managed sites.

CLAM commits to:

- Establishing an environmental management system (**EMS**) - aligned to ISO 14001.
- Continually reviewing and striving to improve its **environmental performance**. Engaging with suppliers and contractors to support its ESG commitments.
- Establishing **procedures and protocols** to ensure protection of the environment, prevention of pollution and reducing the impact of its operations.
- Adhering to all **compliance** obligations and maintaining procedures to ensure it remains well-versed in existing and future **legislation** across all operational jurisdictions.

- Improving the accuracy of **environmental performance data**.
- **Educating its employees** and stakeholders in environmental risks and best practice measures.
- **Engaging with the occupiers** of its buildings (who have major influence over asset level environmental performance) and, encouraging them to introduce efficiency measures.

2. ESG

We recognise that our business activities have wide-ranging ESG impacts. We want occupiers, local communities, investors, staff, suppliers, the people who work, shop and live in our buildings, and the wider society to benefit from our activity – creating positive social and environmental outcomes. We believe that responsibility is integral to deliver superior long-term, risk-adjusted returns to stakeholders.

ESG encompasses a broad range of issues that may of themselves, or in combination, have a material impact on the risk/return characteristics of our investments. Our aim is to incorporate ESG considerations and opportunities into day-to-day business operations.

Our ESG strategy identifies opportunities for efficiencies in energy and water consumption, alongside strengthening climate resilience across the portfolio. Any efficiency projects undertaken are assessed on the basis of return on investment for both the environment and our investors. We acknowledge that our operations have both a direct and indirect impact upon the environment. We are committed to pollution prevention, protection of the environment, compliance with all relevant legal obligations and integrating sustainability and climate risks into all processes and stages of the investment life cycle:

2.1 ESG throughout the investment life cycle

2.1.1 Acquisition

Understanding ESG risks associated with assets prior to acquisition is of crucial importance. This can assist purchase negotiations and the development of improvement objectives following acquisition.

- Where appropriate, engagement with specialist consultants as part of pre-acquisition due diligence processes, to minimise downside risks and capitalise on opportunities to enhance return;
- All existing buildings will only be considered for acquisition if they have an EPC rating at 'D' or higher, unless a feasible strategy can be developed to improve the rating.

The Fund has established an Environmental Acquisition Due Diligence Checklist covering ESG matters. This document sets out what considerations in environmental, community and social issues should be considered when acquiring new property. This assists decision making during the acquisition process and management actions post purchase. The document is used on a case-by-case basis. Implementation of this process is the shared responsibility of the Asset management and Acquisition teams.

2.1.2 Development & Major Refurbishment

To manage compliance, the Fund has set out management protocols and minimum standards during new build / refurbishment schemes:

- Achieve a minimum energy rating for BREEAM rating of 'Very Good' or higher
- Incorporate sustainability into design and maintain records
- Achieve an EPC rating of 'C' or higher for all new developments
- Complete post occupancy evaluation to assess success and consider future development plans

A guidance procedure for refurbishment is available in the EMS, alongside accompanying sustainable refurbishment checklist.

Case Study

One Forbury Square Refurbishment



Over 2019, all five floors at One Forbury Square underwent a comprehensive Category A refurbishment, including:

- New reception, refurbished common parts, WCs and lobbies
- New male and female showers and changing facilities at lower ground floor level
- New suspended ceilings with perforated metal tiles
- New flat panel LED lighting with PIR controls
- New raised access floors
- Cycle storage with bike repair station
- Upgraded M&E system with air quality

- monitoring
- Targeting an EPC rating of C
- Feasibility study completed to
- evaluate installation of PV cells on roof of building
- Fitwell Assessment underway

2.1.3 Ongoing Asset Management

Sustainability Audits

The Fund commits to identify, where feasible, cost efficient improvements to protect the future quality of each asset and reflect this in individual sustainability asset plans.

The Fund recommends the phased completion of Sustainability Assessments at all key assets. This is considered on a case-by-case basis. Five further assessments are committed to being conducted in 2020. Note that an assessment may not be required if a detailed environmental sustainability review has been completed during the property acquisition due diligence process.

Where instructed, audits will be completed by suitably qualified specialists and will identify where improvement objectives can be established for individual assets. Analysis considers:

- Landlord responsibilities
- Opportunities for improvement
- Technology options
- Investment plans for the asset
- Existing green ratings
- Energy performance certificate information
- Health & wellbeing
- Climate resilience

Over 2019, Sustainability Audits were completed at Building 3, Leeds City Office Park and Regent Arcade.

Audit findings will be reviewed and used to develop a property Sustainability Improvement Plan which will contain objectives, targets and programmes.

It will be the responsibility of the fund management teams to progress plans and report quarterly to the

Real Estate ESG Steering Group. Additional client reporting requirements and timescales may be agreed on a case-by-case basis.

Progress will be reviewed, as required, through Real Estate ESG Steering Group Meetings. Overall performance and progress against all objectives and targets will be evaluated on an annual basis. This will enable reporting of performance to external interested parties, if required.

Property Management Sustainability Requirements

During 2019, we developed our Property Management Sustainability Requirements. These requirements encourage best practice in aspects including:

- Monitoring, measurement and reporting
- Sustainability controls and improvements
- Sustainability through the supply chain
- Stakeholder engagement.

Going forward, progress against Property Manager Requirements will be reviewed on an annual basis using a series of KPIs.

Stakeholder Engagement

The EMS contains a procedure for Tenant Engagement, which includes a commitment to engage with occupiers to promote sustainability including conservation of energy and water, and diversion of waste from landfill.

On landlord managed multi tenanted assets, the Fund endeavours to engage with tenants through ad-hoc communications via Property Management teams. Such contact has included providing tenants with feedback on energy/water consumption and waste, hosting regular tenant meetings that prioritise sustainability on the agenda and guidance on sustainability requirements during fit out or refurbishment.

A formal tenant satisfaction survey was conducted in late 2019. 100% of tenants were invited to participate. Response rate was 10%. 77% of tenants indicated general satisfaction with the service provided. The Net Promoter Score for CLAM was established at 27; it is acknowledged that a score between 0 and 30 is a good score.

2.2 Our Approach to the 'E' of ESG: Environmental

CLAM is committed to managing its environmental impact in the most effective, responsible and sustainable manner possible.

2.2.1 Environmental Performance

The Fund commits to:

- Assess and measure the environmental performance of assets under management, with environmental improvement plans and targets put in place for each asset where appropriate;
- Ensure the accuracy of data collection through measures which may include utilisation of industry specific software and Automated Metering (AMR) Technology;
- Benchmark sustainability data appropriately;
- Utilise monitoring to inform improvement planning.

Monitoring of ESG performance is a fundamental requirement to ensure consistent ESG improvement. Performance and progress is monitored on a quarterly basis. Monitoring covers, progression against objectives and also tracks energy, water and waste performance. Results are analysed and fed back into the system and used to inform future improvement plans and policy changes.

The Fund utilises SIERA, an online portal used to collate, validate and model ESG performance data. The evaluation and performance analysis through SIERA is carried out at quarterly and annual intervals to review performance progress. Where agreements are in place, monthly performance data is requested and provided by Managing Agents and/or specialist service providers. The Fund can request quarterly reports for specific periods once data has been collated and validated. In addition, SIERA is used to export performance indicator data required for GRESB submissions.

During 2019, the baseline for the Fund was established. This baseline is to be utilised for targets and

progress tracking.

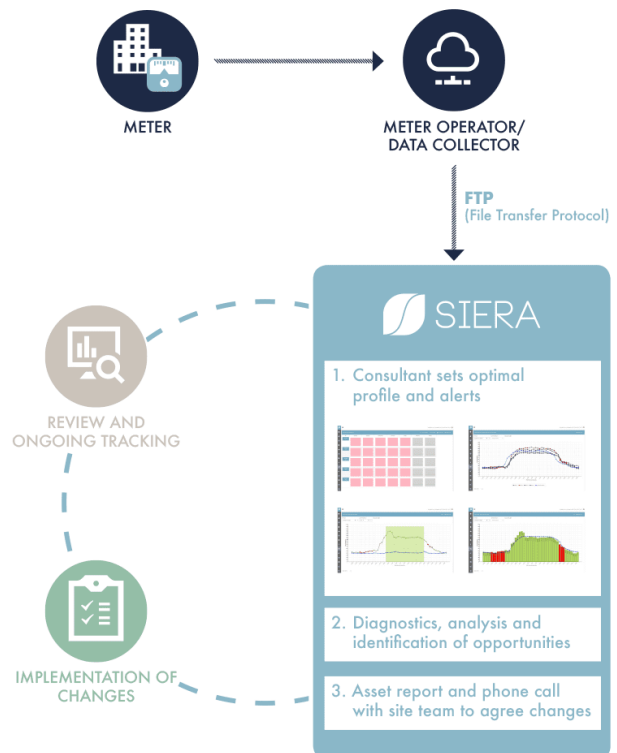
Going forward, the ESG Steering Group have announced a series of Property Management Requirements. These will link to Key Performance Indicators, which will allow monitoring of sustainability performance of Property Management to be assessed on an annual basis. This should improve environmental performance reporting.

Case Study – Leeds City Office Park

Monitoring & Targeting (M&T)

In 2019, Leeds City Office Park started an M&T programme supported by our external sustainability advisors, EVORA Global.

Developed as a module within their environmental data management software, SIERA, M&T integrates directly with providers to pull smart meter data from the source and automatically acquire it on a real-time basis. This allows energy consultants to feedback quickly on trends and anomalies, and to work with the site team to rectify issues and enhance performance, thereby maximising energy and cost savings. By deploying M&T, Leeds City Office Park stands to gain more insight into their consumption patterns and where efficiencies can be made.



Quarter 4 2019 – Example of a Weekly Profile (Mon 9th – Sun 15th December)



The EMS contains a procedure for travel management, including a commitment to improve the environmental performance of corporate operations.

Travel emissions are currently not formally recorded within the EMS, however this is under due consideration for the future.

Green travel is promoted at all assets where possible.

The Fund commits to encourage biodiversity where possible.

Biodiversity initiatives undertaken are routinely collected and stored as part of the EMS documentation.

The Fund commits to adhere to all environmental, social and governance regulatory compliance obligations and maintain procedures to remain well-versed and prepared for existing and future legislation. This includes asset-level regulations, such as Energy Performance Certificates and Air-Conditioning Inspections, and fund-level regulations such as those imposed by governing bodies such as the Financial Conduct Authority. The Fund is responsible for ensuring access to regulatory compliance information in the jurisdictions in which assets are held. This may be through membership of professional bodies, subscription to legal update services and/or appointment of specialist advisors. The Fund is responsible for identifying its own legal obligations.

Most of the above requirements fall under third party property management control.

The EMS contains a legal register – this is audited and reviewed on an annual basis. The last internal audit occurred in late 2019. The Fund has engaged EVORA Global to act as advisors on ESG compliance – they attend quarterly ESG Steering Group meetings where compliance is an agenda item. Sustainability assessments, covering regulatory compliance, are completed on an annual basis for all landlord managed assets in the Fund. This provides a checklist for areas of ESG compliance at asset level.

2.3 Our Approach to the ‘S’ of ESG: Social

CLAM understand the importance of its activities on the wider society and, as such, has aligned its strategy to create a lasting positive legacy.

2.3.1 Employees

Employees are core to Canada Life. We aim to attract, retain and reward qualified and experienced staff who will contribute to our success. We also work to motivate our staff to meet annual corporate and individual performance goals and strive to enhance long-term shareholder and policyholder value.

To support this, we are committed to:

- Creating a work environment that upholds equal opportunities for all employees and values the diversity of all employees
- Prioritising the welfare of the workforce, ensuring high labour standards and providing encouragement with continual career progression, alongside supported opportunities for professional development
- We will communicate our sustainability commitments to all employees with training as required. All those responsible for delivering property asset management projects must follow CLAM Procedures, and Environmental Management System requirements.

Gender Pay Gap

CLAM produced their Gender Pay Gap Report 2019, that as well as looking at gender, published ethnicity pay and bonus gaps, too.

2.3.2 Health & Wellness

We acknowledge the innate connection between the environment and human response. We believe buildings should help the users to be healthier and, as such, we will explore initiatives which can improve and optimise health and wellness. Consideration will be given both in design and operation.

Case Study – Regent Arcade

Weekly Quiet Hours

Regent Arcade established 'quiet hours' on Sunday morning, with subdued lighting and ambient music. This is aimed at making the shopping experience more inclusive for all.



Cheltenham Wellbeing Festival

The Regent Arcade were official partners with the Cheltenham Wellbeing Festival and hosted a 'Relax' event in September, which included offering visitors the chance to take 5 minutes of quiet while surrounded by lush greenery supplied by The Aroid Attic, experience product demonstrations from The Body Shop, samples from Holland & Barrett, or try a vegan smoothie from Soho Coffee.

2.3.3 Community Actions

The Fund endeavours to connect with communities, make positive local contributions, help people fulfil their potential, support businesses to grow, and promote wellbeing and enjoyment.

Activities include:

- Engaging with key local stakeholders through existing forums to better understand local needs, e.g. through Chambers of Commerce, Business Improvement Districts and customer forums;
- Encouraging local communities to influence our thinking during development and decision-making;
- Getting involved in community projects and organisations, e.g. volunteering with charities, schools and local groups; and
- Offering communities opportunities, e.g. charities raising funds and awareness, localised public art and community events.

The Fund does not currently monitor its impact on the community under a formal process, however this is part of our latest round of targets, 'Develop a method to formally evaluate our contribution to social value by 2024', so will be reviewed in due course.

2.3.4 **Charity & Philanthropy**

CLAM takes its charitable giving responsibilities seriously – both in the communities we operate in and at a national level to support important causes throughout the year.

For 2019 and 2020, the three charities voted for by our employees are:

- Histio UK
- Shelter
- Help Bristol's Homeless

As well as our employee nominated charities, we also support worthwhile causes and UK charities through company donations and a number of additional internal fundraising activities and appeals across our UK sites.

2.4 Our Approach to the 'G' of ESG: Governance

CLAM has developed a stringent Corporate Governance framework. Property investment decisions are reviewed by the relevant Investment Committee to ensure robust ethical risk and governance focused business practices are embedded into the decision-making process. This framework is designed to manage investment and operational risks.

A range of metrics are used to determine whether property assets are investable or not. Investment solutions can be aligned with ESG views, providing potential downside risk mitigation without sacrificing performance potential.

2.4.1 Real Estate ESG Steering Group

ESG pressures and requirements introduced by legislative and other industry-wide sustainability commitments have increased significantly over recent years. The real estate division recognise the importance of maintaining understanding of this rapidly changing landscape. As such, we established a Real Estate ESG Steering Group team. A number of individuals participate in the Group; these include Fund and Property Managers, alongside senior management.

The Group has appointed specialist sustainability consultancy, EVORA Global (EVORA), to act as advisors. EVORA provide guidance on up-and-coming legislative changes and trends that impact on the

property industry in general. They act as advisors on the Real Estate ESG Steering Group who meet on a quarterly basis. The Steering Group strives for continual improvement across all of our real estate portfolios. The Group sets minimum standards, sustainability strategies and objectives and ensures incorporation of these into Fund and property operations.

Fund level progress is reported to the Steering Group periodically.

2.4.2 GRESB

GRESB (Global Real Estate Sustainability Benchmark) is the dominant global standard for assessing ESG performance for real estate funds and companies. 2018 represented the first year of participation in the Benchmark by the LF CanLife UK Property ACS. In 2018, the Fund was awarded a score of 36, which was classified as a one green star rating.

In 2019, the score has risen to 67; a two-green star rating.

We are proud to participate in the annual GRESB benchmarking process, providing comparable and reliable data on the ESG (Environmental, Social and Governance) performance of our investments. The 2019 results assessment helps drive decision-making that leads to a more sustainable real asset industry.

2.4.3 Green Certifications & Energy Ratings

We commit to obtaining asset level green building certification such as BREEAM, where cost-benefit is positive. This protects value and acts to stay ahead of regulations. The Fund team initiates feasibility studies and provides support to the property teams to meet certification requirements and performance objectives. BREEAM is the preferred certification of choice. BREEAM (Building Research Establishment Environmental Method) is a sustainability assessment method that is used to assess the environmental performance of buildings.

Sustainability Certified Buildings	2018	2019	Percentage Change (%)
Number of certified assets	1	2	100%
Certified area (sqm)	6,398m ²	15,462m ²	142%
Certified area, share of total portfolio (%)	4.5%	10.9%	142%

Energy Performance Certificate (EPC) risks are understood across the Fund (gaps, F's, G's, Section 63s). The EMS documents a minimum standard for all major development and refurbishment schemes to achieve an EPC rating of 'C' or higher for all new developments. Currently, only 9% of assets are rated lower than 'D'.

EPC Ratings across portfolio		2019
A	Number of assets/units	8
	Certified area (m ²)	4,376
	Area Coverage (%)	3%
B	Number of assets/units	6
	Certified area (m ²)	7,336
	Area Coverage (%)	5%
C	Number of assets/units	11
	Certified area (m ²)	29,995
	Area Coverage (%)	21%
D	Number of assets/units	13
	Certified area (m ²)	26,375
	Area Coverage (%)	19%
E	Number of assets/units	9
	Certified area (m ²)	12,761

	Area Coverage (%)	9%
F	Number of assets/units	0
	Certified area (m ²)	0
	Area Coverage (%)	0%
G	Number of assets/units	0
	Certified area (m ²)	0
	Area Coverage (%)	0%

2.5 Targets & Objectives

We have successfully completed our 2019 targets:

Objective	Target	Progress
Participate in GRESB	Target 50+ (2-star rating)	Score of 67 achieved in 2019
Complete BREEAM Assessments	Complete BREEAM Assessments at targeted properties	BIU achieved at Phase 3 LCOP & Regent Arcade
Comply with ESOS Legislation	Audit sample sites	ESOS Compliance achieved
Gather Environmental data	Provide a most complete record of energy and water consumption	2019 Baseline completed
Enhance external reporting	Utilise INREV tables for website display, provide to external stakeholders and GRESB advantage	INREV report 2019 (appertaining to 2018 data) published and is publicly available

Enhance external reporting	Produce an annual CSR report for public viewing	Long term target
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These targets have been closed out and the 2020 targets have been agreed as below. Progress against these targets will be communicated on an annual basis within future reports.

Category	Objective	INREV Alignment
Environment	Technical Audits: Complete 2020 programme audits	ESG-ANN 1.1 Requirement - Asset management ESG initiatives
	Improvement Programme: Develop asset and fund improvement programmes - using results from 2 above together with available due diligence assessments	ESG-ANN 1.1 Requirement - Asset management ESG initiatives
	Improvement Programme: Reduce like-for-like CL-procured energy consumption (as opposed to energy procured by tenants themselves) by 15% by 2024 (against a 2019 baseline). A nominal target of 3% per year.	ESG-ANN 1.1 Requirement - Initiatives to reduce and/or measure energy, GHG emission, water and waste measurement
	Improvement Programme: Procure 100% of electrical energy from renewable sources by 2023 where economically and operationally feasible.	ESG-ANN 1.1 Requirement - Initiatives to reduce and/or measure energy, GHG emission, water and waste measurement

	<p>Improvement Programme: Reduce our like-for-like scope 1 and 2 carbon emissions by 25% by 2024 (against a 2019 baseline on a relative basis). This will be measured and reported as carbon intensity.</p>	<p>ESG-ANN 1.1 Requirement - Initiatives to reduce and/or measure energy, GHG emission, water and waste measurement</p>
	<p>Improvement Programme: Develop a programme to define and measure applicable Scope 3 emissions by 2024</p>	<p>ESG-ANN 1.1 Requirement - Initiatives to reduce and/or measure energy, GHG emission, water and waste measurement</p>
	<p>Improvement Programme: Reduce like-for-like water consumption by 10% by 2024 (against a 2019 baseline), where we have the opportunity to make changes.</p>	<p>ESG-ANN 1.1 Requirement - Initiatives to reduce and/or measure energy, GHG emission, water and waste measurement</p>
	<p>Improvement Programme: We will divert 100% of landlord managed waste from landfill by 2023, where infrastructure allows</p>	<p>ESG-ANN 1.1 Requirement - Initiatives to reduce and/or measure energy, GHG emission, water and waste measurement</p>
	<p>Green Building Certificates: Progress 2020 programme certification plan</p>	<p>ESG-ANN 1.1 Requirement - Green building certificates</p>

	External Benchmarking: ACS level GRESB targets for 2020 of 73	ESG-ANN 2.1 Best practice - Participation in the GRESB survey or/and development of GRESB scores
	Engagement and Understanding: Complete tenant sustainability survey	ESG-ANN 2.1 Best practice - Tenant liaison and satisfaction
	Engagement and Understanding: Produce fund level sustainability report - aligned to INREV reporting requirements	ESG-ANN 2.1 Best practice -Stakeholder engagement strategy
	Risk Management: Develop climate change resilience risk assessment methodology	ESG-ANN 2.1 Best practice - Innovation, technology and best practice
	Risk Management: Apply resilience methodology to named funds and assets	
	Review and revise refurbishment approach.	ESG-ANN 1.1 Requirement - New Build/Refurbishments
	Implement streamlined refurbishment approach	
Social	Develop a method to formally evaluate Canada Life's contribution to social value by 2024	ESG-ANN 2.1 Best practice -Health & Wellbeing
Governance / General	Review and revise Due Diligence Acquisition Approach.	ESG-ANN 1.1 Requirement - Acquisitions
	Implement streamlined Due Diligence Acquisition approach	
	Review and where appropriate revise ESG Procurement procedures	ESG-ANN 2.1 Best practice -Supply chain management

	Ensure compliance with relevant legislation	ESG-ANN 1.2 Requirement - Legislation
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3. Closing Statements

3.1 Materiality

At CLAM, we endeavour to understand the long-term sustainability of an investment and the factors that could cause it to change. We believe that ESG issues can influence investment risk and return and, therefore, incorporate ESG risk considerations into our fundamental investment analysis.

Our ESG analysis serves to complement our ultimate objective of delivering superior long-term returns to our investors. In order to successfully integrate sustainability into our corporate strategy, CLAM identifies internal and external stakeholders, conducts high-quality dialogues and ascertains what is meaningful and material. Through this assessment we balance stakeholder expectations, identify risks and opportunities and develop relationships, trust, people and communities. Our key stakeholders have been identified and prioritised according to the level of sustainability impact we believe our operations have on their day-to-day activities, and, in turn, their sustainability impact on our day-to-day activities. These impacts span our identified material ESG sustainability risks.

As part of our Environmental Management System, we use materiality assessment as a strategic business tool, with implications beyond sustainability reporting. This assessment applies a sustainability lens to business risk, opportunity, trendspotting and risk management processes. The assessment identifies, refines and assesses numerous ESG factors that can affect our business and/or our stakeholders.

In general, our material topics do not change significantly from one year to the next, so we do not perform detailed reassessments at defined regular intervals. Instead, streamlined interim updates capture new issues or changing topics. This ongoing assessment process captures emerging risks, opportunities and stakeholder views across the business. We ensure that our materiality process is integral to the wider business strategy by involving colleagues across the business to ensure emerging risks or opportunities are not missed. We monitor evolving external aspects by working with third parties, but also by reviewing feedback from surveys, our own ESG education, and insights generated from our social media platforms.

The Real Estate ESG Steering Group is responsible for considering how sustainability topics interrelate with our business strategy, and also to develop sustainability materiality processes that link with the wider risk management process. By assessing and understanding the range of ESG factors, together with many other investment criteria, we believe we will be better positioned to deliver consistent, superior long-term investment returns for our investors.

3.2 INREV Reporting Content Index

The table below details how this report is in alignment with the INREV Sustainability Reporting Guidelines, as well as the omissions we have opted to make. No mandatory disclosures are omitted from this report.

Aspect	Guideline	Section(s)
Vehicle long-term strategy	ESG-LTS 1.1 Requirement	2.1 and 2.2.1
	ESG-LTS 1.2 Requirement	2.2.4
	ESG-LTS 2.1 Best practice	2.1.3, 2.2.2, 2.3.3, 2.4.2 GRESB

Annual objectives	ESG-ANN 1.1 Requirement	2.5
	ESG-ANN 1.2 Requirement	2.5, see 2020 Governance targets
	ESG-ANN 2.1 Best practice	2.5, see GRESB and tenant survey
Annual portfolio information	ESG-POR 1.1 Requirement	2.5
	ESG-POR 1.2 Requirement	2.5
	ESG-POR 2.1 Best practice	2.5
Environmental data	ESG-ENV 1.1 Requirement	4.1
	ESG-ENV 2.1 Best practice	4.1

3.3 Third Party Validation

EVORA Global Limited has been appointed by Canada Life Asset Management to complete verification of reported energy consumption data presented within this report.

Methodology

Canada Life Asset Management utilises SIERA as its Data Management System platform. SIERA enables efficient data capture and analysis.

Furthermore, I can confirm that EVORA has used ISO 14064 as the methodology for data collection, verification and calculation for energy and greenhouse gas emissions

In summary the applied process for data verification includes:

1. Confirmation of asset data
2. Receipt of reported energy consumption
3. Initial data accuracy checks (completed by SIERA software platform)
4. Submission of queries and clarification to Canada Life Asset Management and Property Management representatives
5. Verification of data and results (completed by Software with specialist consultant review)

Notes:

Environmental performance data (electricity and gas) is based on invoiced data. However, in some cases - to address data gaps - estimates have been used. Records of estimated consumption data, and methodologies used have been reviewed and are held on file.

Opinion

Invoiced data is accurately reported. Estimations are clearly identified (using previous year data and pro rata techniques), where information is found to be missing. A full record of estimations is available from EVORA.

As conductor of the INREV Audit for this Annual ESG Report for the Fund, I can confirm that, based on the qualitative checks undertaken, this report is conformant with the INREV Sustainability guidelines.

Canada Life Asset Management continue to work towards improving accuracy of data. This will support improvement programmes going forwards.

About EVORA

EVORA is an independent, pan-European sustainability consultancy and software provider, specialising in the commercial real estate sector.



Paul Sutcliffe, Director at EVORA

June 2020

3.4 Performance Data

The tables below set out the environmental performance data for the 2019 calendar year.

The Fund has defined the reporting boundary as Operational Control, i.e. where it has the full authority to introduce and implement operating policies and where data is collected and reported for managed assets where the Fund is responsible for payment of utility invoices and / or arrangement of waste

disposal contracts.

The majority of energy consumption across the Fund is received directly by tenants. Efforts are made to obtain this information on an annual basis. However, the decision has been made not to include tenant derived data within this report as the Fund has no operational control over this aspect of sustainability performance. As a result, the performance data in this section may vary to that reported to GRESB.

Note: Like-for-like analysis considers performance for assets held for the complete duration of 2018 and 2019. It is not adjusted to take occupancy and weather variations into account. This methodology is aligned with the GRESB approach. Landlord procured energy consumption patterns are also heavily influenced by tenant activities. Increased tenant activity, for example, will place a higher demand on building services (heating and cooling) and this can increase landlord energy consumption.

Absolute data

Includes consumption for assets that were purchased and/or sold during the reporting period and where the Fund held operational control.

Like-for-Like data

Performance data excludes assets where they were not in ownership for the 24 months of the reporting period, those with insufficient data coverage over the reporting period and assets that have undergone significant change to a degree that would unjustly skew the data set.

Intensity data

Performance data excludes assets where they were not in ownership for the 24 months of the reporting period, and those with insufficient data coverage over the reporting period. Net lettable area has been used as the denominator for intensity for all sector types

Sustainability performance for the 2019 calendar year (1 January 2019 to 31 December 2019) is presented against our 2018 baseline year in the tables below.

- Table 1: Energy – Absolute, Like-for-Like and Intensity - 2019 versus 2018
- Table 2: GHG emissions – Absolute, Like-for-Like and Intensity - 2019 versus 2018
- Table 3: Water – Absolute, Like-for-Like and Intensity - 2019 versus 2018
- Table 4: Waste – Absolute, Like-for-Like and Intensity - 2019 versus 2018

Table 1: Energy - Purchased and Consumed: 2019 versus 2018 (Not applicable: Electricity self generated from non-fuel sources (e.g. solar, wind); Renewable fuels use)

Sector and Energy Source		Absolute Consumption (kWh)		Like-for-Like Consumption (kWh)			Like-for-Like Intensity (kWh/m ²)		
		2018	2019	2018	2019	% Change	2018	2019	% Change
Office	Electricity	3,657,136	2,839,188	1,898,594	1,830,041	-4%			
	Fuels	1,770,012	1,434,456	690,518	730,337	6%			
	Total Energy	5,427,148	4,273,645	2,589,112	2,560,378	-1%	198	196	-1%
	Coverage	9	9				3		
Retail	Electricity	379,015	360,014	374,811	346,357	-8%			
	Fuels	3,523	3,367	3,523	3,367	-4%			
	Total Energy	382,538	363,380	378,334	349,723	-8%	8	7	-8%
	Coverage	6	6				5		
Industrial	Electricity	545	3,493	0	0				
	Fuels	0	0	0	0				
	Total Energy	545	3,493	0	0				
	Coverage	1	1				0		
Total	Electricity	4,036,695	3,202,695	2,273,405	2,176,398	-4%			
	Fuels	1,773,535	1,437,823	694,041	733,703	6%			
	Total Energy	5,810,230	4,640,518	2,967,446	2,910,101	-2%			
	Coverage	16	16				8 ²		

² Like-for-like assets include, Retail: IO Equity Trade Centre, Turbary Retail Park, Abbey Retail Park, Roundswell Retail Park, Regent Arcade / Offices: Cathedral Place, Phase 3 Leeds City Office Park, Ariel House

Table 2: Greenhouse Gas Emissions: 2019 versus 2018 (Scope 1 – gas; Scope 2 – electricity, district heating / cooling)

Sector and GHG Source		Absolute Emissions (tonnes CO2e)		Like-for-Like Emissions (tonnes CO2e)			Like-for-Like Intensity kgCO2/m ²		
		2018	2019	2018	2019	% Change	2018	2019	% Change
Office	Scope 1	326	365	127	186	46%			
	Scope 2	1,035	727	537	468	-13%			
	Total	1,361	1,092	664	654	-2%			
	Coverage	9	9	3					
Retail	Scope 1	1	1	1	1	32%			
	Scope 2	107	92	106	89	-16%			
	Total	108	93	107	90	-16%			
	Coverage	6	6	5					
Industrial	Scope 1	0	0	0	0				
	Scope 2	0	1	0	0				
	Total	0	1	0	0				
	Coverage	1	1	0					
Total	Scope 1	326	366	128	187	46%			
	Scope 2	1,143	820	644	557	-13%			
	Total	1,469	1,186	771	744	-4%			
	Coverage	16	16	8					

Table 3: Water – Absolute, Like-for-Like and Intensity - 2019 versus 2018

Sector		Absolute m ³ Usage		Like-for-Like m ³ Usage			Like-for-Like Intensity m ³ /m ²		
		2018	2019	2018	2019	% Change	2018	2019	% Change
Office	Water	10,373	12,680	5,474	7,846	43%	0.42	0.60	43%
	Coverage	7	8	3					
Retail	Water	5,790	4,803	5,790	4,803	-17%	0.12	0.10	-17%
	Coverage	1	1	1					
Total	Water	16,163	17,484	11,265	12,649	12%			
	Coverage	8	9	4					

Table 4: Waste – Absolute, Like-for-Like and Intensity - 2019 versus 2018

Sector and Waste Destination		Absolute		Like-for-like		
		2018	2019	2018	2019	% change
Office	Recycling (tonnes)	60	40	39	40	3%
	Incineration (tonnes)	20	20	20	20	0%
	Landfill (tonnes)	8	8	8	8	0%
	Total (tonnes)	88	69	68	69	2%
	Coverage	5	4	4		
Retail	Recycling (tonnes)	806	827	806	827	3%
	Landfill (tonnes)	16	15	16	15	0%
	Total (tonnes)	822	843	822	843	3%
	Coverage	1	1	1		
Industrial	Recycling (tonnes)	649	60	29	60	109%
	Landfill (tonnes)	85	0	0	0	0%
	Total (tonnes)	734	60	29	60	109%
	Coverage	2	1	1		
Total	Recycling (tonnes)	1,515	927	874	927	6%
	Incineration (tonnes)	20	20	20	20	0%
	Landfill (tonnes)	109	23	24	23	0%
	Total	1,644	971	918	971	6%
	Coverage	8	6	6		