canada life
Asset Management

LF Canlife UK Property ACS

Sustainability Report 2021

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1. Introduction

About this report

This is our annual ESG report, covering the ESG activities of LF Canlife UK Property ACS ("the Fund"), for the calendar year ending 31 December 2020.

This document has been prepared by members of the Canada Life Asset Management (CLAM) Real Estate ESG Steering Group following INREV guidelines[1]. 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.

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 or significant ESG incidents occurred in CLAM's organisation or chain of suppliers during 2020.

Our sustainability consultant, EVORA Global Ltd (EVORA), has prepared this report using information directly provided by CLAM and managing agents. Efforts are made to obtain tenant environmental performance data 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 and this is not required for INREV compliance. EVORA provides data verification for our energy, greenhouse gas emissions, waste and water reported data where available.

[1] https://www.inrev.org/guidelines/module/sustainability

Letter of Introduction from our Head of UK Property

Our focus on ESG has remained a top priority in 2020. And, despite the challenges the year brought in terms of the pandemic, we have been developing our most ambitious commitment yet - to reach Net Zero Carbon across our ACS portfolio. This we hope to achieve across our Scope 1 and Scope 2 sources by 2030.

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

At CLAM, 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. 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

Head of UK Property & Chair of the CLAM 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 £40.9bn[2] of equities, fixed income and property. CLAM seeks to ensure that sound management, investment and ethical principles are incorporated throughout all business activities.

CLAM has 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 property team have built up a strong track record, winning MSCI's UK Property Investment Awards in 2017, 2018 and 2019.

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 whom meets on a quarterly basis. The Fund commits to regular reviews and where appropriate, improvement of the EMS.

- Launch date 27/10/2017
- Fund size £328.5 (as at 30/04/2021)
- Number of holding 31 holdings (as at 30/04/2021)
- Legal structure Authorised Contractual Scheme (ACS)
- Domicile UK

[2] As at 31 December 2020

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Asset Management

ESG Strategy

CLAM is committed to managing it's 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:

- Maintain 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 protect the environment, prevent pollution and reduce the impact of its operations.
- Adhering to all regulatory **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.
- **Ensuring that appointed Managing Agents** and other external consultants are aware and act in accordance of the agreed ESG Strategy

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 it is our responsibility 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 through 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 the environmental, community and social considerations we take 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.

2.1.1 Development & Major Refurbishment

To manage compliance with our Environmental Management System procedures, 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
- Specify all-electric heating and cooling systems on major refurbishment projects
- Ensure net-zero operational design strategies are addressed from the outset
- 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 a sustainable refurbishment checklist.

2.1.2 Ongoing Asset Management

Sustainability Audits

The Fund commits to identify, where feasible, cost efficient improvements to protect the future quality of each asset and ensure it meets the net zero carbon target. CLAM seeks to identify priority assets for sustainability audits, set out energy efficiency measures and identify assets who would benefit from retrofit to all-electric heating and cooling systems.

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 2021. 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 and tenant responsibilities
- Opportunities for improvement
- Technology options
- Investment plans for the asset
- Existing green ratings
- Energy performance certificate information
- Health & wellbeing
- Climate resilience

Over 2020, sustainability audits were completed at Bramah House, Ariel House and Edmund St.

Audit findings be reviewed and used to develop a property Sustainability Improvement Plan which may contain energy efficiency measures 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 first developed our Property Management Sustainability Requirements. These encourage best practice in aspects including:

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

In 2020, we delivered the first round of Property Manager KPI Assessments, this allowed us to acknowledge areas of strength and identify opportunities for improvement for each of our property managers. Progress against Property Manager Requirements will continue to be reviewed on an annual basis.

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 multi-tenanted assets, the Fund’s appointed managing agents are instructed to engage with tenants through regular meetings and correspondence. 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.

2.2 Our Approach to 'E' of ESG: Environmental

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

2.1.3 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.

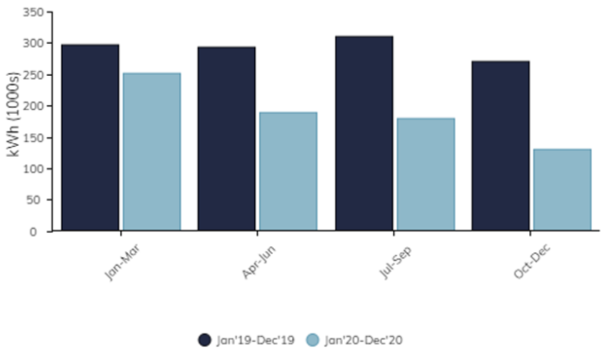
The Fund utilises SIERA, an online portal used to collate, validate and model ESG performance data. The evaluation and performance analysis through SIERA is carried out at quarterly and annual intervals to review performance progress. Where agreements are in place, monthly performance data is requested 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.

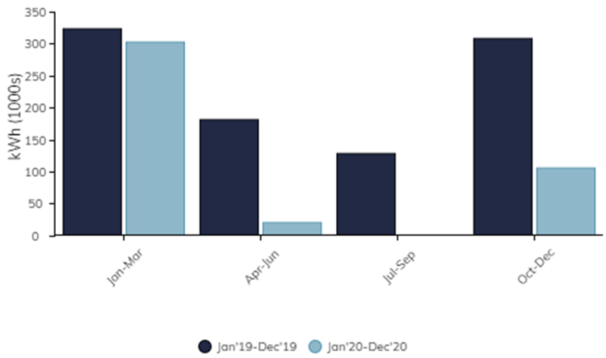
Case Study – Leeds City Office Park

Huge Energy Consumption Savings

During 2020, Leeds City Office Park was able to reduce energy consumption by 59%, compared to 2019. This energy saving was driven largely by reducing gas consumption. The gas boilers were turned off from May – August due to reduced demand for heating. This was also aided by a monitoring and targeting programme supported by our external sustainability advisors, EVORA Global Ltd.



The programme 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.



2.2.2 Addressing travel

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.

2.2.3. Nature & Biodiversity

The Fund commits to encourage biodiversity where possible.

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

2.2.4. ESG Compliance

The Fund commits to adhere to all compliance obligations and maintain procedures to remain well-versed and prepared for existing and future environmental legislation. 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 December 2020. The Fund has engaged EVORA Global Ltd 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.

2.2.5. Climate Change

Climate change is a key driver in our long-term strategic decision making process and our investment strategy. Transparency remains the utmost importance, and as such, we are committed to continually improving how we disclose and manage our risks in future reports.

We are committed to the ongoing development and maintenance of Board and management climate capability and each year invite third-party specialist consultants, such as EVORA Global, to offer specific training.

Climate-related risks and opportunities

The below table sets out the long-and short-term transitional risks CLAM faces as a result of climate change:

Transition Risk	Timeline	Mitigation / Opportunity
Policy Climate policy actions typically fall into two categories - those that attempt to constrain actions that contribute to the adverse effects of climate change or those that seek to promote adaptation to climate change. Policy change around climate could potentially lead to an increase in operating costs through higher compliance costs, although it will depend on the nature and timing of the change. Carbon pricing policies may increase costs for organisations with significant carbon emissions, while other natural resources legislation (such as water and biodiversity) may become more stringent as scarcity increases.	Medium to long term.	Our target to be net zero carbon in operation by 2030 is our primary climate change mitigation strategy and puts us ahead of the commitments made by the UK Government in relation to the Paris Agreement. Taking proactive steps to reduce our emissions means we will significantly reduce the risk or magnitude of penalties from incoming future legislation and other policy requirements.
Legal The failure to mitigate the impact of climate change and/or adapt to climate change, or insufficient disclosure on material financial risk could see increased litigation against companies and government for damages caused by climate change impacts.	Medium to long term.	Our revenue is increasingly drawn from low-carbon, high-performance assets, and within our residential assets, we continue to explore how we can lower emissions through better design, the inclusion of energy efficient appliances and access to renewable energy and battery storage. As such, litigation is likely to be a lower risk for us than other companies which are more energy and resource intensive.

Technology The timing of technology development and deployment remains a key uncertainty in assessing technology risk. As well as the cost and the unproven nature of integrating new technologies into existing assets, rapid changes in technology can also be challenging to integrate into development timeframes.	Medium to long term.	As part of our net zero carbon pathway, we have considered technology improvements such as smart metering, battery storage and renewable energy. At our office assets, we are focused on creating smart buildings to improve environmental performance and ease of operation, as we have done in buildings such as Forbury Square and Bramah House. We see technology, innovation and integration as key to delivering lower long-term costs, and increased occupant comfort and productivity.
Market Investors and markets are increasingly redirecting capital away from products and services that contribute to climate change, impacting stock and asset values. The International Monetary Fund has identified climate change as a major global issue, downgrading global economic forecasts on this basis. In addition to capital market risks, there is also a risk that the supply and demand for products and services may vary in response to shifting consumer demands and changes in technology.	Short to long term.	We look to future-proof our assets through improved energy and water performance (design and operational), and our investment in renewable energy (on and off-site) reduces the uncertainty and instability of electricity price shocks. In addition to this, we continue to explore lower embodied carbon materials, such as recycled content in steel and low carbon concrete, within our developments.

Reputation An organisation's action or inaction in transitioning to a lower carbon economy poses a potential source of reputational risk, as customers and communities continue to expect more from big businesses. A key reputational risk for CLAM would be failing to achieve net zero carbon. A second risk is that the assets we build and then sell don't perform well into the future. Reputational risk has a wider-ranging impact to our business: attracting high-quality partners may become more difficult, governments and communities may resist working with us, and it will be harder to attract and retain top talent.	Short to long term.	Demonstrating our commitment to a low-carbon world and taking leadership in reducing our emissions addresses concerns from our stakeholders on CLAM's ability to effectively manage both its impact as well as its climate-related risks. Our strong sustainability credentials and reputation also continue to help us attract stakeholders who consider ESG in their decision-making.

Physical Risks

CLAM continually has a significant number of assets under management. This means there are a number of physical risks that climate change presents to our activities – both in relation to the developments under construction and the operation of the assets we own.

Extreme weather events may disrupt the operation of our existing assets, and in turn lead to higher insurance premiums, with physical risks potentially becoming uninsurable in the future. We have detailed these physical risks below.

Physical Risk	Timeline	Mitigation / Adaption
Extreme temperatures Hotter days will increase demand for air conditioning and ventilation. This will lead to higher operating costs (energy consumption and maintenance costs). Higher minimum temperatures, particularly in summer months, will mean the use of fresh air for cooling overnight will not work as well. Adversely, cold weather extremes will increase demand on heating supplies, leading to higher operating costs (energy consumption and maintenance costs).	Short to long term.	Ongoing mitigation strategies within our investment portfolio include implementing energy efficiency initiatives (such as installing energy efficient lighting, equipment and HVAC) to assist in reducing energy loads, as well as retrofitting existing assets to improve the building thermal envelope, whenever capital expenditure is justified. Additionally, there is an opportunity for us to work with our tenants to establish optimal conditions during extreme temperature events.
Extreme rainfall Heavy rainfall intensity is projected to increase.	Short to long term.	Within our investment portfolio, our building management teams proactively check and maintain building envelopes to improve resilience to extreme rain and hailstorms, and, where appropriate, implement effective stormwater management strategies. For those sites under development, the Group mitigates the impact of heavy rainfall by implementing flood defence measures, such as pumping equipment and backup generators, and ensuring effective stormwater management.

Rising sea levels The projected range of sea-level rise by 2030 is around 0.07 to 0.19 metres above the 1986–2005 level. This could lead to restrictions on development approvals for projects on land one metre or less above sea level; increased costs and delays to construction; flooding and damage to property; increased costs from need to invest in flood prevention; business interruption to tenants; and, reduced land value.	Medium to long term.	Within our investment portfolio, mitigation strategies include reviewing the location of critical building infrastructure and investing in flood prevention infrastructure. In the planning and design of new developments, we currently consider sea levels and projected increases in floodplains and stormwater as specified by the relevant authorities or experts. For those sites consider for acquisition, flood risk is a key component within our investment decision-making.

2.3 Our Approach to '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 CLAM. 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-terms 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 our employees with training as required. All those responsible for delivering asset management programmes must follow CLAM Procedures, and Environmental Management System requirements.

Gender Pay Gap

Canada Life UK (of which CLAM is part of) produced their Gender & Ethnicity Pay Gap Report 2020, that as well as looking at gender, published ethnicity pay and bonus gaps, too.

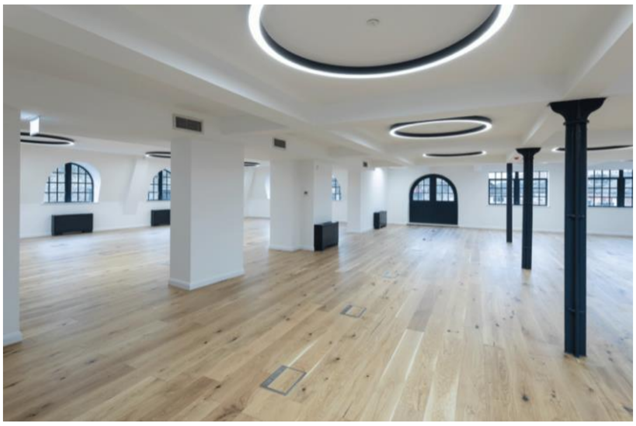
2.3.2 Health & Wellness

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 – Bramah House, London

Over the course of 2020, Bramah House underwent a comprehensive refurbishment, including;

- New LED Lighting upgrades
- New shower and secure bike storage facilities
- Accessible WCs available in lift lobbies
- DDA compliant
- EPC C (62) rating



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 CLAM's 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 'G' of ESG: Governance

CLAM has developed a stringent corporate governance framework. All property investment decisions are reviewed at the highest level 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 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, the real estate established a Real Estate ESG Steering Group. 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 Ltd (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 Canada Life's 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 Real Estate ESG Steering Group periodically.

2.4.2 GRESB

The GRESB Real Estate Assessment – the industry benchmark for environmental and social impact – results were released in Autumn 2020.

In 2020, GRESB rolled out significant changes to the survey structure, scoring methodology and their results process, establishing a new baseline for measuring performance.

The goal of the new structure was to facilitate a shifting emphasis on consistent data collection and reporting through the Performance component. The Performance component increased focus on measuring actual environment and social outcomes and impacts. The focus of reporting was changed to asset-level data input. Asset-level data reporting sets the stage for increased granularity in data analytics, including the ability to investigate physical and transitional climate risks, advanced property type benchmarking, standardisation of performance metrics across geographies and property types, and stronger validation quality controls for the reported data.

GRESB 2020 Scoring Methodology

A total 100 points are divided between the mandatory components Management and Performance. To drive impact and action GRESB assigned a higher weighting to the Performance component.

Component	Points Available
Management	30/100
Performance	70/100

Under the 2019 scoring methodology only 17% of points were genuinely performance related. In comparison, under the new scoring methodology, 32% of GRESB 2020 points were performance related. GRESB are utilising the additional granularity of asset level data inputs to improve data comparability, peer grouping and benchmarking. Due to the significant structural and scoring changes **GRESB 2020 results are not directly comparable to GRESB 2019**. Because of this, GRESB calculated a 2020 Theoretical Score to support the interpretation of this year's results, providing insight into the impact of the Assessment restructuring on a participant's results. This score provides an "estimate" based on the Indicator and Aspect weights compared to past year's. The goal of the Theoretical Score is to demonstrate the movement due to structural changes between the 2020 Benchmark and the 2019 Benchmark. For clarity, we expand on all scoring in the table below:

2018		2019		2020 (Theoretical score)	2020 (under new framework)	
Points	**Star Rating**	**Points**	**Star Rating**	**Points**	**Points**	**Star Rating**
36	1/5	67	2/5	76	73	3/5

Whilst direct year on year comparison is not recommended, the Fund did fare very well, with an increase in scoring seen despite the challenges the new framework brought.

We remain 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 2020 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 and FITWEL, where cost-benefit is positive. This protects value and acts to stay ahead of regulations. The Property Fund Management team initiates feasibility studies and provides support to the property teams to meet certification requirements and performance objectives. BREEAM (Building Research Establishment Environmental Method) is a sustainability assessment method that is used to assess the environmental performance of buildings. Fitwel certification involves a building evaluation that focuses on health and wellbeing of building users.

Sustainability Certified Buildings	2019	2020	Percentage Change (%)
Number of certified assets	2	**4**	1.5%
Certified area (ft^2)	352,287m^2	401,620ft^2	137%
Certified area, share of total portfolio (%)	27%	**33%**	122%

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 7% of assets are rated lower than 'D'. We do remain cognisant of EPC risks in terms of impact of MEES[3].

[3] Minimum Energy Efficiency Standards (MEES)

EPC Ratings across portfolio		2020
A	Number of assets	1
	Certified area (ft²)	47,100
	Area Coverage (%)	4%
B	Number of assets	1
	Certified area (ft²)	54,349
	Area Coverage (%)	4%
C	Number of assets	14
	Certified area (ft²)	496,822
	Area Coverage (%)	38%
D	Number of assets	13
	Certified area (ft²)	607,665
	Area Coverage (%)	47%
E	Number of assets	4
	Certified area (ft²)	84,876
	Area Coverage (%)	7%
F	Number of assets	0
	Certified area (ft²)	0
	Area Coverage (%)	0%
G	Number of assets	0
	Certified area (ft²)	0
	Area Coverage (%)	0%

2.5 Targets & Objectives

We have successfully progressed our 2020 targets:

Category	Objective	Progress
Environment	Technical Audits: Complete 2020 programme audits	Audits completed at Ariel House, Edmund St and Forbury Square.
	Improvement Programme: Develop asset and fund improvement programmes - using results from 2 above together with available due diligence assessments	Progress made during 2020. To be completed during 2021.
	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.	Annual target met – like-for-like energy reduced by 28%. However, this was in the majority down to COVID lockdown.
	Improvement Programme: Procure 100% of electrical energy from renewable sources by 2023 where economically and operationally feasible.	In progress – the fund commits to switch all supplies to green tariffs when utility contacts are changed.
	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.	Annual target met – like-for-like carbon reduced by 31%. However, this was in the majority down to COVID-19 lockdown.
	Improvement Programme: Develop a programme to define and measure applicable Scope 3 emissions by 2024	To be considered as part of net zero carbon goals
	Improvement Programme: Reduce like-for-like water consumption by 10% by 2024 (against a 2019 baseline), where we have the opportunity to make changes.	In progress – like-for-like water reduced by 66% in 2020 against 2019 figures. However, this was in the majority down to COVID-19 lockdown.

	Improvement Programme: We will divert 100% of landlord managed waste from landfill by 2023, where infrastructure allows	In progress – where we currently receive waste data, we divert 100% of landlord managed waste from landfill.
	Green Building Certificates: Progress 2020 programme certification plan	During 2020 One Forbury Square achieved Fitwel certification. Current green building coverage is 33% of portfolio.
	External Benchmarking: ACS level GRESB targets for 2020 of 73	Score of 73 achieved in GRESB 2020.
	Engagement and Understanding: Complete tenant sustainability survey	Complete
	Engagement and Understanding: Produce fund level sustainability report - aligned to INREV reporting requirements	Complete
	Risk Management: Develop climate change resilience risk assessment methodology	In progress
	Risk Management: Apply resilience methodology to named funds and assets	In progress
	Review and revise refurbishment approach.	In progress
	Implement streamlined refurbishment approach	In progress
Social	Develop a method to formally evaluate Canada Life's contribution to social value by 2024	In progress
Governance / General	Review and revise Due Diligence Acquisition Approach.	In progress
	Implement streamlined Due Diligence Acquisition approach	In progress
	Review and where appropriate revise ESG Procurement procedures	In progress
	Ensure compliance with relevant legislation	Agreed upon internal audit in Dec 2020

These targets have been closed out and the 2021 targets have been agreed as below. Progress against these targets will be communicated on an annual basis within future reports.

Category	Objective
Environment	Technical Audits: Complete 2021 programme audits
	Improvement Programme: Establish net zero carbon target
	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.
	Improvement Programme: Procure 100% of electrical energy from renewable sources by 2023 where economically and operationally feasible.
	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.
	Improvement Programme: Reduce like-for-like water consumption by 10% by 2024 (against a 2019 baseline), where we have the opportunity to make changes.
	Improvement Programme: We will divert 100% of landlord managed waste from landfill by 2023, where infrastructure allows
	Improvement Programme: Develop a programme to define and measure applicable Scope 3 emissions by 2024
	Green Building Certificates: Progress 2021 programme certification plan
Social	Develop a method to formally evaluate Canada Life’s contribution to social value by 2024

Governance / General	Engagement and Understanding: Complete tenant sustainability survey
	Review and revise, as appropriate, Due Diligence Acquisition Approach - aligned with NZC approach
	Review and revise, as appropriate, ESG Procurement / Supplier procedures - aligned with NZC approach
	Review and revise as appropriate refurbishment approach (potential alignment with NZC goals)
	External Benchmarking: Participate in GRESB
	External Benchmarking: ACS Fund level - improve GRESB score (star or points)
	Transparency and reporting: Produce fund level sustainability report - aligned to INREV reporting requirements
	Ensure compliance with relevant legislation

canada life
Asset Management

3. ESG 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, CLAM uses a materiality assessment as a strategic business tool, with implications beyond sustainability reporting. This assessment applies a sustainability lens to business risk, opportunity, trend-spotting 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)
Vejphicle 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 (EVORA) has been appointed by Canada Life Asset Management (CLAM) to complete verification of reported energy consumption data presented within this report.

Methodology

CLAM 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 CLAM 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.

CLAM 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, Executive Director at EVORA

July 2021

3.4 Performance Data

The tables below set out the environmental performance data for the 2020 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 2019 and 2020. 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 2020 calendar year (1 January 2020 to 31 December 2020) is presented against 2019 in the tables below.

- Table 1: Energy – Absolute, Like-for-Like and Intensity - 2020 versus 2019
- Table 2: GHG emissions – Absolute, Like-for-Like and Intensity - 2020 versus 2019
- Table 3: Water – Absolute, Like-for-Like and Intensity - 2020 versus 2019
- Table 4: Waste – Absolute, Like-for-Like and Intensity - 2020 versus 2019

Table 1: Energy - Purchased and Consumed: 2020 versus 2019 (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/m²)		
		2019	2020	2019	2020	% Change	2019	2020	% Change
Office	Electricity	2,839,188	2,149,098	2,839,188	2,149,098	-24%			
	Fuels	2,305,489	1,525,908	2,291,763	1,522,066	-34%			
	Total Energy	5,144,677	3,675,006	5,130,951	3,671,164	-27%	192.3	137.6	-27%
	Coverage	*9*	*9*	*9*					
Retail	Electricity	63,061	51,361	63,061	51,361	-19%			
	Fuels	0	0	0	0	0%			
	Total Energy	63,061	51,361	63,061	51,361	-19%	3.0	2.4	-19%
	Coverage	*4*	*4*	*4*					
Industrial	Electricity	3,493	4,037	3,493	4,037	16%			
	Fuels	0	0	0	0	0%			
	Total Energy	3,493	4,037	3,493	4,037	16%	0.8	0.9	16%
	Coverage	*1*	*1*	*1*					
Total	Electricity	**2,905,742**	**2,204,497**	**2,905,742**	**2,204,496**	**-24%**			
	Fuels	**2,305,489**	**1,525,908**	**2,291,763**	**1,522,066**	**-34%**			
	Total Energy	**5,211,231**	**3,730,405**	**5,197,505**	**3,726,562**	**-28%**	**99.8**	**71.6**	**-28%**
	Coverage	**14**	**14**	**14**					

Performance Commentary*: Overall like-for-like consumption has decreased in 2020 by 28% compared to 2019 (Office: -27%, Retail -19%, Industrial 16%). Assets included in like for like comparison; Brunel House, One Forbury Square, First Quarter Business Park, Cathedral Place, London House, 172-174 Edmund Street, Bramah House, Turbary Retail Park, Deltic Trade Park, Phase 3 Leeds City Office Park, Abbey Retail Park, Roundswell Retail Park, Ariel House & Basildon Trade Centre. Occupancy rates during 2020 have dropped significantly at the majority of office and retail assets due to the COVID-19 pandemic and associated lockdowns. The only asset class showing an increase in consumption was industrial (Deltic Trade Park) which increased working hours (and therefore consumption) during 2020, leading to an increase of 16%.*

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/m²		
		2019	2020	2019	2020	% Change	2019	2020	% Change
Office	Scope 1	424	281	422	280	-34%			
	Scope 2	727	513	727	513	-29%			
	Total	1151	794	1149	793	-31%	0.043	0.030	-31%
	Coverage	*9*	*9*	*9*					
Retail	Scope 1	0	0	0	0	-			
	Scope 2	16	12	16	12	-23%			
	Total	16	12	16	12	-25%	0.001	0.001	-25%
	Coverage	*4*	*4*	*4*					
Industrial	Scope 1	0	0	0	0	-			
	Scope 2	1	1	1	1	5%			
	Total	1	1	1	1	5%	*0.000*	*0.000*	*5%*
	Coverage	*1*	*1*	*1*					
Total	Scope 1	**424**	**281**	**422**	**280**	**-34%**			
	Scope 2	**744**	**526**	**744**	**526**	**-29%**			
	Total	**1168**	**807**	**1166**	**806**	**-31%**	**0.022**	**0.015**	**-31%**
	Coverage	**14**	**14**	**14**					

Performance Commentary*: Overall like-for-like carbon emissions have decreased in 2020 by 31% compared to 2019 (Office: -31%, Retail -25%, Industrial 5%). Assets included in like for like comparison; Brunel House, One Forbury Square, First Quarter Business Park, Cathedral Place, London House, 172-174 Edmund Street, Bramah House, Turbary Retail Park, Deltic Trade Park, Phase 3 Leeds City Office Park, Abbey Retail Park, Roundswell Retail Park, Ariel House & Basildon Trade Centre. Falling energy consumption due to the COVID 19 pandemic is reflected in the carbon emissions produced. Similarly, to energy consumption, at the industrial asset (Deltic Trade Park) carbon emissions rose by 5%, however these emissions are small in absolute terms.*

Table 3: Water – Absolute, Like-for-Like and Intensity - 2020 versus 2019

Sector		Absolute m³ Usage		Like-for-Like m³ Usage			Like-for-Like Intensity m³/m²		
		2019	2020	2019	2020	% Change	2019	2020	% Change
Office	Water	12,428	4,262	12,428	4,262	-66%	0.5	0.2	-66%
	Coverage	8	8	*8*					
Total	Water	12,428	4,262	12,428	4,262	-66%	**0.5**	**0.2**	**-66%**
	Coverage	*8*	***8***	**8**					

Performance Commentary: *Overall like-for-like water consumption has decreased in 2020 by 66% compared to 2019. Water consumption data is collected for 8 office assets: Brunel House, One Forbury Square, Cathedral Place, London House, 172-174 Edmund Street, Bramah House, Phase 3 Leeds City Office Park & Ariel House. Falling water consumption is likely due to reduced occupancy due to the COVID-19 pandemic.*

Table 4: Waste – Absolute, Like-for-Like and Intensity - 2020 versus 2019

Sector and Waste Destination		Absolute		Like-for-like		
		2019	2020	2019	2020	% change
Office	Recycling (tonnes)	8.58	7.02	8.58	7.02	-18%
	Incineration (tonnes)	28.60	26.52	28.60	26.52	-7%
	Landfill (tonnes)	0	0	0	0	0%
	Total (tonnes)	32	28	32	28	-11%
	Coverage	*3*	*3*	*3*		
Total	Recycling (tonnes)	8.58	7.02	8.58	7.02	-18%
	Incineration (tonnes)	28.60	26.52	28.60	26.52	-7%
	Landfill (tonnes)	0	0	0	0	0%
	Total	32	28	32	28	-11%
	Coverage	*3*	*3*	*3*		

***Performance Commentary**: Overall like-for-like waste production has fallen in 2020 by 11% compared to 2019. Waste data is collected for three assets within the fund: Ariel House, Bramah House & First Quarter Business Park.*