For professional clients only, not suitable for retail clients.

Responsible Property Investment Report 2022

ROYAL LONDON
ASSET MANAGEMENT


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Foreword

Mark Evans
Head of Property

Our Responsible Property Investment (RPI) report is delivered in a period characterised as a 'polycrisis'. War and climate catastrophes worldwide wreaked multiple sustainability crises, exacerbating already impacted natural and human systems. Combined with the rebound from the COVID-19 pandemic, rising energy prices and a cost of living crisis, we are more conscious than ever of the challenges faced by our occupiers and the communities in which we operate.

The evidence of the impacts of climate change on our planet and its people continues to be clearer than ever, reflected within the latest report from the Intergovernmental Panel on Climate Change (IPCC), the AR6 Synthesis Report.[1] We must act urgently and effectively, using the resources at our disposal to limit global warming within the target thresholds of the Paris Agreement. We know that there are further challenges to come, and as a society we must grapple with the complexity of compound climate impacts. During the year, we undertook a climate risk and opportunity assessment in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), identifying potential areas of impact across our property portfolio.

With real estate markets correcting in response to the impacts of rising inflation and debt pricing, the divergence between prime and other assets is becoming accentuated. With sustainability factors now intrinsic to the market's perception of prime, especially here in the UK, the 'flight to quality' we are witnessing in both occupier and investor markets elevates liquidity and depreciation risks for those assets that fall below standards and stakeholder expectations.

This highlights the commercial imperative for our investment and asset management approach to be fully attuned to the RPI priorities we have identified in our strategy.

As we look forward, our assessment of climate risks must evolve to reflect the interdependence of multiple factors,

1. Intergovernmental Panel on Climate Change (IPCC) AR6 Synthesis Report: Climate Change 2023 https://www.ipcc.ch/report/sixth-assessment-report-cycle/

and we must frame our resilience response accordingly. To demonstrate tangible progress and emphasise our commitment to transitioning to net zero carbon, we have continued to strengthen our approach to reducing greenhouse gas emissions (GHG) across our portfolio, both at an asset level and via portfolio-wide programmes of works. We must build and manage for resilience, meeting the evolving needs of both our occupiers and investors, and considering areas where we can have the most material positive impact. We are aware that we are not able to meet the global climate challenge alone. We must continue to collaborate, leveraging our commercial networks, value chains and stakeholder relationships to pull in the same direction.

The link between climate and nature-related impacts has continued to become more prominent over the past year.

Recognising the critical role that biodiversity and nature play in supporting healthy ecosystems and the wellbeing of our planet, we are seeking to evolve our portfolio-wide strategic approach to integrating biodiversity initiatives across our portfolio. This continues to be of importance to our investors and stakeholders, as understanding and practical application of biodiversity and nature continues to evolve. The United Nations Biodiversity Conference in Montreal (COP 15) adopted the Global Biodiversity Framework, which aims to halt and reverse nature loss, including the '30 by 30' pledge, to put 30% of the planet under protection by 2030. This has been followed by numerous initiatives, including the growth in nature finance, and exponential demand from investors for nature-related information and investments, as well as the Taskforce on Nature-related Financial Disclosures (TNFD) which is currently in its fourth iteration.

In addition to the TNFD, the regulatory landscape of expectations around Environmental, Social and Governance (ESG) globally and from a property investment and management perspective continues to evolve at a rapid pace.

This strengthening regulatory context, coupled with heightened pressure on asset-level performance attributes from investors and others, has placed greater emphasis on consistent disclosures and meaningful asset certifications, leading to the emergence of new schemes such as NABERS UK Energy for Offices. We understand the importance of providing clear and accurate sustainability information to our stakeholders and are committed to maintaining transparency throughout our decision-making and reporting. The ratcheting effect of Minimum Energy Efficiency Standard (MEES) continues to be a key asset management focus for us too.

Alongside this growth in expectations and requirements, we continuously strive to support our occupiers and communities. The health, wellbeing and satisfaction of our occupiers and communities remains critical to our management and development processes whilst, over the coming year, we are seeking to develop our strategic approach to social value and impact, with a focus on measuring and improving our impacts in a tangible way. This helps us in our aim to deliver better returns for clients by enhancing the social and economic benefits we can offer to our occupiers and the communities in which our assets are situated.

We are both proud of the progress that we have made over the past year, and mindful that there is always more work to be done at an asset and portfolio level, and also in collaboration with our stakeholders. We firmly believe that it is in the best interest of our clients to proactively address ESG issues, whether they be opportunities or challenges. We remain committed to the long-term creation of value, with our direction driven by the Royal London purpose: **Protecting today, investing in tomorrow. Together we are mutually responsible.**

This RPI Report seeks to provide an update of overall performance against the RPI Strategy and objectives for our investors and stakeholders, including our new portfolio targets that are aligned to our previously identified material RPI issues. This is the first iteration of an annual RPI Report, and we look forward to building upon this foundation in the years ahead.

Mark Evans, Head of Property

This year we are also including our first ever property-specific Task Force on Climate-Related Financial Disclosures report.

Document map

This document aims to highlight the progress made on our RPI Strategy. Helping us to achieve our strategic objectives is a suite of documents, policies and guidance notes disclosing the standards we should be reaching for new and existing assets, as well as detailed statements of achievements against these. The map below sets out this wider suite of supporting documents.

Our reporting suite

This report forms part of our wider Responsible Investment and Property-specific reporting suite:

Responsible Investment

Stewardship & Responsible Investment Report 2023[1]

Our report as part of our commitment to the UK Stewardship Code

1. These reports cover the reporting period 1st January 2022 to 31st December 2022

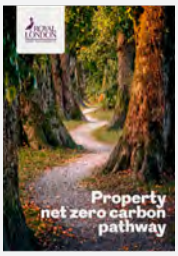
Climate Report 2022

Our report is in line with the recommendations of the Task Force on Climate-Related Financial Disclosures

Royal London Asset Management Property

Responsible Property Investment Strategy 2021 to 2025

Sets out our RPI strategic framework and how we embed RPI across our portfolio



Property Net Zero Carbon Pathway

Sets out our pathway to achieving net zero carbon by our defined target dates

Property Development & Refurbishment Statement of Achievement 2022

Sets out our performance highlights against our New Construction and Major Refurbishment Sustainability Standards

New Construction and Major Refurbishment Sustainability Standards 2023

Our development standards mapped against eight sustainability categories

For more information, please visit rlam.com/uk/institutional-investors/responsible-investment rlam.com/uk/institutional-investors/our-capabilities/property/responsible-property-investment

About us

Royal London Asset Management is part of Royal London, the UK's largest mutually owned pension and investment company. We have been investing in property on behalf of Royal London for decades and are currently one of the largest UK landlords, with £8.2 billion assets under management.[2] At the core of our property approach is our commitment to RPI, underpinned by our long-term investment approach to maximising value.

Since our first environmental policy in 2007, Royal London Asset Management has continued to strengthen our commitment to integrating ESG issues within our approach to property investment. In 2021, we released our comprehensive RPI Strategy, which provides a framework and action plan against which we deliver on material ESG focus areas and contribute to overarching Responsible Investment (RI) objectives at Royal London. This report provides an update of progress against these ESG objectives and an overview of key initiatives and case studies demonstrating our commitments.

2. Total Assets as at December 2022 (excludes Cash).

Protecting today, investing in tomorrow. Together we are mutually responsible.

Our funds

Royal London UK Real Estate Fund (RLUKREF)

Launched in October 2017, RLUKREF is a Balanced, Core Plus open-ended fund. As at December 2022, it held 74 assets predominantly within the office, retail, and industrial sectors, plus some leisure and hotel assets; supporting over 680 occupiers, with a total assets under management (AUM) of £3.0 billion.

Royal London Pension Property Fund (RLPPF)

Managed by Royal London since 2001, RLPPF is a life and pensions insurance fund with 136 investments in commercial property across industrial, office, retail, leisure developments and others, supporting over 1,800 occupiers, with total AUM of £4.8 billion (as at December 2022).

Royal London Property Fund (RLPF)

Launched in 1999, RLPF is an open-ended investment company managing Royal London Group funds. As at December 2022 the fund held 29 assets, supporting over 140 occupiers, with total AUM of £358 million.

2023: published our first RPI Report (2022) and Property Net Zero Carbon Pathway Progress Report (2022)

ESG journey to date

2007 — Implemented Property's first Environmental Policy

2008 — Became a signatory to the United Nations Principles of Responsible Investment (PRI)

2015 — Implemented an ISO14001-aligned Environmental Management System (EMS); updated annually with environmental objectives and targets

2018 — Creation of the New Construction and Major Refurbishment Sustainability Standards; updated annually

85-87 Jermyn Street, London

Holborn Viaduct, London

2020

Royal London Asset Management reported in alignment with the recommendations of the annual TCFD report

2021

- Launched our RPI Strategy
- Developed our Property Net Zero Carbon Pathway, as part of our pledge to the Better Buildings Partnership (BBP) Climate Commitment
- Signed up to the Net Zero Asset Managers Initiative (NZAM), part of the UN-convened Race to Zero

2023

Published our first RPI Report (2022) and Property Net Zero Carbon Pathway Progress Report (2022)

RPI Strategic Framework

Investing in a resilient portfolio

Applying future-proofed investment decisions to shape resilient portfolios within which the assets meet the evolving needs and aspirations of our occupiers and investors.

Developing for the future

Creating thriving buildings and places through sustainable development and refurbishment which have enduring appeal for occupiers and add value to local communities.

Managing assets for positive impact

Working in partnership with our occupiers and local stakeholders to deliver social value and positive environmental outcomes through our assets.

Responsible decision-making

Drawing from trusted partnerships with a diverse range of stakeholders to make forward-thinking decisions that address our material issues and ensure transparency.

Our material issues

- Transition to net zero carbon
- Climate resilience, adaptation and risk mitigation
- Safeguarding natural resources
- Biodiversity and green infrastructure
- Progress to a circular economy
- Purposeful construction and placemaking
- Sustainable transport and connectivity
- Health, safety and wellbeing
- Diversity and inclusivity
- Building certification

Our 2022 highlights

100%
of electricity across our managed portfolio procured from renewable sources[3]

117
biodiversity initiatives implemented across our managed portfolio

42%
energy data coverage across the portfolio†

28%
absolute reduction in Scope 1 and 2 emissions compared to our Net Zero Carbon Pathway baseline year (2019)‡

Undertook our first net zero carbon audits across eight offices

Solar photovoltatic (PV) feasibility study undertaken across over 120 assets

Reintroduced our quarterly RPI Working Group

15% of our portfolio certified to BREEAM†

4-Star rating for RLUKREF and 3-Star ratings for RLPPF and RLPF*

98% score for property compared to industry median score of 69%*

Royal London Asset Management Climate (TCFD) Report published, plus produced our first property-specific TCFD report

Continued to maintain ISO 14001 accreditations across all buildings within our Environmental Management System△

Achieved 14 Green Apple Awards*

† By floor area
‡ Absolute changes
* 2022
△ In place since 2015

3. Through the use of Renewable Energy Guarantees of Origin (REGO) certificates.

RPI objectives and portfolio targets

During 2022, we developed a set of RPI portfolio targets to address the material topics identified in our RPI Strategy. These targets include key performance indicators (KPIs) and supporting indicators to track ongoing progress towards these targets.

The below table summarises the portfolio targets, which were established during the reporting period. Future iterations of our RPI Report will provide updates on performance against these targets using the KPIs and supporting indicators.

Objective	Area	Portfolio Target
Transition to net zero carbon	Operational	• Achieve net zero carbon across our directly managed property assets and developments by 2030[4] • Achieve net zero carbon across our indirectly managed property assets by 2040[5] • Generate up to 9.5 GWh (equivalent of 11.2 MW of capacity) of renewable energy onsite per year by 2040
	Development	• Aim to achieve a reduction in embodied carbon (A1-A5)[6] across all new build and major refurbishment projects in line with our New Construction and Major Refurbishment Sustainability Standards
Climate resilience, adaptation and risk mitigation	Operational	• Explore forward-looking climate risk assessments and commence these assessments across all assets from 2024
	Development	• Commence forward-looking climate risk assessment at design stage and integrate adaptation solutions within the design on all new build and major refurbishment projects from 2024
Safeguarding natural resource	Operational	• Achieve a 30% reduction in energy use intensity across our directly managed portfolio by 2030, against a 2019 baseline • Aim to align with UKGBC Paris-proof energy use intensity target of 70 kWh/m^2 by 2030 across our directly managed offices
	Development	• Target the UKGBC Paris-proof energy use intensity target across all office new build and major refurbishment projects of 90 kWh/m^2 by 2025, and 70 kWh/m^2 by 2030[7] • Aim to incorporate water efficiency measures and/or water recycling to reduce mains use by 40% compared to the BREEAM baseline across all new build and major refurbishment projects[8]

4. Directly managed property assets are those over which Royal London Asset Management has complete operational control, greater than 50% equity share, and joint ventures where they would cover the proportionate amount of emissions. Developments are any new development or major refurbishment that comes online from 2030 onwards.

5. Indirectly managed property assets are either partially managed by Royal London Asset Management or managed wholly by the occupier.

6. Within the whole life carbon assessment, life cycle stages A1-A5 cover the embodied carbon to practical completion of a building, comprising the product and construction stages (Whole life carbon assessment for the built environment, Royal Institute of Chartered Surveyors (RICS), 1st edition, November 2017).

7. Through undertaking operational energy modelling using CIBSE TM54 methodology. This target also applies to offices designed from either 2025 or 2030.

8. This excludes residential projects.

Objective	Area	Portfolio Target
Biodiversity and green infrastructure	Operational	• Develop a biodiversity baseline and produce a Biodiversity Strategy in 2023
	Development	• Exceed 10% Biodiversity Net Gain on all new developments and major refurbishments
Progress to circular economy	Operational	• Achieve a minimum 60% recycling rate across our managed portfolio by 2030
	Development	• Aim for 30% of materials by value to be derived from recycled/reused content by 2030 across all new build and major refurbishment projects
Purposeful construction and place making	Operational	• Develop a Social Value Framework to begin implementation in 2024
	Development	• Aim to support a minimum of two apprenticeships or work experience students during construction, and one site visit for local schools/residents across all new build and major refurbishment projects
Sustainable transport and connectivity	Operational	• Explore options for improving sustainable transport options across our industrial assets and retail parks
	Development	• Aim to meet local planning requirements for the proportion of vehicle spaces that are designated to electric modes of transport across all new build and major refurbishment projects
Health, safety and well being	Operational	• Aim for zero reportable health and safety incidents across the managed portfolio
	Development	• Aim for zero reportable health and safety incidents on construction sites across all new build, major and minor refurbishment projects
Building certification	Operational	• Aim to align with UKGBC NABERS UK Energy for Offices with 5* rating for all directly managed offices by 2030 • Aim to have 25% of the total portfolio[9] certified with BREEAM in use by 2030
	Development	• Undertake UK NABERS Design for Performance (DfP) Certification and aim to achieve a NABERS 5* rating from 2023 across all office new build and major refurbishment projects • Target BREEAM Excellent and develop a pathway to achieving BREEAM Outstanding across all new build and major refurbishment projects

9. By Net Lettable Area (NLA).

Governance and ESG integration

Governance overview

A strong governance structure and culture is critical for maintaining accountability and transparency as we work towards our RI objectives in delivering long-term value to our investors.

The Board has ultimate responsibility for setting Royal London Asset Management's risk appetite and reviewing our strategic risks. Our Chief Investment Officer (CIO) is a member of Royal London Asset Management's Executive Committee, accountable for setting the investment strategy, and overseeing our RI function, including our approach to stewardship and climate investment risk. The CIO is also responsible for ensuring RI, stewardship and climate change risk management is embedded across Royal London Asset Management's investment strategies. Within Property, the Head of Property and CIO have joint accountability for our RPI Strategy, with day-to-day responsibilities overseen by our Investment Director.

Our RPI Lead participates in Royal London's Sustainability and Stewardship Forum approximately every six weeks. This brings together representatives across Royal London Asset Management's and Royal London's RI functions to promote engagement across the business with the overarching purpose of moving fairly to a sustainable world. It helps to manage the risk of conflicting priorities, gaps and missed opportunities by aligning plans between and across teams, encouraging collaboration.

We have reintroduced the RPI Working Group, which is chaired by our Investment Director and includes representation from across the Royal London Asset Management Property and RI teams, including ESG champions from the Development, Retail, Office and Industrial sector teams, the Head of Property, and a member of the RI team, as well as an independent external member. The RPI Working Group meets on a quarterly basis and is responsible for overseeing the implementation of our RPI strategy, monitoring performance against our KPIs and internal reporting. Furthermore, we have created our Terms of Reference for the RPI Working Group, ensuring that it is fit for purpose in providing the right balance of strategy, oversight, and engagement functions.

This RPI Report seeks to provide an update of overall performance against the RPI Strategy and objectives for our investors and stakeholders, an important element of our governance and focus on transparency and accountability. Our property funds also submit to the GRESB Real Estate Assessment on an annual basis and contribute to the property module of Royal London Asset Management's PRI Transparency Report. More information on our GRESB and PRI performance can be found in the Responsible Decision-Making section.

ESG Integration & Internal Engagement

Royal London Asset Management is committed to stewarding our clients' assets and promoting responsible investment and decisions across all asset classes. RI is the umbrella term we use for our approach to ESG integration and stewardship, which covers all our investment teams and funds. For an overview of responsible investment at Royal London Asset Management, see our 2023 Stewardship and Responsible Investment Report and our Responsible Investment Policy.

Specifically for property, our RPI Strategy addresses how we embed material ESG factors into investment decisions across our real estate funds and assets. Integration of ESG factors occurs across the full property lifecycle, with the aim of optimising the environmental and social impact of our assets whilst delivering better returns for our clients.

Since launching our RPI Strategy, we have been delivering against our framework through the RPI Action Plan. This requires the active support and involvement of our Head of Property, Investment Director, Portfolio Fund Managers and Sector and Development Specialists. The RPI Team conduct quarterly meetings with the various Sector and Development teams across Royal London Asset Management Property to discuss progress against their actions and identify where further support from the RPI Team or others is required. Throughout 2022, engagement across the Royal London Asset Management Property team on RPI matters increased significantly, indicating good progress in embedding RPI principles, objectives and actions into its work.

3 Hardman Square, Manchester

ESG & Team Objectives

To incentivise positive ESG performance, we include ESG-related objectives as relevant to the RPI Strategy within the appraisals of Property Team personnel. For 2023, the RPI Team had direct involvement in selecting these objectives, including making them sector-specific to reflect the variation of ESG priorities across the sector teams.

A strong governance structure and culture is critical.

2 City Place, Gatwick

ESG Risk Management

Royal London Asset Management maintains a comprehensive Principal Risk Register covering high-level risks and controls across the business. Each department determines which RPI-related risks should be included as appropriate. For each high-level risk, there are 'prevent and detect' controls in place, which are regularly reviewed by the Risk Owners. Our aim is that the RPI team regularly assesses its risk management regime to ensure it is up to date with all elements of our strategy, including our Net Zero Carbon Pathway and RPI Strategy. This ensures that we adapt to the evolving risk environment. To ensure we are being proactive in addressing risks, the Royal London Asset Management Risk & Compliance and Audit team's role is to constantly challenge the Property Team to justify its risk ratings, and to highlight additional work or areas of weakness that need addressing.

Integration of ESG through our RPI Strategy is further supported by the RI Team, which helps coordinate our reporting against the disclosures recommended by the TCFD and the European Union (EU) Sustainable Finance Disclosure Regulation (SFDR). The next section of this report provides an overview of climate-related risks and opportunities from Royal London Asset Management Property's 2022 TCFD-aligned disclosure.

Spotlight on climate change and net zero carbon

Highlights

- Conducted net zero carbon audits across eight directly managed offices in 2022, with a further 14 currently underway
- Identified our key climate-related risks and opportunities as part of our TCFD-aligned assessment and disclosure process
- Integrated net zero carbon into the design process via our 'Approach to Net Zero' guide across all new build and major refurbishment projects
- Produced our Net Zero Carbon Pathway Progress Report

We recognise that climate change is one of the most pressing challenges facing the world today. Real estate is a significant contributor to global GHG emissions, and we are committed to playing our role in limiting and mitigating the impact of climate-related issues where possible.

We have committed to achieving net zero carbon by 2030 for our directly managed property assets and developments, and 2040 for our indirectly managed property assets.[10] To support this commitment, Royal London Asset Management joined the NZAM and became a signatory to the BBP's Climate Commitment.

Property Net Zero Carbon Pathway Progress Report (2022)

The BBP has developed a Net Zero Carbon Pathway Framework to support its Climate Commitment signatories in delivering against their net zero commitments. We have aligned to this framework, producing an initial Net Zero Carbon Pathway Report in 2021 that defined a detailed, seven-step pathway to net zero. We are proud to share our Property Net Zero Carbon Pathway Progress Report (2022), detailing our progress against our net zero strategy during 2022.

STEP 1
Understand the drivers for net zero carbon

STEP 2
Define the scope and boundaries

STEP 3
Identify carbon footprint and trajectory

STEP 4
Reduce embodied carbon

STEP 5
Increase operational efficiency

STEP 6
Increase renewable energy supply

STEP 7
Offset residual emissions

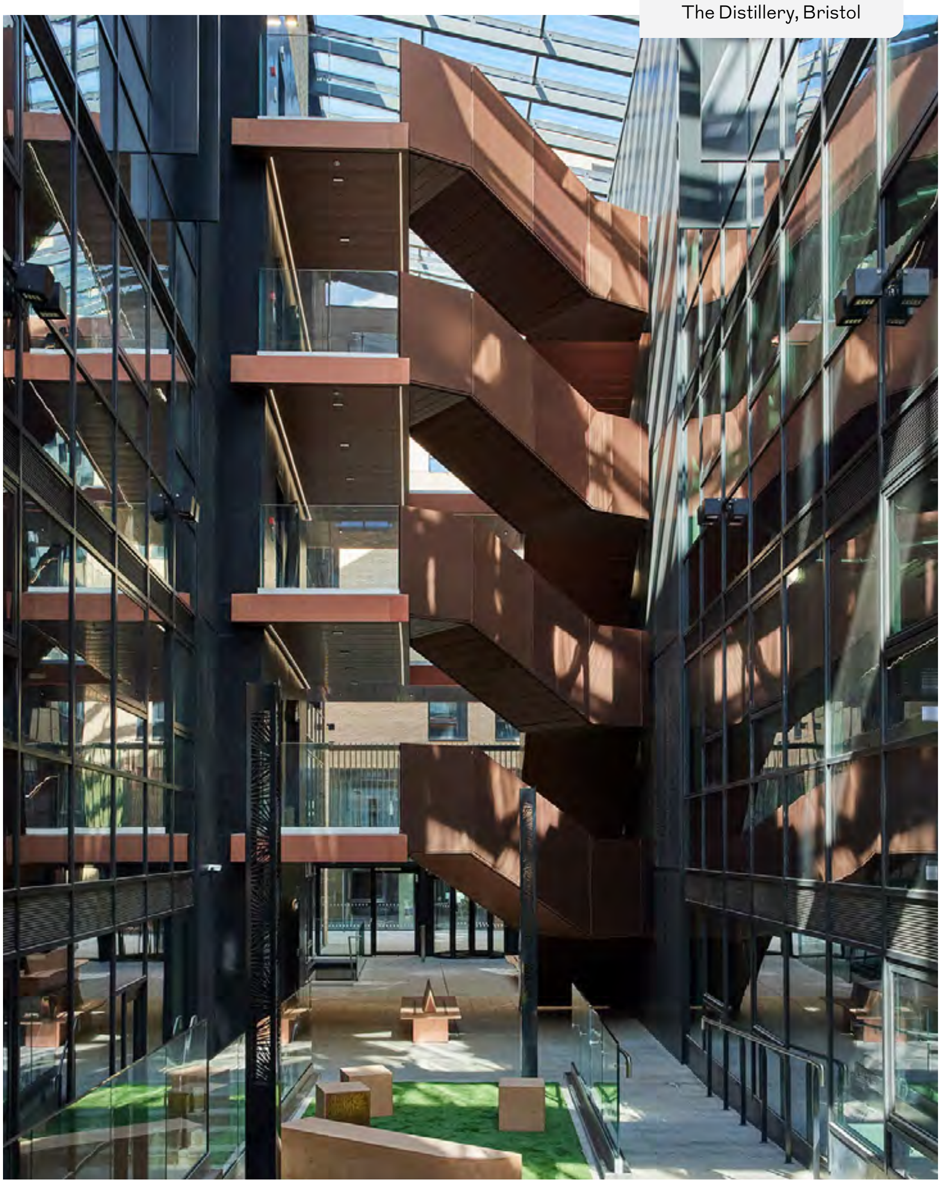
10. Directly managed property assets are those over which Royal London Asset Management has complete operational control, greater than 50% equity share, and joint ventures where they would cover the proportionate amount of emissions. Indirectly managed property assets are either partially managed by Royal London Asset Management or managed wholly by the occupier. Developments are any new development or major refurbishment that comes online from 2030 onwards.

Task Force on Climate-Related Financial Disclosures (TCFD)

Considering climate risks and opportunities is increasingly critical. Evolving physical risks, such as flood risk, and transition risks, particularly of a regulatory nature, have led us to carry out a property-specific TCFD-aligned analysis and disclosure. Identifying and managing these risks proactively mean we can respond appropriately, including building climate-related capacity within our team, putting in place appropriate monitoring processes, and targeting resilience measures across our portfolio.

The TCFD disclosure recommendations are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets. Over the past five years, the TCFD recommendations have been adopted extensively by market participants and reflected in a growing number of statutory disclosure requirements. The number and proportion of companies disclosing information in line with the TCFD's recommendations has increased steadily each year, as has the depth of the TCFD-aligned information companies are disclosing.[11] The property-specific component of our TCFD-aligned disclosures can be found in Appendix 2 of the Property Net Zero Carbon Pathway Progress Report (2022).

During 2022, we conducted an exercise to identify and prioritise climate-related risks and opportunities, based on their potential financial impact in the short-, medium- and long-term outlook under current operating conditions. For each prioritised risk and opportunity identified in this process, any further data required was collected to provide a high-level financial quantification the potential impact, and well as to determine mitigation responses.



The Distillery, Bristol

11. Task Force on Climate-Related Financial Disclosures (2022) Status Report

The key risks and opportunities identified include:

Category	Risk	Impact Time Horizon	Potential Financial Impact
Transition Reputation	Reduced investment allocations if considered not to be responding effectively or fast enough to the climate crisis.	Medium	Severe
Transition Regulation	Costs to deploy and adopt new practices and processes to meet MEES regulations.	Short	Severe
Transition Regulation	Costs to deploy and adopt new practices and processes to meet net zero carbon regulations.	Medium	High-to-Severe
Physical Acute	Loss of asset value due to damage or physical risk from flooding.	Long	High-to-Severe
Physical Acute	Disruption to construction activities due to extreme weather events.	Long	Moderate

Category	Opportunity	Impact Time Horizon	Potential Financial Impact
Products and services	Green premiums on rent and asset value from net zero carbon buildings.	Short	Severe
Resource efficiency	Reduced operating costs through more efficient buildings.	Medium	Severe
Energy security	Generate and sell renewable onsite electricity.	Medium	High

Further information on the potential financial impact as well as the management response can be found in Appendix 2 of the Property Net Zero Carbon Pathway Progress Report (2022).

Net zero carbon audits

To ensure we have adequate information to deliver on our net zero carbon commitment, we are in the process of undertaking a series of net zero carbon audits across our portfolio, beginning with our managed properties that are targeting net zero carbon by 2030. We have appointed an external consultant to audit an initial 22 directly managed offices. We had completed eight by the end of the 2022, with a further 14 are underway, with the objective to complete all multi-let offices by the end of 2023. The audit considers the energy characteristics of the building, including user behaviour, building controls and management, fabric, systems and lighting specifications, and provides us with a series of potential energy conservation measures plotted against our net zero carbon by 2030 pathway.

The building energy performance is evaluated against industry benchmarks.

These include:

- the UKGBC Energy Use Intensity (EUI) targets for offices, which seeks to 'Paris-proof' buildings with a target of 90 kWh/m² by 2025 and 70kWh/m² by 2050;
- the BBP Real Estate Environmental Benchmark (REEB), a benchmark for commercial properties in operation within the UK; and
- the Carbon Risk Real Estate Monitor (CRREM), which provides decarbonisation pathways for different property types aligned to the Paris Agreement goals of limiting the global temperature rise to below 2 degrees, and with an ambition of limiting that rise to no more than 1.5 degrees. With the recent update of the CRREM pathways, future iterations of our net zero carbon audits will be conducted to ensure that they remain current.

1 New York Street, Manchester

The audits provide both a summary of current performance and simulations of performance if the asset was to be fully occupied where required, to provide a more accurate representation of building energy performance.

After assessing performance, the net zero carbon audit then provides us with a plan towards net zero, which estimates the financial, energy and carbon savings for specific initiatives identified for the building, including specific views for how these initiatives may be implemented. This is not without challenge, as we must work to determine which recommendations are practical to implement, considering aspects such as current lease arrangements, potential planning requirements, and the feasibility of potential capital expenditure alongside existing ESG projects and upgrade initiatives across the portfolio. Where we identify potential significant cost implications, we seek to work collaboratively with our occupiers, particularly if they have strong sustainability and net zero commitments and the initiatives are likely to be financially viable for both parties.

The net zero carbon audits undertaken to date have provided us with detailed recommendations for improving the energy and carbon performance of the assets to which they relate, providing a clear pathway towards net zero. We look to continue this work into 2023 and beyond.

Pillar One: investing in a resilient portfolio

Objective: applying future-proofed investment decisions to shape resilient portfolios within which the assets meet the evolving needs and aspirations of our occupiers and investors.

Performance highlights

Updated our Sustainable Acquisition Checklist

599,000+ sq. ft. certified to WiredScore[12]

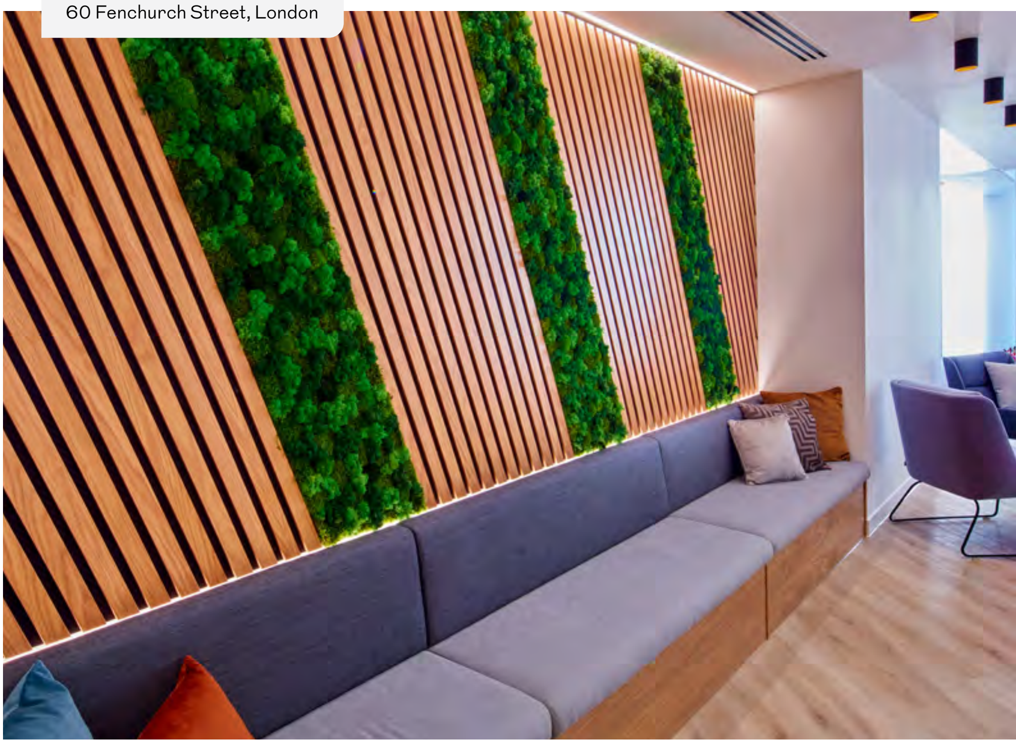
Conducted a solar photovoltaic feasibility study across over 120 assets

Continued improvement in our EPC profile across the AUM

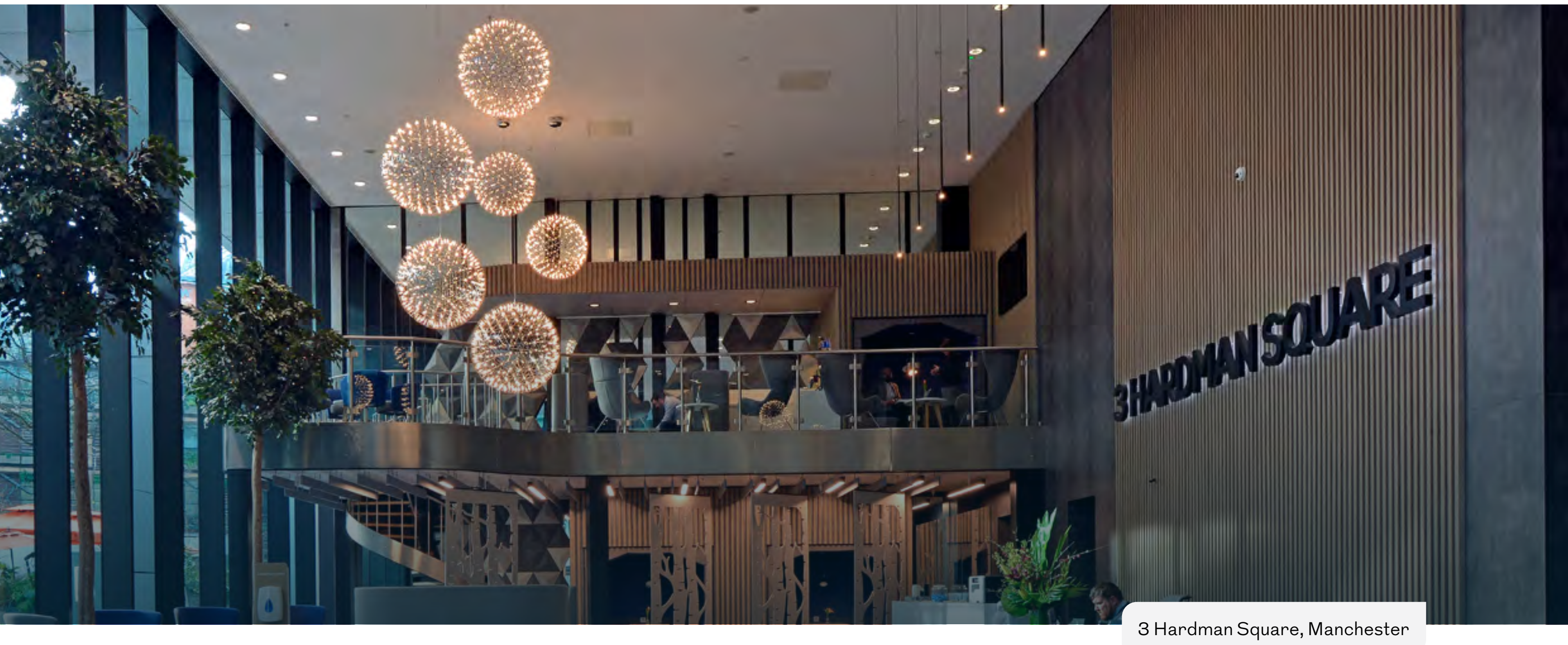
Across our portfolio we strive to make considered, future-proofed investment decisions, with the ultimate objective of shaping resilient portfolios that not only meet the current needs of our occupiers and investors, but which also evolve with their needs and expectations over time. It is important to be proactive in taking a strategic, long-term view, whilst also ensuring our decisions are pragmatic, with practical considerations for the shorter-term challenges and opportunities present across our portfolio.

Our actions and progress within this area are focused on ESG within our investment processes including pre- and post-acquisition. This ensures that we are embedding effective and practical procedures into the investment process, and delivering on KPIs designed to help us assess and communicate the investment value and financial benefits of assets with high sustainability credentials. During 2022, we took tangible steps to shape the resilience of our portfolio, focusing on amplifying the opportunity for ESG impact across our acquisitions and operational assets.

60 Fenchurch Street, London



12. As at December 2022.



3 Hardman Square, Manchester

Progress to date

Sustainable Acquisition Checklist

To incorporate material ESG considerations into the acquisition process for new investments, we have developed a new Sustainable Acquisition Checklist. The purpose of the checklist is to ensure that a standardised ESG due diligence process is in place for new acquisitions, to both minimise potential ESG-related risks and highlight areas of opportunity to enhance sustainability performance, ultimately adding value to our investment portfolios. New acquisitions provide Royal London Asset Management with the opportunity to purchase assets that are in line with our RPI Strategy and Net Zero Carbon Pathway, which helps future-proof our portfolio against upcoming regulations and meet the changing expectations of our occupiers.

The Sustainable Acquisition Checklist provides a simplified interface that allows users to assess and record material ESG considerations in one place, providing guidance as to who is responsible for each item. It also provides oversight of the potential implications of these considerations aligned to the BBP's[13] 'Nature of Impact' categories:

- investment critical.
- capital expenditure (CapEx) implication.
- required information.
- supports 100-Day Review.

During 2022, we used the Sustainable Acquisition Checklist to support the acquisition of care homes as part of our new Healthcare fund. We collaborated with our partners and consultants to ensure it covered material ESG issues for healthcare, such as insulation to prevent overheating, meeting the comfort and wellbeing needs of our occupiers. To date, the Sustainable Acquisition Checklist has been used for nine of the eleven care homes purchased (with the remaining two assets purchased prior to the creation of the Checklist) and will be utilised when further expanding our care home portfolio during 2023.

13. https://www.betterbuildingspartnership.co.uk/acquisitions-sustainability-toolkit

Energy Performance Certificate (EPC) programme

As part of our RPI Strategy, we have increased our focus on asset certifications, including EPC. We have set a target of achieving an EPC A rating for new build development projects and an EPC B rating for refurbishment projects.

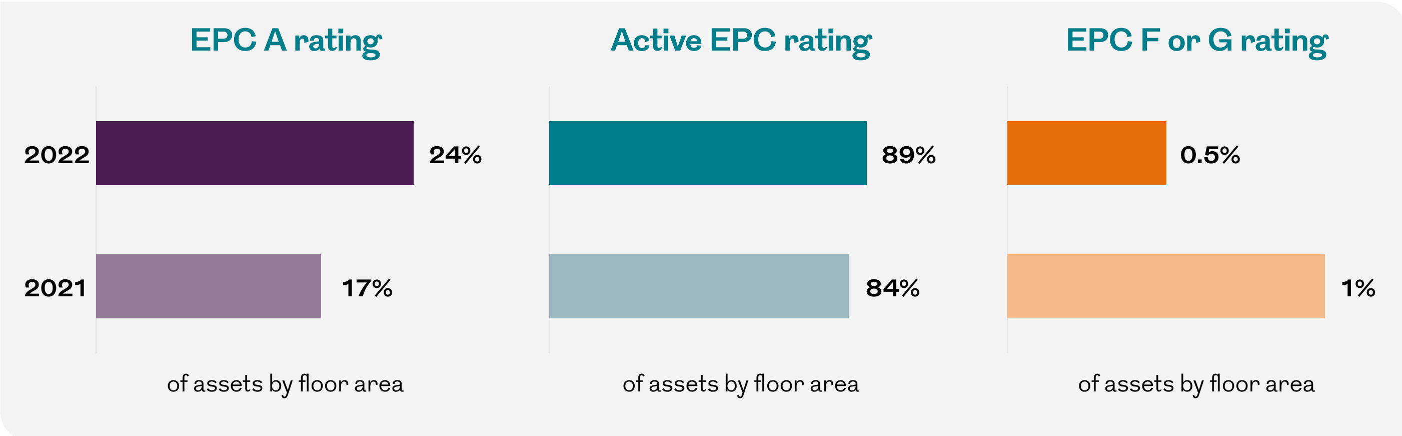
In the lead-up to the extended implementation of MEES to cover the continued letting of commercial property from 1st April 2023, a priority in 2022 was to identify and address assets within our portfolio with an EPC rating below E. In addition, we recognise that MEES standards are expected to ratchet to a minimum EPC B rating by 2030.

To reach our EPC targets, address MEES risks and opportunities, and increase portfolio resiliency, we have developed and implemented an enhanced EPC programme. This programme is focused on addressing assets with no EPCs and EPCs that are coming up to expiry. We are also undertaking EPC Improvement Cost Assessments for any asset with an EPC rating below B which provide a set of targeted recommendations to bring the assets up to that minimum B rating. These recommendations are then transferred into our Asset Business Plans, ensuring they are delivered by the asset manager with progress against each recommendation being tracked. We have developed a strategic approach to delivering this programme, setting out a series of priority stages that consider key factors including property sales, missing EPCs and lease expiries. This stringent process helps to minimise risks across the portfolio.

To ensure ongoing compliance with MEES, we have updated our EPC procedure that all asset managers must adhere to. The new procedure stipulates that if the new EPC rating is below a B in any scenario, including acquisitions, lease renewals, developments and refurbishment, an EPC Improvement Cost Assessment must be undertaken. This enables us to understand the interventions required to improve the EPC to a minimum B rating, along with expected capital expenditure requirements and payback calculations. If determined a suitable investment opportunity, these interventions can then be factored into the Asset Business Plans, ensuring delivery by the asset managers.

Overall, our improvement programme has resulted in an increase in higher EPC rated assets compared to 2021, with a process in place to continue improving the EPC rating of assets with lower ratings.

EPC Key Progress



as at September 2022

Case study: Unit 1, Chessington Park Industrial Estate, Chessington

Industrial

The largest unit on the estate, Unit 1, Chessington Park, comprises 30% of the total floor area, totalling 38,211 sq.ft. In January 2022, following a lease expiry from an occupier who had not been in occupation for several years, the unit became vacant. Taking the opportunity to improve the sustainability performance and value of the asset, refurbishment works were undertaken.

The building underwent a full redecoration of internal and external elements, with a focus on efficient and higher-performing fixtures such as double-glazed windows, LED lighting with smart lighting technology and passive infrared (PIR) sensors, water-saving fixtures and fittings, and solar PV panels on the roof. As a result, the EPC rating improved from a D to an A, exceeding market requirements. Shortly after, lease terms were agreed with a new high-quality occupier, at a rate 29% higher than the valuation prior to commencing the works.

This highlights the important role of sustainability-focused refurbishments in attracting quality occupiers.

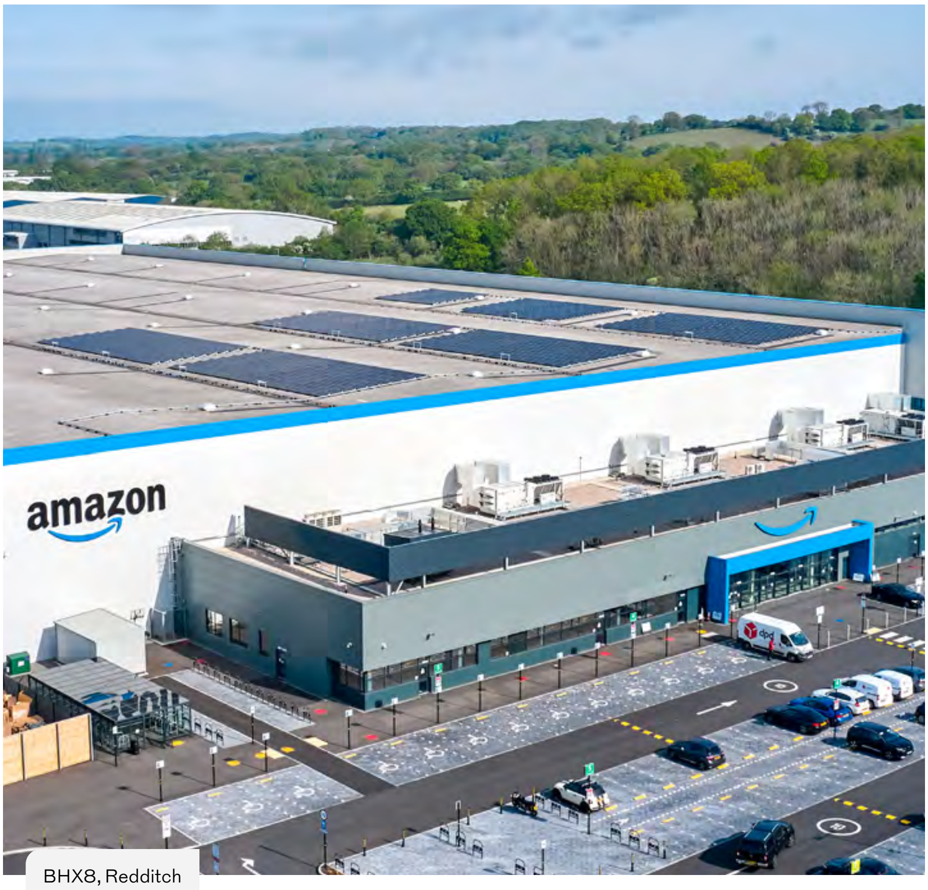
Unit 1, Chessington Park Industrial Estate, Chessington

Unit 1, Chessington Park Industrial Estate, Chessington

Solar photovoltaic feasibility study

In 2022, we commissioned a solar PV review to identify opportunities for onsite PV across our retail parks and industrial assets. Nearly 1,200 individual units were analysed, comprising over 700 occupiers across over 120 assets. Critical factors were assessed for their importance and risk to Property, including asset specific factors like roof condition, available space, lease term, solar irradiance, and other factors including electricity tariff, electricity consumption, and grid capacity.

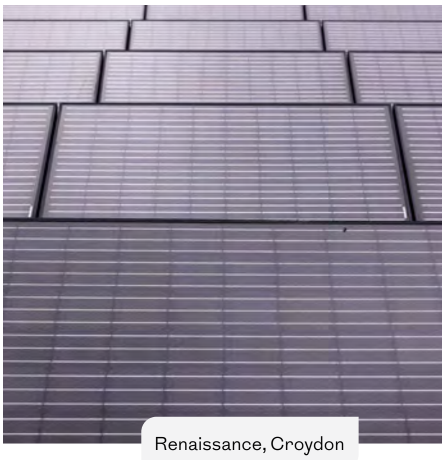
The PV feasibility study identified that of the above critical factors, no single factor emerged as both high importance and very high risk to us, which reflects positively the potential for onsite PV across the portfolio. Where asset-specific issues were identified, for example roof condition or lease term, this provided us with important feedback to consider when implementing future refurbishment initiatives or lease clauses. The feasibility study found that, if we were to install optimally sized PV systems across these 120 assets, the total system size could have a total potential capacity of 88.8 MW. Furthermore, out of these assets, the study determined the best opportunities for PV installation. This is based on those with a good roof condition and a reasonable remaining lease length, along with their potential kWp output (in excess of 400 kWp) and with an internal rate of return (IRR) of over 12.5%.



BHX8, Redditch

The wider potential for occupier collaboration was also assessed, based on the aggregate size of the optimal PV system for every occupier across our portfolio, considering also our occupiers' general approach to renewable energy procurement and their history of installing rooftop PV. This is a crucial consideration for PV feasibility, due to the collaborative nature required for onsite renewable energy installation. Ultimately, the feasibility study serves to empower our internal asset managers with the information required to engage meaningfully with occupiers on this topic, providing key information required to develop an implementation strategy to meet our renewable energy target.

Based on the outcomes of the study, we are now undertaking occupier engagement, with a view to capitalise on shared opportunities for solar PV for both parties.


Renaissance, Croydon

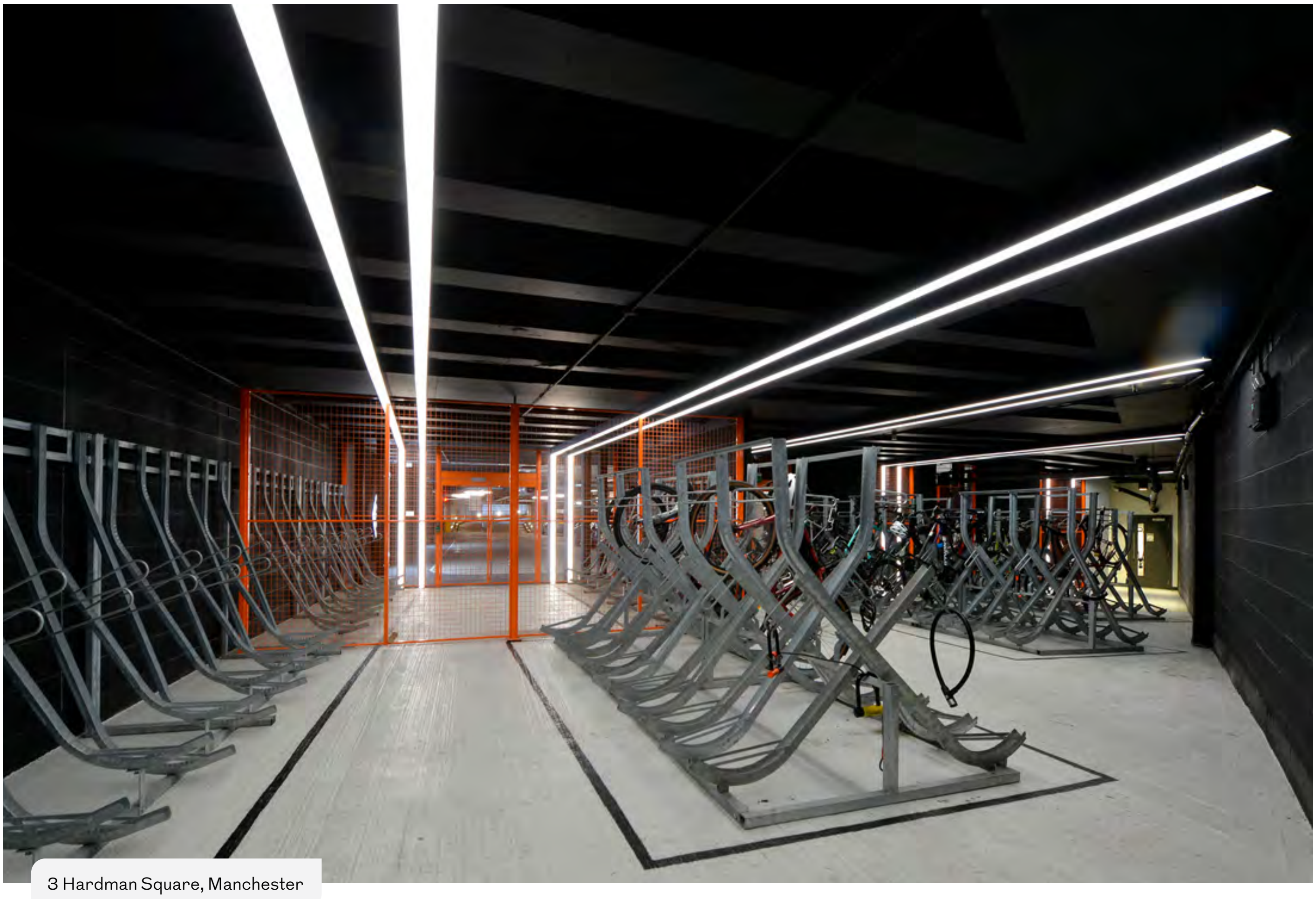
Case study: WiredScore certification

WiredScore is a rating scheme within real estate for certifying digital connectivity and smart technology. A WiredScore certification helps demonstrate how digitally enabled a building is, something that is critical for many occupiers today. WiredScore helps assess buildings for a range of ESG and resiliency measures, including:

- resilience – measuring if potential outages are mitigated through resilient critical digital infrastructure.
- occupier experience – ensuring that the building provides occupiers with seamless digital connectivity to enhance their occupier experience.
- future readiness – measuring capacity and flexibility to adapt to new and advancing building technologies.
- reporting and disclosure – whether the building has the right technology and infrastructure to monitor, measure, report on and deploy automation to improve environmental metrics.

The certification is also recognised by GRESB as an accredited green building certification, contributing towards our GRESB assessment input.

As of December 2022, we had five buildings totalling 599,000 sq. ft., certified to WiredScore. Three of these are WiredScore Occupied, rated Platinum, and the other two are WiredScore Development, rated Gold and Platinum. Three additional assets are under certification, which will take our total certified coverage to over 919,000 sq. ft. upon completion.



3 Hardman Square, Manchester

Looking forward

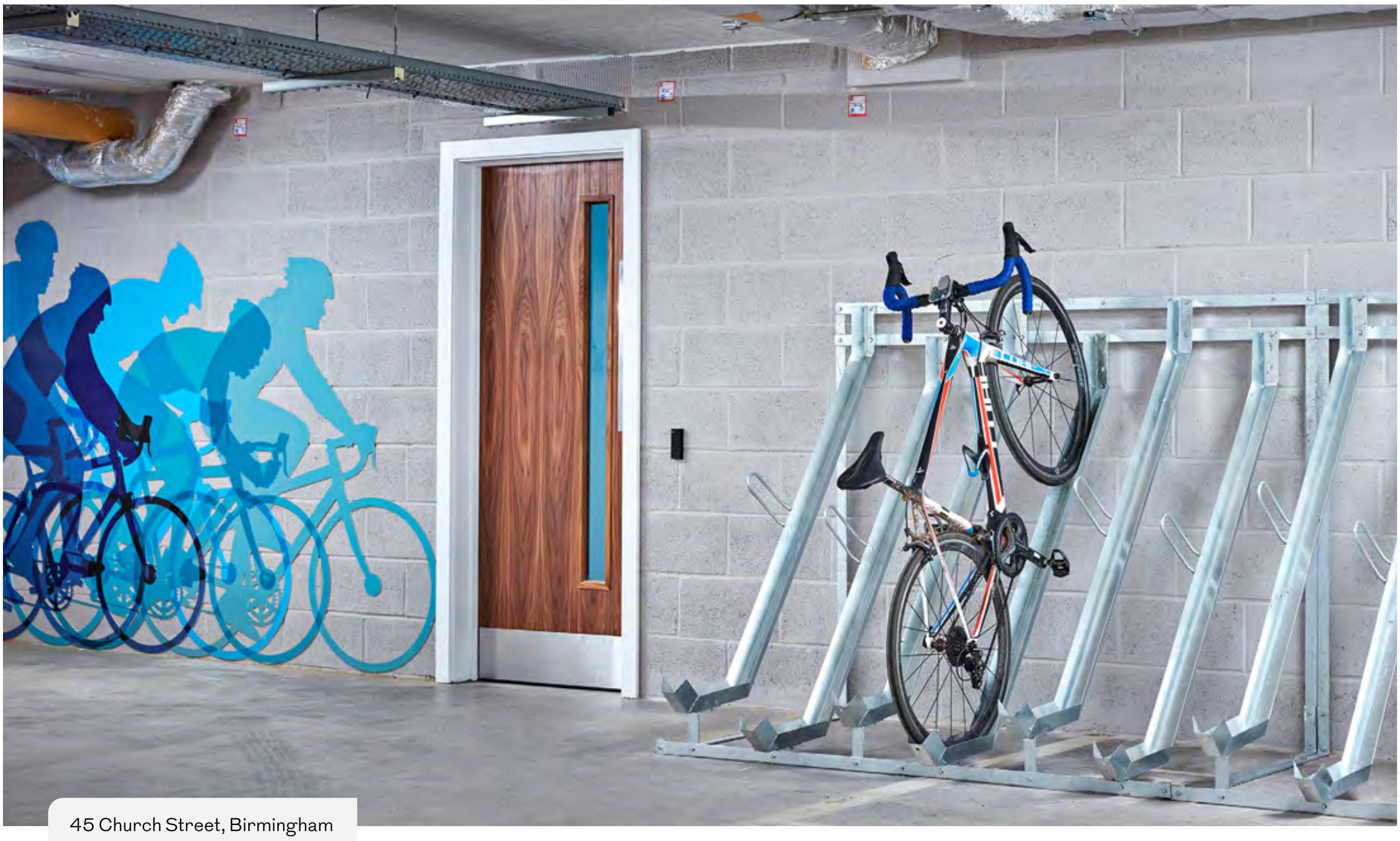
Particularly relevant for investing in a resilient portfolio is our material issue of climate resilience, adaptation and mitigation. The need for delivering net zero carbon in real estate continues to accelerate, alongside increasing stakeholder expectations and the volume and stringency of regulatory requirements. External influences such as rising energy prices further emphasise the need to take action to make our portfolio as resilient as possible to climate-related physical and transition risks and opportunities.

Looking ahead, we are focused on integrating the insights from our property-specific TCFD-aligned analysis into our risk management and strategic processes, and considering how our long-term RPI Strategy and approach will continue to evolve. Building upon the risk and opportunity identification exercises undergone to date, we are seeking to conduct more in-depth quantitative climate-related scenario analysis.

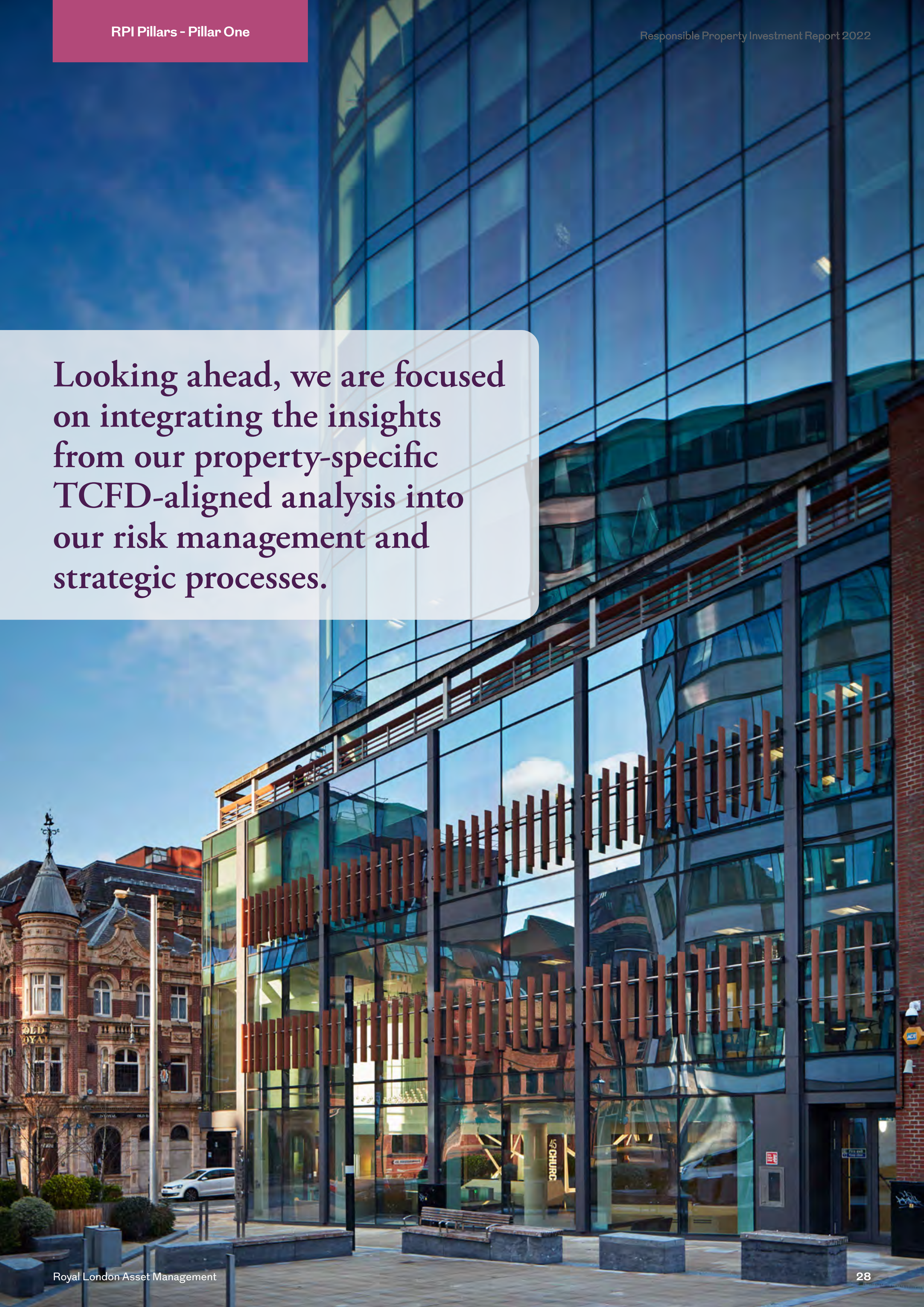
We are also looking to conduct further forward-looking climate risk assessments across our standing investments, including building upon our flood risk assessments, for which we modelled flood risk and the impact on asset value. We will continue to monitor the number of assets in high flood risk zones, monitor and record incidences of flooding and the costs associated, and continue to undertake due diligence on all acquisitions regarding potential exposure to current and future flood risk.

Furthermore, we are aiming to expand our tools and process to assist with the identification, monitoring and management of climate-related risks and opportunities, which we will seek to further integrate into our processes over the coming years.

In order to aid the integration and operationalisation of TCFD-aligned outputs across our portfolio, we are considering setting KPIs to track progress against the identified risks and opportunities. We would seek to create a periodic review process, over which we refresh our climate-related risk and opportunity identification, set KPIs and targets for monitoring, in a cycle of continuous improvement.



45 Church Street, Birmingham



Looking ahead, we are focused on integrating the insights from our property-specific TCFD-aligned analysis into our risk management and strategic processes.

Pillar Two: developing for the future

Objective: creating thriving buildings and places through sustainable development and refurbishment which have enduring appeal for occupiers and add value to local communities.

Performance highlights

One new build and one major refurbishment both achieving a BREEAM Very Good rating[14]

Pre-let of The Earnshaw and Holborn Viaduct

New Construction and Major Refurbishment Sustainability Standards tailored to cater to additional building sectors, now covering seven sectors

2022 Statement of Achievement published

At Royal London Asset Management, we continuously seek to hold ourselves to high standards when it comes to sustainable property development, aiming to not only build and refurbish high-quality assets for our investors, but to create thriving spaces that attract and retain occupiers whilst adding value to the local community in which they are situated. As at December 2022, we had approximately 50 live construction projects within our property portfolio, including The Earnshaw, Holborn Viaduct, Test Lane, Southampton, and Statesman House, Maidenhead.

The Earnshaw, London

14. As at December 2022.

Harlow Hall Care Home, Aldershot

Progress to date

Sustainable Development Brief for healthcare

In July 2022, we created the Sustainable Development Brief specifically for the development of our healthcare assets. Our existing development sustainability standards were factored into this process, with specific adaptations and additions made for the healthcare sector. The purpose of this tailored, sector-specific brief was to set out our ESG expectations for all healthcare developments, with the aim of providing a consistent development approach to sustainability whilst also ensuring all developments are fit for purpose in the future.

The Sustainable Development Brief sets out the healthcare programme's sustainability objectives in relation to Net Zero Carbon, Health and Wellbeing, and Community. Each has its own set of KPIs and an action plan to help the design team achieve them. The action plan highlights the steps required to deliver and report the performance relevant for each sustainability objective, specifying at which stage that step is required, from feasibility analysis through to completion and operation.

As part of this process, a Sustainability Scorecard is also being developed, which will contain all KPIs for easy and transparent tracking of progress and success for each project. The scorecard will not only contain indicators from the design and construction stage, but will also allow for input on innovation, where the sustainability champion and design team from a particular project can document where they have gone above and beyond the required KPIs.

As the healthcare industry is typically not as advanced as some other sectors when it comes to sustainability considerations, the creation of the Sustainable Development Brief has particular scope for realising high positive impact for healthcare assets, bringing together our design and development partners to collaborate on shared ESG-related goals. We will be using the Sustainable Development Brief to assess and guide ESG measures for the development of all future healthcare assets.

New Construction and Major Refurbishment Sustainability Standards

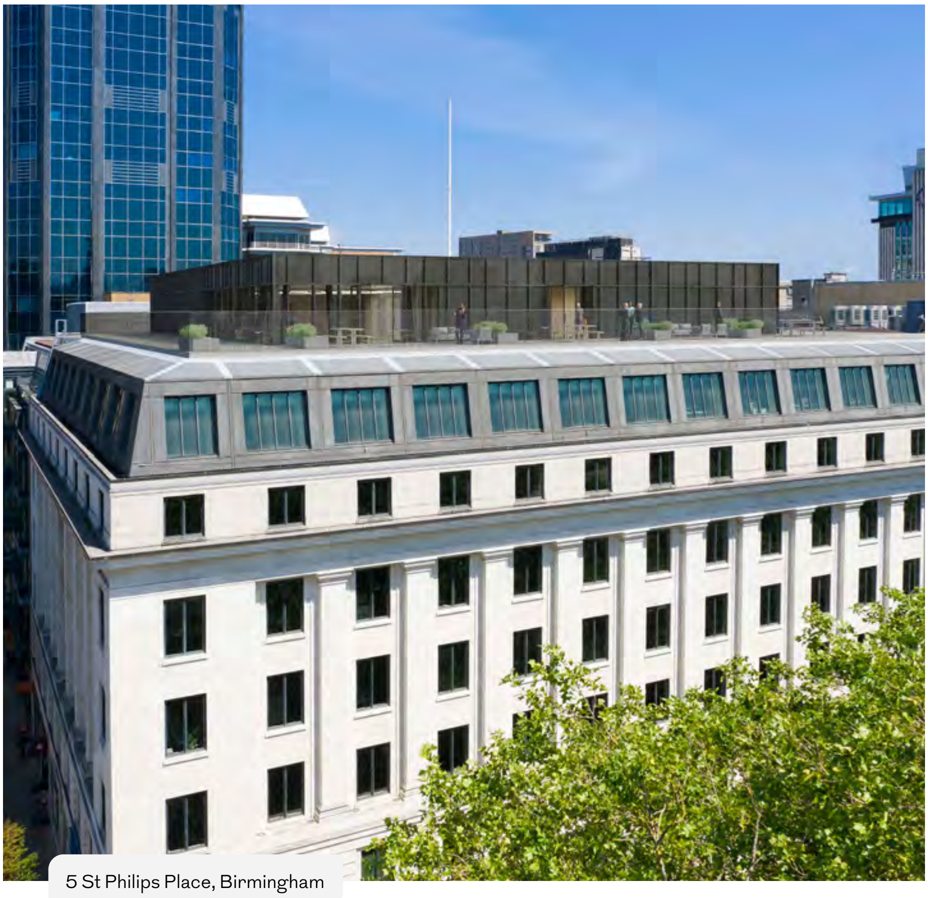
As part of the development of our RPI Strategy, we reviewed and updated our broader New Construction and Major Refurbishment Sustainability Standards (hereafter 'Development Sustainability Standards') to reflect best practice industry guidance and show our commitment to industry leadership in sustainable development. These standards reflect the application of our Development and Refurbishment Sustainability Standards Policy, and are applicable to all our new build and major refurbishment projects.

The Development Sustainability Standards are grouped into nine material sustainability categories, which align to our RPI material issues: Energy and GHG Emissions; Materials & Supply Chain; Waste; Water; Climate Resilience & Adaptation; Biodiversity & Habitat; Health, Safety & Wellbeing; Social Value; and Building Certifications.

In 2021, Royal London Asset Management also trialled the review of the applicability of these standards against minor refurbishment projects (typically projects with expenditure under £3 million), to consider how our Development Sustainability Standards could be translated against a variety of refurbishment projects across the portfolio. This continued into 2022, and we have now established a decision-making process to determine the applicability of the Development Sustainability Standards for minor projects, and to what degree they must be implemented. For example, building extension projects under £3 million must review and follow the Development Sustainability Standards, and major refurbishments of historical or listed buildings must review these standards and follow them as far as practically possible.

We seek to review our Development Sustainability Standards on an annual basis, to ensure alignment with best practice, respond to upcoming and new regulations, and the evolution of our RPI Strategy. Additionally, our annual Statement of Achievement describes our development portfolio sustainability performance and highlights of the year.

Springfield Business Park. Chelmsford



5 St Philips Place, Birmingham

Holborn Viaduct, London

Building certifications and ratings

Building certifications and ratings can provide evidence of the implementation of sustainable design and operational practices, as well as providing third-party assurance to occupiers that the building they are occupying or considering occupying has been rated against a set of recognised sustainability criteria.

Within our Development Sustainability Standards, we have committed that all new and major refurbishment projects should achieve a BREEAM Excellent rating as a minimum, with a pathway to achieving BREEAM Outstanding being developed. Our goal is that all new development and major refurbishment projects will achieve BREEAM Outstanding by 2025. As at December 2022, we had achieved a total of 39 BREEAM New Construction and two BREEAM Domestic Refurbishment properties. Combined, this equates to over 15% of our total floor area.

We also expect the design team to review the feasibility of applying WELL Core 'Platinum' and Fitwel shell and core '3 Star Rating' on all new build commercial office developments, and pursue certification in accordance with one selected system.

Within our portfolio, Space will be the first Fitwel-certified building in Woking, with a two-star rating. The Distillery is also targeting a two-star Fitwel rating. Development projects targeting WELL certifications includes Holborn Viaduct which is targeting Platinum, and The Earnshaw and Statesman House which are targeting Gold.

From an energy certification perspective, we target a minimum EPC rating of A for all new build development projects, and a B for all refurbishment projects. Specifically for all new office, new build and major refurbishment works, we are aiming for all projects to align with the NABERS UK DfP Certification.[15] Statesman House, Maidenhead, is a pioneering delivery project as part of the BBP's DfP programme, targeting at least four stars. Additionally, two of our other development projects, Holborn Viaduct and 5 St Philips Place, will be targeting a NABERS UK DfP rating. We expect that there will be more opportunities for NABERS UK ratings moving forward and seek to integrate this further into our development portfolio.

15. The NABERS UK DfP initiative is an industry-backed project established to tackle the performance gap and provide an approach based on measurable performance outcomes to ensure new office developments deliver on their design intent (BRE Group, NABERS UK Design for Performance, bregroup.com/products/nabers-uk/nabers-uk-products/nabers-design-for-performance).

Case study: The Earnshaw, London

Office

Previously an 85,000 sq. ft., 1950s office building with fragmented floorplans, dated finishes and obsolete electrical services, an asset management strategy was devised for The Earnshaw site to enable redevelopment of a new 'best-in-class' office building of 155,355 sq. ft. across 12 levels.

The revised development saw a 70% uplift in floor area in a high-amenity location, with sustainability and occupier-focused improvements in line with our New Construction and Major Refurbishment Sustainability Standards, including:

- fully electric building with solar PV panels included on the roof, targeting net zero carbon in operation.
- emphasis on natural daylight for energy saving purposes as well as occupier wellbeing and productivity.
- supporting active transport with the installation of over 230 bike spaces and end-of-trip facilities.
- targeting credentials including EPC rating of A, BREEAM Outstanding and WiredScore Platinum.

A key part of the sustainability and occupier strategy for The Earnshaw was a focus on health and wellbeing, with a target of achieving a WELL Gold rating. Achieving WELL certification is a stringent process with health and wellbeing benefits for occupiers including a focus on improving air quality, enhancing natural daylight, promoting indoor comfort via enhanced acoustic performance, internal temperature and humidity controls, encouraging connection to nature and restorative spaces, and providing opportunity for relaxation and positive physical and mental wellness.

In December 2022, The Earnshaw was pre-let to GSK for its new headquarters. The Earnshaw not only provides office amenities in a highly desirable location, but also supports the occupier's sustainability objectives and its emphasis on health and wellbeing for its staff.

The Earnshaw, London

The Earnshaw, London

Looking forward

Moving forward, we are seeking to increase our focus across key areas relevant to the development process, including biodiversity, social value, certifications, and net zero carbon. This is reflected in our updated Development Sustainability Standards for 2023, meaning any new build or major refurbishment commencing from 2023 must adhere to these standards.

Maintaining our momentum on net zero carbon, our updated standards include more operational energy performance targets, extending from commercial offices to a wider range of sectors, including Hotel, Residential, Industrial, Retail, Life Sciences and Student Accommodation. These performance targets are set in line with the UKGBC Net Zero Carbon pathway. We have also expanded the embodied carbon targets for A1-A5 to include Life Sciences and Student Accommodation. We are aware that different sectors have a variety of different challenges when it comes to achieving net zero. However, we believe that by being clear and prescriptive in our development targets and design process, we can drive progress across our entire portfolio, seeking opportunities for shared learnings along the way.

We have also included specific targets on refrigerants in our new standards, setting a maximum limit on refrigerants and a leak detection requirement, to bring our targets and actions in line with the latest industry guidance, including the UKGBC Net Zero Carbon pathway, as well as more recently from both CRREM and the Partnership for Carbon Accounting Financials (PCAF).

As the momentum of biodiversity and nature continues to grow within the market, particularly with regards to the development of specific reporting guidelines from the TNFD together with local and international legislation, we are continuing to increase our focus on our material topic area of biodiversity and green infrastructure. From a development perspective, we are focused on not only minimising any potential negative impacts of development sites on biodiversity, but on promoting and enhancing biodiversity enhancements across our portfolio, including by implementing and improving green infrastructure where suitable. Specifically, we are now targeting a minimum 10% biodiversity net gain across new build and major refurbishments, onsite or nearby, in accordance with the Environment Act 2021[16] and DEFRA methodology.

To demonstrate tangible action towards our commitment to promoting social value, we have set our more explicit expectations within our Development Sustainability Standards, considering emerging standards and guidelines such as the UKGBC's Guide for Delivering Social Value on Built Environment Projects. We are working on establishing a portfolio-wide approach to social value, for both developments and operations, and hope to provide an update in the next iteration of our RPI report.

Kings Court Care Home, Newark

16. https://www.legislation.gov.uk/ukpga/2021/30/enacted

Pillar Three: managing assets for positive impact

Objective: working in partnership with our occupiers and local stakeholders to deliver social value and positive environmental outcomes through our assets.

Performance highlights

Eight properties with BREEAM In Use certificates across portfolio[17]

Energy data coverage has extended to 42% of our total portfolio[18]

117 biodiversity-related initiatives completed[19]

First NABERS UK Energy for Offices assessment underway

Critical to the ongoing success of our RPI Strategy is collaborating with our stakeholders when managing our assets to deliver positive social and environmental outcomes. We focus on effective collaboration and partnerships with a range of stakeholders, including our occupiers, managing agents, and local stakeholders who are active within the areas and communities in which we operate. We manage nearly 240 assets[20] held in our funds' portfolios, and across 2022, sought to improve their performance via a number of strategies and initiatives, including occupier engagement, effective data management, and the roll-out of biodiversity initiatives.

Aurora, Bristol

17. As at December 2022.
18. By floor area, as at December 2022.
19. As at December 2022.
20. As at December 2022.

45 Church Street, Birmingham

Progress to date

Occupier engagement and collaboration

Engaging with our occupiers can help us to better understand their needs and priorities. In turn, this facilitates more effective collaboration that can lead to more sustainable properties that have a positive impact on both the environment and the occupier experience. During 2022, we explored more effective and innovative ways to engage with our occupiers, via an occupier data collection programme which combined various approaches and updates to our green lease clauses.

Obtaining consistent, high-quality data from occupiers can be a challenge. To assist in this challenge, we developed a suite of occupier engagement and data collection initiatives. This included a utility logger programme, installing Automatic Meter Reading (AMR) devices, and engaging a specialist consultancy to access aggregated, anonymous energy data at the building level, directly from a national database. The aim of these initiatives is to track progress towards our net zero carbon commitments, contribute towards our GRESB reporting, identify energy reduction opportunities, and work collaboratively with our occupiers. Our floor area is mostly single-let, so these initiatives contribute to significantly increasing our understanding of our emissions across our whole operational portfolio. These programmes have enabled us to achieve approximately 42% energy data coverage across our entire portfolio. Additionally, we are now receiving data across 38% of our single-let portfolio.[21] This is a remarkable achievement considering the complexities surrounding the collection of utility data from occupiers.

The success of our data collection program is further reflected in the fact that we now have more real energy and emissions data, relying less on estimations to achieve full portfolio coverage. This is shown in our 2021/22 GHG figures, with a significant contribution to our occupier emissions (Scope 3 Category 13 - Downstream Leased Assets). Improving the proportion of GHG emissions from real data is critical not only to increase the accuracy of our reporting, but also to give greater precision to our Net Zero Carbon Pathway.

21. As at December 2022

10 Chiswell Street, London

Our utility logger programme, which initially targeted our largest single-let units, has been successful in encouraging occupier data sharing for tracking progress against our net zero carbon commitments, as well as for supporting our participation in GRESB. While there was some initial pushback from occupiers following a trial of the process on a select number of our smaller single-let units, we refined our approach and reached out to our top 30 units let on Fully Repairing & Insuring (FRI) terms (by floor area) using informative material such as flyers and brochures. These flyers provided a simple explainer about our net zero carbon commitment and why we were requesting access to specific data, as well as detailing how our occupiers could benefit from the initiative. This included free access to technology, half-hourly summaries of electricity, gas and water usage to identify risks and opportunities, consistent reporting of utility usage, all of which in turn support the occupiers' own ESG goals. This approach resulted in higher success rates, and during 2023 we are planning to develop a new target list to continue this program.

To facilitate the rollout of AMR devices where a signed Letter of Authority (LOA) from the occupier is required, we have devised a process where we install an AMR device when the unit becomes void; a particular focus for our industrial spaces. Across our retail parks, we have identified a list of retailers with which to engage in 2023 to discuss the option of signing a LOA and installing an AMR device to facilitate automatic data sharing. We also install AMR devices on any development and major refurbishment to ensure data sharing commences once the unit is occupied.

In addition, we have engaged with Arbnco to access the national energy database to provide us with anonymous, aggregated energy data at a building level. We have begun with an initial 500 single-let units, based on those that would provide us with the quickest wins, such as those with the largest floor area and net asset value.

Green leases

During 2022, to strengthen our green lease uptake, we developed a one-page leaflet to explain Royal London Asset Management's focus and strategy behind data sharing. This provided occupiers with insight into how additions to the green lease may impact them, and how this could benefit the landlord/occupier relationship. Our solicitors share regular updates with us so we can monitor green lease uptake and gain insight into where challenges and barriers may exist which prevent occupiers from agreeing to the terms. Through our collaborative efforts with our solicitors, we have seen an increase in green lease uptake with over 130,000 sq. ft. of our portfolio with a green lease clause as at the end of 2022.

Metroplex Business Park

Cambridge Research Park, Cambridge

Focus on social value

As part of our intention to focus on delivering positive social outcomes with our assets in the communities in which we operate, we have been working with our partners to track social initiatives across our portfolio. In 2022, we continued to use our social value tracker, designed by our Property Managers to monitor initiatives and programmes across our portfolio that were designed with positive social impact in mind. This tracker is grouped into social value themes, including from employment and skills, community engagement and support, mental and physical wellbeing, and social innovation.

Utilising the tracker, we can document the initiatives that take place, any relevant partner details, the stakeholders that were positively impacted by the initiative, as well as any lessons for us and our partners to learn to inform our efforts in future. This allows us to not only monitor our progress but develop a space for shared learnings across our portfolio. We can use this information to provide insights into our approach as we look to strengthen our social impact and value strategy in 2023 and beyond.

Focus on biodiversity

We recognise the critical role that biodiversity and nature plays in supporting healthy ecosystems and the wellbeing of our planet. By integrating biodiversity initiatives across our portfolio, we can help protect the natural assets that underpin our business, as well as help us meet the evolving needs of our occupiers and investors, who are increasingly looking for assets that promote positive biodiversity outcomes.

To monitor biodiversity progress across our managed portfolio, we focus on implementing asset-specific initiatives each quarter, at a variety of property types. These initiatives include:

- planting trees and a diverse range of flora species, including specific wildflower areas and wildlife-friendly planting practices.
- encouraging pollinators and other local wildlife via planting specific trees, shrubs and flowers.
- promoting onsite composting and recycling, including leaf composting.
- installing a range of animal-friendly habitat features such as bird boxes, bug hotels, butterfly barns and hedgehog houses.
- producing Biodiversity Net Gain (BNG) reports for specific sites.

During 2022, we implemented over 100 biodiversity initiatives across our managed portfolio and look forward to building upon this with even more effective biodiversity measures in future years.

Case study: evolving our ESG database

Robust and trustworthy ESG data is crucial for making effective and purposeful decisions. However, due to the scope and scale of our ESG programmes, the level of ESG data available across our properties had rapidly grown to a state where we needed to consolidate it, to make it more effective, and easier for multiple stakeholders to use. Specifically, our goal was for asset managers to use this data to create asset-level KPIs to improve the ESG profile of their property. In addition, we have found it insightful when comparing the ESG credentials stored in the database with the property's operational energy usage to see if they align.

The ESG database contains a common area to document key ESG criteria of each asset, including building characteristics, certifications and ratings, and a range of indicators specific to each of the material issues that we cover within our RPI Strategy. It also indicates the data source, allowing any new user of the database to easily identify where they could look to find this information, if required.

We have also taken advantage of this data consolidation process to score each asset. To do so, we assigned each ESG criteria a score and weighting, which was sector dependent. For example, cycle storage facilities are more important for our office assets, whilst solar PV and electric vehicle (EV) infrastructure is more material for retail and industrial properties. This score gives our internal asset managers a starting point and an indicator of where to prioritise future efforts. We ask for all information at the acquisition stage, and our new Sustainable Acquisition Checklist has been cross-checked to ensure we are covering all important information.

To date, we have consolidated ESG information across our multi-let offices, and our focus this year is to continue updating the database for use in developing asset-level KPIs.

Renaissance, Croydon

Looking forward

In 2023 and beyond we are seeking to evolve our approach to biodiversity at an operational level, from smaller-scale initiatives to a more strategic approach. Our aim is to understand our current biodiversity baseline across our operational assets and use this to explore site-specific biodiversity action plans, in line with Local Nature Recovery Strategies, and understand where the best opportunities lie across our various asset types. For example, an industrial estate with more extensive land area is likely to have higher potential for biodiversity enhancement compared to a city centre office. We are in the process of reviewing and developing our portfolio-wide biodiversity approach, and will be looking to evolve our biodiversity and nature standards and approach once we have completed this review.

Furthermore, we are aiming to develop a social value strategy to begin implementation and reporting against from 2024. With Royal London's mutual ethos in mind, generating social impact is critical to our activities. We want to build upon the existing social value strategies undertaken across our assets by creating a framework that provides consistency in measuring, monitoring and reporting social outcomes.

This strategy will look to provide insight on the key locations of our assets, understanding the needs of those localities and the potential for our assets and investment activities to respond to, as well as to identify opportunities that are best suited to particular asset types in terms of sector and management arrangements.

We also recognise the rapidly growing demand from occupiers for best-in-class spaces. We are committed to both maintaining and achieving high sustainability credentials across our standing assets and strive to work collaboratively with our occupiers to ensure our properties are being used as efficiently as possible, as well as meeting their needs. Towards the end of 2022 at Aurora, Bristol, we commenced our first NABERS UK Energy for Offices assessment and in 2023, will be looking to expand this programme across our directly managed office assets. Our first assessment will also be critical to our own learning of the process on how to best optimise our assets to both deliver energy efficient spaces to our occupiers and subsequently, achieve high NABERS UK ratings. Alongside NABERS UK, during 2023, we will continue our programme of expanding BREEAM In Use assessments across selected standing assets.

Aurora, Bristol

Pillar Four: responsible decision-making

Objective: drawing from trusted partnerships with a diverse range of stakeholders to make forward-thinking decisions that address our material issues and ensure transparency.

Performance highlights

Received 14 Green Apple Awards[22]

Achieved 4 Clean City Awards[23]

BBP ESG training undertaken by core Royal London Asset Management Property team members[24]

Achieved 98% in the UN PRI Property module[25]

At the heart of our commitment to RPI is a culture of strong corporate governance and informed decision-making. We are dedicated to ensuring that RPI policies and practices are integrated throughout Property's fund management operations, from data gathering and reporting to benchmarking, training, and performance management. This is reflected in our investment, development, and asset management activities, which we've highlighted throughout this report.

Holborn Viaduct, London

22. As at December 2022.
23. As at December 2022.
24. 2021.
25. 2022 (using 2020 data, submitted in 2021).

Horstead Retail Park, Chatham

Progress to date

GRESB

GRESB is a global benchmark for ESG management and performance data across the real estate industry. To maintain transparency with our investors and stakeholders, we submit RPI data and information from each of our funds to the GRESB Real Estate Assessment on an annual basis, aiming to continually enhance the completeness of our data. Completing the assessment and reviewing our results also helps us to further identify potential areas for improvement, at both an asset and fund level.

Our three property funds submitted data to GRESB in 2022, with the following outcomes:

- **RLUKREF:** achieved a 4-Star rating on a scale of one-to-five stars, with an overall score of 82, and was ranked 3rd out of its peer group. The fund also achieved a 4-Star rating in the Development benchmark, being ranked 5th in its peer group.
- **RLPPF:** maintained its 3-Star rating, with an overall score of 77 and ranked 13th place in its peer group. The fund also achieved a 5-Star rating in the Development benchmark, 2nd in its peer group, improving from a 4-Star rating and 3rd in its peer group in 2021.
- **RLPF:** maintained its 3-Star rating, with an overall score of 73 out of 100 and ranked 28th out of its peer group.

We strive to maintain and improve our GRESB scores as an indicator of our progress, as a supporting indicator, alongside our portfolio-wide ESG KPIs. The 2022 GRESB assessment highlighted the impact of energy consumption post-COVID-19, with increased occupancy levels contributing towards this factor. It also highlighted the need to continue our goal of increasing data coverage across our occupied portfolio. As highlighted in the Managing assets for a positive impact section, we are addressing the data coverage challenge through a variety of targeted methods. This, supplemented with ongoing occupier engagement programmes, will continue to support us in increasing our data coverage and therefore performance insights across our portfolio.

United Nations Principles for Responsible Investment

The UN PRI is an international organisation that works to promote the incorporation of ESG considerations into investment decision-making. Royal London Asset Management has been a signatory of UN PRI since 2008, reporting annually against various ESG criteria. In 2021, Royal London Asset Management submitted responses across nine modules including real estate, where Property achieved 98%, equating to the top 5-Star rating. This was higher than the median score of 69% in this module. This reflects the continued progress we have made in integrating ESG across the Property Team.

GRESB REAL ESTATE

PRI Principles for Responsible Investment

Case study: Green Apple Awards

The Green Apple Environment Awards are designed to recognise, reward and promote environmental best practices around the world. In 2022, we achieved 14 Green Apple Environment Awards and two Commended Awards in the Property Management sector, across a range of categories. Some specific examples of these properties and their environmental initiatives include the following, which all received Gold Green Apple Environment Awards:

- **Renaissance, Croydon – green energy and chemical free cleaning.** At this property there are 71 solar panels. This project sought to move to chemical-free cleaning of the solar panel system, and installed a natural cleaning system. This resulted in 90% fewer plastic bottles required as well as a reduction in potential chemical effluents into the environment.
- **Wilmslow Campus – community engagement.** We engaged with a local school to help students learn about the importance of wildlife. We provided talks, a wildlife tour of a local site, and then helped them build a bug hotel and plant seeds. The children were highly engaged, and we will be inviting the school back again next year to continue this engagement.
- **Lower Precinct Shopping Centre – eco sculpture project.** To highlight both the importance of recycling to the general public and promote the centre's sustainability values, the centre team facilitated an art-based sustainability and recycling campaign. With the help of a local artist, we conducted craft workshops with local students to construct a sculpture made entirely from recycled or repurposed materials. This sculpture, combined with a series of shopping centre events under the theme of 'Sustainable September', provided a positive conversation starter around environmental issues, bringing together community members to discuss a common challenge.

Whilst receiving awards is a small part of demonstrating our achievements, we are proud of our colleagues and stakeholders in being recognised for their efforts and positive environmental impact. We encourage and continue to support our Property Managers in promoting positive environmental initiatives at assets across our portfolio.

Renaissance, Croydon

Renaissance, Croydon

Looking forward

As we look forward to the year ahead, we recognise that the landscape of expectations around ESG within property investment is constantly evolving. In particular, we are maintaining a watch and developing our response to new regulatory requirements on the horizon, such as the EU SFDR and prospective UK Green Taxonomy, to ensure our RPI policies and practices align with the latest guidance and standards. As a proactive measure, we have commenced a pilot SFDR project for our new healthcare fund. Whilst this may not be required depending on our capital raising strategy, it is expected to provide us with useful insights in relation to the evolving disclosure standards required by investors and regulators.

We are also closely monitoring additional ESG disclosure requirements, including the upcoming International Sustainability Standards Board's (ISSB) General Sustainability-Related Disclosures (IFRS S1) and Climate-Related Disclosures (IFRS S2), as well as topic-specific disclosure like the TNFD framework for biodiversity and nature. We understand the importance of providing clear and accurate sustainability information to our stakeholders, and are committed to maintaining transparency throughout our decision-making and reporting.

With 'Purposeful Construction and Placemaking' identified as a material RPI issue, using our spaces to benefit the local area and communities is a priority. Commencing in 2023, we are in the process of developing a social value strategy, to guide decision-making and optimise positive social outcomes across our corporate, development and property management activities. We recognise that social value is rapidly becoming a key ESG issue for our stakeholders, from investors to occupiers and local Councils. Royal London is the largest mutual life, pensions and investment company in the UK, meaning it adopts a truly mutual mindset, putting its customers first and providing the best outcomes. Across Property, we want to channel this mutual mindset, delivering social value and creating positive social outcomes for our stakeholders and local communities. Our social value strategy will seek to communicate our social purpose, address our most material social issues and set clear, measurable targets for delivering social value.

To deliver our aim of making responsible decisions, we recognise the need for us to be well-informed of the ESG space which is continually evolving in line with stakeholder demand, regulation and a changing climate. For 2023, a key focus is to expand our ESG and climate change training programme across Royal London Asset Management, including Property. This will include developing tailored net zero training sessions for client facing employees, investment professionals, and Board and Executive Committee members. This truly demonstrates our commitment to both investing in our people but also to building RPI competencies.


Protecting today, investing in tomorrow. Together we are mutually responsible.

Appendix 1 - Terminology and acronyms

Terminology

The following table lists key defined terms used throughout the report.

Word/Phrase	Definition
1.5° Aligned/1.5° Pathway	A target, commitment or reduction pathway which, if applied globally, will ensure global warming is either limited to 1.5°C above pre-industrial temperatures, or allow them to return to 1.5°C above by the year 2100 (following an overshoot). See also 'Paris-aligned'.
Asset Owner	An individual or organisation allocating capital for the acquisition, development or operation of a building – potentially as part of a pension fund, endowment or foundation, or for high-net-worth and retail investors who own underlying real assets but charge the management of those assets to asset/investment managers.
Base Building	Areas of a building managed by the landlord, rather than the occupier.
Biodiversity Net Gain	An approach to development, and/or land management, that aims to leave the natural environment in a measurably better state than it was beforehand.
BREEAM	Building Research Establishment Environmental Assessment Model (BREEAM) is a green building certification used to assess, rate and certify the sustainability of a building.
Carbon Offsetting	Actions or investments made at a building or organisational level to facilitate another party to reduce or avoid emissions, or absorb atmospheric carbon. Often used as a means of compensation for emissions generated elsewhere.
Climate Change Mitigation	Actions or investments made at a building or organisational level to reduce or prevent the emission of greenhouse gases.
Directly Managed Property Assets	Property assets where Royal London Asset Management has complete operational control and greater than 50% equity share, and joint ventures where they would cover the proportionate amount of emissions.
Embodied Carbon	Greenhouse gas emissions associated with building construction, including those arising from extracting, transporting, manufacturing, and installing building materials, in addition to the operational and end-of-life emissions of the materials.
Energy Hierarchy	A principle which prioritises the improvement of energy performance above all other carbon mitigation/compensation methods and allows offsetting to be used only as a last resort in any net zero carbon definition.
Energy Use Intensity	The measured unit of consumption (kWh) per unit of floor area (m^2) for a property.
Fitwel	A global building certification system used to assess, rate and certify a building based on its promotion of health and wellbeing within buildings.
GRESB	Formerly the Global Real Estate Sustainability Benchmark, GRESB is a global sustainability benchmark for commercial real estate and infrastructure.
Indirectly Managed Property Assets	Property assets that are either partially managed by Royal London Asset Management or managed wholly by the occupier.
ISO 14001	International standard for designing and implementing an Environmental Management System.
Landlord	An individual or organisation responsible for the ownership of a building which is rented or leased to an individual or organisation.
NABERS UK	Green building certification that uses the actual operational performance of a building to assess, rate and certify the sustainability of a building.
Net Zero Carbon Building	A building-level status whereby the building has undergone steps to improve the energy performance and reduce inefficiencies. Building-level status is also achieved on completion of national grid decarbonisation. Residual emissions are offset.

Word/Phrase	Definition
Occupier	An organisation residing in/operating from a building.
Operational Carbon	Greenhouse gas emissions associated with the operational stage of a building's lifecycle, mostly attributed to emissions from energy use.
Paris-Aligned	A target, commitment or reduction pathway which is aligned with the requirements of the Paris Agreement (2015) — synonymous with 1.5° aligned.
Paris-Proof	A concept pioneered by the Dutch Green Building Council basing energy reduction requirements on the future zero carbon energy generation capacity. Paris Proof targets set out the expected magnitude of energy efficiency improvements required by 2050.
Property Manager	Third party service, procured by the asset owner, who manages the operational stage of a building lifecycle.
Refrigerants (Fugitive Emissions)	Emissions that are not produced intentionally — within the built environment, this is usually attributed to leakage of refrigerants from cooling systems and heat pumps.
Renewable Energy Guarantees of Origin (REGO) Certificate	A certificate issued by the Office of Gas and Electricity Markets (Ofgem), certifying that the electricity in respect of which the certificate is issued, was electricity produced from renewable energy sources.
Scope 1 Emissions	All direct emissions from sources that an organisation owns or controls directly, such as emissions associated with fuel combustion in boilers.
Scope 2 (location-based) Emissions	Indirect emissions from electricity purchased and used by the organisation. Emissions are based on the average emission factor of the UK National Grid.
Scope 2 (market-based) Emissions	Indirect emissions from electricity purchased and used by the organisation. Emissions are based on the emission factors of the chosen energy contract.
Scope 3 Emissions	All other indirect emissions from upstream and downstream activities of the organisation, occurring from sources that they do not directly own or control.
WELL	Green building certification used to assess, rate and certify the health and wellbeing performance of a building.
WiredScore	Building certification used to assess, rate and certify the digital connectivity of a building.
Whole Life Carbon	Greenhouse gas emissions associated with the full lifecycle of a building, from materials and construction through to demolition, combining embodied carbon, operational carbon and any other sources of emissions.

Acronyms

The following table includes a list of acronyms used throughout the report.

Abbreviation	Meaning
COP	Conference of the Parties
CRREM	Carbon Risk Real Estate Monitor
DEFRA	Department for Environment, Food & Rural Affairs
DfP	Design for Performance
EMS	Environmental Management System
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
EU	European Union
EUI	Energy Use Intensity
EV	Electric Vehicle
FRI	Fully Repairing and Insuring
GHG	Greenhouse Gas
IPCC	Intergovernmental Panel on Climate Change
IRR	Internal Rate of Return
ISSB	International Sustainability Standards Board
KPI	Key Performance Indicator
kWh	Kilowatt hour
kWp	Kilowatt peak
LED	Light-Emitting Diode

Abbreviation	Meaning
LOA	Letter of Authority
MEES	Minimum Energy Efficiency Standard
MW	Megawatt
NLA	Net Lettable Area
NZAM	Net Zero Asset Managers Initiative
NZC	Net Zero Carbon
PCAF	Partnership for Carbon Accounting Financials
PIR	Passive Infrared Sensors
PV	Photovoltaic
REEB	Real Estate Environmental Benchmark
REGO	Renewable Energy Guarantees of Origin
RI	Responsible Investment
RPI	Responsible Property Investment
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UKGBC	UK Green Building Council
UN PRI	United Nations Principles for Responsible Investment

Contact us

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