

Ardstone Capital Ltd

Responsible Property Investment (RPI) Policy

2019/2020

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Ardstone Capital Ltd
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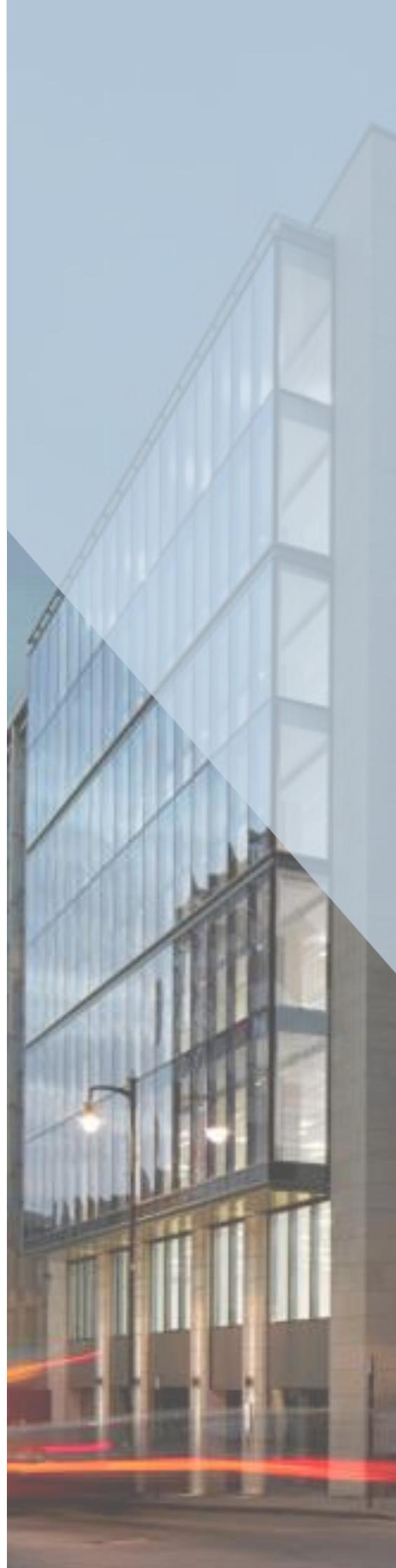
Introduction

Ardstone Capital is an independently owned property investment manager entirely focused on UK and European real estate. We act on behalf of a select number of clients and funds that value excellent asset management and clear objectives.

Ardstone Capital currently manages £800m of real estate assets across three countries - the United Kingdom, Ireland, Spain and Germany. The assets are divided into segregated funds/mandates and the strategies cover core-plus, value-add and development. Our approach to investment combines a well-established programme of opportunity sourcing with strong research and analysis and an excellent record of asset management. We primarily target commercial and residential investment assets in robust markets with a focus on location, specification and a strong tenant offer.

Our delivery platform provides the essential local intelligence and asset management execution skills required for local real estate investment. The platform combines the skills of highly respected real estate professionals with long-standing track records of successful investment. This provides the Fund with 'on the ground' resources and networks to execute the strategy.

We recognise that as an investment house, we have a fiduciary duty to our clients to achieve the best returns possible from the assets that we manage on their behalf. However, achieving those returns should not be at a cost to wider society. We understand our responsibility to manage our assets in a manner that is sensitive to the environment, provides social benefit and manages our and our clients' reputational risk. This document is Ardstone Capital's Responsible Property Investment (RPI) policy. It communicates the common rules and regulations that Ardstone Capital abides by in its approach to the integration of Environmental, Social & Governance (ESG) in its investment strategy.



Developing our RPI strategy

In developing our RPI strategy, we have followed market best practice approach regarding the creation and execution of ESG objectives. The process is summarised in the diagram below.



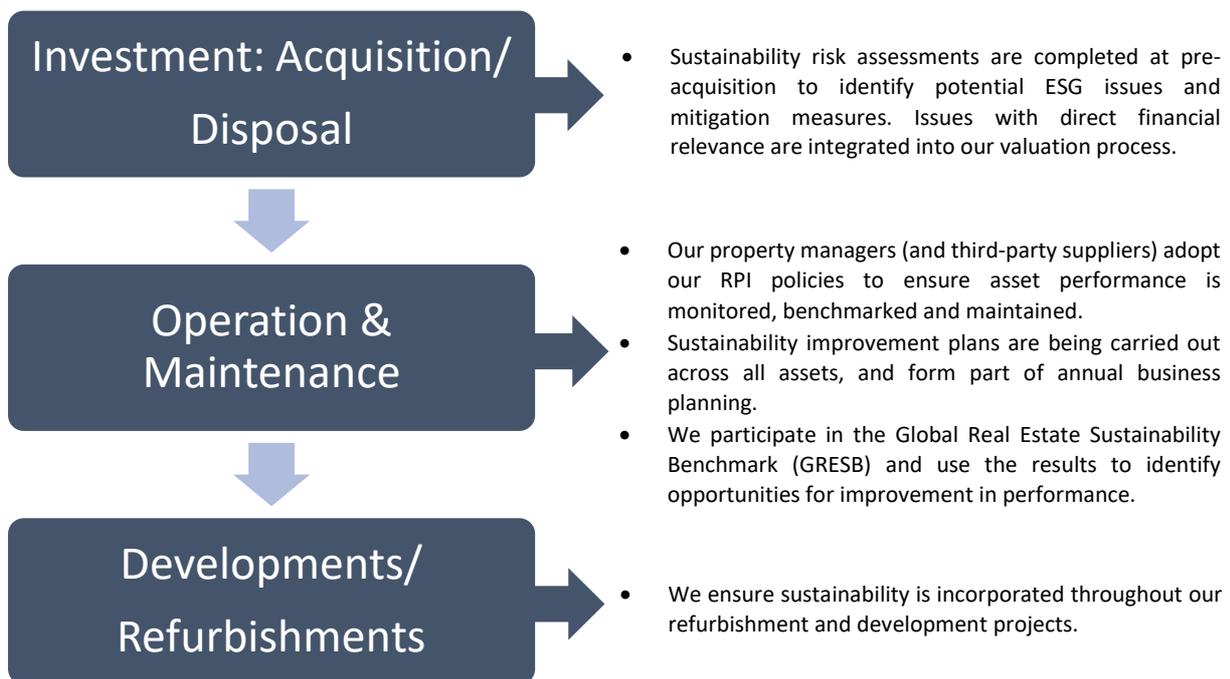
In addition, we have considered the six overarching principles of the United Nations Principles for Responsible Investment (UNPRI) below as part of our organisational behaviour and direction:

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the principles.

We believe that current and future ESG issues are important drivers of investment value, and a responsible investment approach to manage the associated risks and opportunities can have a material impact on long-term risk and return outcomes.

Our Approach

With increasing scrutiny of the environmental performance of buildings from occupiers and investors, rising energy costs and tightening legislative requirements, Ardstone Capital accepts that the sustainable credentials of buildings will make an increasing difference to the long-term investment performance of property. Our strategy focuses on understanding the impact of these issues on future value and minimising the risk to our portfolios. Integrating environmental, social and corporate governance (ESG) considerations into our investment process from pre-acquisition to disposal (see chart) is critical to our approach to RPI.



Our approach rests within the context of our clients' financial performance objectives as well as legislative requirements. Our specific policies will as a minimum be compliant with UK statutory requirements and EU directives; beyond this we aim to contribute to the establishment of best practices in the real estate industry. In deciding upon the policies that we should adopt we follow a proportional cost-benefit led approach. This does not mean that all initiatives must be self-financing or indeed that there must be a proven economic reward, but means that we will consider the relationship between the financial cost of any investment or activity and our evaluation of ESG rewards. Importantly we will also consider our portfolios in the context of market practice and 'peer group' properties to guard against depreciation risk and obsolescence.

Leadership & Governance

Our Policy

Our RPI policy applies to all our investment and asset management activities. It applies to our in-house employees and also our external consultants and managing agents.

An RPI policy should evolve with the market, best practice and the benefit of experience. The policy has been created in consultation with our key stakeholders and will continue to adapt to the growth of our organisation and the types of investment properties we purchase.

Our RPI policy focus on two key areas:

1. **Our Assets**
2. **Stakeholder Engagement**

Delivery & Monitoring

The accountable person within Ardstone Capital for the RPI policy is the Managing Director (MD). All breaches of our RPI policy will be referred to the MD who will consider what actions to take.

The management of the policy will be the responsibility of our RPI Committee who will meet on a regular basis to review progress, agree action and review policy details. The RPI Committee is made up of three stakeholder groups, namely:

1. **Our in-house investment team**
2. **Our managing agents**
3. **Our energy & sustainability consultants (Cushman & Wakefield)**

The RPI Committee is chaired by the Ardstone Capital MD. It is this committee that has been responsible for the development and approval of the policies and targets set out in this document, and that is responsible for overseeing the implementation of this policy, reporting on results and future modifications. Furthermore, we are committed to fostering the right culture and appropriate training to enable all employees to understand the objectives of our responsible investment policies as well as relevant legislation and best practice.

The RPI policy is reviewed and updated annually.

Our Assets

Stock Selection and Asset Management

There is currently high variance in the sustainability performance of the existing building stock, where we recognise that some buildings will be more vulnerable to obsolescence and depreciation risk. To support the investment decision-making process, sustainability risk assessments are carried out at pre-acquisition to identify potential ESG issues and mitigation measures that should be factored into investment underwriting.

Asset Improvement & Performance Management

We recognise our Managing Agents have a key role to play in reducing the environmental impact of our assets and identifying opportunities for improvement in environmental performance. Our guidance follows the [Better Buildings Partnership toolkit for Managing Agents](#) and its seven areas of sustainability:

- Energy
- Waste
- Water
- Alterations & Replacement
- Transport
- Cleaning
- Sharing Initiatives

This process of continuous improvement is measured and reported externally utilising and contributing to the Global Real Estate Sustainability Benchmark (GRESB).

Green Procured Energy

As part of our asset improvement & performance plan in 2018 we made a commitment to achieve portfolio-wide “green” procured energy by 2020. Assets in the commercial and industrial sector account for approximately two thirds of the world’s end-of-use of electricity. Ardstone Capital has therefore made this commitment, as switching the demand to renewable energy is transforming the global energy market and accelerating the transition to a net-zero economy. By the end of 2019 all our assets had 100% renewable energy contracts in place which are certified by the Carbon Trust.

Monitoring Managing Agents’ Compliance

We have an ongoing process of monitoring our managing agents’ compliance with our RPI policy and this is embedded into the operation of our assets.

We monitor their operational approach for energy, water and waste performance through a formal quarterly reporting process. This involves analysis of performance data, review against benchmarks, discussion of ongoing energy efficiency projects, tenant engagement plans and legislative compliance. This is co-ordinated through our RPI Steering Group constituted of Ardstone Capital asset managers, our external energy consultants and our managing agents.

Stakeholder Engagement

Ardstone Capital is committed to ensuring our clients, Investment Committees, employees and third-party suppliers are aware of our policy, procedures and targets. Through our RPI Committee we have in place a process which allows us to communicate effectively to occupiers and interested parties the aims of the RPI strategy and to drive Environmental and Social performance improvements at the asset level.

Our Employees

Employee engagement is fundamental to the success of our business and the operation of our assets. By engaging with our employees on ESG issues we are better able to understand their needs and cater for a more productive environment both at home and in the workplace. To do this, we regularly host seminars for our own employees and key suppliers. This enables a greater understanding of our RPI strategy and how it helps deliver our objectives.

Our Tenants

Effective tenant engagement plays a key role in the environmental performance of our assets. Our tenant engagement strategy allows us to communicate effectively the aims of the RPI strategy and to take feedback from tenants, which in turn helps shape the approach moving forward. As part of this communication, we undertake a Tenant Engagement Survey annually, to collect feedback from our tenants, enabling us to measure satisfaction levels and to identify areas for improvement. Through this we can better understand our tenants' environmental, social and governance needs.

Our Local Community

To support our local communities, we actively monitor our business and asset activities to work with and engage our local communities. To do this we ensure that appropriate communication pathways are established for our communities to support ongoing, open discussions. Community ESG initiatives are monitored as part of our quarterly RPI committee meeting.

Benefits of RPI

Climate Change

Climate change is widely recognised as an existential threat to our current way of life. The latest Intergovernmental Panel on Climate Change (IPCC) report shows the environmental and social impacts if global temperatures rise 1.5°C above pre-industrial levels. Climate change adaptation is required at all levels, from business and investment to local and national government, if we are to meet this.

At Ardstone Capital we believe that our assets should be sustainable. The built environment represents roughly 40% of global carbon emissions, however this also presents significant opportunities for our sector. Our RPI Policy highlights our commitment to reducing the impact of buildings on emission levels, through setting objectives and targets, monitoring our performance and educating our employees.

Benefits to our Stakeholders

The implementation of the Ardstone Capital RPI strategy and the overall approach to managing ESG issues has a number of benefits for our clients, our occupiers, employees and communities. These can be summarised as follows:

- **Active management across our portfolio leading to greater efficiency**
- **Reduced consumption of commodities across our assets and portfolio leading to reduced costs of occupation**
- **Close monitoring & ongoing improvement of portfolio performance and efficiency**
- **Enhanced levels of stakeholder engagement with occupiers, staff, communities and relevant bodies**
- **Effective management of risk**
- **Future proofing of buildings and assets**
- **Robust and effective approach towards property improvement planning**

Our ESG Objectives

ESG objectives have been established to encourage property improvement, asset performance and stakeholder engagement. Targets are then set at a portfolio level where relevant which we review progress against on a quarterly & annual basis with the aim of achieving continual improvement in our approach to ESG performance. The following table shows Ardstone Capital's overarching ESG objectives:

ESG Theme	Objective
Governance	To ensure there is a clear governance and management structure for the embedding of ESG within the life cycle of our investments and portfolios from acquisition through to disposal.
Asset Improvement	To embed ESG in the construction, refurbishment and operational phase of our investments to ensure positive environmental and social impact.
Stakeholder Engagement	Continue to engage our key stakeholders on ESG including our clients, employees, third party service providers, tenants and local communities.
Compliance	Continue to comply with all relevant UK statutory requirements, EU directives and with local planning authorities aiming to go beyond the minimum requirements where feasible.
Disclosure	To be transparent about our environmental performance to our stakeholders and partake in industry benchmarks.