

The background is an aerial photograph of rolling green hills under a warm, golden light, likely at sunrise or sunset. A winding road curves through the landscape. In the center, a large graphic of a sun or a circular pattern is formed by numerous thin, white, parallel lines radiating from a central point.

Schroder Real Estate
Investment Trust
Sustainability Guide

November 2020

Marketing material for
professional investors or advisers

Schroders



Contents

- 3 **1. Our approach**
- 3 1.1 Stewardship
- 3 1.2 Real estate with impact
- 4 1.3 Our Sustainable Investment Policy: Real Estate with Impact
- 4 1.4 Schroder Real Estate Investment Trust ('SREIT')

- 5 **2. Sustainability for real estate in practice**
- 5 2.1 Environmental Management System and Policy
- 5 2.2 Sustainability targets
- 6 2.3 Fund strategy and the Investment Committee
- 6 2.4 Property management
- 6 2.5 Improvements, refurbishments and building certifications
- 7 2.6 Sustainability data, monitoring and reporting

- 8 **3. Trust case studies**
- 8 3.1 City Tower, Manchester
- 9 3.2 Headingley Central, Leeds
- 10 3.3 The Promenade, Cheltenham

- 11 **4. Investing with impact**

- 12 **5. Climate change**
- 12 5.1 Task Force on Climate-related Financial Disclosures ('TCFD')
- 12 5.2 BBP Members Climate Change Commitment
- 13 5.3 Climate Risk and Resilience research

- 14 **6. Transparency and accreditation**
- 14 6.1 GRESB
- 14 6.2 European Public Real Estate Association ('EPRA')
- 15 6.3 Schroders' sustainability accreditation
- 15 6.4 UN Principles for Responsible Investment ('PRI')
- 15 6.5 Memberships

- 16 **7. Schroders' Sustainability Team**

- 17 **8. Schroders' Sustainability Commitment**

- 18 **Appendix 1**

- 19 **Appendix 2**

The Tun,
Edinburgh
(Schroder Real Estate
Investment Trust)

Our approach

We are evolving our investment philosophy to incorporate 'positive impact' investing.

1 London Wall Place, London (Schroders PLC Headquarters)



1.1 Stewardship

At Schroders we see ourselves as long-term stewards of our clients' capital, and this philosophy leads us to focus on the long-term prospects for the assets in which we invest. It is central to our investment process to analyse each investment's ability to create, sustain and protect value to ensure that it can deliver returns in line with our clients' objectives.

We believe our responsibility to investors includes protecting the interests of our clients from the impacts of financial and non-financial risks. Sustainability is an integral element of our investment process and supports best practice investment management. In our view, environmental, social and governance ('ESG') supports investment returns for the long term.

1.2 Real estate with impact

Sustainability is an integrated element of our investment management approach. The world experience of climate change, shifting demographics and the technology revolution is ever changing and these issues are reshaping our planet and society's response. Real estate gives access to the building blocks of sustainable economies. The built environment supports people, communities, business, cities, the environment and society as a whole. Real estate investing therefore carries the responsibility to understand and manage environmental, social and economic impacts – positive and negative – to deliver resilient investment returns for the long term and manage exposure to material risks.

We are progressing our investment philosophy to incorporate 'positive impact' investing. This is beyond ESG because it seeks to proactively improve situations, and do good for society and the environment while delivering risk-adjusted returns. For example, this may be achieved through supporting employment, education, as well as health and social care.

Understanding and improving our impacts sits alongside and supports our priority to maximise returns for our clients in a manner consistent with our funds' risk profiles. We have established four pillars of impact, referenced to the UN Sustainable Development Goals ('SDG'), and use these pillars to consider impacts for funds and assets.

We believe that a sustainable 'Real Estate with Impact' investment programme should deliver:

- Enhanced long-term returns for our clients;
- Contribute to our tenants' business performance; and
- Deliver positive impacts to communities, the environment and society for the long term.

Schroder Real Estate's Pillars of Impact

Our Pillars of Impact – People, Planet, Place and Prosperity – are referenced to the UN Sustainable Development Goals: 8 Good Work and Economic Growth; 11 Sustainable Cities and Communities; and 13 Climate Action, recognising the contribution of the built environment and our responsibilities as real estate investors to society, the environment and economies¹.

Please refer to Section 4 for further information.

People



Planet



Place



Prosperity



¹ In 2015, all UN Member States recognised the range of issues we all face by adopting the UN SDGs as part of the 2030 Agenda for Sustainable Development. These SDGs provide a common framework for public and private organisations to present the impacts of their activities and report on the outcomes they achieve.

Our approach continued

1.3 Our Sustainable Investment Policy: Real Estate with Impact

Schroder Real Estate's Sustainable Investment Policy, Real Estate with Impact, can be found via the following link. The Policy is considered annually, approved by the Investment Committee and applies to all real estate funds.

<https://www.schroders.com/en/uk/realestate/products-services/sustainability/>

For more information on Schroders please also refer to Schroders' Corporate Responsibility and Schroders' Sustainable Investment Report available via the following links:

<https://www.schroders.com/en/about-us/corporate-responsibility/>

<https://www.schroders.com/en/sysglobalassets/about-us/sustainable-investment-report-annual-2019.pdf>

1.4 Schroder Real Estate Investment Trust ('SREIT')

SREIT is a real estate investment company with a premium listing on the Official List of the UK Listing Authority and whose shares are traded on the Main Market of the London Stock Exchange. The investment objective of the Trust is to provide shareholders with an attractive level of income together with the potential for income and capital growth as a result of its investment in, and active management of, a diversified portfolio of UK commercial real estate.

For more information on SREIT please refer to the Trust's website via the following link:
<https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/>

Sustainability is integral to our investment process across the real estate life cycle



Sustainability for real estate in practice

ESG considerations, risks and opportunities are an integrated part of our investment process.

2.1 Environmental Management System and Policy

The Head of Sustainability and Impact Investment for Real Estate is responsible for the sustainability programme. The Sustainability Policy together with the programme objectives are presented to the Investment Committee annually for approval. The Policy forms part of Schroders' Environmental Management System ('EMS') which is aligned with ISO 14001 and aims to help identify, monitor and incorporate ESG risks and opportunities into investment selection, retention and realisation. The system applies to all aspects of the real estate investment management life cycle, which is demonstrated in the diagram below, including acquisition, due diligence, asset management, refurbishment and development as well as services provided by third parties.

2.2 Sustainability targets

Schroder Real Estate's sustainability programme involves objectives, including a commitment to setting quantitative targets, to drive sustainability performance across its portfolios. These are reviewed annually.

Schroders' direct real estate targets for the UK portfolio, which include assets across a range of UK funds (including Schroder Real Estate Investment Trust 'SREIT') are as follows:

- Energy reduction of 18% by 2020/21 (against a 2015/16 baseline)
- This programme has been extended from its initial two-year period where we successfully achieved a reduction of 8.1% to March 2018 against our original target of 6%
- At March 2019, the achieved reduction was 15%
- 32% reduction in greenhouse gas emissions by 2020/21 (against a 2015/16 baseline)
- 100% renewable electricity, which aligns with the Schroder plc RE100 commitment
- 100% diversion of waste from landfill

Schroder Real Estate's EMS applies to the real estate investment management life cycle



Sustainability for real estate in practice continued



We believe our responsibility to investors includes protecting the interests of our clients from the impacts of financial and non-financial risks. Sustainability is an integral element of our investment process and supports best practice investment management.

The Promenade, Cheltenham
(Schroder Real Estate Investment Trust)

Charlie Jacques
Head of Sustainability and Impact Investment



2.3 Fund Strategy Statement and the Investment Committee

ESG for the vehicle is the responsibility of the Fund Manager, supported by the investment management team, with oversight by the Head of Sustainability and Impact Investment. Each member of the team is required to have sustainability within their annual objectives.

The Fund Manager prepares an annual Fund Strategy Statement, which includes sustainability and impact objectives and contributions for the Trust. This statement is presented to the Investment Committee annually for approval. It includes business plans for all assets, which are required to include consideration of sustainability risks and opportunities.

A Sustainability and Impact Action Plan must be included in all proposals to the Investment Committee including potential investment acquisitions and capital expenditure. For successful acquisitions, these action plans are developed by the investment and property management team as part of the asset strategy with regular review to ensure the asset management programme fulfils the investment requirements. Proposals for disposals also include a sustainability review.

2.4 Property management

Property management is integral to the delivery of an effective sustainability programme for the management and operation of buildings. At Schroders, we have established Sustainability Requirements for Property Managers to set service levels required by third-party property managers to support the programme.

The requirements cover:

- Data analysis, monitoring and reporting for all managed assets quarterly, six monthly and annually;
- Understanding and managing landlord responsibilities, risks and opportunities;
- Tenant engagement, including with regard to fit outs;
- Improvement implementation and monitoring impacts;
- Health and wellbeing;
- Community engagement;
- Supply chain; and
- Environmental compliance and reporting.

The property managers are regularly monitored against the requirements using key performance indicators to drive continual improvement in service levels. Schroders' Sustainability Requirements for Property Managers are updated annually.

2.5 Improvements, refurbishments and building certifications

Our Sustainability and Impact Guidance for Development and Refurbishments sets out our approach and requirements for projects. We require developments and refurbishments to incorporate sustainable standards and building certifications (i.e. Energy Performance Certificate, BREEAM¹, LEED², and newer wellbeing standards of WELL, Fitwel and Reset). We have a general minimum standard of BREEAM 'Very Good' or equivalent with ambitions set appropriate to the asset and captured in an Impact and Sustainability Action Plan – a requirement for all projects.

2.5.1 Energy Performance Certificates

We review Energy Performance Certificates on an asset basis and work to ensure compliance with national regulation UK Minimum Energy Efficiency Standards ('MEES') and set rating requirements as appropriate.

The Energy Performance Certificate and building certificate profile for the Trust is set out in the Trust's Annual Sustainability Report which is available at: <https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/schroder-real-estate-investment-trust/sustainability/>

1 Building Research Establishment Assessment Method.
2 Leadership in Energy and Environmental Design.

Sustainability for real estate in practice continued

2.6 Sustainability data, monitoring and reporting

2.6.1 Data

Sustainability data (energy, water, waste consumption and amounts) is sourced from property managers and collated by EVORA Global, Schroder Real Estate's sustainability consultant, using SIERA, their proprietary software. Data is generally collected quarterly with asset profiles reviewed by EVORA and the property managers. Other data and information is collected from property managers relating to building management, maintenance and improvement plans, flood rating, and health and wellbeing credentials as well as energy performance certificates and building certificates.



Century House, Northampton
(Schroder Real Estate Investment Trust)

2.6.2 Objectives and progress

The Trust's and asset sustainability objectives are set and reviewed by the Head of Sustainability and Impact Investment, Fund Manager, investment team, property manager and EVORA on a six-monthly and annual basis, with ongoing dialogue with investment managers and property managers through the year.

The annual reviews support continual improvement and include analysing the Trust's credentials, risks, opportunities, compliance, Global Real Estate Sustainability Benchmark ('GRESB') results, and setting the Trust's and GRESB target scores and objectives for the year ahead. The sustainability reviews feed into the Fund Strategy Statement which is presented to the Investment Committee annually for approval.

2.6.3 Compliance

Schroders monitors requirements and guidance in relation to managing and reporting environmental matters and developments in legislation at all stages of the property life cycle – from acquisition, through ownership, to disposal. This process is supported by a legal register within the EMS (updated six-monthly), and through appropriate devolution of responsibility to key personnel involved in the day-to-day operation of buildings, including asset, property and facilities managers with regular oversight for each fund and included in the fund reviews.

2.6.4 Sustainability reporting and environmental data

A sustainability report is prepared annually for the Trust which includes an explanation of our sustainability programme and strategy supported with environmental data. The report is aligned with the European Association for Investors in Non-Listed Real Estate Vehicles ('INREV') Reporting Guidelines.

Environmental data

The environmental data reported includes:

- Energy, water and waste consumption and greenhouse gas emissions by sector
- On an absolute and like-for-like basis coupled with intensities
- Renewable energy consumed and generated
- Building certifications
- Energy Performance Certifications

The sustainability report is included in the Trust's Annual Report and Audited Financial Statements and also as a standalone report on the Trust website. The Trust's report is at:

<https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/schroder-real-estate-investment-trust/sustainability/>

Trust case studies

We believe understanding our occupiers' unique needs and expectations is key to facilitating wellbeing and productivity.

City Tower, Manchester
(Schroder Real Estate Investment Trust)

Sustainability is integral to Schroders' investment process with the sustainability programme providing the supporting framework, the following case studies demonstrate this. Further information on integration for Direct Real Estate and case studies can be found at: <https://www.schroders.com/en/uk/realestate/products--services/sustainability/integration/>



3.1 City Tower, Manchester

City Tower in Manchester city centre comprises 610,000 sq ft of office, retail, leisure and hotel accommodation on a three-acre island site. The multi-use aspect of this asset provides a range of opportunities to enhance its sustainability qualities, including energy consumption, waste management, health and wellbeing, community, supply chain and tenant engagement.

The central site is bounded by a bus and tram hub and overlooks Piccadilly Gardens. Schroder Real Estate Investment Management ('SREIM') is working with Manchester Council on safety, security and improvements to the public realm.

We promote the use of green and active transport to support reducing emissions and pollution and promote occupier wellbeing. The building has two onsite cycle facilities: one operated by Transport for Greater Manchester; and a second exclusively for occupiers which will be enhanced in 2020 with more bike storage, changing and drying facilities.

Tenant wellbeing is important and we are implementing our Health and Wellbeing Framework at the building. The key is

understanding tenant requirements. The building intranet provides access to building information and local area amenity. Tenants can sign up to the City Tower Black Card which provides reduced membership gym fees and discounts to local shops and restaurants. There is a programme of onsite events including exercise classes three times per week including pilates, core classes and Bodysculpt. 'The Shed' offers a pop-up shop for local businesses at no cost. This facility has helped engagement with the local community and recent residencies have included local start-ups as well as Barnado's.

There are programmes in place to improve waste management storage and removal, and to assess opportunities to improve the energy profile of the building.

The asset achieved a WiredScore Platinum accreditation for connectivity and, following refurbishment, two of the floors were awarded a BREEAM Very Good rating. Occupiers regularly attend sustainability meetings and the success of 'Environmental Week' in February highlighted increasing tenant engagement on impact and sustainability. This is encouraging and, as we continue to develop our understanding of tenants' needs, we expect the asset's sustainability credentials to grow.

Trust case studies continued

Headingley Central, Leeds (Schroder Real Estate Investment Trust)

3.2 Headingley Central, Leeds

Headingley Central is a 125,000 sq ft multi-let hotel, retail, leisure and office property located in a densely populated suburb of Leeds. Sustainability and impact reviews form a key part of major capital expenditure projects. At Headingley Central, 24,000 sq ft of office accommodation was converted into a shell and core configuration suited to use by a gym operator, providing additional amenity to the local community and complementary to the other occupiers onsite including retail, restaurants, office and hotel uses.

This project incorporated various works to enhance the sustainability of the unit and neighbouring parts of the property. These included:

- **Energy efficiency:** Insulation to thermal elements, including the external walls and roof, was upgraded to a level that surpassed the requirements of current building regulations. Where replaced, external lighting comprise sensor controlled LED fixtures.
- **Recycling:** During the removal of the previous tenant's fit out by the landlord, a deliberate focus was maintained on correctly segregating materials for recycling, to minimise waste sent to landfill.
- **Water efficiency:** The works provided an opportunity in which inefficient water pumps serving the adjoining office accommodation were replaced with modern, lower consumption units.
- **Repurposing and ethically sourcing:** Where possible, components, such as timber joists, were repurposed for use on-site and all new timber specified was PEFC labelled, to help ensure sourcing from environmentally well managed forests.
- **Promoting green behaviours:** A dozen electric vehicle charging points have been introduced to the outdoor car park.

We continue to review sustainability and impact initiatives across major capital expenditure projects to ensure the assets are performing to their best ability and to identify any gaps where further progress on sustainability credentials could be made.



Trust case studies continued



3.3 The Promenade, Cheltenham

The Promenade is a 32,500 sq ft multi-let office located in a prime location in Cheltenham town centre. Understanding the needs and expectations of existing and prospective tenants is essential to maintaining occupiers and attracting higher rental levels. A comprehensive review focusing on sustainability credentials has been undertaken.

The review included building efficiencies in terms of electricity and water usage, ventilation and tenant facilities. Identified improvements have been implemented including:

- **Promoting green behaviours:** new shower facilities to promote green and active travel.
- **Energy efficiency:** The decommissioning of two existing large floor standing boilers which were oversized for the requirement and downsizing to correctly sized efficient boilers and point-of-use solutions. Replacements and upgrades to the boiler and hot water systems are estimated to produce savings in excess of 25% on energy consumption. In addition, passive infrared sensors ('PIR') for lighting and ventilation and new LED fittings are being installed throughout the toilet areas and to the new showers to reduce electricity consumption.
- **Water efficiency:** non-concussive basin taps, dual toilet flushing systems, solenoid water shut-off valves and PIR sensor urinals with flushing linked to usage to increase water usage efficiency.
- **Disability facilities:** revamped disabled access WC to improve the facilities and accessibility.

We continue to develop our understanding of the tenants' sustainability experience to further improve the efficiency of the building and sustainability credentials.

The Promenade,
Cheltenham
(Schroder Real Estate Investment Trust)

Investing with impact

We have referenced our key impact pillars – People, Planet, Place and Prosperity – to the UN Sustainable Development Goals.

St. John's Retail Park, Bedford
(Schroder Real Estate Investment Trust)



We are evolving our investment philosophy to incorporate 'positive impact' investing. This is beyond environmental, social and governance ('ESG') because it seeks to proactively take action to improve situations, do good for society and the environment, alongside delivering risk-adjusted returns. For example, supporting employment, education, as well as health and social care.

We have referenced our key impact pillars – People, Planet, Place and Prosperity – to the UN Sustainable Development Goals and use these pillars to consider impacts for funds and assets. We believe as responsible investors that understanding and improving our impacts sits alongside and supports our priority to maximise returns for our clients in a manner consistent with our funds' risk profiles.

Schroder Real Estate's Impact Pillars and key performance indicators

People	Planet	Place	Prosperity
Space refurbished and created	Energy reductions and GHG avoided	Enhanced place	Social
Supply chain compliance Schroders' Suppliers Code of Conduct	Renewable energy procured RE 100	Design amenity Wellbeing Biophilia Heritage Culture Community	Environmental
Number of jobs enabled	Climate resilience assessed		Economic
	Plastic and food waste		Investment returns

Our strategy is to understand impacts across our business. We have set key performance indicators for our Pillars of Impact and have built an impact measurement framework to assess impacts within our existing funds. This framework supports analysis of social aspects for which examples include tenant satisfaction, selection of suppliers, enhancements to amenities at and around buildings and community support and involvement together with environmental aspects, for example energy reduction and use of renewables.

An impact baselining exercise has supported our understanding of opportunities for action across our sustainable investment process and for the Trust supports impact aims and targets for 2020.

Please see our Impact Investing in Real Estate: Returns with Purpose insight paper here <https://www.schroders.com/en/uk/realestate/insights/real-estate-insights/impact-investing-in-real-estate/>

Climate change

We see the real estate market's transition to a low carbon economy as an opportunity to drive innovation, respond to future demands and expectations of our occupiers and investors, and open up new markets for investment in real estate.

Schroders considers the financial materiality of climate change and we are evolving our approach within our investment process. Schroders has publicly supported the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations and we have initiated Climate Risk and Resilience research to further support analysis for assets, locations and strategies. Details on these aspects are listed below.

5.1 Taskforce on Climate-related Financial Disclosures ('TCFD')

TCFD aims to mainstream reporting on climate-related risks and opportunities in organisations' annual financial filings. The TCFD framework is applicable to all sectors and is currently a voluntary framework, however it is anticipated that the framework may soon become mandatory.

Schroders plans to report against the TCFD recommendations for our own corporate impacts, and has signed up to a Global Investor Statement on Climate Change (post-Paris climate agreement) along with c.400 global investors, committing to take a series of steps to contribute to a low carbon and climate resilient investments.

Our TCFD-related activities include:

- In 2017, we became a founding signatory to the Climate Action 100+ initiative, a five-year project to engage the world's largest corporate greenhouse gas emitters to improve governance on climate change and strengthen climate-related financial disclosures in line with TCFD recommendations
- We advocate and encourage the development of stronger models and analytical tools to be developed in tandem with the increased reporting
- We have developed our unique 'Climate Progress Dashboard' and Carbon Value at Risk model and more information on our approach to climate change and related investment issues can be found at <http://www.schroders.com/climatechange/>.

Schroders has committed to running its global corporate operations on a carbon-neutral basis from 1 January 2020.

5.1.1 Schroder Real Estate

Within Schroder Real Estate, we recognise the importance of understanding climate risk and are working to integrate the TCFD recommendations, we have reviewed our current policies and practices against the criteria and are developing our roadmap. Sustainability is a well-established element of our investment process and we will further integrate the assessment of climate-related issues into existing reporting and decision-making processes to increase our alignment with TCFD recommendations.

We plan to integrate TCFD recommendations into the Trust's reporting and establish our Net Zero Pathway in 2020. The TCFD Disclosure for the Trust can be found in the Trust's Annual Report and Accounts.

We are engaged in industry discussions on the TCFD recommendations and implementation of best practices including through our membership of the Better Buildings Partnership ('BBP') where we share and discuss manager and industry approaches in the Climate Resilience group.

5.2 BBP Members Climate Change Commitment

Schroder Real Estate signed the BBP Members Climate Change Commitment, which recognises the significance of buildings in relation to carbon emissions and the role that landlords should play in driving energy reductions and efficiencies and potential for renewables. The first stage of this commitment is for all signatories to determine a pathway to net zero during 2020.

The commitment also includes developing climate change resilience strategies for portfolios, and determining consistent industry disclosure on climate change risks in line with industry standards, including the TCFD.

The BBP commitment is an extension to our sustainability programme and the BBP will be supporting members through development of their pathways and all aspects of the commitment over the course of 2020 and beyond.

The BBP Members Climate Change Commitment is included in Appendix 1.

Climate change continued



Millshaw Industrial Estate,
Leeds
(Schroder Real Estate
Investment Trust)

5.3 Climate Risk and Resilience research

We have initiated a Climate Risk and Resilience research and analysis project which involves members of both our investment and research teams collaborating with divisions from the wider Schroder Group, including Sustainability and Data Insights. This project includes consideration of physical risk and transition risk. This work will support our understanding of climate risk and resilience for locations and assets to which we can develop strategy, asset and portfolio responses. We plan to integrate TCFD recommendations into our reporting for 2020.

This work builds on our existing approach which involves the following considerations of physical and transitional risks.

Physical risk, from due diligence through hold and exit, includes consideration of asset and operational risks to buildings and locations for example:

- Flood risk;
- Plant and machinery; and
- Occupier requirements.

Transition risk for all portfolios considers:

- Regulation and legislation including trajectory supported by biannual external legislative reviews;
- Our reduction targets for energy and greenhouse gas emissions which apply at the country level and for assets where appropriate;
- Energy Performance Certificate ('EPC') programme to manage portfolios within the UK Minimum Energy Efficiency Standards ('MEES'); and
- Schroders PLC RE100 commitment has been adopted for Schroder Real Estate to secure 100% renewable electricity for all assets.

Transparency and accreditation

Schroders has participated in the annual GRESB survey for the last nine years. Schroder Real Estate Investment Trust ('SREIT') has achieved a Green Star over the past three consecutive years.



6.1 Global Real Estate Sustainability Benchmark ('GRESB')

GRESB is the global sustainability benchmark for real assets. Schroders has participated in the annual GRESB survey since 2011. SREIT has participated since 2016. Schroders submitted nine funds in 2020, achieving Green Stars for all nine. A Green Star is awarded where scores of 50 or more are achieved in both of the two principal dimensions of Management and Performance.

The Trust has achieved a Green Star rating for the past three consecutive years and this year was awarded a 3 Star Rating and came 1st in its peer group¹. The headline scores are captured below and the scorecard report for the Trust is appended.

The 2020 GRESB Assessment structure fundamentally changed from the 2019 Assessment, establishing a new baseline for measuring Performance. This affects the comparability of benchmark scores with previous years. Please refer to the GRESB Results Communication to Stakeholders for guidance on interpreting the 2020 results: <https://gresb.com/wp-content/uploads/2020/11/Document-B-Results-Communication-to-Stakeholders.pdf>



6.2 European Public Real Estate Association ('EPRA')

SREIT achieved an EPRA Best Practice Sustainability Reporting Gold Award for the year-end accounts 2019 for the third year in a row.

¹ Peer group comprises: AEW UK REIT; BMO Commercial; BMO Real Estate Investments; Capital & Countries Properties; Custodian REIT; LondonMetric; RDI REIT; and UK Commercial Property REIT.

Transparency and accreditation continued

6.3 Schroders' sustainability accreditation

Schroders' Sustainability team has developed 'Sustainability Accreditation Marks' to help distinguish how environmental, social and governance ('ESG') factors are considered across Schroders' products and help investors understand the different roles.

ESG plays an important role in our investment processes. Applications and accreditation are reviewed and awarded by Schroders' Sustainability team on meeting pre-determined criteria. Schroders' Direct Real Estate investment desk which is responsible for the Trust is accredited Integrated. Sustainability is a building block of the investment process.

Stacey Bushes Industrial Estate,
Milton Keynes
(Schroder Real Estate Investment Trust)



6.4 UN Principles for Responsible Investment ('PRI')

Schroders plc has been a signatory to the UN PRI since 2007 and intends to remain an active and engaged member of the PRI and to meet its ongoing membership commitments.

Schroders achieved the highest possible ESG score of A+ in 2020, for the sixth year running, for its overarching

ESG approach to the PRI. Schroders has completed the Direct Property Segment for four years, achieving an A rating in all four years.

Schroders' public PRI transparency report is available via the following link: <https://www.unpri.org/signatories/schroders/1746.article>



Schroders achieved the highest possible UN PRI ESG score of A+ in 2020 for the sixth year running.

Charlie Jacques
Head of Real Estate Sustainability and Impact Investing

6.5 Memberships

Schroders is a member, participant or signatory to a number of reputable industry organisations. These include the UN PRI, as reported above, in which we share knowledge and collaborate on various industry initiatives. Schroders' memberships are listed on pages 37–39 of Schroders 2019 Annual Sustainable Investment Report available via the following link: <https://www.schroders.com/en/sysglobalassets/about-us/sustainable-investment-report-annual-2019.pdf>.

Schroder Real Estate is a member of a number of industry bodies, including the European Public Real Estate Association ('EPRA'); European Association for Investors in Non-Listed Real Estate Vehicles ('INREV'); Association of Real Estate Funds; British Council for Offices; and the British Property Federation. It was a founding member of the UK Green Building Council in 2007 and, in 2017, became a member of the Better Buildings Partnership and a Fund Manager Member ofGRESB.

Schroders' Sustainability team

At Schroders, we see ourselves as long-term stewards of our clients' capital and this philosophy naturally leads us to focus on long-term prospects for companies in which we invest.

That's why we seek to integrate ESG considerations into our research and overall investment decisions across investment desks and asset classes.

At organisation level, Schroders has an experienced and well-resourced Sustainable Investment team, which has been embedded into our overall investment processes for some time. The team comprises 22 dedicated environmental, social and governance ('ESG') professionals. Together the team has over 200 years' combined investment experience.

The Schroder Group team is led by Andrew Howard, Global Head of Sustainable Investment. As team head he oversees our corporate governance and sustainable investment analysts, integration of ESG factors into investment processes across geographies and asset classes and is responsible for thought leadership, thematic research.

As active investors we see ESG integration and analysis as a key means to add alpha. It is for this reason that Schroders' Group Management



Charlie Jacques
Head of Sustainability
and Impact Investment

Committee ('GMC') which has responsibility for the day-to-day running of the Company approves the ESG policy, strategy, and implementation.

The GMC also reviews Schroders against its Stewardship Code statement and corporate governance principles. Additional monitoring has been provided by Group subsidiary boards. In 2019 Schroders committed to full ESG investment integration across all managed assets by the end of 2020. Schroders' Sustainability Accreditation system, launched in 2017, currently encompasses more than 80% of the assets we manage on behalf of our clients. Our stewardship activities are also subject to a review by external auditors.

The Head of Sustainability and Impact Investment for Real Estate is responsible for the sustainability programme. The Sustainability Policy together with the programme objectives are presented to the Investment Committee annually for approval. ESG for the vehicle is the responsibility of the Fund Manager, supported by the investment management team, with oversight from the Head of Sustainability and Impact Investment. Within the Trust's team there is a dedicated ESG portfolio manager who manages the sustainability initiatives and risks across the portfolio. The Head of Sustainability and Impact Investment is supported by sustainability consultant EVORA Global who work with each investment team to ensure delivery of the programme.

Schroders' commitment to ESG has been enhanced by BlueOrchard, a global impact investment manager joining the Schroders Group in 2019. Founded in 2001, by initiative of the UN, BlueOrchard was the first commercial manager of microfinance debt investments worldwide. As a pioneering impact investing asset manager, BlueOrchard is dedicated to fostering inclusive and climate-smart growth in emerging and frontier markets. BlueOrchard's experience in impact investment is a significant resource for Schroders and Real Estate has been working with the team on developing Real Estate's Impact Measurement Framework for assessment of social and environmental impact within property portfolios.

For more information please refer to:

Sustainable Investment for Real Estate:
<https://www.schroders.com/en/uk/realestate/products--services/sustainability/>

Sustainable Investment at Schroders:
<https://www.schroders.com/en/strategic-capabilities/sustainability/>

Schroders' Sustainability Commitment

Schroders is a sustainable-focused business intent on delivering long-term financial performance to clients and shareholders.

We have a strong belief in the value that investment can create in our society and appreciate that we have an important role to play in driving positive outcomes for the world around us.

In 2020 Schroders committed to the United Nations Global Compact, the world's largest corporate sustainability initiative. The UN Global Compact asks companies to align their operations and strategies to ten universally accepted principles. These principles represent the 17 Sustainable Development Goals ('SDGs'), which were set up to end extreme poverty, fight inequality and injustice, and protect our planet. The Ten Principles of the UN Global Compact relate to four key areas which we have aligned our corporate responsibility strategies and operations to. In addition to anti-corruption and human rights, our aim is to help end extreme poverty, fight inequality and injustice, and protect our planet.

People: We endeavour to improve the futures of those around us – whether it's embracing our own people, or creating a lasting positive impact in our society.

Environment: Minimising our environmental impact by committing to objectives and targets such as reducing our global carbon footprint.

Human rights: Schroders is strongly opposed to slavery and human trafficking. We will not knowingly support or conduct business with any organisation involved in such activities.

Anti-corruption: Schroders is fully committed to preventing financial crime, as well as promoting companies that prioritise good environmental, social and governance ('ESG') practices.

Schroders was recognised in the top ten of ShareAction's ranking of 75 of the world's largest asset managers for our approach to responsible investment.

Schroders is committed to running its global operations on a carbon-neutral basis as of 1 January 2020. This commitment will be achieved through a combination of initiatives designed to reduce Schroders' gross emissions, as well as a carbon offsetting programme.

Schroders is a member of the Climate Group and Carbon Disclosure Project RE100 initiative, and committed to 100% of electricity generated from renewable sources.

Schroders' corporate revolving credit facility has been converted into an environmental, social and corporate governance-linked facility, an innovative move which underlines the firm's commitment to sustainability from a corporate, as well as investment, perspective.

Please see more on Schroders' Corporate Responsibility at:
<https://www.schroders.com/en/about-us/corporate-responsibility/>



Stacey Buses Industrial Estate,
Milton Keynes
(Schroder Real Estate Investment Trust)

Appendix 1

Better Buildings Partnership Member Climate Change Commitment

Schroder Real Estate, as a member of the Better Buildings Partnership ('BBP'), committed to the September 2019 Members Climate Change Commitment, which has the aim to deliver net zero carbon real estate by 2050.

We, the undersigned, make the following commitments:

- By the end of 2020, we will each publish our own net zero carbon pathway, outlining our trajectory towards net zero carbon new and existing buildings and will address:
 - Operational carbon, critically covering whole building performance including our tenants' activities
 - Embodied carbon of development, refurbishment and fit-out works
 - In developing our net zero carbon pathways we will follow the principles of the energy hierarchy to ensure effort is focused first on reducing energy demand and improving energy efficiency. To this end, we will support the development of property specific Energy Use Intensity ('EUI') targets
- We will each annually disclose our progress towards our net zero carbon pathway and in doing so, explain the scope and implementation of this commitment as it relates to our individual business
- We will publicly disclose the energy performance of our portfolios, where we have permission to do so, as a minimum at a portfolio level by geography, and ideally at a property level, and support efforts to develop consistent industry performance disclosure and benchmarks
- By 2022, we will develop comprehensive climate change resilience strategies for our portfolios and work together to develop consistent industry disclosure on climate change risks in line with industry standards, including the Task Force on Climate-related Financial Disclosure
- To support the implementation of this commitment, we will work with the BBP to:
 - Develop guidance on net zero carbon pathways for property owners to encourage greater consistency in definitions and boundaries
 - Develop clear guidance for the industry on the procurement of renewable energy for real estate assets to ensure that any purchasing in the UK creates additional capacity
 - Convene an 'owner and occupier' forum inviting our tenants to challenge property owners and engage with us to improve the performance of the space they occupy in line with our net zero carbon pathways

Members of the BBP have diverse portfolios with different ownership and leasing structures, management arrangements and occupiers – how we implement these commitments within our businesses will differ. However, it is important to emphasise that we will adopt a 'comply or explain' approach to this commitment, with the intention that it will cover as many buildings as possible within our portfolios – the scale of the challenge ahead makes this absolutely imperative.

We see the real estate market's transition to a low carbon economy as an opportunity to drive innovation, respond to future demands and expectations of our occupiers and investors, and open up new markets for investment in real estate.

To meet these commitments will require unprecedented collaboration across the industry.

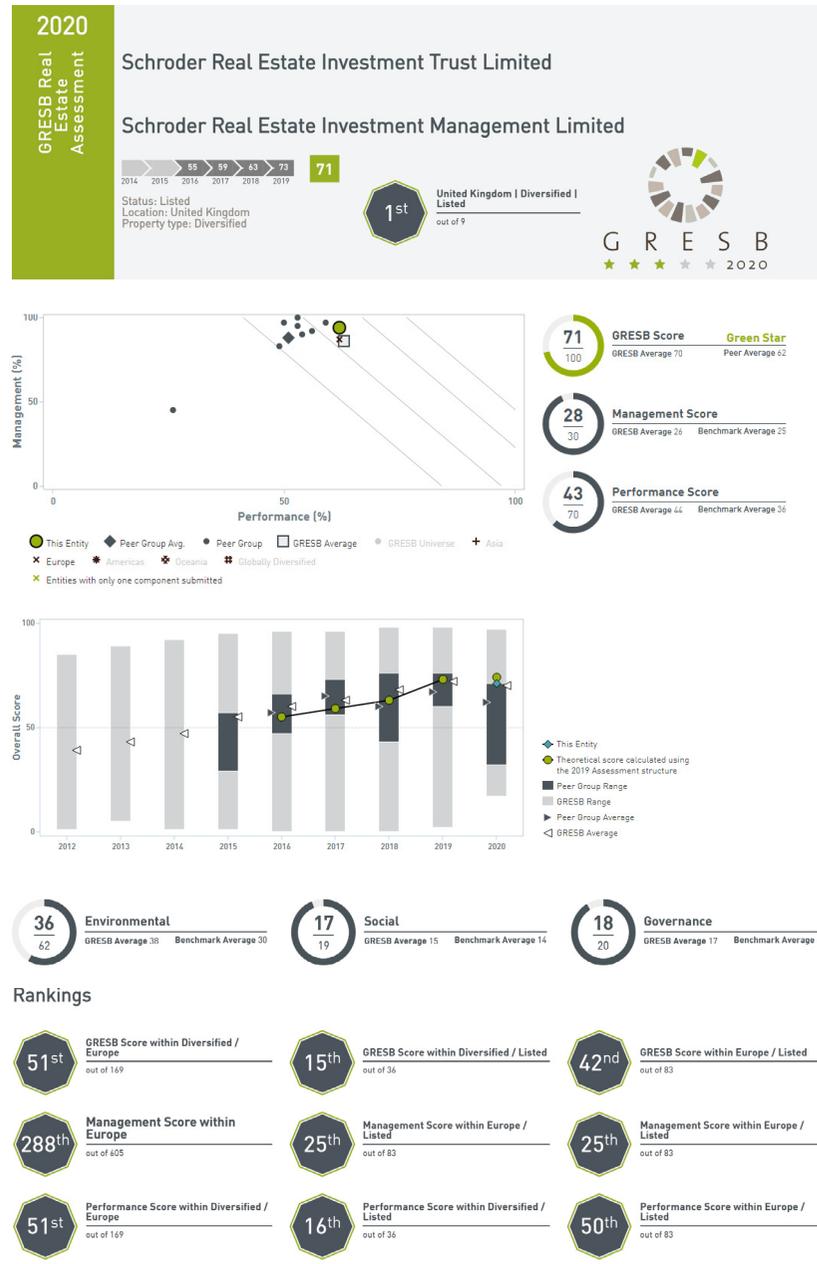
We therefore also call upon:

- All our stakeholders (e.g. investors, occupiers, architects, engineers, contractors, managing agents, facilities managers) to disclose their own pathways to net zero carbon buildings and actively engage with us to help us deliver on these commitments
- Professional bodies and built environment institutions to develop industry standards and support these with education and training to upskill the industry to deliver net zero carbon buildings
- Government to deliver a supportive legislative agenda with a clear long-term trajectory to achieve net zero carbon buildings
- All property owners to adopt the same commitments

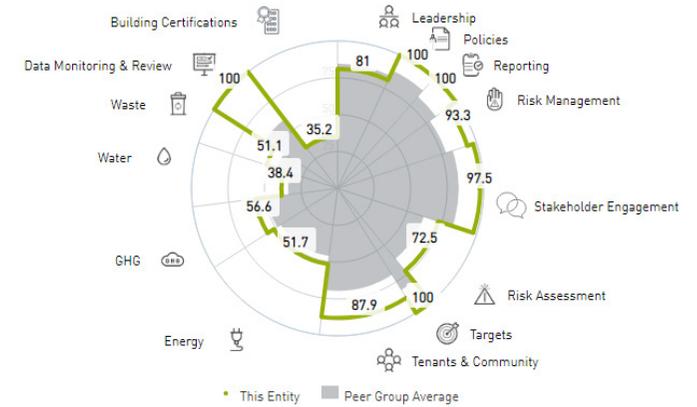
We will work with the BBP to monitor and report on our progress and to spearhead collaborative, collective action that delivers better buildings and creates long-term value for all of our stakeholders, including future generations.

Appendix 2

Schroder Real Estate Investment Trust's 2020 GRESB scorecard report



GRESB Aspects



MANAGEMENT COMPONENT

Benchmark group: Europe | Listed (83 entities)

Aspect	Number of points	Weight in Component	Weight in GRESB Score	Points Obtained	Benchmark Average	Benchmark Distribution
Leadership	7 points	23.33%	7%	5.67	5.91	
Policies	4.5 points	15%	4.5%	4.5	3.97	
Reporting	3.5 points	11.67%	3.5%	3.5	2.91	
Risk Management	5 points	16.67%	5%	4.67	3.9	
Stakeholder Engagement	10 points	33.33%	10%	9.75	8.28	

Schroders



EST. 1804

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