

Orchard Street Investment Management LLP

OrchardStreet
INVESTMENT MANAGEMENT

Independent Assurance Statement

Independent Assurance Statement

TO: THE STAKEHOLDERS OF ORCHARD STREET INVESTMENT MANAGEMENT

Independent assurance statement by Upstream Sustainability Services, JLL (“Upstream”) to the stakeholders of Orchard Street Investment Management LLP concerning the data for the period October 2019 to September 2020 and the 2019/20 Responsible Investment Targets as stated in the 2020 Responsible Investment Report.

SCOPE OF WORK

Orchard Street Investment Management engaged Upstream to provide independent assurance of energy, water and waste performance information, greenhouse gas (GHG) emissions and 8 Responsible Investment Targets for 2019/20 relevant to its Responsible Investment Report. The engagement was Type 2 moderate assurance in accordance with the AA1000AP (2018) standard which consisted of:

- A. Evaluation of Orchard Street Investment Management’s adherence to the AA1000 AccountAbility Principles (AA1000AP 2018) of Inclusivity, Materiality, Responsiveness and Impact;
- B. Evaluation of the reliability of the specified sustainability performance information and associated data collection and management processes and systems;
- C. Evaluation of the actions and progress made by Orchard Street Investment Management in meeting their 2019/20 Responsible Investment Targets.

RESPONSIBILITY

The management of Orchard Street Investment Management is responsible for the final publication of the Responsible Investment Report and all statements and figures contained therein. Upstream’s responsibility was to complete the assurance process, prepare this assurance statement and to provide a report on its findings for the management of Orchard Street Investment Management. See section, ‘Independence of Assurance’ for further information on Upstream’s involvement with Orchard Street Investment Management.

METHODOLOGY

Upstream undertook the following assurance activities:

- Interviewed Barney Rowe, Head of Acquisitions, Sarah O'Connell, Asset Manager, and Alice Murray, Asset Manager about Orchard Street Investment Management's sustainability principles and their development and implementation;
- Reviewed internal and publicly available information relating to the principles of Inclusivity, Materiality, Responsiveness and Impact, and drew upon information gathered in 2020 through interviews conducted with Orchard Street Investment Management staff;
- Reviewed the approach to data collection, management and reporting;
- Reviewed the application and source of location-based emission factors in the calculation of Scope 1 and 2 GHG emissions;
- Discussed data, evidence and data issues with Orchard Street Investment Management's environmental data manager and asset managers;
- Requested and reviewed internal evidence demonstrating the relevant actions and progress against each 2019/20 Responsible Investment Target.

LEVEL OF ASSURANCE AND LIMITATIONS

Upstream provided a moderate level of assurance which included a desktop review, management and property-level data verification and evidence gathering from internal sources and third parties. The verification did not include financial data, technical descriptions of or information relating to buildings or other information not related to sustainability.

The scope of our data testing was limited to the reporting period of October 2019 to September 2020. We chose a robust, representative sample out of a total of 86 directly managed assets within Orchard Street Investment Management that are reporting environmental data in the Responsible Investment Report as well as Orchard Street Investment Management's headquarters. We conducted our sampling on a fund by fund basis at the request of Orchard Street Investment Management to increase the sample coverage and provide insight into reporting accuracy at a fund level. Our issued assurance statement is based on the scope of the entire portfolio, as it is presented in this Responsible Investment Report.

The scope of AA1000 Assurance is limited based on the amount of interaction and information provided. Material from the Orchard Street Investment Management Responsible Investment Committee was provided as part of the evidence – this included policies, checklists and other formal documentation. Other key evidence reviewed included publicly accessible information on the website.

A: EVALUATION OF OSIM ADHERENCE TO THE AA1000 ACCOUNTABILITY PRINCIPLES (AA1000AP 2018) OF INCLUSIVITY, MATERIALITY, RESPONSIVENESS AND IMPACT

Based on the scope of work described above, nothing has come to our attention to suggest that Orchard Street Investment Management (OSIM) did not adhere to the criteria under the principles of Inclusivity, Materiality, Responsiveness and Impact.

INCLUSIVITY – HOW THE ORGANISATION ENGAGES WITH STAKEHOLDERS AND ENABLES THEIR PARTICIPATION IN IDENTIFYING ISSUES AND FINDING SOLUTIONS

Clients, investors, occupiers, employees, local Government and communities were identified as key stakeholders forming OSIM Responsible Investment Policy and Future Focused Responsible Investment Strategy. OSIM formally mapped its stakeholders in 2017 and since then the Responsible Investment Committee has been reviewing the stakeholder list on an ad hoc basis. In 2021 the firm plans to formally review the stakeholder engagement strategy to keep engaging with key stakeholders on sustainability issues to set goals and meet stakeholder needs and expectations.

Different means and frequency of engagement have been identified per stakeholder group. Examples of engagement include OSIM's Responsible Investment Committee which meets monthly to discuss material risks and opportunities and review progress against ESG targets. OSIM has also developed an ESG initiatives tracker that gathers information on the implementation of environmental and social initiatives across its portfolios and is used to support the decision-making process. Employees received mandatory sustainability training on what the firm is doing on sustainability, as well as more general sustainability upskilling (e.g., Net Zero Carbon, Task Force on Climate-related Financial Disclosures also known as TCFD). Clients have formal quarterly meetings with portfolio managers which include responsible investment initiatives. Property managers are responsible for engaging with tenants on sustainability initiatives (e.g. wellbeing days, recycling) and community engagement is conducted on an asset per asset basis. For example, shopping centres with onsite sustainability teams working with local schools on educational schemes and providing spaces to the local community and charity, such as pop-ups.

The main form of communicating with stakeholders on sustainability visions, goals and performance is through OSIM's annual Responsible Investment Report. In 2020 the firm also submitted its first UNPRI transparency report and TCFD disclosure which will provide additional information to stakeholders, particularly its investors.

In 2020, ESG matters were managed and monitored by the OSIM Responsible Investment Committee which has four members, including a Partner, and reports to the Investment Committee and Executive Committee. The Responsible Investment Committee is responsible for the ongoing monitoring and management of climate-related risk. The Committee meets monthly and takes responsibility for monitoring performance, setting annual targets and overseeing the effective implementation of the ESG initiatives tracker.

MATERIALITY – HOW THE ORGANISATION DETERMINES THE RELEVANCE AND SIGNIFICANCE OF AN ISSUE TO ITSELF AND TO ITS STAKEHOLDERS

OSIM identified its material issues, risks and opportunities formally in 2017 through assessing legislative and policy requirements; investor and client expectations; peer practices and the views of employees and partners. The seven core values that form OSIM Responsible Investment Policy implemented through the Future Focused Investment Strategy are: 1) manage material sustainability risks and opportunities; 2) align investment management practices with the evolving sustainability requirements of investors and clients; 3) ensure the Future Focused Responsible Investment Strategy adds value and report on their performance to investors, clients and other stakeholders; 4) embed sustainability standards within acquisitions, development and refurbishment procedures to enhance the long-term value of our client's real estate portfolios; 5) reduce costs and improve the environmental performance of their client's assets in collaboration with managing agents and tenants; 6) communicate and actively promote the sustainability attributes of their client's assets and portfolios to potential occupiers and investors; and 7) influence the sustainability standards of our supply chain. The most material issue in 2020 was climate risk as evidenced through a climate risk assessment conducted by OSIM in 2020 during which it identified and reviewed its material climate-related risks and the potential impacts to its business and portfolios.

The Responsible Investment Committee reports to the Managing Partner and also advises OSIM's Investment Committee. The Responsible Investment Committee reviews material risks and opportunities monthly and has also created an ESG initiatives tracker that gathers information on the implementation of environmental and social initiatives across OSIM's portfolios. These material issues are the 'Core Values' which form the Future Focused Responsible Investment Strategy and thus OSIM's main business activities. The Responsible Investment Policy and Strategy are reviewed annually and act as the main vehicle to communicate with stakeholders. OSIM plans to formally review its strategy in 2021 accompanied by an updated materiality review.

Building Certifications are also mechanisms used to communicate with stakeholders and shareholders about how OSIM is addressing its ESG material issues. Most of OSIM stakeholders play a role in setting goals for the material issues. Employees feed into the Responsible Investment Committee meetings, asset managers can present and put cases forward through monthly meetings, and investors/clients and tenants can raise specific sustainability requests during quarterly meetings with portfolio managers and property managers. There is an opportunity to involve other stakeholders (e.g. communities) and formalise the engagement on material issues and strategic direction with stakeholders who are directly and indirectly involved with the assets.

RESPONSIVENESS – HOW THE ORGANISATION RESPONDS TO STAKEHOLDER ISSUES AFFECTING SUSTAINABILITY THROUGH ITS PERFORMANCE, ACTIONS, DECISIONS AND COMMUNICATION

OSIM has recognised the need and demand for the integration of ESG into their business practices and service offering. This is evident through the Responsible Investment Policy and Future Focused Responsible Investment Strategy providing stakeholders with information on how sustainability risks and opportunities are managed throughout the property cycle (acquisitions, asset management and major refurbishments and developments) and how OSIM delivers value by being a responsible landlord and developer. The Policy and Strategy are publicly available on the company website.

OSIM responds to its material issues (known as 'Core Values') by setting social, environmental and economic targets, accompanied by the ESG initiatives tracker used to monitor sustainability actions against these set targets. 2019/20 Targets include reducing portfolio carbon emissions, developing a formal volunteering programme and establishing Responsible Investment performance objectives for all operational staff. In 2020, OSIM set additional targets for 2021-2022.

Responding to environmental issues and climate change risks has been an OSIM priority in 2020 as demonstrated through the development of a climate risk register to assist the Responsible Investment Committee to maintain oversight of material risks, the associated mitigation actions and the parties responsible for implementing them. The Board has delegated management of climate-related risks to the Managing Partner. The Managing Partner has established the Responsible Investment Committee, accountable for all climate-related matters, which provides updates to the Board on a quarterly basis. Over the last year OSIM calculated its carbon footprint covering Scope 1, 2 and 3 emissions and assessed the feasibility of reaching Net Zero Carbon by 2030. The firm has continued to monitor and reduce the environmental impacts of its assets under management by integrating sustainability into due diligence and acquisition criteria. For example, the acquisition checklist includes sustainability criteria and flags potential economic, environmental and social risks and opportunities and includes criteria such as green building certifications and EPC ratings. For all new developments and refurbishments there is a target minimum EPC rating of B and BREEAM Very Good certification. In 2020, OSIM worked with managing agents to review energy procurement activities to increase the consumption of energy from renewable sources to support their Net Zero Carbon ambitions. In 2020 OSIM also centralised its data collection (covering electricity, gas and water consumption) procedures to accurately report on its environmental footprint and set a target to reduce carbon emissions by 5% annually to 2025. As occupier energy consumption was identified as the largest impact, OSIM set a target to engage with occupiers and reduce their carbon intensity.

In 2020, OSIM expanded its ESG training programme to operating staff and regularly ran ad-hoc training sessions on ESG-related trends and updates. It is clear to see that OSIM has integrated ESG aspects into annual business plans, the success of which affects employees' achievement of personal objectives. OSIM's stakeholders are kept up to date on OSIM performance through the Responsible Investment Report which is aligned to the European Public Real Estate Association's (EPRA) Sustainability Best Practices Recommendations (sBPRs), as well as through quarterly meetings. Additionally, OSIM completed its first disclosure in line with the TCFD recommendations to communicate their management of climate-related risks and opportunities.

IMPACT – HOW THE ORGANISATION MONITORS AND MEASURES THE EFFECTS OF ITS BEHAVIOUR AND PERFORMANCE ON THE ECONOMY, THE ENVIRONMENT, AND THE SOCIETY

Asset performance is tracked by property and asset managers using the asset-level ESG initiatives tracker, which is used to monitor progress; however, the ESG initiatives tracker currently does not measure impact. OSIM actively monitors its performance and impact on its environmental targets by collecting consumption data (electricity, gas, water and waste) and measuring the carbon footprint of all portfolios under management and OSIM occupied offices. In 2020, OSIM conducted a comprehensive climate risk assessment using scenario analysis, in line with the recommendations of the TCFD to understand the impacts of climate-related risks and opportunities on its business and clients' assets; enhance climate-related risk management procedures and governance; and disclose in line with the best practice recommendations of the TCFD for the benefit of its stakeholders. The recently developed climate risk register, centralised data collection, roadmaps and commitments to Net Zero carbon are enabling OSIM to quantify their impact on the environment and regularly assess their progress against these targets. The OSIM Responsible Investment Committee oversees the strategy and is responsible for the ongoing monitoring and management of climate-related risk.

From a social perspective, OSIM currently delivers value to its employees by providing a healthy work environment and career opportunities. Asset managers and managing agents are encouraged to promote health and wellbeing services to occupiers and seek opportunities to support local economies and charities, such as the 'Love Your Neighbour' charity. In 2020 a formal volunteering Programme was set up to connect employees to support community needs. OSIM Charitable Committee oversees all charitable giving and volunteering activities undertaken by their employees. OSIM is not currently measuring the impact its social activities are having, but the firm has set a target to measure and report the financial, environmental and social value generated by its responsible investment activities in 2021.

Overall, the Responsible Investment Committee reviews OSIM material risks and opportunities, pushes forward initiatives, reviews progress and responds by setting targets. OSIM publicly discloses performance against its targets on an annual basis through the Responsible Investment Report, which is aligned with the EPRA sBPR's covering environmental, social and governance impact categories. By doing so, OSIM is monitoring and measuring its impact and communicating its performance to its stakeholders and shareholders.

OBSERVATIONS & RECOMMENDATIONS

- OSIM has demonstrated that significant effort has been made to engage on ESG related issues. This is evident through the development of the Responsible Investment Strategy in 2017 by the Responsible Investment Committee and the commitment to become Net Zero. OSIM demonstrates that efforts have been made to involve employees from relevant departments, and management levels. There is regular and frequent engagement on ESG matters with property managers, however, there is an opportunity to formalise the involvement of property managers on ESG updates to allow for input and feedback from the asset level. Whilst there is engagement with key stakeholders, OSIM could formalize the approach on how stakeholder's feedback is incorporated into ESG decisions and target setting. From the stakeholder groups mentioned, community engagement is one group that would benefit from more frequent and strategic involvement. OSIM would also benefit from formally documenting its stakeholder identification process and measure the processes effectiveness.
- OSIM's process to identify material issues considers internal policies and procedures; legislative and policy requirements; investor and client expectations; peer practices and the views of employees and partners. Material issues and stakeholder interests are translated into multi-year sustainability objectives and they guide the implementation of the Future Focused Responsible Investment Strategy. Whilst the policy was updated in 2019, OSIM would benefit by conducting a formal materiality analysis on a defined, regular basis, e.g. every 2 years, to keep an updated list of material issues.
- Moving forward it would be beneficial to set longer term targets (e.g. for a period of 3-5 years) and take into consideration longer term trends. There was also a gap identified in waste objectives which is essential to be included in the strategy. Currently the targets follow a qualitative nature, it would be helpful to make targets more quantitative as it will be help measure impact. Additionally, OSIM would benefit from documenting a formal process for stakeholder inclusion in setting targets with both internal and external stakeholders.
- OSIM would benefit from identifying, measuring and making an impact on more socio-economic issues (jobs created, biodiversity, public realm, community health & wellbeing), as the current material issues that are being addressed with urgency are predominantly environmental. Involving communities in a formalised approach would be beneficial to identifying social issues.
- OSIM has incorporated ESG objectives into staff's remuneration packages, this also needs to be reflected in the senior management team's objectives to accelerate the pace of change.
- OSIM measures and monitors performance through the ESG initiatives tracker but can only accurately measure the impact it is having on the environment through its centralised data collection system. OSIM could identify and measure a broader range of socio-economic impacts and set annual targets accordingly (e.g. jobs created, biodiversity, public realm, community health & wellbeing).
- OSIM takes part in several global initiatives such as the UNPRI and aligns its sustainability initiatives to the UN SDGs. OSIM would also benefit from participating in global benchmarks such as the GRESB to communicate performance and impact to its stakeholders and shareholders.

B: EVALUATION OF THE RELIABILITY OF THE SPECIFIED SUSTAINABILITY PERFORMANCE INFORMATION AND ASSOCIATED DATA COLLECTION AND MANAGEMENT PROCESSES AND SYSTEMS

Based on the scope of the work described above, nothing has come to our attention that gives cause to believe that the specified performance for electricity, natural gas, water, waste and GHG emissions is not fairly stated by Orchard Street Investment Management.

DATA ASSURED

Environmental Performance Data:

OSIM Directly Managed Portfolio	OSIM Headquarters
Electricity: 24,062,539 kWh Natural Gas: 18,210,418 kWh Water: 118,483 m3 Waste: 1,171 Tonnes GHG Scope 1: 3,358 tCO2e (location-based) GHG Scope 2: 5,610 tCO2e (location-based)	Electricity: 36,302 kWh Natural Gas: 919,910 kWh Water: 6,202 m3 GHG Scope 1: 169 tCO2e (location-based) GHG Scope 2: 8 tCO2e (location-based)

- Using primary evidence, **electricity** was assured with **98% accuracy**.
- Using primary evidence, **natural gas** was assured with **99% accuracy**.
- Using primary evidence, **water** was assured with **99% accuracy**
 - During the assurance process, water data was restated by Orchard Street Investment Management to account for a significant number of invoices that were provided after the initial data set was shared for verification. These invoices showed data to be available where gaps were present in the original dataset. We issued a request for a full review of water data and conducted our sampling exercise again, once this data had been restated.
- Using primary evidence, **waste** was assured with **97% accuracy**
- Using DEFRA Conversion Factors, **GHG Scope 1 and 2 location-based factors were confirmed to be accurately calculated** using the appropriate source and method for UK location-based emissions.

OBSERVATIONS & RECOMMENDATIONS

- Orchard Street Investment Management use the services of a third-party data manager to support them with the process of collecting, managing and reporting data. The appropriate allocation of resources to measuring their environmental impact should be considered as good practice.
- The third parties in the data supply chain were responsive to evidence requests and were accommodating to a short timeline.
- Orchard Street Investment Management should consider requesting their data manager to make an additional quality control check which initiates a review of the final reported consumption data to avoid instances where input errors could arise. A lack of communication within the data supply chain was observed. Some sites that were expected to provide actual data were delayed and sites with periods of data missing had not been prompted.
- During the assurance process, it was recognised that the responsibility of data provision is fragmented across multiple third parties in the data supply chain, down to an asset level in some instances. A general consideration is for Orchard Street Investment Management's data manager to create a data reporting schedule to improve the preparedness of the data providers.
- It is recognised that this is Orchard Street Investment Management's first year reporting to a sustainability reporting framework (EPRA sBPR). A general consideration is to establish the format and structure being reported to ahead of the data aggregation and assurance process.
- It is recommended that Orchard Street Investment Management continues to improve the collection of accurate data by supporting its data manager in the continued rollout of automated metering.
- While the recording of actual data should be the target, where an estimation of missing data is required, it is recommended that Orchard Street Investment Management should seek to improve the chosen estimation methodology towards a more sophisticated approach. Currently, the period of actual consumption at a meter level is averaged to estimate the missing months. We would recommend establishing a hierarchy of permissible estimation methodologies, based on the timeframe and comparable periods of actual data available. Furthermore, the instance of estimations and chosen approach should be tracked, recorded and updated on a regular basis.
- In addition to the above, it is also recommended that gaps between two available invoices are estimated using opening and closing meter readings where possible, rather than estimating on seasonal historical data or with averages.

The above findings, additional observations and recommendations have been presented to the management of Orchard Street Investment Management in a more detailed management report.

C: EVALUATION OF THE ACTIONS AND PROGRESS MADE BY ORCHARD STREET INVESTMENT MANAGEMENT IN MEETING THEIR RESPONSIBLE INVESTMENT TARGETS FOR 2019/20.

Based on the scope of the work described, it is Upstream's opinion that 100% of 2019/20 targets were achieved, by demonstrating the appropriate resources and implementation to the level described in the Responsible Investment Report.

2019/20 TARGETS ASSURED

Theme	Target	Assurance Opinion
Environment	Implement a comprehensive process to assess, review and manage climate related risk	Fully compliant
Environment	Report energy, carbon, water and waste performance data for directly managed assets and head office	Fully compliant
Environment	Establish a target to reduce portfolio carbon emissions in 2020/21 based on 2019/20 baseline	Fully compliant
Environment	Assess the feasibility of making five of our highest carbon emitting buildings Net Zero by 2030	Fully compliant*
Social	Engage with key suppliers to set minimum sustainability standards for direct and indirect procurement	Fully compliant
Social	Develop a formal volunteering programme	Fully compliant
Governance	Establish Responsible Investment performance objectives for staff	Fully compliant
Governance	Expand a sustainability training programme for staff	Fully compliant

Types of evidence provided include slide decks, asset level worksheets, screenshots, email confirmation from third parties and other internal documents from formal procedures such as performance evaluations.

OBSERVATIONS & RECOMMENDATIONS

- Evidence was provided in a timely manner, stored in a logical and signposted evidence pack which was easily accessible.
- Although not in scope of the 2019/20 Target Assurance, the following targets were also shared with Upstream in the assurance evidence pack:
 - 2021/22 Target, “Report in line with TCFD recommendations and assess how the climate emergency will affect company operations and profits.” was assured to be compliant with TCFD recommendations based on the draft provided as evidence, with the expectation of financial impact assessment of the climate emergency to follow in future reports.
 - 2021/22 Target, “Establish an action plan, including occupier engagement, for carbon emission reductions and sustainability improvements across the portfolio.” was observed to be compliant based on asset reports of landlord/tenant consumption which provide actions and opportunities at an asset level for carbon emission reduction and sustainability improvements. It was noted that COVID-19 had reduced opportunity for tenant engagement
 - 2021/22 Target, “Measure & report the financial, environmental and/or social value generated by our Responsible Investment activities.” was not assured as no evidence was provided. It is noted this target is not due until 2021.
- The target progress reported in the Responsible Investment Report by Orchard Street Investment Management is applicable only to the 2019/20 targets. It was noted that the evidence pack provided for this assurance included some materials and references for targets set for 2021/22. While the use of the evidence pack is a positive, it is recommended that only folders and materials relevant to the scope of assurance should be shared.

* It is noted that the scope of target, “Assess the feasibility of making five of our highest carbon emitting buildings Net Zero Carbon by 2030.” has changed during the feasibility assessment to cover the whole portfolio. The evidence provided shows business workshops and a carbon footprint analysis as part of the feasibility assessment in transitioning to Net Zero Carbon.

INDEPENDENCE OF ASSURANCE

Due to our expertise and experience with non-financial information, sustainability management and social and environmental issues, we have the competencies required to conduct this independent assurance engagement. We are bound by the JLL Code of Business Ethics and are independent as defined by AA1000AP (2018). Upstream is a consultant to Orchard Street Investment Management and provides support on their environmental and sustainability programme, however the assurance team has not been involved in the delivery of these other services for Orchard Street Investment Management and we do not consider that there is any conflict of interest between these other services and this assurance and verification engagement.

Lewis Richards

Sustainability Consultant

Upstream Sustainability Services

JLL



JLL – Upstream Sustainability Services

Lewis Richards
Sustainability Consultant
+44 (0) 2070875092
Lewis.Richards@eu.jll.com

Elisabeth Lincoln
Senior Consultant
+44 (0) 2070875522
Elisabeth.Lincoln@eu.jll.com

Ulkar Hasan
Consultant - Data & Technology
+44 (0) 2070875846
Ulkar.Hasan@eu.jll.com

30 Warwick Street
London
W1B 5NH

www.jll.com

The information compiled in this document and any opinions expressed herein are given in good faith but are derived from a number of sources and, as such, are liable to change. Jones Lang LaSalle Limited, gives no warranty, either express or implied, as to the accuracy or completeness of any information or opinion or projection set forth herein. Jones Lang LaSalle shall not, in any circumstances, be under any liability for any direct or consequential loss or damage of any nature whatsoever, and howsoever arising, whether sustained by the organisation/person for whom this report has been prepared or its/his servants or agents, or any third party, including without limitation loss of profit or other revenues, loss of business, costs, expenses, charges levied by professional or other advisers, fines, penalties, damages (including interests and costs) that may be awarded to or agreed with any third party in respect of any claim or action.