



SwissLife
Asset Managers

UK Stewardship Report

Report for the year ended 31 December 2023

Foreword

Since its formation over 22 years ago, Swiss Life Asset Managers UK has recognised the importance of stewardship. Our approach is founded on responsible investment, which drives our purpose and culture.

We undertake to allocate, manage and oversee capital responsibly to create long-term value for our clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. We were proud to be announced amongst the first signatories – and one of the first real estate investment managers – accepted to the UK Stewardship Code in 2021.

We have sought to present our report for 2023 in a fair and balanced manner, by commenting on activities that will be improved or implemented in 2024.

This report has been drafted using plain English and avoiding jargon to help ensure that it is understandable to a wide range of readers, not only those who are experienced property investors.

This report relates to Swiss Life AM UK stewardship activities during the reporting period Calendar Year 2023 (1 January to 31 December 2023).

As part of our ongoing implementation of the Principles of the Stewardship Code, we consult with specialist parties on a regular basis to obtain external and internal assurance. Please refer to Principle 5 for further information.

This report has been reviewed and approved by the Swiss Life Asset Managers UK Limited Board of Directors.



Giles King
Chief Executive
Officer



Tim Munn
Chief Investment
Officer



James Thornton
Chairman of the Board
& Non-Executive Director



Tim Cridland
Finance Director



Frances Spence
Head of Research,
Strategy and Risk

Contents

04 CEO's Update

06 Introduction

08 Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

14 Principle 2

Signatories' governance, resources and incentives support stewardship

26 Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

28 Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

34 Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

38 Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

44 Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

54 Principle 8

Signatories monitor and hold to account managers and/or service providers

58 Principle 9

Signatories engage with issuers to maintain or enhance the value of assets

62 Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

66 Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

72 Principle 12

Signatories actively exercise their rights and responsibilities

CEO's Update

"I am pleased to present the fourth edition of our annual Stewardship Report for clients and beneficiaries. Following on from our inclusion in 2021 as one of the first real estate investment manager signatories to the UK Stewardship Code, this report details our stewardship activities for the period 1 January to 31 December 2023."



Giles King
Chief Executive
Officer,
Swiss Life Asset
Managers UK



A Changing Industry Landscape

The past 12 to 18 months has been momentous for UK real estate. During 2023, we witnessed many of the factors that arose in H2 2022 play out within property markets in the form of asset valuation movements driven by higher interest rates and softer capital markets activity. As a result, the period spanning Q4 2022 to H1 2023 delivered significant change for our industry by fundamentally altering investors' perceptions of UK property as an asset class. In our new higher-interest rate environment – spurred by recent market volatility and higher inflation – real estate investment managers are now expected to deliver higher returns to meet the changing expectations of our investors.

We have provided extensive commentary within Principle 4 of this report to outline our response to navigating this period of transition, including the ways we are responding to the elevated market-wide and systemic risks associated with investors' demands for higher returns.

Despite the negative market sentiment of 2023, we continued to deliver secure income for our investors. Notwithstanding the challenging market conditions which led to broad revaluations of property assets across the sector, income returns within our portfolios during 2023 remained strong in both absolute and relative terms. Our diversified, thematic approach – overweighted to markets with strong structural themes such as industrial and logistics – continues to position our clients' portfolios for long-term growth.

In terms of investment performance, the weighted composite of our three mature and stabilised core balanced portfolios – representing approximately two thirds of AUM – continued to outperform the AREF/MSCI UK PFI Balanced Funds Index across 3-, 5- and 10-year annualised periods (to 31st December 2023). As an income-focused investor, the weighted property-level income return of these portfolios has been +137 bps p.a. higher than the Index over the last 3 years.

Continued Stewardship & ESG Integration

We furthered our commitment to stewardship in 2023 by completing and launching our UK Social Value Strategy, 'Empowering Places'. The strategy is the culmination of an extensive project completed over the past years, and signals our continued commitment to creating positive social impact within the communities in which we invest.

Our progress on sustainability was once again endorsed by our Global Real Estate Sustainability Benchmark (GRESB) scores, with our largest two mandates scoring 83 (+8 point annual improvement) and 81 (+3 point annual improvement). The two mandates were awarded four Green Stars and three Green Stars respectively.

We once again furthered our commitment as a Living Wage employer by undertaking an extensive supply chain review to prepare our third UK fund, CPT, for accreditation. CPT was successfully approved as an accredited Living Wage Employer in August, joining PUT (November 2021) and our largest fund, PITCH (December 2022).

During the year, Swiss Life Asset Managers was certified by EDGE – a global certification standard for workplace diversity, equity, and inclusion – in recognition of our commitment towards gender equity and inclusive culture.

For the third year running, we participated in the *10,000 Black Interns* programme to promote diversity and inclusion within our industry, providing an internship to a student from Bristol University who participated in a rotating programme of experience across our business.

Finally, we progressed a significant number of initiatives relating to Principle 2 (Governance, resources and incentives to support stewardship) and Principle 7 (systematically integrating stewardship and investment). We have provided "deep dive" examinations of stewardship outcomes in these two sections of this report.

Innovative Growth

Despite the market volatility of Q4 2022, our UK Family Office client deployed £100m+ within the first six months of 2023, acquiring five compelling assets with minimal competition. The effectiveness of our risk management processes gave us the confidence to resume investment on behalf of this investor sooner than many other investors were willing to re-enter the market, reflecting our collaborative approach to managing client relationships, and our ability to see through market volatility by taking a long-term view.

We furthered our innovative investment in operational real estate during 2023 by adding three assets to our UK self-storage platform. Similarly, we continued to expand our partnership with a specialist residential investment manager by completing three new transactions in the single-family housing sector – one of the best performing UK real estate sectors in 2023. We also made our first investment on behalf of a pan-European healthcare fund managed by our parent company, Swiss Life Asset Managers.

Our remaining transactional activity in 2023 predominantly related to asset sales required to meet redemptions for two open-ended funds. It is meaningful to note that we handled this process effectively: we maintained positive relative performance while selling out of property, which is difficult during periods of market dislocation. We avoided "forced sales" from our funds, honoured all investor redemptions, and remained "open" during a time when many other funds and competitors decided to either close investment or defer redemptions.

Conclusion

As detailed throughout the following report, we strongly believe that Swiss Life AM UK is well-positioned to continue our strong track record of stewardship for our clients and beneficiaries. As responsible investors, we pride ourselves on our continued commitment to stewardship and are hereby pleased to present our report for the 2023 period.

Introduction

Swiss Life Asset Managers UK Limited is the UK arm of Swiss Life Asset Managers, one of the largest real estate managers in Europe¹ with approximately £113.3 billion of real estate assets under management and administration². As part of Swiss Life Asset Managers, our investment scope has range, resource and is socially responsible.

Founded in 2003, our UK business unit (Swiss Life AM UK) is led by an experienced team with significant continuity of service and deep understanding of local markets. We have a proven track record of investing across risk profiles, from core to opportunistic strategies in all property market sectors and geographies. As at 31st December 2023, 91% of our assets under management (AUM) comprised core UK strategies. We focus on the provision of investment management services and co-investment for a select group of institutional clients to grow our business sustainably.

Swiss Life AM UK is a specialist UK real estate fund manager authorised and regulated by the FCA as a full scope AIFM under AIFMD.

Swiss Life AM UK's Chief Executive Officer is Giles King. He is supported by Tim Munn (Chief Investment Officer), Tim Cridland (Finance Director), and Frances Spence (Head of Research, Strategy and Risk), as well as the Group Chief Investment Officer (Stefan Mächler) and Chief Financial Officer (Hermann Inglin) of Swiss Life Asset Managers on the UK Executive Board. The Board is chaired by James Thornton, a non-executive chairman and original founder of Swiss Life AM UK. Biographies are available on [our website](#).

We offer a tailored service to deliver superior risk-adjusted returns on behalf of our investors, combining a highly personalised service with the scale, security and knowledge advantage of being part of one of Europe's largest real estate asset managers.

Swiss Life AM AUM totalled £1.8 billion as at 31st December 2023, comprising 141 direct property assets. We service a range of both UK and international investors and predominantly invest in direct real estate (relating to the part- or full-ownership of specific property assets) across the risk/return spectrum. Indirect real estate investments (relating to ownership of shares in a fund or company managed by external managers), are acquired from time to time but comprise less than 1% of our AUM (0.97%).

Please refer to Principle 6 on p.38 for a detailed breakdown of our client base and real estate assets under management.

Swiss Life AM UK's longest-running mandate is the core, income-focused Property Income Trust for Charities (PITCH) Fund, which invests on behalf of its client base of UK charities and endowments. Championing ESG, PITCH has followed formal ethical and environmental management

policies since launching in 2004. The fund has outperformed the MSCI/AREF UK All Balanced Open-Ended Property Fund Index (PFI) by 86 bps over 10 years, with income comprising 90% of PITCH's fund-level total return over the last 10 years³. In addition to PITCH, we manage three core separate account mandates on behalf of institutional investors.

Swiss Life AM UK adopts a research-led investment approach focused on the long-term drivers of occupational demand. We act entirely independent of brokers, sourcing investments across the market, and procuring services from external advisors on a best-in-class basis. Focused on income, we have a strong track record in constructing resilient portfolios, meeting clients' investment objectives and servicing expectations with a strong responsible investment ethos.

We combine a highly personalised service with the scale, security and knowledge advantage of being part of one of Europe's largest real estate asset managers.

We have championed a thematic investment strategy for more than nine years, long before other managers who now claim to do so. We utilise our proprietary Asset Scoring Model to assess the thematic strength and potential of assets, seeking to buy and hold properties positively aligned to secular, macroeconomic trends to ensure enduring occupier appeal. This approach provides us the confidence to be largely unconstrained in our approach, not beholden to market benchmarks, and to act with conviction.

Real estate is a major asset class for Swiss Life comprising c.29% of its balance sheet assets². The wider Swiss Life platform affords our UK business the resources and long-term commitment to retain and recruit the best talent to develop our investment capabilities. Our focus is the

provision of UK investment management services and co-investment for a select group of institutional clients to grow the business sustainably through long-term strategic partnerships.

We invest on behalf of a range of third-party investor clients. We manage segregated and advisory mandates for several UK-based Asset Management Companies including Schroders and Jupiter Asset Management. Within our UK pooled funds, we manage allocations for UK and European Pension Funds (public and private) and Life Insurers. Within our open-ended PITCH fund, we manage direct allocations from over 150 individual UK Charity Investors, as well as indirect allocations from an additional 20 UK-based Asset Management Companies who invest on behalf of a further c.1,000 UK Charity Investors. Finally, we manage one segregated mandate on behalf of a UK Family Office.

Swiss Life Group invests in funds managed by Swiss Life AM UK and other fund management businesses within Swiss Life Asset Managers. Over the last seven years, we have made UK investments on behalf of Swiss Life funds with pan-European strategies. We provide asset management services to these funds, and we expect this part of our business to grow over time.

As both an owner and manager of assets, Swiss Life Asset Managers understands its responsibilities and fiduciary obligations. We make all investment decisions in line with regulatory requirements, and we are committed to value-oriented and holistic risk management. When it comes to risk management, we go beyond clearcut exclusions to protect our assets. Swiss Life Asset Managers uses a broad range of information to make investment decisions, considering both financial and ESG factors. We provide solutions designed to help clients reach their goals and enact their choices by creating sustainable economic value. Our responsible investment approach is deeply embedded in our core processes, notably in controlling risk, portfolio management, investment choices as well as all core supporting functions. ●

¹ ANREV/INREV/NCREIF Fund Manager Survey 2023

² Swiss Life Asset Managers figures as at 31st December 2023

³ MSCI/AREF December 2023

Principle 1

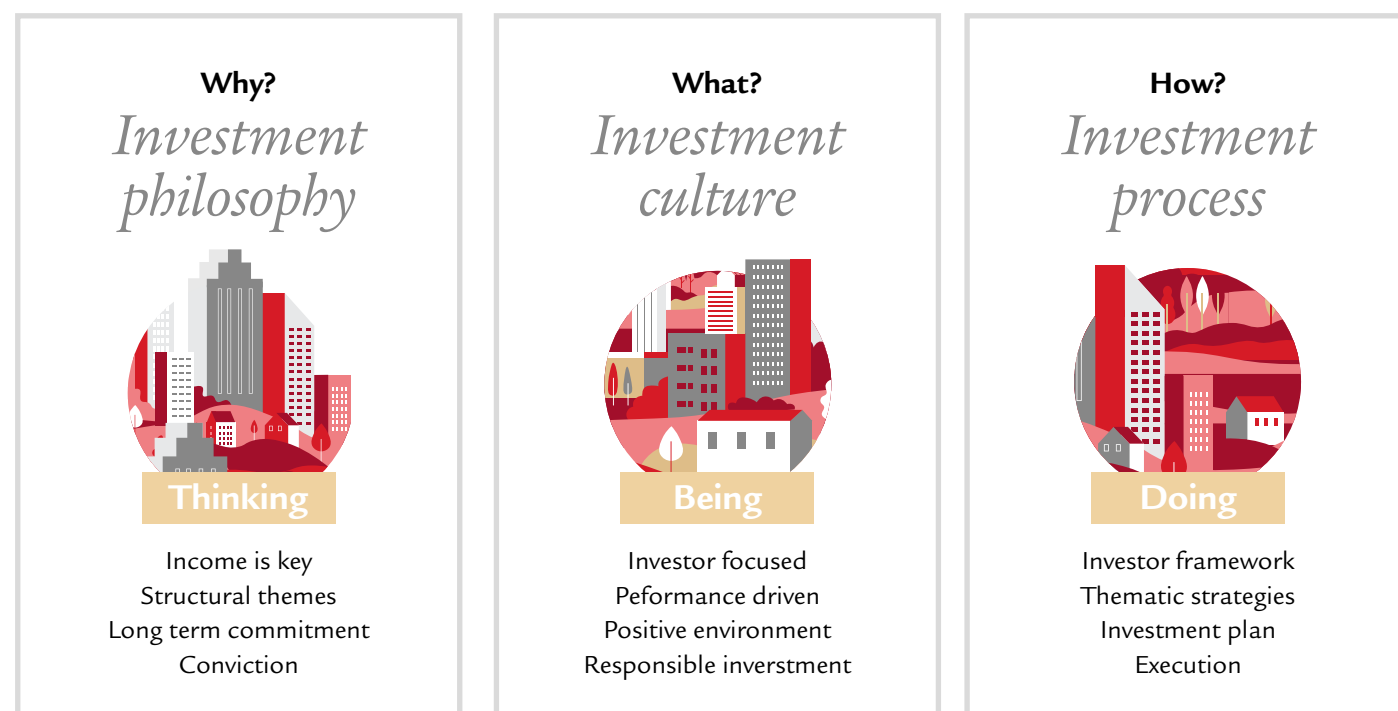
Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

Our Purpose

Our Purpose is to provide investor clients with tailored property investment solutions to meet their risk/return requirements; to invest smartly and responsibly, in accordance with secular trends, and with full appreciation of the impact our activities have on the communities in which we invest and the environment. We seek to build long-term strategic partnerships with our investor clients and stakeholders.

Our Investment Approach

We are a progressive investment manager. The attributes of our progressive style are encapsulated within our Investment Approach, which comprises our Investment Philosophy (*"how we think about investing"*), our Investment Culture (*"how we behave as investors"*) and our Investment Process (*"how we invest"*). We refer to this as "Thinking", "Being" and "Doing":



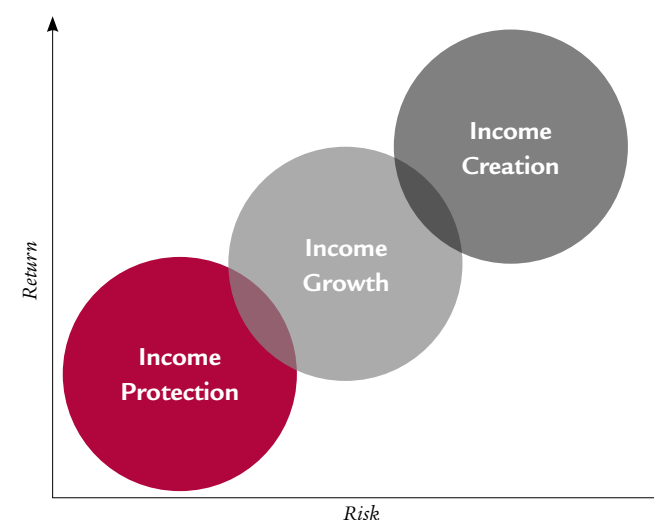
Investment Philosophy ("Thinking")

Our investment philosophy contends that income is the driving force behind real estate investment. Income has comprised approximately 75% of property's total returns over the last 40 years⁴.

Our long track record of outperformance (+69 bps over 5 years, +88 bps over 10 years) exemplifies our ability to deliver on our clients' investment objectives through our thematic, income-focused Investment Approach.

Accordingly, first and foremost we are income-focused investors. We tailor the income profiles of the portfolios we manage to clients' risk profiles. Guided by our market research, we invest thematically, identifying assets aligned to structural trends with physical characteristics that appeal to modern occupiers and are therefore able to generate long-term income.

We seek to build and manage portfolios that provide resilient and sustainable income returns by focusing on assets with strong fundamentals and sustainability characteristics. We target assets that, when diversified, provide a mix of income protection, growth and creation due to their enduring occupier appeal:



For core investors, we focus on income protection and growth through high quality income and vacancy mitigation with assets able to meet current and future occupier needs. We also place restrictions on speculative income creation initiatives to prioritise income preservation and mitigate vacancy risk.

For clients with a higher risk tolerance, we apply greater focus on capital value enhancement through income creation by focusing on assets with shorter leases with extension potential that provide opportunities to improve an asset through refurbishment and the development of additional space.

We understand that long-term value is maximised when we manage resilient real estate that is adaptable to change. Therefore, we believe a thematic approach – focused on the structural trends that drive long-term real estate demand – enables better understanding of occupiers' needs and how these will change. With this insight, we invest with conviction and have the confidence to be largely unconstrained in our approach.

Sustained income preservation and growth necessitates stewardship over the land and property that we manage. This ensures a commitment to continuously align our holdings to positive economic, environmental and societal outcomes to ensure enduring occupier appeal.

We invest thematically, identifying assets aligned to structural trends with physical characteristics that appeal to modern occupiers and are therefore able to generate long-term income.

⁴ Annual MSCI UK All Property Index - December 2023

Investment Culture (“Being”)

Our Purpose is supported by our Investment Culture, which determines how we behave. It is the fundamental link between how we think about investing and how we invest. Our emphasis on the merits of a progressive and shared investment culture is built on four commitments:

- 1. We are investor-focused.** The investor is placed at the centre of our business. We build long-term strategic partnerships by putting investors’ needs first. We are in it for the long run and have processes in place that govern client care and communications to ensure requirements are being met. *See Principle 6 for more detail.*
- 2. We are performance-driven.** We undertake disciplined investment with full accountability to meet investor requirements and maintain our consistently strong performance track record. We have a robust investment governance framework to ensure performance drivers and risks are closely monitored. *See Principle 4 for more detail.*
- 3. We promote a positive working environment.** Swiss Life AM UK is a place of opportunity for our colleagues. We believe an emphasis on teamwork, mentoring and shared best practice engenders trust, respect, and fun, which in turn produces a high-performing business. We recognise the importance of diversity and inclusion in ensuring better decision-making and success as a high performing business. We actively promote and encourage the positive behaviours above. *See Principle 2 for more detail.*
- 4. We are responsible investors.** Principles of Stewardship determine the way we interact with stakeholders; our clients, our advisors, the communities in which we invest, and the environment. Focusing on the highest standards of governance, we seek to generate sustainable value for our investors, going beyond positive investment performance. This is reflected in our approach to ESG and our responsible investment policies, which are long established. *See Principle 7 for more detail.*

These four investment culture commitments drive our purpose. A common purpose ensures that we behave and invest with authenticity on behalf of our investors, which, in these days of short-term prioritisation, is in short supply. This is the commitment we make to our investors and stakeholders. Accordingly, our stewardship approach is built on trust, transparency and generating sustainable value.

The strength of our Investment Culture is reflected by our status as a UK Stewardship Code signatory. Swiss Life AM UK was included as one of the first real estate Investment Managers accepted as a signatory in September 2021 and we retained our signatory status in both 2022 and 2023.

Investment Process (“Doing”)

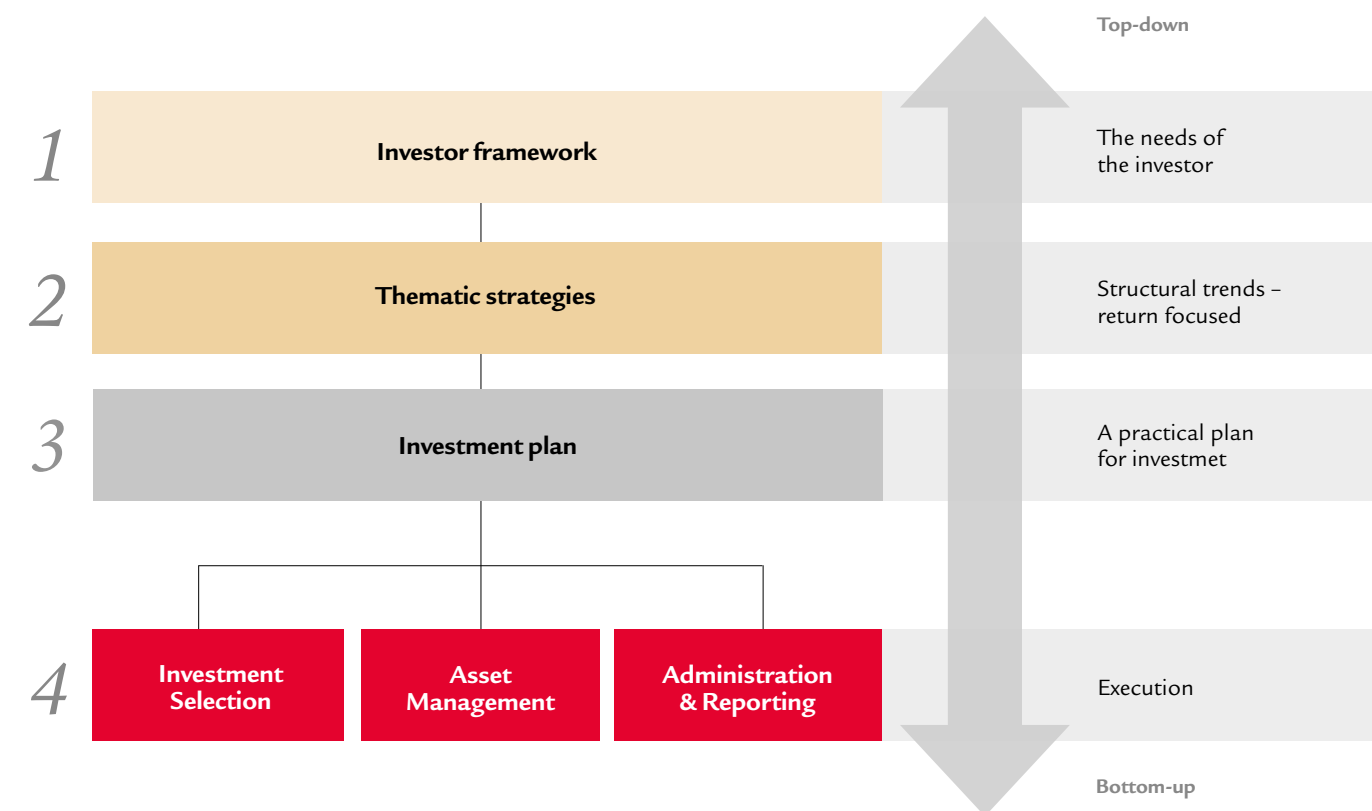
Our Investment Process – “Doing” – details how we put our progressive Investment Philosophy (“Thinking”) and Investment Culture (“Being”) into practice. Our process for investment is highly disciplined and comprises both “top-down” and “bottom-up” elements as shown in the diagram opposite (“Investment Process”).

“Top-down” Characteristics

- > The starting point for investment is always the needs of the investor. We refer to this as the *Investor Framework*, which incorporates the investor’s objective, the universe in which they wish to invest (i.e. geography/sector), their tolerance for risk, and any necessary investment constraints and restrictions. An Investor Framework is agreed with each investor prior to commencement of the mandate.
- > Next, we apply our *Thematic Strategies*, which detail our house views and stock selection criteria. Focused on structural trends we target investments that align to our five investment themes – *Change & Disruption, Climate & Environment, Communities & Clustering, Consumers & Lifestyle*, and *Connectivity* – to ensure we select markets that will generate enduring occupier appeal.
- > We then combine the Investor Framework and appropriate Thematic Strategies into an *Investment Plan* – a practical plan for investment that sets out the key strategic objectives for each mandate and planned investment activity. Our Investment Plans are formulated at the start of the year and approved by our Investment Risk Committee (“IRC”) and then reviewed after six months to ensure that the plan is on course and remains relevant.

We plan investments that are responsible, sustainable and able to meet the ESG requirements of our investors. In constructing our portfolios thematically, we mitigate income/performance risk by diversifying our exposure to assets and tenants. Portfolio risk metrics, often enshrined in pre-agreed investment constraints and restrictions, are

Investment Process



closely monitored by the IRC on a quarterly basis to ensure that the portfolio performs as intended.

“Bottom-up” Characteristics

Only when these three steps are concluded do we commence investment with “bottom-up” execution. We have clearly defined policies and procedures for each element of Investment Execution:

- > For *Investment Selection*, we follow disciplined processes for the sourcing, allocation and approval of new acquisitions and the undertaking of due diligence, which are subject to audit. We select assets that have appealing locational and physical attributes for modern occupiers. We use our proprietary Thematic Asset Scoring Model to assess the thematic strength of an asset against a set of key attributes, including ESG credentials for each asset type (i.e. industrial, office, retail and residential). A score is

provided for the asset “today” and in three years’ time assuming reasonable improvement measures, to guide decision-making.

- > For *Asset Management*, an Asset Business Plan is prepared annually for every asset that we manage with a “hold/sell” analysis (undertaken to determine the business plan), which is incorporated into the annual portfolio Investment Plan. As part of the “hold/sell” analysis we monitor the continued thematic strength of each asset. Investment performance is monitored throughout the asset’s hold period by the client team.
- > Finally, timely and accurate *Administration and Reporting* is critical to ensuring investors get the information they require, and to demonstrate that we are doing what we have said we will do, which is fundamental for building trust and developing long-term strategic partnerships.

Performance Track Record

Founded in 2003, Swiss Life AM UK is led by an experienced team with significant continuity of service and a deep understanding of UK markets. We have a proven track record of investing across risk profiles, from core to opportunistic strategies in all property market sectors and geographies.

In terms of investment performance during 2023, a weighted composite of our three mature core balanced portfolios – representing approximately two-thirds of our total AUM – outperformed the MSCI/AREF UK Balanced Open Ended Funds Index across 3-, 5- and 10-year annualised periods (to 31st December 2023). The composite of these portfolios outperformed the Index by 111 bps on a 3-year basis, and 69 bps on a 5-year basis.

Our clients benefit from the thematic positioning of our portfolios, with occupier trends driven by secular shifts continuing to accelerate since the onset of the coronavirus pandemic in 2020. Despite the negative market sentiment of 2023, we continue to deliver secure income for our client investors. Income returns within our portfolios remained strong during 2023 in both absolute and relative terms. Absolute income returns were higher than the previous year as a function of lower asset valuations, but portfolio income also rose in actual terms.

Despite difficult market conditions – which led to a broad-based revaluation of property assets – we assert that adverse valuation movements should only be of concern if clients intend to sell assets during market downturns. If we acknowledge that short-term capital performance driven by valuation fluctuations predominantly reflects investor sentiment and relative asset pricing, income remains the long-term driver of relative performance. Further, our diversified, thematic approach – overweighted to markets with strong structural themes such as industrial and logistics – continues to position our clients' portfolios for long-term growth. For example, last year we began to see the benefits of investing in the residential sector, which we entered in 2022, as reported in our previous Stewardship report. Residential produced a total return of 1.4% in 2023 versus -0.8% for the All Property Average⁵.

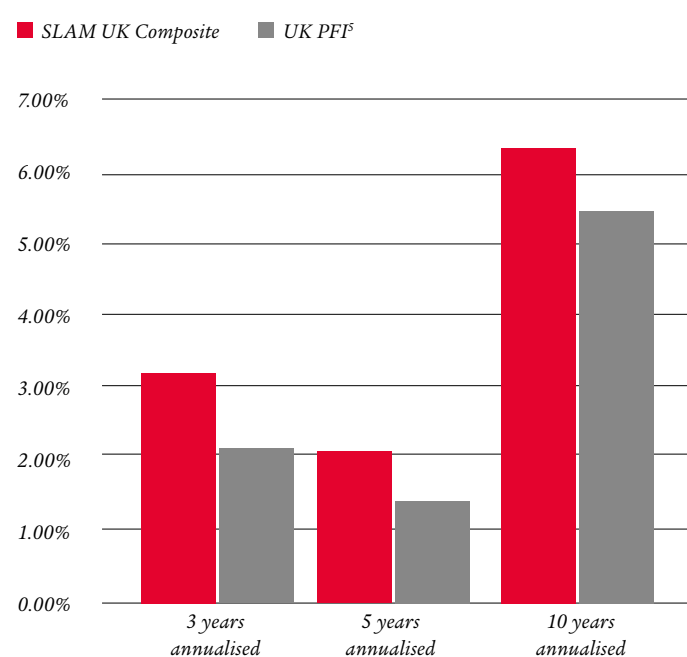
Swiss Life AM UK's largest fund, the Property Income Trust for Charities (PITCH), continues to deliver returns for its underlying investor base of UK charities and endowments. Targeting delivery of a resilient, high-income return, PITCH

has outperformed the index by 86bps p.a. over the last 10 years due to its early conviction call on logistics, no exposure to shopping centres and high street shops, moderate use of leverage, and above average income return.

Property Unit Trust (PUT) has achieved medium and long-term outperformance, attributable to its portfolio structuring (high weighting to industrials) and active management, realising strong rental growth on its largest multi-let assets. The fund has now outperformed the index by 90 bps p.a. over the last 10 years.

Despite having an income focused absolute return investment objective, Commercial Property Trust (CPT) – like PITCH and PUT – compares its performance against the Index above. As at end December 2023, CPT was the top performing fund within the index of 21 funds over all time periods. This has been attributable to its high weighting to industrials and low exposure to offices; however, it has been the Fund Team's proactive management of lease expiries and rent reviews to boost income that has driven superior performance.

Swiss Life AM UK - Total Fund-level Returns for period ending 31.12.2023



⁵ AREF/MSCI UK All Balanced Funds Index – December 2023

Strategic Objectives

To realise our purpose, we focus on five medium-term strategic objectives that align with our investment approach and contribute to long-term value creation:

1. We plan to continue to provide tailored investment management services and co-investment for a select group of institutional clients and to grow the business sustainably.
2. We deal primarily with UK institutional investors, but with the support of our parent company, Swiss Life Asset Managers, we plan to broaden our investor base in future to include large institutional investors from overseas.
3. We will remain a predominantly core direct property investment manager but with a commitment to build our track record of actively-managed and operational real estate to 30% of our AUM over time.
4. We strive to provide a positive working environment - diverse and inclusive - to attract and retain talent and to excel in responsible investment, continuing to be a leader in ESG.
5. We will continue to develop our thematic investment approach to ensure that we are building and managing resilient and sustainable portfolios, which is necessary to maintain our strong, long-term performance track record.

We will seek to grow UK assets under management by focusing on capital sources we expect will benefit from current and forthcoming market conditions, such as UK family offices, charities and endowments and insurance companies. We will continue to grow our self-storage and single-family housing strategies and expand the scope of Swiss Life's balance sheet and pan-European investment in the UK.

Assessing How We Service the Interests of Clients & Beneficiaries

We feel assured that we effectively served the interests of our clients and beneficiaries in 2023. Given the diversity of our investors' requirements and expectations, we assess our ability to meet clients' specific needs on an individual-client basis. Investment performance provides a fundamental assessment of whether we are creating long-term value for our clients, and we were pleased to achieve strong relative performance for our Core/Core Plus mandates during the period (p.12 - 'Performance Track Record').

We engaged deeply with our clients throughout 2023, communicating openly and proactively on key matters such as implementation of our ESG Budgets and Plans, the thematic positioning of client portfolios, and the escalation of issues where required. Further information and illustrative examples of how we service our clients and assess client satisfaction have been provided within Principle 6 (client engagement) and Principle 10 (issue escalation).

We are focused on tackling the ever-increasing needs and expectations of all our investors, with asset-level decarbonisation initiatives and social value emerging as key themes for engagement in 2024 and beyond. ●

Please refer to Principle 6 for further information regarding our approach to client servicing, including how we review and identify measures for continuous improvement.

Our diversified, thematic approach – overweighted to markets with strong structural themes – continues to position our clients' portfolios for long-term growth.

Principle 2

Signatories' governance, resources and incentives to support stewardship

Introduction

As a wholly-owned subsidiary of Swiss Life Group, the activities of Swiss Life AM UK are encompassed within the larger Swiss Life Asset Managers organisation. Whilst the overarching stewardship and ESG approach is set at the very highest levels of Swiss Life Group, responsibility for implementing governance and the resourcing of responsible investment in real estate is organised at the level of Swiss Life Asset Managers.

Swiss Life Asset Managers – Stewardship & ESG Governance

Overview

As a signatory of the UN PRI, Swiss Life Asset Managers maintains a clear responsible investment approach, which is integrated in investment processes and implemented throughout the business. Stewardship and ESG criteria are embedded throughout Swiss Life Asset Managers in all core governance structures and business processes.

ESG Leadership Team

As mentioned, implementation and resourcing of responsible investment in real estate is organised at the level of Swiss Life Asset Managers. The Swiss Life Asset Managers' Executive Committee - headed by the Swiss Life Group CIO – addresses overarching ESG issues at the most senior level on a continuous basis. Typical matters addressed at the Executive Committee include the decarbonisation strategy and social inclusion strategy. As would be expected from one

of Europe's largest real estate asset managers, Swiss Life Asset Managers' ESG platform is well resourced and has a direct reporting line to the Group CIO and to the Board. Key senior ESG leaders at Swiss Life Asset Managers include:

- > **Nelufer Ansari** Head of ESG & Climatch
- > **Miriam Kittinger** Head of ESG, Real Assets
- > **Juliana Barbosa** Head Engagement & Stewardship
- > **Mathieu Maronet** Head of ESG, Securities

ESG Board

In addition to the ESG leadership team, Swiss Life Asset Managers also operates an ESG Board, which is a governance body chaired by the Head of ESG comprised of dedicated senior ESG specialists, as well as representatives from each asset class and relevant functions across the business. Members of the ESG Board have sustainability as a direct responsibility in addition to their main role.

From a governance perspective, the ESG Board continuously develops Swiss Life Asset Managers' responsible investment approach and strategy, guiding how the approach is implemented. It decides on ESG projects and creates internal synergies across asset classes and countries by encouraging teams to exchange insights on ESG topics. The ESG Board ensures alignment with Group Sustainability, Group Risk, and insurance market units' sustainability ambitions.

ESG Committees (Real Estate)

Swiss Life Asset Managers integrates ESG into decision-making by embedding members of the ESG Board in sub-ESG committees for their corresponding asset class or

business unit. During monthly meetings, committee members deal with the operational implementation of our ESG strategy, bottom-up idea generation, and make decisions on ESG integration into the investment and/or risk management process. They also advise on how to approach investments that other committees or processes may raise as controversial.

Central ESG Team

Swiss Life Asset Managers' dedicated, central ESG Team is responsible for developing, implementing and governing all ESG matters across the group. The platform draws on a dedicated and well-resourced team of 40 FTE ESG professionals working across Real Assets and Securities divisions in Europe.

The centralised ESG team steers and implements cross-departmental ESG activities to ensure alignment between country and functional units. The team implements our ESG strategy, initiates bottom-up projects, and assumes responsibility for coordinating and supporting external reporting (e.g. PRI, GRESB, rating agencies).

The central ESG Team is led by the Head of ESG (Nelufer Ansari) who reports directly to the Group CIO. Miriam Kittinger is the Head of ESG for Real Assets, leading a team of 14 full-time ESG professionals solely focused on ESG for Real Assets, which includes real estate.

ESG Ambassadors

In addition to this, Swiss Life Asset Managers also embeds an ESG Ambassador programme across its platform to ensure that all business units have an ESG representative working to integrate ESG considerations into their respective function and country teams.

Swiss Life Asset Managers ESG Ambassadors support the integration of ESG factors into the detailed processes of all teams including portfolio management, fund management, risk management and sales. By situating ESG representatives within all areas of our business, we plan to bridge the gap between business and ESG expertise.

Ambassadors coordinate ESG activities at local level by promoting responsible investment in day-to-day operations, raising ESG awareness, and promoting both expertise and best practice across the company. ESG ambassadors take responsibility for applying and supporting to develop our approach to responsible investment as part of their annual



performance targets. They lead on and participate in ESG event programmes and receive relevant external training.

ESG Weeks

Swiss Life Asset Managers hosts annual ESG Weeks dedicated to spreading ESG "know-how" across the organisation. First launched in September 2021, our ESG Weeks programme for 2023 incorporated a diverse range of 14 separate sessions from 7-17 November, all centring on the theme of "Connection". Internal and external experts facilitated presentations, panel discussions, workshops and keynote speeches on a variety of ESG topics such as megatrends connected to sustainable development goals, climate change adaptation, shifting needs in today's society, AI driving ESG innovation, and increasing regulatory requirements. ESG Weeks underscore Swiss Life Asset Managers' commitment to fully integrate ESG into all its core processes and thus into the corporate DNA. Events in 2023 were attended by over 300 Swiss Life Asset Managers colleagues across Europe.

UK Country Level – Governance

UK Board of Directors

Swiss Life AM UK is governed by its Board of Directors ("The Board"). All Board members have at least 20 years of relevant experience. Most have over 30 years. Biographies of directors are included on [our website](#).

The Board meets on a quarterly basis. A formal agenda and papers are circulated prior. Regular reports are provided to the Board by the CEO, the CIO, the Finance Director and



Chief Executive Officer
Giles King

● ● ●



Chief Investment Officer
Tim Munn

● ● ●



Chairman of the Board
James Thornton

● ● ●



Finance Director
Tim Cridland

● ●



**Head of Research,
Strategy and Risk**
Frances Spence

● ● ●



**CEO, SLAM &
Executive Director**
Stefan Mächler

● ●



**CFO, SLAM &
Executive Director**
Hermann Inglin

● ●



Fund Director
Ned Pumphrey

●



Head of ESG, UK
Christi Vosloo

●



Head of Operations & HR
Anna Matthews

●



Head of Human Resources
Andrea Bacca

●

- Key**
- Board of Directors
 - Executive Committee
 - Investment Committee
 - Remuneration Committee

the Head of Research, Strategy and Risk. Stewardship is a standing agenda item within the CIO’s report. All meetings are minuted and matters arising are followed up at the next meeting or beforehand if appropriate, including any actions relating to stewardship.

UK Executive Committee
On a day-to-day basis Swiss Life AM UK is managed by an Executive Committee, which executes the strategy set by the Board. The Executive Committee meets every week with additional meetings as required. A formal agenda and, where necessary, papers are circulated prior to meetings. Stewardship is a standing agenda item.

The Board and the Executive Committee are jointly responsible for the oversight and accountability for effective stewardship within Swiss Life AM UK. This approach has been chosen to ensure that stewardship is at the heart of decision-making both strategically (at Board level) and operationally (at Executive Committee level).

Investment Risk Committee (“IRC”)
The IRC is responsible for approving the strategy of each fund and advisory mandate, together with all acquisitions, disposals and major asset management initiatives. Three members are needed for the IRC to be quorate. Investment decisions are made unanimously meaning that any IRC member who is not prepared to approve a transaction has veto rights.

The IRC meets every Monday with additional meetings as and when required. Papers requesting approval for acquisitions, disposals or major asset management initiatives are circulated prior to meetings. IRC meetings are minuted. Stewardship and responsible investment are formally included in the IRC Terms of Reference and in the standard template used for investment memos seeking approval.

Remuneration Committee
Swiss Life AM UK’s Remuneration Committee is responsible for approving promotions, salary reviews, bonuses and allocations of units in our long-term incentive scheme. To ensure that the values of stewardship and responsible investment are embedded in compensation and incentivisation processes, these matters are formally embedded within our Remuneration Committee Terms of Reference and Remuneration Policy.

UK Country Level – Resourcing

Overview
In the UK, investment stewardship and ESG criteria are actively considered in strategy formation, transactions, asset management and client reporting, all of which are overseen by the CIO and Investment Risk Committee and reported to the Swiss Life AM UK Executive Board. Christi Vosloo, Head of UK ESG, coordinates interaction between Swiss Life Asset Managers and the UK team. In her dedicated role, Christi focuses on implementing the firm’s ESG and Responsible Investment agenda. Reporting to both the UK CIO and Swiss Life Asset Managers’ Head of ESG, Real Assets, Christi works closely with Scott Fawcett, Head of Asset Management, and is supported by UK ESG ambassadors representing various functions within the business.

Our UK direct property team and Head of UK ESG also work closely with EVORA Global - an external sustainability consultancy - to continually improve our processes and ensure best practice in our responsible investment activities. We also engage a range of specialist providers to advise on ESG matters, with providers selected on a case-by-case basis according to the project and scope of work. For example, JLL have advised us on the development of our social value strategy.

Swiss Life AM UK has been following a responsible investment approach for its UK charity fund, PITCH, for over 19 years - well before it became part of mainstream fund management. PITCH employs a comprehensive ethical policy – developed in consultation with the fund’s investors – which excludes or limits exposure to companies involved in armaments, pornography, tobacco and alcohol.

Linking Stewardship to Remuneration
All Swiss Life AM UK staff members (Executive Committee, Investment Group and Operations, Finance and Administration) have mandatory and meaningfully weighted stewardship objectives included in their annual performance objectives, which directly impact remuneration as part of our annual appraisal process. We seek to instil positive behaviours related to stewardship across our business and these objectives are assessed annually with each individual. All staff members are eligible to receive annual discretionary bonuses paid in April based on performance for the previous calendar year. Performance is measured using the Swiss Life “GPS” appraisal system which analyses the extent to which

staff members have met their objectives, including adherence to the principles of the Stewardship Code. Performance is measured formally at the end of each financial year, with an informal review at the half-year stage. Stewardship performance thus has implications for remuneration for all staff, aligning financial incentives with ESG outcomes.

Staff Impact & Engagement

We have a well-established internal UK Charity Committee. The committee is a staff-led governance body that coordinates charitable giving by Swiss Life AM UK and its staff. Comprised of five UK employees who meet quarterly, committee membership is rotated regularly and chairmanship is not determined by seniority. The committee is responsible for driving staff engagement through volunteering days, matched raising, and the organisation of social/charitable events. All Swiss Life AM UK staff are given two charity volunteering days per year in addition to their normal holiday allowance to allocate to a charity of their choice. Swiss Life AM UK staff supported 13 different charitable causes in 2023, dedicating c.43 charity days and c.340 hours spent with these charities.

We support staff to take on community roles, such as serving as school governors, mentors and trustees/advisors to charities. Many of our staff additionally raise funds for personal initiatives – for example, in 2023 one staff member raised money on behalf of international charity, Movember, by running the London Landmarks Half Marathon, with the business making a financial contribution. In addition, we host an Annual Charity Fundraiser, which aims to raise in excess of £20,000 per event for its chosen charity. All employees are given the opportunity to nominate a charity for the event which are considered by the Charity Committee and selected. Key external contacts are invited to purchase a table or seat at the event, and the evening includes dinner, a talk from a guest speaker, and an auction to raise money.

Swiss Life conducts an annual Employee Survey for all staff across the group, with Swiss Life AM UK employees feeding into the Swiss Life Asset Managers module. The Employee Survey serves as a key opportunity for us to measure staff engagement, which directly relates to the four investment culture commitments that support our purpose (Principle 1) – namely our desire to promote a positive working environment that produces a high performing business capable of creating long-term value for our clients and beneficiaries. It is conducted as a voluntary and confidential process, administered by an independent, external provider.

Diversity, Equity & Inclusion

We recognise the importance of diversity in all our activities including stewardship. Stewardship activities in 2023 were resourced by staff members of all ages, seniority, gender, and ethnic backgrounds.

Recruitment

Diversity is a consideration in the recruitment process for all new hires. In 2023, we actively sought to enhance our diversity (particularly gender and ethnicity) by engaging our recruiters on the following initiatives where possible and appropriate:

- We promoted job advertisements on LinkedIn to reach a wider and more diverse audience of potential candidates.
- We conducted search exercises based on excluding specific qualifications to ensure we were considering a broader range of potential candidates.

We subject potential candidates to a formal recruitment process in all cases to ensure fairness and impartiality.

In 2023, Swiss Life AM UK introduced salary bands to serve as an additional instrument for HR and managers to develop employees' salary to allow this to be consistent, internally fair and competitive. The bands will be reviewed and regularly updated with fresh market data, providing the long-term target framework for salary setting.

365 Days of Inclusion

Swiss Life AM UK actively participates in an annual, business-wide initiative titled “365 Days of Inclusion”. Launched in 2021, it aims to increase awareness of diversity and encourage members of the group to consciously promote an inclusive culture. The initiative is ongoing, incorporating monthly activities across our 24 offices in Europe.

In 2023, “365” launched a podcast, filled with conversations about the big ideas shaping company culture at Swiss Life Asset Managers. The podcasts include people whose expertise and dynamism make an impression in the organisation, we learn about their professional responsibilities, what drives them personally and the stories behind their opinions.



EDGE Certification

In 2023, Swiss Life Asset Managers was globally certified at the EDGE “Assess” Level in recognition of its commitment towards workplace gender equity and inclusive culture. The assessment recognised that Swiss Life Asset Managers has a strong global framework of policies and practices with opportunities for improvement. As part of the certification process, we have been asked to present an action plan that will offer a guide to our progression. The action plan focusses on ‘Equal Pay for Equal Work’, recruitment and promotion, and an adequate succession planning dashboard.

10,000 Black Interns Programme

Swiss Life AM UK participates in the *10,000 Black Interns* Programme, which offers paid internships to address the chronic underrepresentation of Black talent in the investment management industry. During 2023, we provided a summer internship to a student from Bristol University who participated in a rotating programme of sessions across the business.

Swiss Life AM UK has elected to participate in the *10,000 Able Interns* Programme in 2024 which offers paid internships to address the underrepresentation of disabled talent, and seeking to overcome social and physical barriers in the workplace.

Health & Wellbeing

In August 2023, we organised a Swiss Life AM UK Family Day, where we invited employees’ family members to a picnic and games in the park to welcome and embrace our wider staff community.

Anti-Slavery & Anti-Human Trafficking

Under the Modern (Anti) Slavery Act 2015, Swiss Life AM UK strictly prohibits modern slavery and human trafficking in our operations and supply chain. Swiss Life AM UK has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all our business dealings and relationships. Employees must not engage in, facilitate, or fail to report any activity that might lead to or suggest a breach in this policy. The prevention, detection and reporting of modern slavery in any part of our organisation or supply chain is the responsibility of all those working for us or under our control.



UK staff volunteering for charity Be Enriched (October 2023)



UK staff volunteering for Ethelburga Nursery, Wandsworth (May 2023)



UK staff volunteering for charity The Conservation Volunteers (June 2023)

Assessing the Effectiveness of Our Resourcing and Governance

UK stewardship activities are led by the Swiss Life AM UK Executive Committee and subsequently resourced by all staff members involved in investment activities (transactions, asset management, fund management, research, investment strategy and risk).

We believe that our robust resourcing and governance structures are adequate in the context of our position as both a specialist UK real estate investment manager, and the UK division of Swiss Life Asset Managers, one of the largest real estate managers in Europe.

Swiss Life AM UK employs a relatively small team of 31 individuals in London. It is common for team members to “wear multiple hats” across functional responsibilities, including on topics related to stewardship. With this in mind, we feel that our hybrid resourcing model (comprised of both dedicated and part-time ESG resources) is appropriate given our size.

To summarise the effectiveness of our model – we maintain rigorous governance structures, embed ESG into personal objectives to directly impact staff remuneration, and engage with external sustainability consultants, e.g. EVORA, on a project-by-project basis to ensure best practice alongside our peers.

Our well-resourced platform of dedicated ESG professionals and local ESG Ambassadors ensures that we continuously benefit from cross-border collaboration, as well as localised provision, to support stewardship for our clients and beneficiaries. ●

Outcomes

Governance, Resources & Incentives

As mentioned in the CEO’s Update, we progressed a significant number of initiatives related to Governance, Resources and Incentives during 2023, with particular focus on our organisational policies, reporting and standards. Our strongest outcomes and resulting identified areas of continuous improvement include:

Planned Outcomes (2022 Report)

Launch of our UK Social Value strategy

As outlined in our 2022 Stewardship Report, a key Governance, Resourcing and Incentivisation priority for 2023 was the completion and launch of our formal social value strategy. In 2023, Swiss Life Asset Managers UK proudly announced the launch of ‘Empowering Places’ – our UK social value strategy and community fund – the culmination of an extensive social value project which signals our continued commitment to creating positive social impact within the communities in which we invest.

Our strategy is ‘place based’ and aims to tackle challenges caused by the geographical inequality affecting towns and cities across the UK. There are significant differences in productivity, pay, education levels and health and wellbeing across the UK, with regional towns and cities disproportionately affected. As a UK real estate investor with significant regional exposure, we believe we can make a positive contribution to tackling these disparities and challenges through our approach to social value. Our strategy will focus on uplifting the communities around our property assets, delivering tailored impacts that respond to the needs of local communities.

Through our strategy we aim to make a substantial contribution to these focus areas by supporting local community projects, and by using our influence within our supply chain and with our stakeholders. We aim to deliver on this commitment through our UK Community Fund, which included a commitment of £20,000 in 2023 to support local community projects and causes. Following an assessment of local needs in the communities in which we invest, we chose to support two charities in Doncaster in 2023 – Active Fusion and Flying Futures – both of which support youth/ special needs education. Support for both charities was facilitated by South Yorkshire's Community Foundation.

Please refer to Case Study 1 within Principle 10 for further information relating to the development and launch of our UK Social Value strategy.

EDGE Certification

In 2023, Swiss Life Asset Managers was globally certified at the EDGE “Assess” Level in recognition for its commitment towards workplace gender equity and inclusive culture. EDGE is a global certification standard for workplace diversity, equity, and inclusion (DE&I). It helps organisations assess their current DE&I performance, identify areas for improvement, and implement best practices to achieve their DE&I goals. The certification process consists of four steps:

- 1. **Preparation:** The organisation registers for EDGE certification, provides quantitative data on employees including gender, level of seniority and other metrics. HR fills in a self-assessment on policies and practices and employees are invited to participate in a survey on gender equality at the company.
- 2. **Assessment:** An independent third-party auditor verifies the data provided by the organisation and conducts interviews with employees and stakeholders.
- 3. **Certification:** The EDGE Certified Foundation reviews the audit report and grants one of the three levels of certification - *Assess, Move, or Lead*.
- 4. **Recertification:** The organisation undergoes a recertification audit every two years to maintain or improve its certification level.

The assessment recognised that Swiss Life Asset Managers has a strong global framework of policies and practices, with opportunities to further improve gender equity in the workplace in future. As part of the certification process, we have been asked to present an ongoing action plan that will offer a guide to our progression. This includes:

- > Regression analysis
- > on gender bias in recruitment, promotions or performance evaluations

- > A succession planning dashboard to showcase gender representation during succession planning and mandatory sexual harassment training

Refining Staff Stewardship Objectives

During 2023, we refined the granularity of staff stewardship objectives as part of annual performance planning. Improvements were made to enhance the specificity of objectives based on individual staff roles, with the goal of making them concrete and deliverable. Stewardship objectives were tailored to functional responsibility (Transactions, Fund Management, Asset Management) and line management responsibility. As a single example, one UK asset manager committed to completing two solar installation projects within the year.

New Outcomes (2023)

Swiss Life Asset Managers Exclusions List Guideline

In 2023, Swiss Life Asset Managers started implementing an exclusions list process for counterparties to fulfill legal requirements and embody ESG considerations within the governance of all its investment portfolios (even those that do not promote an ESG objective or a sustainable investment objective). ESG exclusions are applied to mitigate potential short- to mid-term financial impacts from external ESG factors and regulatory risks. The exclusions list is used to check and monitor that we are not engaging with the following counterparties:

- > Companies involved in/with prohibited war material/ controversial weapons
- > Companies on EU/OFAC/SECO sanctions lists
- > Companies in violation of the UN Global Compact (UNGC)
- > Companies which generate revenue from mining or selling thermal coal

For Real Estate, exclusions apply to all counterparties where we have a direct contractual relationship as a direct owner of properties. This includes contracts with tenants, suppliers and service providers. For suppliers and service providers, we have implemented a materiality threshold (£10k contract value) to align with our SLAM UK Supplier Code of Conduct. Screenings are performed on a risk-based approach, taking into account for example materiality of the business relationship, adverse news and exposure to the relevant exclusions.

As a result of the new guideline, we started implementing several new processes within the UK in 2023. The topics of regulatory, normative, and sectoral exclusions are often raised by investment consultants and in due diligence questionnaires and are increasingly a requirement for accessing institutional capital.

Further enhancements to our Flood Risk Analysis

As outlined within our 2022 report, we previously engaged an external UK flood risk expert from CBRE to review and enhance our SLAM UK Flood Risk Policy. The review in 2022 resulted in the inclusion of climate risk assessments within our standard acquisition process, ensuring that forward-looking climate risk is a key consideration in our approach to flood risk. During 2023, we completed climate risk analysis on our entire standing portfolio. This analysis identified outlier properties which required further review. We conducted comprehensive, deep-dive climate risk reviews on these select assets, checking the flood zone and that each standing asset had a historical flood risk assessment on file (completed before acquisition prior to the improvements of our flood risk policy). This information was checked against our updated flood risk policy to ensure adherence to our current standards. We then appointed CBRE to complete assessments on properties without existing flood risk assessments, dated assessments or where a further review was deemed necessary.

Future Developments (2024)

- In 2024, we plan to further improve our governance structures and processes supporting stewardship through the following initiatives:
- > Delivery of the second year of our UK Social Value strategy and the publication our first annual Social Value report.
 - > Continuous improvement of our EDGE Certification, including the implementation of a monthly HR Insights email to improve communication.
 - > Development of our "Family Friendly" Policies and Handbook.
 - > Development of policies and practices in recognition of the EU Pay Transparency Directive.
 - > Response to the FCA's guidance on Sustainability Disclosure Requirements (SDR), with anti-greenwashing, labelling, naming, marketing, and initial disclosure requirements under the regime coming into effect in 2024.
 - > Refinement of staff stewardship objectives within the annual performance process.
 - > Improvements to our SLAM ESG Ambassadors, ESG Week, and Employee Survey programmes, as well as the ongoing evolution of our Swiss Life Asset Managers ESG Strategy, which is under continuous review.

Please refer to Principle 7 for a detailed summary of outcomes and improvement initiatives relating to how we integrate stewardship, investment, ESG and climate change at portfolio and property level.



Duet - Salford, UK

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Conflicts of Interest Policy

Our Swiss Life AM UK Conflicts of Interest Policy ensures that all clients are treated fairly throughout our decision-making processes. A copy of our policy is published on [our website](#). As with all our policies, the Conflicts of Interest policy is reviewed at least annually and updated where necessary. In addition, the policy and the conflicts log are reviewed annually by ACA Compliance (Europe) Limited, a third-party consultancy, as part of a programme of quarterly compliance monitoring.

A key aspect of this policy is to prevent a conflict of interest from occurring. Where this is unavoidable, it ensures appropriate measures are taken to mitigate and manage any such conflict to ensure that no client is adversely affected. It is clearly stated in the policy that *“The clients’ best interests remain paramount”*. Adherence to this policy ensures Swiss Life AM UK meets the requirements of Principle 3. All new staff members must complete conflicts of interest training as part of their induction. Existing staff members are required to complete a refresher course every two years.

Swiss Life AM UK is an investment manager of alternative investment funds, providing investment advice to a number of investor clients. We only invest on behalf of clients (rather than trading on our own account), and therefore the principal form of Conflict of Interest that we manage relates to the interests of our clients. Although each fund and advisory client has its own unique investment strategy, conflicts may exist where investment strategies partly

overlap. In order to mitigate and manage any potential conflicts relating to the acquisition of new real estate assets, we operate a deal allocation process to ensure that all clients are treated fairly. Conflicts are identified and managed via both our Investment Risk Committee processes (Principle 2) and our weekly Transactions meeting for all Investment staff, which takes place every Monday morning. There is an obligation on all staff to disclose any potential conflict from a fund, client or personal perspective within this meeting.

We have provided commentary in the **2023 Outcomes** section of this Principle (adjacent) illustrating how two potential conflicts which arose during the year were identified and mitigated.

From a property perspective, we proactively anticipate the potential for conflicts relating to the letting of property assets. We manage letting conflicts by separating responsibilities between Fund/Asset Managers, restricting communication between client teams, appointing separate letting agents and keeping all commercial/legal matters separate and confidential.

These processes align with *“The responsible allocation... of capital...”* included in the definition of stewardship. We are able to identify and mitigate potential conflicts in a timely fashion because of our efficient processes and nimble approach as a specialist fund manager. The key mitigant of potential Conflicts of Interest is our weekly Investment Risk Committee process, which serves a crucial oversight function via regularity of meetings. ●



Impact Park - Bloxwich, UK

Outcomes

Conflicts of Interest

The Swiss Life AM UK deal allocation process operated effectively throughout 2023. There were 39 individual Investment Risk Committee meetings held and all new acquisitions were allocated successfully, with no conflicts arising between funds or mandates.

In the Spring of 2023, a tenant of a property undergoing refurbishment, held within a separate account mandate advised by Swiss Life AM UK, was temporarily offered space in a nearby property owned by a fund managed by Swiss Life AM UK. Although the tenant decided not to relocate, the potential conflict was managed by separate asset management teams advising their respective clients, with the Investment Risk Committee overseeing the process to ensure fair treatment of both clients.

In the Autumn of 2023, the majority of the investors in a closed-ended fund managed by Swiss Life AM UK, which was nearing the end of its life, agreed to transfer a portfolio of assets to a new fund also to be managed by Swiss Life AM UK. Throughout the process the Investment Risk Committee ensured that the minority investors in the legacy fund who wouldn't be transferring to the new fund were treated fairly and provided with full disclosure. The Investment Risk Committee also ensured that the price at which the assets were transferred from the legacy fund to the new fund was undertaken at arms-length, with pricing negotiated with the new third-party investor.

Principle 4

4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Risk Management Framework

Our risk management framework encapsulates our entire investment process. Swiss Life AM UK is authorised and regulated by the FCA. In accordance with regulatory requirements, we have implemented a robust framework to identify, monitor and manage risk. We identify investment risk within our quarterly risk reports by categorising risk as follows:



Risk Categories	Definition
Systematic (Market) Risk	Risk factors affecting the entire market and all properties in a similar way (interest rates, GDP, inflation, political changes such as tax or regulation).
Performance Risk	Recent performance developments (relative vs. benchmark or absolute) and risk of failing to meet investment objectives and target returns.
Liquidity Risk & Leverage	<p>Liquidity risk: Monitors factors impacting a portfolio’s ability to meet liabilities / redemptions. Where appropriate, liquidity in a portfolio is stress tested under different redemption scenarios. Liquidity within portfolios is measured by assessing the time required to convert an asset into cash given current market conditions and asset management initiatives as well as the risk an asset is potentially overvalued given current investor appetite.</p> <p>Leverage: Use of borrowed capital to purchase and/or increase the potential return of investment. It refers to total amount of debt on a property relative to current market value. The risk assessment considers the portfolio’s ability to service financing costs and repayments, as well as the risk of breaching any of the debt covenants.</p>
Concentration Risk	Concentration of exposure to single investments/assets, geographical focus, sectors or tenants.
Credit Risk	Refers to the credit risk of tenants defaulting at a portfolio level, i.e. aggregate tenant credit risk.
Valuation Risk	Valuation risk defines whether an asset is potentially overvalued and will earn less than expected when it matures or is sold by the holder, e.g. valuation loss caused by deviations in expected rent potential, capital expenditure, re-letting assumptions). Valuation risk also extends to fund unit pricing and the potential for dealings at an inaccurate price.
Asset Level Risk	In contrast to systematic risk, asset level risk (i.e. unsystematic risk) is specific to a particular property, e.g. capital expenditure, construction or environmental risks.
Counterparty Risk	Refers to risks from counterparties, such as property managers and banks, that could impact the operation and performance of the vehicle (e.g. mismanagement or bankruptcy). Includes limits on cash held in a single institution.
Regulatory Risk	Refers to risks arising from a changing regulatory environment.
ESG Risk	<p>Risk of increased obsolescence, higher capex requirements and reduction in liquidity for assets that are not resilient to changes associated with climate change. These risks are split into physical risks (e.g., resilience to more extreme weather events associated with climate change, such as flooding) and transition risks (e.g., risks associated with the changing regulatory environment in the shift to net zero carbon, such as higher capex requirements to meet rising energy efficiency standards). Wider factors include environmental data availability and green building certification.</p> <p>Risk of Greenwashing arising when sustainability related statements or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial service. As a mitigant, a dedicated framework to assess greenwashing risks and determine appropriate controls throughout the value chain is being implemented.</p>

The risk categories defined on the previous page provide a reporting framework for our main investment risk management procedures at a fund level:

- > Fund risk profiling
- > Fund risk monitoring
- > Fund risk modelling and stress testing
- > Fund risk reporting and escalation

Responsibility for oversight of these investment risk procedures sits with the Investment Risk Committee (IRC). As stated previously, the IRC is chaired by Tim Munn (CIO) and membership comprises Giles King (CEO), James Thornton (Non-Executive Chairman), Edward Pumphrey (Fund Director) and Frances Spence (Head of Research, Strategy and Risk). On a quarterly basis, the IRC reviews investment risk reports for each Fund, which are prepared by the Research, Strategy and Risk team. Each report analyses the level of diversification in the portfolios and summarises the consistency between the current level of risk incurred by the funds and their agreed risk profiles (Investor Framework). The reports include:

- > *A check on the compliance of the funds with their risk parameters.* This covers the risk limits identified in the Investor Framework as well as compliance with loan covenants (if any) and counterparty risk limits.
- > *Modelling of the perceived liquidity in the fund* (i.e. the ability to convert assets into cash within pre-defined periods). For each fund, the degree of liquidity is expressed in terms of elements of the fund's portfolio that could be converted into cash within time periods related to the redemption provisions of the fund or client's requirements. These assets are assessed relative to sector, lot size and their business plan to determine the preference for sale and impact to the fund if they were liquidated.
- > *A review of fund performance on a relative and absolute basis.* House View asset allocations for benchmark relative funds are back-tested to assess to what extent the sector allocation decisions made a positive contribution to fund performance.
- > *The stress testing of the credit facilities* (if any) to assess the impact falls in value will have on the portfolio NAV and loan to values (LTV's), according to the fund's level of debt, as well as the impact of rental loss on the interest cover ratio (ICR).

- > *Analysis of tenant counterparty risk* as well as the shape of the income expiry profile, undertaken to assess the stability of future income and understand potential impacts on the income distribution yield.

On an annual basis, the reports will also include comments on the stress testing of the assumptions that underpin the annual hold/sell analysis and prospective base case IRR. Hypothetical stress tests are undertaken using economic scenarios that have been outlined by PMA – a third-party economic and property market forecaster – to help understand the vulnerability of property portfolios to extreme moves in market value given their sectoral composition. This enables pre-emptive portfolio recalibration to preserve and enhance value, while protecting from downside risk. We do not use a quantitative approach such as correlation analysis to inform our portfolio composition. Rather, we seek to invest with conviction following our thematic investment approach, which is based on five themes that drive structural change:

- > Change & Disruption
- > Climate & Environment
- > Communities & Clustering
- > Consumers & Lifestyle
- > Connectivity

Guided by our themes, we allocate capital to locations and assets that we believe are positively aligned with the structural changes underway in our economy and across society. Risk parameters are agreed as part of the investment strategy to ensure sufficient geographic, sector and tenant diversification, but these will vary depending on the risk/return profile of the mandate.

Industry Initiatives

We subscribe to a number of publications and data service providers to ensure we have up-to-date market information. In addition, senior personnel of Swiss Life AM UK are active members of industry bodies such as AREF, INREV, the IPF, and RICS to keep abreast of market developments and new legislation and regulations to monitor current and new risks. We also work with best-in-class property consultants and solicitors, and receive information via their distribution lists for industry bulletins covering evolving risks.

Swiss Life AM UK and three of our advisory mandates are accredited as Living Wage Employers by the Living Wage

Foundation. The real Living Wage is the only UK wage rate voluntarily paid by almost 12,000 UK businesses who believe their staff deserve a wage which meets basic everyday needs. Living Wage accreditation demonstrates a commitment to our employees as well as those who work in our supply chain, ensuring they are paid the "real living wage".

In May 2022, Swiss Life Asset Managers became a signatory of the Net Zero Asset Managers Initiative (NZAMi), reinforcing our commitment to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to support investment aligned with net zero emissions by 2050 or sooner. In-line with our commitment as a signatory, we published our initial Target Disclosure in June 2023, which is available [online](#).

Please refer to Principle 10 for more information on how we engage with industry associations and trade bodies on matters relating to the functioning of financial markets.

Identifying and Responding to Market-wide and Systemic Risks

H1 2023: Continued Volatility

2022 was a volatile year for UK real estate markets resulting from firstly the conflict in Ukraine, high inflation and rising interest rates fuelling a cost-of-living crisis, and then the financial turmoil following the UK government's September 2022 "mini-budget". During Q4, we witnessed extreme levels of uncertainty in commercial property markets following the fastest repricing of market yields in recorded history. The subsequent fallout prompted a rapid reduction in asset prices due to high market uncertainty and low liquidity. Compared to 2022, 2023 was calmer from a macroeconomic risk perspective with inflation starting to come down and interest rates stabilising in the second half of the year. However, for the property market, many of the stresses that arose at the end of 2022 created implications that would play out during 2023. Elevated market uncertainty and risk led to lower levels of activity and deal volumes, exacerbated by the fact that rising gilt yields led most mature corporate defined benefit pension schemes – representing a significant proportion of UK institutional capital - to exit property for more liquid assets. This continued to have a depressing effect on asset values although the scale of value reductions differed significantly by property type. After the initial shock

to values in Q4 2022, valuations for Industrial and Logistics assets stabilised in the Spring; however, in a weaker market with elevated risk, structural headwinds facing offices meant that asset values in this sector continued to slide. Within our last Stewardship Report, we provided extensive commentary addressing two key Market-wide risks that materialised at the end of 2022, which subsequently impacted our investors' portfolios in H1 2023:

- > *Liquidity risk* – The risk that underlying investors might seek to redeem investment holdings at short notice, culminating in real estate funds becoming "forced sellers", leading to dramatic falls in asset valuations and the destabilisation of funds by challenging liquidity and threatening performance.
- > *Asset Pricing Risk* – A reduction in deal volumes challenges the relative/fair pricing of assets, which means pricing must drop significantly in order to find buyers willing to take the risk and seeking to be rewarded at a time when others are not actively buying.

To mitigate these risks, we initiated a series of measures in Q4 2022 (outlined in our 2022 Report), which we continued to implement within H1 2023. These included initiatives as part of our Quarterly Risk Review process (led by our internal IRC), variety of internal risk mitigation procedures including sophisticated "fair value" analysis; tracking of deal activity to establish agreed pricing metrics; and a temporary pause on all new investment, as well as extensive engagement with external parties for further insight to better understand the market outlook and further mitigate risk. Our prudent response to UK Market-risk in Q4 2022 and H1 2023 was reflected in the following achieved outcomes for our clients:

- > We avoided capital loss on planned acquisitions and re-entered the market sooner than many other investors
- > We succeeded in preventing any forced sales for our Funds
- > We proactively managed asset sale programs for Funds where the client requested to redeem their capital

These outcomes illustrate the effectiveness of our risk management processes to proactively manage and mitigate client risk during a period of extreme market volatility.

For extended commentary relating to UK property market risks between Q4 2022 and H1 2023, please refer to Principle 4 of our previous Stewardship Report (2022 period).

H1 2023: Continued Volatility

The period from Q4 2022 to H1 2023 brought momentous change to the real estate investment landscape, fundamentally altering investors' perceptions of UK property as an asset class. Traditionally, real estate has been seen as a “bond proxy”, offering steady and secure income streams, with property values largely priced in relation to the gilt yield. Over the past 40 years, the risk premium for real estate has typically been priced at approximately 230 bps above 10-year gilts. However, following the events of Q4 2022 to H1 2023, gilt yields rose from around 0.75% to 4.50%, leading investors to demand higher yields from property to maintain the long-term premium over gilts. This market shift, driven by a higher-interest rate environment, has led to property no longer being considered the proxy for bonds that it once was. In this new higher-interest rate environment – spurred by recent market volatility and higher inflation – real estate investment managers are now expected to deliver higher returns to meet the higher expectations of investors. This shift has led to a number of significant new considerations when identifying and responding to Market-wide risk within the UK property market:

1. Investor types are changing

Since H1 2023, historically-passive real estate investors – such as corporate defined benefit (DB) pension schemes – have reduced their exposure to property investment in favour of higher yielding gilts and other liquid investments. Investors replacing passive holders of property are now seeking higher income returns to justify investment into real estate. Therefore, investment managers are expected to attain enhanced, risk-adjusted returns to satisfy current investors' needs. Responsible stewards of client capital must be able to capably manage heightened risk within investor portfolios.

Please refer to the Case Study within Principle 6 for an example of how we are providing tailored investment solutions for modern investors in UK real estate.

2. Active Management for Higher Returns

In the face of a weaker economic outlook (due to increasing interest rates to control inflation), investors must pay more attention to property fundamentals and asset specification rather than just lease term and tenant. Factors such as the structural oversupply of office space, the rise of hybrid working, and escalating regulation regarding energy performance standards mean that real estate investors have to focus on the highest quality assets to ensure demand and income resilience. In addition to acquiring high quality

assets, managers of real estate are also having to concentrate on maximising the physical attributes of buildings. Higher income returns can be derived through “active” asset management enhancements such as refurbishment, redevelopment and lease renegotiations with tenants – skillsets that are becoming increasingly important to securing resilient income sources for investors.

Please refer to Case Study 1 within Principle 9 for a detailed example of how we apply “active” asset management to future-proof assets for our investors.

3. Growth of “Alternative” Sectors

The combined effects of higher interest rates and long-term structural trends mean that large parts of the traditional property universe, such as offices, shopping centres and high street retail that face structural headwinds, no longer appear attractive to long-term investors. Alternative sectors (such as healthcare, hotels, residential and self-storage) are becoming a larger proportion of institutional portfolios, while sectors such as industrial/ logistics are no longer considered niche. Investment managers are having to undertake a more “active” style of portfolio management – in markets and assets aligned to long-term structural trends – to secure resilient income sources for investors.

Please refer to Principle 11 for an overview of how we are innovatively achieving exposure to alternative real estate sectors for our investors.

4. Rise of Operational Real Estate

Investors seeking innovative ways to maximise value, mitigate risk and hedge inflation are increasingly investing into Operational Real Estate (OpRE) sectors – defined as investments not subject to traditional lease models but structured to benefit from the operational performance (profit) of the underlying operator or occupant. OpRE investments typically entail a different risk-return profile compared to traditional leased investments, and are capable of achieving higher cash-flow distributions. Increasing operational exposure is being observed across real estate sectors, including the traditional sectors of office, retail and logistics, with trends such as the “hotelification” of offices (to provide fully serviced accommodation on flexible contracts), the growth of specialist living sectors, and “pop-up” stores and turnover rents in the retail space. Managers of OpRE investments are having to adapt to higher participation in terms of time, resources, market knowledge and monitoring operational/ corporate risk in addition to traditional real estate risk factors.

Please refer to Principle 11 for an overview of how we are building Operational Real Estate investment experience and capabilities for our investors.

Future Geopolitical Risk (2024)

We anticipate that geopolitical risks will continue to pose downside risk to the UK economic outlook in 2024. International geopolitical risk (outside the UK) remained elevated in Q4 2023, with the potential for further conflict escalation in the Middle East. A widening of this conflict could have a negative impact on the global economy driven by shipping, energy, and supply chain disruption. Further risks for 2024 include increasing tensions between the US and China, the 2024 US elections, and the enduring conflict in Ukraine. Generally, our ability to mitigate political risk is limited but geopolitical events are carefully monitored by our business on a continuous basis to ensure it is considered as part of the investment decision-making process. Despite domestic risks being considered relatively low, policy announcements in advance of a UK election in H2 2024 may cause some volatility in the domestic market. It will be important to track potential legislative changes, particularly targeting residential and sustainability issues. We are not anticipating a significant impact on the economic outlook as the fiscal plans of both major UK political parties are broadly consistent. Furthermore, a decisive win by either party may see the UK regain its reputation for stability and become more attractive to global capital.

Ongoing Climate Risk

As outlined later in this report (Principle 7), we have a robust and comprehensive ESG strategy that ensures continual improvement of our ESG performance and enshrines our business commitments to addressing the impacts and risks posed by climate change. Swiss Life AM UK risk assessment processes related to ESG and Climate Risk include:

- > Net zero carbon assessments for new acquisitions
- > Net zero carbon audits of standing investments
- > Decarbonisation pathway analysis of the standing investment portfolio
- > ESG data collection
- > Climate risk assessments as part of standard acquisition due diligence process

- > Flood risk assessments for all standing assets against our recently enhanced Swiss Life AM UK Flood Risk Policy
- > Climate Risk modelling of physical and transition risk to Swiss Life AM UK's standing investment portfolio
- > Climate risk assessments within quarterly risk review

Please refer to Principle 7 for a detailed summary of outcomes and improvement initiatives relating to how we address climate risk within our investment portfolios.

Assessing How We Identify & Respond to Risks

Our risk management procedures are documented in our Risk Management Framework (which is continuously reviewed on an ongoing basis). At the forefront of our procedures is the ability to ensure that any inherent portfolio risk is aligned with the fund's objective and the specific risk tolerance agreed with the underlying client. Our reporting provides a holistic view of the performance drivers within our portfolios and allows us to identify areas of elevated risk and agree the measures required to mitigate these. We work on the basis of a “no surprises” approach to client reporting.

On the whole, we feel that we capably evidenced our ability to mitigate emergent market-wide and systematic risk in 2023, including those specifically related to increased market volatility that emerged throughout 2022 and H1 2023, and the impacts of the present higher interest rate environment. These events tested our risk management processes, and we responded by demonstrating the robustness of our approach. As evidenced, we were able to use our risk reporting and risk monitoring framework during H1 2023 to identify areas of vulnerability across our portfolios and agree comprehensive risk mitigation measures to achieve beneficial outcomes for our clients. Further, we continue our efforts to mitigate risks associated with climate risk, the changing profile of investors into real estate, and the nature of investment opportunities within our sector – all through our thematic approach to portfolio positioning, and the increasing number of asset-level initiatives that we are advancing to address risk within our portfolios. ●

Please refer to Principle 5 for further information on how we review and assure the effectiveness of our risk management policies and processes.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

Review of Policies & Processes

Policy Review

Swiss Life AM UK reviewed all its policies during 2023 in accordance with our commitment to continuous improvement. All policies and procedures are reviewed at least annually in alignment with the principles of the Stewardship Code.

Notable updates were made in 2023 to the Employee Handbook, Compliance Manual and other compliance policies and procedures to implement the FCA's Consumer Duty rules. In addition, improvements were made to policies and procedures in respect of anti-money laundering, counter terrorist financing and sanctions.

As mentioned within our responses to Principles 2 and 7, key actions during 2023 related to the following policies and processes:

- > We implemented **Exclusions List Guidelines** for all counterparties where we have a direct contractual relationship as a direct owner of real estate (including contracts with tenants, suppliers and service providers).
- > We made further enhancements to our **Flood Risk Policy**, engaging an external UK flood risk expert to review and enhance the contents of our policy, resulting in the inclusion of climate risk assessments within our standard acquisition process.

- > We further enhanced the way we document **ESG considerations as a formal risk consideration** within annual investment plans and risk reports, which continue to allow us to conduct forward-looking ESG analysis.
- > We conducted a full review of **Green Lease Clauses** and enhanced data sharing provisions to allow for new data technological changes, such as automatic data access via the UK's national database for electricity and gas consumption.
- > We formally adopted **CRREM pathway analysis** as standard within our due diligence process for all new acquisitions under consideration. These incorporate the formulation of an asset's future decarbonisation pathway using the CRREM (Carbon Risk Real Estate Monitor) tool.

Internal & External Assurance

Swiss Life AM UK has implemented a series of internal and external processes to gain assurance. Activities carried out for the 2023 period are summarised as follows:

Internal Assurance

The Board and the Executive Committee are jointly responsible for the oversight and accountability for effective stewardship within Swiss Life AM UK. This approach has been chosen to ensure that stewardship is at the heart of decision making both strategically (at Board level) and operationally (at Executive Committee level).

Swiss Life AM UK reviewed all its policies during 2023 in accordance with our commitment to continuous improvement.

The Executive Committee meets weekly, and comprises Swiss Life AM UK's CEO, CIO, Finance Director, Head of HR and Head of Research, Strategy and Risk. Stewardship is a standing agenda item for these meetings. Priorities are set by this committee, and activities are monitored on an ongoing weekly basis. Reports are provided to the UK Executive Board on a quarterly basis. In 2023 Board meetings were held in March, April, July, September and December.

Swiss Life AM UK has an internal Compliance function headed by the Head of Legal & Compliance, who also acts as the Firm's Compliance Officer.

As a wholly-owned subsidiary of the Swiss Life group, Swiss Life AM UK is also subject to ongoing oversight by the Swiss Life Asset Managers Compliance function. In 2023 the Head of Legal & Compliance participated in further meetings and discussions with Swiss Life subject matter experts on anti-money laundering, counter terrorist financing and sanctions topics. Following these discussions improvements were made to Swiss Life AM UK's policies and procedures, as set out below in the case studies.

Initial discussions were held internally, with the Firm's external legal counsel and with ACA Compliance (Europe) Limited in December 2023 regarding the FCA's Policy Statement PS 23/16 Sustainability Disclosure Requirements (SDR) issued on 28 November 2023. The discussions confirmed that Swiss Life AM UK will be within scope of the new regulatory requirements and will implement them in 2024.

Swiss Life AM UK is additionally subject to ongoing oversight by the Swiss Life Internal Audit function. An internal audit review of Swiss Life AM UK was conducted in April 2023 to assess governance, processes and controls over real estate sales and related party transactions, including the selection of assets to be sold, determination of price (and other contractual terms), selection and monitoring of brokers, approvals, and how potential conflicts of interest are handled. Findings from the review were made available to the Swiss Life AM UK Executive Committee in May 2023 and refinements to policies and procedures were successfully implemented in June 2023.

External Assurance

During 2023, we consulted with the following external parties to obtain assurance:

- > ACA Compliance (Europe) Limited – *compliance consultants*
- > EVORA Global – *ESG consultants*
- > Association of Real Estate Funds – *industry body*

As outlined within Principle 2, our UK direct property team and Head of ESG UK continue to work with EVORA Global on matters relating to ongoing advice and guidance. Fund and property environmental performance data submitted to GRESB for peer group assessment is externally assured by EVORA Global to the AA1000AS Assurance standard annually.

ACA Compliance (Europe) Limited have been retained to conduct quarterly compliance monitoring of Swiss Life AM UK's compliance function and to provide advice and guidance on regulatory topics. In particular, ACA help us to shape our ESG/responsible investing initiatives by providing advice on key issues including:

- > New Sustainability Disclosures Requirements
- > New Consumer Duty regulations (see case study below)

In terms of ongoing assurance, ACA carried out 4 compliance monitoring reviews during the 2023 period (in February, May, August and November). On completion of their review, ACA write a report to the UK Executive Board. None of the reviews identified any adverse findings. ●

Case Study 1

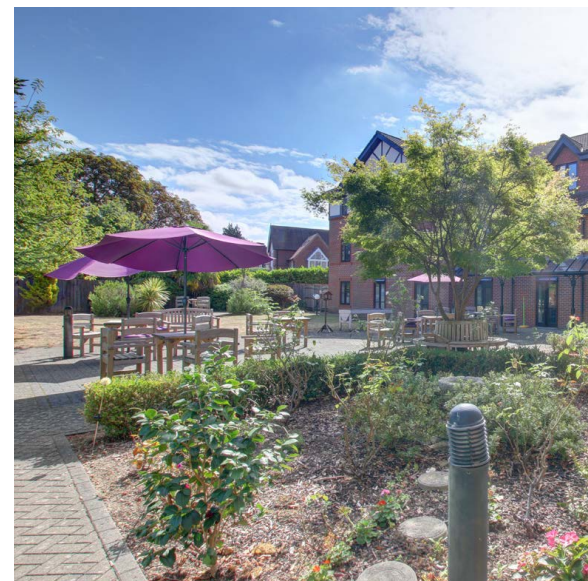
Implementation of new Consumer Duty regulations

We reported last year that we had determined that the new Consumer Duty rules did not apply to Swiss Life AM UK, nevertheless we had decided to implement some aspects of the new rules. We subsequently decided that it would be in the best interests of our investors to fully implement the Consumer Duty requirements. With advice from our external legal counsel and ACA Compliance (Europe) Limited, we completed the implementation in July 2023. As part of the implementation process, the terms of reference of the Investment Risk Committee were updated, relevant staff members were provided with specific objectives relating to the Consumer Duty, and our staff handbook and compliance manual were updated accordingly. The induction pack for new joiners has been updated with new Code of Conduct requirements. Existing staff were provided with a full briefing on the new requirements by the Head of Legal and Compliance on 31st July 2023.

Case Study 2

Improvements made to anti-money laundering, counter terrorist financing and sanctions policies and procedures

Following meetings and discussions with Swiss Life subject matter experts and internal auditors in the Spring of 2023, we implemented a series of improvements to our policies and procedures in respect of anti-money laundering, counter terrorist financing and sanctions. As part of the implementation new software was installed enabling automated checks to be carried out real time on investors, tenants and other business customers. In addition, a new checklist was developed in June 2023 to standardise the vetting of counterparties to real estate purchase and sale transactions. The improved processes operated successfully in the second half of 2023.



6

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

Our Client Base

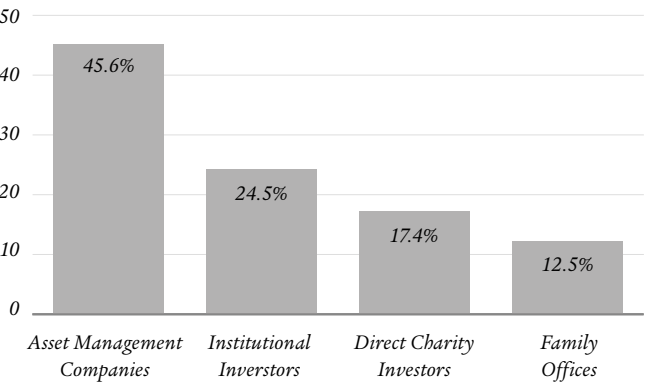
Swiss Life AM UK assets under management (AUM) totalled £1.8 billion as at 31st December 2023, comprising 141 direct property assets. Of this, our client base predominantly comprises Asset Management Companies and Institutional Investors (see Graph 6.1 adjacent).

We manage segregated discretionary and advisory mandates for a small number of clients including Schroders and Jupiter Asset Management, as well as a UK Family Office. We also manage UK pooled funds, including the open-ended Property Income Trust for Charities (PITCH), a core income focused strategy; and the Thematic Growth Fund, a closed-end fund with a core plus/value-add strategy. We also manage six assets on behalf of four Swiss Life Asset Managers Funds – two pan-European Diversified strategies, one pan-European Residential strategy, and one pan-European Healthcare strategy.

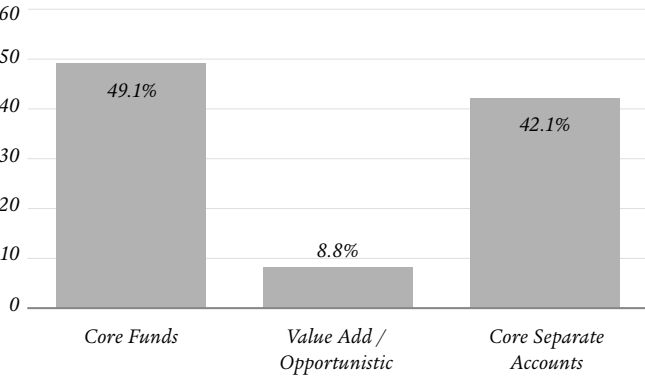
Client Communication

Investor communication is a key component of our investment process. Clear, informative communication is fundamental to our commitment to engender trust and develop long-term strategic partnerships with our clients. We operate a “no surprises” approach to client reporting. Our client communication generally comprises meetings, written reports and verbal communication via calls and face-to-face meetings (in-person or online).

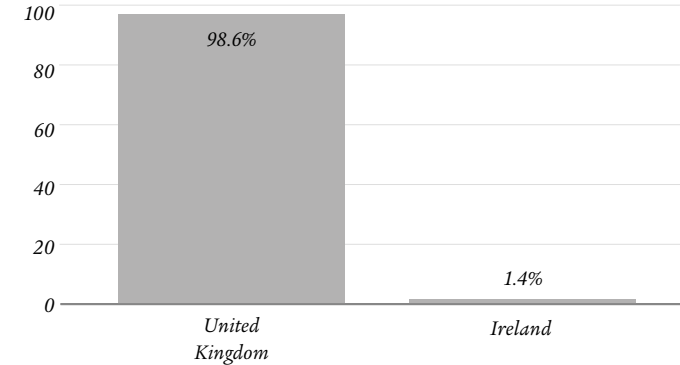
Graph 6.1 – UK AUM by Investor Type



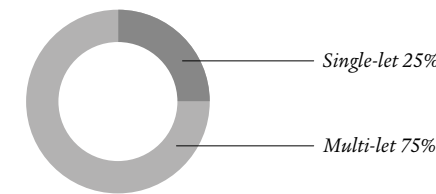
Graph 6.2 – UK AUM by Risk Strategy



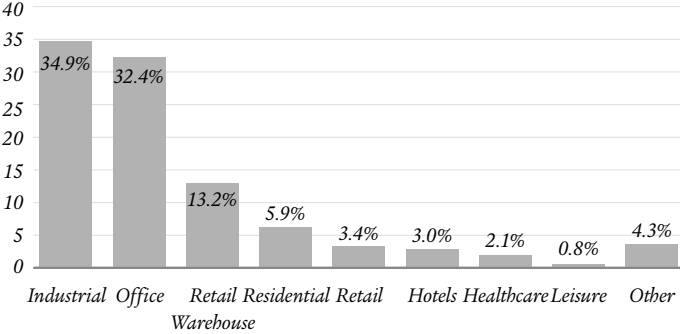
Graph 6.3 – UK AUM by Property Location



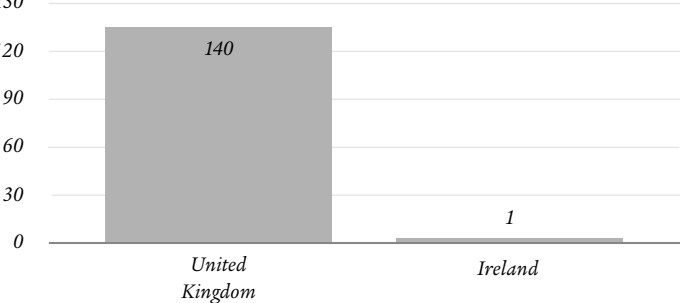
Graph 6.4 – UK AUM by Lease Type



Graph 6.5 – UK AUM by Property Sector



Graph 6.6 – UK Assets by Property Location



Meetings

We propose open communication, and meetings are arranged by the core client team as frequently as is required. They provide an inclusive forum to encourage and facilitate productive two-way dialogue.

Typical meetings include:

- > Annual Strategy Meeting to understand client objectives, the requirements of key stakeholders and drivers of overall client strategy
- > Annual ESG Strategy Review incorporating review and planning of all proposed sustainability initiatives including budget considerations.
- > Quarterly meetings to report on the market, portfolio activity, performance and attribution analysis, risk metrics, sustainability and financials
- > Trustee and Investment Committee meetings and presentations, as required
- > Investment Consultant fund reviews (acting on behalf of other investors), as required
- > Meetings on transaction opportunities and pipeline, as required
- > Trustee training, as required
- > On-site meetings as required for existing assets and potential purchases
- > Client relationship “check-in” at least annually to assess level of satisfaction with the service and address areas of improvement

It is important to create a structure of communication where clear and swift decisions are made to allow us to operate efficiently and in the best interest of our clients. To develop trust, particularly at the beginning of a mandate, we encourage regular face-to-face meetings, including joint property visits and reviews where appropriate. We advocate a team approach built on transparency and clear communication. Where possible, all client visits are undertaken by public transport to minimise our carbon footprint. We also use tried-and-tested online meeting technology, subject to client preferences.

Reporting

We provide the following regular reporting during the ordinary course of operating a real estate investment management mandate:

- > Annual presentation of our House View and Thematic Strategies and how we intend to implement them
- > Annual presentation of the Investment Plan. Key strategic objectives are identified, including a review of the asset business plans and “hold/sell” analysis for each property, plus target investments
- > Annual MSCI Portfolio Analysis Service (PAS) / Benchmark reports
- > Annual GRESB benchmark reporting, incorporating fund and property environmental performance data submitted to GRESB for peer group assessment
- > Semi-annual risk reports undertaken, which are incorporated into quarterly reports
- > Quarterly consolidated portfolio accounts including capital values
- > Quarterly Client Portfolio Management Reports, including the following information:
 - Market outlook
 - Portfolio performance and attribution
 - Transaction activity - deal pipeline
 - Transaction activity - potential sales
 - Asset management Business Plans update
 - ESG reporting
 - Key portfolio risk metrics

- > Transaction Recommendation Reports for transactions put forward to the IRC
- > Ad-hoc reporting (e.g. market updates, recent legislation, Budget summary, etc.)

We also provide annual summary reports (including activity and financial highlights) for bespoke client purposes as required, such as websites, Annual Reports, Audits, Corporate Social Responsibility (CSR) or ESG/RI reporting.

Aligning With Our Clients’ Stewardship Approaches/Policies

Given the diversity of our client base, we observe a range of expectations regarding alignment on stewardship. All of our clients are unique, and we respect that each is navigating their own journey in relation to responsible investment.

As a signatory of the UK Stewardship Code, we recognise the opportunity to take a flexible approach tailored to our clients’ needs. Where we can lead engagement with clients, we will, particularly in situations when our expectations of stewardship might surpass theirs. At other times, close engagement is often required to align mutual stewardship policies to achieve a complementary approach. We embrace both approaches across our client portfolios.

For our pooled core mandates, we lead the responsible investment approach, whilst simultaneously considering the individual needs of our investors. Swiss Life AM UK’s PITCH fund invests on behalf of an underlying client base of c.1,000 UK charity investors. PITCH has followed formal ethical and environmental management policies since launching in 2004 – well in advance of peer funds. A considerable proportion of PITCH’s AUM is allocated through third-party Investment Managers. Aligning our stewardship approach with these key client aggregators is of fundamental importance to the sustainable growth of our business in future.

We regularly respond to ESG Due Diligence Questionnaires (DDQs) from investment consultants and charity investors. DDQs (and any feedback received from completing them) afford us an opportunity to review our stewardship approach in relation to ongoing investor expectations.

Investment Reporting

Reporting Calendar

☒

House views & thematic strategies (6 monthly)

☒

Investment plan (6 monthly)

☒

Investment management reports (Quarterly)

☒

Transaction reports (Ad-hoc)

☒

Financial reports (Quarterly)

Quarterly Investment Management Reports

☒

Market outlook

☒

Portfolio performance and attribution

☒

Transaction activity

☒

Asset management

☒

ESG performance

☒

Key portfolio risk metrics

For our separate account / single mandate clients, we directly engage at least two times per year to understand their evolving requirements on ESG and stewardship. For these investors, we make proactive and forward-looking recommendations aligned to market best practice. Simple measures – such as the implementation of data collection platforms –make it significantly easier for clients to make fast advancements as their stewardship ambitions evolve.

In all cases, we firmly believe that deep, constructive engagement is the only way to identify our clients’ expectations in relation to stewardship (as well as promote the benefits of a progressive approach). Many of our clients are advanced in their requirements and we engaged deeply with them on stewardship alignment in 2023.

Incorporating Client Feedback to Enhance Our Stewardship Approach

Client feedback is always considered when we seek to make enhancements to our stewardship approach. In the past, such feedback has ranged from informal recommendations (such as endorsements of reputable ESG advisors and third-party service providers) to more formal requests relating to new and increasing client requirements.

As part of our yearly strategic planning and reporting process, we present our clients with a full-year update on matters relating to ESG, sustainability and climate risk. This process incorporates performance measurement of the prior year’s objectives, the calculation of spend against budget, and the establishing of a new ESG budget for the year ahead. As part of annual planning, we submit new proposals to clients for their review and feedback, always striving to achieve alignment. We engage clients half-yearly to communicate and update on progress.

Over the past few years, we have witnessed increased engagement on matters such as asset decarbonisation, operational environmental data coverage (including 100% whole building coverage by end 2025), tangible and meaningful physical interventions at the property level, e.g. installation of solar PVs, and the provision of social data relating to employee Diversity & Inclusion and community engagement programmes. Planning for and responding to client requirements is a rolling process that we implement

on a continuous basis. This illustrates our desire to integrate client feedback into the enhancement of our stewardship activities – both for specific clients as well as for our wider business. As a positive reflection of our stewardship approach, we are increasingly finding that topics raised by clients are matters that we are already investigating or implementing in other areas of our business.

Assessing our Effectiveness at Understanding Clients’ Needs

Above all else, we look to client satisfaction and investment performance as key metrics of whether we are understanding our clients’ needs and meeting their expectations. Our focused approach is centred on offering a personalised service to our investors, which requires us to meet directly with them.

We solicit direct, unfiltered feedback from senior leadership on a regular basis to ensure that we are meeting our clients’ needs. We encourage two-way dialogue at all times, and keep our clients fully informed on key initiatives related to performance such as rent collection and asset management KPIs.

We employ both quantitative and qualitative internal controls to account for our clients’ needs and ensure the effectiveness of our processes. Quantitative controls form the basis of how we measure client performance. Many of our mandates adopt explicit benchmarks, which are independently verified and monitored on a continuous basis. For example, one of our mandates targets outperformance of the MSCI AREF UK Quarterly Property Fund Index (UK All Balanced Property). Relative performance is measured quarterly and reported directly to our client. Quantitative controls can also be adapted to our clients’ evolving needs throughout the lifetime of a mandate, whether in response to changing market conditions or our clients’ risk/return requirements. In the case of this mandate, quantitative performance controls previously included an income return requirement, which was subsequently de-prioritised at our clients’ request to focus on total return.

On a qualitative basis, we rely on direct feedback to inform internal controls related to client needs and satisfaction. We typically seek feedback on matters such as mandate

resourcing, communication levels, reporting standards and bespoke requirements. Client feedback is incredibly important to us. One of our most important qualitative internal controls involves Swiss Life AM UK’s Chairman meeting with every client at least once a year to obtain feedback on service levels and to identify areas of improvement. The feedback is formally presented to the UK Executive Committee and action plans put in place to make any necessary improvements. The Chairman’s role serves as a vital internal control to ensure that we receive honest feedback, which is made possible by the fact that the Chairman is not a member of the client servicing team, and feedback is always provided without the client servicing team being present.

For our largest pooled investment fund, PITCH, we engage with our c.1,000 UK charity investors regularly through quarterly performance updates, online webinar briefings and consistent communication, which includes the offer to all direct investors for an annual in-person Fund update. We conduct meetings with each individual director charity/endowment investor, tailoring the agenda for each meeting according to their needs. We also regularly organise smaller, bespoke “Trustee Training” events. Comprising 6-8 charity organisations at a time, these events are facilitated as roundtable discussions on themes relevant to charity investors such as regulatory changes, investment trends and ESG considerations. Typical attendees include the Finance Directors, Executives and Trustees of charities/endowments, with agendas comprising a range of educational topics to promote information-sharing and understanding of best practice. For example, on Tuesday 28th March, the PITCH management team co-hosted a roundtable discussion with Charity Times (the leading business magazine for UK non-profit professionals) on the challenges of investing in real estate for Charities and Endowments.

We are well aware of the ever-increasing needs and expectations of all our investors, with organisational culture, diversity and inclusion, net zero ambitions and social value emerging as key themes for engagement in 2024 and beyond. We are committed to further engagement with all of our clients in the future to continuously update our understanding of their evolving needs. ●

Please refer to Case Study 1 within this section for an illustrative example of how we convert client engagement into investment management services.

Case Study

Development of a strategic investment management service for UK charities & endowments

We have a long history of deep engagement with charity investors and endowments, understanding their evolving needs and requirements. For nearly two decades, we have been deeply engaged with charity investors, understanding their evolving needs and requirements. Since the inception of our PITCH fund over 19 years ago, our formal objective has been to provide charities with a sustainable and relatively high income yield, distributed regularly through quarterly distributions, while also aiming to maintain capital value in real terms over the economic cycle.

As a result of direct client engagement in 2022, we recognised increasing challenges faced by charities and endowments in managing direct property portfolios. Investors’ long-held portfolios had performed well for many years, however, as noted in the Charity Times Roundtable on Future-proofing Property in July 2023:

“Charities with single-sector exposure in the wrong areas according to market conditions have been exceptionally challenged” in recent years.

In particular, charity investors are facing increased challenges in meeting cash flow requirements due to:

- Structural changes such as hybrid working, polarisation between grade A and secondary assets, and concerns with increasing capital expenditure.
- The challenges of achieving Net Zero ambitions, including EPC/MEES regulations in 2027 & 2030, the risk of stranded assets, and increasing vacancy rates.
- The increasing burden of day-to-day management and the need for a smarter property management solution.

Without sufficient income, it is impossible for charity investors to deliver on their charitable objectives. Therefore, strategic management is needed to overcome the challenges and risks associated with holding direct real estate. These risks include a lack of property and tenant sector diversification; a reduction in income and related costs as

vacancy rates rise; the requirement for property expertise, management time, and associated costs, building obsolescence, and the cost of meeting environmental standards including energy performance requirements and net zero commitments. Smaller secondary buildings with poor amenities leased to weak tenant covenants or vacant are increasingly exposed.

Recognising these challenges, we saw the need to deliver a strategic investment management service tailored to charities and endowments with direct property portfolios. This service aims to help them future-proof against key challenges in managing direct real estate.

As a result, during 2023 we developed a fully integrated strategic investment management service for charities and endowments. This service includes identifying near-term threats to investment performance and transitioning portfolio allocations to a property strategy that provides:

- Diversified exposure to institutional-grade property
- Regular distribution payments with controlled vacancy
- Larger lot sizes and more established tenant covenants
- A clear plan to transition to net zero to meet charity commitments
- A professional management team specialising in real estate with a strong research-led focus
- High levels of governance and risk management

In Spring 2023, we welcomed our first client, a Charity investor with a direct property portfolio of approximately £80m. We were appointed in a competitive tender to provide an investment management solution for their property portfolio, supporting the charity’s management team in meeting its important charitable funding requirements.

Our solution for Charities and Endowments is an example of how we engage with our client base to understand their needs. As a responsible real estate investment manager, we are committed to providing tailored solutions to meet the unique needs of our clients.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities



Overview

We regard Responsible Property Investment (RPI) as a core part of our management approach and define it as the consideration of environmental, social and governance (ESG) issues within our investment process and operations.

We integrate ESG criteria, as well as risk factors and financial metrics, into a controlled and structured investment process. We ensure prudent investment selection, specification for development and refurbishments and management of the buildings under our care. We believe this generates long-term risk-adjusted returns, supports climate change mitigation, and aligns our investment goals to those of our investors and stakeholders.

We have established a comprehensive ESG strategy that ensures continual improvement of our ESG performance and enshrines our commitments as a business. We monitor performance against our ESG strategy KPIs on a half-yearly basis. We have implemented processes to limit our environmental impact and contribute positively to the communities in which we invest. We intend to make continual improvements in the coming years.

For further information on Swiss Life AM UK's approach to Responsible Property Investment, a copy of our Responsible Investment Policy is available on [our website](#).

Responsible Investment Policy

Governance

The Executive Board of Swiss Life, chaired by the Group Chief Executive Officer, continuously develops Swiss Life's sustainability strategy in cooperation with a team of specialists from all divisions. The Board of Directors – the supreme authority for strategic issues – is kept regularly informed about measures and progress in the area of sustainability. As part of the Executive Board, the Group Chief Investment Officer is responsible for ensuring sustainable investment management.

The Swiss Life AM UK Executive Committee is responsible for execution of the objectives outlined in our Responsible Investment Policy for the UK business. Practical implementation is directed by the Head of UK ESG, Christi Vosloo. Swiss Life AM UK endeavours to inform and support all employees and key stakeholders in their responsibilities towards meeting these commitments.

Policy Overview

A responsible investor must deal with multiple challenges in terms of risk and opportunities management, client preferences, portfolio construction, data availability and regulation. As a responsible asset manager, we need to consider ESG factors in every aspect of our asset management activities. As a result, we are continuously looking for the most relevant sustainability data to build a 360° sustainability assessment of our investments both in terms of risks and opportunities. This serves as a key input in the construction of our ESG and sustainable product offering range, supported by active stewardship and state of the art ESG disclosures, to meet the specific needs of our clients. As a signatory of the UN PRI, we are constantly working to ensure our responsible investment approach is aligned with acknowledged frameworks like the UN Sustainable Development Goals (SDGs) or the Paris Climate Agreement.

ESG Rule Book

To address multifaceted ESG challenges, Swiss Life Asset Managers has created a proprietary ESG rule book, which aims to address Swiss Life Asset Managers' sustainability priorities, while at the same time complying with recent regulatory and market developments in sustainable finance. The ESG rule book covers both Securities and Real Assets.

It serves as the core framework for Swiss Life Asset Managers to address ESG and sustainability in a comprehensive, structured, and transparent manner. The four layers of the ESG rule book are **Active Stewardship**, **Exclusions** (regulatory, sectoral, normative), **Sustainability Safeguards** and **Significant Approach**:

> Active Stewardship

For real assets, being an active owner is of particular importance since these investments often provide significant leverage in shaping counterparties' behaviour. In our real estate investments, we selectively engage with stakeholders such as tenants, suppliers, service providers and communities related to specific projects. In general, we particularly emphasise dialogue with tenants since they are the occupiers of the buildings and are both impacted by the assets (the quality of the buildings and related services) as well as impacting the assets (through direct influence on their operational footprint).

> Exclusions

For real estate, exclusions apply to counterparties to whom we have a direct contractual relationship with. This includes contracts with tenants, operators, or suppliers such as construction and development companies. For new investments and business relationships, we rely on an extensive property and counterparties due diligence. The outcome of such due diligence may result in the exclusion of real estate investments or counterparties that are not in line with our ESG criteria or that would expose our portfolio to high levels of sustainability-related financial risk, e.g. climate risks.

> Sustainability Safeguards

For the Sustainability Safeguards layer, certain standards have been defined to address minimum safeguards with our suppliers. For ESG products and sustainable impact products with a sustainable investment share, the requirement levels increase. The Sustainability Safeguards layer for both ESG products and sustainable impact products includes principal adverse impact thresholds on portfolio level, with higher requirement level for sustainable impact products.

> Significant Approach

Given the important role real estate plays in mitigating climate change, as well as with regards to other environmental and social aspects, we have integrated ESG aspects on both the strategic and operational levels of our

real estate activities. To ensure effective implementation of strategic concepts into the day-to-day operations at Swiss Life Asset Managers, a proprietary framework was developed for responsible property investment. It specifies how our strategic objectives and priorities are implemented across the investment cycle of direct real estate management activities: from the investment level (via ESG due diligence), across the development level (via sustainable construction guidelines), to the operational level (via consumption and tenant satisfaction monitoring and a variety of ESG-optimising operational standards and initiatives).

Maximising ESG Credentials at the Property Level

Processes, Policies & Procedures

We are committed to using our influence where possible to improve sustainability of the built environment. We achieve this through careful asset selection, development specification, asset refurbishment and the diligent integration of ESG considerations into all business processes. We carefully select investments through our rigorous ESG acquisition screening process and look to maximise asset value through refurbishment and the implementation of ESG initiatives. There is increasing recognition of the ‘value’ of ESG through growing evidence of enhanced rents, reduced void periods, and increased leasing velocity. Many ESG initiatives are not only a cost but provide a return through reduced consumption and running costs or provide an additional income stream, e.g. solar panels.

When we refurbish assets, we aim for best practice energy efficiency, carbon reduction, and health and wellbeing measures. We improve lighting, remove gas supplies, install on-site renewable energy, and incorporate wellbeing features such as cycle stores, showers and biophilia. We also encourage use of sustainable materials and practices during refurbishment.

Our proprietary Swiss Life AM UK Sustainable Development and Refurbishment Guide includes detailed ESG principles governing all refurbishment activities. ESG Acquisition Checklists are completed for all new acquisitions, and Responsible Investment procedures are incorporated throughout our asset management and reporting processes.

These procedures extend (but are not limited) to:

- > ESG Asset Logbooks
- > Green Lease implementation
- > Swiss Life AM UK Sustainable Development and Refurbishment Guide
- > Swiss Life AM UK Supplier Code of Conduct
- > Swiss Life AM UK Supplier Sustainability Questionnaire
- > Swiss Life AM UK Property Manager Sustainability Standards & Guidance
- > Swiss Life AM UK Sustainable Fit-out Guide

All these policies and procedures require committed engagement with our stakeholders, including tenants, property managers, suppliers, lawyers and other third-party service providers. We work closely with EVORA Global and other expert ESG advisors (selected on a project-by-project basis) to continually improve our processes and ensure best practice in our responsible investment activities.

Decarbonisation Analysis

Swiss Life AM UK is focused on building climate resilience, and as a result, a priority focus area has been developing and monitoring a robust pathway to net zero carbon. We have a duty to take practical steps to decarbonise, future-proof and maintain the value of the real estate portfolios under our care. By ensuring we have a clear understanding of our pathway to net zero, we will be able to prioritise effectively, plan carefully, and use all the decarbonisation levers available to us to make better-informed investment decisions.

Swiss Life Asset Managers has committed to reduce the carbon intensity ($\text{kgCO}_2\text{e}/\text{m}^2$) of the direct real estate portfolio by 20% by 2030, in line with the aims of the Paris Agreement. In May 2022, we became signatories of the Net Zero Asset Managers Initiative (NZAMi), reinforcing our commitment to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner for the direct real estate portfolio, in line with global efforts to limit warming to 1.5 degrees celsius; and to support investment aligned with net zero emissions by 2050 or sooner.

In 2021, we developed our decarbonisation pathway, with the analysis based on the CRREM (Carbon Risk Real Estate Monitor) tool. In 2022, we advanced our decarbonisation pathway analysis by developing pathways for all funds – scalable from country, portfolio and asset level. As a business we are continuously progressing our programme of asset and portfolio level net zero actions in line with our NZAMi



The Place Retail Park - Milton Keynes, UK



commitment.

In addition, we undertake asset level net zero audits on Swiss Life AM UK properties using our decarbonisation analysis to inform prioritisation. Detailed net zero audits of our assets help us to understand current performance, as well as the interventions and costs required to achieve net zero carbon.

Supplier Code of Conduct

Our proprietary SLAM UK Supplier Code of Conduct ensures that our supply chain meets minimum requirements on human rights, Health & Safety, Diversity and Inclusion, and Living Wage, thereby aligning our supply chain with our ESG expectations. As part of implementation in 2022, we distributed our Code of Conduct to all material suppliers to ensure their credentials and ethos was aligned with our goals. We expect all material suppliers (£10,000+ contract value) to confirm acceptance and abide by the principles set out in the Code of Conduct. As part of our standard ongoing process, we ask all new material suppliers to sign the Code of Conduct prior to contract signing.

Reporting

Swiss Life Asset Managers Reporting

We are committed to transparent reporting and continual improvement on ESG:

- > Swiss Life Group publishes an annual [Group Sustainability Report](#) and Swiss Life Asset Managers publishes an annual [Responsible Investment Report](#).
- > The Group are supporters of the Task Force on Climate-related Financial Disclosures (TCFD) and publish [an annual response to TCFD](#).
- > We are signatories of UNPRI, responding to the survey annually and publishing our [RI Transparency Report](#).
- > Following our acceptance as a signatory to the UK Stewardship Code, we publish a copy of our report on [our website](#). In line with our responsibilities, we continue to report on our progress annually.

Additional Client Reporting

We commit to reporting on ESG on a quarterly basis for all clients. The level of reporting is tailored to the client, and asset level or tenant level reporting can be provided if required. We specifically report on managing agent activity,

tenant engagement, refurbishment or other construction activity, and other relevant metrics (flood risk, EPC ratings, potential costings, etc.). Additionally, we measure and monitor portfolio environmental performance (including energy, water and waste consumption data). In addition to the organisation-wide reporting published by Swiss Life Asset Managers (Swiss Life Asset Managers Responsible Investment Report), we commit to providing clients with bespoke ESG reporting including annual benchmarking reports such as The Global Real Estate Sustainability Benchmark (GRESB).

Tenant Engagement Considerations

Engaging closely with tenants is vital to our responsible investment approach. In describing our approach to tenant engagement, it is essential to highlight the impact that tenant lease terms have on our ability to implement ESG initiatives at the asset-level. We distinguish between two approaches to integrating ESG initiatives at our properties:

1. *‘Multi-let’ leases* – For properties comprising ‘Multi-let’ leases, Swiss Life AM UK maintains full control of the asset assuming full responsibility for the common parts of buildings (roofs, shared amenities, entrances, staircases, etc.) The landlord of a ‘Multi-let’ property lets space within each property to tenants (e.g. second floor, third floor, etc.), and charges a fee to tenants for general upkeep and use of common parts. ‘Multi-let’ leases allow landlords to fully manage and integrate ESG initiatives within properties, such as the selection of renewable energy suppliers. We hold regular tenant meetings at ‘Multi-let’ assets to establish tenants’ needs, build support for sustainability initiatives, and draw on occupiers’ own ideas for ESG integration.
2. *‘Full repairing and insuring’ (FRI) leases* – FRI leases offer limited control to landlords. FRIs typically relate to properties with a single tenant (‘Single-let’) that assumes full responsibility for features such as general repair, maintenance, property insurance, broadband, and utility procurement. The ‘Single-let’ tenant is responsible for operation and upkeep, meaning the landlord’s ability to influence aspects of the property is limited in comparison to ‘Multi-let’ leases.

Swiss Life AM UK manages 51 individual ‘Single-let’ assets. Weighted by value, these properties constitute 24.9% of our

total £1.8bn AUM (illustrated by Graph 6.4 on p.39). Despite the increased challenge of making a meaningful difference in these assets, we undertake tenant surveys to try to understand our occupiers’ views on sustainability and identify areas in which we can assist. For example, if an occupier is seeking to enhance the energy efficiency of their building, we would be eager to find ways to help them fund the cost of this – perhaps through extending their lease or paying an increased rent. Sustainable objectives are more easily attained through working in partnership.

This distinction between ‘Multi-let’ and FRI leases is an industry-wide challenge affecting all real estate investment managers or landlords who seek to improve the sustainability credentials within existing ‘Single-let’ properties. In our experience, many ‘Single-let’ FRI tenants are reluctant to engage with landlords because there is no legal requirement to do so and they may have their own ESG plan and priorities, and in some cases are targeting their largest premises first. This is a key challenge for managers of existing real estate assets – it is far easier for a landlord to optimise ESG characteristics in a refurbishment or new build (e.g. through onsite renewable energy) before an FRI lease is signed with a new tenant.

There is no “quick fix” solution and affecting change requires long-term solutions. Despite energy procurement within ‘Single-let’ properties being a tenant responsibility, we can affect positive change by collaborating closely with tenants. We strongly believe that responsible property investors have an obligation to promote ESG initiatives with tenants by encouraging ESG data sharing, collaborating on the implementation of onsite renewables and other ESG measures, and to engage and influence tenants to switch to renewable energy suppliers.

More effective collaboration and positive engagement between landlords and tenants will be required to achieve successful and consistent ESG data sharing supporting the transition to net zero carbon. Until then, we remain focused on our primary goal of reducing the environmental impact of our buildings – increased data sharing is just the first step. We seek to be market leaders and will continue our efforts to positively influence our occupiers in accordance with our own ESG principles.

Assessing our Integration of Stewardship and Investment

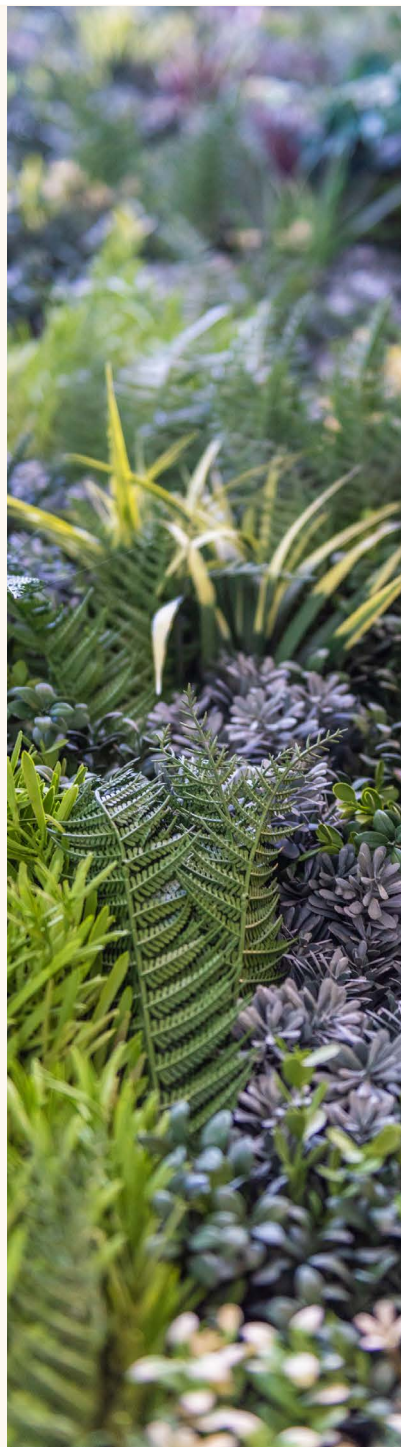
As illustrated in the preceding sections, our commitment to integrating stewardship and investment is reflected in the lengths that we go to implement a bespoke Responsible Investment policy, various reporting disclosures, and granular best practice initiatives at both the portfolio and property levels.

We continually strive to meet both market and investor expectations. We leverage third-party specialist advisors on key ESG topics who provide regular market, industry and legislative updates to ensure we are remaining abreast of key ESG trends and best practice. We also gather feedback from investors, ensuring that we action and incorporate feedback to enhance existing processes.

The Global Real Estate Sustainability Benchmark (GRESB) remains the dominant sustainability benchmark for real estate, providing an objective assessment of the integration of ESG and stewardship in relation to an Investment Manager’s peers. Two of our largest funds participated in GRESB in 2023, with PITCH receiving a score of 83 out of 100 (+8 point improvement since 2022) and PUT receiving 81 out of 100 (+3 point improvement since 2022). PITCH gained an additional Green Star in 2023 and was awarded four Green Stars, with MCPUT receiving three Green Stars.

We are well aware that our clients and beneficiaries are constantly “raising the bar” in terms of their expectations. Continuous improvement is therefore essential to the ongoing effectiveness of our integration measures. ●

Please refer to Principle 6 for further information on how we engage with clients and beneficiaries to understand their evolving expectations of Stewardship, ESG issues and climate risk.



Integrating Stewardship & Investment

As mentioned in the CEO's Update, we progressed a significant number of initiatives related to the integration of Stewardship into our Investment Process during 2023, with particular focus on decarbonisation pathway analysis, data collection, asset-level solar initiatives, and social value. Our strongest outcomes and subsequent identified areas of continuous improvement include:

Enhanced ESG Reporting in Investment Plans & Risk Reporting

ESG has been included as a formal risk consideration within our annual investment plans and risk reporting since 2021. In 2023, we further enhanced the way we document considerations within plans and reports, which will continue to allow us to support forward-looking ESG analysis, including year-on-year comparisons of ESG risk for our assets and portfolios.

Improved Decarbonisation Pathway Analysis

In 2023, we completed an extensive review and quality update of the decarbonisation pathways for all our funds. This incorporated comprehensive validation of all UK fund data included within our decarbonisation pathway tool to improve the quality of outputs. We reviewed all energy consumption data from 2019-2022, and conducted a review and enhancement of the estimation methodology. All assumptions and cost data relating to sales, refurbishments and solar were reviewed with each of our fund teams. Results were provided to each team to better enable them to use the tool to inform asset management initiatives, refurbishment and decarbonisation planning.

Climate Risk Assessments within Investment Due Diligence

We conduct climate risk analysis (physical and transitional) on our entire portfolio of standing investments on an annual basis to understand the Climate Value at Risk (CVaR) of our real estate assets. Net zero assessments have been formally incorporated into our standard due diligence processes since 2021, ensuring that we are carefully screening all new purchases to ensure we have an understanding of the potential risk of stranding and have a clear view on costs in order to achieve net zero carbon.

In 2023, we formally adopted the inclusion of CRREM decarbonisation analysis as standard within our due diligence process. CRREM pathways are now considered for all asset acquisitions under consideration.

Solar Working Group

As mentioned above, as part of implementing our decarbonisation strategy, Swiss Life AM UK carefully considers the key actions we need to undertake across all funds that we manage on behalf of our clients and beneficiaries. During 2022, we conducted a solar portfolio review across four mandates to identify solar capacity, priority assets and tenants with the greatest potential for solar installations. In 2023, our Solar Working Group – an internal body used to ensure coordinated implementation and a consistent approach to solar at Swiss Life AM UK – met every 6 weeks throughout the year, sharing knowledge and driving forward solar projects at asset-level. The group's standing agenda included project updates, the sharing of best practice, and process improvements to aid the implementation of solar installations across our portfolios.

Living Wage Accreditation

Swiss Life AM UK has been accredited as a Living Wage Employer by the Living Wage Foundation since 2021. In 2023, we once again advanced our commitment as a Living Wage employer by undertaking an extensive supply chain review to prepare our third UK fund, CPT, for accreditation. CPT was successfully approved as an accredited Living Wage Employer in August, joining PUT (our first mandate, accredited in November 2021) and our largest fund, PITCH (accredited in December 2022).

Please refer to Principle 10 for further information regarding how we collaboratively engage with our supply chain and industry to influence positive change.

2023 Global Real Estate Sustainability Benchmark (GRESB) Submission

In Q1 2023 we commenced the annual GRESB submission and data collection process, working collaboratively with our property managers to ensure improved environmental data coverage and quality. GRESB submissions were completed for two of our largest UK mandates, PUT and PITCH. 2023 was the tenth consecutive year that our PITCH Fund participated in GRESB benchmarking.

Both portfolios maintained or improved their "Green Star" status. PUT was awarded three Green Stars, and PITCH four Green Stars, gaining an additional star from the previous year's submission. PITCH achieved a score of 83 out of 100, an eight-point score increase, ranking 5th in a peer group of 100. PUT achieved a score of 81 out of 100, a three-point score increase, ranking 2nd in a peer group of 9. The key

Outcomes (cont.)

improvement areas relate to increasing energy, water, waste data, green building certification and technical building assessment coverage to ensure continual improvement. As part of this reporting process, all environmental data (energy, water, waste and GHG) was assured by external consultants EVORA Global to the AA1000AS Assurance Standard.

Improvements to ESG Data Coverage & Data Management
As a business, we are acutely aware of the importance of ESG data for performance monitoring and for supporting net zero ambitions/targets. Comprehensive, quality data is critical for supporting decarbonisation analysis and ensuring robust ESG reporting. We maintain a consistent approach to data acquisition and management through the use of an ESG data management system across our funds, which enables the collection, storage and monitoring of energy, water and waste consumption data.

In 2023, we made significant improvements to our data collection approach and resultant data coverage, by further embedding and enhancing data processes and using new technology solutions to improve data access. For example, we are now able to obtain data directly from the UK’s national database for electricity and gas consumption, with this up-to-date data stored on our ESG data management platform. Our Property Managers now collect and report on tenant data and Letter of Authority signature progress on a monthly basis.

Improvements to Green Lease Clauses
For new property lettings, we propose the inclusion of “green lease” clauses, which relate to the landlord and occupier undertaking specific responsibilities relating to the sustainable operation of the property (e.g. data sharing, landlord tenant co-operation on sustainability matters, and waste management or water efficiency). We conducted a full review of the standard green lease clauses during 2023 and enhanced data sharing provisions to allow for new data technological changes, such as automatic data access via the UK’s national database for electricity and gas consumption (see above – ‘Improvements to ESG Data Coverage’).

Refurbishment Standards
Our proprietary Swiss Life AM UK Sustainable Development and Refurbishment Guide includes detailed ESG principles governing all refurbishment activities. In 2023, we conducted a full review and update of our refurbishment standards to include quantitative sustainability targets. In 2024, we plan to finalise quantitative targets across all aspects in order to initiate implementation.

Please refer to Principle 2 for further information on outcomes and improvement initiatives relating to resourcing, governance, and remuneration of stewardship.



The Paragon - Bristol, UK

Principle 8

Signatories monitor and hold to account managers and/or service providers

In the spirit of seeking to address all principles of the UK Stewardship Code, we believe it is pertinent to phrase our response to Principle 8 in terms of how we actively engage with property management firms as a principal. A property manager is an essential external service provider for real estate investments.

Third-Party Property Managers

Overview

As a core function of Swiss Life AM UK's operating model, we retain specialist third-party property managers to assist in managing real estate assets within the mandates that we manage and advise. Generally, we do not delegate responsibility to other investment managers, and only delegate to specialist investment advisors in select cases. The assertive management of third-party property managers is fundamental to our asset management approach - having a reliable and locally based property manager on the ground is essential for ongoing property monitoring and liaising with tenant customers.

We appoint property managers on a "best-in-class" basis on market terms and monitor service delivery through property management agreements, which include service level agreements and KPIs. Performance is monitored on a recurring basis to assure high levels of service for competitive fees. Further, we also set energy consumption criteria for 'Multi-let' assets under our control, and property managers assist us in monitoring energy consumption, CO₂ emissions, water use and recycling.

We ensure that all property managers regularly attend sites and liaise with tenants, and we commit to inspecting all properties internally at least twice a year. This frequency is increased substantially for 'Multi-let' properties. Visits will be considerably more frequent in the event of outstanding issues or management opportunities to add value.

Monitoring Third-Party Property Managers

Formal Property Management Agreements are agreed with all property managers prior to the commencement of services. These agreements outline clear and actionable performance criteria as well as service-level KPIs. Formal service agreements typically include detailed service schedules, responsibilities, fee arrangements, insurance and liability considerations, and all relevant terms relating to service expectations such as conflicts of interest, complaints procedures, dispute resolution procedures and scope of authority.

We generally agree detailed service schedules relating to the following requirements:

- > Property Management Services
- > Financial management Services
- > Service Charge Budgeting
- > Asset Management
- > Building Consultancy
- > Landlord & Tenant Engagement
- > Lettings
- > Local planning



The depth of service provided by our property managers reflects their essential role within our operating model. With this in mind, we take a structured approach to monitoring their performance throughout the lifecycle of each asset.

Monitoring starts with formal reporting and communication procedures, and trickles down into more frequent and informal communication as required. We adopt an "open and often" approach to communicating with property managers to ensure that the full scope of services is monitored appropriately.

We engage property managers using a combination of formal and informal procedures to monitor each portfolio's performance on a rolling basis:

- > Formal written management reports (*quarterly*)
- > In-person management meetings (*quarterly & more often as required*)
- > Physical property inspections and subsequent inspection reports (*bi-annually or annually*)
- > Accounting procedures and performance metrics relating to rent and insurance collection (*quarterly*)
- > Service charge budgeting (*annually*)
- > Communication on key property-level events such as rent reviews, lease expiries, project works or insurance matters (*quarterly & ad hoc in between*)
- > Issue escalation and complaints resolution on matters such as local government regulation changes, tenant concerns, building maintenance requirements, unexpected events at the property (*quarterly & ad hoc in between*)

Engagement Beyond Monitoring

As part of our ongoing management of investments with property managers, we also proactively engage with tenants and local stakeholders to improve and enhance assets, including on matters relating to environmental and social factors:

- > As part of onboarding, we provide tenants with our refurbishment guide and seek to agree to share ongoing tenant energy, waste and water data

- > We propose the inclusion of "green lease" clauses in new lettings relating to the landlord and occupier undertaking specific responsibilities relating to sustainable operation of the property, for example in relation to energy efficiency measures, waste management or water efficiency

- > We set up data monitoring for all landlord-controlled space

- > Green energy contracts are procured for all landlord-controlled supplies

- > We undertake tenant satisfaction surveys and regular tenant meetings to seek ways of enhancing and operating assets that benefit all parties

- > We actively pursue increased recycling in all our properties

- > We undertake building improvement reviews and analyse plant and machinery to improve energy efficiency

- > During refurbishment, we incorporate improved lighting, remove gas supplies where possible and incorporate wellbeing features (e.g. cycle stores, showers and biophilia)

- > We also pursue the use of sustainable materials and practices in the refurbishment process through our Sustainable Refurbishment and Development Guide.

Please refer to Principle 9 for further information relating to how we engage with broader service providers.

Please refer to Principle 10 for further information relating to how we engage with Communities, Tenants and Suppliers related to our assets.

Future Priorities for Engagement

As part of ongoing engagement with our managing agents, we expect to focus on the following priorities in 2024:

- > Landlord and tenant data collection
- > Tenant engagement on implementation of ESG initiatives (e.g. on-site renewables)
- > ESG Asset Logbook updates (including asset ESG audits)



Duet - Salford, UK

- > Implementation of property-level ESG recommendations (e.g. from asset ESG audits)
- > Ongoing tracking of GRESB asset level data
- > Continued implementation and compliance with our Swiss Life AM UK Property Manager Sustainability Standards & Guidance

Augmented Role of the Property Manager

Swiss Life AM UK typically assumes the role of Investment Manager and Asset Manager on our mandates, electing to outsource all Property Management services to third-parties. However, our business model has evolved within the past two years in regard to investments in operational real estate (namely the self-storage sector) and specialised investment sectors (such as single-family housing). In both cases, the role of the property manager has either been internalised or subcontracted to an external third-party. In both cases, Swiss Life AM UK retains full responsibility for Investment Management.

Operational Real Estate (Self-storage)

As articulated by the real estate industry trade body INREV, there is increasing appetite from investors to invest in operational real estate sectors. This emerging shift within the real estate industry has been driven by investors looking to capture income returns from nascent sectors of the market that are positively aligned to secular trends. Operational Real estate also offers benefits including increased cashflows and the potential to generate positive Environmental, Social, and Governance outcomes⁶.

We made our first operational real estate acquisition in 2021 by acquiring a portfolio of assets within the self-storage sector. We have subsequently expanded the portfolio across the North and the Midlands to comprise twelve assets. Performance has been strong since acquisition, surpassing all year-on-year revenue, EBITDA, and capital appreciation forecasts.

Property management for our self-storage portfolio has been undertaken by an internalised operational capability since 1st January 2023. The operating company (a wholly-owned subsidiary of Swiss Life AM UK) assumes full responsibility for the activities of the business such as leasing, arrears management and property repairs. Its activities are governed

by a robust operating agreement, which clearly sets out responsibilities between the separate entities. It contains rigorous checks and balances related to operator activity, prioritising an appropriate level of process to manage any potential performance issues to ensure continued risk mitigation on behalf of investors.

Specialised Investment Sectors (Single-family housing)

In 2021, Swiss Life AM UK's PITCH fund formalised a partnership with specialist UK residential investment manager, Hearthstone, as a means of accessing the single-family housing investment market. By subcontracting selective functions to Hearthstone, Swiss Life AM UK utilises Hearthstone's expertise and access to a specialist investment sector, whilst still retaining full oversight and responsibility for Investment Advisory and Asset Management services.

As part of the partnership, Swiss Life AM UK subcontracts Investment Advisory and Asset Management duties to Hearthstone on behalf of the PITCH fund, whilst retaining liability and responsibility for all investment activities including performance oversight. Hearthstone provide expertise on top-down investment strategy, transaction sourcing and completion of due diligence measures.

All investment recommendations are formally reported to the PITCH fund team, Swiss Life AM UK's Investment Risk Committee, and the external PITCH Investors Committee. Swiss Life AM UK retains the ability to veto all recommendations made by Hearthstone, with the IRC functioning in the same way as all other Swiss Life AM UK funds. Swiss Life AM UK also retains the right to sell portfolio assets in order to meet fund liquidity requirements, which distinguishes the subcontracting arrangement from a typical indirect investment.

Property Management services remain outsourced to an external property manager, Connells. Swiss Life AM UK retained full decision-making authority for the appointment, which was made on a similar basis to how we appoint other property managers on other mandates (i.e. on a "best-in-class" basis on market terms). We maintain service level agreements and KPIs within the fund's property management agreement with Connells as per all our other mandates to create alignment. Connells undertake all expected property management services related to the portfolio such as rent collection, unit repairs, and resolving tenant matters.

Hearthstone have assumed subcontracted responsibility for Asset Management services such as lease renewals, rent reviews and new lettings. They liaise directly with the property manager (Connells) and report all property, tenant and financial data directly to the PITCH fund team.

The partnership has delivered beneficial diversification to the PITCH portfolio and achieved attractive exposure to the single family home private rented residential sector.

Service Delivery to Meet Client Needs

The continued strong investment performance of our three core balance portfolios (outlined in Principle 1) was underpinned by high rent collection levels by our local property managers. All third-party property managers delivered satisfactory service on behalf of our mandates in 2023. Service levels met investors' needs in line with property management agreements and no interventions or issue escalations were required.

During 2023, we continued to engage property managers on our proprietary ESG service and reporting standards ('Swiss Life AM UK Property Manager Sustainability Standards and Guidance'), focusing on continuous improvement measures such as data collection and quality. ●

Please refer to Principle 7 for further information on how we integrate stewardship and investment at the property-level in partnership with our third-party property managers.

⁶ INREV - 'Operational Real Estate – Real Asset or Real Economy' 2020

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets

In the spirit of seeking to address all principles of the UK Stewardship Code, we believe it is pertinent to phrase our response to Principle 9 in terms of how Swiss Life AM UK actively engages with external service providers related to maintaining and enhancing asset value for direct property investments (such as property valuers, firms of solicitors, project managers, specialist asset managers and development partners).

Overview

In addition to external property managers (Principle 8), we also appoint external service providers and consultants to execute specific roles related to asset business planning and investment execution.

As mentioned in Principle 1, we tailor the income profiles of our portfolios to the risk profile of each investor. For core investors, we focus on income protection and growth through high quality income and vacancy mitigation. For clients with a higher risk tolerance, we apply greater focus on capital value enhancement through income creation. For such investors seeking higher risk-adjusted returns, we prioritise capital value enhancement through shorter leases with extension potential, asset improvements through refurbishment, and development of additional space.

Even though c.91% of our client AUM relates to Core strategies (Graph 6.2 on p.38), all of our client mandates require a combined approach to both maintain and enhance asset values. Although Value Add and Opportunistic risk strategies may incur a greater focus on asset value

enhancement initiatives (such as physical repurposing and the refurbishment of existing property assets), asset value enhancement initiatives remain an important consideration within our Core portfolios.

Maintaining Asset Value

As well as property management, we believe there are three “core services” related to maintaining real estate asset values:

i. Property Valuation – External valuers are appointed to carry out independent asset valuations on a recurring basis. The frequency of valuations is tailored to fund requirements (dictated by financial regulations and legal requirements) with most valuations typically occurring on a quarterly or bi-annual basis.

ii. Performance Measurement – We engage service providers to perform external performance analysis of portfolios and industry benchmarking. Swiss Life AM UK typically engages MSCI to conduct historic performance and attribution analysis.

iii. Legal & Property Advisory – External advisors are appointed to conduct due diligence on real estate assets. Third-party legal advisors are engaged on legal due diligence, while building, environmental and sustainability surveyors are appointed to undertake physical due diligence of the asset and site. Third party lenders, brokers, tax advisors and other consultants are engaged on further due diligence matters as required. We prioritise the appointment of “best-in-class” specialists in all areas to maximise value.

Enhancing Asset Value

We seek to protect investors’ interests on all leasing, refurbishment and development projects by engaging external project specialists. Whereas some investment managers might internalise project services to capture increased corporate profits, our highest priority is to engage “best-in-class” providers capable of delivering optimal outcomes for our investors.

We typically engage the following external service providers on value enhancement projects

- > Development Managers
- > Contractors
- > Architects
- > Quantity Surveyors / Project Managers
- > Sustainability, Mechanical & Electrical Systems Consultants
- > Specialised Leasing Agents

As part our commitment to actively promote the creation of safe and healthy buildings, we seek to identify asset value enhancement initiatives that can simultaneously deliver positive ESG outcomes, greater productivity, and positive experiences for the workers, communities and visitors who use our assets. For example, for all investment mandates under our control, all landlord-controlled supplies are on a 100% renewable tariff.

Methods of Engagement

Given the range of ongoing asset maintenance and enhancement projects across our 141 UK properties, we adopt a range of methods to engage with our service providers. As with our approach to monitoring property managers (Principle 8), we make use of both formal reporting procedures as well as more frequent communication as required.

We differentiate our methods according to the formality and frequency of engagement:

a) Planned & recurring engagement – To a large extent, we engage with “core service” providers in a structured manner by adhering to regular deadlines and reporting procedures for services such as property valuation and performance measurement. For example, we engage

external property valuers in accordance with each fund’s valuation policy, which may require valuations on a monthly, quarterly or bi-annual basis.

b) Project-based engagement – We commonly engage service providers on asset enhancement initiatives such as refurbishing commercial property buildings. These projects are informed by asset-level business plans and our “active management” approach (Principle 11). We typically engage service providers during the lifecycle of a project through formal reporting, in-person meetings, project budgets and KPIs.

c) Ad Hoc engagement – Occasionally, service provision also occurs on an ad hoc basis whenever we identify a new client need within a portfolio. For example, when acquiring new assets on behalf of a fund, we engage third-party legal advice in accordance with our disciplined investment and due diligence process (Principle 1). Ad hoc communication with service providers will often incorporate in-person meetings, phone calls and email/digital communication until the initiative is completed.

All of our client mandates require a combined approach to both maintain and enhance asset values.

2023 Outcomes – Service Providers

As mentioned above, maintenance and enhancement initiatives are common across all our directly-managed property investments, with value enhancement initiatives receiving greater focus within Value Add and Opportunistic risk strategies. With this in mind, it would not be prudent to illustrate a full list of 2023 outcomes relating to how we maintain and enhance asset value across all our 141 direct real estate assets. Instead, we have provided a case study to illustrate outcomes that are typical of our investment approach. ●

Case Study – Enhancing Asset Value

Major refurbishment and re-letting of a modern office building in Milton Keynes to enhance asset value on behalf of a family office client

The Avebury is a modern, refurbished, detached office located in Milton Keynes providing 33,350 sq. ft of high-quality, Grade A office accommodation across ground and three upper floors and 40 parking spaces. The asset was originally acquired off-market in December 2018 by Swiss Life AM UK on behalf of a family office client, offering a balance of a high income yield and potential for capital growth through strategic asset management.

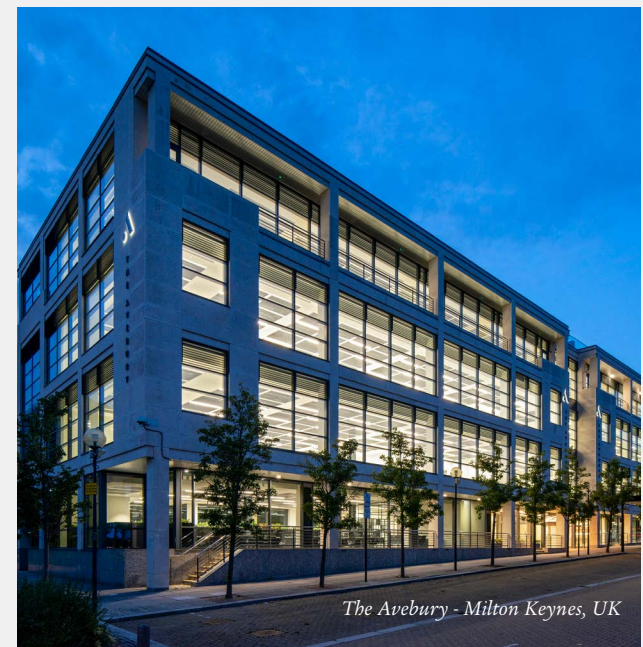
Located in a prominent position within the Central Business District of Milton Keynes – a town with excellent transport links to major cities – The Avebury is located within a desirable commercial centre. The town’s rapid transport connections to Birmingham, London, Bedford, Cambridge and Oxford, as well as its strong population growth, and high skills base contribute to its attractiveness for businesses. However, Milton Keynes possesses very low availability of high-quality office accommodation.

The building was originally constructed in 1999. At acquisition in December 2018, its Energy Performance Certificate (EPC) rating of E 120 correlated to the lowest permissible end of the scale to undertake lettings.

The asset was acquired fully-let to five tenants with a weighted average unexpired leased term (WAULT) of 4.7 years remaining. Rents at acquisition were at a discount compared to other South-East locations, indicating potential for growth, especially after refurbishment to improve energy efficiency and occupier amenities.

As per the acquisition business plan, Swiss Life AM UK achieved vacant possession in December 2021 to commence a comprehensive refurbishment of the entire building to improve the building’s quality within a location with constrained Grade A supply, leading to subsequent re-lettings at higher rents.

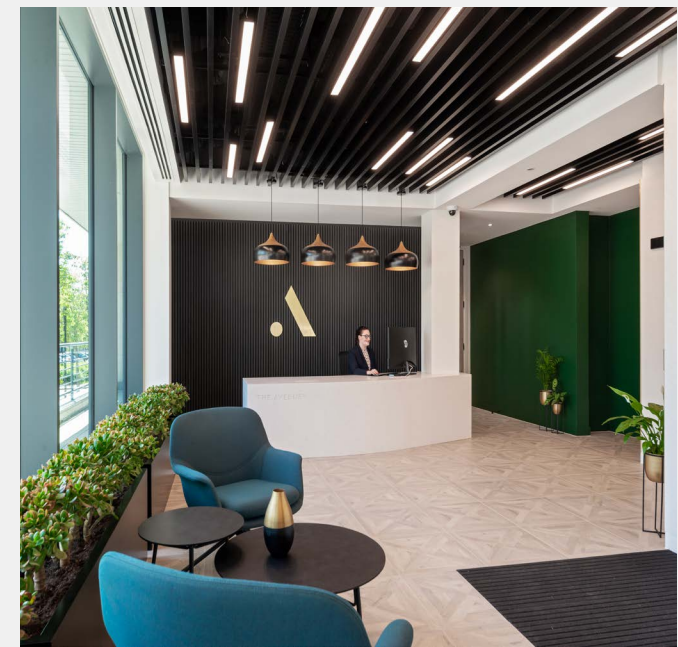
The refurbishment included replacement of all window glazing units, a replacement roof covering, a new roof terrace, and CAT A+ fit out (fitted space) within the smaller two ground floor suites, resulting in 33,350sq ft of high-quality specification office accommodation, complete with a new reception space, WCs (including shower facilities) and secure cycle parking. As a result of the comprehensive refurbishment, the EPC rating of the building improved from EPC E to EPC A, achieving a BREEAM Excellent rating.



Swiss Life AM UK worked with OD Interiors Limited as the main contractor on the refurbishment, with Potter Raper instructed as a “best-in-class” project management partner based on their excellent track record.

The refurbishment project achieved practical completion in April 2023, successfully delivering enhanced office accommodation specification and sustainability credentials, thereby increasing the building’s attractiveness to occupiers.

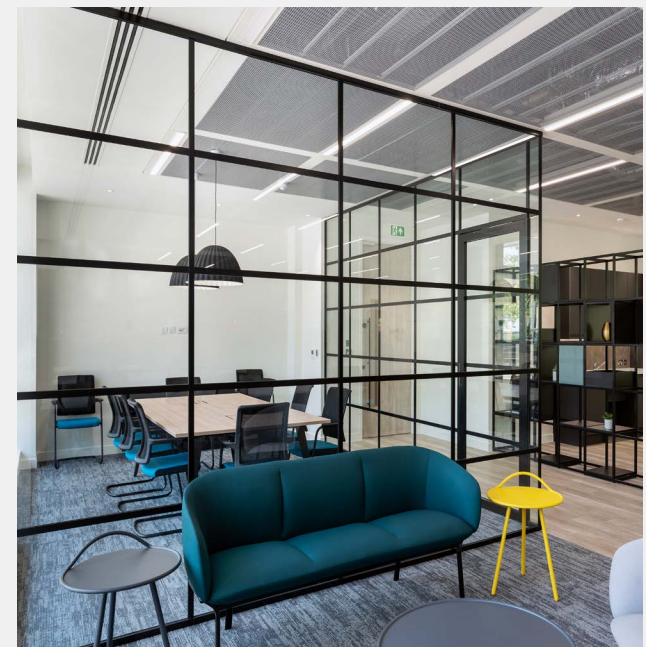
Two leasing agency specialists – LSH and Bray Fox Smith – were appointed to drive leasing activity within the building. The building is fully let to three tenants within 12 months of practical completion, at rents ahead of the headline rental value.



As a result, the asset’s weighted average unexpired lease term (WAULT) improved from 4.7 years at acquisition, to 11 years to expiry, and 6 years to break. Our enhancement initiatives led to the property achieving a valuation increase of +21.25% from c.£8.0m prior to refurbishment to c.£9.7m (as at 31st December 2023).

This case study exemplifies our sustainable approach to asset value enhancement, as well as our ability to integrate ESG and climate risk considerations at the property-level to drive results on behalf of our clients. The project will contribute towards the portfolio’s overall Net Zero goals.

The case study also demonstrates how we work with best-in-class advisors to realise our asset business plans.



Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers

In the spirit of seeking to address all principles of the UK Stewardship Code, we believe it is pertinent to phrase our response to Principle 10 in terms of how Swiss Life AM UK actively collaborates with broader stakeholders beyond Property Managers and service providers, namely our Industry, Communities, Tenants and Suppliers.

Commitments & Memberships

As a member of Swiss Life Asset Managers, we promote responsible investment by providing resources and “know-how” to industry and sustainability associations. By doing so, we actively contribute to the development and progression of our industry. Stakeholder engagement is critical to our responsible investment approach and fiduciary duties. Encouraging an active and transparent dialogue with our investors and tenants is a powerful tool for reducing risk while fostering readiness for a more sustainable future.

For more information, please refer to the Swiss Life Asset Managers Approach to Responsible Investment.

We are active members and signatories to a number of associations and industry initiatives, some of which are detailed opposite. A full list of Swiss Life Asset Managers memberships can be found here.



Collaborative Stakeholder Engagement

We collaborate and engage on a number of issues that may affect our investors through industry trade body engagement with entities such as the Association of Real Estate Funds (“AREF”). Recent topics of engagement include the FCA’s guidance on Sustainability Disclosure Requirements (SDR), with labelling, naming and marketing, and initial disclosure requirements under the regime due to come into effect in 2024.

Please refer to Principle 4 for more information on how we engage with industry trade bodies to identify and respond to market-wide and systemic risks.

Community engagement is critical for facilitating third-party dialogue with stakeholders living in the communities where we invest. As asset owners, this opportunity to build lasting value within social environments is vital to enhance the socio-economic benefits and impact of our real estate. The launch of our UK Social Value strategy – ‘Empowering Places’ – during 2023 was a key improvement initiative on behalf of our community beneficiaries. Our ‘place-based’ strategy aims to tackle challenges caused by geographical inequality affecting towns and cities across the UK. As a UK real estate investor with significant regional exposure, we believe we can make a substantial contribution to tackling these disparities and challenges through our approach to social value. Our strategy focuses on uplifting the communities around our property assets, delivering tailored impacts that respond to the needs of local communities.

Please refer to Case Study 1 within this section for further information regarding the launch of our UK Social Value strategy, ‘Empowering Places’

Tenant engagement is a fundamental focus for our business, particularly in relation to how we seek to systematically integrate material ESG and climate change issues at the asset-level. We conduct tenant satisfaction surveys on an ongoing basis to ensure that we receive formal feedback from our tenants. Surveys are conducted every three years at a minimum, and feedback is followed-up directly with tenants. In addition to formal feedback, we leverage close relationships with tenants to maintain active dialogue and ensure that matters are addressed in a timely manner. In 2023, we focused on further improvements to our data collection processes between tenants and Swiss Life AM UK as landlord. Data sharing allows landlords to better

understand asset performance, informing efficiency and cost saving measures that ultimately benefit the tenant. Tenant engagement is critical to supporting effective implementation of onsite renewables. Our Property Managers collect and report on tenant data on a monthly basis.

Please refer to Principle 7 for further information on how we engage with our Tenant beneficiaries to integrate Stewardship and Investment at the property-level.

Supplier engagement is a standard business practice for Swiss Life AM UK, and we conduct sustainability reviews for all suppliers every three years. Suppliers are required to complete and return a comprehensive sustainability questionnaire on matters relating to Corporate and Social Responsibility, Environment, and Health and Safety. Responses are reviewed and assessed to ensure that suppliers meet minimum standards prior to contract renewal.

Please refer to Case Study 1 within this section for further information on how we hold our supply chain to account through our accreditation as a Living Wage employer.

Linking Engagement to Investment

As articulated within our Purpose (p.8), we seek to invest “with full appreciation of the impact our activities have on the communities in which we invest and the environment.” As a direct real estate manager of 141 properties involving over c.400 individual tenants throughout the UK, we are constantly engaging with a broad number of community, tenant and supplier stakeholders linked to the operation, performance and care of our assets. Engagement with stakeholders directly supports investment performance, ESG performance and the creation of positive Social Value outcomes.

Strong relationships enable deep engagement, which in-turn facilitate better-informed investment decisions. In respect of our tenant stakeholders, a strong relationship with a tenant often affords us a better understanding of their operational performance, business plans and ESG aspirations, all of which give us confidence as their landlord on behalf of our clients. There have been instances in the past where investment decisions to acquire new properties have been fortified by our knowledge that an existing and engaging Swiss Life AM UK tenant is also a tenant in the new property – illustrating that a strong relationship based on deep

engagement can support our ability to generate strong results for our clients.

However, it can be difficult to engage stakeholders in situations where there is no legal requirement for them to do so. As articulated in our response to Principle 7, ‘Single-let’ tenants on Full Repairing & Insuring leases can resist our efforts to engage on ESG improvement initiatives. In such cases (where we are unable to achieve our desired engagement outcomes), we will often pursue informal

methods to engage stakeholders in advancement of our Purpose.

In 2024, we plan to engage community, tenant and supplier stakeholders via the launch of our Social Value strategy, continued implementation of our Supplier Code of Conduct, and ongoing implementation of property-level initiatives to support net zero pathways, all of which are expected to lead to better-informed investment decisions on behalf of our clients. ●

Case Study 1

Launch of our UK Social Value Strategy: ‘Empowering Places’

Swiss Life Asset Managers UK proudly announced the launch of its ‘Empowering Places’ UK social value strategy and community fund during June 2023. Launched in partnership with our charity fund, the Property Income Trust for Charities (PITCH), the strategy is the culmination of an extensive social value project completed in 2022, and signals our continued commitment to creating positive social impact within the communities in which we invest.

As investors in the built environment, we feel the ‘S’ (Social) within ESG is an area where we can make a significant contribution. We believe in delivering social impact in the places in which we invest. For this reason, we have focussed our UK social value strategy on uplifting the communities around our property assets, delivering tailored impacts that respond to the needs of local communities.

The Challenge

The UK Government launched its ‘Levelling Up’ agenda in 2022 in recognition of the geographical inequality affecting towns and cities across the UK. There are significant differences in productivity, pay, education levels and health and wellbeing, with regional towns and cities disproportionately affected. As a UK real estate investor with significant regional exposure, we believe we can make a substantial contribution to tackling these disparities and challenges through our approach to social value.

Background

In 2022, we undertook a comprehensive strategy development process involving involved a review of legislation, best practice, stakeholder interviews and materiality analysis, to identify our three social focus priorities. These are:

- 1. Creating healthy, sustainable & inclusive communities in and around our assets.
- 2. Promoting access to education and skills for underserved groups.
- 3. Creating an inclusive economy within our value chain and collaborating with our partners to maximise impact.

As part of the strategy development process, we engaged expert social value advisors to develop a best practice and leading Social Value strategy which outlines our key Social Value focus areas, method of delivery, and incorporates best practice measurement and reporting on social value. The strategy was informed by over 20 years of charitable partnerships and close connections with charity investors from our PITCH Fund.

Our Strategy

Our strategy is ‘place based’ and aims to tackle these challenges by relying on local authority data and the close community connections of local charities, so that we have a clear understanding of the needs within the communities in which we invest.

Through our strategy we aim to make a substantial contribution to these focus areas by supporting local

community projects, and by using our influence within our supply chain and with our stakeholders. This strategy is underpinned by our progressive culture that centres around transparency; diversity, equity & inclusion; an active charity & volunteering programme; and good governance.

Delivering on Our Commitment

We plan to deliver on this commitment through the launch of our UK Community Fund that will be delivered in partnership with our Property Income Trust for Charities (PITCH) Fund. This includes a commitment of £20,000 in 2023 to support local community projects and causes.

In addition to this, we plan to review our processes and policies to incorporate social value considerations, and to use our influence to engage with our supply chain and collaborate with our partners to maximise our impact.

Following an assessment of local needs in the communities in which we invest, we chose to support two charities in Doncaster in 2023: Active Fusion (a charity working with education providers, community partners and private sector organisations to deliver physical education and activities for children in need); and Flying Futures (a non-for-profit that manages and delivers a range of social programmes for children and young people to bring about effective change within communities). Support for both charities was facilitated by South Yorkshire’s Community Foundation.

Reporting

In line with our strategy and culture of transparency, we will collect data to support best practice social value measurement. Looking ahead, we plan to report on the progress of our Social Value strategy in 2024 and beyond through the publication of an annual Social Value report.

Announcing our Strategy

We hosted an online webinar on Tuesday 5th September 2023 to update investors on the launch of our Social Value Strategy. This webinar was an opportunity to outline the scope of our strategy, announce our commitments for 2023, and solicit feedback from client investors.

Case Study 2

Expansion of our accreditation as a Living Wage Employer on behalf of another Swiss Life AM UK Fund

The real Living Wage is the only UK wage rate that is voluntarily paid by almost 12,000 UK businesses who believe their staff deserve a wage that meets basic everyday needs. It is independently calculated each year based on living costs, and accredited employers choose to go further by paying all their staff, including subcontracted staff, a real Living Wage.

In 2021, Swiss Life AM UK and one of its advisory mandates (PUT) were accredited as a Living Wage Employer by the Living Wage Foundation. We expanded our commitment to the Living Wage in 2022 by securing accreditation for our largest fund, PITCH.

In 2023, we once again furthered our commitment as a Living Wage employer by undertaking an extensive supply chain review to prepare our third UK fund, the Commercial Property Trust (CPT), for Living Wage accreditation. We were delighted to receive confirmation that CPT was approved by the Living Wage Foundation in August 2023 as an accredited Living Wage Employer.

Swiss Life AM UK’s Living Wage accreditation demonstrates not only a commitment to our employees, but also to those who work in our supply chain, ensuring they are paid the ‘real Living Wage’. We recognise the majority of our impact and influence is in our supply chain.



Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

11

In the spirit of seeking to address all principles of the UK Stewardship Code, we believe it is pertinent to phrase our response to Principle 11 in relation to the monitoring, prioritisation and escalation of issues relating to Swiss Life AM UK's direct property investments.

- > Our proprietary Asset Scoring Model is applied to determine the long-term resilience of the asset by assessing its enduring appeal to occupiers
- > Reliable and locally based property managers are appointed, and their service monitored
- > Detailed costed actions are agreed to meet key asset objectives through management, repositioning and sale
- > ESG targets are reviewed and embedded at various stages of our “active management” approach
- > Third-party service providers are procured as required on a “best-in-class” basis on “market terms”

Issue Monitoring & Escalation

As outlined in Principle 1, we monitor investments at the property-level on a continuous basis via asset management, administration and reporting processes to protect and enhance asset performance over time.

All potential issues related to performance are monitored throughout the investment hold period by the respective asset manager of each property. The asset manager operates robust controls to ensure the successful execution of the business plans for each investment. We refer to this asset management approach as “active management”:

- > An Asset Business Plan is prepared at the start of each year for every asset
- > All Asset Business Plans approved by the IRC are reviewed after 6 months
- > We conduct a “Hold/Sell” analysis, determined by the asset's thematic qualities and performance prospects

As outlined in Principle 8, our business model delegates property management services to “best-in-class” and “hands on” property managers. Our expectations for issue monitoring and escalation are clearly captured within property management agreements that articulate our service level expectations and performance KPIs.

In terms of escalating issues at the property level, the asset manager is responsible for escalating all key issues to the Swiss Life AM UK Investment Risk Committee (Principle 2). The IRC meets every Monday - with additional meetings as and when required – to discuss acquisition, disposal, and asset management initiatives. A typical asset management matter requiring the attention of the IRC might relate to tenant engagement, leasing, or refurbishment project issues affecting investment performance.



Cardinal West - Hungtingdon, UK

The IRC typically agrees a course of risk mitigation that the asset manager is responsible for implementing. Subsequent reviews of the issue and risk mitigation programme are taken until the matter is resolved.

Issues requiring more urgent, real-time responses at the property-level are typically a delegated responsibility of the local property manager. It is common practice within the direct real estate industry for external property managers to resolve “on the ground” issues, which reiterates their importance as a critical service provider within Swiss Life AM UK's operational model.

As outlined in Principle 8, we clearly define the scope of delegation, authority and responsibility within formal Property Management Agreements, and include formal notification processes for significant issues such as major complaints received from tenants, criminal damage to the property, or major security incidents. Formal escalation processes exist to account for situations when the property manager may require a real-time response from Swiss Life AM UK as investment manager, however, such incidents are rare, and none occurred during the period.

Furthermore, the slow speed at which real estate activities tend to unfold at the property-level means that Swiss Life AM UK's IRC processes would still be capable of identifying, mitigating and resolving risks in an appropriately timely fashion without disruption to the day-to-day functioning of a mandate. Regardless, all Swiss Life AM UK Asset Managers are instructed to alert the Chief Investment Officer if an exceptional issue arises that requires urgent response or mitigation in real-time by the Investment Manager.

Exceptions to Issue Escalation Procedures

Swiss Life AM UK is predominantly a direct manager of UK real estate (with no full delegation of investment management to third-party investment managers on our behalf). All issues across our mandates are monitored by the Swiss Life AM UK team in London.

In select cases, issue escalation procedures differ when the role of the property manager is augmented, internalised or subcontracted to an external third-party. In such events, issue escalation procedures are amended as follows:

1. Non-UK Direct Property Investments

As illustrated by Graph 6.3 on p.49, approximately 1.3% of total Swiss Life AM UK AUM relates to direct real estate assets domiciled outside of the United Kingdom, namely a single office asset in Dublin managed on behalf of Swiss Life’s CH European Properties fund. Despite being located outside of the UK, Swiss Life AM UK is still employed to fulfil asset management services for this asset due to Dublin’s close geographic proximity to the UK. Property management for this asset is outsourced to a local, “best-in-class” manager (consistent with our business model) ensuring that we maintain a local but constant approach to service provision. Issues are monitored by the asset management team based in London.

Generally, Swiss Life AM UK will employ Swiss Life Asset Managers-affiliated managers to fulfil asset management services on investments made by Swiss Life AM UK funds outside of the UK and Ireland. For example, a former UK-domiciled fund previously acquired property assets in Germany. In this case, the Swiss Life AM UK-managed fund employed two Swiss Life Asset Managers subsidiaries – SLAM Germany in Munich, and BEOS in Regensburg – to fulfil on-ground asset management services. Issues were monitored by the fund management team based in London via close alignment and collaboration with Swiss Life Asset Managers colleagues in Germany. In all cases, issues relating to non-UK assets managed by Swiss Life AM UK funds are still monitored by our team in London and escalated to the Swiss Life AM UK IRC.



The Lennox Building - Dublin, Ireland

2. Indirect Property Investments

Indirect real estate investments comprise less than 1% of total Swiss Life AM UK AUM. These investments are managed by external managers and therefore involve engagement with third-party fund managers. Indirect investments would typically be selected to provide access to areas of the market that require specialist management, or where the typical lot sizes are too large for our investors to access directly while maintaining diversification. Examples include investing in central London offices or the student accommodation sector. We do not invest in listed real estate securities to gain property exposure for clients. Full due diligence is undertaken whenever a decision is taken to invest in a third-party fund, embracing financial analysis and a wide range of factors such as GRESB Scoring for environmental aspects (Principle 7) and thematic fit with our investment strategy (Principle 1).

Issue monitoring for indirect investments is a responsibility of the Swiss Life AM UK fund manager. Indirect asset issues are escalated to the Swiss Life AM UK IRC and subsequently raised to external managers of the respective investment such as the fund Advisory Committee if necessary.



Residential project - Brighton, UK

3. Operational Real Estate (Self-storage sector)

As outlined within our response to Principle 8, we grew our exposure to operational real estate and the UK self-storage market in 2023. Property management for our self-storage portfolio is undertaken by an internalised operational company (a wholly-owned subsidiary of Swiss Life AM UK) which is responsible for managing potential issues such as tenant complaints and property faults. Issue escalation procedures therefore function similarly to other mandates, whereby “on the ground” issues at the property-level remain a responsibility of the local property manager (in this case, the operating company). Formal escalation processes exist to account for situations when the operating company may require a real-time response from Swiss Life AM UK as Investment Manager. We also maintain clear customer complaint and dispute resolution protocols, which are set out and articulated to customers.



UK self-storage assets

4. Specialised Investment Sectors (Single-family housing)

As outlined within our response to Principle 8, we continued to make acquisitions in the single-family housing sector in 2023 via our partnership with specialist, UK residential investment manager, Hearthstone. Regarding the escalation of potential issues, we maintain clear lines of communication and delineation of responsibilities, with the local property manager (Connells) reporting directly to Hearthstone, who escalate to Swiss Life AM UK as the ultimate Investment Manager. All urgent issues are escalated directly to Swiss Life AM UK as required, aligning with our existing issue escalation framework for other direct property mandates. We have also established clear approval levels to establish clarity in regard to decision-making. For example, we have established approval levels on OPEX and CAPEX between the Property Manager, Asset Manager, and Swiss Life AM UK as Investment Manager. ●



UK single-family housing assets

Outcomes – Issue Escalation

There were three formal issue escalation events raised to the UK Investment Risk Committee (IRC) during the period:

1. Potential risks relating to the global banking sector

On Monday 20th March, Swiss Life AM UK CIO, Tim Munn, used the IRC forum to discuss unfolding events in the global banking sector – including Silicon Valley Bank (SVB) announcing insolvency, and the subsequent announcement of Credit Suisse’s acquisition by UBS on Sunday 19th March in a last-minute bail out deal.

The UK IRC discussion included an assessment of potential issues and whether defensive measures needed to be taken. It was confirmed that Swiss Life Asset Managers had already developed and circulated a same-day press release for investors on Monday 20th March, outlining that the banking system in Switzerland was continuing to function normally. Further, Credit Suisse had already been placed on Swiss Life Asset Managers’ restricted purchase list for quite some time, and therefore, as a group, there was minimal exposure. It was widely agreed that this event might lead to implications in the European office sector as Credit Suisse has many office-based employees around Europe (and particularly in Switzerland), however, Swiss Life AM UK has no exposure to Credit Suisse within the UK market.

Therefore, the UK IRC concluded there was no apparent immediate risk relevant to our UK business. Finally – and in line with Swiss Life Asset Managers’ press release distributed on Monday 20th March – the UK IRC concluded that given the vast array of imponderable factors relating to the economic impact of events within the global banking sector (including the consequences for monetary policy and the risks for certain companies), it was too early to adopt a clear position vis-à-vis the market at the time, and no explicit further action was required.

Please refer to Principle 4 for further information on how we identify and respond to market-wide and systematic risks within our industry.

2. Procedural improvements to flood risk assessments

As outlined within Principle 11 of our last report, our issue escalation procedures in 2022 prompted a review of our flood risk assessment policy, resulting in enhancements to the policy and its associated processes. A follow-up action during 2023 was that we completed Flood Risk analysis on our entire standing portfolio, incorporating full, deep-dive climate risk reviews on each asset using MSCI ESG Research’s Climate Value-at-Risk (CVaR) analysis.

On Monday 2nd May, our Head of UK Research, Strategy & Risk presented outcomes from this exercise to the UK IRC. On a fund-level, each of the Funds outperformed the MSCI benchmark for physical CVaR. The following actions were also noted as completed:

- 1. We checked that each standing asset had an historical flood risk assessment on file (completed before acquisition / prior to the improvements of our standards).
- 2. We checked each existing assessment against our updated flood risk policy to ensure adherence to our current standards.
- 3. We identified outlier assets without an existing assessment or sufficient information on MSCI to analyse for flood risk.
- 4. We highlighted the handful of assets identified which present a high physical risk.

Separately, in conducting the analysis, some examples were found where the flood risk assessment undertaken at acquisition dated back between 8-15 years, raising the question of whether a flood risk assessment should have an expiry date, after which time another assessment should be triggered. We subsequently raised this point with an external flood risk expert at CBRE, who confirmed that large river models are updated on a rolling basis, and that flood risk assessments should be checked after around 10-years as the mapping may have changed.

During our Monday 2nd May meeting, the IRC agreed that running standing assets through an additional assessment after 10 years would be beneficial to identify cases where an

asset is not aligned with our revised Swiss Life Asset Managers Flood Risk policy (developed in 2022). Subsequent to the meeting, our Head of UK Research, Strategy & Risk held meetings with UK Fund managers of the related assets to understand the risks of assets flagged as ‘high physical risk’. We then appointed CBRE to complete assessments on all properties without existing flood risk assessments.

This example once again illustrates our approach to continuous improvement of our risk management processes, and the effectiveness of our issue escalation procedures.

Please refer to the outcomes section of Principle 2 for an overview of enhancements made to our Swiss Life AM UK Flood Risk Policy during 2023.

3. Potential environmental risk identified during due diligence for a new acquisition

On 25th August, our UK Transactions team escalated a potential environmental risk to the IRC concerning a new residential asset being considered in Godalming, Surrey for one of our UK funds. As part of standard investment due diligence, our team commissioned an environmental assessment for potential contaminated land and flood risk. Following a review of data and historic flood mapping, the environmental consultant provided a risk opinion stating, “the property is at moderate to high risk of on-site contamination and low to moderate risk of contamination from off-site sources”. Elevated contamination risk was associated with the site’s historical uses as a factory, laundry and ambulance station, which were reported as “likely to have caused contamination”. We note that these reports are predominantly computer generated with limited human input. Nevertheless, the report identified that further action was required.

The IRC subsequently decided to instruct Colliers Building Consultancy Limited to review the environmental risk of the site prior to completion of the acquisition. Colliers completed a review of third-party environmental reporting in connection with the proposed acquisition to determine whether the site was suitable for purchase. Colliers were provided a remediation strategy and interim verification

report by the vendor. The verification report (produced in 2023) revealed that the site had already undergone extensive remediation works both prior to and during construction to support the redevelopment of the site into residential dwellings. The remediation strategy had been completed in full during 2021-22 by the vendor, and only the verification process remained outstanding. Initial verification reports indicated that measures taken to meet the requirements of the remediation strategy were sufficient and further contamination was not anticipated. Further, the remediation works were considered to have been very technically achievable and there was no technical reason why the continued documented verification of these works should not occur.

It was clarified that full verification could not be achieved until after practical completion (‘PC’) of the dwellings, which had only just taken place. The final verification report was to be submitted to the Local Planning Authority before the end of August 2023. Following extensive analysis, Colliers were able to anticipate that, “no significant issues of environmental concern are likely to be present that would result in a significant risk of liability for the site owner” once the verification works were submitted. Therefore, Colliers advised that in respect to environmental liability, there was “low to medium risk associated with the site”, which could be reduced to “low” following issuance of the final verification reports and discharge of final planning conditions.

On 29th August, members of the IRC reviewed and agreed with the findings of Colliers who formally advised that the Fund’s environmental liability was “low”. IRC members requested access to the draft verification report ahead of submission to the Local Planning Authority to allow an opportunity to review the content. Subject to this, all IRC members provided their support to proceed with the acquisition, which we subsequently completed.

This process highlights our ability to integrate material environmental and climate change matters into our issue escalation processes, which we are constantly in the process of improving upon.

Principle 12

Signatories actively exercise their rights and responsibilities

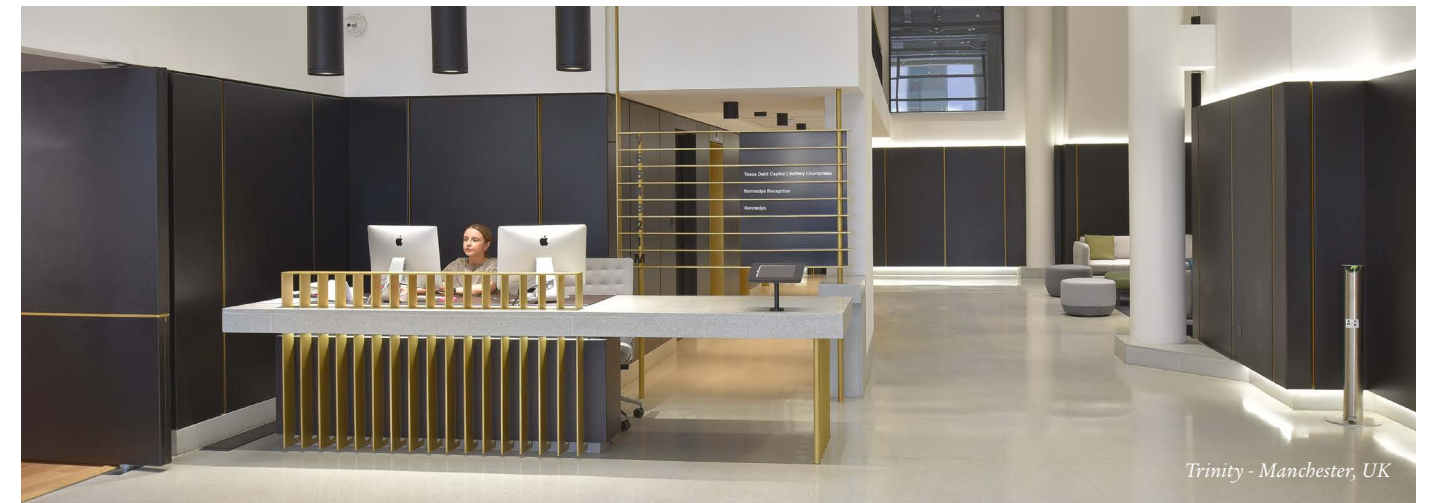
Engagement with stakeholders is critical to our responsible investment approach and fiduciary duty as investors.

Proxy Voting Policy

At Swiss Life Asset Managers, we believe that engagement with stakeholders related to our investment portfolios is critical to our responsible investment approach and fiduciary duty to investors. Encouraging active and transparent dialogue with our investee companies is a powerful tool for reducing risk while fostering the readiness for a more sustainable future. Active stewardship leads this objective by promoting engagement in-line with positive economic development.

Swiss Life AM UK maintains an explicit Proxy Voting Policy that drives how we exercise voting rights to the benefit of our Funds and investors. The overall aim of the policy is to reflect Swiss Life AM UK's investment philosophy and objectives, as well as to meet client and other relevant stakeholder needs. The policy considers responsible investment, stewardship, ethical and investment guidelines.

Our funds principally invest in direct property assets. Our Proxy Voting Policy relates to indirect investments held in third-party funds or collective investment schemes, which invest in real property assets. As of 31st December 2023, less than 1% (0.97%) of total Swiss Life AM UK AUM related to indirect investments. This allocation specifically relates to the Residential 2 fund, a closed-ended vehicle providing mezzanine finance to developers of residential properties in Greater London and the Southeast of England.



Trinity - Manchester, UK

As part of our Proxy Voting Policy, we review all environmental and social-related votes and actively promote ESG-related matters where we hold a seat on the board of an investee company.

Where Swiss Life AM UK invests in a third-party fund, we will actively engage with the manager, attend all fund briefings and vote on resolutions at EGMs and AGMs. If there is an investors' committee, we will either seek representation or engage with the representative for minority investors to improve governance on such issues as redemption procedures, modernisation of trust deeds, etc.

A copy of our Proxy Voting Policy is made available to investors on request. Information on how Swiss Life AM UK has voted, in relation to a specific fund, is disclosed in the relevant fund's annual report and audited financial statements (within the Fund Manager's Report).

We did not receive any opportunities to exercise our voting rights during the 2023 calendar year. Regardless, we have provided the adjacent case study to indicate how we have exercised our voting rights in the past. We are prepared to exercise our rights and responsibilities as responsible investors where necessary in future. ●

Case Study

Escalation of an issue relating to an Indirect property investment

A fund managed by Swiss Life AM UK held units in a third-party fund (an "Indirect" real estate investment). We decided to sell our units in the fund, and having served our redemption notice, the manager of the related third-party fund failed to engage with us. It subsequently transpired that there were failings in that third-party fund's liquidity plan meaning our redemption could not be met in accordance with the trust deed. Income was also being used to support capital meaning that income distributions were also suspended. Furthermore, there was a lack of clarity over aspects of the redemption mechanism in the trust deed of the third-party fund.

As a result, we escalated the position by engaging with solicitors to represent our interpretation of the trust deed and regulatory position to the manager whilst working closely with the representative of the minority investors on the third-party fund's advisory committee to flag the issue and reach a solution for the benefit of all investors.

*We enable people to lead
a self-determined life.*