

# RESPONSIBLE INVESTMENT POLICY

Barwood Capital (“**Barwood**”) recognises that environmental, social and governance (“**ESG**”) factors are an essential part of our investment decision making process. As a Responsible Investor, Barwood seeks to act in the best interests of all its stakeholders, including its staff, investors, occupiers, partners and local communities. This document is our Responsible Investment Policy. It seeks to communicate the self-regulated parameters that we abide by in our approach to the integration of ESG in our investment strategy.

This policy is applicable to all of our discretionarily managed funds, and to our advisory mandates, subject to the scope of our contractual services and ability to influence the management of those assets. For the purposes of this document, we deem our activities as Direct Investment into real estate, as defined by UN PRI. The implementation of our Responsible Investment Policy seeks to be tangible and measurable so that we can evaluate and report upon the success of its implementation going forward. Our strategy is constantly evolving, responding to the needs of all our stakeholders and wider community.

The Responsible Investment Policy is part of the wider Barwood Sustainability Framework, which is made up of four principles, as stated in our Sustainability Policy:

## **Plan Zero – Using resources sustainably**

We are carbon neutral at a corporate level where we calculate our emissions annually and take steps to reduce these, alongside investing in Gold Standard schemes to offset our residual carbon. We are equally committed to cutting the carbon emissions of our projects in line with UN based targets. We are committed to measuring and publishing our scope one, two and three emissions to enable us to work towards a credible pathway to net zero.

## **Creating desirable places to live and work**

Our strategy has been developed based on our understanding of how occupiers assess and use real estate and its surrounding environment. Our experience has enabled us to develop spaces to a standard that meets and where possible, exceeds, the health and wellbeing needs of occupiers.

## **Investing in our people, partners, and local community**

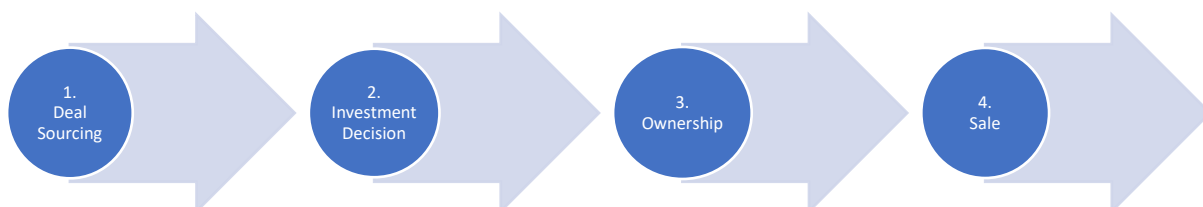
Barwood is an employer of choice, having been Great Place to Work® Certified in 2020 and 2021. However, our approach to social wellbeing is wider than this, encapsulating all of our stakeholders including high supplier standards and support for local charities and community projects. Every year we review our staff satisfaction levels and report to the Board with an action plan to ensure that as an employer we maintain the highest standards possible.

## **Managing our business ethically and responsibly**

At Barwood, we pride ourselves on our strong and transparent governance framework and the alignment of our staff with our stakeholders. As an FCA authorised business, we actively prepare for future regulatory requirements. As evidenced by our membership of the Good Business Charter, we are committed to maintaining high ethical and socially aware business practices and we actively encourage all companies we work with to do the same.

## 1. DIRECT INVESTMENT

We have worked hard to ensure that sustainability is integrated into all of our day-to-day activities and across the entire lifecycle of our investments, from acquisition through to sale. By doing this, we will be better equipped to meet the changing requirements of our occupiers as well as minimising any risks and maximising returns for our investors.



### Deal Sourcing

Our investment strategy is to find sites and underperforming or obsolete property assets in the UK regional markets, which have the potential for value to be added in a sustainable way through planning, development, refurbishment, and active asset management.

We have a clear understanding of the impact that ESG issues have on future value and sustainability outcomes. This approach helps to enhance tenant retention, lower operating costs and minimise the risk to portfolio investment returns presented by climate change, future legislative changes, and obsolescence.

### Due Diligence

At the initial screening, when a new investment opportunity is introduced, we investigate if the project has any immediate ESG opportunities to improve its sustainability and social impact or such great concerns of a negative impact, that the opportunity needs to be dismissed.

We incorporate ESG considerations for each potential investment opportunity throughout the underwriting and [Investment Committee](#) decision making process.

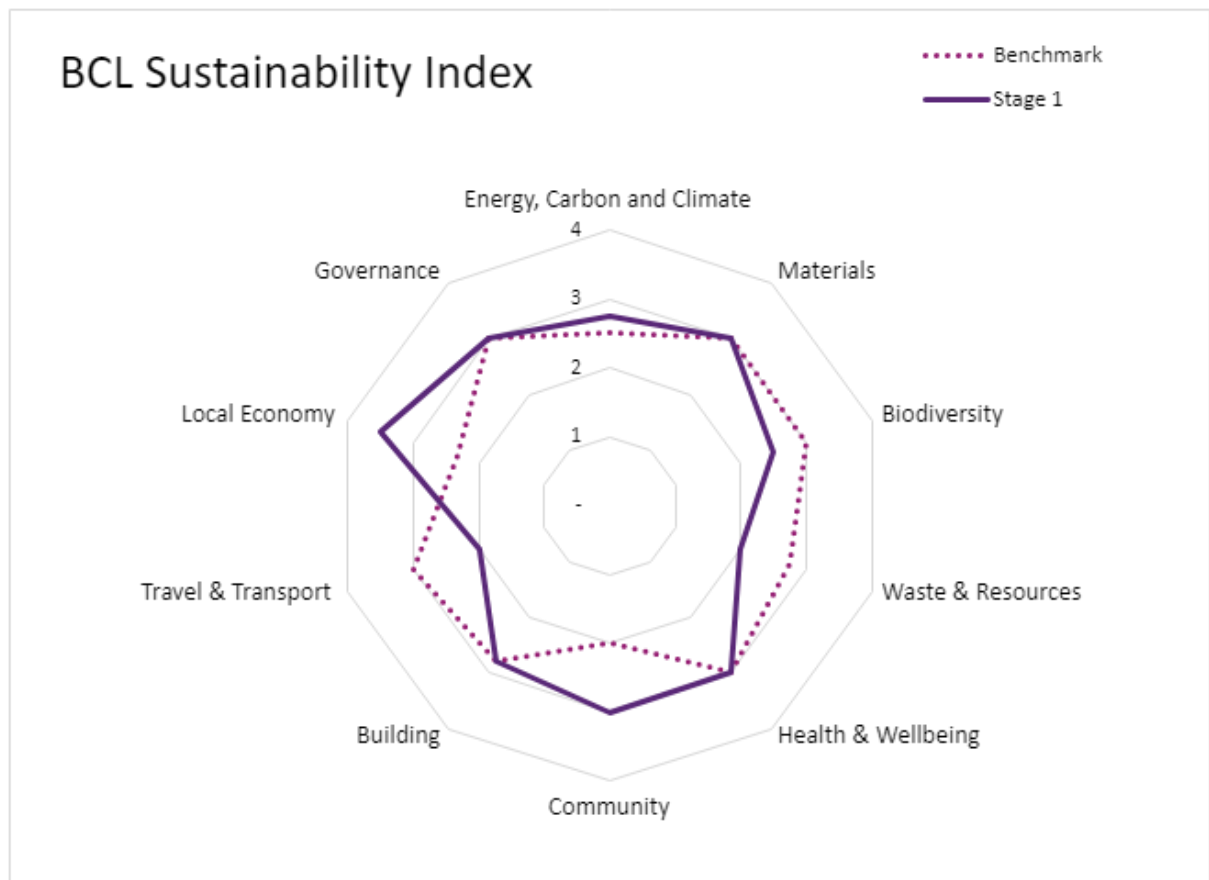
### Sustainability Index

Each asset has its own 'Sustainability Plan' based on our own bespoke assessment formulated using the Barwood Sustainability Index ("BSI"). The BSI is a scoring matrix against a wide-ranging number of environmental, social and governance issues associated with the development and/or management of any new asset (Extract below). The Sustainability Plan, together with the BSI score is included in the Stage 1 and 2 reports (as defined below) presented to the Investment Committee when assessing new investment opportunities.

		Total Score		27.4	27.6	40.0
Plan Zero	<b>1.00 Energy, Carbon and Climate</b>	TRUE		2.5	2.8	4.0
	1.01 Energy Strategy and Net Zero Carbon	TRUE	<a href="#">Guide</a>	3	4	4
	1.02 Impacts of climate change on site - design strategies to minimise M&E systems	TRUE	<a href="#">Guide</a>	3	3	4
	1.03 Whole life or embodied carbon assessment.	TRUE	<a href="#">Guide</a>	2	2	4
	1.04 Optimising storage of energy from renewables / high-efficiency alternative	TRUE	<a href="#">Guide</a>	2	2	4
	<b>2.00 Materials</b>	TRUE		3.0	3.0	4.0
	2.01 Value/supply chain plan meeting sustainable requirements	TRUE	<a href="#">Guide</a>	2	2	4
	2.02 Supporting ethical and sustainable sourcing and use	TRUE	<a href="#">Guide</a>	4	4	4
	2.03 Efficient resource plan inc transporting materials and resources	TRUE	<a href="#">Guide</a>	3	3	4
	2.04 Demonstration of efficient use and potential decontamination	TRUE	<a href="#">Guide</a>	3	3	4
	<b>3.00 Biodiversity</b>	TRUE		3.0	3.0	4.0
	3.01 Ecology Strategy and Biodiversity assessment	TRUE	<a href="#">Guide</a>	3	3	4
	3.02 Has a long-term landscape and habitat management plan been provided?	TRUE	<a href="#">Guide</a>	3	3	4
	<b>4.00 Waste &amp; Resources</b>	TRUE		2.8	2.8	4.0
	4.01 Waste hierarchy principles applied during construction and operations	TRUE	<a href="#">Guide</a>	3	3	4
	4.02 Flood risk assessment	TRUE	<a href="#">Guide</a>	3	3	4
4.03 Surface water runoff attenuation	TRUE	<a href="#">Guide</a>	3	3	4	
4.04 SUDS	TRUE	<a href="#">Guide</a>	2	2	4	
Creating Desirable Places	<b>5.00 Health &amp; Wellbeing</b>	TRUE		3.0	3.0	4.0
	5.01 Measures to enhance occupiers/staff and local community wellbeing	TRUE	<a href="#">Guide</a>	3	3	4
	5.02 Safety and security measures for safety culture for staff, visitors and community	TRUE	<a href="#">Guide</a>	3	3	4
	5.03 Overheating	TRUE	<a href="#">Guide</a>	3	3	4
5.04 Explore healthy building options	TRUE	<a href="#">Guide</a>	3	3	4	
	<b>6.00 Community</b>	TRUE		2.0	2.0	4.0
	6.01 Consultation Plan	TRUE	<a href="#">Guide</a>	2	2	4
	6.02 Site provision for services, facilities and amenities for staff, visitors and communit	TRUE	<a href="#">Guide</a>	2	2	4

\*Sustainability Index extract, scoring matrix for four pillars

Sustainability Index spidergram



The BSI is a scoring matrix that enables each project to be scored against the four sustainability principals. For instance, to determine a score for Plan Zero, each project must consider questions relating to “Energy, Carbon & Climate”, “Materials”, “Biodiversity” and “Waste & Resources” (see above extract). Each of these are scored out of 4; starting with 1 - Current, 2 - Compliant, 3 - Best Practice and 4 - Aspirational.

The highest total project score is 40 and the spidergram illustrates how a project compares to a benchmark (minimum target). Each development will be scored at key project intervals, including acquisition, point of tender, practical completion (if applicable) and exit, to ensure the project remains on target and that ESG remains a focus throughout the hold period of the asset.

## Project Targets

For new developments and any major refurbishments, within our commercial and residential activities, we set a number of minimum targets to achieve;

		Barwood Score	EPC	BREEAM	Fitwell (office only)	Wiredscore (office only)	Net Zero Carbon in construction
Commercial	New	25/40	min. A 50% A+	min 'Very Good' 50% 'Excellent'	Min. 2* (target 3*)	Min. Gold (target platinum)	20%
	Refurbishment	25/40	2 grades +	N/A	Min. 2* (target 3*)	Min. Gold (target platinum)	20%
Residential	New	25/36	min. B				0%*

\*To be reviewed in 2024.

## 2. INVESTMENT DECISIONS

### Investment Committee - Commercial

The Investment Committee is made up of members of Barwood’s Board with the responsibility and authority to make decisions over new investments on behalf of our discretionary property funds or make recommendations to our advisory mandates.

The process is made up of two stages. A “Stage 1” report follows initial due diligence, around the time of offering. Approval at this stage allows for further due diligence to be undertaken in pursuit of the investment, including the creation of the Sustainability Plan for the asset and a BSI projected score. Approval at “Stage 2” is requested following the completion of due diligence, to assess whether the acquisition should still go ahead. Both papers outline any ESG risks, mitigation approach and cost assumptions associated with the project.

### Investment Committee – Residential

The residential Investment Committee is also made up of members of Barwood’s Board who have the responsibility and authority to make decisions over new investments on behalf of our discretionary property platforms.

The process is made up of a Board report following an initial due diligence process. Approval at this stage allows for the pursuit of the investment including the creation of the Sustainability Plan for the asset and a BSI projected score.

Before exchange, the project team will confirm any changes to the business plan and request final authorisation to conclude the investment.

## **Sustainability Committee**

The Barwood Sustainability Committee is a sub-committee of the Barwood Board and is responsible for setting the Sustainability Policy, ensuring compliance, tracking key performance indicators and devising strategies to further enhance our performance from a sustainability perspective. The Sustainability Committee is chaired by Barwood Board member Danielle Sheppard, Senior Investment Director and Head of Sustainability.

There is a rotation of at least two Sustainability Committee members every other year, to encourage input from all levels of the business. The Barwood Sustainability Committee reports directly to the Barwood Board on a monthly basis, identifying how the business and its assets under management have performed against the sustainability targets, and what improvements or changes may be needed going forward.

In addition to the Sustainability Committee are four sustainability Focus Groups being, Corporate Sustainability, Innovation, Carbon Neutral, and Communications and Marketing. These are each headed by a member of the Sustainability Committee and ensure that all employees have the opportunity to contribute to our Sustainability Journey.

The Sustainability Committee will review the Responsible Investment Policy on an annual basis. Any changes will be reviewed and approved by the BCL Board.

## **3. OWNERSHIP**

### **Management of Assets**

Barwood consistently monitors the performance of its projects against the BSI to ensure they remain on track to achieve or improve their respective sustainability targets set at the start of project life. Continuous assessment of sustainability issues, and implementation of innovative design and/or management will drive value for all our stakeholders, summarised as:

- Effective management of risk
- Driving greater portfolio performance through efficiency
- Improving attractiveness to occupiers, driving rental performance
- Active management across our portfolio leading to reduced environmental impact
- Reduced utility consumption across our assets and portfolio leading to reduced costs of occupation
- Future proofing of buildings and assets, to drive Investor appeal on exit
- Enhanced levels of stakeholder engagement with occupiers, staff, communities and relevant industry bodies

### **External Managers / Consultants / Suppliers**

All external managers, professional consultants, and suppliers (“3rd Parties”) are vetted during the contract set up phase and during the life of each contract to ensure our sustainability approach is embedded.

### **Selection**

At selection stage, we take account of 3rd Parties’ scope, purpose, and their alignment with Barwood’s values. We make them aware of our sustainability aspirations and have a checklist that involves 3rd Parties satisfying certain sustainability criteria.

## Working with Third Parties

The BSI is assessed every year and we track whether 3rd Parties are fulfilling the set targets. Barwood goes on regular site visits to monitor progress and report any findings. We have regular calls/meetings with our 3rd Parties to check for updates.

## Tenants

The occupiers of our assets represent a key component to the sustainability of the buildings themselves. We make any prospective or incumbent occupier aware of our sustainability aspirations. We provide a tenant handbook that explains how to use the space in an efficient way. We also have tenant satisfaction surveys to get feedback from the tenants to make any improvements. Barwood is transparent and shares data to their tenants.

We use 'Green Leases' where appropriate, encouraging reduced utility consumptions and local community collaboration. There are identifiable clauses in the lease ensuring the tenant safeguards and improves environmental performance. The lease gives rights to the landlord to request appropriate data to assess impact on environmental performance. Where tenants have the obligation to request Landlord's consent to make alterations, Barwood reserves the right to refuse any alteration that adversely affects the environmental performance or energy rating of the asset.

## Sale

Barwood seeks to assess, manage, and improve any sustainability issues during its ownership of any asset. Therefore, on hand-over during a sale, it can be demonstrated to a purchaser that all ESG aspects during construction and/or management have been considered, and that within the confines of proportionate cost vs benefit, as many initiatives as possible have been considered and executed.

Where initiatives have not been able to be executed during the hold period, it is expected that a costed schedule will be available to any incoming purchaser, showing how assets can be improved to achieve superior EPC ratings (or other) and at what likely expense. This, in turn, will drive value for our investors and stakeholders.

At the point of divesting, internal processes ensure that Barwood is compliant with the latest UK AML directives and responsible tax practices, related to good governance.

## 4. REPORTING, LEGAL AND REGULATORY FACTORS

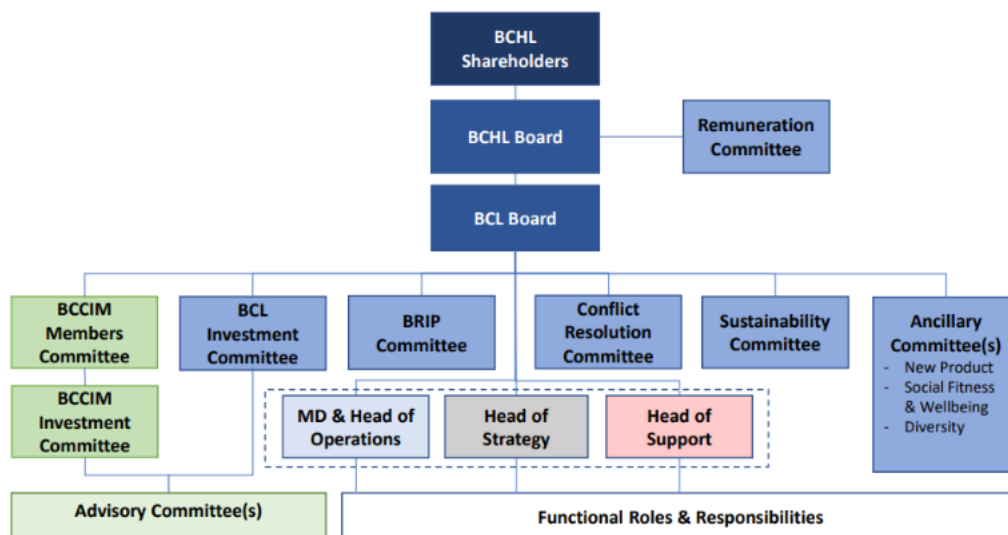
### Reporting

Reporting is carried out on a monthly, quarterly, and annual basis to all levels of the business, as well as to investors, to ensure absolute transparency. For all discretionarily managed funds, benchmark reporting is also carried out on an annual basis through UN PRI to demonstrate our performance against peers.

UN PRI Guideline Link: [UN PRI - Responsible Investment Guidelines.pdf](#)

### Legal and Regulatory Factors

Barwood has a formal Governance Policy in place. The purpose of the policy is to clarify where responsibility and accountability lies for key functional areas within the Group and the funds that it manages.



The Governance policy sets out the roles and responsibilities of each of the Boards and Committees as well as setting out the members of each and the accountability.

Overall responsibility for Governance lies with the BCHL Board of Directors who are responsible for determining the general policy and strategic direction of the Group, ensuring appropriate governance is in place and monitoring the Groups performance. The BCHL Board is accountable to the Shareholders and is made up of a maximum of nine Board Members and a Chairman as determined by the Shareholders.