

UK STEWARDSHIP CODE 2020

REPORT FOR THE YEAR ENDED 31 DECEMBER 2020



FOREWORD

Since its formation 18 years’ ago, Mayfair Capital has recognised the importance of being a responsible investor. Stewardship is one of the four pillars supporting our investment approach, and we state this prominently on our website. It was therefore natural that we would choose to adopt the principles of the UK Stewardship Code 2020 and seek to become a signatory.

Despite implementation being somewhat delayed by the Coronavirus pandemic, we completed the project successfully in 2020 and are pleased to present the resulting activities and outputs within this report. We recognise that further initiatives will be required in future, and we remain committed to a process of continual improvement.

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.

As part of the project to implement the Principles of the Stewardship Code, we consulted with specialist parties to obtain external and internal assurance. This stewardship report has also been subject to independent review by BDO LLP. Please refer to Principle 5 for further information.

This report has been reviewed and approved by the Mayfair Capital Investment Management Board of Directors.

Please note that this report relates to the application of the UK Stewardship Code during the reporting period Calendar Year 2020 (1 January to 31 December 2020).



James Thornton

James Thornton
Chairman of
the Board & Non-
Executive Director



Giles King

Giles King
Chief Executive
Officer



Tim Munn

Tim Munn
Chief Investment
Officer



Graham Langlay-Smith

Graham Langlay-Smith
Chief Operating
Officer

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Mayfair Capital is the UK arm of Swiss Life Asset Managers (SLAM), the largest real estate manager in Europe¹ with approximately £77 billion of real estate assets under management (AUM) and administration. Mayfair Capital is a specialist UK real estate fund manager authorised and regulated by the FCA as a full scope AIFM under AIFMD. We combine a highly personalised service with a knowledge advantage from being part of Europe's largest real estate asset manager.

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

Mayfair Capital's Chief Executive Officer is Giles King. He is supported by Tim Munn (Chief Investment Officer) and Graham Langlay-Smith (Chief Operating Officer), as well as the CEO and CFO of SLAM on the UK Executive Board. The Board is chaired by James Thornton, a non-executive director and original founder of Mayfair Capital, enhancing the quality of our governance and investment capabilities. Biographies are available on our website at <https://www.mayfaircapital.co.uk/our-people/management-team>

Mayfair Capital assets under management (AUM) totalled £1.9 billion as of 31 December 2020. We manage segregated discretionary and advisory mandates for a small number of institutional clients comprising Schroders, Jupiter Asset Management and The Cadogan Estate. 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.

Since its formation 18 years ago, Mayfair Capital has recognised and maintained the importance of being a responsible investor.

Mayfair Capital predominantly invests in direct real estate (relating to the part- or full-ownership of specific property assets). Indirect real estate investments (relating to ownership of shares in a fund or company managed by external managers), are also acquired from time to time but comprise less than 3% of total Mayfair Capital AUM.

Mayfair Capital adopts a research-led investment approach focussed 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. We have a strong track record in constructing bespoke portfolios, meeting client investment objectives and service expectations with a strong responsible investment ethos.

In November 2016, 100% of the shares of Mayfair Capital were acquired by Swiss Life Investment Management Holding AG, trading as SLAM, a wholly owned subsidiary of Swiss Life Holding AG ("Swiss Life") to provide SLAM's sole UK presence. Real estate is a major asset class for Swiss Life comprising 29% of its assets. For Mayfair Capital, Swiss Life provides the resources and long-term commitment that has allowed us to retain and recruit the best talent to develop our investment capabilities. Our focus remains the provision of investment management services and co-investment for a select group of institutional clients to grow the business sustainably.

Over the last four 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. ■

¹ Source: ANREV/INREV/NCREIF Fund Manager Survey 2020



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. We will 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

Our purpose is enshrined in 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"

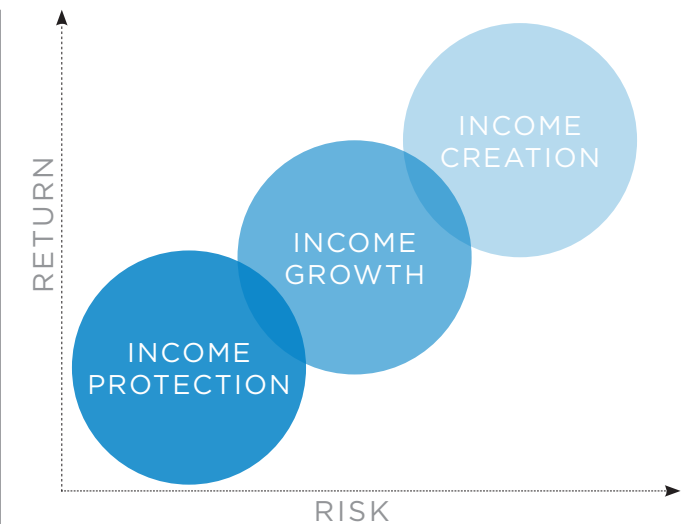
Our investment philosophy contends that income is the driving force behind real estate investment. Income has comprised approximately 80% of property's total returns over the last 35 years.

We seek to build portfolios for our client investors that provide resilient and sustainable income returns. We target assets that, when diversified, provide a mix of income protection, growth and creation.

We tailor income profiles to the client's risk profile. For core investors, we focus on income protection and growth through high quality income and vacancy mitigation with assets likely to meet current and future occupier needs. 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 believe a thematic approach focused on the long-term real estate demand drivers enables better understanding of the needs of occupiers and how these will change. With this insight, we invest with conviction and have the confidence to be largely unconstrained in our approach.

Investment in real estate requires long term commitment. We understand that long-term value is maximised when our investments allow us to own or create resilient real estate that is adaptable to change. Because income generation requires occupational demand, sustained income preservation and ongoing growth necessitates stewardship over the land and property that we manage. Our philosophy commits us to continuously align our holdings to positive



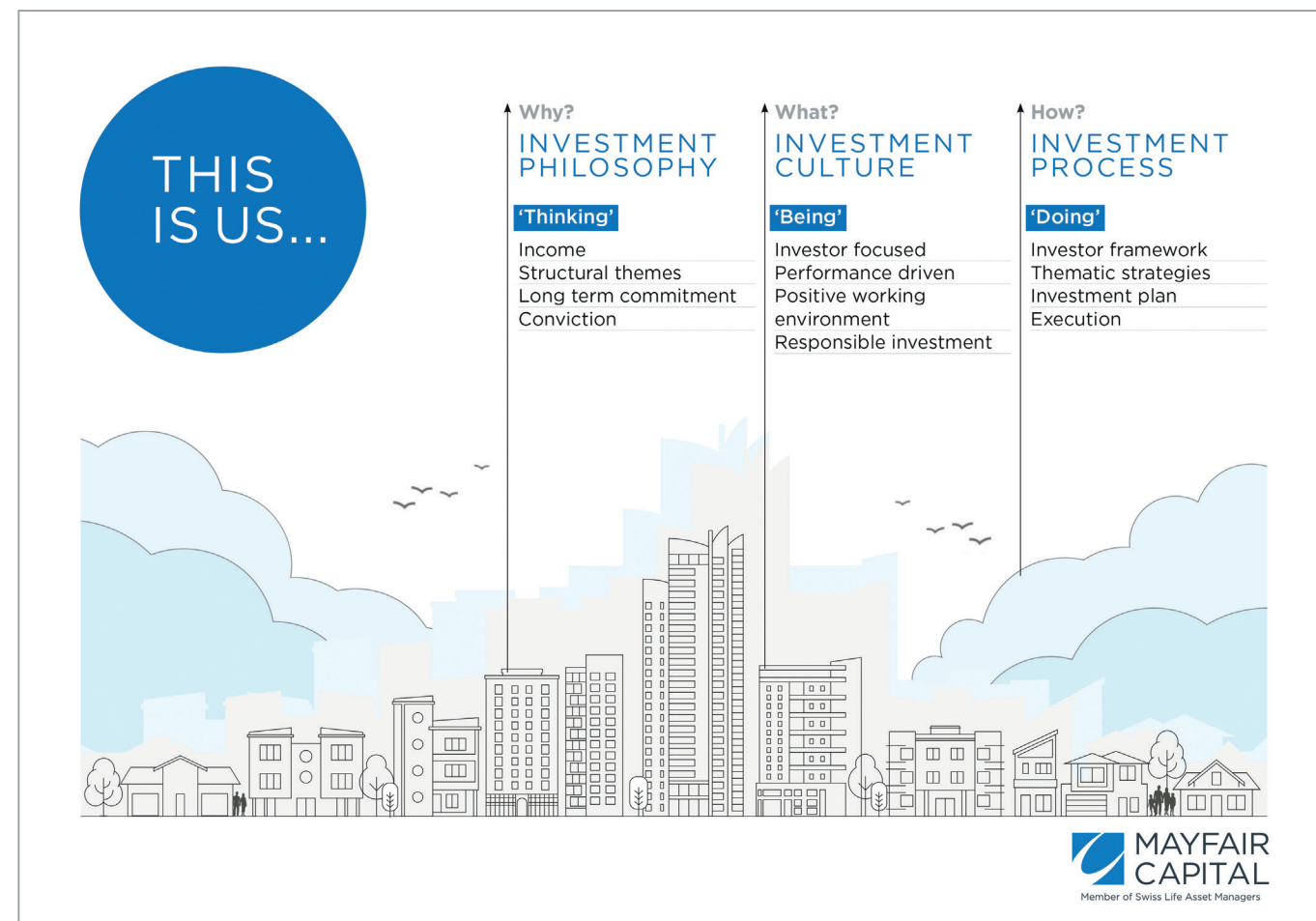
economic, environmental and societal outcomes to ensure enduring occupier appeal.

INVESTMENT CULTURE "BEING"

Our investment culture determines how we behave, and it is the fundamental link between how we think about investing and how we invest. They say, "culture eats strategy for breakfast", meaning if there is no cultural alignment in a business's behaviour then processes will fail.

Our emphasis on the power of a shared investment culture is built on the following four commitments:

- 1. We are investor-focussed.** The investor is placed at the centre of our business and we build long term strategic partnerships by putting investors' needs first, communicating well and taking a long-term approach. We are in it for the long run and have processes in place that govern client care and communications to ensure that client requirements are being met. See our response to Principle 6 for more detail.



2. We are performance driven. We undertake disciplined investment to meet our investor requirements and maintain our consistently strong performance track record. We take full accountability for the performance of our mandates. We have a robust investment governance framework to ensure performance and risks are closely monitored. See our response to Principle 4 for more detail.

3. We promote a positive working environment. Mayfair Capital is a place of opportunity for our

colleagues and 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 actively encourage and reward the positive behaviours outlined above. See our response to Principle 2 for more detail.

4. We are responsible investors. This determines the way we interact with stakeholders - our customers, our advisors, the communities in which we invest and the environment. With our

focus on stewardship and the highest standards of governance we seek to generate sustainable value for our investors, which goes beyond positive investment performance. This is reflected in our approach to ESG and our responsible investment policies, which are long established. Please see our response to Principle 7 for more detail.

These four investment culture commitments support our purpose. Purpose ensures that we behave and invest with authenticity on behalf of our investors, which, in these days of short-termism, 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.

on structural trends we target investments that are aligned to our five investment themes to ensure the selection of markets and assets that will have enduring appeal to occupiers. We identify strategies that are responsible and sustainable and best able to meet the requirements of our investors.

We then combine the Investor Framework and suitable Thematic Strategies into an Investment Plan – a practical plan for investment that sets out the key strategic objectives for each fund mandate and planned investment activity. These 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.

Only when these three steps are concluded do we commence investment. We have clearly defined policies and procedures for each element of investment execution.

For investment acquisitions, Investment Selection, we follow disciplined processes for the sourcing, allocation and approval of new acquisitions and the undertaking of due diligence. In respect of Asset Management, an Asset Business Plan is prepared annually for every asset that we manage and the “hold/sell” analysis that we undertake to determine the business plan is incorporated into the annual portfolio Investment Plan. Finally, timely and accurate Administration and Reporting is critical in ensuring investors get the information that they require and to demonstrate that we are doing what we have said we will do. This is fundamental in building trust with our investors and developing long term strategic partnerships.

INVESTMENT PROCESS “DOING”

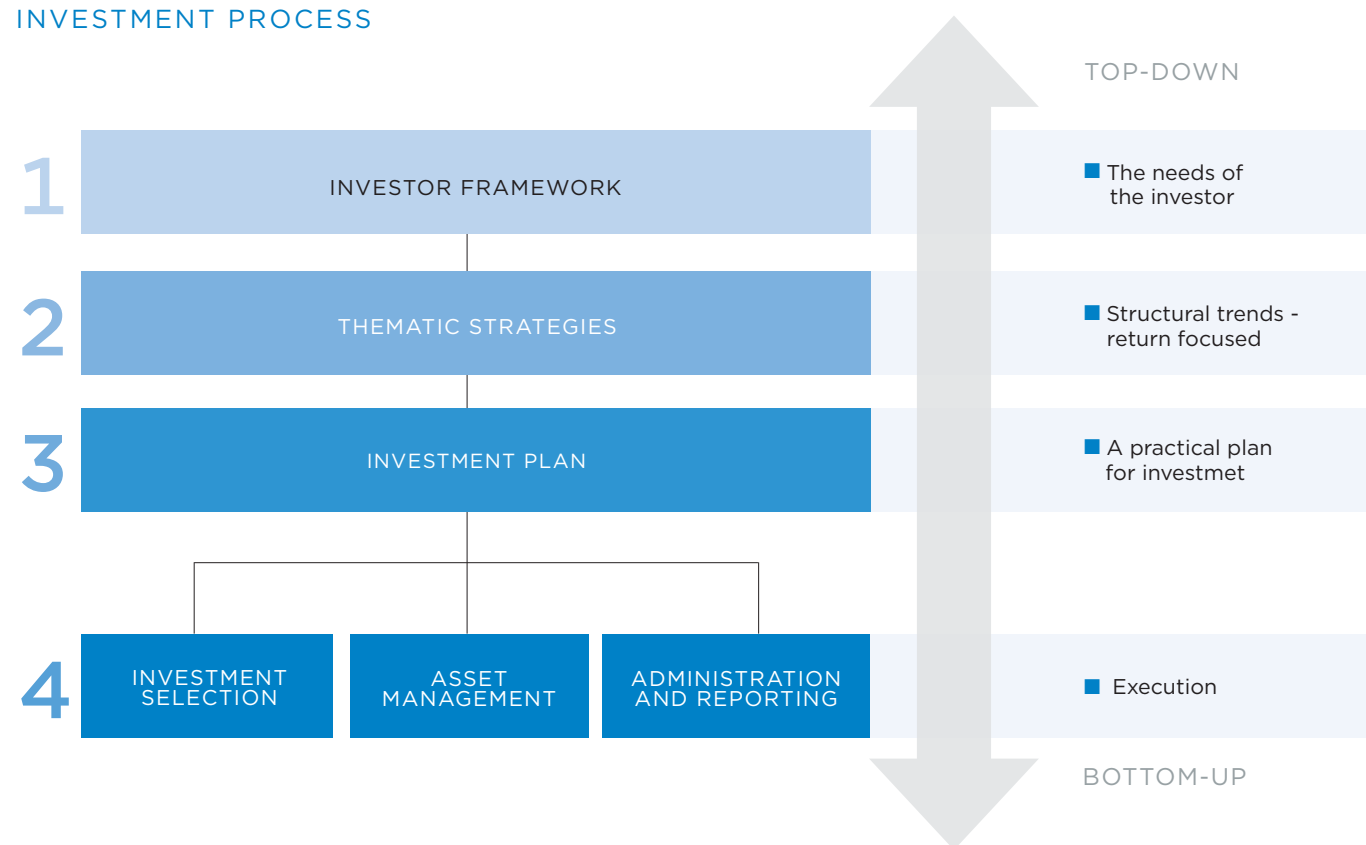
Our investment process details how we put the founding principles of our way of thinking (our philosophy) and being (our culture) into practice.

Our investment process is highly disciplined and comprises both “top-down” and “bottom-up elements” as shown in the diagram opposite - ‘Investment Process’ (page 8).

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, their tolerance for risk, the universe in which they wish to invest, i.e. geography/ sector, 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

INVESTMENT PROCESS



OUR STRATEGIC OBJECTIVES

To realise our purpose, we will 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.
3. We will remain a predominantly core direct property investment manager but with a commitment to build our value-add track record over time to up to 30% of our AUM.
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 a resilient and sustainable portfolio, which is necessary to maintain our strong long-term performance track record.

To quantify our strategic objectives, we will seek to double our AUM over the next five years with support from Swiss Life Asset Managers. Our growth targets are primarily focussed on our existing products, including the planned growth of the PITCH Fund by c.35% and the expansion of Swiss Life's balance sheet and pan-European investment in the UK. ■





PRINCIPLE 2

Signatories' governance, resources & incentives support stewardship

OVERVIEW

As a wholly owned subsidiary of Swiss Life, which is quoted on the Swiss Stock Exchange, the activities of Mayfair Capital are grouped within the larger Swiss Life Asset Managers group. Swiss Life invests in funds managed by Mayfair Capital and other fund management businesses within SLAM.

Whilst the overarching ESG policy is set at the very highest levels of Swiss Life, responsibility for implementing and upholding these runs deeply throughout the wider organisation. At the SLAM divisional level, stewardship and ESG are embedded in the governance structure and processes as set out below.

OUR ESG SPECIALISTS & THE ESG BOARD

A future-proofed business model necessitates the implementation of sustainability criteria – ESG – in all core business processes. ESG specialists at SLAM develop and implement our approach to responsible investment. These specialists are both dedicated ESG managers and representatives from each asset class and relevant functions. Together they form the ESG Board, chaired by the Head of ESG.

The SLAM ESG Board creates our responsible investment approach, guides how the approach is implemented and makes decisions on ESG matters. It encourages teams across the asset classes to exchange insights on ESG topics. The ESG Board acts as the ESG advisor to the Executive Committee and the Head of ESG reports directly to the Swiss Life Chief Investment Officer (CIO).

EMBEDDING ESG IN DECISION-MAKING COMMITTEES

The members of the ESG Board also chair the corresponding asset class or business unit ESG committees, which meet monthly. During the

committee meetings our experts make decisions on questions around ESG integration into the investment or risk management process. They also decide how to progress with investments that other committees and processes have raised as controversial.

Our Executive Committee, headed by the Swiss Life CIO, discusses overarching ESG issues, such as green investment strategies and controversy analysis of the securities portfolio.

PROMOTING OUR RESPONSIBLE INVESTMENT APPROACH IN OUR DAY-TO-DAY OPERATIONS

ESG factors are incorporated into the day-to-day processes of all our 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. Our ESG ambassadors pursue this role.

As part of their annual personal targets, ESG ambassadors take responsibility for applying and developing our approach to responsible investment in their area of business. An active events programme through the year helps to build an ESG community that shares insights and encourages progression.

In 2020 Mayfair Capital implemented new policies and procedures to adopt the principles of the Code, including:

- adding stewardship to the standing agenda of both the Board and Executive Committee
- adding stewardship to the terms of reference of the IRC and to the standard template used for investment memorandums

- adding stewardship to the terms of reference of the Remuneration Committee and to the objectives for members of the Executive Committee and all investment staff

In February 2021, Mayfair Capital launched a search to recruit a dedicated ESG specialist. It is anticipated that the new recruit will join the firm in Q2 2021 and help drive forward the firm's ESG/responsible investment agenda.

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

In the UK, Mayfair Capital is governed by its Board of Directors ("the Board") which consists of the following executive directors:

- Giles King (Chief Executive Officer or CEO)
- Timothy Munn (Chief Investment Officer or CIO)
- Graham Langlay-Smith (Chief Operating Officer or COO)
- Stefan Maechler (CEO, SLAM, based in Zurich)
- Hermann Inglin (COO, SLAM, based in Zurich)

The Board is chaired by a non-executive director:

- James Thornton (Chairman of the Board; Member of the IRC; Member of Remuneration Committee)

All members of the Board have at least 20 years of relevant experience. Most have over 30 years. Biographies of the directors are included on our website - <https://www.mayfaircapital.co.uk/our-people/management-team>

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

and the COO. 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. This includes any actions relating to stewardship.

EXECUTIVE COMMITTEE

On a day-to-day basis Mayfair Capital is managed by an Executive Committee, which executes the strategy set by the Board. This committee consists of the following members:

- Giles King (CEO)
- Timothy Munn (CIO)
- Graham Langlay-Smith (COO)

The Executive Committee meets every Monday 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 Mayfair Capital. 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).

In accordance with the Firm's culture of continuous improvement, the Executive Committee will monitor the effectiveness of the policies and procedures and make any necessary changes. In 2021, the Firm will review its agreements with property managers and other professional appointments to determine the extent to which stewardship should be formally incorporated.

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. The IRC consists of the following members:

- **Tim Munn** (CIO, Chairman of IRC)
- **Giles King** (CEO)
- **James Thornton** (Chairman of the Board)
- **Frances Spence** (Director - Research, Strategy and Risk)
- **Ned Pumphrey** (Fund Director)

Three members are needed for the IRC to be quorate. Investment decisions are made unanimously meaning that any member who is not prepared to approve a transaction of the IRC has veto rights. In practice, the execution of a veto would be highly unusual as deals must be fully researched and the issues explored in order to reach this stage.

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.

To ensure that stewardship is embedded in Mayfair Capital's local investment approval process, in 2020 stewardship and responsible investment were formally added to the IRC Terms of Reference and to the standard template used for investment memos seeking IRC approval.

REMUNERATION COMMITTEE

Mayfair Capital's Remuneration Committee is responsible for approving promotions, salary reviews, bonuses and allocations of units in our long-term incentive scheme. The Remuneration Committee consists of the following members:

- **James Thornton** (Chairman of the Board)
- **Stefan Maechler** (CEO, SLAM)
- **Hermann Inglin** (COO, SLAM)
- **Andrea Bacca** (Head of Human Resources, SLAM, based in Zurich)

To ensure that stewardship is embedded in our compensation and incentivisation process, in 2020 stewardship and responsible investment were also formally added to the Remuneration Committee Terms of Reference and our Remuneration Policy.

SLAM & MAYFAIR CAPITAL ESG FRAMEWORK

As stated above, SLAM has a team of ESG ambassadors who coordinate all ESG and related activities locally. Scott Fawcett, Director of Asset Management is Mayfair Capital's ESG Manager. He is a Chartered Surveyor with over 27 years of relevant experience. As stated above, we have commenced a search to recruit an ESG specialist. When this individual joins the firm, they will assume the role of ESG Manager in the UK.

Stewardship activities are led by the senior executives represented on the committees described above and resourced by all staff members involved in Mayfair Capital's investing activities (transactions; asset management; fund management; research, investment strategy and risk). All such staff members have specific objectives linked to stewardship which are measured as part of the annual appraisal process set out below.

The seniority, experience and qualifications of all Mayfair Capital staff are communicated in the biographies on our website.

We recognise the importance of diversity in all our activities, including stewardship. Stewardship activities

in 2020 were resourced by staff members of all ages, seniority, gender, and ethnic backgrounds. Diversity is a consideration in the recruitment process for all new hires and we are actively seeking to enhance our diversity (particularly gender and ethnicity) in 2021.

LINKING ESG TO REMUNERATION

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 which also includes adherence to the Principles of the Stewardship Code.

As stated above, all members of the Executive Committee and all staff involved in our investing activities have objectives linked to stewardship. 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 which aligns financial and ESG incentives and outcomes.



ESG ENHANCEMENT INITIATIVES (2020)

During 2020, we engaged leading sustainability consultancy EVORA Global Limited with a brief to support the delivery of enhancements to our ESG framework. Work conducted by EVORA during 2020 concentrated on enhancements to existing Mayfair Capital ESG and Responsible Property Investment policy and documentation, including:

a) Updates to the Mayfair Capital ESG Strategy document, including updated review of materiality, responsibilities, timescales and KPI's to measure success.

b) Completion of "Key Existing Document Appraisal" actions, including appraisal of;

- Pre-Acquisition Sustainability Checklist
- Sustainable Fit Out Guide for Occupiers
- Supplier Questionnaires
- Sustainable Refurbishment & Development Guide

c) Additional development of policy and procedure documentation to enable ESG integration into asset business plans and processes for stakeholders to follow to meet ESG goals;

- ESG Asset Logbook Template
- Annual ESG Occupier Update Template
- Property Manager Standards of Sustainability & Guidance
- Green Lease Policy

As part of the implementation process, we also considered the extent to which our systems, processes, research and analysis needed to be enhanced. No changes to IT systems were deemed necessary, however, during 2020 we adopted the Siera tool for

data management and updated several of our firm's policies and procedures, including:

- Employee Handbook
- Conflicts Policy
- Proxy Voting Policy
- Remuneration Policy

CONTINUOUS IMPROVEMENT OF ESG STRATEGY

Our engagement with EVORA during 2020 also resulted in the development of a carefully formulated plan for continuous improvement of our ESG strategy. As a result, we have re-engaged EVORA through 2021 to provide ongoing support, effective implementation, and continual improvement of the Mayfair Capital ESG Strategy. EVORA's work during 2021 will concentrate on two areas:

1. ESG Strategy reviews and facilitation of ESG Strategy steering meetings:

QUARTERLY BASIS:

- Asset/fund/portfolio-level performance updates against objectives and targets, including updates on asset and portfolio level carbon reduction pathways.

- Strategic steer (from EVORA board member) on investment strategy considering ESG, market insights, legislation and innovative asset enhancement.

ANNUAL BASIS:

- Facilitation of Management Reviews, including:
 - RPI Policy review to ensure it still accurately reflects current operations
 - ESG risk assessment and management
 - Compliance issue resolution

- Inclusion of ESG within Asset Business Plans
- Roles and responsibilities
- Summary of performance against objectives
- Training and awareness-raising programmes
- Monitoring and reporting processes

- As required, further ESG Strategy and RPI Policy review and updates to relevant documents

2. General ESG Strategy support and continuous improvement initiatives:

- Asset level analysis of Emissions Baseline Development covering energy use intensity, benchmark performance, energy reduction pathways and identification of "stranded assets"
- Tenant Satisfaction Surveys covering GRESB requirements and aligned to ESG objectives
- Review of energy, GHG, water and waste data in accordance with AA1000
- BREEAM In-Use Assessments and Net Zero audits
- ESG Strategy Workshop during March 2021 covering:
 - MC ESG Strategy including objectives and procedures
 - Key current issues
 - Practical applications
 - Key questions from Mayfair Capital staff
- Management of 2021 GRESB submission where engaged, including analysis and presentation of results.
- Completion of ESG Asset Logbooks across managed assets (please refer to Principle 8 for further information on planned future engagement with Property Managers).
- Ongoing data management utilising the SIERA

Net Zero Module to model asset and portfolio level pathways, and map transition risk and asset stranding on an ongoing basis. ■



PRINCIPLE 3

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

CONFLICTS OF INTEREST POLICY

A version of our actual policy document is published on the Mayfair Capital website - <https://www.mayfaircapital.co.uk/about-us/governance>

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 program 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 Mayfair Capital 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 2 years.

Mayfair Capital is an investment manager which manages alternative investment funds and provides investment advice to a number of separate account clients. Although each fund and advisory client has its own unique investment strategy, a potential conflict exists because some of these investment strategies partly overlap. In order to mitigate and manage this potential conflict, we have implemented a deal allocation process to ensure that all clients are treated fairly. This process is in line with "The responsible allocation...of capital..." included in the definition of stewardship.

The deal allocation process mentioned above operated effectively throughout 2020. Despite the significant downturn in transaction volumes in the year due to the Coronavirus pandemic, there were 39 Investment Risk Committee meetings held in 2020 and all new acquisitions were allocated successfully, without any conflicts between funds and/or separate account mandates arising. Furthermore, no other types of conflicts were added to our conflicts inventory during the year. ■



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PRINCIPLE 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 overlaps our entire investment process. Mayfair Capital is authorised and regulated by the FCA. In accordance with regulatory requirements, we have implemented an effective framework to identify, monitor and manage risk. We identify investment risk by categorising it 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 objectives and target returns.
Liquidity Risk & Leverage	Liquidity risk: Time of converting asset into cash and the reduction in price the seller would have to accept to trade at a given time.
	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.
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.
Environmental Risk	Risk that assets reduce in liquidity by not being resilient to conditions such as climate change (e.g. flood risk) and carbon emissions (e.g. low energy performance rating).

The risk categories defined above provide a reporting framework for our risk management procedures at a fund level. The main investment risk management procedures are:

- fund risk profiling,
- fund risk monitoring,
- fund risk modelling and stress testing,
- fund risk reporting and escalation.

Responsibility for overseeing these investment risk procedures sits with the 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 (Director - Research, Strategy and Risk) with Tom Duncan (Senior Associate - Research, Strategy and Risk) as alternate.

On a quarterly basis, the IRC will review the investment risk reports for each Fund that have been 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 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).
- Modelling of future income. Analysis of tenant counterparty risk as well as the shape of the income expiry profile is 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 the sector composition. This will enable pre-emptive portfolio recalibration to occur to preserve and enhance value and protect the 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 the conclusions of our thematic investment approach which is based on five themes which we believe are driving structural change. These themes are:

- 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 scope of the mandate.

Risk management procedures have been embedded in Mayfair Capital's investment process since it was founded in 2003. These procedures are documented in Mayfair Capital's Risk Management Framework, which was comprehensively reviewed in 2014, to make these more explicit and reflect the lessons learnt during the global financial crisis. At the forefront of this is the ability to ensure that risk inherent in portfolios is aligned with the fund's objective and the 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.

The COVID-19 pandemic has tested our risk management processes and has demonstrated the robustness of our approach. During this period, we have been able to use our risk reporting and

Risk management procedures have been embedded in Mayfair Capital's investment process since it was founded in 2003.

risk monitoring framework to quickly identify areas of vulnerability across our portfolios and agree appropriate risk mitigation measures.

One such initiative was an internal evaluation of the COVID-19 impact on UK Office real estate. The initiative assessed post-COVID demand for offices in light of structural changes reshaping occupational demand. The result of this exercise was the development of a Mayfair Capital 'Future-proofed Office' strategy, identifying the locational and physical asset characteristics required for offices to be resilient and readily adaptable in the face of ongoing and rapidly evolving change to working patterns. The strategy was utilised to identify existing investment assets that no longer aligned with core characteristics and occupational requirements. As a result, several assets were identified for sale, and a further selection of assets were identified for renewed asset future-proofing measures such as refurbishment to improve resilience and adaptability.

We subscribe to a number of publications and data service providers to ensure we have the latest market information. In addition, senior personnel of Mayfair Capital 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. Recently, we have taken an active role in FCA discussions regarding the liquidity of open-ended real estate funds. ■



PRINCIPLE 5

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

POLICY REVIEW & ASSURANCE

During 2020 Mayfair Capital reviewed all its policies as part of the implementation of the Principles of the Code. As mentioned under Principle 2 above, updates were made to the following policies in order to ensure effective stewardship:

- Employee Handbook
- Conflicts Policy
- Proxy Voting Policy
- Remuneration Policy

In accordance with our commitment to continuous improvement, all our policies will be reviewed at least annually and updated where necessary.

As part of the project to implement the Principles of the Code, the Firm consulted with the following parties in order to obtain external and internal assurance:

- ACA Compliance (Europe) Limited – compliance consultants
- Association of Real Estate Funds – industry body
- BDO LLP – financial services advisers
- Crowe UK LLP – auditors and tax advisers
- EVORA Global Limited – ESG consultants
- SLAM ESG team
- Swiss Life Internal Audit

In view of the resources dedicated to ESG within SLAM, we took the decision to co-ordinate activities in respect of the UK Stewardship Code 2020 as part of the overarching SLAM initiative.

This stewardship report has been subject to independent review by BDO LLP. As part of their consultancy work, BDO undertook a critical appraisal and gap analysis of our draft report against industry

standards and FRC guidance and provided subsequent recommendations for our consideration to enhance the strength and clarity of our response to the Code. BDO LLP recommendations have been implemented in this submission.

As outlined within our response to Principle 2, EVORA Global Limited has been appointed to provide advice and guidance on an ongoing basis, including support and continuous improvement of the Mayfair Capital ESG Strategy through 2021.

Mayfair Capital has sought to present its report for 2020 in a fair and balanced manner, by commenting on activities that will be improved or implemented in 2021. The 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. ■

All Mayfair Capital policies were reviewed as part of our UK Stewardship Code implementation during 2020.



PRINCIPLE 6

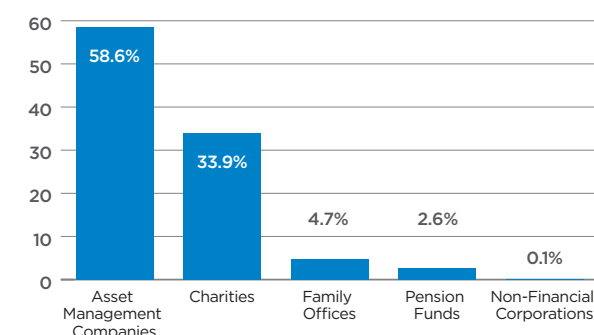
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

CLIENT COMMUNICATION

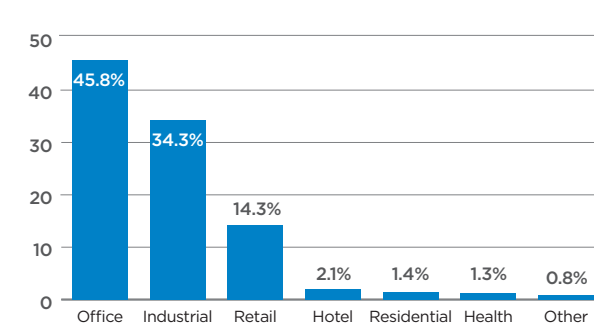
Investor communication is a key component of our investment process. Clear, informative communication is fundamental to our commitment to engender trust and develop long term strategic partnerships with our clients.

Mayfair Capital assets under management (AUM) totalled £1.9 billion as at 31 December 2020. Out of this £1.9 billion, our client base predominantly comprises institutional investors (see Graph 6.1).

Graph 6.1 Mayfair Capital AUM by Investor Type



Graph 6.3 Mayfair Capital AUM by Property Sector

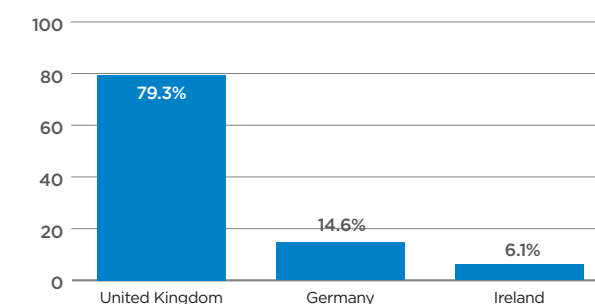


Our client communication generally comprises meetings, written reports and verbal communication on calls, face to face meetings in person or online.

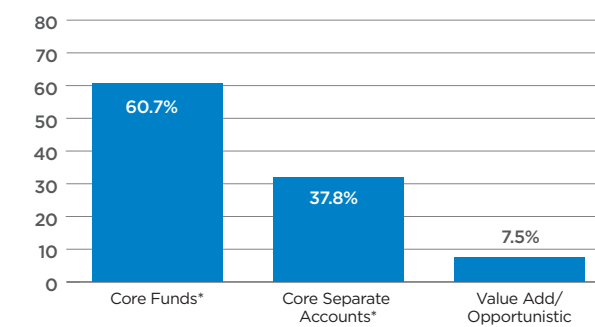
MEETINGS:

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 strong two-way dialogue.

Graph 6.2 Mayfair Capital AUM by Property Location



Graph 6.4 Mayfair Capital AUM by Risk Strategy



* Note: the average investment hold period for Core Funds and Separate Accounts is 12+ years

Typical meetings would include:

- Annual Strategy Meeting to understand client objectives, the requirements of key stakeholders and drivers of overall client strategy
- 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.

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 the client. To develop trust, particularly at the beginning of a mandate, we encourage regular face to face meetings, including joint property visits and reviews. We advocate a team approach built on transparency and clear communication.

The Fund Director, CIO and the Portfolio Manager would be available at any time on short notice for client meetings throughout the UK. Where possible all client visits will be undertaken by public transport to minimise our carbon footprint. We would also be amenable to using what are now tried and tested online meeting technology subject to client preferences.

Clear, informative communication is fundamental to our commitment to engender trust and develop long term relationships with our clients.

REPORTING

We can accommodate any reasonable timetable for preparing the required reports. Once the timetable has been discussed and agreed, we are happy to commit contractually to meet it. During the COVID-19 pandemic we produced quarter end reports to clients inside our normal working arrangements and agreed timescales.

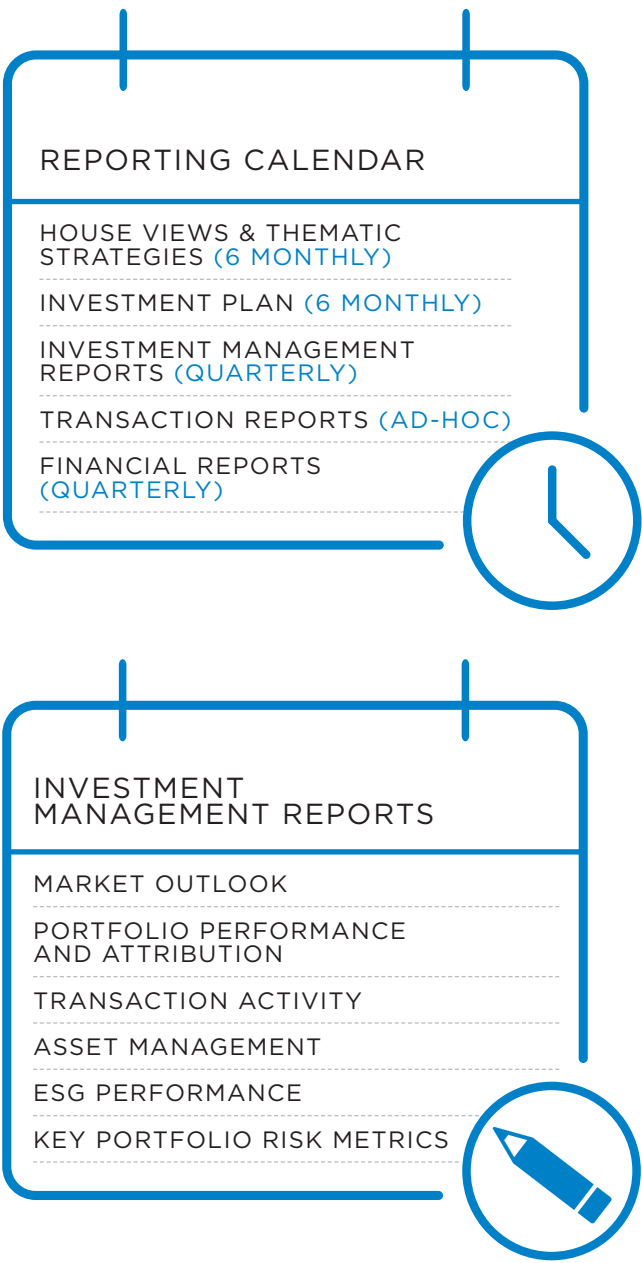
We provide the following regular reporting during the ordinary course of operating a real estate investment management mandate:

- Annual presentation of House View and Thematic Strategies and how we intend to implement them.
- Annual presentation of the Investment Plan. Key strategic objectives, including a review of the asset business plans and “hold/sell” analysis for each property, plus target investments.
- Quarterly Client Portfolio Management Reports, including the following information:
 - Market outlook
 - Portfolio performance and attribution
 - Transaction activity, including deal pipeline and potential sales.
 - Asset management Business Plans update
 - ESG reporting
 - Key portfolio risk metrics
- Risk reports undertaken at six-month intervals and which are incorporated into quarterly reports
- Transaction Recommendation Reports for transactions put forward to the IRC
- Quarterly consolidated portfolio accounts, including capital values

- Annual MSCI Portfolio Analysis Service (PAS)/ Benchmark reports
- Ad-hoc reporting, e.g. market updates, recent legislation, Budget summary, etc.

Annual summary reports of activity and financial highlights can also be provided as required by the client, bespoke for any specific year end purpose e.g. websites, Annual Reports, Audits, Corporate Social Responsibility (CSR) report or ESG/RI reporting.

Client feedback is incredibly important to us. Our Chairman meets 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. ■



CASE STUDY

Acting on investor feedback to increase assurance related to investment performance

During the quarterly Investors' Committee meeting for Mayfair Capital's charity fund held in August 2020, the investor representatives requested that additional reconciliations be performed on certain service charge accounts to give extra assurance that income distributions were being calculated correctly. Although this request went beyond the remit of the Investors' Committee, we were happy to carry out the additional work as we recognised the needs of our investors. We completed the work in November and December 2020 and reported back to the Investors' Committee during the meeting held in February 2021.

The above case study demonstrates that if common themes emerge during consultations with investors, we are happy to take these considerations on-board and “close” the feedback loop.



PRINCIPLE 7

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

OVERVIEW

Responsible investment is a pillar of our investment culture. We recognise the threat of climate change, the impact of sustainability on future portfolio performance, our stakeholder responsibility to be socially responsible and our client fiduciary duties. We have implemented processes to limit our environmental impact, and contribute positively to the communities in which we invest. We intend to make these stronger and deeper in the coming years.

We are committed to use our influence where possible to radically improve the sustainability of the built environment. We achieve this through development specifications, asset refurbishment and by implementing our environment management system (EMS) aligned to the internationally recognised standard, ISO 14001. Our goal is to reduce carbon emissions, help mitigate climate change impacts, minimise the consumption of resources, promote wellbeing and protect biodiversity.

RESPONSIBLE INVESTMENT POLICY

Our Responsible Investment policy encapsulates our commitment and approach in five principles:

1. Environmental stewardship
2. Social responsibility
3. Regulatory compliance
4. Stakeholder engagement
5. Continuous improvement

Sustainability checklists are undertaken for all new acquisitions and Responsible Investment procedures are incorporated throughout our asset management and reporting processes. These procedures extend to:

- Pre-acquisition sustainability checklist
- ESG Asset Logbook

- Green Lease Policy
- Sustainable Refurbishment Guide
- Supplier Questionnaire
- Property Manager Standards of Sustainability & Guidance
- Sustainable Fit-out Guide

All these policies and procedures require committed engagement with our stakeholders, including tenants, property managers, lawyers and other third-party service providers.

For all clients we commit to reporting on ESG quarterly. The level of reporting detail can go down to an asset level or tenant level if required by the client. We specifically report on managing agent activity, tenant engagement, refurbishment or other construction activity, services, air conditioning, car parking, flood zone risk, EPC ratings and potential costings. Additionally, we measure and monitor a portfolio's usage data for electricity, gas, water and recycling.

Swiss Life and SLAM regularly publishes reports on its sustainability and responsible investment approach. The ESG Board is responsible for meeting best practice and ensuring continuous improvement.

In addition to the public reports, we commit to providing clients with bespoke ESG reporting including annual benchmarking reports such as GRESB.

ESG PLATFORM

At Swiss Life there is an overarching divisional responsibility across the company for responsible investing in real estate. As would be expected from Europe's largest real estate asset manager, the ESG platform is well resourced and has a direct reporting

line to the CIO and to the Board. The central resource described below is supplemented by specialists within the country level teams who work closely together to share information and learn from each other's markets. For example, the French team are sharing their experience of developing a €1.5bn, 134,000 sqm innovative net-zero carbon office development pre-let to ENGIE SA. The ESG credentials of the project, which is a flagship building within the Grand Paris Project, are market leading.

Scott Fawcett, Head of Asset Management, is currently the UK ESG Manager and co-ordinates interaction between Swiss Life and the UK team. He is supported by five UK ESG ambassadors in the business: Charles Moore, Matt Barker, Fintan English, Bjoern Pfeiffer, Hector Ahern and Will Weightman. The ambassadors are part of a SLAM programme to raise ESG awareness and promote expertise and best practice across the company. ESG ambassadors take responsibility for applying and developing our approach to responsible investment as part of their annual performance targets. They participate in ESG events programmes and receive relevant external training.

SLAM, operating primarily through its country platforms, is a signatory of the UN PRI. We have a clear policy on our Responsible Investment approach, which is ingrained in our investment process. This means ESG criteria are actively considered in our strategy formation, transactions, asset management and reporting to clients. All are overseen by the CIO and IRC and reported up to the Executive Board.

Swiss Life's dedicated ESG platform develops, implements and governs all ESG matters across the group. The organisation includes dedicated ESG specialists as well as representatives from each asset

class and relevant functions that have sustainability as an additional related responsibility to their main role. Together they form the ESG Board, chaired by the Head of ESG. The ESG Board formulates our responsible investment approach and guides how the approach is implemented. The Board is the advisor to the Executive and Management Committees on ESG and reports directly to the Group CIO. The key Swiss Life ESG team members are:

- Nelufer Ansari, Head of ESG
- Fabienne Strobel, Group Head of Sustainability
- Dominik Pfoster, Responsible Investment and ESG Ambassador Programme
- Valérie de Robillard, Head ESG Real Assets

As acknowledged previously, within the UK our asset management team also works closely with EVORA Global Limited, an external global sustainability consultant, to continually improve our processes and ensure best practice in our responsible investment activities.

Mayfair Capital has been following a responsible investment approach for its UK charity fund for over 15 years and well before it became part of mainstream fund management. It has developed a comprehensive ethical policy which excludes or limits exposure to companies involved in armaments, pornography, tobacco and alcohol.

TENANT ENGAGEMENT CONSIDERATIONS

Responsible investing requires collaboration on many different levels and working closely with our tenants is vital to this.

In describing our approach to real estate investments, it is imperative to highlight the impact that tenant leasing terms have on our ability to integrate

stewardship and ESG frameworks at the asset-level. We distinguish between two approaches to integrating ESG initiatives within properties:

1. 'Multi-let' leases – For properties comprising 'Multi-let' leases, Mayfair Capital maintains full control of the asset and assumes full responsibility for common parts of buildings (roofs, shared amenities, entrances, staircases, etc.) The landlord of a 'Multi-let' property lets demises 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.

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 energy usage. This '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.

We hold regular tenant meetings at our 'Multi-let' assets, where most of our efforts are focussed, in order to establish tenants needs and build support for sustainability initiatives - as well as seeking to draw on ideas that the occupiers themselves may have.

It is much harder to make a meaningful difference in the many 'Single-let' assets that we own, but we do 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 wished to enhance the energy efficiency of their

building, we would be keen to find ways to help them fund the cost of this - perhaps through extending their lease. Sustainable objectives are more easily attained by working in partnership. We are seeking out opportunities to introduce companies that can help our tenants to achieve their own sustainable goals.

This distinction between 'Multi-let' and FRI leases is an industry-wide challenge affecting the entire GRESB index, as well as all landlords who seek to improve sustainability credentials within existing 'Single-let' properties. On an anecdotal basis, our experience indicates that most 'single-let' FRI tenants are reluctant to engage with landlords because there is no legal requirement to do so. Further, this is a key challenge for managers of existing real estate assets - it is far easier for a landlord to optimise ESG characteristics within a brand-new building (e.g. by implementing renewable energy) before a FRI lease is signed with a new tenant.

There is no "quick fix" solution and affecting change requires long-term solutions. Despite energy use within 'Single-let' properties being a tenant responsibility, landlords like Mayfair Capital can affect positive change by collaborating closely with tenants. As illustrated by our case study, we strongly believe that responsible property investors have an obligation to promote data sharing between landlord and tenants to promote the benefits of improved energy data usage and ideally influence tenants to switch to renewable energy suppliers.

More efficient collaboration between landlords and tenants will be required to achieve 100% data sharing throughout the industry in future. Meanwhile, we remain focused on our primary goal of reducing the carbon footprint of buildings - increased data

sharing is just the first step. Regardless of industry benchmarking expectations, we seek to be market leaders and will continue efforts to positively influence our tenant occupiers in accordance with our own ESG principles. ■

CASE STUDY

Engagement with a major 'Single-let' tenant to improve energy data sharing

At an early stage of our ESG journey, we acknowledged that it would be unrealistic to expect every FRI / 'Single-let' tenant to share energy data immediately. Instead, we decided to start by targeting larger corporates with already-established CSR policies. To-date, we have secured data sharing with three major FRI lease-tenants within our PITCH portfolio. One tenant - the fifth largest, comprising 3.4% of total portfolio income - occupies a 40,000 sq. ft office in Brentwood. The tenant made a long-term commitment to the building by signing a 15-year FRI lease in 2018 and has since invested significantly by completing a high-spec refurbishment within the property. We identified the tenant as a strong candidate for engagement on energy use data, and after an extended period of communication, we achieved a position whereby the tenant agreed to share all energy data for electricity and gas usage.



PRINCIPLE 8

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

Mayfair Capital does not delegate responsibility to other investment managers. 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 an essential external service provider for real estate investments. Property managers are retained to assist in managing the real estate asset portfolios within funds managed and advised by Mayfair Capital.

The assertive management of third-party advisors is fundamental to our asset management approach. We appoint property managers on a “best-in-class” basis on market terms and monitor their service delivery through property management agreements, which include service level agreements and KPIs. We monitor performance to ensure high service levels for competitive fees. Further, we also set energy consumption criteria for ‘Multi-let’ assets under our control, and monitor energy consumption, CO2 emissions, water use and recycling.

Having a reliable and locally based property manager on the ground is essential for ongoing monitoring of properties. 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 also be considerably more frequent in the event of outstanding issues or management opportunities to add value.

As part of our ongoing management of investments with property managers, we look to work with our 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.
- Where possible we reinforce this with the inclusion of green lease clauses in new lettings.
- 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 try to find ways to enhance and operate assets for the benefit of both parties.
- We encourage increased recycling in all our properties.
- We undertake building improvement reviews and analyse plant and machinery to improve energy efficiency.
- When we refurbish, we incorporate improved lighting, remove gas supplies where possible and incorporate wellbeing features such as cycle stores, showers and biophilia.
- We also encourage the use of sustainable materials and practices in the refurbishment process through our Sustainable Refurbishment and Development Guide.

Further commentary regarding service providers is provided within our response to Principle 9.

As part of our ongoing engagement with leading sustainability consultancy EVORA, we plan to continue collaboration with property managers during 2021 on ESG matters including:

- ESG Asset Logbook updates
- Implementation of Mayfair Capital ESG Strategy procedures
- Implementation of recommendations (e.g. from audits)
- Ongoing tracking of GRESB asset level data
- Tenant procured data acquisition ■

Property managers are appointed on a “best-in-class” basis. We monitor service delivery through property management agreements, which include service level agreements and KPIs



PRINCIPLE 9

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

OVERVIEW

In addition to property managers (outlined in Principle 8), we appoint external service providers and consultants to execute specific roles related to asset business plans and strategies. 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 we actively engage with service providers related to maintaining and enhancing value of property assets (such as property valuers, project managers, specialist asset managers and development partners).

MAINTAINING ASSET VALUES

We tailor the income profiles of our portfolios to the investors' risk profile. For core investors, we focus on income protection and growth through high quality income and vacancy mitigation with assets likely to meet current and future occupier needs.

In addition to property managers, we believe there are three (3) further core services related to maintaining real estate asset values:

- i. **Property Valuation** – External valuers are appointed to carry out asset valuations on a recurring basis. The frequency of valuations is tailored to fund requirements (dictated by financial regulations and legal requirements). However, valuations typically occur on a monthly, quarterly or bi-annual basis.
- ii. **Performance Measurement** – We engage service providers to perform external performance analysis of portfolio models and industry benchmarking. Mayfair Capital 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 site and building. Third party lenders, brokers, tax advisors and other consultants are engaged on further due diligence matters as required. We prioritise “best in class” specialists in each of these areas to maximise value.

ASSET VALUE ENHANCEMENT

For investors seeking greater risk-adjusted returns, we pursue capital value enhancement through shorter leases with extension potential, asset improvements through refurbishment, and development of additional space.

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.

The typical external service providers that we engage on value enhancement projects include:

- 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 also seek to

Specialist external service providers and consultants are appointed on a “best-in-class” basis to execute specific roles related to asset business plans and strategies.

identify asset management initiatives that will deliver positive ESG outcomes, greater productivity, and positive experiences for the workers, communities and visitors who use our assets.

For example, for all investment funds under our control, 100% of the energy powering ‘Multi-let’ properties is exclusively sourced from renewable sources. Further, we arrange energy and water saving technology opportunities for our tenant occupiers. Our recent initiatives include:

- Providing discount opportunities for tenants to purchase energy and water saving technology from online retailer Save Money Cut Carbon.
- Introducing tenants to third-party supplier, Zumbotel, regarding the self-funding of LED lighting installations.
- We have recently begun working with Syzygy to investigate new opportunities to incorporate solar power into assets. ■

CASE STUDY

Refurbishment of a 65,000 sq. ft office building in Woking (UK) to create sustainable asset value

Originally built in 1988, the 'Forge' office building in Woking (pictured opposite) was acquired by the Mayfair Capital Thematic Growth Fund in 2018 with only six months left on the occupational lease.

The building was representative of its time and provides c.65,000 sq. ft of office space across ground- and four upper-floors, with two basement car parking levels. Mayfair Capital recognised that the property was functionally obsolete but could be refurbished within its current form to provide attractive modern accommodation.

The building presented the opportunity to undertake a radical transformation to create a unique office and incorporate numerous sustainable features. Already situated within the town centre, the property is located within a sustainable area adjacent to local amenities, a shopping centre, and is readily accessible by public transport (numerous bus routes nearby and mainline rail within a few minutes' walk).

The new development will not use gas, and achieve EPC improvement through asset management/ refurbishment activity. Water will be conserved using low water consumption sanitary fittings, close monitoring through the BMS and a leak detection system. We are also seeking to enhance the welfare of building users by incorporating 'Security by Design' to ensure that a safe and secure environment is created for occupiers.

Alterations to the reception area will enhance accessibility and give all visitors the same entrance

experience. The new design incorporates both a public café and a stepped atrium infill, creating extended social spaces within the building as well as new stair access to all office floors via the atrium to provide opportunities for increased social interaction. In addition, the refurbishment will provide plentiful cycle storage and shower facilities.

In selecting a contractor for this project, we requested bidders to demonstrate their sustainable credentials as part of the tender process so that we could guarantee that the selected contractor's workforce and supply chain were well treated, and that the contractor would prioritise recycling and re-use of materials.

Mayfair Capital has collaborated with the following external service providers on the Woking project to achieve asset value enhancement:

- V7 (Development Manager)
- ThirdWay Contracts (Contractor)
- Hawkins\Brown (Architects)
- Potter Rapper (Quantity Surveyor / Project Manager)
- Hoare Lea (Sustainability, Mechanical & Electrical Systems Consultants)
- Lambert Smith Hampton & CBRE (Specialised Leasing Agent)
- EVORA (Sustainability Advisor) ■



10

PRINCIPLE 10

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

INDUSTRY ENGAGEMENT

Through trade bodies such as the Association of Real Estate Funds ("AREF"), we collaborate and engage on a number of industry issues which may affect our investors such as the use of creditor voluntary arrangements (CVAs) or fund structuring issues such as liquidity in daily traded property funds. ■

CASE STUDY

Collaborating with industry peers to formulate a response to Company Voluntary Arrangements (CVAs)

As a result of the Coronavirus pandemic, the use of company voluntary arrangements (CVAs) has proliferated. A well-known, private equity-owned budget hotel operator arranged a CVA with the aim of rebasing rents on all its properties. We joined an industry working group alongside a number of our landlord peers to consider the industry response. Through collaborative engagement with the wider industry, we ensured a better agreement for our investors than would have been achieved by working in isolation.





PRINCIPLE 11

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

ISSUE MONITORING & ESCALATION

As indicated, Mayfair Capital predominantly invests in direct real estate. In the spirit of wanting 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 direct property investments.

As outlined in the 'Investment Process' section of our response to Principle 1, investments are monitored on a continuous basis at the property-level via asset management, administration and reporting processes to protect and enhance asset performance over time.

All potential issues related to investment performance are monitored throughout the asset's 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
- A "Hold/Sell" analysis is conducted, determined by thematic qualities and performance prospects
- Proprietary Asset Scoring Model is applied to determine long term resilience of the asset.
- Detailed actions are agreed to meet key asset objectives through (i) Management; (ii) Repositioning; and (iii) Sale
- ESG targets are reviewed and embedded at various stage of our "active management" approach

- Third parties are procured as required on "best in class" basis and on "market terms"
- Reliable and locally based property managers are retained
- All Asset Business Plans approved by IRC are reviewed after 6 months

As outlined in our response to 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, which articulate our service level expectations and performance KPIs.

In terms of escalating stewardship activities, the asset manager is responsible for escalating all key issues to the Investment Risk Committee (as outlined in Principle 2). The Mayfair Capital IRC meets every Monday (with additional meetings as and when required) to discuss acquisition, disposal and asset management initiatives. A typical asset management matter discussed at IRC may relate to tenant engagement, leasing, or refurbishment project issues affecting investment performance.

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

Mayfair Capital predominantly focuses on UK-located direct real estate. However, in the case of non-UK and Indirect real estate investments, issue escalation procedures are as follows:

1. NON-UK DIRECT PROPERTY HOLDINGS

Approximately 21% of total Mayfair Capital AUM relates to direct property assets located outside the United Kingdom. For these properties, Mayfair Capital employs Swiss Life Asset Managers-affiliated managers to fulfil asset management services. This ensures that we maintain a local and "best in class" approach to service provision. For example, in the case of the European Thematic Income & Growth fund ("TIGR"), the fund employs two SLAM subsidiaries - Corpus Sireo in Munich, and BEOS in Regensburg - to fulfil on-ground asset management services. Issues are monitored by the fund management team via close alignment and collaboration with SLAM asset management colleagues. All issues for non-UK assets are escalated to the Mayfair Capital IRC.

2. INDIRECT PROPERTY HOLDINGS

Indirect real estate investments comprise less than 3% of total Mayfair Capital AUM. These investments are managed by external managers and therefore involve engagement with third-party funds.

Indirect investments are typically selected because they require specialist management, or because the respective lot sizes within a target investment sector are too large to take a risk-diversified position. Examples include investing in central London offices or in the student accommodation sector. We do not invest in listed securities to gain property exposure for our clients.

Where a decision is taken to invest in third-party funds (normally exempt property unit trusts), full due diligence is undertaken which embraces not only financial analysis but a wide range of other factors including GRESB Scoring for environmental aspects and thematic fit with our investment strategy

(please refer to Principle 7 for Mayfair Capital's ESG Framework and commitment to Responsible Investment).

Issue monitoring for indirect property holdings is a responsibility of the Mayfair Capital fund manager. All issues for Indirect assets are escalated to the Mayfair Capital IRC, and subsequently raised to external managers of the investments such as the fund Advisory Committee. ■

CASE STUDY

Escalation of an issue relating to an Indirect property investment

A fund managed by Mayfair Capital 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. Income was also being used as 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 over the interpretation of the trust deed and regulatory position whilst working closely with the representative of the minority investors on the third-party fund's advisory committee to reach a solution for the benefit of all investors.



PRINCIPLE 12

Signatories actively exercise their rights and responsibilities

PROXY VOTING POLICY

Mayfair Capital maintains an explicit Proxy Voting Policy that drives how we exercise voting rights to the benefit of MCIM Funds and investors. The overall aim of the policy is to reflect Mayfair Capital's investment philosophy and objectives, as well as to meet client and other relevant stakeholder needs. The policy takes into account responsible investment, stewardship, ethical and investment guidelines.

Our Mayfair Capital Proxy Voting Policy was updated during 2020 to align with the principles for responsible investment and stewardship as set out in the UK Stewardship Code.

Whereas Funds managed by MCIM invest principally in direct property assets, this policy relates to third-party funds such as shares held in REITs and investments in other collective investment schemes (Indirect Investments) that subsequently invest in real property assets.

Where Mayfair Capital 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.

As a member of Swiss Life Asset Managers, we believe that engagement with various stakeholders of our investment portfolio is critical to approach responsible investment as part of our fiduciary duty. We believe encouraging an active and transparent dialogue with our investee companies is a powerful tool for reducing risk while fostering the readiness to a more sustainable

future. Active stewardship leads this objective by promoting engagement in line with economic development.

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.

A copy of our Proxy Voting Policy is made available to investors on request. Information on how MCIM 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).

The case study set out under Principle 11 demonstrates the pro-active approach we took in 2020 to exercise our rights and responsibilities for the benefit of investors. ■

