MAYFAIR CAPITAL

Member of Swiss Life Asset Managers

UK STEWARDSHIP CODE 2020

REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

FOREWORD

Since its formation 19 years' ago, Mayfair Capital has recognised the importance of being a responsible investor. Our approach is founded on responsible investment, which drives our purpose and culture.

We undertake to allocate, manage and oversee capital responsibly to create long term value for our clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

Mayfair Capital was proud to be announced amongst the first signatories and one of the first real estate investment managers accepted to the UK Stewardship Code 2020.

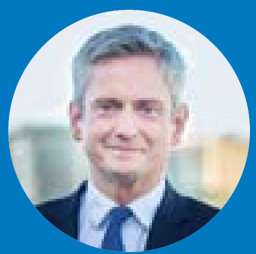
Mayfair Capital has sought to present its report for 2021 in a fair and balanced manner, by commenting on activities that will be improved or implemented in 2022. The report has been drafted using plain English and avoiding jargon to help ensure that it is understandable to a wide range of readers, not only those who are experienced property investors.

This report relates to Mayfair Capital stewardship activities during the reporting period Calendar Year 2021 (1 January to 31 December 2021).

This stewardship report has been subject to independent review by BDO LLP. As part of our ongoing implementation of the Principles of the Stewardship Code, we also consult with specialist parties on a regular basis to obtain external and internal assurance. Please refer to Principle 5 for further information.

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

Giles King
Chief Executive Officer



Tim Munn
Chief Investment Officer

Graham Langlay-Smith
Chief Operating Officer

James Thornton
Non-Executive Chairman

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CEO'S UPDATE

"I am pleased to present the second edition of Mayfair Capital's annual Stewardship Report for clients and beneficiaries. Following on from our inclusion last year as one of the first real estate investment manager signatories to the UK Stewardship Code 2020, this report details our stewardship activities for the period 1 January to 31 December 2021."

Giles King
Chief Executive Officer
Mayfair Capital Investment Management Limited

Resilience in Real Estate

2021 was a successful period for our business in which we capitalised on our clear-sighted and responsible investment decision-making process.

In terms of investment performance, our three core balanced portfolios – representing approximately two-thirds of AUM – outperformed the AREF/MSCI UK PFI Balanced Funds Index across all time periods (1, 3, 5 and 10 years annualised) in Q4 2021. Our clients benefitted from the thematic positioning of our portfolios, with occupier trends – already driven by secular shifts – accelerating in response to the coronavirus pandemic.

Evolving Stewardship & ESG Integration

We furthered our commitment to stewardship in 2021 by achieving accreditation as a Living Wage Employer, participating in the 10,000 Black Interns programme to promote diversity and inclusion, and forging a relationship with the Charlie Waller Trust to proactively address mental health in the workplace.

Our largest fund, the £763m Property Income Trust for Charities (PITCH), continued to deliver above-market long term returns for its investor base of UK charities and endowments. Championing ESG, PITCH has followed formal ethical and environmental management policies since launching in 2004.

Regarding our environmental commitments, we continue to make improvements to our sustainability approach. During 2021, we refined our ESG strategy, commenced net zero carbon pathway analysis, prioritised ESG data collection through the implementation of a data management system, and enhanced our sustainability programmes to ensure we are continuously driving practical sustainability actions that will improve and future-proof our investments. Our progress was endorsed by our upgraded Global Real Estate Sustainability Benchmark (GRESB) scores, with our largest two mandates both improving by ten points – from 64 to 74 and 66 to 76 – and awarded three Green Stars.

Of all of our stewardship activities in 2021, we made significant progress on initiatives relating to Principle 2 (Governance, resources and incentives to support stewardship) and Principle 7 (systematically integrating stewardship and investment). As a result, we have provided a "deep dive" examination of stewardship outcomes in these two sections of this report.

Leadership Team

2021 saw the completion of Mayfair Capital's senior management succession plan, with the announcement of Giles King becoming CEO in January while former CEO and co-founder of Mayfair Capital, James Thornton, transitioned into the role of Non-Executive Chairman. These changes followed Tim Munn's start as CIO in March 2020 at the onset of the pandemic. Several key hires were also made during 2021, including Christi Vosloo (ESG, Head of UK) and James Lucas (UK, Head of Sales).

Business Growth

We were innovative in our investment approach during 2021 by making our first acquisition in the self-storage sector, acquiring a UK operator with whom we are expanding across the North and the Midlands. The PITCH fund also confirmed a partnership with specialist UK residential investment manager, Hearthstone, delivering beneficial diversification to the PITCH portfolio and attractive exposure to the single family home residential sector. New partnerships in the self-storage and residential sectors incur additional management considerations - particularly in relation to escalating issues on behalf of our investors - as outlined in our response to Principle 11.

Our largest transaction in 2021 was an off-market acquisition for more than €260m on behalf of TIGR, our pan-European Core Fund. The portfolio comprised ten assets located in Germany, France, Italy and Spain. With the addition of another separate asset transaction in the Netherlands during 2021, the TIGR fund added four new countries to Mayfair Capital's geographic exposure during the year. The transaction demonstrated our ability to source compelling deals in highly sought-after sectors, as well as execute complex pan-European transactions despite the challenging pandemic backdrop.

In terms of product development, our teams were busy developing a new UK thematic investment fund, which seeks to create real estate assets of the future by repurposing existing tired buildings to provide "best in class" carbon efficient space in the office sector. The fund will seek to obtain an attractive total return for investors whilst delivering a demonstrable positive environmental impact. Domiciled in Luxembourg, the fund's activities will adhere to requirements of the European regulation on sustainability-related disclosures in the financial services sector (SFDR). Approvals from the Luxembourg regulator were received in December 2021 for formal launch in 2022.

Conclusion

As detailed in the subsequent report, we strongly believe that Mayfair Capital is well-positioned as steward for our clients and beneficiaries thanks to our effective governance, resourcing and incentives (Principle 2), as well as our systematic integration of material ESG and climate change matters at the portfolio- and property-levels (Principle 7).

As responsible investors, we pride ourselves on our commitment to stewardship and are hereby pleased to present our report for the 2021 period. ■

INTRODUCTION

Mayfair Capital is the UK arm of Swiss Life Asset Managers (SLAM), one of the largest real estate managers in Europe[1] with approximately £92 billion of real estate assets under management (AUM) and administration. As part of Swiss Life Asset Managers, our investment scope has range, resource and is socially responsible.

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. We focus on the provision of investment management services and co-investment for a select group of institutional clients to grow the business sustainably.

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

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**.

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

> We offer a personalised service to deliver superior risk-adjusted returns on behalf of our investors.

Mayfair Capital assets under management (AUM) totalled £2.2 billion as of 31 December 2021, comprising 153 direct property assets. We service a range of both UK and international investors and predominantly invest in direct real estate (relating to the part- or full-ownership of specific property assets) across the risk/return spectrum. Indirect real estate investments (relating to ownership of shares in a fund or company managed by external managers), are acquired from time to time but comprise less than 1% of total Mayfair Capital AUM. Please refer to Principle 6 for a detailed breakdown of our client base and real estate assets under management.

Mayfair Capital adopts a research-led investment approach focused on the long term drivers of occupational demand. We act entirely independent of brokers, sourcing investments across the market, and procuring services from external advisors on a best-in-class basis. We have a strong track record in constructing bespoke portfolios, meeting client investment objectives, and satisfying service expectations with a strong responsible investment ethos.

We have championed a thematic investment strategy for more than seven years, long before other managers that now claim to do so. We utilise our proprietary Asset Scoring Model to assess the thematic strength and potential of assets, seeking to buy and hold properties with enduring occupier appeal driven by secular, macroeconomic trends. We are unconstrained in our approach, not beholden to market benchmarks, and we act with conviction.

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) 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.

We invest on behalf of a range of third-party investor clients. We manage segregated and advisory mandates for several UK-based Asset Management Companies including Schroders and Jupiter Asset Management. Within our UK pooled funds, we manage allocations for UK and European Pension Funds (public and private) and Life Insurers. Within our open-ended PITCH fund, we manage direct allocations from over 100 individual UK Charity Investors, as well as indirect allocations from an additional 20 UK-based Asset Management Companies who invest on behalf of a further c.1,200 UK Charity Investors. Finally, we manage one segregated mandate on behalf of a UK Family Office. Please refer to Graph 6.1 on page 38 for a further breakdown of our AUM by Investor Type.

Swiss Life Group invests in funds managed by Mayfair Capital and other fund management businesses within SLAM. Over the last five 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 2021

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"

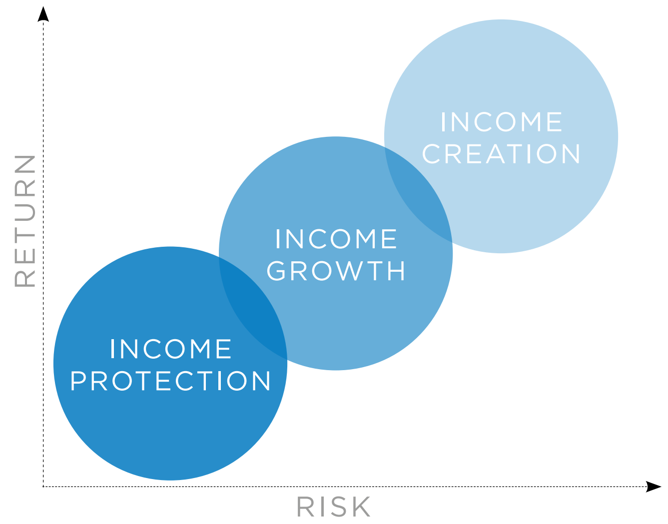
Our investment philosophy contends that income is the driving force behind real estate investment. Income has comprised approximately 80% of property's total returns over the last 40 years.

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 able 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 demand drivers for real estate enables a deep 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 purpose is supported by our investment culture, which determines how we behave. It is the fundamental link between how we think about investing and how we invest. Our emphasis on the merits of a shared investment culture is built on the following four commitments:

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

2. **We are performance driven.** We undertake disciplined investment with full accountability to meet our investor requirements and maintain our

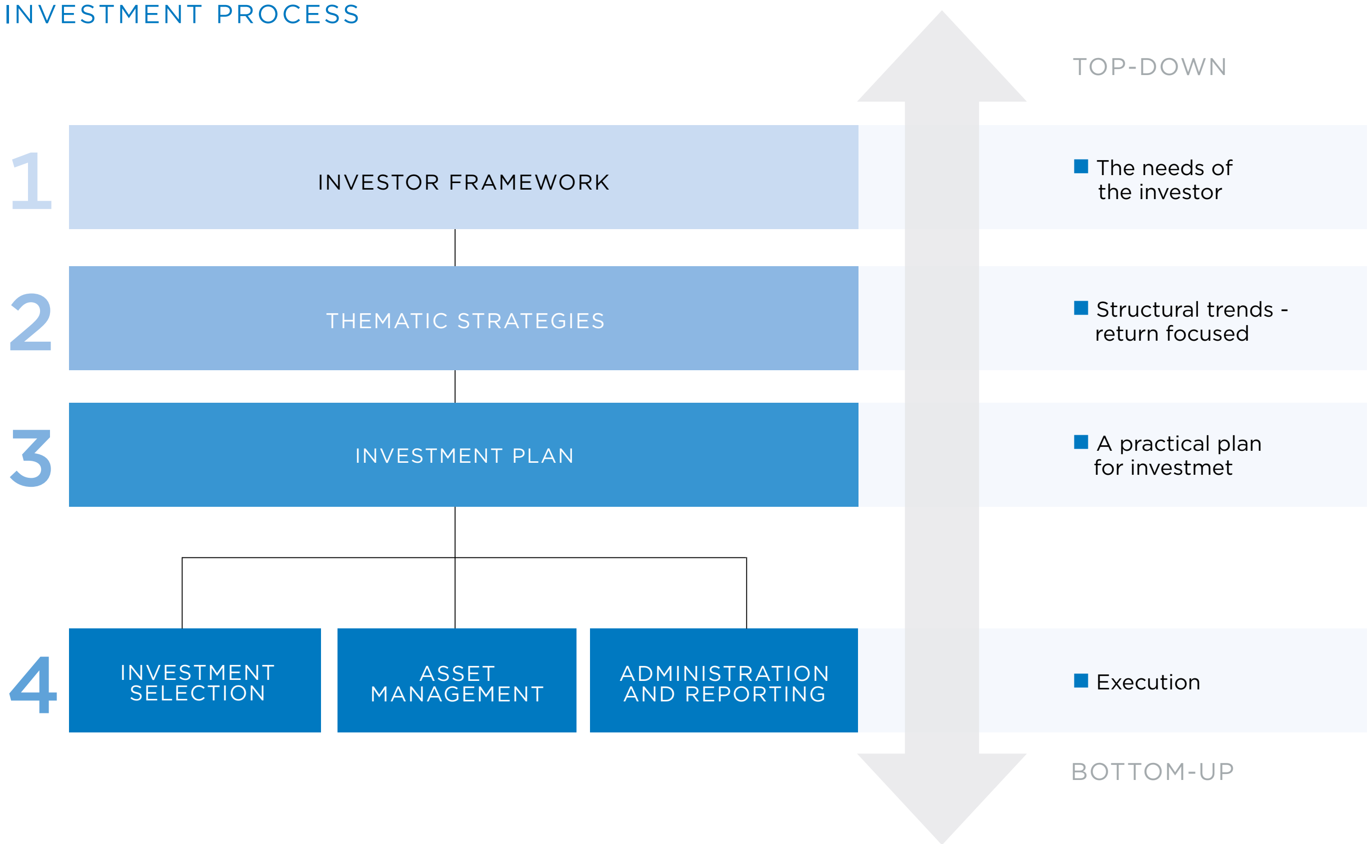
PRINCIPLE 1 CONTD.

consistently strong performance track record. We have a robust investment governance framework to ensure performance drivers and risks are closely monitored. See Principle 4 for more detail.

3. **We promote a positive working environment.** 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 recognise the importance of diversity and inclusion in providing a positive working environment and ensuring better decision-making. We actively encourage the positive behaviours above. See Principle 2 for more detail.

4. **We are responsible investors.** Stewardship determines the way we interact with stakeholders - our customers, our advisors, the communities in which we invest and the environment. Focusing on stewardship and the highest standards of governance, we seek to generate sustainable value for our investors, going beyond positive investment performance. This is reflected in our approach to ESG and our responsible investment policies, which are long established. Please see Principle 7 for more detail.

INVESTMENT PROCESS



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

INVESTMENT PROCESS “DOING”

Our investment process – "doing" – details how we put the founding principles of our way of "thinking" (our philosophy) and "being" (our culture) into practice. Our process is highly disciplined and comprises both “top-down” and “bottom-up” elements as shown in the diagram opposite ('Investment Process')

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 on structural trends we target investments that are aligned to our five investment themes – *Change & Disruption, Climate & Environment, Communities & Clustering, Consumers & Lifestyle, and Connectivity* – to ensure we select markets and assets that will have enduring occupier appeal. 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 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.

PERFORMANCE TRACK RECORD

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.

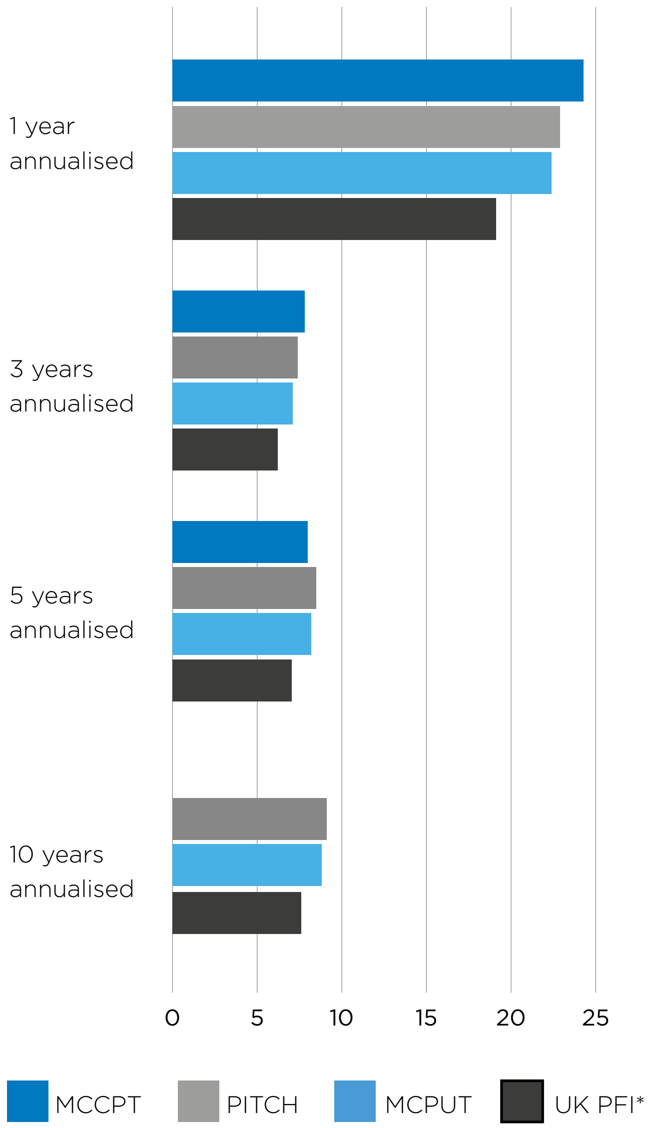
In terms of investment performance during 2021, our three core balanced portfolios – representing approximately two-thirds of AUM – outperformed the AREF/MSCI UK PFI Balanced Funds Index across all time periods (1, 3, 5 and 10 years annualised) in Q4 2021. The weighted composite of these portfolios outperformed the Index by 385bps in 2021 alone.

The Mayfair Capital Property Income Trust for Charities (PITCH) and Property Unit Trust (MCPUT) ranked 5th and 6th respectively out of 26 peer funds based on 1 year annualised total returns. The Commercial Property Trust (MCCPT) would have ranked 4th in the index if it subscribed to be included.

Our clients benefitted from the thematic positioning of our portfolios, with occupier trends – already driven by secular shifts – accelerating in response to the coronavirus pandemic. Performance was driven by an overweight exposure to industrial and logistics, no exposure to shopping centres, and few high street shops. As a result of this allocation, we delivered strong income returns with robust rent collection throughout the global pandemic.

Mayfair Capital's largest fund, PITCH (£763m GAV) continues to deliver above-market returns for its underlying investor base of UK charities and endowments. Targeting delivery of a high-income return, PITCH has consistently outperformed the

Total MCIM Fund-level returns versus AREF/MSCI UK
All Balanced Funds indexfor period ending 31 December 2021:



*AREF/MSCI UK All Balanced Funds Index – December 2021

AREF/MSCI Balanced Funds Index over 3-, 5- and 10- years since launching in 2004. The fund has outperformed the index by 95 bps p.a. over the last 10 years due to its early conviction call in logistics and above average income return.

MCPUT's outperformance is attributable to its thematic positioning and active management to realise strong ERV growth on its largest multi-let assets. Overall portfolio performance within the period to 31 December 2021 achieved a total calendar year return of 22.40%, outperforming the benchmark by 330 bps. MCPUT has now outperformed the index by 119 bps p.a. over the last 10 years.

MCCPT produced the strongest absolute performance of our mandates during 2021, achieving a total calendar year return of 24.27%, representing a 517 bps outperformance against the UK PFI index. The portfolio's strong performance was attributable to the successful completion of lease re-negotiations on some of its logistics assets. Please note MCCPT was established in 2014; therefore, it does not have a 10 year performance record.

All three of Mayfair Capital's core/core plus balanced portfolios outperformed the AREF/MSCI UK All Balanced Funds Index across all time periods in Q4 2021.

MAYFAIR CAPITAL
Member of Swiss Life Asset Managers

Red Lion Street – London, UK

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.

We will seek to continue growing our AUM over the coming years with support from Swiss Life Asset Managers. Our growth targets are primarily focused 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.

ASSESSING HOW WE SERVICE THE INTERESTS OF CLIENTS & BENEFICIARIES

On a conservative basis, we feel assured that we effectively served the interests of our clients and beneficiaries in 2021. Given the diversity of our investors' requirements and expectations, we assess effectiveness on an individual basis to ensure we meet clients' specific needs. Investment performance is a fundamental assessment of whether we are creating long term value for our clients, and we were pleased to achieve outstanding results for our Core/Core Plus mandates during the period (page 12 - 'Performance Track Record').

We engaged deeply with our clients throughout 2021, communicating openly and proactively on key matters such as ESG implementation, the thematic positioning of client portfolios, and issue escalation where required. Further information and illustrative examples of how we assess client satisfaction have been provided within Principle 6 (client engagement) and Principle 10 (issue escalation). As a positive reflection of our clients' satisfaction during 2021, the CEO of a Separate Account Investor commented: *"The 'resilient income' portfolio is doing exactly what we all intended. Thank you for your hard work."*

We are well aware of the ever-increasing needs and expectations of all our investors, with organisational culture, diversity and inclusion, net zero carbon ambitions and social value emerging as key themes for engagement in 2022 and beyond. ■

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

PRINCIPLE 2

Signatories' governance, resources and incentives support stewardship

INTRODUCTION

As a wholly owned subsidiary of Swiss Life Group, the activities of Mayfair Capital are encompassed within the larger Swiss Life Asset Managers (SLAM) organisation. Whilst overarching investment stewardship & ESG policies are set at the very highest levels of Swiss Life Group, responsibility for implementing governance and resourcing of responsible investment in real estate is organised at the divisional level of SLAM.

SLAM DIVISION LEVEL - STEWARDSHIP & ESG GOVERNANCE

OVERVIEW

As a signatory of the UN PRI, SLAM maintains a clear responsible investment approach ingrained in investment processes and implemented throughout the business. Stewardship, and ESG criteria are embedded throughout SLAM in all core governance structures and business processes. In the UK, investment stewardship and ESG criteria are actively considered in strategy formation, transactions, asset management and client reporting, all of which are overseen by the CIO and Investment Risk Committee and reported to the MCIM Executive Board.

ESG LEADERSHIP & CENTRAL RESOURCES

SLAM's Executive Committee - headed by the Swiss Life Group CIO – addresses overarching ESG issues at the most senior level on a continuous basis. Typical matters addressed at Executive Committee level include green investment strategies and controversy analysis of the securities portfolio.

As expected from one of Europe's largest real estate asset managers, SLAM operates a dedicated ESG platform responsible for developing, implementing and governing all ESG matters across the group. Key senior ESG leaders at SLAM include:

- **Florian Zingg** Head of Sustainability, Swiss Life Group
- **Nelufer Ansari** Head of ESG, SLAM
- **Valérie de Robillard** Head ESG Real Assets
- **Mathieu Maronet** Head ESG Securities

SLAM draws on a dedicated and well-resourced team of 14 full-time ESG professionals working across Real Assets and Securities divisions in Europe, including 3 divisional team members and 11 cross-country team members. This centralised ESG team harmonises ESG activities on a divisional level to ensure alignment between country and functional units. The team is responsible for coordinating and supporting external reporting (e.g. PRI, GRESB, rating agencies) as well as active stewardship activities (e.g. engagement, proxy-voting, ESG related memberships and associations work).

ESG BOARD

In addition to the ESG team, SLAM also has an ESG Board - a governance body that is chaired by SLAM's Head of ESG and comprised of dedicated senior ESG specialists, as well as representatives from each asset class and relevant function across the business. Members of the ESG Board have sustainability as a direct responsibility in addition to their main role.

From a governance perspective, the ESG Board formulates SLAM's 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 and acts as the ESG advisor to the Executive and Management Committees. The Head of ESG reports directly to Swiss Life Group CIO.

SLAM integrates ESG into decision-making committees by embedding members of the ESG Board on subsequent ESG committees for their

Forge – Woking, UK

corresponding asset class or business unit. During monthly committee meetings, our experts make decisions on questions around ESG integration into the investment or risk management process. They also advise on how to progress investments that other committees or processes may raise as controversial.

ESG AMBASSADORS

In addition to this, SLAM also embeds an ESG Ambassador programme across its platform to ensure that all business units have an ESG representative working to integrate ESG considerations into their respective function and country teams. SLAM ESG Ambassadors support the integration of ESG factors into the detailed processes of all teams including portfolio management, fund management, risk management and sales. By situating ESG representatives within all areas of our business, we plan to bridge the gap between business and ESG expertise. Ambassadors coordinate ESG activities at the local level by promoting responsible investment in day-to-day operations, raising ESG awareness, and promoting both expertise and best practice across the company. They participate in ESG events programmes and receive relevant external training.

SLAM ESG Ambassadors work together to foster learning and information sharing between countries. For example, the French team have previously shared 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 - a flagship building within the Grand Paris Project - are market leading.

ESG WEEK

SLAM launched its first annual "ESG Week" in September 2021 – an internal event series dedicated

Chief Executive Officer
Giles King

Chief Investment Officer
Tim Munn

Chief Operating Officer
Graham Langlay-Smith

Non-Executive Chairman
James Thornton

Group CIO, Swiss Life & Executive Director
Stefan Mächler

CFO, SLAM & Executive Director
Hermann Inglin

Director, Research, Strategy and Risk
Frances Spence

Fund Director
Ned Pumphrey

Head of Human Resources
Andrea Bacca

Key

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

to spreading ESG know-how and building the network across the organisation. SLAM's ESG Week incorporated a diverse programme of sessions over three days, with internal and external experts giving presentations and leading discussions on various ESG topics. Events were attended by SLAM colleagues in Switzerland, Germany, France, United Kingdom and Luxembourg. A number of sessions were organised exclusively for ESG Ambassadors, with ambassadors also leading and facilitating broader sessions offered to all interested employees of SLAM.

UK COUNTRY LEVEL - CORPORATE GOVERNANCE

BOARD OF DIRECTORS

In the UK, Mayfair Capital is governed by its Board of Directors ("The Board"). 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.

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. 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).

INVESTMENT RISK COMMITTEE ("IRC")

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

The IRC meets every Monday with additional meetings as and when required. Papers requesting approval for acquisitions, disposals or major asset management initiatives are circulated prior to meetings. IRC meetings are minuted. Stewardship and responsible investment are formally included in the IRC Terms of Reference and in the standard reporting 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. To ensure that the values of stewardship and responsible investment are embedded in compensation and incentivisation processes, these matters are formally embedded within our Remuneration Committee Terms of Reference and Remuneration Policy.

2. PRINCIPLE 2 CONTD.

UK COUNTRY LEVEL – RESOURCING OF STEWARDSHIP ACTIVITIES

OVERVIEW

In August 2021, Mayfair Capital hired Christi Vosloo as ESG, Head of UK. Christi is now a dedicated resource within our business responsible for the implementation of SLAM's divisional ESG strategy in the UK. In her dedicated role, Christi focuses on driving the firm's ESG and Responsible Investment agenda. Christi coordinates interaction between Swiss Life and UK team members and is supported by four UK ESG ambassadors - Charles Moore, Bjoern Pfeiffer, Hector Ahern and Will Weightman – who represent asset management, transactions and fund management.

Mayfair Capital works closely with EVORA Global - an external global sustainability consultant - to continually improve our processes and ensure best practice in our responsible investment activities. We also engage a range of specialist providers to advise on ESG matters, with providers selected on a bespoke basis according to the project and scope of work.

Mayfair Capital has been following a responsible investment approach for its UK charity fund, PITCH, for over 16 years - well before it became part of mainstream fund management. PITCH employs a comprehensive ethical policy which excludes or limits exposure to companies involved in armaments, pornography, tobacco and alcohol.

LINKING STEWARDSHIP TO REMUNERATION

All staff members (Executive Committee, Investment Group and Operations, Finance and Administration) have mandatory and meaningfully-weighted stewardship/ ESG objectives, which directly impact remuneration as part of our annual appraisal process. All staff members are eligible to receive annual discretionary bonuses paid in April based on performance for the previous calendar year. Performance is measured using the Swiss Life "GPS" appraisal system which analyses the extent to which staff members have met their objectives, including adherence to the principles of the Stewardship Code. Performance is measured formally at the end of each financial year, with an informal review at the half year stage. Stewardship performance thus has implications for remuneration for all staff, aligning financial and ESG incentives and outcomes.

STAFF ENGAGEMENT

All Mayfair Capital staff are given two charity volunteering days per year to allocate to a charity of their choice. Our UK Charity Committee is a staff-led governance body that coordinates charitable giving by Mayfair Capital and its staff. The Charity Committee is comprised of five UK staff who meet quarterly and drive staff engagement through volunteering days, matched raising, and the organisation of social/ charitable events. Mayfair Capital staff supported 14 different charitable causes in 2021, spending c.100 hours dedicated to these charities. During the period, the Charity Committee also agreed to formally amend personal stewardship objectives for all Mayfair Capital staff to more actively encourage team members to use their volunteering days in 2022 and further in future.

MCIM staff volunteering for UK charity Be Enriched in 2021

All Mayfair Capital staff have mandatory stewardship and ESG objectives incorporated as part of our annual appraisal process.

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

DIVERSITY, EQUITY & INCLUSION

We recognise the importance of diversity in all our activities including stewardship. Stewardship activities in 2021 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 2022.

Mayfair Capital is actively participating in SLAM's "365 Days of Inclusion" - a business-wide initiative launched in May 2021, which aims to increase awareness of diversity and encourage members of the group to consciously promote an inclusive culture. The initiative is ongoing, incorporating twelve months of weekly activities across our 22 offices in Europe.

Mayfair Capital is a participant in the 10,000 Black Interns Programme, which offers paid internships to address the chronic underrepresentation of Black talent in the investment management industry. In the summer, we provided an internship to a student from Liverpool University who participated in a rotating programme of sessions across the business.

PRINCIPLE 2 CONTD.

MAYFAIR CAPITAL
Member of Swiss Life Asset Managers

HEALTH & WELLBEING

Mayfair Capital supports the Charlie Waller Trust, a charity which seeks to educate young people and those with responsibility for them about mental health. We are working with the Trust to improve our policies to achieve a culture of positive mental health enabling better staff engagement, productivity and retention. The Charlie Waller Trust provided training and workshops for all Mayfair Capital staff during 2021 on the topic of Mental Health Awareness, with extra training given to line managers for supporting awareness amongst their teams.

ANTI-SLAVERY & HUMAN TRAFFICKING

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

ASSESSING THE EFFECTIVENESS OF OUR RESOURCING AND GOVERNANCE

RESOURCING STEWARDSHIP ACTIVITIES

UK stewardship activities are led by the Mayfair Capital Executive Committee and subsequently resourced by all staff members involved in investment activities (transactions, asset management, fund management, research, investment strategy and risk). The seniority, experience and qualifications of all Mayfair Capital staff are communicated in the biographies on our website.

As illustrated above, we believe that our robust resourcing and governance structures are adequate in the context of our position as both a specialist UK real estate investment manager, and the UK division of Swiss Life Asset Managers (one of the largest real estate managers in Europe). Mayfair Capital employs a relatively small team of 34 individuals in London. It is common for team members to “wear multiple hats” across functional responsibilities, including on topics related to stewardship. With this in mind, we feel that our hybrid resourcing model (comprised of both dedicated and part-time ESG resources) is appropriate given our size.

To summarise the effectiveness of our model - we maintain rigorous governance structures, embed ESG into personal objectives to directly impact staff remuneration, and engage with external global sustainability consultant, EVORA Global to ensure best practice alongside our peers. Our well-resourced platform of dedicated ESG professionals and local ESG Ambassadors ensures that we continuously benefit from cross-border collaboration as well as localised provision to support stewardship for our clients and beneficiaries. Lastly, we were pleased to improve our commitment to resourcing stewardship in August 2021 through the hiring of Mayfair Capital’s new ESG, Head of UK, Christi Vosloo. ■

Installation of solar panels – Newmarket, UK

OUTCOMES

2021 OUTCOMES – GOVERNANCE, RESOURCES & INCENTIVES TO SUPPORT STEWARDSHIP

As mentioned in the CEO's Update, we progressed a significant number of initiatives related to Governance, Resources and Incentives during 2021, with particular focus on our organisational policies, reporting and standards. Our strongest outcomes and resulting identified areas of continuous improvement included the following:

PLANNED OUTCOMES (2020 STEWARDSHIP REPORT)

Review of UK ESG Strategy
As planned, we completed an extensive, collaborative process across SLAM to define our UK ESG Strategy in 2021. The process involved all countries across the Group and the resulting strategy was tailored to the UK's needs and objectives, including forward-looking priority focus areas and KPIs.

Quarterly ESG Strategy Steering Meetings
We established a framework to conduct quarterly ESG strategy steering meetings in collaboration with external consultant, EVORA Global. These meetings were conducted on a quarterly basis during 2021 and included a senior member of their team, with Mayfair Capital's Director of Asset Management, ESG, Head of UK, and either our Chief Executive Officer or Chief Investment Officer in attendance for each meeting. Meetings focused on relevant industry/competitor updates and project reports.

ESG Strategy Workshop (March 2021)
On 11th March 2021, EVORA Global hosted an ESG Strategy Workshop with Mayfair Capital's Investment Group on the topic of 'ESG Strategy and Climate Risk'. The workshop incorporated deep discussion on Mayfair Capital's ESG Strategy, including ESG issues that are material to the business (TCFD & Physical Risks, Net Zero Carbon, Climate Risk through the Investment Process). The workshop resulted in refinements to our ESG strategy and KPIs.

Improving Third-Party Property Manager Standards
We developed a 'Mayfair Capital Property Manager Sustainability Standards and Guidance' document, setting out our expectations for all property managers managing properties on behalf of Mayfair Capital. The document is intended to provide a clear framework for our third-party property managers. It clearly articulates sustainability expectations and responsibilities including (but not limited to) matters on compliance, ESG data provision, health and wellbeing and improvement initiatives. This also includes detailed Key Performance Indicators (KPIs) to ensure property managers can be assessed appropriately on a half-yearly basis, ensuring that all sustainability expectations are being met. As part of this process, each portfolio team – in conjunction with Mayfair Capital's ESG, Head of UK - will meet with property managers and key third-party service providers on a quarterly basis to ensure practical asset level actions are identified and monitored through to implementation. This process will be formally embedded across all applicable mandates in 2021 as part of a Quarterly Sustainability Implementation Programme.

ADDITIONAL OUTCOMES

Updated Mayfair Capital Responsible Property Investment Policy
We reviewed and updated the Mayfair Capital Responsible Property Investment Policy (RPI Policy) to ensure this aligns with industry best practice. Our revised RPI Policy sets out our approach and objectives as categorised across each of the investment stages relevant to our business. This policy is signed by our Executive Committee, CEO, CIO and CEO has been made publicly available on our website. This policy will be reviewed and updated on an annual basis.

Formulation of a Social Value Strategy (2022)
A key Governance, Resourcing and Incentivisation priority for 2022 will be the development of a formal UK Social Value Strategy for Mayfair Capital. We recognise that the 'S' (Social) is often overlooked in ESG, and we feel this is an area where we can make a significant contribution. This strategy will help to define our approach to investing in the built environment, identify where we have the greatest impact, and include tangible metrics for monitoring the impact over time.

Please refer to Principle 7 for further information on outcomes and improvement initiatives relating to the integration of stewardship, investment, ESG and climate change at the portfolio- and property-level.

PRINCIPLE 3

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

CONFLICTS OF INTEREST POLICY

A version of the Mayfair Capital Conflicts of Interest policy is published on our website.

As with all our policies, the conflicts of interest policy is reviewed at least annually and updated where necessary. In addition, the policy and the conflicts log are reviewed annually by ACA Compliance (Europe) Limited, a third-party consultancy, as part of a programme of quarterly compliance monitoring.

A key aspect of this policy is to prevent a conflict of interest from occurring. Where this is unavoidable, it ensures appropriate measures are taken to mitigate and manage any such conflict to ensure that no client is adversely affected. It is clearly stated in the policy that "The clients' best interests remain paramount". Adherence to this policy ensures 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 two years.

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

In order to mitigate and manage any potential conflicts, 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.

Bloom – Munich, Germany

We are able to identify and mitigate potential conflicts in a timely fashion because of our efficient processes and nimble approach as a specialist fund manager. The key mitigant of potential Conflicts of Interest is our weekly Investment Risk Committee process.

OUTCOMES

2021 OUTCOMES – CONFLICTS OF INTEREST

The Mayfair Capital deal allocation process operated effectively throughout 2021. There were 36 individual Investment Risk Committee meetings held and all new acquisitions were allocated successfully, with no conflicts arising between funds or mandates.

During the year, a single potential conflict was added to the Conflicts of Interest Inventory relating to the purchase of an office building in Birmingham on behalf of Mayfair Capital's PITCH fund. The initial Investment Risk Committee recommendation highlighted that another Mayfair Capital mandate – the MCPUT - owned both an adjacent building and plot of land within the same business park. A potential conflict was considered on the basis of possible leasing risks pertaining to ownership of multiple assets in the area, however, it was identified that majority ownership of the park would actually benefit occupiers by improving ground maintenance and scope of the amenity offering on the site. This benefit therefore outweighed any potential conflict, and no actual conflict arose. We acknowledge the potential for leasing conflict in future, but our policy and conflict of interest procedures are in-place to manage this appropriately.

MAYFAIR CAPITAL
Member of Swiss Life Asset Managers

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 a robust framework to identify, monitor and manage risk. We identify investment risk within our quarterly risk reports by categorising risk as follows:

Net positive logistics asset with EPC rating of A+++++ – Rhenen, Netherlands

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:** Monitors factors impacting a portfolio's ability to meet liabilities / redemptions. Where appropriate liquidity in a portfolio is stress tested under different redemption scenarios. Liquidity within portfolios is measured by assessing the time required to convert an asset into cash given current market conditions and asset management initiatives as well as the risk an asset is potentially overvalued given current investor appetite. **Leverage:** Use of borrowed capital to purchase and/or increase the potential return of investment. It refers to total amount of debt on a property relative to current market value. The risk assessment considers the portfolio's ability to service financing costs and repayments, as well as the risk of breaching any of the debt covenants.
Concentration Risk	Concentration of exposure to single investments/assets, geographical focus, sectors or tenants.
Credit Risk	Refers to the credit risk of tenants defaulting at a portfolio level, i.e. aggregate tenant credit risk.
Valuation Risk	Valuation risk defines whether an asset is potentially overvalued and will earn less than expected when it matures or is sold by the holder, e.g. valuation loss caused by deviations in expected rent potential, capital expenditure, re-letting assumptions). Valuation risk also extends to fund unit pricing and the potential for dealings at an inaccurate price.
Asset Level Risk	In contrast to systematic risk, asset level risk (i.e. unsystematic risk) is specific to a particular property, e.g. capital expenditure, construction or environmental risks.
Counterparty Risk	Refers to risks from counterparties, such as property managers and banks, that could impact the operation and performance of the vehicle (e.g. mismanagement or bankruptcy). Includes limits on cash held in a single institution.
Regulatory Risk	Refers to risks arising from a changing regulatory environment.
ESG Risk	Risk of increased obsolescence, higher capex requirements and reduction in liquidity for assets that are not resilient to changes associated with climate change. These risks are split into physical risks (e.g. resilience to more extreme weather events associated with climate change, such as flooding) and transition risks (e.g. risks associated with the changing regulatory environment in the shift to net zero carbon, such as higher capex requirements to meet rising energy efficiency standards). Wider factors include environmental data availability and green building certification.

Images courtesy of Colliers International

The risk categories defined on the previous page 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 Investment Risk Committee (IRC). As stated previously the IRC is chaired by Tim Munn (CIO) and membership comprises Giles King (CEO), James Thornton (Non-Executive Chairman), Edward Pumphrey (Fund Director) and Frances Spence (Director - Research, Strategy and Risk).

On a quarterly basis, the IRC reviews investment risk reports for each Fund, which are prepared by the Research, Strategy and Risk team. Each report analyses the level of diversification in the portfolios and summarises the consistency between the current level of risk incurred by the funds and their agreed risk profiles (Investor Framework). The reports include:

- A check on the compliance of the funds with their risk parameters. This covers the risk limits identified in the Investor Framework as well as compliance with loan covenants (if any) and counterparty risk limits.

- Modelling of the perceived liquidity in the fund (i.e. the ability to convert assets into cash within pre-defined periods). For each fund, the degree of liquidity is expressed in terms of elements of the fund's portfolio that could be converted into cash within 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.

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

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.

INDUSTRY INITIATIVES

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.

Our principal initiative during 2021 was our successful accreditation as a Living Wage Employer by the Living Wage Foundation. The industry initiative reflects our commitment to our employees as well as those who work in our supply chain.

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

IDENTIFYING AND RESPONDING TO MARKET-WIDE AND SYSTEMIC RISKS

COVID-19 PANDEMIC

The COVID-19 pandemic has tested our risk management processes whilst also demonstrating the robustness of our approach. Throughout 2020 and 2021, we were able to use our risk reporting and risk monitoring framework to quickly identify areas of vulnerability across our portfolios and agree appropriate risk mitigation measures.

A pivotal mitigation initiative to address COVID-19 risk was our internal evaluation of its 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 in 2020, which identified 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 throughout 2021 to identify existing investment assets that no longer aligned with core characteristics and occupational requirements. As a result, 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. These risk mitigation measures assisted to reduce our clients' exposure to potentially stranded assets.

We believe that our prudent response to the COVID-19 pandemic has been reflected in the performance outcomes of our Core/Core Plus mandates during 2021 (Principle 1 - 'Performance Track Record'). As mentioned, our clients benefitted from the thematic positioning of our portfolios with occupier trends – already driven by secular shifts – accelerating in response to the coronavirus pandemic.

CLIMATE RISK

As outlined later in this report (Principle 7), we have a robust and comprehensive ESG strategy that ensures continual improvement of our ESG performance and enshrines our business commitments to addressing the impacts and risks posed by climate change.

We have made significant progress in refining and enhancing our risk assessment processes in relation to ESG and climate risk. Several of these risk mitigation initiatives include:

- Net zero carbon assessments for new acquisitions
- Net zero carbon audits of standing investments
- ESG data collection
- Full MSCI Climate Risk modelling of physical and transition risk for Mayfair Capital's standing investment portfolio
- Asset-level CRREM (Carbon Risk Real Estate Monitor) modelling
- A group-wide response to the Task Force on Climate-related Financial Disclosures (TCFD)

Please refer to Principle 7 for further information on Mayfair Capital's 2021 outcomes and continuous improvement initiatives related to addressing climate risk within our investment portfolios.

ASSESSING HOW WE IDENTIFY & RESPOND TO RISKS

Mayfair Capital's risk management procedures are documented in Mayfair Capital's Risk Management Framework, which was comprehensively reviewed in 2014 to make procedures more explicit and reflect the lessons learnt during the global financial crisis. At the forefront of this is the ability to ensure that any inherent portfolio risk 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. We work on the basis of a "no surprises" approach to our client reporting.

On the whole, we feel that we are proactively addressing the market-wide and systematic risks of COVID-19 and climate risk, as evidenced by our strong investment performance in Q4 2021 (resulting from the thematic positioning of our portfolios in response to the coronavirus pandemic) as well as the significant number of granular initiatives that we are advancing to address climate risk within our portfolios. ■

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

Red Lion Street – London, UK

PRINCIPLE 5

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

POLICY REVIEW

Mayfair Capital reviewed all its policies during 2021 in accordance with our commitment to continuous improvement. All policies and procedures are reviewed at least annually in alignment with the Principles of the Stewardship Code.

In 2021 the employee handbook and all 18 compliance policies were reviewed and updated where necessary. External assurance was obtained from ACA Compliance (Europe) Limited, a third-party firm which specialises in advising on regulatory compliance.

As mentioned within Principles 2 and 7, key actions during 2021 related to the following policies and processes:

- Development of our UK ESG Strategy (including focus areas and KPIs) alongside the wider Swiss Life Asset Manager group, tailoring elements to Mayfair Capital's specific needs and objectives in the UK.
- Review/updates to the Mayfair Capital Responsible Property Investment Policy (RPI).
- The inclusion of ESG in both Mayfair Capital annual investment plans and risk reporting.
- Development of a 'Mayfair Capital Property Manager Sustainability Standards and Guidance' document, setting out our expectations of all Property Managers managing properties on behalf of Mayfair Capital.
- The inclusion of net zero assessments as part of Mayfair Capital's standard due diligence process.

INTERNAL & EXTERNAL ASSURANCE OF STEWARDSHIP

Mayfair Capital has implemented a series of internal and external processes to gain assurance. The activities carried out for the year under review are summarised below.

INTERNAL ASSURANCE

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).

The Executive Committee comprises Mayfair Capital's CEO, CIO and COO and it meets weekly. Stewardship and responsible investment are on the standing agenda for these meetings. Priorities are set by this Committee, and activities are monitored on an ongoing weekly basis. Reports are provided to the UK Executive Board on a quarterly basis. In 2021 Board meetings were held in March, July, September and December.

Mayfair Capital has an internal Compliance function headed by the COO, who also acts as the Firm's Compliance Officer. As a wholly owned subsidiary of the Swiss Life group, Mayfair Capital is also subject to ongoing oversight by the Swiss Life Asset Managers Compliance function. In 2021 the COO participated in meetings with Swiss Life subject matter experts on SFDR and related sustainability reporting topics.

Mayfair Capital is additionally subject to ongoing oversight by the Swiss Life Internal Audit function. An internal audit review of Mayfair Capital was conducted in July 2021. The scope of the review included new businesses initiatives, new products, business strategy, organisational changes, operational changes, review of policies and procedures, risk assessment with focus on fraud risk. The review did not identify any adverse findings.

EXTERNAL ASSURANCE

We consulted with the following external parties in order to obtain assurance:

- ACA Compliance (Europe) Limited – compliance consultants
- EVORA Global – ESG consultants
- BDO LLP – financial services advisers
- Association of Real Estate Funds – industry body

As outlined within Principle 2, we appointed EVORA Global to provide ongoing advice and guidance - including support and continuous improvement - of the Mayfair Capital ESG Strategy through 2021. Fund and property environmental performance data submitted to GRESB for peer group assessment is also annually externally assured by EVORA Global to the AA1000AS Assurance standard.

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

- Guidelines issued by The Climate Financial Risk Forum in October 2021 regarding how to effectively manage climate-related financial risks.
- Discussion paper published by the FCA entitled "Strategy for positive change: its ESG priorities" in November 2021
- Discussion Paper published by the FCA entitled "Sustainability Disclosure Requirements and Investment Labels" in November 2021

In terms of ongoing assurance, ACA carried out 4 compliance monitoring reviews during the 2021 period (in February, May, August and November). On completion of their review, ACA write a report to the UK Executive Board. None of the reviews identified any adverse findings.

This stewardship report has been subject to independent review by BDO LLP. ■

Forge – Woking, UK

Bloom – Munich, Germany

CASE STUDY 1

Introducing a clear desk policy to enhance data protection and security for client information

We introduced a new clear desk policy during 2021 to enhance our data protection and security process. Mayfair Capital staff are now required to lock away confidential information relating to the firm, funds and separate account mandates managed/advised by the firm and investors at the end of the day and when they are away from their desk for a prolonged period. The new policy is also intended to reduce printing as part of our drive to be more environmentally sustainable. The new rules were explained at an all-staff meeting, followed up by an update to the Employee Handbook, with staff receiving a link to the online document by email. Regular and ongoing checks are undertaken by Mayfair Capital's Compliance team.

CASE STUDY 2

Implementation of a Cyber Security Incident Response plan

Cyber security continues to be the number one operational risk faced by our firm. In order to mitigate this risk, the firm has a cyber security incident response plan, which is reviewed regularly and kept up to date. As part of the process, meetings of the cyber security response team are held weekly and minuted. Major incidents may include but are not limited to:

- Unauthorized entry ("hacking")
- Security breach for example: as a result of a successful phishing attach)
- Unauthorized scan or probe
- Data leakage
- Denial of service
- Ransomware or other malicious code or virus
- Other violations of IT policies and procedures
- Networking system failure
- Application or database failure

During the year, the team met on 36 occasions and there were no major cyber security incidents recorded. The business monitored various phishing email scams that did not translate into major incidents.

CASE STUDY 3

Implementation of Digital Workplace to streamline IT infrastructure, promote flexible working in a secure environment and enhance business continuity

In March 2021 Mayfair Capital successfully implemented a new IT platform called Digital Workplace ("DWP"). DWP is a group-wide IT platform being rolled out to all units in the Swiss Life group. DWP has enabled Mayfair Capital to streamline IT infrastructure, promote flexible working in a secure environment and enhance business continuity for the benefit of both clients and staff.

Despite ongoing disruption in the wider market place during 2021 caused by the Coronavirus pandemic, Mayfair Capital continued to service its clients and report to its stakeholders without any business interruption or loss of efficiency.

Notwithstanding the enhanced IT platform, we continued to test and improve our business continuity and disaster recovery plans. As part of this ongoing process, we carried out a surprise cascade test on our staff on 20 September 2021, to see whether everyone could be contacted at short notice in the event of a major incident. Following the test we made improvements to our process for contacting staff members on annual leave, and updated personal contact information for out of office hours.

PRINCIPLE 6

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

OUR CLIENT BASE

Mayfair Capital assets under management (AUM) totalled £2.2 billion as at 31 December 2021, comprising 153 direct property assets. Of this, our client base predominantly comprises Asset Management Companies and Pension Funds / Life Insurers (see Graph 6.1).

We manage segregated discretionary and advisory mandates for a small number of clients including Schroders and Jupiter Asset Management, as well as a UK Family Office. We also manage UK pooled funds, including the open-ended Property Income Trust for Charities (PITCH), a core income focused strategy; and the Thematic Growth Fund, a closed-end fund with a core plus/value-add strategy

CLIENT COMMUNICATION

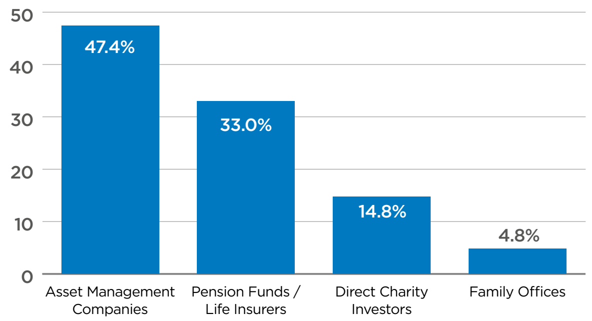
Investor communication is a key component of our investment process. Clear, informative communication is fundamental to our commitment to engender trust and develop long term strategic partnerships with our clients. We operate a "no surprises" approach to client reporting. Our client communication generally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

MEETINGS

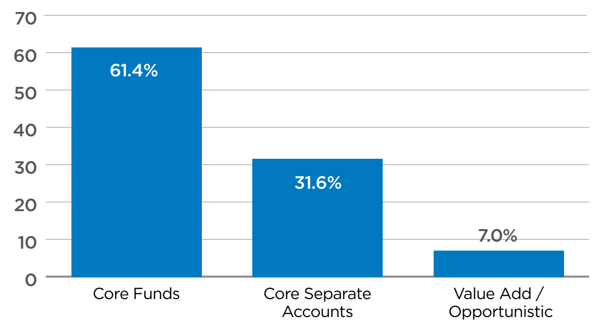
We propose open communication and meetings are arranged by the core client team as frequently as is required. They provide an inclusive forum to encourage and facilitate productive two-way dialogue. Typical meetings would include:

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

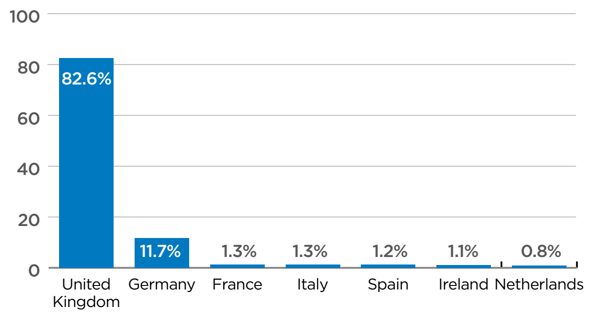
Graph 6.1 Mayfair Capital AUM by Investor Type



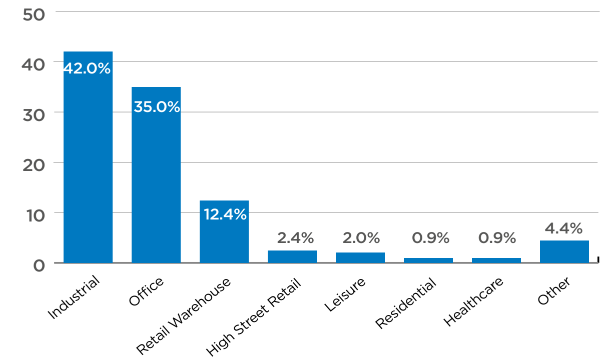
Graph 6.2 Mayfair Capital AUM by Risk Strategy



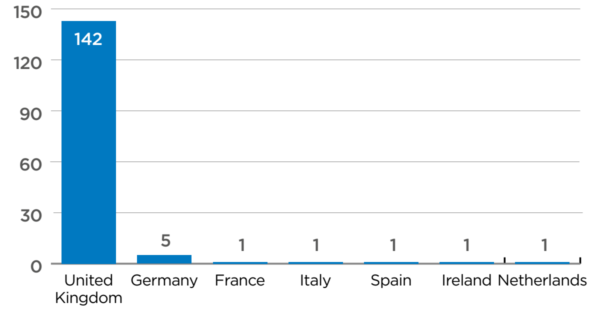
Graph 6.3 Mayfair Capital AUM by Property Location



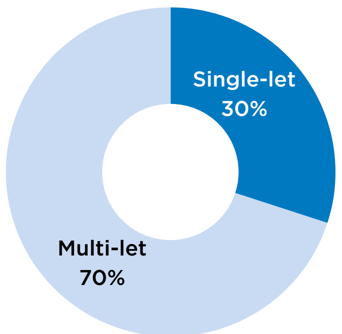
Graph 6.4 Mayfair Capital AUM by Property Sector



Graph 6.5 Mayfair Capital Assets by Property Location



Graph 6.6 Mayfair Capital AUM by Lease Type



- Quarterly meetings to report on the market, portfolio activity, performance and attribution analysis, risk metrics, sustainability and financials
- Trustee and Investment Committee meetings and presentations, as required
- Investment Consultant fund reviews (acting on behalf of other investors), as required
- Meetings on transaction opportunities and pipeline, as required
- Trustee training, as required
- On-site meetings as required for existing assets and potential purchases
- Client relationship check-in at least annually to assess level of satisfaction with the service and address areas of improvement

It is important to create a structure of communication where clear and swift decisions are made to allow us to operate efficiently and in the best interest of 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 also use what has become tried and tested online meeting technology, subject to client preferences.

REPORTING

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

- Annual presentation of our House View and Thematic Strategies and how we intend to implement them
- Annual presentation of the Investment Plan. Key strategic objectives are identified, including a review of the asset business plans and "hold/sell" analysis for each property, plus target investments
- 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, 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.

INVESTMENT REPORTING

REPORTING CALENDAR

HOUSE VIEWS & THEMATIC STRATEGIES (6 MONTHLY)

INVESTMENT PLAN (6 MONTHLY)

INVESTMENT MANAGEMENT REPORTS (QUARTERLY)

TRANSACTION REPORTS (AD-HOC)

FINANCIAL REPORTS (QUARTERLY)

QUARTERLY INVESTMENT MANAGEMENT REPORTS

MARKET OUTLOOK

PORTFOLIO PERFORMANCE AND ATTRIBUTION

TRANSACTION ACTIVITY

ASSET MANAGEMENT

ESG PERFORMANCE

KEY PORTFOLIO RISK METRICS

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

We can accommodate any reasonable timetable for preparing reports. Once a timetable has been discussed and agreed, we 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.

ALIGNING WITH OUR CLIENTS' STEWARDSHIP APPROACHES/POLICIES

Given the diversity of our client base, we observe a range of expectations from our clients regarding their desire to align on stewardship policy. All of our clients are unique, and we respect that each is navigating their own journey in relation to stewardship and responsible investment. As a responsible investor, we recognise the opportunity to take a flexible approach, where we can lead engagement with clients whenever our expectations of stewardship might perhaps surpass those of our clients, while at other times, close engagement is often required to align mutual stewardship policies in order to achieve a complementary approach. We embrace both approaches across our client portfolios.

In the case of our pooled core mandates, we perceive an opportunity to lead with our responsible investment approach, whilst simultaneously listening to the individual needs of our investors. Mayfair Capital's Property Income Trust for Charities (PITCH) invests on behalf of an underlying client base of c.1,300 UK charity investors. PITCH has followed formal ethical and environmental management policies since

Forge – Woking, UK

launching in 2004 – well in advance of peer funds. A considerable proportion of PITCH's c. £763m AUM is allocated through third-party Investment Managers. Aligning our stewardship approach with these key "client aggregators" is of fundamental importance to our business to grow sustainably.

For our separate account and single mandate clients, we see a similar mix of expectations. Some of our clients are well advanced in their requirements and we engaged deeply with them on stewardship alignment in 2021 (please refer to the adjacent case study for an illustrative example of how we align with our clients' stewardship and investment policies). Other separate account clients are less pre-occupied with ESG ambitions, particularly in cases where they might have limited internal resources available to support stewardship. For these investors, we make proactive and forward-looking recommendations to get "ahead of the curve" (aligning with our responsible investment approach) and do not lag market best practice. Simple measures now - such as implementing of data collection platforms - will make it significantly easier for clients to make fast advancements on stewardship in future.

In all cases, we firmly believe that deep, constructive engagement is the only way to identify our clients' expectations and ambitions in relation to stewardship.

INCORPORATING CLIENT FEEDBACK TO ENHANCE OUR STEWARDSHIP APPROACH

Client feedback is always considered when we seek to make enhancements to our stewardship approach. In the past, such feedback has ranged from informal recommendations – such as endorsements of reputable ESG advisors and third-party service providers – to more formal requests relating to new and increasing client requirements. For example, towards the end of 2021 – and as part of the case study illustrated on page 45 – one of our separate account clients communicated a list of 7 explicit Sustainability Requirements for 2022. These requirements include increased use of renewable electricity supplies, operational environmental data coverage (including 100% whole building coverage by end 2025), reduction of fossil fuel dependence, and the provision of social data relating to employee Diversity & Inclusion and community engagement programmes. We have already addressed our planned approach for all requirements and remain in the process of implementing enhancements to satisfy our clients' requirements. This illustrates our desire to "close the loop" between client communication and the enhancement of our stewardship activities – both for specific clients as well as for our wider business.

ASSESSING OUR EFFECTIVENESS AT UNDERSTANDING CLIENTS' NEEDS

Above all else, we look to client satisfaction and investment performance as key metrics of whether we are understanding our clients' needs and meeting their expectations. Our focused approach is centred on offering a personalised service to our investors, which requires us to meet directly with them. We solicit direct, unfiltered feedback from senior leadership on a regular basis to ensure that we are meeting our clients' needs. We encourage two-way dialogue at all times, and keep our clients fully informed on key initiatives related to performance such as rent collection and asset management.

We employ both quantitative and qualitative internal controls to account for our clients' needs and ensure the effectiveness of our processes. Quantitative controls form the basis of how we measure client performance. Many of our mandates adopt explicit

Bloom – Munich, Germany

benchmarks, which are independently verified and monitored on a continuous basis. For example, MCPUT targets outperformance of the MSCI AREF UK Quarterly Property Fund Index (UK All Balanced Property). Relative performance is measured quarterly and reported directly to our client. Quantitative controls can also be adapted to our clients' evolving needs throughout the lifetime of a mandate, whether in response to changing market conditions and our clients' risk/return requirements. In the case of MCPUT, quantitative performance controls previously included an income return requirement, which was subsequently deprioritized at our clients' request to focus on total return.

On a qualitative basis, we rely on direct feedback to inform internal controls related to client needs and satisfaction. We typically seek feedback on matters such as mandate resourcing, communication levels, reporting standards and bespoke requirements. Client feedback is incredibly important to us. One of our most important qualitative internal controls involves Mayfair Capital's Chairman meeting with every client at least once a year to obtain feedback on service levels and to identify areas of improvement. The feedback is formally presented to the UK Executive Committee and action plans put in place to make any necessary improvements. The Chairman's role serves as a vital internal control to ensure that we rceive honest feedback, which is made possible by the fact that the Chairman is not a member of the client servicing team, and feedback is always provided without the client servicing team being present.

For our largest pooled investment fund, PITCH, we engage with our c.1,300 UK charity investors regularly, assuring our service through quarterly performance updates, briefing webinars and consistent communication, which includes the offer to all direct investors for an annual personal Fund update.

Our principal opportunity to assess PITCH client satisfaction was facilitated via an annual seminar for direct charity investors and investment managers, which we hosted physically in London on 30th September 2021. Our annual seminar is designed for charity trustees, charity executives, investment professionals, consultants, and other advisors to the charity sector. Our 2021 event was our first physical engagement with our client base since the start of the coronavirus pandemic. We received 147 confirmed registrations from individuals, and despite some limitations related to ongoing COVID concerns in London, the event was still attended by 50 in-person and 17 online attendees. The agenda focused on communicating fund performance, key market-wide and systemic risks, and the open sharing of investor feedback – all within an open and transparent forum.

We are well aware of the ever-increasing needs and expectations of all our investors, with organisational culture, diversity and inclusion, net zero ambitions and social value emerging as key themes for engagement in 2022 and beyond. We are committed to further engagement with all of our clients in the future to continuously update our understanding of their evolving needs. ■

MCIM Annual Charity Seminar 2021

CASE STUDY

Engagement with a separate account client to align stewardship and responsible investment policies

We have been closely engaging with one of our largest investor clients since 2019 to improve ESG integration within their real estate portfolio. As Investment Advisor, we have prepared and implemented an annual ESG plan and budget for the portfolio, incorporating a range of initiatives such as GRESB submissions, improved data coverage (energy, GHG, water and waste), implementing ESG logbooks and more.

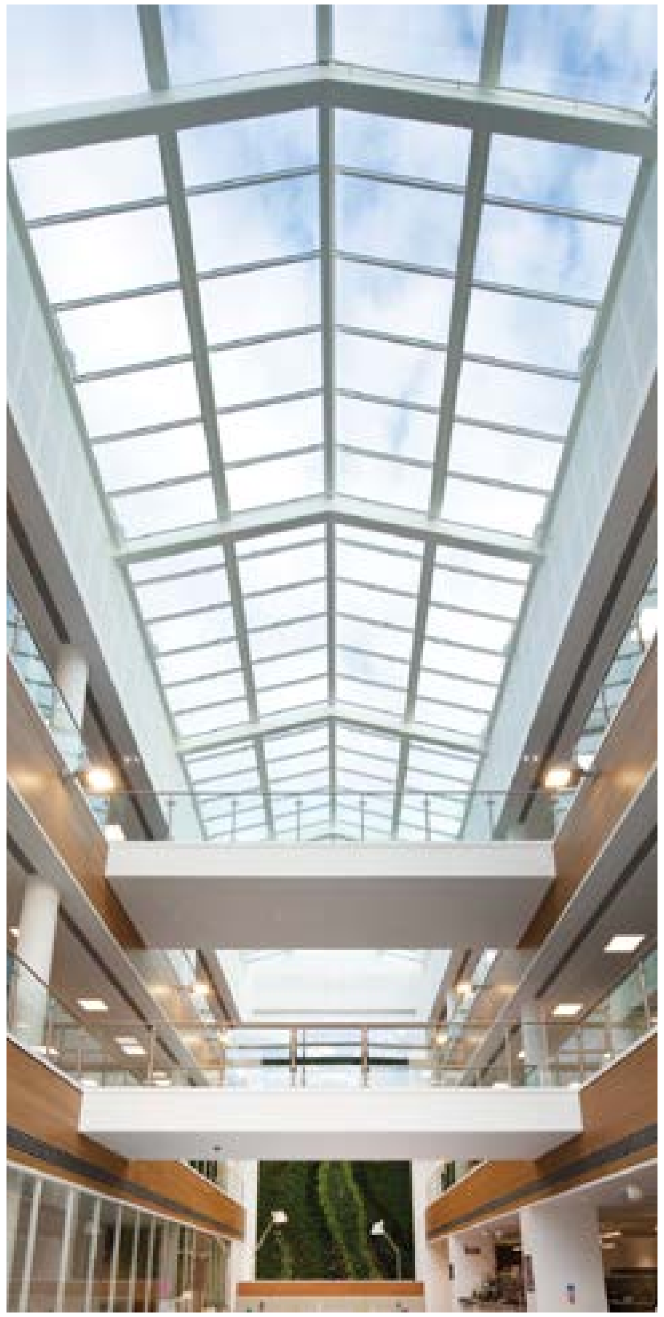
In the preceding two years we witnessed our client's mounting ambitions regarding their real estate sustainability approach (stewardship), and in September 2021 our client announced their desire to align their approach across all of their partnership funds, including the portfolio advised by Mayfair Capital. This culminated in a collaborative engagement to begin aligning our stewardship and responsible investment policies. The engagement comprised a physical meeting on 27th September with stakeholders from both sides. The agenda included a comprehensive discussion on responsible investment policies, budgets, objectives, net zero ambitions, and bespoke initiatives such as our response to the Task Force on Climate-related Financial Disclosures (TCFD).

The engagement was informative for both sides, with our client indicating a desire to further increase alignment in future alongside their expanding ambitions for stewardship. Alignment continues with further engagement planned for 2022. Our client was impressed with our approach, demonstration of deep knowledge, and ability to show flexibility in addressing their requirements, resulting in increased confidence in our ability to perform in our appointment.

MAYFAIR CAPITAL
Member of Swiss Life Asset Managers

PRINCIPLE 7

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



Oxford Business Park – Oxford, UK

OVERVIEW

We regard Responsible Property Investment (RPI) as a core part of our management approach and define it as the consideration of environmental, social and governance (ESG) issues within our investment process and operations. We integrate ESG criteria, as well as risk factors and financial metrics, into a controlled and structured investment process. We ensure careful investment selection, specification for development and refurbishments and management of the buildings under our care. We believe this generates long term risk-adjusted returns, supports climate change mitigation, and aligns our investment goals to those of our investors and stakeholders.

We have established a comprehensive ESG strategy that ensures continual improvement of our ESG performance and enshrines our commitments as a business. We monitor performance against our ESG strategy KPIs on an annual basis. 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.

For further information on Mayfair Capital's approach to Responsible Property Investment, a copy of our Responsible Property Investment Policy is available on our website.

RESPONSIBLE INVESTMENT POLICY

GOVERNANCE

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

PRINCIPLES AND OBJECTIVES

The core principles of our RPI policy are:

E **Environmental:**
Actively manage and improve the environmental performance and climate related resilience of our real estate investments.

S **Social:**
Promote safe and healthy buildings which encourage productivity and positive customer experiences for the communities, workers and visitors who use them.

G **Governance:**
Ensure robust processes are in place to minimise legislative, environmental and social risks and to obtain reliable asset level data throughout the investment cycle, whilst disclosing our activities and progress towards achieving our objectives

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

OBJECTIVES

Our objectives are listed under our three core investment activities:

TRANSACTIONS

E S G Undertake a formal risk assessment on prospective investments to assess asset compliance, resilience and risks relating to environmental, social and governance issues.

E S Conduct a review of the potential to improve existing environmental or social performance as part of due diligence, including capital expenditure required.

S G As part of the IRC review, ensure social aspects such as health, safety, tenant comfort, location and transportation aspects of the building are assessed.

E S G Review the applicability to complete ESG Asset Logbooks on newly acquired assets as part of the ESG onboarding process.

G In addition to industry relevant policies, ensure that all assets under management, potential investments, employees and stakeholders adhere to internal policies.

DEVELOPMENT & REFURBISHMENT

E S G Ensure contractors have robust procedures in place to manage environmental, social and governance issues.

MAYFAIR CAPITAL
Member of Swiss Life Asset Managers

E G Ensure compliance with Minimum Energy Efficiency Standard (MEES) regulations and maintain a comprehensive understanding of all current and future regulatory requirements.

E Identify opportunities to implement efficiency measures throughout each design phase, including alignment with or certification to green building standards.

E Where practical, track and assess the impact on energy efficiency of improvements made as part of refurbishments.

E S Engage with key stakeholders to ensure both environmental and social aspects are carefully considered throughout the refurbishment process, including health and wellbeing of occupants.

OPERATIONAL

E S G Ensure compliance with all applicable environmental and health and safety regulation.

E Improve data coverage across the portfolio to enhance performance monitoring and to support the carbon emission reduction strategy.

E Where landlord controlled, ensure energy, water and waste data is collected and monitored on a quarterly basis, at a minimum.

E Where tenant controlled, engage with tenants to monitor energy, water and waste data on an annual basis, where possible. Seek to implement green lease clauses, to encourage data sharing and tenant collaboration on ESG goals.

E S G Incorporate ESG asset-level initiatives into business plans aiming for best practice where possible.

E S G Maintain an active dialogue with key stakeholders on ESG issues, encouraging building occupants to improve environmental performance.

E S G Ensure minimum ESG requirements for property managers to encourage best practice and ensure all training needs are met for employees and relevant stakeholders.

E Maintain oversight of physical and transition risk across the portfolio.

E S G Conduct regular reviews of suppliers to ensure they meet Mayfair Capital's ESG requirements.

MAXIMISING ESG CREDENTIALS AT THE PROPERTY LEVEL

We are committed to use our influence where possible to improve sustainability of the built environment. We achieve this through development specifications, asset refurbishment and through diligent integration of ESG considerations into all business processes. Our goal is to reduce carbon emissions, help mitigate climate change impacts, minimise consumption of resources, promote wellbeing and foster social inclusion.

Comprehensive refurbishment at Forge – Woking, UK

When we refurbish assets, we aim for best practice energy efficiency, carbon reduction, and health and wellbeing measures such as improved lighting, on-site renewables, removing gas supplies where possible, use of sustainable materials and incorporating wellbeing features such as cycle stores, showers and biophilia. The Sustainable Refurbishment and Development Guide includes detailed principles governing all refurbishment activities. ESG Acquisition Checklists are completed for all new acquisitions and Responsible Investment procedures are incorporated throughout our asset management and reporting processes. These procedures extend to:

- ESG Acquisition Checklists
- ESG Asset Logbooks
- Green Lease Policy
- Sustainable Refurbishment Guide
- Supplier Sustainability Questionnaire
- Property Manager Sustainability Standards & 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. We work closely with EVORA Global to continually improve our processes and ensure best practice in our responsible investment activities.

REPORTING

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

- Swiss Life Asset Managers publishes an annual Responsible Investment Report and Group Sustainability Report

- We are supporters of the Task Force on Climate-related Financial Disclosures (TCFD) and have published a response to TCFD
- We are signatories of UNPRI, responding to the survey annually and publishing our RI Transparency Report
- Mayfair Capital was accepted as signatory to the UK Stewardship Code 2020. We published our report for the year ending 31 December 2020 and will report on our progress annually in line with our responsibilities.

ADDITIONAL CLIENT REPORTING

We commit to reporting on ESG on a quarterly basis for all clients. The level of reporting is tailored to the client, and asset level or tenant level reporting can be provided if required. We specifically report on managing agent activity, tenant engagement, refurbishment or other construction activity, and relevant services (air conditioning, car parking, flood zone risk, EPC ratings, potential costings, etc.). Additionally, we measure and monitor portfolio environmental performance (including energy, water and waste). In addition to the company-level reporting published by Swiss Life Asset Managers (SLAM Responsible Investment Report), we commit to providing clients with bespoke ESG reporting including annual benchmarking reports such as The Global Real Estate Sustainability Benchmark (GRESB).

TENANT ENGAGEMENT CONSIDERATIONS

Engaging closely with tenants is vital to our responsible investment approach. In describing our approach to tenant engagement, it is imperative to highlight the impact that tenant lease 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 our properties:

1. **'Multi-let' leases** – For properties comprising of 'Multi-let' leases, Mayfair Capital maintains full control of the asset assuming full responsibility for common parts of buildings (roofs, shared amenities, entrances, staircases, etc.) The landlord of a 'Multi-let' property lets space within each property to tenants (e.g. second floor, third floor, etc.), and charges a fee to tenants for general upkeep and use of common parts. 'Multi-let' leases allow landlords to fully manage and integrate ESG initiatives within properties, such as the selection of renewable energy suppliers. We hold regular tenant meetings at 'Multi-let' assets to establish tenants' needs, build support for sustainability initiatives, and draw on occupiers' own ideas for ESG integration.

2. **'Full repairing and insuring' (FRI) leases** – FRI leases offer limited control to landlords. FRIs typically relate to properties with a single tenant ('Single-let') that assumes full responsibility for features such as general repair, maintenance, property insurance, broadband, and energy usage. The 'Single-let' tenant is responsible for operation and upkeep, meaning the landlord's ability to influence aspects of the property is limited in comparison to 'Multi-let' leases.

Mayfair Capital manages 58 individual 'Single-let' assets. Weighted by value, these properties constitute 30% of our total £2.2bn AUM (illustrated by Graph 6.6 on page 39). Despite the increased challenge of making a meaningful difference in these assets, we undertake tenant surveys to try to understand our occupiers' views on sustainability and identify areas in which we can assist. For example, if an occupier wished to enhance the energy efficiency of their building, we would be eager to find ways to help them fund the cost of this - perhaps through extending their lease or paying an increased rent. Sustainable objectives are more easily attained by working in partnership. We are seeking 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 all real estate investment managers or 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. 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 new or refurbished building (e.g. through on-site renewable energy) before an FRI lease is signed with a new tenant.

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

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

ASSESSING OUR INTEGRATION OF STEWARDSHIP AND INVESTMENT

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

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

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

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

OUTCOMES

2021 OUTCOMES – INTEGRATING STEWARDSHIP & INVESTMENT

OUTCOMES

As mentioned in the CEO's Update, we progressed a significant number of initiatives related to the integration of Stewardship and Investment during 2021, with particular focus on net zero carbon pathways, data collection, and practical sustainability actions. Our strongest outcomes and resulting identified areas of continuous improvement included the following:

ESG included in Investment Plans and Risk Reporting

We made the decision to include ESG as a formal risk consideration within our annual investment plans and risk reporting. This change was reviewed by our ESG and Risk lead to significantly enhance and expand investment planning and risk reporting, and to also support forward-looking analysis including year-on-year comparisons of ESG risk for our property assets and portfolios.

Net Zero Carbon Pathway Analysis

Building climate resilience and developing a clear pathway to net zero carbon is a primary focus for Mayfair Capital and our parent company, Swiss Life Asset Managers. Swiss Life Asset Managers has committed to reducing the carbon intensity of its direct real estate portfolio by 20% by 2030 (against a 2019 baseline), in line with the aims of the Paris Agreement.

During 2021, we undertook a comprehensive decarbonisation pathway project with the support of specialist advisors Deloitte. The next steps are to work closely with the Divisional ESG team and Fund Managers to develop a co-ordinated approach for communicating our UK net zero carbon approach to investors. In parallel to this project, we continue to progress our programme of asset and portfolio level net zero actions. By having a clear understanding of our pathway to net zero, we will be able to prioritise effectively, plan carefully, and use all the decarbonisation levers available to us in order to make informed investment decisions.

We undertook detailed audits on a number of Mayfair Capital assets in 2021, and plan to expand the programme in 2022 by conducting a rolling programme of net zero audits on carefully selected and prioritised assets. Detailed net zero audits of our assets help us to understand current performance, as well as the interventions and costs required to achieve net zero carbon.

Net Zero Action Plan & Solar Approach

In light of future net zero requirements and our own net zero ambitions (mentioned above), we plan to develop a clear action plan and approach for Mayfair Capital over the coming year. This includes careful consideration of the key actions we need to undertake across all funds that Mayfair Capital manages on behalf of its clients and beneficiaries. A particular focus for 2022 will be the development of a strategic approach for the implementation of on-site renewable energy at our properties.

Net Zero Considerations within Investment Due Diligence

In order to ensure that we are carefully screening all new purchases, we have formally incorporated net zero assessments into our standard due diligence process. This assessment reviews the asset's current operational performance and identifies potential measures to meet future operational net zero targets and associated costs. This enables us to mitigate stranded asset risk and have a clear view of future costs to improve our assets, which are subsequently factored into the investment case for each property, allowing Mayfair Capital to assess the ability of the asset to achieve net zero carbon, and a full understanding of the asset's impact on the respective portfolio's overall net zero carbon pathway.

Green Building Certification Strategy (BREEAM In-Use Assessments)

This past year we defined our approach to Green Building Certification and formulated a strategic approach. For all extensive refurbishments we aim for best in class certification. For operational assets, we have begun a rolling programme of certification, carefully selecting assets for in-use certification. Through the implementation of our Green Building Certification strategy, we plan to increase our green building certifications across our portfolio in 2022.

Data Harmonisation & Data Management Systems

As a business we are acutely aware of the importance of ESG data for performance monitoring and for supporting net zero ambitions/targets. Comprehensive and quality data is critical for supporting the decarbonisation pathway and ensuring robust ESG reporting. During 2021, we launched the implementation of a consistent approach to data acquisition and management through the use of two data management systems across six of our funds. The aim is to improve ESG data collection to drive enhanced performance monitoring and automated acquisition of tenant data (subject to permissions). We plan to use this system to significantly improve our quarterly sustainability programmes and reporting in future. In 2022, we plan to complete the implementation process across all funds to achieve a fully implemented data management system for all clients and beneficiaries.

Asset-level Analysis: Emissions Baseline Development and CRREM Modelling
With the support of our specialist advisors, we developed emissions baselines for two of our largest Funds and conducted CRREM (Carbon Risk Real Estate Monitor) modelling for a select number of assets in the portfolio. The CRREM model identifies assets at risk of "stranding". These are assets that do not align with the 'Science Based Target' and decarbonisation pathway aligned to the Paris Climate Goals of limiting global temperature rise to 1.5°C. This process improves our understanding of potential "stranding" risk, allowing us to implement targeted measures to improve performance and delay/mitigate potential stranding risk.

Supplier Sustainability Review
Mayfair Capital commenced its sustainability review of suppliers during 2021. Conducted every three years for each party, suppliers are required to complete and return a comprehensive sustainability questionnaire including (but not limited to) the following topics:

Corporate & Social Responsibility
- Diversity and Inclusion
- Anti-bribery
- Human rights and modern slavery
- Living Wage
- Community impact
- Supply chain risk

Environment
- Environmental policy
- Impact monitoring
- Environmental Management Systems
- Sustainable procurement

Health & Safety
- Including policies and ISO45001 certification

Responses from each supplier are reviewed and assessed. Suppliers failing to meet minimum standards are flagged and considered at contract renewal.

Living Wage Accreditation
Mayfair Capital achieved accreditation as a Living Wage Employer by the Living Wage Foundation. The real Living Wage is the only UK wage rate that is voluntarily paid by almost 9,000 UK businesses who believe their staff deserve a wage that meets basic everyday needs. Mayfair Capital's Living Wage accreditation demonstrates not only a commitment to our employees, but also to those who work in our supply chain, ensuring they are paid the real Living Wage. We recognise that our Fund supply chains are where we are able to make a considerable contribution. One of Mayfair Capital's largest funds has been accredited this past year, and we plan to extend this process to another of our largest funds during 2022.

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

2021 Global Real Estate Sustainability Benchmark (GRESB) Submission
Two of Mayfair Capital's largest mandates reported to the Global Real Estate Sustainability Benchmark (GRESB) last year. As part of this reporting process, all environmental data (energy, water, waste and GHG) was assured by external consultant EVORA Global to the AA1000AS Assurance Standard. As a demonstration of our commitment to continual ESG improvement and transparency, both mandates were awarded three Green Stars, achieving 10-point score improvements, to 74 and 76 respectively.

Tenant Satisfaction Surveys
We conduct tenant satisfaction surveys on an ongoing basis to ensure that we receive formal feedback from our tenants. Surveys are conducted every three years at a minimum and feedback is followed up directly with tenants. In addition to formal feedback, we leverage close relationships with tenants to maintain active dialogue and ensure that matters are addressed in a timely manner. Please refer to Principle 10 (tenant engagement) and Principle 11 (escalating tenant issues) for further information.

Completion of ESG Asset Logbooks
ESG logbooks provide a critical record of all ESG activities and characteristics at each asset. We implemented ESG logbooks on two of our largest mandates and now use the logbooks to inform and support quarterly sustainability programmes and implementation of practical actions. We plan to expand this process in 2022 by populating ESG logbooks for a third Mayfair Capital mandate.

Climate Risk Modelling within Investment Due Diligence
We currently conduct MSCI climate risk analysis (physical and transitional) on Mayfair Capital's standing investment portfolio. This assessment helps to understand the CVaR – Climate Value at Risk – of our real estate assets. In 2022, we plan to expand Climate Risk Modelling assessments to include acquisitions as part of ESG Risk within our due diligence process (see above – 'ESG included in Investment Plans and Risk Reporting').

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

PRINCIPLE 8

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

In the spirit of seeking to address all principles of the UK Stewardship Code 2020, we believe it is pertinent to phrase our response to Principle 8 in terms of how we actively engage with property management firms as a principal. A property manager is an essential external service provider for real estate investments.

THIRD-PARTY PROPERTY MANAGERS

OVERVIEW

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

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

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

MONITORING THIRD-PARTY PROPERTY MANAGERS

Formal Property Management Agreements are agreed with all property managers prior to the commencement of services. These agreements outline clear and actionable performance criteria as well as service-level KPIs.

Formal service agreements typically include detailed service schedules, responsibilities, fee arrangements, insurance and liability considerations, and all relevant terms relating to service expectations such as conflicts of interest, complaints procedures, dispute resolution procedures and scope of authority. We generally agree detailed service schedules relating to the following requirements:

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

The depth of service provided by our property managers reflects their essential role within our operating model. With this in mind, we take a structured approach to monitoring their performance throughout the lifecycle of each asset. Monitoring starts with formal reporting and communication procedures, and trickles down into more frequent and informal communication as required. We adopt an open and continuous approach to communicating with property managers to ensure that the full scope of services is monitored appropriately.

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

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

During 2021, SLAM launched Project IPSUM - an internal project to rationalise property management appointments across its £92bn portfolio of real estate assets. The initiative seeks to optimise profitability and data quality for client investors by establishing a network of preferred property management partners across Europe. Project IPSUM seeks to increase efficiency, reduce complexity, introduce scalable processes and synergies across regions, derive higher service quality through regular performance assessments, and improve monitoring of property

Assertive management of third-party property managers is fundamental to Mayfair Capital's asset management approach.

managers through an overarching performance management system. 2021 workstreams focused on the development of harmonised KPIs based on a matrix of operational and strategic indicators, overlaid with a combination of both quantitative (e.g. income collection rate, budget compliance, data completion) and qualitative (e.g. data quality, payment verification, building condition, ESG) scoring metrics. SLAM teams completed initial efforts to harmonise documentation by defining master Property Management Agreements (PMAs), and Service Level Agreements (SLAs) - two documents that comprise the binding contractual terms and detailed description of required property manager services. Mayfair Capital team members contributed greatly to this process by promoting UK best practice and market experience. In 2022, IPSUM will focus on implementing the newly harmonised documentation with new property managers.

ENGAGEMENT BEYOND MONITORING

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

- As part of onboarding, we provide tenants with our refurbishment guide and seek to agree to share ongoing tenant energy, waste and water data
- We propose the inclusion of "green lease" clauses in new lettings relating to the landlord and occupier undertaking specific responsibilities relating to the sustainable operation of the property, for example in relation to energy efficiency measures, waste management or water efficiency.
- We set up data monitoring for all landlord-controlled space
- Green energy contracts are procured for all landlord-controlled supplies
- We undertake tenant satisfaction surveys and regular tenant meetings to seek ways of enhancing and operating assets that benefit all parties
- We actively pursue increased recycling in all our properties
- We undertake building improvement reviews and analyse plant and machinery to improve energy efficiency
- During refurbishment, we incorporate improved lighting, remove gas supplies where possible and incorporate wellbeing features such as cycle stores, showers and biophilia.
- We also pursue the use of sustainable materials and practices in the refurbishment process through our Sustainable Refurbishment and Development Guide.

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

FUTURE PRIORITIES FOR ENGAGEMENT

As part of our ongoing engagement with leading sustainability consultancy EVORA Global, we anticipate that property manager engagement in 2022 will focus on the following priorities:

- Implementation of the Mayfair Capital Property Manager Sustainability Standards and Guidance document (as outlined in Principle 2)
- ESG Asset Logbook updates
- Implementation of property-level recommendations (e.g. from audits)
- Ongoing tracking of GRESB asset level data
- Tenant procured data acquisition

DELIVERY OF SERVICES TO MEET CLIENT NEEDS

All third-party property managers delivered satisfactory service on behalf of our mandates in 2021. Service levels met investors' needs in line with property manager agreements and no interventions or issue escalations were required. We engaged with one property manager on improvements to resourcing and procedural matters (please see adjacent case study).

The excellent investment performance of our three core balance portfolios (as outlined in Principle 1) was underpinned by high rent collection levels throughout the global pandemic by our local property managers.

Wider engagement with property managers focused on continuous improvement measures. In particular, we initiated engagement on our revised ESG services and reporting standards ('Mayfair Capital Property Manager Sustainability Standards and Guidance'). We embarked on a "period of discovery" with external lawyers and a preferred service provider to seek feedback on our revised standards. As part of this process, we proposed a schedule of services outlining reporting requirements, sustainability expectations and responsibilities relating to compliance, ESG data provision, health and wellbeing, and improvement initiatives. Further implementation of this workstream will be a priority in 2022. ■

Please refer to Principle 7 for further information regarding how we integrate Stewardship and Investment (including ESG and Climate Change matters) alongside our key property manager service providers.

CASE STUDY

Engagement with a UK property manager regarding the interruption of service quality for two Mayfair Capital client mandates

During 2021, we acted on one incident where service expectations were not sufficiently satisfied by one of our external property managers. In this case, the related property manager (responsible for multiple Mayfair Capital UK mandates) was navigating a period of high staff turnover following uncertainty over their future corporate ownership. Mayfair Capital team members proactively monitored the risk relating to potential service disruption caused by staff turnover. Over time, a series of resourcing challenges did indeed arise, indicating that the property manager's services were becoming fragmented. We took action to engage with the property manager with the goal of resolving the resourcing challenges. We focused on improving the clarity of responsibilities and service expectations, as well as the re-assurance of accurate and timely reporting. The short-term risk to service provision was resolved, however, we remain engaged with the property manager to monitor the risk of similar resourcing issues reappearing in future.

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PRINCIPLE 9

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

In the spirit of seeking to address all principles of the UK Stewardship Code 2020, we believe it is pertinent to phrase our response to Principle 9 in terms of how Mayfair Capital actively engages with external service providers related to maintaining and enhancing asset value for direct property investments (such as property valuers, firms of solicitors, project managers, specialist asset managers and development partners).

OVERVIEW

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

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

Despite the fact that 93% of our client AUM relates to Core strategies (Graph 6.2 on page 38), all of our client mandates require a combined approach to both maintain and enhance asset values. Although Value Add and Opportunistic risk strategies may incur a greater focus on asset value enhancement initiatives (such as physical repurposing and the refurbishment of existing property assets), asset value enhancement is still a consideration within our Core portfolios.

MAINTAINING ASSET VALUE

As well as property management, we believe there are three (3) "core services" related to maintaining real estate asset values:

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

ii. Performance Measurement – We engage service providers to perform external performance analysis of portfolios and industry benchmarking. 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 asset and site. Third party lenders, brokers, tax advisors and other consultants are engaged on further due diligence matters as required. We prioritise the appointment of "best in class" specialists in all areas to maximise value.

ENHANCING ASSET VALUE

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

> We actively promote the creation of safe and healthy buildings by identifying enhancement initiatives that deliver positive outcomes for the workers, communities and visitors who use our assets.

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

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

As part our commitment to actively promote the creation of safe and healthy buildings, we seek to identify asset value enhancement initiatives that can simultaneously deliver positive ESG outcomes, greater productivity, and positive experiences for the workers, communities and visitors who use our assets.

For all investment mandates under our control, 100% of the energy powering 'Multi-let' properties is exclusively sourced from renewable sources. Further, we arrange the following energy and water saving technology opportunities for our tenant occupiers:

- Providing discount opportunities for tenants to purchase energy and water saving technology from online retailer Save Money Cut Carbon.
- Incorporating solar power into assets in partnership with external provider, Syzygy.


Forge – Woking, UK

METHODS OF ENGAGEMENT

Given the range of ongoing asset maintenance and enhancement projects across our 153 UK properties, we adopt a range of methods to engage with our service providers. As with our approach to monitoring property managers (Principle 8), we make use of both formal reporting procedures as well as more frequent communication as required.

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

a) **PLANNED & RECURRING ENGAGEMENT**
To a large extent, we engage with "core service" providers in a structured manner by adhering to regular deadlines and reporting procedures for services such as property valuation and performance measurement. For example, we engage external property valuers in accordance with each fund's valuation policy, which may require valuations on a quarterly of bi-annual basis.

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

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

2021 OUTCOMES – SERVICE PROVIDERS

As mentioned above, maintenance and enhancement initiatives are common across all of our investments, with value enhancement initiatives receiving greater focus within Value Add and Opportunistic risk strategies.

With this in mind, it would not be prudent to illustrate a full list of 2021 outcomes relating to how we maintain and enhance asset value across all our 153 real estate assets. Instead, we have provided two case studies to illustrate outcomes that are typical of our investment approach.

CASE STUDY 1
MAINTAINING ASSET VALUE

Acting in response to insufficient service provision by an external valuation agent

In the opening months of 2021, Mayfair Capital team members engaged with an independent third-party property valuer in relation to the year-end property valuation of a care home development in West Sussex. After receiving Q4 2020 valuation figures in Q1 2021, we assessed that the asset was being incorrectly valued according to our client's expectations for financial reporting. We subsequently engaged the valuer on behalf of our client but received poor service in trying to remedy the error. We encountered further information delays, calculation errors, and concluded that the external party was generally unable to substantiate and defend their original valuation. Following a period of engagement where we identified wider issues of unreliability, Mayfair Capital made a recommendation to our client to terminate the appointment and instruct a new independent valuer for their property portfolio. This was agreed in light of our client's requirement for best-in-class service and their dissatisfaction with the service received, which resulted in the appointment of a new independent portfolio valuation team.

CASE STUDY 2
ENHANCING ASSET VALUE

Refurbishment and re-letting of a 34,837 sq. ft office building in Solihull (UK) to create sustainable asset value on behalf of charity investor clients

2 Trinity Court is a 34,837 sq. ft, modern office building managed in Mayfair Capital's Property Income Trust for Charities (PITCH). The asset is located within an established and highly sought after business park location in Solihull (south of the West Midlands County, England). It occupies a very attractive location adjacent to Birmingham airport, Birmingham International railway station, and junction 6 of the M42. The property that was built in 1999 and provides accommodation over basement, ground and two upper floors. The asset was originally acquired by PITCH in 2016 with less than 2.5 years unexpired on the lease. On purchase the property had a poor energy performance certificate (EPC) rating of E-114.

Mayfair Capital embarked on a building refurbishment to enhance appeal to tenants, with a particular focus on ESG improvements. The refurbishment completely replaced the mechanical and electrical services (M&E) within the building, and also enhance the amenity for occupiers. The work undertaken delivered a more sustainable and attractive building for tenants:

- Externally, a new entrance area was created incorporating a new canopy, improved disabled access and external steps with bike wheeling ramp.
- New basement cycle storage facilities with 30 secure storage spaces and 30 lockers.
- Installation of four electric vehicle charging points.
- A new deck, accessed from the building at ground floor level and extending out over the car park, provides attractive breakout space for occupiers with views over the adjoining lake.
- Existing shower facilities within the building core were refurbished and extended to provide four showers and more locker space.

The new M&E incorporates:

- Energy efficient VRF air conditioning.
- Suspended ceilings with energy efficient LED lighting and PIR sensors.
- High-efficiency sanitary ware to reduce water usage.

Following completion of the refurbishment, the EPC rating improved to B-45.

The asset refurbishment plan was completed in 2019 prior to the outbreak of COVID-19. Letting activity was subsequently paused for 18 months throughout the pandemic before a new 10-year lease was signed to a substantial tenant covenant in September 2021. Green lease terms were incorporated into the new lease agreement.

Mayfair Capital worked with Jones Lang LaSalle (JLL) as the key service provider on the refurbishment, with JLL providing building surveying, project management, and letting services. JLL were selected as a "best in class" partner on the basis of their excellent track record, and strong agency, surveying and project management teams in the region. Combined with their existing knowledge of the building itself and Mayfair Capital's investment objectives as property manager on PITCH, JLL performed an integral role to execute the refurbishment for the benefit of PITCH investors.

As a result of Mayfair Capital's enhancement initiatives, the property achieved a valuation increase of c.59% from c.£8.3m (30th April 2021) to c.£13.2m (31st December 2021). The asset now offers state of the art office facilities and world class connectivity. Wellbeing and flexibility have been incorporated into the heart of the building, which includes a modern design, flexible working spaces and facilities to enable sustainable travel for employees.

This case study exemplifies our asset value enhancement capabilities, our ability to integrate ESG and climate risk considerations at the property-level, and our approach to investment risk management through COVID-19 to achieve a strong result on behalf of PITCH clients.

T2 Trinity Park - Solihull, UK

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PRINCIPLE 10

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

COMMITMENTS & MEMBERSHIPS

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

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

COLLABORATIVE STAKEHOLDER ENGAGEMENT

We collaborate and engage on a number of issues that may affect our investors through industry trade body engagement with entities such as the Association of Real Estate Funds ("AREF"). Recent topics of engagement include the use of creditor voluntary arrangements (CVAs), as well as fund structuring issues such as liquidity in daily traded property funds.

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

COMMUNITY ENGAGEMENT is critical for facilitating third-party dialogue with stakeholders living in the communities where we invest. As asset owners, this opportunity to build lasting value within social environments is vital to enhance the socio-economic benefits and impact of our real estate. The creation and implementation of a Mayfair Capital Social Value strategy will be a key 2022 improvement initiative on behalf of our community beneficiaries. The strategy will identify our 'social value baseline', or where we currently have an impact, identify the key areas where we can make a material social contribution, and outline a practical roadmap for achieving the strategy.

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

TENANT ENGAGEMENT is a fundamental focus for our business, particularly in relation to how we seek to systematically integrate material ESG and climate change issues at the asset-level. In 2021, we focused on promoting improved data sharing between Mayfair Capital as landlord and our tenants, which allows us as landlords to understand the asset performance, and to try to implement efficiency and cost saving measures that ultimately benefit the tenant. We also continue to encourage tenants to use renewable tariffs and are exploring ways to facilitate this engagement in 2022. Solar panels - also commonly referred to as photovoltaics (PVs) – are a vital tool for supporting net zero carbon ambitions. Tenant engagement will be critical to supporting effective implementation of on-site renewables and Mayfair Capital plans to prioritise this engagement in 2022.

Please refer to Principle 7 for further information on how we engage with our tenant beneficiaries.

SUPPLIER ENGAGEMENT is a standard business practice for Mayfair Capital, and we conduct sustainability reviews for all suppliers every three years. Suppliers are required to complete and return a comprehensive sustainability questionnaire on matters relating to Corporate and Social Responsibility, Environment, and Health and Safety. Responses are reviewed and assessed to ensure that suppliers meet minimums standards prior to contract renewal. Please refer to Principle 7 for further information regarding our supplier questionnaires.

CASE STUDY

Becoming an accredited Living Wage Employer

On 30th November 2021, Mayfair Capital achieved accreditation as a Living Wage Employer by the Living Wage Foundation. This is a UK focused voluntary initiative that champions the 'Living Wage', which is reflective of the actual cost of living and meeting basic everyday needs. The real Living Wage is the only UK wage rate that is voluntarily paid by almost 9,000 UK businesses who believe their staff deserve a wage which meets basic everyday needs. Mayfair Capital's Living Wage accreditation demonstrates not only a commitment to our employees, but also to those who work in our supply chain, ensuring they are paid the real Living Wage. All direct employees are currently paid the Living Wage, and as part of the accreditation process, MCIM is committed to a three-year implementation plan to ensure our suppliers meet this threshold. We recognise that our Fund supply chains are where we are able to make a considerable contribution. This initiative supports our approach to social value, and we plan to encourage all Funds to pursue accreditation where feasible. One of Mayfair Capital's largest funds achieved standalone accreditation during 2021, and we plan to extend this process for another one of our largest mandates in 2022.

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PRINCIPLE 11

Signatories, where necessary, escalate stewardship activities to influence issuers

In the spirit of seeking to address all principles of the UK Stewardship Code 2020, we believe it is pertinent to phrase our response to Principle 11 in relation to the monitoring, prioritisation and escalation of issues relating to Mayfair Capital's direct property investments.

ISSUE MONITORING & ESCALATION

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

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

- An Asset Business Plan is prepared at the start of each year for every asset
- A "Hold/Sell" analysis is conducted, determined by the thematic qualities and performance prospects of an asset
- Our proprietary Asset Scoring Model is applied to determine the long term resilience of the asset by assessing its enduring appeal to occupiers
- Detailed costed actions are agreed to meet key asset objectives through (i) Management; (ii) Repositioning; and (iii) Sale
- ESG targets are reviewed and embedded at various stages of our "active management" approach
- Third-party service providers are procured as required on a "best in class" basis on "market terms"
- Reliable and locally based property managers are appointed and their service monitored
- All Asset Business Plans approved by the IRC are reviewed after 6 months

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

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

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

Issues requiring more urgent, real-time responses at the property-level are typically a delegated responsibility of the local property manager. It is common practice within the direct real estate industry for external property managers to resolve "on the ground" issues, which reiterates their importance as a critical service provider within Mayfair Capital's operational model. As outlined in Principle 8, we clearly define scope of delegation, authority and responsibility within formal Property Management Agreements, and include formal notification processes for significant issues such as major complaints received from tenants, criminal damage to the property, or major security incidents. Formal escalation processes also exist to account for situations when the property manager may require a real-time response from Mayfair Capital as investment manager, however, such incidents are rare, and none occurred during the period.

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

Installation of solar panels at Red Lion Street – London, UK

PRINCIPLE 11 CONTD.

ISSUE ESCALATION FOR NON-UK AND INDIRECT PROPERTY INVESTMENTS

Mayfair Capital predominantly acquires UK-domiciled direct real estate. In the case of non-UK and Indirect real estate investments, issue escalation procedures differ according to the following procedures:

1. NON-UK DIRECT PROPERTY INVESTMENTS

As illustrated on page 38, approximately 14.4% of total Mayfair Capital AUM relates to direct real estate assets domiciled outside of the United Kingdom. For these properties, Mayfair Capital employs SLAM-affiliated managers to fulfil asset management services. This ensures that we maintain a local but consistent 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 based in London via close alignment and collaboration with SLAM colleagues. All issues for non-UK assets are escalated to the Mayfair Capital IRC.

2. INDIRECT PROPERTY INVESTMENTS

Indirect real estate investments comprise less than 1% of total Mayfair Capital AUM. These investments are managed by external managers and therefore involve engagement with third-party funds. Indirect investments would typically be selected to provide access to areas of the market that require specialist management, or where the typical lot sizes are too large for an investor to access directly while maintaining diversification. Examples include investing in central London offices or the student accommodation sector. We do not invest in listed real estate securities to gain property exposure for clients.

Full due diligence is undertaken whenever a decision is taken to invest in a third-party fund, embracing financial analysis and a wide range of factors such as GRESB Scoring for environmental aspects (Principle 7) and thematic fit with our investment strategy (Principle 1).

Issue monitoring for indirect property holdings is a responsibility of the Mayfair Capital fund manager. Indirect asset issues are escalated to the Mayfair Capital IRC and subsequently raised to external managers of the respective investment such as the fund Advisory Committee if necessary.

NEW INVESTMENTS IN THE SELF-STORAGE AND RESIDENTIAL SECTORS

Mayfair Capital made innovative acquisitions in the self-storage and residential sectors during 2021 through the acquisition of a UK self-storage operator, and the confirmation of a partnership with a specialist UK residential investment manager.

As articulated by real estate industry trade body, INREV, there is increasing appetite from investors to invest into operational real estate sectors[1]. This emerging shift in thinking within the real estate industry has been driven by an investor looking for alternative ways to unlock value and minimise risk.

As with Non-UK Direct Property Investments, Mayfair Capital liaises with specialist external entities who fulfil asset management services including operational responsibility of the assets and development projects. All issues are still monitored by the Mayfair Capital fund management team. ■

[1] *INREV - 'Operational Real Estate – Real Asset or Real Economy' 2020*

OUTCOMES

OUTCOME REPORTING ISSUE ESCALATION

There were two formal issue escalation events raised to the Mayfair Capital Investment Risk Committee (IRC) during the period:

1. **The proposed sale of a development site in North London below valuation by a third-party property developer.** This issue was raised to the Mayfair Capital IRC with investment committee members assessing any evidence of potential suspicious activity. Senior management identified (i) a responsibility to act in our clients' interest; and (ii) an obligation to "whistle-blow" the transaction if evidence of untoward investment activity became evident. Without any proof of suspicious activity, IRC members took the decision to block the transaction based on the proposed sale price (a condition of Mayfair Capital's intercreditor agreement), which was in the best interest of our clients.

2. **A potential conflict of interest relating to a client acquisition.** The asset in question was the purchase of an office building in Birmingham on behalf of Mayfair Capital's PITCH fund. A detailed description of this incident and its subsequent outcome is provided in Principle 3.

PRINCIPLE 12

Signatories actively exercise their rights and responsibilities

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

PROXY VOTING POLICY

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

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 considers responsible investment, stewardship, ethical and investment guidelines.

MCIM funds principally invest in direct property assets. Our Proxy Voting Policy relates to indirect investments held in third-party funds or collective investment schemes, which invest in real property assets. As of 31st December 2021, less than 1% of total Mayfair Capital AUM related to indirect investments. This allocation specifically relates to the Mayfair Capital Residential 2 (MCR2) fund, a closed-ended vehicle providing mezzanine finance to developers of residential properties in Greater London and the Southeast of England.

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

Where 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.

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).

We did not receive any opportunities to exercise our voting rights during the 2021 calendar year. Regardless, we have provided the adjacent case study to indicate how we have exercised our voting rights in the past. We hope to illustrate that we are prepared to exercise our rights and responsibilities as responsible investors where necessary in future. ■

CASE STUDY

Escalation of an issue relating to an Indirect property investment

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

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