

AMPCAPITAL 

# ESG in Global Listed Real Estate

A central pillar of the  
investment process

2020



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# ESG & Responsible Investment

- One of the longest-standing responsible investment managers in Australia
- Signatory to the Principles for Responsible Investment since April 2007
- 20 years of institutional knowledge and experience integrating Environmental, Social and Governance factors in investments
- Active collaboration in international forums targeting improved governance, transparency, and responsible investment practices across global markets
- Experienced ESG team combining decades of experience, provides unique investment insights and informs our active management with companies and assets on ESG topics



- Industry Membership
- GRESB
- Principles for Responsible Investment



- Responsible Investment Association Australasia
- Asian Corporate Governance Association

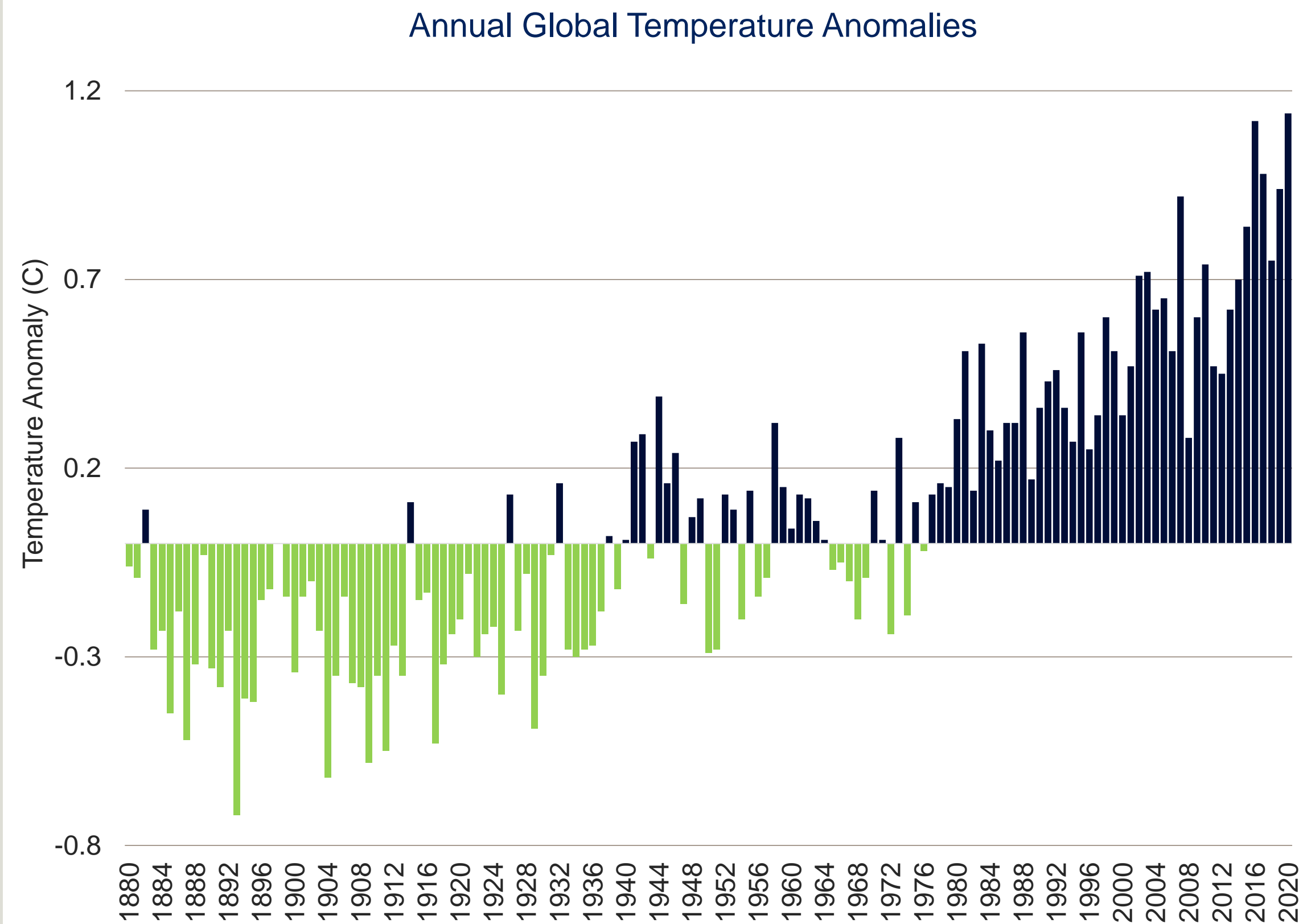


- Financial Services Council

# Environmental

## Why is it important?

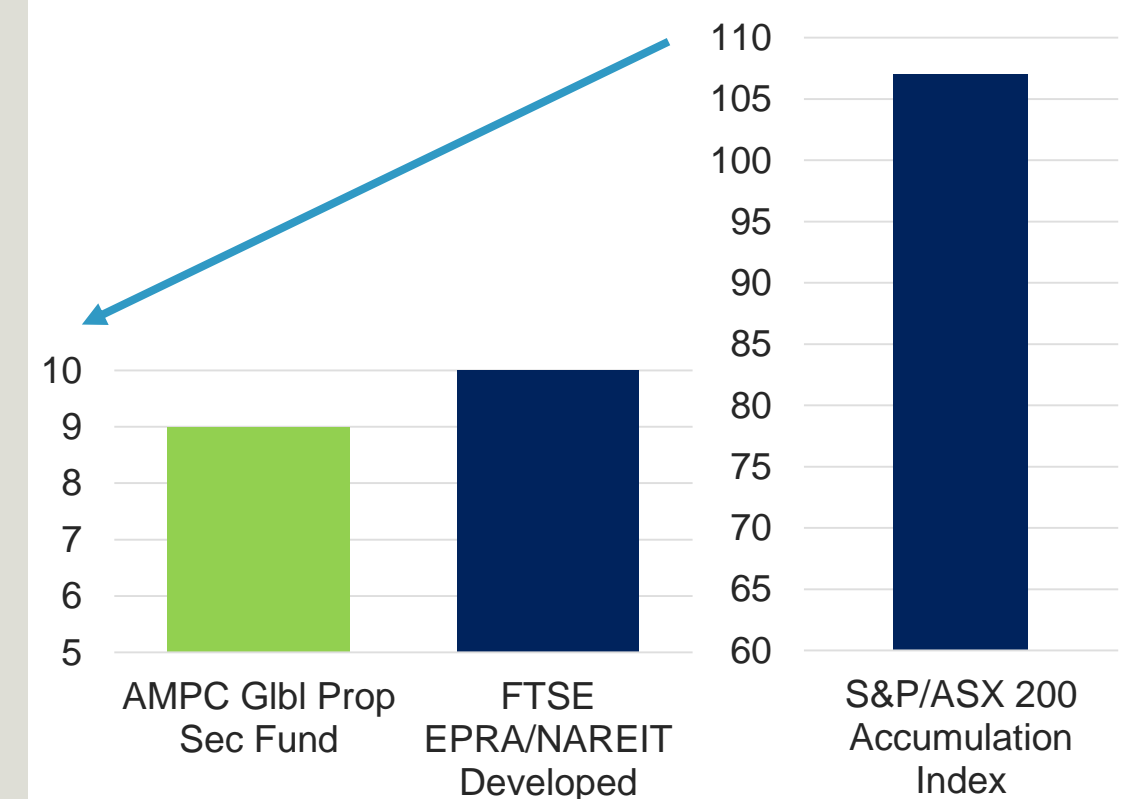
- In recent years, the frequency of global temperature anomalies has **rapidly increased**<sup>1</sup>
- No sector is **more exposed** than real estate
- Storms, droughts, sea level rise, storm surge and heat waves are **key risks**
- It is critical that companies **manage their carbon footprint**
- And that investors are **actively engaging** to ensure these issues are being considered



## Financial risks of climate change:

- Higher costs and capex
- Higher insurance costs
- Increased energy consumption
- Business interruption
- Depreciation/obsolescence of old and inefficient buildings

Carbon Emissions<sup>2</sup>  
Per \$1000 invested (in KGs)



1. NASA, Goddard Institute for Space Studies, 2020.

2. Refers to scope 1 and 2 emissions

Source: AMP Capital, as at December 2019

# Social

## Why is it important?

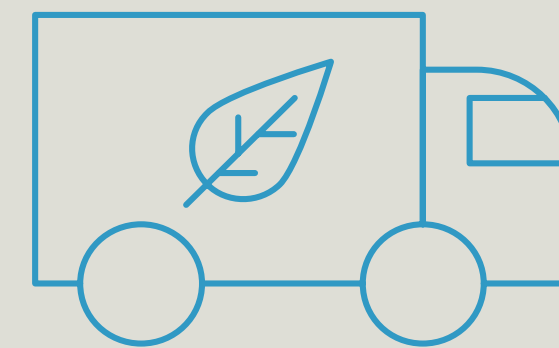
- At its core, social impact relates to company’s treatment regarding people, workers and local communities, including health and safety issues
- Social factors drive the fabric of a business, both internally and externally and is the foundation of culture
- In our view, a strong social responsibility profile can empower employees, boost productivity and unlock value as resources are utilised for good, and lead to greater employee morale.

## Implications for Investors

### We believe that:

- Consideration of employee wellbeing, strong community engagement and acting as a good corporate citizen delivers positive long-term outcomes in business through improved brand perception and productivity.
- For real estate, buildings are where we live, work and play so any social, technological and demographic trends that shape the way we use buildings will have a material effect on investment in global listed real estate.
- If real estate owners do not position their assets to meet the new wave of social trends, they may be left with underperforming assets on their books. It is for this reason AMP Capital pays particular attention to social trends.

## Key Considerations



### Supply Chain

Global supply chain and ethics policies to mitigate supply chain risk and take ownership of outcomes



### Community Engagement

Building long-term relationships with local communities is critical to the sustainability of a business



### Safety

Strong and well defined safety standards with safety targets of zero workplace fatalities



### Health and Wellbeing

Employee programmes to maximise health and well-being

# Governance

## Why do strong governance practices look like?

- Conflicts of interest are rare and when they exist they are well managed in businesses with strong corporate governance
- Management is appropriately incentivised to deliver
- The board is independent, diverse, experienced and operating as a team
- Succession planning is managed appropriately leading to sustainability
- Creates a culture of transparency and accountability across the business
- Enables clearly stated systems and processes for dealing with risk, compliance breaches and whistleblowing
- Guidance on earnings appear credible

## Active Ownership and Engagement

- Active ownership means the use of shareholder rights to improve the long-term value of a company
- Engagement enables the team to put ESG at the forefront of conversations with portfolio companies
- The AMP Capital Global Listed Real Estate team conducts over 1,200 meetings annually, discussing ESG issues with executive management teams on behalf of shareholders to manage risks and influence change

## What does a strong REIT board look like?

- **Independence:** AMP Capital considers independence to be a valuable trait for directors as they make judgements and balance the conflicting interests of various stakeholders.
- **Skills:** In general, directors require skills in governance, finance, risk management, law, regulation, pay and people management.
- **Diversity:** having diversity on boards leads to better decision making and better financial performance and gender diverse workplaces are also seen as being more productive and happier.
- **Capacity:** Shareholders expect directors to be committed to their role. It is important that directors have the time to devote to discharging their directors duties.

## 2018-2019 Proxy Voting

- 1200** Meetings
- 200+** Companies
- 1636** Resolutions
- 12** Shareholder Resolutions

	Management Proposals	SHP Proposals	Total Proposals
For	1533	8	1541
Against	31	2	33
Abstain	17	1	18
1 Year	3	0	3
Take No Action	40	0	40
Unvoted	12	1	13
<b>Totals</b>	<b>1636</b>	<b>12</b>	<b>1648</b>

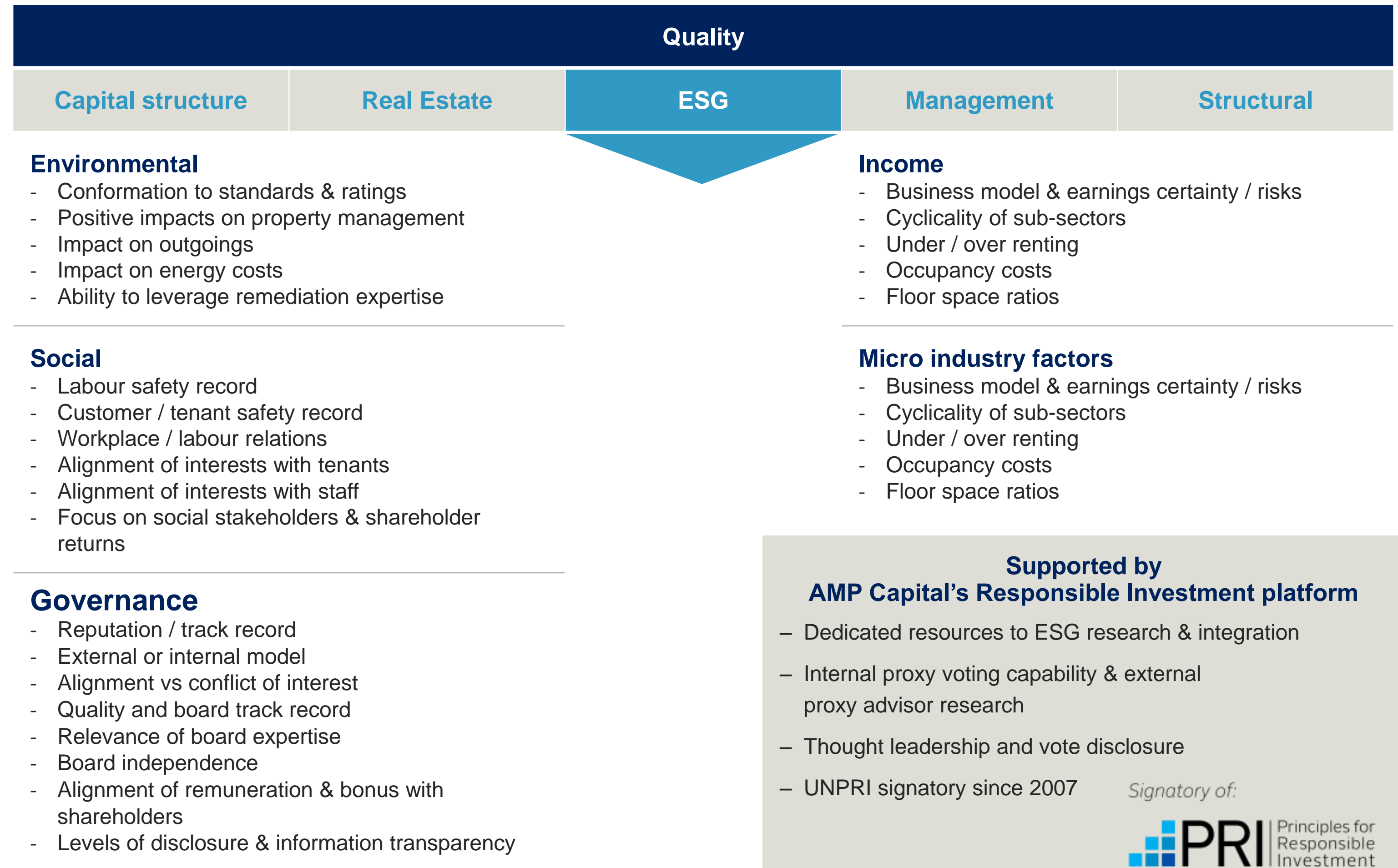
# Process

## ESG is at the centre of our first step

We believe that real estate securities supported by a **sustainable business model** and **quality assets** will outperform over the long term

Our investment process assesses and captures an **holistic view** of sustainability, including ESG

The Global Listed Real Estate investment team is able to leverage the AMP Capital firm-wide **responsible investment platform**



**Supported by**  
**AMP Capital's Responsible Investment platform**

- Dedicated resources to ESG research & integration
- Internal proxy voting capability & external proxy advisor research
- Thought leadership and vote disclosure
- UNPRI signatory since 2007

*Signatory of:*



Principles for Responsible Investment

ESG

# Case Studies



ESG Case Study

# Fund Holding – Prologis (PLD US)

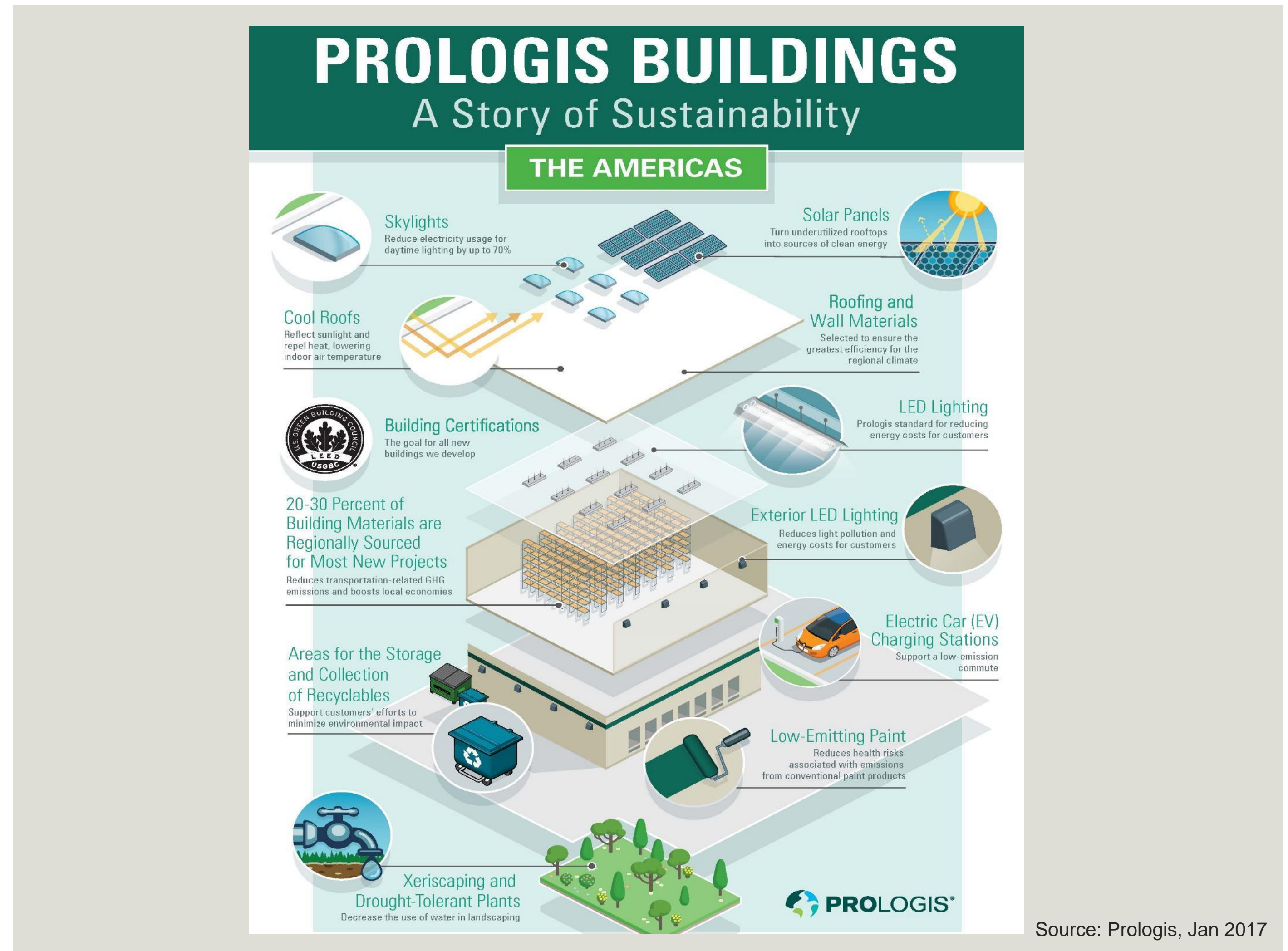
- Founded in 1983, Prologis is the global leader in logistics real estate with \$118 billion in assets under management
- Prologis leases modern logistics facilities to a diverse base of approximately 5,000 customers across 19 countries, with a portfolio of over 964 million square feet and 4,649 buildings
- Industry leading ESG philosophy - 2018GRESB Industrial Sector Leader in all operating regions with eight out of eight Green Stars
- #26 on the Global 100 Most Sustainable Corporations, #6 among U.S. companies

## Sustainability – highlights

- First logistics real estate company in the world to:
  - Achieve WELL certification per the International Well Building Institute
  - Receive an approved Science Based Target (SBT), a greenhouse gas reduction goal approved by SBTi, the internationally recognised assessor of greenhouse based goals
  - Issue green bonds globally to fund sustainable development projects
- 374 sustainable building certifications totalling 139 million square feet in 18 countries
- 88% of total operating portfolio has efficient lighting, 42% of total operating portfolio has cool/reflective roofing

Assessed and captured within the investment process through the quality > ESG > environmental score

Source: Prologis, AMP Capital, March 2020  
 Images: Various Prologis Assets (credit: PLD)



Source: Prologis, Jan 2017



ESG Case Study

# Fund Holding – Goodman Group (GMG AU)

- A fully integrated global logistics property group that own, develop and manage industrial real estate in 17 countries including logistics and industrial facilities, warehouses and business parks
- Total AUM of \$46.2bn (22.6% growth on FY18), external AUM increased to \$43bn (21% growth on FY18)
- Clear focus on investing and developing high quality industrial properties in strategic locations, close to large urban populations and in major gateway cities globally, where demand is strong for E-commerce
- Own + develop + manage model is an integrated customer service offering at the heart of their business

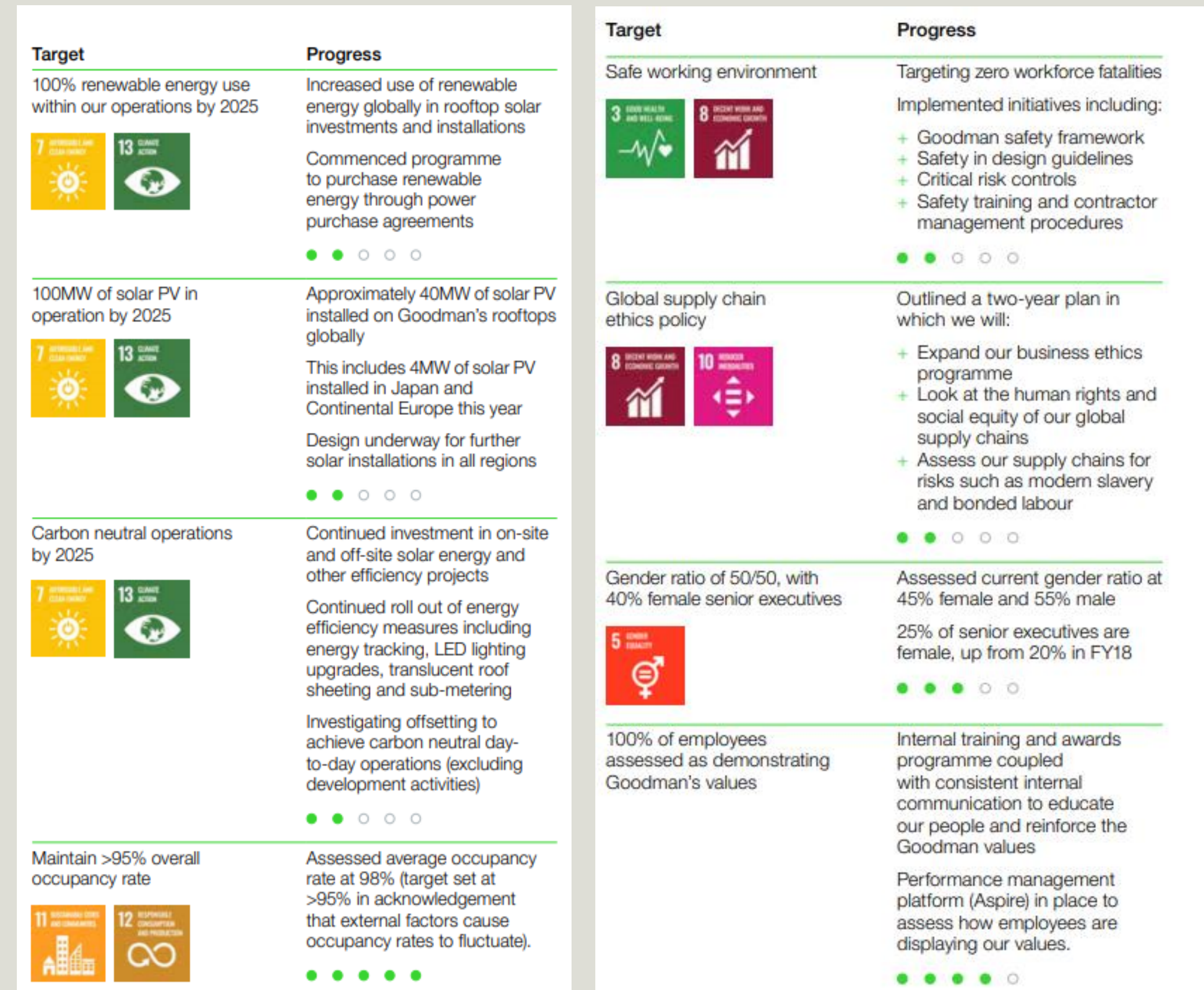
## Sustainability – highlights

- Articulated 2030 Sustainability Strategy with ESG targets built into short and long term goals
- Global Real Estate Sustainability Benchmark (GRESB) 2019 Sector Leader – Developer | Industrial | Developer Assessment Goodman Group
- Researched and rated by Sustainalytics and as of September 2019 was ranked an Outperformer (ESG Rating) and also has an ESG Risk Rating score in the Low Risk category
- Greenhouse gas (GHG) emissions for Australian operations at 28,447 tCO2-e 2019, 9% decrease from 2018, 32% decrease over a 5-year period

Assessed and captured within the investment process through the quality > ESG > environmental score

Source: Goodman Group, AMP Capital, March 2020  
 Images: Goodman Group developments (credit: GMG)

## 2030 Sustainability Strategy Targets – Property, People and Culture



Source: Goodman Group



# Global Listed Real Estate ESG Resources

