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**RESPONSIBLE INVESTMENT APPROACH FOR FDC'S
SUB-FUND FDC SICAV IMMOBILIER MONDE - ACTIF 2**

CBRE
GLOBAL
INVESTORS

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RESPONSIBLE INVESTMENT APPROACH FOR FDC'S PORTFOLIO

CBRE GLOBAL INVESTMENT PARTNERS TAKES AN ACTIVE APPROACH TO MANAGING FDC'S PORTFOLIO FROM AN ESG PERSPECTIVE IN LINE WITH CBRE GLOBAL INVESTORS' COMMITMENT TO THE UNPRI.

CBRE Global Investment Partners ("CBRE GIP") has been appointed by the Fonds de compensation commun au régime général de pension ("FDC") as the Manager for the portfolio of the sub-fund FDC SICAV Immobilier Monde - Actif 2 ("FDC's Portfolio").

The objective of the sub-fund is to generate long-term stable performance and regular cash flows via unlisted "core" real estate collective investment vehicles investing in internationally diversified property.

CBRE GIP incorporates sustainable development and socially responsible investment into the investment strategy and decision making processes for FDC's Portfolio. This includes taking into account FDC's Exclusion List of companies that contravene the agreements ratified by the Grand Duchy of Luxembourg into our process.

REAL ESTATE AND ESG

Responsible real estate investment management requires a commitment to environmental, social and governance ("ESG") practices, an understanding of their impact on all stakeholders, the stewardship of investments managed and upholding high standards of responsible corporate citizenship.

The consistent interaction between management teams and the investment community positions real estate funds as a critical player in the evolution of ESG.

Given the size of the real estate fund universe, the continued adoption of ESG practices by real estate funds will have a meaningful impact on ESG and its significance as an investment practice.

ISSUES AFFECTING REAL ESTATE

- Efficient Use of Water and Energy Resources
- Management of Waste and Emissions
- Use of Environmentally Responsible Materials
- Health and Building Safety
- Contamination/Air Quality
- Regulatory Compliance
- Bribery and Corruption
- Socially Irresponsible Activities like weapons, tobacco, gambling, pornography
- Tenant Well-being
- Resilience/Obsolescence
- Natural Hazards

OUR ESG PHILOSOPHY

At CBRE GIP, we have developed both a philosophy and a wide range of policies and practices to ensure adherence to ESG principles.

The long-term value of commercial real estate is enhanced by the application of ESG principles and practices through lower operating costs and higher occupancy. Taking ESG considerations into account throughout the investment cycle of each investment in the Portfolio will enhance returns and preserve value for FDC. It can help mitigate risk by anticipating legal and regulatory requirements, climate change issues and changing tenant demand.

Consequently, we actively seek to invest in funds that deliver long-term financial value while producing direct and meaningful benefits for the real estate users and its surrounding community.

OUR APPROACH FOR FDC'S PORTFOLIO

Our approach to responsible investment in the construction and management of FDC's Portfolio revolves around three key themes:

1. **ENGAGEMENT**
2. **RISK MANAGEMENT**
3. **TRANSPARENCY**

We apply these three themes throughout our Investment Process from Planning, to Pre-Investment and Post Investment to Portfolio Monitoring and Reporting.

OUR INVESTMENT PROCESS

PLANNING

For FDC's Portfolio, we seek funds with a clearly defined investment strategy that includes environmental sustainability, best practice governance standards and no intention to engage in socially irresponsible activities using both positive and negative screening.

+ **Positive Screening:** we look for funds which systematically include ESG issues into their investment acquisition and asset management processes, and those that demonstrate "best practice"

- **Negative Screening:** we look for "red flags" such as where buildings are leased to companies involved in practices which are harmful to human life or the environment. We reference both CBRE GIP's Exclusion List and FDC's Exclusion Company List for this purpose.

PRE-INVESTMENT

Early in the process we share our ESG policy and FDC's Exclusion List so the fund managers are fully aware of CBRE GIP and FDC's investment philosophy, approach and expectations. Investments will not be made where there is a risk to the environment or human life.

For funds being actively considered for FDC's Portfolio, we assess the fund manager's ESG expertise and the implementation of their ESG policy and risk framework through our Due Diligence Questionnaire. We consider how ESG materiality is evaluated by the fund manager and who has responsibility.

For chosen funds, we seek the following agreement for FDC's investment:

ENGAGEMENT

- Annual Participation in GRESB and a commitment to improve results

RISK MANAGEMENT

- Compliance and Reporting on CBRE GIP's Exclusion List and FDC's Exclusion List
- Fund governance terms that meet CBRE GIP minimum requirements

TRANSPARENCY

- Regular reporting on ESG issues occurring in FDC's Portfolio

CBRE GIP'S EXCLUSION LIST

Principal use of a building for:

- Weapons, armaments
- Nuclear/Uranium
- Tobacco
- Gambling
- Pornography
- Prostitution
- Questionable Workplace Safety Practices
- Endangered/Protected Wildlife
- Prohibited Substances e.g. ozone depleting, un-bounded asbestos fibres

POST-INVESTMENT

At regular meetings with the selected fund managers and at Investor Representative Committees and Annual General Meetings, we reinforce both FDC and CBRE GIP's ESG expectations and assess the fund's performance.

GIP takes a partnership approach, for example the annual results from the GRESB survey are used as a tool to work with the fund manager to further improve and develop their ESG capability and the ESG performance of the underlying assets, benefiting all parties. GRESB is also used to benchmark the underlying fund investment as well as FDC's Portfolio.

CBRE GIP encourages the fund managers to seek accreditation and green building certification (either domestic or international) as recognition of work undertaken to improve efficiency and performance.

Senior management groups within CBRE GIP regularly review FDC's Portfolio from a risk management and future performance perspective and the individual fund investments are frequently scrutinized for compliance with ESG requirements.

REPORTING TO FDC

CBRE GIP meets regularly with FDC to discuss the performance of the Portfolio.

We maintain registers of all voting actions taken on behalf of FDC and any ESG issues that arise (positive, negative or neutral) and report these to FDC.

Where events happen that are in proximity to real estate assets held by funds in FDC's Portfolio, we will provide timely updates on any impacts e.g. natural hazards, explosions etc.

IN CONCLUSION

FDC's global portfolio manager at CBRE GIP works collaboratively with regional portfolio managers who manage the underlying investments to achieve an optimal responsible investment outcome for every investment in FDC's Portfolio.

ESG practices are an integral part of CBRE GIP's analysis and responsible management of fund investments for FDC's Portfolio ranging from the efficient use of resources and changing management practices to ensuring safe work places and restricting building uses which are considered harmful. We regularly review our processes and policies to ensure we are adopting best practice.

FDC PORTFOLIO EXAMPLES

ENVIRONMENTAL

An example from FDC's Portfolio is a fund in the US that has a comprehensive programme to improve the sustainability performance across their portfolio of industrial/logistics assets.

From a rating perspective, the fund recorded five new assets achieving LEED certification and they increased the percentage of their portfolio with efficient lighting from 76% in 2016 to 82% in 2017 and expect to continue to increase this number.

Solar installations have been another focus with the quantum of MW produced from solar PV panels on rooftops increasing from 10.1 MW in 2016 to 45 MW in 2017 (equates to clean power for 4,300 average homes each year in the USA).

In addition, the use of cool roofing material which reflects heat from the sun, decreases the need for air conditioning and helps minimize the urban heat island effect, increased by almost 50% across the portfolio in 2017.



Another one of FDC's fund investments was recognized by GRESB as a Global Sector Leader for diversified office/retail entities and ranked 22nd out of 823 participants. The fund manager has a group wide sustainability approach and has recorded performance in the top quartile of its peers for the last ten years.



SOCIAL

One of FDC's investments participate in the *Pledge 1%*, a corporate philanthropy movement that encourages companies and individuals to pledge 1% of equity, product and employee time for their communities.

The fund manager has established targets to improve gender balance in their business by 2020 at board level (>35%), senior executive level (>35%) and for the whole of their workforce (50%). The fund undertook a pay parity review for the entire workforce and have implemented unconscious bias training across the group.

GOVERNANCE

One of the funds in the FDC portfolio have a Steering Group which is Chaired by their Chief Financial Officer. The Steering Group oversees Responsible Business across the group's entire estate of properties, including those held within the Fund. The initiative aims at reducing environmental impact, creating an inclusive and positive workplace, and contributing to the communities in which they operate through dedicated programmes.

We supported moves by another fund in FDC's Portfolio to improve its governance by bringing another independent director onto the fund's board to ensure conflicts were handled appropriately and the alignment of interest was maintained.

We also engaged with the fund manager to improve their leasing policy to expand the list of industry sectors that were not permitted to rent space in their office buildings (consistent with the CBRE GIP Exclusion List).





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