

*Orchard Street Investment Management LLP*

**OrchardStreet**  
INVESTMENT MANAGEMENT

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# Independent Assurance Statement

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## **TO: THE STAKEHOLDERS OF ORCHARD STREET INVESTMENT MANAGEMENT**

**Independent assurance statement by Upstream Sustainability Services, JLL (“Upstream”) to the stakeholders of Orchard Street Investment Management LLP (“Orchard Street”) concerning the data for the period 1<sup>st</sup> October 2020 to 30<sup>th</sup> September 2021 and the 2020/21 Responsible Investment Targets as stated in the Orchard Street 2021 Responsible Investment Report.**

## **SCOPE OF WORK**

Orchard Street Investment Management engaged Upstream to provide independent assurance of energy, water, and waste performance information and eleven Responsible Investment Targets for 2020/21 relevant to its Responsible Investment Report. The engagement was ‘Type 2 moderate assurance’ in accordance with the AA1000AS v3 standard which consisted of:

- A. Evaluation of Orchard Street Investment Management’s adherence to the AA1000 AccountAbility Principles (AA1000AP 2018) of Inclusivity, Materiality, Responsiveness and Impact;
- B. Evaluation of the reliability of the specified sustainability performance information and associated data collection and management processes and systems;
- C. Evaluation of evidence demonstrating progress made by Orchard Street Investment Management towards their 2020/21 Responsible Investment Targets.

## **RESPONSIBILITY**

The management of Orchard Street Investment Management is responsible for the final publication of the Responsible Investment Report and all statements and figures contained therein. Upstream’s responsibility was to complete the assurance process, prepare this assurance statement and to provide a report on its findings for the management of Orchard Street Investment Management. See section, ‘Independence of Assurance’ for further information on Upstream’s involvement with Orchard Street Investment Management.

## METHODOLOGY

Upstream undertook the following assurance activities:

- Interviewed Mark Long, Head of Strategy, Helena Redding, Asset Manager, and Lora Brill, Head of Responsibility & ESG about Orchard Street Investment Management's sustainability principles and their development and implementation;
- Reviewed internal and publicly available information relating to the principles of Inclusivity, Materiality, Responsiveness and Impact, and drew upon information gathered in 2021 through interviews conducted with Orchard Street Investment Management staff;
- Reviewed the approach to data collection, management and reporting;
- Discussed data, evidence and data issues with Orchard Street Investment Management's environmental data managers and the teams external to Orchard Street who are currently responsible for data collation;
- Requested and reviewed internal evidence demonstrating the relevant actions and progress against each 2020/21 Responsible Investment Target.

## LEVEL OF ASSURANCE AND LIMITATIONS

Upstream provided a moderate level of assurance which included a desktop review, management and property-level data verification, and evidence gathering from internal sources and third parties. The verification did not include financial data, technical descriptions of or information relating to buildings or other information not related to sustainability.

The scope of our data testing was limited to the reporting period of October 2020 to September 2021. We chose a robust, representative sample out of a total of 92 directly managed assets within Orchard Street Investment Management that are reporting environmental data in the Responsible Investment Report as well as Orchard Street Investment Management's headquarters in London. We conducted our sampling on a fund-by-fund basis to increase the sample coverage and provide insight into reporting accuracy at a fund level. Our issued assurance statement is based on the scope of the entire portfolio, as it is presented in this Responsible Investment Report.

The scope of AA1000 Assurance is limited based on the amount of interaction and information provided. Material collected as part of the evidence included policies, checklists, internal documents, reports, statements of methodology, and other formal documentation. Other key evidence reviewed included publicly accessible information on the company website.

## **A: EVALUATION OF ORCHARD STREET’S ADHERENCE TO THE AA1000 ACCOUNTABILITY PRINCIPLES (AA1000AP 2018) OF INCLUSIVITY, MATERIALITY, RESPONSIVENESS, AND IMPACT**

Based on the scope of work described above, nothing has come to our attention to suggest that Orchard Street Investment Management did not adhere to the criteria under the principles of Inclusivity, Materiality, Responsiveness and Impact.

### **INCLUSIVITY – HOW THE ORGANISATION ENGAGES WITH STAKEHOLDERS AND ENABLES THEIR PARTICIPATION IN IDENTIFYING ISSUES AND FINDING SOLUTIONS**

Orchard Street have identified clients, investors, occupiers, employees, local Government and communities as key stakeholders - these stakeholders are listed in the business’ Responsible Investment Policy. Orchard Street have formally committed to be accountable to stakeholders. The business recognises the role that stakeholders play in the business’ consideration and response to the environmental, social, and financial sustainability of their assets. During 2020/21 Orchard Street have continued to facilitate participation on ESG issues, and the business communicate with stakeholders via several different methods and tailor response by stakeholder group. Orchard Street have developed a suite of policy documents used to communicate their ambitions and align stakeholders with the goals set out in business level strategy. Formally communicating expected minimum practice helps mitigate risk of conflicting stakeholder expectations and aids transparency. During 2020/21 Orchard Street have developed a responsible procurement charter which sets out the expectations of supplier performance for the organisations that the business chooses to work with, this allows for greater involvement of supply chain partners in the business’ response to sustainability related issues. At the building and estate level, asset managers enable participation with managing agents and play a key role in the identification of relevant stakeholders on a project-by-project basis. Managing agents are actively involved in implementing sustainability initiatives set out by Orchard Street and are engaged regularly through quarterly ESG Tracker meetings, management meetings every other week and regular catch ups with the ESG teams. These meetings are used to track progress against ESG initiatives. The development of Orchard Street’s response to sustainability related issues is a collaborative process, where site teams are given the opportunity to provide building level insight into the feasibility and impact of ESG initiatives and aid the development of appropriate solutions. During 2020/21 Orchard Street have further developed and formalised their approach to stakeholder engagement, particularly in relation to tenant-controlled assets, by setting their asset managers formal targets on tenant engagement.

The business communicate with their stakeholders on sustainability goals and performance via their annual Responsible Investment Report. Operational procedures and documents exist to ensure issues of sustainability and their associated targets are shared throughout the organisation, to all relevant parties. Responsibilities are assigned to employees and managing agents accordingly to help ensure that the key goals of the Responsible Investment Policy are implemented. Internally, Orchard Street’s progress against ESG targets are reviewed by the Responsible Investment Committee who meet monthly to discuss material risks and opportunities. ESG Asset Trackers are used to share progress

and track performance among asset managers and managing agents - initiatives are targeted and tracked per quarter.

## **MATERIALITY – HOW THE ORGANISATION DETERMINES THE RELEVANCE AND SIGNIFICANCE OF AN ISSUE TO ITSELF AND TO ITS STAKEHOLDERS**

Orchard Street have previously conducted a full materiality assessment in 2017. This process was undertaken to formally identify risks and opportunities relating to sustainability performance at an organization level, this has helped guide their sustainability strategy as it has developed. This was a comprehensive exercise involving an assessment of legislative and policy requirements, investor and client expectations, peer practices and the views of employees and partners. Currently Orchard Street's approach to addressing ESG issues across their business is centered around climate change, they have identified eight material UN Sustainable Development Goals (UNSDGs) linked to their core business activities. Key governance structures used by Orchard Street to determine and manage issues of importance include the Responsible Investment Committee who update the Managing Partner and Management Board at least quarterly on responsible investment risk and opportunity. This provides a basis for assessing level of significance of issues once identified. Long term targets and objectives are disclosed within Orchard Street's annual Responsible Investment Report and reflect the business' priorities in relation to the broader market and legislative landscape as it evolves. This helps maintain transparency and demonstrates a balanced understanding and prioritization of material sustainability topics for both the organization and its stakeholder. During 2020/21 Orchard Street have begun to review their core material issues. This updated assessment will be used to identify thematic trends and set the course of their sustainability strategy going forward. This process will involve peer reviews, a review of existing policies and procedures, engagement with employees, and an assessment of relevant legislation and policy.

Achieving Net Zero Carbon (NZC) has been identified as a material issue that will form a key component of Orchard Street's Responsible Investment Strategy over the coming years, this is evidenced by the creation of their NZC Pathway. Orchard Street have published their commitments and targets in 2021 within their Roadmap to Net Zero Carbon, which is aligned to the BBP Climate Commitment and Net Zero Asset Managers Initiative. Aligning their approach to best practice implementation initiatives provides a mechanism to ensure that key material issues, important to both the business and its stakeholders, are considered and responded to. The targets presented within the pathway have been aligned with a 1.5°C climate warming scenario. This has enabled Orchard Street to determine time-bound targets and milestones that can be monitored and communicated to stakeholders. The overarching goal of achieving NZC has been broken down into key action areas including: Reduce embodied carbon; Reduce operational consumption; Maximize renewable energy and Offset unavoidable residual emissions. The relevance of each of these four key actions and how they are connected to Orchard Street's NZC Pathway are detailed within the Roadmap. Although material issues are largely defined at an organizational level, processes are in place to determine the relevance and significance of environmental and social issues at the estate and asset level. Stakeholders, such as site teams, asset managers and external consultants are involved in the process of target setting and response. ESG Asset Trackers continue to be used to communicate and track progress internally.

## **RESPONSIVENESS – HOW THE ORGANISATION RESPONDS TO STAKEHOLDER ISSUES AFFECTING SUSTAINABILITY THROUGH ITS PERFORMANCE, ACTIONS, DECISIONS AND COMMUNICATION**

Orchard Street have a robust sustainability governance structure to respond to stakeholders, including internal and external sustainability professionals and consultants, asset managers, property managers and working groups such as the Responsible Investment Committee. During 2020/21 there has been a re-allocation of sustainability and environmental data gathering responsibilities with the view to further integrate the principles of Orchard Street's responsible investment policy into the day-to-day operations of the business. The Responsible Investment Committee, formed by the managing partner, are responsible for the ongoing monitoring and management of climate-related risk, and for the development and implementation of Orchard Street's sustainability strategy. There are processes in place for ongoing communication with stakeholders which are presented through a range of accessible formats. Orchard Street's annual Responsible Investment Report is publicly available and provides stakeholders, including those external to the business, with a detailed overview of their sustainability visions, goals, and performance. This report is aligned to the European Public Real Estate Association's (EPRA) Sustainability Best Practices Recommendations (sBPRs). Orchard Street continue to support several key initiatives including the UNSDGs, and report on sustainability performance in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Orchard Street are also a signatory of the Principles of Responsible Investment (PRI) and the Better Buildings Partnership Climate Commitment, and a member of the Better Buildings Partnership (BBP), Net Zero Asset Managers Initiative, and the UN Race to Net Zero. The development of Orchard Street's Net Zero Carbon pathway during 2020/21 provides an example of how the business are responding to the expectation of stakeholders at a fund level by communicating their ongoing targets, the actions that will be implemented, and the decision-making process that has fed into this.

Orchard Street coordinate their response to material issues by setting social, environmental and governance targets. Actions and responsibilities are set out within a target tracker used to monitor progress and communicate this internally. Orchard Street formally review targets on an annual basis and communicate their goals for the upcoming year publicly. Several key documents have been developed and/or published during 2020/21 demonstrating how the business act on sustainability issues as part of their business response. Examples include the launch of their Responsible Procurement Charter, the development of their Project Sustainability Principles for all refurbishments and developments, and the implementation of their Climate Risk Register. Orchard Street's acquisition checklist and various proformas have also been updated to include consideration of climate related risk and opportunities. This demonstrates Orchard Street's formal process of incorporating sustainability issues and stakeholder expectations into their decision-making process.

## **IMPACT – HOW THE ORGANISATION MONITORS AND MEASURES THE EFFECTS OF ITS BEHAVIOUR AND PERFORMANCE ON THE ECONOMY, THE ENVIRONMENT, AND THE SOCIETY**

Orchard Street's Responsible Investment Policy is implemented by their Responsible Investment Strategy which is used to manage the impact of the business' actions. Impact is tracked in several ways and processes exist which enable Orchard Street to respond appropriately to environmental, social and governance risk and opportunity. Progress against targets is communicated to stakeholders via the annual Responsible Investment Report which summarizes the business' performance and quantifies impact over the previous reporting year. Both positive and negative impacts are monitored and reported across Orchard Street's portfolio. During 2020/21 the business has continued to develop their approach to understand, measure, evaluate, and manage impacts in a clear and justifiable way. By quantifying and reporting on impact in line with best-practice reporting frameworks and initiatives, Orchard Street demonstrate the credibility of their disclosures to stakeholders. This also ensures that measures used to quantify impact are replicable and can be subject to external assurance. This approach is clearly demonstrated within their Roadmap to Net Zero Carbon. In addition to the processes Orchard Street have developed, governance structures exist within Orchard Street to assess impacts in line with the material issues identified by the business. The Responsible Investment Committee oversee the RI strategy and report to the Managing Partner to ensure that ESG impact is considered in relation to the Investment and Asset Management decisions taken in the management of client assets. The Board are regularly updated on sustainability performance and have full oversight of climate-related risks and opportunities.

At an asset level, Orchard Street actively monitors its performance and impact in relation to environmental targets, by collecting consumption data (electricity, gas, water, and waste) and measuring the carbon footprint of all assets under management, including Orchard Street occupied offices. The business has set a baseline environmental footprint which they measure performance against over time. Social impact is measured in relation to staff hours spent on volunteering and charitable support, and by contributing to the local communities surrounding their assets. Orchard Street have commissioned social valuation reports during 2020/21 to help quantify levels of impact and identify opportunities for improvement.

## OBSERVATIONS & RECOMMENDATIONS

- Orchard Street continue to advance their approach to engage with stakeholders in developing their response to ESG related issues, through the development and publication of process and policy documents which are used to communicate business level strategy and provide actionable targets. Although engagement with stakeholders on sustainability issues is continuous and ongoing Orchard Street could consider gathering data from staff and other stakeholders using surveys. This could provide another input of stakeholder response into relevant operational procedures and systems as they are created. Collecting information in this way on a regular, ongoing basis could help Orchard Street track levels of engagement over time as well as mapping issues of importance by stakeholder group.
- Orchard Street continue to participate with industry initiatives such as the Better Buildings Partnership and should continue to leverage these relationships to maintain an effective prioritisation of ESG issues in an evolving market context. Stakeholder participation should be maintained through ongoing dialogue with tenants, investors, managing agents as well as fund and asset managers.
- Orchard Street may consider making stakeholder engagement and the role stakeholders play in developing business response a more visible element within their Responsible Investment Policy.
- It is recommended that formal materiality assessments are conducted on a defined, regular basis (e.g. every 3-5 years) to ensure that the process of determination of key issues, and any changes in focus over time can be shared effectively. Mapping issues and communicating outcomes will provide further means for Orchard Street to disclose a comprehensive and balanced understanding of material sustainability topics to the business and its stakeholders.
- The development of Orchard Street's Net Zero Carbon Pathway is a clear example of the business' efforts to consider and respond to longer-term trends and account for impact over an extended time horizon, considering future as well as current risks and opportunities.

## B: EVALUATION OF THE RELIABILITY OF THE SPECIFIED SUSTAINABILITY PERFORMANCE INFORMATION AND ASSOCIATED DATA COLLECTION AND MANAGEMENT PROCESSES AND SYSTEMS

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Based on the scope of the work described above, nothing has come to our attention that gives cause to believe that the specified performance for Energy (electricity and natural gas), Water and Waste is not fairly stated by Orchard Street Investment Management.

### DATA ASSURED

#### Environmental Performance Data:

ORCHARD STREET Directly Managed Portfolio	ORCHARD STREET Headquarters
<b>Electricity:</b> 21,730,187 kWh <b>Natural Gas:</b> 11,086,250 kWh <b>Water:</b> 53,207 m3 <b>Waste:</b> 1,209 tonnes	<b>Electricity:</b> 37,032 kWh <b>Natural Gas:</b> 74,354 kWh <b>Water:</b> 370 m3 <b>Waste:</b> 1 tonne

#### Headquarters

- Using primary evidence, **electricity** was assured with **100%** accuracy.
- Using primary evidence, **natural gas** was assured with **100%** accuracy.
- Using primary evidence, **water** was assured with **95.2% accuracy**
- Using primary evidence, **waste** was assured with **100% accuracy**

During the Assurance process, errors were discovered within the water and gas data and have subsequently been corrected.

#### Directly Managed Portfolio

- Using primary evidence, **electricity** was assured with **100% accuracy**.
- Using primary evidence, **natural gas** was assured with **99.9% accuracy**.
- Using primary evidence, **water** was assured with **98.7% accuracy**
- Using primary evidence, **waste** was assured with **99.6% accuracy**

During the Assurance process, errors were discovered within the water and waste data and have subsequently been corrected.

## OBSERVATIONS & RECOMMENDATIONS

- During the assurance process, it was recognised that the responsibility of data provision is spread across multiple third parties in the data supply chain, down to an asset level in some instances. Orchard Street Investment Management could consider creating a data reporting schedule to improve the preparedness of the data providers, detailing deadlines for data submission and evidence requirements for the purposes of assurance.
- It is recommended that primary evidence of utility consumption is stored centrally alongside the data that will feed into reporting. Where data has been aggregated for the purposes of reporting, source evidence must be made available to the assurance team.
- Due to a shared responsibility for data management within the data supply chain, there were multiple methodologies used to account for missing/estimated data, it is recommended that a standardised approach is applied to gap filling and estimation.
- Data that has been prepared for reporting must be 'frozen', i.e., not updated, at the point it is submitted for assurance. Any updates to the dataset once the assurance process has begun must be approved by the assurance team to ensure that they have full oversight of the dataset that will feed into the public disclosure.
- It is recommended that additional spot-checks are made on the accuracy of data throughout the year by Orchard Street's data management team to help ensure that any issues in data supply within the data supply chain can be investigated and resolved ahead of the preparation of data for annual reporting and assurance.

The above findings, additional observations and recommendations have been presented to the management of Orchard Street Investment Management in a more detailed management report.

## C: EVALUATION OF THE ACTIONS AND PROGRESS MADE BY ORCHARD STREET INVESTMENT MANAGEMENT IN MEETING THEIR RESPONSIBLE INVESTMENT TARGETS FOR 2020/21.

Based on the scope of the work described, it is Upstream’s opinion that 8/11 of 2020/21 targets were achieved. 2/11 targets were partially achieved, and 1/11 target was not in scope of assurance due to the timing of this assurance engagement.

### 2020/21 TARGETS ASSURED

The following 2020/21 targets have been achieved within the reporting period relevant to this assurance engagement (1<sup>st</sup> October 2020 – 30<sup>th</sup> September 2021), the below targets are categorized by theme, as presented in Orchard Street’s 2020 Responsible Investment Report:

Theme	Target	Assurance Opinion
Environment	Assess how the climate emergency will affect business operations and profits and continue to report in line with TCFD	Achieved
Environment	Implement the recommendations from our comprehensive 2020 climate risk scenario analysis, in line with TCFD	Achieved*
Environment	Reduce occupier carbon intensity by 25% by 2025, equivalent to an annual reduction of 5% against a 2018/19 baseline. To be reviewed annually	Achieved
Environment	Publish a 2030 net zero carbon strategy in line with industry best practice and international benchmarks	Achieved
Social	Increase our social impact through a high level of employee participation in Orchard Street’s new volunteering programme, with an aggregate of 300 hours donated (equivalent to 1.5 days per employee)	Achieved
Social	Develop a sustainable procurement charter	Achieved
Governance	Measure and report the financial, environmental and/or social value generated by our Responsible Investment activities	Achieved
Governance	Develop guidance for sustainable refurbishments and developments across all sectors	Achieved

\*This target was assessed by reviewing evidence relating to a subset of time-bound recommendations relevant to this assurance engagement that were presented in the TCFD climate-risk scenario analysis report.

The following 2020/21 targets have not been fully achieved within the reporting period relevant to this assurance engagement (1<sup>st</sup> October 2020 – 30<sup>th</sup> September 2021):

Theme	Target	Assurance Opinion
Environment	Implement a formal tenant engagement process to improve sustainability credentials including the collection of actual tenant energy consumption data from 10% of assets where tenants procure their utilities directly. Review and set a follow-on target for 2022 based on experience in 2021	Partially Achieved
Governance	Refresh Orchard Street’s Responsible Investment strategy in alignment with the UNSDGs	Partially Achieved
Governance	Improve our UNPRI score in 2021**	Not in Scope

\*\*This target was moved out of scope for the 2020/21 reporting period due to postponement of assessment by UN PRI.

Types of evidence provided include slide decks, Excel sheets, screenshots, email confirmation from third parties and other internal documents from formal procedures such as guidance and policy documents.

## OBSERVATIONS & RECOMMENDATIONS

- Evidence was provided in a timely manner, stored in a logical and signposted evidence pack which was easily accessible. Comments were also provided to help guide the assurance team and give further context to the evidence provided. Queries and clarifications were responded to quickly and effectively. Evidence overall was clear, and information provided could be understood.
- Overall, the source of evidence could be established without unreasonable effort. Supporting emails were provided in addition to documentation, this enabled the assurance team to understand context and purpose of evidence helping reduce the need for queries and/or clarification with the Orchard Street team.
- It is recommended that ‘complex targets’, i.e. targets containing multiple actions, are formatted to include an overarching target, broken down into clear sub-actions, which can be used by the assurance team to directly evidence target attainment. Structuring targets in this way would help increase transparency to stakeholders and ensure that evidence requirements and target intention are unambiguous.
- To streamline the evidence collection process for the purposes of assurance, Orchard Street could consider adapting existing target trackers to include a means of compiling evidence of target completion. The Responsible Investment Committee currently use target trackers to manage target delivery, capturing associated evidence as part of this process would assist the monitoring of

targets that span several years, and could be used to keep track of complex targets, where multiple pieces of evidence are required for assurance.

- All targets should be presented in a way that clearly states scope and intent, defining this at the target setting stage and including this in the wording used, would help improve clarity.

## INDEPENDENCE OF ASSURANCE

Due to our expertise and experience with non-financial information, sustainability management and social and environmental issues, we have the competencies required to conduct this independent assurance engagement. We are bound by the JLL Code of Business Ethics and are independent as defined by AA1000AS v3. Upstream is a consultant to Orchard Street Investment Management and provides support on their environmental and sustainability programme, however the assurance team has not been involved in the delivery of these other services for Orchard Street Investment Management and we do not consider that there is any conflict of interest between these other services and this assurance and verification engagement.

*D. Aston*

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