

Orchard Street

OrchardStreet
INVESTMENT MANAGEMENT LLP

Independent Assurance Statement

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TO: THE STAKEHOLDERS OF ORCHARD STREET

Independent assurance statement by JLL Sustainability Services, JLL (“JLL”) to the stakeholders of Orchard Street Investment Management LLP (“Orchard Street”) on the environmental data and target outcomes stated in the 2022 Responsible Investment Report for the period 1st October 2021 to 30th September 2022.

SCOPE OF WORK

Orchard Street engaged JLL to provide independent assurance of Landlord controlled utility data, annual target outcomes and Net Zero Carbon Pathway key performance indicators (KPIs) relevant to its 2022 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’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.

RESPONSIBILITY

Orchard Street is responsible for the presentation of assured information, JLL’s assurance team was not involved in the preparation of the 2022 Responsible Investment Report. Our responsibility was to provide independent assurance on its content, issue an assurance statement in line with the requirements of AA1000AS, and provide a management report on findings.

METHODOLOGY

JLL undertook the following assurance activities:

- Interviewed Fergus Egan, Partner and Head of Retail Asset Management, Aran Uner, Responsible Investment Committee Member and Asset Manager, and Lora Brill, Head of Responsibility & ESG about Orchard Street’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 2022/23 through interviews conducted with Orchard Street staff and Partners.
- Reviewed the approach to data collection, management and reporting, with engagement from Orchard Street’s data managers and data supply chain.
- Discussed data, evidence and data issues with Orchard Street’s data managers and the teams external to Orchard Street who are currently responsible for data collation.
- Requested and reviewed evidence demonstrating relevant actions and progress against each Responsible Investment Target and selected Net Zero Carbon Pathway KPIs.

LEVEL OF ASSURANCE AND LIMITATIONS

JLL provided a moderate level of assurance which included 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 covering 1st October 2021 to 30th September 2022. We tested a sample of 1,224 data points from landlord-controlled data sources (e.g., meters or waste disposal routes) from a sample of 37 properties within Orchard Street, including Orchard Street's Headquarters, that are reporting environmental data in the 2022 Responsible Investment Report. GHG emissions calculation methodology and application of relevant emissions factors have also been reviewed, however underlying data of scope 3 emissions and floor areas have not been checked back to source. The scope of AA1000 Assurance is limited based on the amount of interaction and information provided.

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 did not adhere to the criteria under the principles of Inclusivity, Materiality, Responsiveness, and Impact for 2021/2022.

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

In their Responsible Investment Policy, Orchard Street identified clients, investors, occupiers, employees and the local communities as key stakeholders. Orchard Street recognises the role stakeholders play in the business' response to the sustainability of their assets and as such have formally committed to be accountable to stakeholders. They support the transformation of the industry to net zero carbon through engagement with their supply chain, clients, peers and competitors as signatories and members of the Better Buildings Partnership (BBP), UN Principles for Responsible Investment and Net Zero Asset Managers Initiative. During 2021/2022 Orchard Street delivered several new training sessions, including those specific to ESG, to ensure the necessary competencies are available for stakeholder engagement. Orchard Street communicated their ambitions and aligned stakeholders with the goals set out in business level strategy through a range of policy documents and reports. For example, in 2021/2022 Orchard Street used the Responsible Procurement Charter as a framework to integrate ESG into their service provider selection policy. Orchard Street have also integrated stakeholder engagement into relevant operational systems evidenced by the Responsible Investment (RI) Committee, asset management team and investment team's engagement with investment and property managers, valuers, clients, government research and industry bodies.

At the building and estate level, asset managers facilitate participation with managing agents and play a key role in identifying relevant stakeholders. Managing agents are engaged through asset Sustainability Action Plans, monthly ESG-specific meetings, and management bi-weekly meetings. Orchard Street's response to sustainability related issues is a collaborative process. This is demonstrated by the occupier engagement process and the opportunity site teams are given to provide insights on the feasibility and impact of ESG initiatives. Through their Responsible Investment Report, Orchard Street publicly communicate their sustainability goals and performance to their stakeholders. Internally, Orchard Street's progress against ESG targets is reviewed by the RI Committee. The RI Committee set targets, communicates these with the asset managers, then each sector holds meetings with their property managers to discuss these targets, formulate a business plan and assign responsibility. In 2022, the sustainability lead for Retail Asset Management joined the RI Committee.

MATERIALITY – HOW THE ORGANISATION DETERMINES THE RELEVANCE AND SIGNIFICANCE OF AN ISSUE TO ITSELF AND TO ITS STAKEHOLDER

In 2021, Orchard Street undertook a materiality assessment to identify sustainability focus areas. This involved: an evaluation of their existing ESG policies and procedures to identify opportunities for

improvement; engagement with key stakeholders to hear their expectations; a peer and competitor review; and an employee survey to understand employees needs and priorities on ESG issues. This assessment confirmed the strategic importance Orchard Street had already ascribed to climate resilience, transparency, net zero carbon and occupier experience. However, the assessment also identified biodiversity, skills, employment, and diversity and inclusion as key focus areas. In 2022, using the results of this assessment, Orchard Street completed a comprehensive refresh of their responsible investment strategy to ensure they are addressing their most material ESG topics and managing them in a systematic way. The RI Committee addressed material issues by creating targets, obtaining feedback from Partners and ensuring that the resources required to deliver the targets were available. The RI Committee set up a strategy planner that identified how each target would be funded, who would be responsible for delivery and shared this with their key partners.

Orchard Street have identified two primary and eight secondary material UN Sustainable Development Goals (SDGs) aligned to their core business activities and embedded these into their targets and strategy, the main two being Sustainable Cities and Communities and Partnerships for the Goals (SDG 11 and 17). As part of the strategy development process, Orchard Street used the materiality assessment to align their strategy with the UN SDGs, defining the specific targets for each goal where progress could be measured and tracked over time.

The refreshed strategy “Responsible Real Estate Investing that Delivers Outperformance Today and Tomorrow” was approved by Orchard Street’s Managing Partner in 2022.

Orchard Street’s approach to addressing material ESG issues across their business during the reporting period and prior to the approval of the new strategy was centred around climate change and resilience. In 2020, a qualitative climate scenario analysis was conducted to identify their most material risks by considering the IPCC RCP 4.5 and RCP 8.5 scenarios. Orchard Street’s top physical risks were fluvial flooding, extreme weather events and heat stress. Their top transitional risks were increasingly stringent climate-related building standards and the increased demand for on-site renewables. Orchard Street mapped these material climate risks and integrated them across their strategy, governance, targets and risk management processes.

Another material issue for Orchard Street is achieving net zero carbon (NZC), evidenced by the creation of their NZC Pathway. They have committed to becoming a NZC business for corporate and landlord emissions and refurbishments by 2030, and to become a NZC business for occupier emissions and fit outs by 2040. This commitment covers their Scope 1 and 2 emissions and extends to their Scope 3 emissions from their occupiers and embodied carbon from refurbishments and fit outs. Through their membership of the Net Zero Asset Managers Initiative and UN Race to Zero, and as a signatory to the Better Buildings Partnership Climate Commitment, Orchard Street are sharing best practice and collaborating with their peers to drive industry-wide progress required to achieve net zero. Additionally, Orchard Street have provided NZC and climate-related risk training for employees, demonstrating they are facilitating the necessary competencies to address material issues.

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

Orchard Street have responded to sustainability related issues through the implementation of recommendations from their 2020 climate risk scenario analysis and their 2021 materiality assessment. Their response included updating their business, investment and asset management

policies/procedures, providing training, setting up issue-specific working groups and integrating ESG targets into employee performance objectives. These avenues have been used as an opportunity to respond to a range of material issues including: climate risk, ethics, diversity, equality, remuneration, agile working, biodiversity, volunteering and their net zero carbon targets. Over the course of 2022, Orchard Street have shifted from quarterly ESG Asset Tracker meetings with initiatives identified each quarter to a more strategic Asset Sustainability Action Plan and monthly ESG-specific meetings with property and asset managers. This shift has enabled Orchard Street to increase the coordination and momentum of their response to material issues. The increased frequency of these ESG-specific meetings has also enabled Orchard Street to respond to current issues, such as the energy crisis. In 2021/2022, Orchard Street's employees, partners and property and asset managers completed training and received information across a range of ESG topics. This included biodiversity net gain training, renewable energy, net zero carbon pathway, electric vehicles and green lease clauses. Additionally, Orchard Street created the Retail Green Fit-Out Guide for occupiers and their design team. This guide aims to reduce energy, carbon and water, embed circularity, and enhance health and wellbeing during the fit-out design and construction, and operation of leased units.

Orchard Street formally review their progress on the previous year's targets on an annual basis and communicates their targets for the next period publicly through its Responsible Investment Report. Additional documents used to communicate expectations to Orchard Street's supply chain include: the Project Sustainability Principles for all refurbishments and developments, the Responsible Procurement Charter, and Asset Sustainability Action Plans. Orchard Street are also a signatory of the Better Buildings Partnership Climate Commitment and the Principles of Responsible Investment, and a member of the Better Buildings Partnership, the UN Race to Net Zero and the Net Zero Asset Managers Initiative. Orchard Street contribute to these international frameworks to ensure their investors and clients have an objective analysis of their progress and response to stakeholder issues affecting sustainability.

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

Tracking effect enables Orchard Street to respond appropriately to ESG risk and opportunity. Orchard Street have established targets ranging from 2023-2030 and identified key performance indicators (KPIs). The RI Committee monitors progress against these targets monthly, and KPIs quarterly, six-monthly, or annually depending on the data reporting cycle. They transparently report their progress against these targets annually via their Responsible Investment Report and net zero carbon pathway progress report. By reporting on results in line with best-practice initiatives and reporting frameworks, Orchard Street reinforces the credibility of their disclosures to stakeholders. This also ensures that measures used to quantify outcomes are replicable and can be subject to assurance by an external 3rd party provider. During 2021/2022, Orchard Street launched their Social and Environmental Impact Partnership which aims to target value-add real estate investment opportunities across three impact areas: 1) Making buildings healthier for those that live and work in them; 2) Investing in local communities; and 3) Decarbonising existing buildings. This Impact Investment Fund demonstrates Orchard Street's commitment to create investment opportunities that make an environmental and social impact. JLL acts as the advisor for the fund and identifies place-based needs and benchmarking to make sure the targets are material and ambitious. The target scorecards are assured by BlueMark, a third-party verifier, at the completion of each project to assess the extent to which the targets have been achieved.

Orchard Street actively monitors its performance and impact in relation to environmental targets at an asset level, by collecting consumption data (electricity, gas, water, and waste) and measuring the carbon footprint of all assets under management, including Orchard Street occupied offices. Orchard Street reports against the EPRA sBPR to provide a comparable disclosure of environmental performance, including Scope 1, 2 and 3 emissions. Social impact is measured in relation to staff hours spent on volunteering, charitable support and case studies of initiatives that contribute to the local communities surrounding their assets. Orchard Street creates opportunities for occupiers' employees to engage with local communities through the provision of space and events where the asset has appropriate space or facilities. Additionally, Orchard Street introduced Project Sustainability Principles in 2021 which set community-focused requirements for major refurbishment projects, like advertising job opportunities locally, providing training opportunities for local people and ensuring green and local spaces within the project site have been protected and maintained. Orchard Street also offer a volunteering programme to encourage all their employees to contribute to the community.

OBSERVATIONS & RECOMMENDATIONS

- Orchard Street undertook a materiality assessment to identify key sustainability focus areas. This materiality determination process was influenced by stakeholders through peer and competitor reviews, employee surveys and engagement with key stakeholders to hear their expectations and understand their needs and priorities on ESG issues. This assessment identified climate resilience, transparency, net zero carbon, occupier experience, biodiversity, skills, employment, and diversity and inclusion as key focus areas. Orchard Street refreshed its Responsible Investment strategy on the basis of this assessment, including targets and internal allocation of the resources required to deliver the targets. This ensures that Orchard Street address their most material ESG topics and manage them in a systematic way.
- Orchard Street launched their Social and Environmental Impact Partnership which aims to target value-add real estate investment opportunities across three impact areas: 1) Making buildings healthier for those that live and work in them; 2) Investing in local communities; and 3) Decarbonising existing buildings. This fund demonstrates Orchard Street's commitment to create investment opportunities that respond to material issues identified as part of their materiality assessment.
- Orchard Street delivered several new training sessions, including ones specific to ESG, to ensure stakeholders were equipped with the necessary competencies to address material issues.
- Orchard Street have shifted from quarterly ESG Asset Tracker meetings to a more strategic Asset Sustainability Action Plan and monthly ESG-specific meetings with property and asset managers. This shift has enabled Orchard Street to increase the speed and coordination of their response to material issues.

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

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 landlord obtained Energy (electricity and natural gas), Water, Waste and GHG emissions calculations is not fairly stated by Orchard Street Investment Management.

DATA ASSURED

Environmental Performance Data as stated in the EPRA Table:

ORCHARD STREET Directly Managed Portfolio	ORCHARD STREET Headquarters
Electricity: 20,316,496 kWh Natural Gas: 9,177,020 kWh Water: 89,366 m3 Waste: 2,018 t	Electricity: 69,212 kWh Natural Gas: 94,351 kWh Water: 7,099 m3 Waste: 1 t

Total Scope 1 GHG Emissions: 1,578 tCO2e

Total Scope 2 (Location Based) GHG Emissions: 4182 tCO2e

OBSERVATIONS & RECOMMENDATIONS

- It is recommended that primary evidence of utility consumption is stored centrally to allow data QA to be conducted ahead of the assurance engagement.
- Where primary evidence such as invoices/waste reports may not be available, documentation confirming the source and accuracy of the reported values should be stored centrally to validate reported values in line with source information.
- It is recommended that the data management team organise evidence of utility consumption by fund and utility type to enable the assurance team to quickly identify missing evidence and clearly navigate through the evidence provided.
- 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 Orchard Street's data management team conduct additional spot-checks on the accuracy of data throughout the year 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 provided to Orchard Street in a detailed management report.

2021/22 TARGETS ASSURED

Based on the scope of the work described, nothing has come to our attention to suggest that the below target outcomes are not fairly stated by Orchard Street. 9/12 of the 2021/22 targets were achieved, 1/12 targets were partially achieved, 1/12 was not achieved and 1/12 was not in scope of assurance due to the timing of this assurance engagement.

The following 2021/22 targets have been achieved within the reporting period relevant to this assurance engagement (1st October 2021 – 30th September 2022), the below targets are categorized by theme, as presented in Orchard Street's 2020 Responsible Investment Report:

Theme	Target	Assurance Opinion
Environment	Commission a climate change flood risk review for a sample of existing properties under management	Achieved
Environment	Set a water consumption target for landlord-controlled water meters in line with industry best practice benchmarks, utilizing the improved data from the "smart" water meter rollout	Achieved
Environment	Pilot an electric vehicle (EV) charging partnership on selected retail parks to support the transition to lower emissions travel	Achieved
Environment	Conduct a biodiversity net gain exercise across a sample of 10 cross-sector sites	Achieved
Social	Offer a paid internship or work experience opportunity	Achieved
Social	Support 150 hours of volunteering through Orchard Street volunteering programme	Achieved
Governance	Refresh Responsible Investment Strategy in line with the UN SDGs (rolled over from 2021)	Achieved
Governance	In support of COP26, join the UN Race to Zero via the Net Zero Asset Managers initiative	Achieved
Governance	Provide biodiversity training for investment and asset management teams	Achieved

Based on the scope of the work described, nothing has come to our attention that gives cause to believe that 4/4 NZC Pathway KPIs are not fairly stated by Orchard Street Investment Management

Theme	Metric	Assurance Opinion
NZC Pathway	44% properties by value Green Certified*	KPI Assured
NZC Pathway	Solar PV 883kW installed and commissioned since baseline year	KPI Assured
NZC Pathway	13% Scope 1, 2 and 3 carbon intensity reduction compared to baseline year**	KPI Assured
NZC Pathway	18% Occupier energy data collection by floor area	KPI Assured

*Green Certified is defined by Orchard Street as including building certifications such as BREEAM, WELL, NABERS or equivalent and Energy Performance Certificates of B or above. The letter rating of an EPC has been used for calculating this metric. Unit level certifications and associated values have been considered when calculating the proportion of the portfolio by value that is Green Certified.

**landlord-controlled utility consumption data has been assured in line with the aforementioned scope of work, a methodological review of intensity reduction calculations has been conducted as not all underlying data sources were included in the scope of this engagement.

The following 2021/22 targets have not been fully achieved within the reporting period relevant to this assurance engagement (1st October 2021 – 30th September 2022):

Theme	Target	Assurance Opinion
Governance	Establish a Climate Change Resilience Strategy by December 2022 in line with the Better Buildings Partnership Climate Commitment***	Not in Scope
Environment	Achieve a 70% recycling rate and 99% diversion from landfill for landlord provided waste services	Partially Achieved
Environment	Achieve 90% automated meter reading (AMR) “smart” data coverage of all landlord controlled energy meters	Not Achieved

***This target was moved out of scope for the 2021/22 reporting period, due to updated timelines in relation to the Better Buildings Partnership Climate Commitment.

Types of evidence provided included slide decks, Excel sheets, screenshots, email confirmation from third parties, external certifications, and 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 and methodology coversheets were also provided to help guide the assurance team and give further context to the evidence provided.
- Orchard Street could improve its completion criteria as part of the target setting process to aid the verification of action completion.

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. Whilst other JLL divisions provide managing agent and sustainability data services to Orchard Street.

JLL is a consultant to Orchard Street and provides support on their environmental, social and governance program. The assurance team has not been involved in the delivery of these other services for Orchard Street and we do not consider that there is any conflict of interest between these other services and this verification engagement



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