



## **USAARE Environmental, Social & Governance (“ESG”) Guidelines<sup>i</sup>**

### **Introduction**

At USAA Real Estate (“USAARE”), striving to be the best is not defined by growth in assets under management, but by investing capital wisely while earning and maintaining the trust of our investors. We aim to be their investment partner of choice, so our clients have the confidence to build enduring relationships across multiple platforms and strategies.

As a critical part of USAARE’s fiduciary duty, we are committed to acting in the best interests of our clients while also considering the interests and well-being of other stakeholders. For this reason, we hereby set forth a vision statement outlining how Sustainable Investing<sup>1</sup> and Environmental, Social & Governance (“ESG”) factors impact our business activities. This document is a statement of general intent, not an absolute policy, and is part of a broader framework of policies, procedures, and governance. Certain ESG performance is implemented, measured, and reported at the corporate, fund/strategy and property levels.<sup>2</sup>

### **USAARE ESG**

USAARE’s ESG Guidelines complement and support our strategic objectives to maximize ownership value and provide customers and partners with the utmost quality service across the real estate investment life cycle - from strategy formation through disposition. We believe ESG factors impact our ability to deliver our investment management services, returns to our investors, stakeholder engagement and transparency. The considerations, approach, and framework for how the organization may incorporate USAARE’s ESG principles at various levels of the firm and its investment operations are summarized herein.

As part of our investment process, we aim to consider material investment opportunities and risks, which may incorporate ESG factors. We may also implement ESG considerations and strategies at the portfolio (fund and investment) level. By incorporating material ESG insights alongside traditional investment analysis, USAARE aims to improve long-term portfolio performance throughout the investment life cycle. We can facilitate this with data capture, monitoring, and reporting, that align with our broader ESG Guidelines and enhance our considerations of a specific portfolio investment strategy.

### **Doing What Matters**

USAARE focuses on factors we believe may have the greatest impact on the financial performance of our assets and funds, as well as those most critical to our stakeholders where they are feasible and align with our investment strategies. We avoid absolute statements and absolute targets that could limit our investment parameters or potentially mislead any stakeholders.

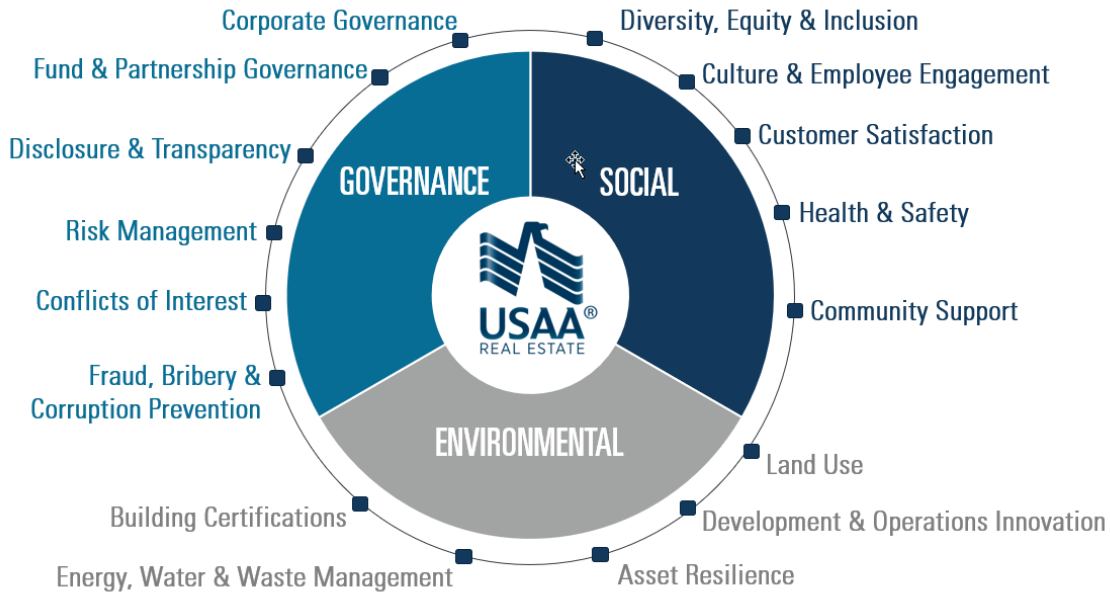
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<sup>1</sup> An investment in an economic activity that contributes to an environmental factor or social factor provided the investee company follows good governance practices.

<sup>2</sup> ESG goals are aspirational and not guarantees or promises that all goals will be met, and there are distinctions and regional variations in the meaning and use of this term. There is no guarantee that any Fund will have or create a positive ESG impact, that consideration of ESG factors will enhance long-term value and financial returns for limited partners, or that ESG performance of a Fund will align with any investor's ESG goals.



The landscape for setting ESG and sustainability initiatives continues to evolve rapidly, as do reporting standards and disclosure requirements. USAARE utilizes insights from our stakeholder materiality assessment<sup>3</sup> to help identify, refine, and prioritize numerous ESG considerations. Based on these insights, we have chosen the key focus areas highlighted in the chart below. For each of these areas, we may maintain various “house view” statements of general intent, case studies, data, and certain reporting metrics. While these factors may inform our investment decision making, not all of them are mandatory touchpoints, nor do they dictate or limit our investment strategies or elections.



**Environmental** - The "E" in ESG represents environmental factors related to the natural world and the impact of human activity on its condition.

USAARE considers environmental factors throughout the real estate investment life cycle - from strategy formation through disposition. Materiality of specific factors vary across strategies, companies, sectors, geographies, and asset classes. USAARE aims to improve energy efficiency, reduce water consumption, increase recycling, reduce waste, improve indoor air quality, and implement green cleaning methodologies and improved air filtration. We believe these sustainable practices result in, or may later result in, higher rates of tenant/employee satisfaction and retention, higher rents, and, thus, higher asset values. Additionally, our global headquarters is LEED Gold Certified and Energy Star-certified<sup>4</sup> for USAARE’s tenant space.

<sup>3</sup> The process of identifying, refining, and assessing numerous potential environmental, social and governance (ESG) issues that could affect our investment business and condensing them into a short-list of focus areas.

<sup>4</sup> USAARE has been recognized by the U.S. Environmental Protection Agency as an ENERGY STAR Partner of the Year Sustained Excellence – Energy Management award winner for the past 18 years, plus an additional two years as an ENERGY STAR Partner of the Year. ENERGY STAR Partner of the Year is awarded to a group of businesses or organizations that the EPA determines to have demonstrated excellence in improving the energy performance of buildings and plants through a corporate-wide, portfolio-based energy management program. More information can be found at [https://www.energystar.gov/about/content/usaa\\_real\\_estate\\_3](https://www.energystar.gov/about/content/usaa_real_estate_3) The reference period reported herein is CY 2021, with results awarded in May 2022.



GRESB Green Star Status <sup>5</sup>	Focus Area - Asset Resilience Playbook Launch
<p>USAARE has been a long-time member and respondent to the Global Real Estate Sustainability Benchmark (“GRESB”) process, through which it reports on its measured and monitored sustainability impact metrics. We have earned the “Green Star” in all six of the funds and portfolios reporting in 2022 and has demonstrated improved performance since inception<sup>6</sup>.</p>	<p>USAARE is focused on responsibly investing and managing our business through our commitment to addressing risks<sup>7</sup> associated with events or conditions affecting the natural environment, as addressed in our Asset Resilience Playbook.</p>

**Social** - *The "S" in ESG, USAARE acknowledges these social factors cover a vast range of potential issues relating to social relationships. We consider how we treat all our stakeholders, including our employees, tenants, those communities in which we operate and invest, our investors, and other business partners.*

USAA Real Estate promotes a culture centered on our core values of service, loyalty, honesty, and integrity in service to our investors, whose investment beneficiaries include military families, teachers, firefighters, police, and other public employees. USAARE serves as a conscientious corporate citizen to all stakeholders including: local communities, building tenants/occupiers, employees, service provider partners, and investors.

We recognize the importance of applying the fullest measure of individual skills and talents to accomplish the mission, and value the contributions of each team member. At USAARE, we strive to support an open-minded, professional, and inclusive work environment that promotes diversity, equity & inclusion initiatives, workforce & customer engagement, and health & wellness amenities or initiatives that provide a work-life balance and atmosphere conducive to physical and mental health well-being.

<sup>5</sup> The GRESB Real Estate Assessment is the global framework for ESG benchmarking and reporting for listed property companies, private property funds, developers and investors that invest directly in real estate. GRESB provides a consistent framework to measure the ESG management and performance components of individual assets and portfolios based on self-reported data that is validated, scored, and independently benchmarked. Each participant that wishes to report is charged an annual assessment fee. In 2022, the GRESB Real Estate Assessment included 1,820 participating entities, covering USD 6.9 trillion of GAV, 150,000 assets, across 74 countries. For more information on the GRESB Real Estate assessment, please see <https://www.gresb.com/nl-en/products/real-estate-assessments/>. Please contact USAARE for more information regarding our GRESB results. The 2022 GRESB results referenced herein cover the GRESB reporting period of CY21.

<sup>6</sup> USAARE reports on its measured and monitored sustainability impact metrics. USAARE as an investment manager, submits multiple assessments each year for various fund, separate accounts, and an aggregate commingled assessment of 150+ assets. Each assessment consists of management areas covered by USAARE and performance aspects specific to the named fund and assets held within that fund. As a testament to our consistent and established ESG focus, USAA Real Estate has been a respondent in GRESB since 2010, and it became a fully qualified GRESB Member in 2013. We report annually on Energy, Water and Waste Consumption, GHG Emissions, and Renewable Energy through the GRESB Real Estate assessment.

<sup>7</sup> These risks may include both chronic and acute physical risks posed by climate change, as well as lower carbon economy transition risks and opportunities resulting from a myriad of sources (new policy and legal risks, the introduction of new technologies, shifting market structures, pricing expectations, and reputational concerns).



Rent Relief	Focus Area – DE&I at USAARE
<p>During the COVID-19 pandemic, USAARE approached over 150 of our most-impacted tenants using empathy and a focus on customer service, while protecting our invested capital by tactically managing for occupancy. USAARE creatively structured short-term solutions that enabled the tenants to weather the storm and optimize cash flows.</p>	<p>Our Diversity, Equity, and Inclusion “DEI” Council, led by the head of Human Resources, who reports directly to the CEO, is focused on attracting diverse talent historically underrepresented in our industry and company, and acting to promote its growth.</p>

**Governance** - *The “G” in ESG, USAARE believes good governance broadly reflects industry-established norms and practices concerning ownership and management structures, audits, internal controls, shareholder rights (where applicable), remuneration of staff, tax compliance and structures providing oversight, accountability, transparency, and the absence of conflicts of interest.*

USAARE adheres to good governance practices and implements them through the investment process. USAARE encourages a culture of teamwork and individual accountability related to good governance. Our employees are responsible for assessing good governance and monitoring company practices and conduct.

<b>Good Governance at USAARE</b>	<b>Focus Area – Robust Compliance Team &amp; Culture of Transparency</b>
<p>USAARE views compliance as an integral aspect of its business and is committed to fostering a culture of compliance. The Global Chief Compliance Officer (“GCCO”) for USAA Real Estate is responsible for regulatory matters, compliance, and risk management, and is a member of the firm’s Executive Committee. USAARE Compliance has developed and implemented a compliance program reasonably designed to meet all compliance needs of the business. Compliance activities and potential issues are identified through automated risk monitoring, compliance activity tracking, and recording and reporting of incidents or conflicts of interest.</p>	<p>As a fiduciary, USAARE is committed to acting in the best interests of its clients while considering the interests of other stakeholders. We are committed to open communication and transparency, organizational accountability, and an environment that fosters strong governance and value creation. The Compliance team manages a robust set of policies and monitors the firm’s activities accordingly. These efforts are fully supported by the firm’s Senior Management team, with relevant Compliance updates made to the entire firm and a culture of support provided by other leaders.</p>

USAA Real Estate is committed to providing our investment partners with transparency through reporting and disclosures as we seek to deliver operational excellence, disciplined capital management, and long-term value creation supported by a foundation of strong governance and ethical standards.

**Reporting**

USAA Real Estate publishes an annual Sustainability Report and provides periodic Sustainability updates on our website.



## **Roles and Responsibilities**

USAA Real Estate's CEO and Co-COO's have ultimate responsibility for overseeing these USAARE ESG Guidelines. The ESG Advisory Council, comprised of senior leadership across the organization, applies due consideration and influence on the firm, and it executes, measures, and reports on the ESG aspects of the business and each portfolio strategy. The ESG Advisory Council also advises on changes or updates to USAARE ESG Guidelines and related standards and reporting.

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<sup>i</sup> As of December 22