

## ESG Policy

### Listed Equities

At CenterSquare we have been incorporating ESG considerations into our listed equities investment process for over two decades. As the focus on ESG has continued to evolve, we continue to incorporate additional best practices to make our model more robust. We begin by generating a ranking framework to assess a company's ESG score along ten metrics that measure environmental stewardship, social responsibility, and corporate governance to provide an expanded analysis of material ESG factors.

Our active engagement with companies' senior management teams in our investable universe is a key component of generating a comprehensive view of ESG practices. While we gather data from multiple sources (i.e. GRESB, Ceres, company disclosures) to inform our ESG scores, data providers generally assess ESG practices at a point in time or in the past. Our engagement with senior management enables a productive conversation and accountability for continuous improvement of the firm's ESG efforts.

### *Environmental factors*

**Policy & Disclosures** Analyze the robustness of the company's environmental sustainability policies addressing energy efficiency, conservation, and carbon footprint reduction as well as their execution of those policies. We also assess the quality of disclosures regarding environmental sustainability efforts.

**Development** As the company develops additional assets, we identify brown-field development and mass transit-oriented development as environmentally friendly. Additionally, as companies develop new assets, we assess their focus on the impact of development on the biodiversity and surrounding ecosystem.

**Energy Use** Real assets are a large consumer of energy and through the effective management of energy usage and development of energy-efficient assets, companies can reduce energy costs and minimize their impact on the planet. In this effort, we analyze the company's real estate portfolio for heightened sustainability standards, such as attaining LEED<sup>1</sup> and GRESB<sup>2</sup> certification.

**Leadership & Advocacy** Companies receive superior scores for being leaders and advocates within the environmental sustainability space.

**UN Sustainable Development Goals** We assess companies' efforts toward achieving UN Sustainable Development Goals focused around environmental issues:

- [Clean water and sanitization](#)
- [Affordable and clean energy](#)
- [Sustainable cities and communities](#)
- [Responsible consumption and production](#)
- [Climate action](#)

### **Social factors**

**Employee engagement** These factors capture the company's quality of employee engagement such as policies regarding ethics, conduct, anti-corruption, and anti-bribery for employees and contractors. They also capture a company's focus on employee development, diversity & inclusion, and health & wellness.

**Community Involvement** These factors capture the company's commitment to community involvement, civic service, and philanthropic efforts.

**UN Sustainable Development Goals** We assess companies' efforts toward achieving UN Sustainable Development Goals focused around social issues:

- [Good health and well-being](#)
- [Gender equality](#)
- [Decent work and economic growth](#)

### **Governance factors**

**Shareholder alignment & board independence** Measure the shareholders' influence over the company and the board's ability to carry out its fiduciary responsibility as the stewards of shareholder capital.

**Strategy** Measure the extent to which strategic efforts have been clearly identified and implemented to enhance governance of shareholder capital.

**Transparency** Measure the quality of disclosures regarding governance policies.

**UN Sustainable Development Goals** We assess companies' efforts toward achieving UN Sustainable Development Goals focused around social issues:

- [Industry, innovation, and infrastructure](#)
- [Partnerships for the goals](#)



## Direct Property Investments

### *Environmental Due Diligence*

In connection with all new investment activities, CenterSquare independently or in conjunction with a co-lender, engages the services of a 3rd party professional to complete a Phase I Environmental Site (“Phase I”) Assessment prior to making any new investment. The Phase I is conducted in accordance with ASTM E1527-13 Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process, generally accepted industry standards, and is designed to meet United States Environmental Protection Agency (USEPA) Standards. In some cases, the Phase I will also address certain ASTM non-scope considerations. These non-scope considerations can include asbestos-containing materials (ACM), radon, lead-based paint (LBP), microbial growth, drinking water quality, flood zones, and wetlands. The purpose of the Phase I is to determine if a particular property contains any Recognized Environmental Conditions (“RECs”) and, if so, indicate what, if any, further investigation may be required to better understand and potentially mitigate those RECs. The phase I includes an environmental records search, a search of the historical uses of the property, and on-site reconnaissance performed by a physically inspection by a trained professional. To the extent the Phase I identifies RECs, further investigation may be conducted through a Phase II which typically involves more invasive testing. Based on the results of the Phase II, CenterSquare may elect to forgo the investment or move forward with the investment but require environmental mitigations to address the REC.

### ***Assessing Climate-Related Physical Risks***

In connection with all new investment activities, CenterSquare takes steps to determine if properties are currently located in existing flood zones and, to the extent such a condition is discovered, takes steps in conjunction with a professional 3rd party insurance consultant to ensure adequate insurance coverage is in place to address the risk. Additionally, CenterSquare assesses the coastal risk associated with rising sea levels through scenario analysis and incorporates such data into investment decisions.

### ***Background Checks***

In connection with all new investment activities, CenterSquare independently or in conjunction with a co-lender, either performs in-house or engages the services of a 3rd party professional to complete a background check on all individuals that control the borrower, partner, or sponsor as well as any individuals or entities that own a significant portion (>25%) of the financial interest of the borrower or General Partner. The scope of the search includes bankruptcy records, civil records and judgements, criminal records, UCC-1 filings, regulatory sanctions, tax liens, and OFAC. To the extent the search uncovers concerning results, the borrower, partner, or sponsor will be asked to provide further detail regarding the event which will be considered in determining if CenterSquare will move forward with the investment. A history of Class A or 1 felonies or crimes and civil judgements involving fraud will, in almost all cases, result in CenterSquare declining to make an investment.

### ***Responsible Contractors***

CenterSquare employs a Responsible Contractor Policy designed to encourage, in a manner consistent with CenterSquare's standards of fiduciary responsibility and prudence in managing its clients' investments, compliance with the spirit and practice of social responsibility in the selection of independent contractors expected to provide high quality property management, leasing, and building construction services for real estate property investments being managed on behalf of clients.

The policy states that the selection of contractors should consider several factors including, but not limited to, record of compliance with applicable federal, state, and local laws, regulations and ordinances, insurance, withholding taxes, minimum wage, health and safety, and environmental matters. Where possible, the selection process should consider providing equal consideration to minority owned and controlled firms, firms owned and controlled by women, and ventures involving those same firms that otherwise would meet the selection criteria for contractors and service providers. CenterSquare Business Partners shall make reasonable efforts to ensure that contractors maintain safe and healthful working conditions and abide by all applicable wage and hour regulations and prohibitions against child labor.

Requirements of CenterSquare's responsible contractor policy include competitive bidding, non-discrimination, neutrality, and adherence to all local, state, and national laws. For further details on our Responsible Contractor Policy, please contact us at [contactus@centersquare.com](mailto:contactus@centersquare.com).

(1) *Leadership in Energy and Environmental Design "LEED"*

(2) *GRESB is the environmental, social and governance (ESG) benchmark for real assets.*