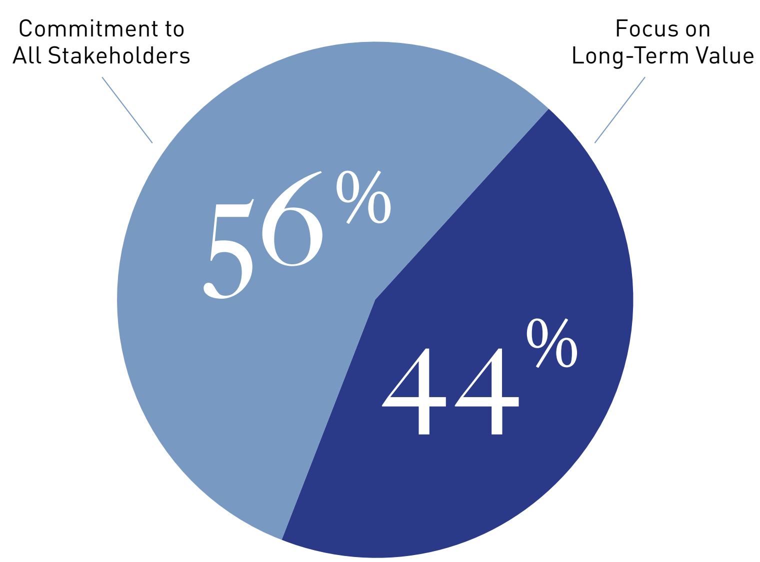
AFIRE

There is a common philosophical divide in ESG considerations between a corporate commitment to all stakeholders, versus a focus on long-term shareholder value. Which position most closely reflects your view?



Despite the apparent immediacy of this philosophical divide, the majority of respondents ultimately suggested that the positions are not contradictory:

- "The ultimate goal of investing is to create solid long-term returns and value but not at any cost. There are so many other factors including commitment to all stakeholders, the environment, global health considerations, and the right split of economic and social concerns."
- "At this point in time, we cater to high-net-worth individuals and family offices still controlled by persons aged above 60 years old who are focused on long-term value only."
- "We believe that ESG factors can have social and corporate governance factors can have a material impact on the long term returns of investment portfolios. ESG factors are integrated into our investment decision making process as part of our commitment to delivering strong, long term returns for clients."
- "From a fiduciary standpoint, the standard of care focuses on the treatment of the investors. Oftentimes, the two concepts converge. [...] I view them as complimentary. However, some investor goals are more short-term in nature and are pursuing shorter-term alpha generation. So, the short answer is...it depends."
- "We're actually halfway in between. We understand that not integrating ESG factors into decision making affects long-term value, but the primacy is still long-term value."

FUTURE STRATEGY

Among respondents which identified their primary capital source as US-based, the vote was split with maximizing shareholder value holding just a one vote advantage. Among those with non-US capital sources, 65% support a commitment to all stakeholders. Much of this divide occurred among pension fund respondents, with US-based pension funds supporting maximizing shareholder value by a two-to-one ratio, whereas 61% of non-US pension funds supported a commitment to all stakeholders.

ESG CRITERIA

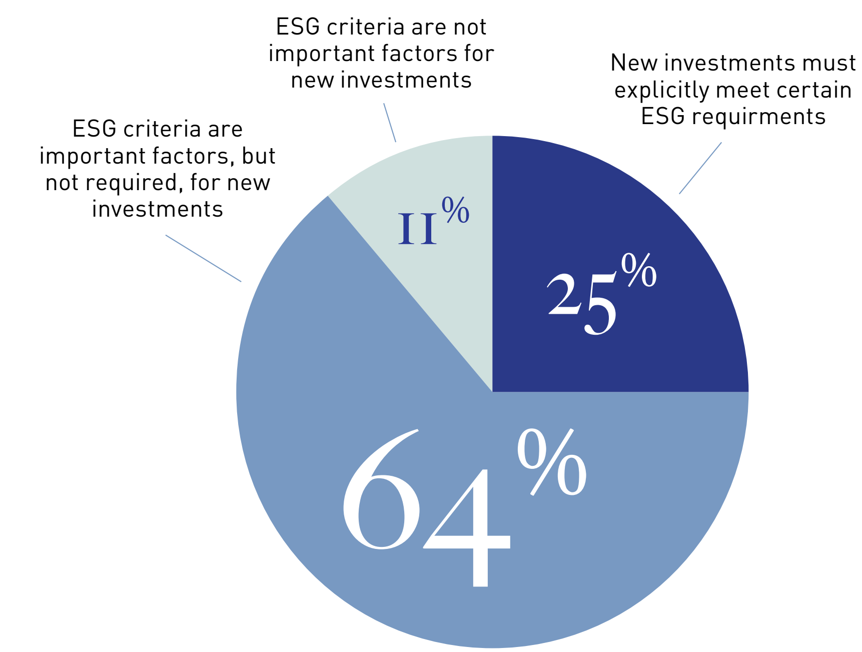
Although views are divided on the primacy of shareholder value versus all stakeholders, nearly nine out of ten respondents consider ESG criteria as necessary or important when making investment decisions. In fact, seven out of eight respondents whose investments views are most closely aligned with long-term shareholder value consider ESG criteria to be important factors when making investment decisions.

ESG IMACT ON RETURNS

Of survey respondents, 47% believe investors achieve the same returns and 43% believe investors receive higher returns with ESG investment criteria. Only 10% believed returns were lower.

While investors generally agree that ESG factors have a material impact on long-term returns, individual views are diverse. For example, among those commenting on the probability of higher returns, some cite that "ESG criteria will be a distinguishing factor between assets and determine a premium for those who are able to put in place and uphold these criteria." Alternately, among those expecting lower returns, some claim that the returns depend on the type and amount of ESG criteria being met. "Some ESG considerations are net positive or neutral," one respondent wrote. "For the larger scale projects, implementation costs can reduce overall returns, particularly for value-add properties which are intended to be sold after stabilization, and therefore won't yield operational results for the manager."

Which of the following best describe your view regarding ESG investment criteria when making real estate investment decisions?



In addition to standards mapped by LEED, GRESB, the UN Global Compact (Goals 3, 11, 12, and 13), Building Better Partnership, and Thrive, additional standards emphasized by respondents included:

- Climate risks, environmental assessments, long-term insurability, and fiscal capacity of jurisdiction in which a property is located.
- Labeling and practical energy consumptions, efficiency for the tenants, environmental quality of spaces.
- Sustainable construction and operations of each property.
- ESG reviews of the assets and managers as part of due diligence process.

Do you believe that investors achieve a higher, lower, or the same risk-adjusted investment returns when including ESG criteria in investment decision making?