

ESG MATERIALITY AND RIGOUR ACROSS REAL ESTATE ASSETS

Today's Panelists
FROM
AEW Capital Management
Portfolio Management



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North America



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Asia Pacific

Increasing Focus on ESG+R



INCREASED COMMITMENT AND SENSE OF URGENCY FROM INDUSTRY PARTICIPANTS

- Expertise of the Manager on responsible investing

HEIGHTENED AWARENESS SURROUNDING SOCIAL ISSUES

- Diversity, Equity & Inclusion
- Health & Wellness

HEIGHTENED FOCUS ON DECARBONIZATION – “NET ZERO ENERGY” AND “ZERO EMISSIONS”

- Commitment to set and meet goals (2050)
- Includes bringing tenants along the journey

POLLING QUESTION:
**AS INVESTORS, WOULD YOU BE WILLING TO ACCEPT
LOWER RETURNS FOR HIGHER ESG RESULTS?**

Applying ESG+R to Real Estate

ENVIRONMENTAL

- Reduce Portfolio energy, water & waste – reduces operational costs
- Implement “easy win” initiatives with concrete return-on-cost
 - LED lights
 - Auto controls and sensors
 - Retrofit to low flow plumbing
 - Install solar panels

SOCIAL

- Create healthy environments for employees and tenants
- Diversity, Equity & Inclusion
 - Training to increase awareness
 - Set meaningful goals and measurable results
- Employee, property and community engagement
 - Encourage community outreach and volunteerism to support the UN’s SDG’s
 - Support and encourage vendor responsibility

Applying ESG+R to Real Estate

GOVERNANCE

- Compliance with local ESG+R related laws
- Enhance ESG+R disclosure in internal and client materials
- Improve service providers adherence to ESG+R best practices

RESILIENCY

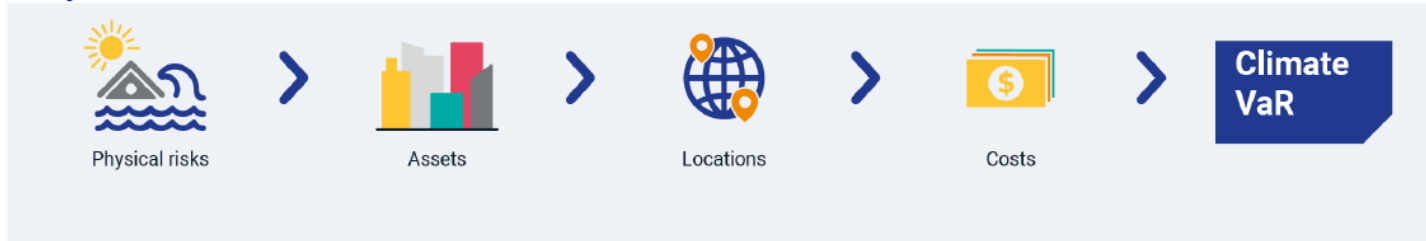
- Climate Risk Assessment Tool
 - Quantify physical and transition risk
- Incorporate climate risk analytics during due diligence and throughout hold period in investment papers

Modeling Process

Transition Risks



Physical Risks



Climate Value-at-Risk Pillars

Transition & Policy Risks

Transition

- 1.5°C-Scenario
- 2.0°C-Scenario
- 3.0°C-Scenario / NDC*

Physical Risks & Opportunities

Physical

- Average RCP** 8.5
- Worst Case RCP** 8.5
- Extreme Heat
- Extreme Cold
- Coastal Flooding
- Fluvial Flooding
- Tropical Cyclones
- Wildfires (2021)

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Aggregated
Climate VaR



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