

SUSTAINABILITY-RELATED DISCLOSURES

THREADNEEDLE PROPERTY UNIT TRUST

SUMMARY

The disclosures set out below relate to the Sustainable Financial Disclosure Regulation (“**SFDR**”), a European regulation that applies to alternative investment Fund managers and the alternative investment Funds (“**AIF**”) that they manage and/or market into the EU in accordance with the Alternative Investment Fund Managers Directive. Threadneedle Property Unit Trust (the “**Fund**”) is not an EU-AIF and to the extent that it is not marketed into the EU, it does not fall within the scope of the SFDR. However, the Fund is the fund to the Threadneedle Property Unit Trust Luxembourg Feeder SA SICAV-SIF (“**TPUT Feeder**”) which was established for the sole purpose of allowing investors to invest indirectly in the Fund. The TPUT Feeder falls within the scope of the SFDR as it is domiciled in Luxembourg and is therefore an EU AIF. As a result of the structure between the Fund and TPUT Feeder, and in order to facilitate any future marketing into the EU, Threadneedle Portfolio Services Limited as Investment Advisor (the “**Investment Advisor**”) has sought to align the Fund with certain best practices and key aspects of the SFDR. The Fund has therefore made certain website disclosures regarding its investment strategy, methodology and the promotion of certain environmental characteristics, in compliance with Article 10 of the SFDR.

The Fund promotes Environmental Characteristics (defined in section [3] below), but does not have as its objective sustainable investment. The Environmental Characteristics of the Fund have been selected by the Investment Advisor for the purpose of achieving Net Zero operational carbon emissions from the Fund’s property portfolio by 2040 or sooner. In accordance with the Fund’s Responsible Investment Approach, the Investment Advisor has adopted the systematic and explicit inclusion of specific Environmental Characteristics into the investment decision-making process. A reference benchmark has not been designated for the purpose of attaining the Environmental Characteristics promoted by the Fund.

The Fund’s investment strategy is focused on delivering improvements to the environmental performance potential and reduction of the energy use and carbon intensity of its assets. To deliver these outcomes, the Investment Advisor adopts a longstanding consistent investment approach. Specifically, its active management bias, enshrined within its Responsible Investment Policy Statement and Refurbishment Guide (both of which are available on request), seeks to deliver positive environmental outcomes alongside financial performance, while its traditional focus on smaller lot sizes ensures a high degree of asset diversification which achieves these outcomes throughout the United Kingdom.

The Investment Advisor uses certain Sustainability Indicators (defined in section [6] below) in order to measure the attainment of the Environmental Characteristics that the Fund promotes. The Investment Advisor uses its own internal processes to calculate its investments’ performance against the Sustainability Indicators, and these figures are determined on a best estimates basis. While estimation can lead to a risk of inaccuracy, the Investment Advisor employs the best practices in relation to the recording of its Sustainability Indicators

The Fund's investment strategy seeks to deliver the Environmental Characteristics through active asset management. As such, the Investment Advisor will assess each asset individually to determine where there is potential to achieve the Environmental Characteristics, rather than selecting investments that already demonstrate these at the pre-investment stage. Performance will therefore be measured by improvement against the Sustainability Indicators referred to above, and which are reported annually.

To deliver its investment strategy, the Investment Advisor operates a Responsible Investment Policy and Refreshment Guide (both available on request), which commits to best practice in the following core areas across real estate operations:

- **Property Investment** – when assessing any new property investment, the Investment Advisor's standard due diligence protocol requires all buildings to be comprehensively surveyed from a structural, mechanical and environmental perspective prior to purchase. Consideration is given to a wide range of factors including energy performance (Energy or Sustainability audits) / minimum energy standards, environmental risks / impact (including flood risk), and areas for potential improvement in terms of sustainability performance. The contents of each report inform the financial modelling undertaken on the property (as appropriate) and form part of the property risk matrix which is handed over to the property management team on completion of each acquisition.
- **Asset Management** – when developing and implementing building specific asset management strategies, the Investment Advisor's activities should promote environmental, sustainability and health and wellbeing best practices, and energy, water and waste efficiencies. Building strategies should encourage both occupier engagement and community engagement opportunities, where appropriate, and introduce data sharing and co-operation clauses into new leases, to enable the monitoring of operational energy, water and waste consumption, again where appropriate. Consideration must be given to the cost and timing of undertaking any physical improvements to buildings at lease events, where financially viable to do so.
- **Refurbishment** – The Investment Advisor's Refurbishment Guide promotes the use of high sustainability standards within any new refurbishment, subject to balancing the specification of works against the return on capital invested. The Refurbishment Guide is provided to project managers and contractors as part of a project brief to minimise environmental and social impacts on site and to maximise the creation of economic opportunities in the local community, where applicable. All construction projects incorporate a set of minimum requirements relating to environmental management, building quality and flexibility, health and well-being, energy efficiency, transport, water, building materials, waste management, ecology and pollution. In addition, all major projects should incorporate the additional requirements set out in the Refurbishment Guide, as long as it is economically viable to do so.
- **Property Management** – the Investment Advisor supports its external managing agents in delivering against property manager key performance indicators which include carbon emissions reductions, energy and water usage improvement, prevention of pollution and/or minimisation of waste. These KPIs are used to actively manage and continually improve the environmental impact of buildings, whilst maintaining tenant satisfaction.

- **Health and Safety, Risk and Governance** – The Investment Advisor ensures health and safety risks for all properties are correctly identified and managed. In order to meet the Fund’s responsibilities and protect the wider community, inspections are conducted regularly and oversight is ensured through monthly reporting, meetings with the agents and independent annual audits. The Investment Advisor manages compliance with the Corporate Responsibility policy (which addresses diversity, Inclusion and the Modern Slavery Act), and the Anti-Bribery and Corruption policy. In addition, to identify and monitor climate change risks, the Investment Advisor works with insurers to obtain enhanced flood data on every asset and obtaining a flood risk rating, which is reviewed on an annual basis in order to monitor any change.

NO SUSTAINABLE INVESTMENT OBJECTIVE

The Fund promotes Environmental Characteristics (as defined in section 0 below), but does not have as its objective sustainable investment.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The Fund promotes environmental characteristics through asset selection and active asset management in order to support the creation of sustainable property assets that are environmentally optimised. In particular, the Fund has and will continue to:

- improve the environmental performance potential of its property assets, and
- lower the energy use and carbon intensity of its property assets,

in order to achieve Net Zero operational carbon emissions from its property portfolio by 2040 or sooner (the “**Environmental Characteristics**”).

In order to deliver these Environmental Characteristics, the Investment Advisor adheres to CTI’s Responsible Investment Policy Statement and Refurbishment Guide. This ensures that the relevant assets are transitioned during the property hold period.

In accordance with the Fund’s Responsible Investment Approach, the Investment Advisor has adopted the systematic and explicit inclusion of specific Environmental Characteristics into the investment decision-making process.

The Investment Advisor has and will continue to minimise any adverse sustainability impacts whilst promoting and encouraging sustainable development and operations in partnership with connected stakeholders, such as developers, operational partners and occupiers.

A reference benchmark has not been designated for the purpose of attaining the Environmental Characteristics promoted by the Fund.

INVESTMENT STRATEGY

The Manager will adopt an investment strategy which includes achievement of positive environmental outcomes that are consistent with the Environmental Characteristics that the Fund promotes. This is in accordance with CTI's Responsible Investment Approach.

With regard to the Environmental Characteristics, outcomes are measured with reference to climate impact. Therefore, the Fund's investment strategy is focused on delivering improvements to the environmental performance potential and reduction of the energy use and carbon intensity of its assets.

To deliver these outcomes, the Investment Advisor adopts a longstanding consistent investment approach. Specifically, its active management bias, seeks to deliver positive environmental outcomes alongside financial performance, while its traditional focus on smaller lot sizes ensures a high degree of asset diversification which achieves these outcomes throughout the United Kingdom.

While social outcomes form part of the Responsible Investment Approach and Refurbishment Guide, they are not systematically incorporated into the investment decision making process of the Fund. Instead, the Fund seeks to deliver positive social outcomes, measured with reference to the qualitative impact of investment, refurbishment and property management initiatives as part of the active asset management phase. The Fund aims to record the social value of these initiatives at asset level.

As the Fund invests into real estate assets, the assessment of good governance practices in relation to investee companies is not directly applicable.

PROPORTION OF INVESTMENTS

The Fund promotes the Environmental Characteristics, but will not make any sustainable investments.

The Investment Advisor typically operates a cash liquidity corridor between 3% and 10% and therefore the Fund is typically invested 90% and 97% directly in property assets, 100% of which contribute to attaining the Fund's Environmental Characteristics.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Investment Advisor uses the following sustainability key performance indicators to measure the attainment of the Environmental Characteristics that the Fund promotes:

- Environmental Performance Certificates (EPCs);
- energy consumption / intensity; and
- GHG emissions / carbon footprint,
(the "**Sustainability Indicators**").

While not a formal indicator, the Fund has participated in Global Real Estate Sustainability Benchmark (GRESB) on an annual basis since 2011. GRESB's annual Real Estate Assessment assesses scores and ranks each fund against a comprehensive set of criteria, including environmental, social and governance criteria in comparison to other funds and assets in the peer group and the wider GRESB Real Estate universe. The GRESB assessment covers the key ESG considerations relative to the real estate industry and is well aligned to the principal adverse sustainability impacts under the SFDR.

The Sustainability Indicators will be applied and monitored at a whole building level irrespective of the specific circumstances surrounding operational control at individual property assets. The Investment Advisor monitors portfolio distribution to different energy performance certificate ratings at demise level and by floor area and rental value. In respect of energy consumption, where data is not collected directly by the Fund, explicit and systematic requests to building occupiers are made for obtaining energy consumption data over the course of the lifecycle of the asset, but where such data is not made available reference will be made to proxy benchmarks. In respect of carbon footprint, GHG emissions will be determined and reported both at an absolute level and on a like-for-like basis to recognise the fluid nature of property investment and trading activities. Scope 3 emissions generated by building occupiers may need to be estimated in the absence of underlying data being provided. Emissions will also be presented as intensities using floor area as the denominator to allow for deeper comparison particularly between different property sectors.

METHODOLOGIES FOR ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

As set out in the section above, the Investment Advisor uses the Sustainability Indicators to measure the attainment of the Environmental Characteristics.

DATA SOURCES AND PROCESSING

Data relating to the Sustainability Indicators is sourced from a number of resources, as applicable to the nature of the data. For example, Energy Performance Certificates are provided by independent, qualified assessors and are logged publicly as well as on the Investment Advisor's internal database (the latter used for reporting). Energy consumption data is gathered from a variety of sources as applicable to the property (e.g. smart meters, data collection, tenant engagement) and aggregated and reported by the Investment Advisor's environmental consultant. GHG emissions are calculated mathematically and reported by the Investment Advisor's environmental consultant, based on the energy consumption data.

LIMITATION TO METHODOLOGIES AND DATA

The Investment Advisor uses its own internal processes, and those of its environmental consultant, to calculate performance against the Sustainability Indicators, and these figures are determined on a best estimates basis where actual data is unavailable (as set out above, for example in the case of data being controlled by occupiers). While estimation can lead to a risk of inaccuracy, the Investment Advisor employs the best practices in relation to the recording of its Sustainability Indicators.

DUE DILIGENCE

The Fund's investment strategy seeks to deliver the Environmental Characteristics through active asset management. As such, the Investment Advisor will assess each potential investment individually to determine where there is potential to achieve the Environmental Characteristics, rather than selecting investments that already demonstrate these at the pre-investment stage.

Performance will therefore be measured by improvement against the Sustainability Indicators referred to above, and which are reported annually.

Notwithstanding the above, with specific regard to Property Investment, when assessing any new property investment on behalf of the Fund, the Investment Advisor's standard due diligence protocol requires all buildings to be comprehensively surveyed from a structural, mechanical and environmental perspective prior to purchase. Consideration is given to a wide range of factors including:

- energy performance (energy or sustainability audits) and minimum energy standards;
- environmental risks (including flood risk); and
- areas for potential improvement in terms of sustainability performance.

The contents of each report inform the financial modelling undertaken on the property (as appropriate) and form part of the property risk matrix which is handed over to the property management team on completion of each acquisition.

ENGAGEMENT POLICIES

As the Fund invests into real estate assets rather than investee companies, engagement is not directly applicable and therefore does not form part of the Fund's formal investment strategy.

However, when developing and implementing building specific asset management strategies, the Investment Advisor ensures its activities will promote environmental, sustainability and health and wellbeing best practices, and energy, water and waste efficiencies. Building strategies should encourage both occupier engagement and community engagement opportunities, where appropriate, and introduce data sharing and co-operation clauses into new leases, to enable the monitoring of operational energy, water and waste consumption, again where appropriate.

DESIGNATED REFERENCE BENCHMARK

No reference benchmark has been designated for the purpose of meeting the environmental or social characteristics promoted by the financial product.