

**yoo** CAPITAL

Astarte PLATFORM MEMBER

Environmental, Social, and Governance Policy 2024



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## INTRODUCTION

At Yoo Capital Investment Management LLP (Yoo Capital) we focus on developing transformative real estate projects that contribute to society and for which we can create additional value. We recognise our responsibility to develop and manage our real estate developments in alignment with environmental best practice, providing social benefits and integrating this within our overarching framework of strong corporate governance.

As a firm, we take a proactive approach and apply sound practices across environmental, social and governance (ESG) matters throughout the investment cycle of our real estate investments. We recognise our fiduciary duty to achieve the best returns for our investors within acceptable risk parameters and that wider societal and community benefits are a core part of our approach. We strongly value our visionary community-building and responsible transformation approach, and the ESG outcomes are strongly linked to value creation and stronger returns for clients and other key stakeholders.

While we are making great progress in our ESG efforts, we acknowledge that there is always more to be done. We continuously work to improve and evolve our ESG approach, responding to innovation developments within the industry, the latest ESG guidance, and the changing needs of our stakeholders.

This Policy outlines the key areas of focus for Yoo Capital, and this is also published in alignment with our **Inaugural Annual ESG Report**, which highlights our progress to date against key benchmarks and frameworks, the KPIs we use to track this, and our aims and ambitions moving forward. The report also highlights the results from our double materiality assessment in line with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). The results help us identify the key ESG priorities of our stakeholders, enabling us to align our evolving strategy with these areas as well as market innovation and best practices in the industry.

Further implementation of this policy and the double materiality matrix has key benefits for our clients, future tenants, and other stakeholders including:

- Effective management of risks and opportunities.
- Driving innovative performance through longevity, efficiency, and quality.
- Futureproofing of our spaces against up-and-coming regulations across our portfolio.
- Identifying and implementing the key ESG priorities into our strategy,
- Increasing stakeholder engagement and understanding.
- Identifying new strategic pillars aligned with the ethos of our business and our stakeholder expectations.

In summary, Yoo Capital's unique ESG and social-value-first approach creates investment value through stable income growth, greater tenant retention, and a more attractive investment profile to major investors seeking longevity, stability, and sustainability.

## Commitment

At Yoo Capital we are committed to responsible investment and encouraging the highest standards of business conduct and ESG management at firm, fund, and asset levels.

We recognise that our investments, through their socioeconomic and environmental functions, can contribute to the global sustainable development agenda as set out by the United Nations' Sustainable Development Goals (SDGs). Yoo Capital is committed to aligning its portfolio activities and key performance indicators (KPIs) with the SDGs as a well-established framework that indicates positive outcomes of our investments.



Yoo Capital is committed to creating spaces that promote physical and mental health and well-being, as well as encouraging social interaction and creating inclusive communities. All developments target WELL Building Standard certification and two of our key projects already have Precertification status. One of our projects has a wider strategy in place, aligning with healthy development principles.



Yoo Capital is committed to ensuring all contractors have water management plans or policies in place to ensure responsible usage, treatment, and disposal throughout the construction of the development. We are also committed to encouraging sustainable water use in their operation.



Yoo Capital is committed to developing multi-dimensional community hubs that create socioeconomic benefits for the surrounding community. Further, during the development phase, policies are in place to ensure decent opportunities, work, and pay for any labour force obtained. We are also committed to investing in our staff at Yoo Capital and are increasing our training and development opportunities alongside other benefits.



Yoo Capital is committed to delivering developments that integrate inclusive designs that are non-discriminatory, safe, and resilient, and that generate socioeconomic and environmental benefits. Our focus on social value feeds heavily into all our projects throughout the lifecycle of the investments and we recently committed to aligning with place-based impact investing (PBII).



Yoo Capital is committed to targeting BREEAM certification, and sustainable and responsible procurement of all suppliers and materials used for the development. We are committed to the longevity of our projects, reducing the requirements for the sourcing of replacement and renovation materials.



Yoo Capital is committed to taking climate action through sourcing sustainable and low embodied carbon material, ensuring efficient energy management during construction, and energy efficient building systems on completion. We align ourselves with industry best practice and are members of the UK Green Building Council and follow guidance from organisations such as the London Energy Transformation Initiative.



Yoo Capital is committed to incorporating green areas and plants that promote biodiversity and provide shelter and food for a variety of species, including birds and invertebrates and are also ensuring all developments are in alignment with the latest biodiversity requirements.

## LEADERSHIP AND GOVERNANCE

Our social and environmental commitments are embedded in our structure, allowing us to share knowledge and best practice, and make fast, informed decisions.

At a corporate level, our ESG Committee meets monthly and reports to our Management Committee. The purpose of the ESG Committee is to oversee reporting, manage risk, and review and update corporate policies. The Committee is currently working on our pathway to Net Zero and Task Force on Climate-related Financial Disclosure (TCFD) alignment (soon to be UK Sustainability Disclosure Standards (SDS) alignment).

The committee is made up of the Managing Director, Managing Partner, Director of Communications and Social Impact, and at least one further member of both the investment and development teams.

### Employees

Our team is embedded in our ESG strategy. On joining the company, all staff receive ESG training. Each job description includes an ESG requirement that appraisals are linked to ESG goals and further training is offered. Yoo Capital's employees are also encouraged to participate in stewardship activities.

ESG is built into every job description and every team member plays an active role in delivering our ESG commitments. We offer tailored training and hold monthly all-company ESG meetings, inviting experts and industry leaders to share the latest updates and insights. We have a culture of difference and our ESG commitments are reflected in the way that we run our business, as well as through the work that we do. We recognise that firms that support the health and wellbeing of their employees have happier teams, are better at retaining staff and report higher returns on investment. We have created robust policies to ensure that our team has the support to thrive.

We support and encourage diversity and inclusion at Yoo Capital through our recruitment practices, internal training, and partnerships with external organisations.

Our **Annual ESG Report** highlights KPIs we have put together to measure and enhance employee satisfaction as well as provide more training and development opportunities. See the report for more information. It also highlights our approach to Governance level accountability to make sure implementation of these is managed effectively and promptly.

In addition to this ESG policy, our company handbook also covers a wide range of topics including a health & safety policy (with details on mental health), a modern slavery policy, a data protection & cybersecurity policy, an anti-bribery policy, and a diversity and inclusion policy. These policies, in alignment with this ESG policy, will be reviewed and updated on an annual basis.

## **Contractors and Suppliers**

Yoo Capital recognises the important role our contractors and suppliers play with regards to the impact and performance of our developments. Therefore, we have established governance processes through our Procurement Policy that ensure environmental and social performance is reviewed at the proposal and appointment of contractors and suppliers. Key expectations include:

- Environmental commitments and policies
- Sustainable and responsible procurement of supplies and materials
- Health and safety procedures for workers
- Ethical procurement of labour (including anti-slavery and fair living wage)

These expectations apply to all contractors, sub-contractors, and suppliers appointed. We further expect continuous delivery against Yoo Capital ESG principles throughout the length of the projects, which will be governed through specific ESG deliverables or key performance indicators. Please refer to our **Annual ESG Report** for details on our plans to strengthen ESG in the procurement process.

## **Tenants, local businesses, and users**

Our future tenants and users play a central role in the deliverance of environmental performance across our assets. Yoo Capital ensures that future tenants share our core values and commitment to being a responsible and active neighbour. We understand that many of our future occupiers have ambitious ESG and net-zero targets of their own and expect assets they lease to align with and support these ambitions. A commitment to upholding certain standards is included in leases and community engagement is and always has been core to what we do. We believe that good engagement creates better, more authentic places that in turn deliver stronger returns for our investors and create more liveable areas. Our community engagement strategies have been formulated in line with best practice guidance from industry bodies and combined with our on-the-ground experience.



## BENCHMARKS, STANDARDS AND DISCLOSURES

We recognise the importance of transparent ESG reporting and are proud to align our operations with globally accepted benchmarks, standards, and frameworks. Reporting these transparently is a fundamental part of Yoo Capital's ESG strategy and key to our stakeholders' priorities as outlined in the double materiality assessment which can be found in our **Annual ESG Report**.

Benchmarking also allows comparison and ESG performance to be tracked internally and externally which supports measurement of progress and performance year on year. See our **Annual ESG Report** for our YoY results. Benchmarks we have committed to include the Global Real Estate Sustainability Benchmark (GRESB) and the Principles for Responsible Investment (PRI). We have submitted to GRESB every year since 2022 for YCFII and are signatories to PRI, submitting for the second year in 2024.

In addition to the benchmarks and standards below, Yoo Capital also produces a quarterly report to investors that includes key information on ESG both at the fund and asset level and an annual report examining its ESG performance in detail.

### **Principles for Responsible Investment (PRI)**

Yoo Capital became a signatory to the PRI in February 2020. We recognise the importance of ESG in making investment decisions, particularly through our investment due diligence process. Incorporating ESG into our investment practices also positively influences our ability to attract and retain tenants, garner government and local government support, obtain more competitive bank finance, and improve valuations upon exit.

We commit to the PRI's six Principles:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the principles within the investment Industry.
- We will work together to enhance our effectiveness in implementing the principles.
- We will each report on our activities and progress towards implementing the principles.

### **The Global Real Estate Sustainability Benchmark (GRESB)**

GRESB provides a benchmark assessment that is used by investors to understand and compare the effective responsible management of real estate assets in the development and management phase of real estate projects across the investment portfolios. GRESB assesses several key aspects of ESG, scoring each fund's response in the submissions process and providing a score of the fund's overall approach to ESG.

YCFII's aim of submitting to GRESB is to drive ESG performance across Yoo Capital's fund and assist in developing our approach to ESG through benchmarking annually. It will also allow Yoo Capital to compare ESG performance of the fund against key peers, driving performance and innovation.

Submission to ESG benchmarks and frameworks are reviewed on an annual basis as best practice within the industry evolves.

### **The Paris Agreement on Climate Change and the Taskforce for Climate-related Financial Disclosures (TCFD)**

The TCFD recommendations support companies to articulate how climate-related risks and opportunities impact their business models and activities. This requires companies such as Yoo Capital to effectively identify, monitor, and respond to these risks across the development and asset lifecycle whilst also identifying climate-related opportunities. As a real estate investment manager, Yoo Capital is committed, through its investments and own operations, to play its role aligning to the goals set out in the 2015 Paris Agreement on climate change. Yoo Capital recognises the importance of transparency to enhance understanding of climate risks and opportunities and once the UK SDS regulation<sup>1</sup> has been published by the UK Government will publicly communicate progress through a separate report. The **Annual ESG Report** gives key information on the progress made to date.

### **Pathway to Net Zero in line with our carefully selected standard (SBTi)**

Yoo Capital has already calculated the emissions from our Scope 1, 2 and 3 carbon emissions (excluding GHG Protocol Category 15 Investments). Yoo Capital are committed to calculating embodied carbon and operational carbon from our projects, enabling us to have a full baseline to set our pathway to net zero and align with the most appropriate industry standard. Please see our **Annual ESG Report** for more details. Yoo Capital understands the importance of this so that we can reduce and track our carbon emission reductions, have a plan for energy efficiency, futureproof our firm and assets, drive innovation and resilience, and finally uphold our social responsibility, assisting our tenants and wider stakeholders to meet their carbon reduction targets.

### **Health & Wellbeing: The WELL Building Standard & Alignment**

Health & Wellbeing feeds into a few of our core pillars and wider ESG strategy, applying to our staff, contractors, designers, and people living and working in the communities in which we operate. We have developed a strategy in partnership with health and wellbeing experts Ekkist that recognises the importance of this and aligns with our social value commitments to look at this from day one for our projects and for our staff.

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<sup>1</sup> The UK SDS guidance is expected to be published in Q1 2025 and to follow guidelines set by ISSB S2 (which has taken over from the Taskforce for Climate-related Financial Disclosures (TCFD)).



We understand how this approach, integrated with wider decarbonisation and sustainability targets, creates a lasting positive impact on the places and communities in which we operate and encourages the movement of occupants and communities alike to embrace their spaces and want to use it.

We hold our buildings to a high standard and are proud to have received WELL certifications for multiple developments. Our Olympia and Shepherd's Bush Market offices both achieved WELL Precertification in 2024, and we intend for our Shepherd's Bush Market offices to achieve WELL Gold or Platinum certification upon completion. We also have a wider SBM Health and well-being strategy in place, ensuring a comprehensive approach to healthy development principles, ranging from pollution-capturing plant species to high-quality play and public realm areas, public toilets, and drinking water provision, as well as an on-site defibrillator. Please refer to our **Annual ESG Report** for further details through our case studies and KPIs.

Yoo Capital looks at health and wellbeing in several areas, including how it can be achieved, and methods for measuring success. These include our people, movement and animation, restorative places, nourishing communities, comfort and productivity, nature and biophilic design, social connectivity and community, toxicity management in the environment, site management in the environment, and aligning with global standards and reporting.

### **BREEAM<sup>2</sup> New Construction**

All our developments are accredited by BREEAM which is the leading environmental assessment method for UK non-residential buildings. BREEAM sets the standard for best practice design and encourages and certifies the incorporation of positive environmental practices within the building design and construction stages. We are targeting BREEAM Excellent for all our projects in YCFII to show the strong ESG performance of our projects and follow a clear methodology to monitor and measure our progress at construction and project level. Please see our **Annual ESG Report** for more information on our progress to date and our KPIs.

We also look at certifications such as AirScore, WiredScore and Nabers and align ourselves with industry best practice. We are members of the UK Green Building Council and follow guidance from organisations such as the London Energy Transformation Initiative.

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<sup>2</sup> Building Research Establishment Environmental Assessment Methodology

## RESPONSIBLE INVESTMENT

Yoo Capital looks at ESG from day one, with our unique focus on social value, public sector engagement and longevity of our projects. Our plans incorporate affordable housing, real communities, safer environments, sustainable construction, and charitable and public benefits to create, maximise and drive value from real estate development. This value creates stable income growth, greater tenant retention, and a more attractive investment profile for our current and prospective investors, especially for those seeking longevity, sustainability, and stability. Our progress in our GRESB submissions is a testament to the advancements we have made over the last few years.

### Deal Flow Stage - Initial Screening and Due Diligence

Impact is a dominant investment criterion for Yoo Capital. Because we typically invest in transformative real estate, selecting the right projects is critical.

During the deal assessment process, we actively seek to identify investment opportunities that have the potential for positive social value, as well as pre-screening for ESG-related externalities. We believe that the transformational power of generating positive social value represents the greatest opportunity to add value through investment. Our approach is to look at existing sites, rethink previous plans and then transform the site to create positive social value and longevity.

To aid our investment managers in the selection process, we use the **place-based impact investing (PBII) framework** to identify and value, collect data, and drive accountability. The framework helps us to select those rare opportunities with exceptional impact potential. Together with an ESG checklist containing exclusion requirements, investment managers are well positioned to make informed investment decisions. During Due Diligence, the investment teams rate opportunities based on the four social value criteria: community, partnering potential, affordability, and transformation potential. Results are reported to the Investment Committee before an investment decision is made.

We firmly believe that certain investments do not align with our nature and philosophy of business. We consider these areas as non-investable and will not seek to raise capital or engage in business opportunities in these areas. We follow a list of attributes that would classify an investment opportunity as non-investable. Strict exclusions include forced labour, slavery and prostitution, war and terrorism, money laundering, and nuclear activities.

Yoo Capital's acquisition due diligence will include a detailed technical evaluation that encompasses issues such as the presence or otherwise of contamination, and harmful building materials and a review of building quality concerns that may impact occupants or visitors. We also investigate all the material ESG issues that you would expect, to ensure any risks and mitigation strategies are identified. We aim to do this in line with GRESB and the PRI Reporting Framework questions and topics.

### Value Creation Stage

During the investment holding and development period, Yoo Capital will take the initiative to support and educate investment partners on sustainability issues and will work actively with its

financial and advisory partners to develop and implement measurable sustainable and social asset management initiatives. At this stage, the firm-level KPIs and improvement targets will be implemented at fund and asset level. Due to their quantitative nature, this can be tracked on an ongoing basis to assess performance and progress. Yoo Capital is working with external consultants to ensure this process runs smoothly and that outcomes are linked to the investment and investors' reporting requirements.

Yoo Capital will use capital expenditure programs to monitor and evaluate the possibility of improving the sustainability levels of the asset. If a green improvement project is determined to be unfeasible (e.g., uneconomic, pay-back period too long, not approved by investors), this will be documented.

At Yoo Capital we understand the intrinsic connection between ESG and Value Creation and maximise this through quality design and construction, ensuring the longevity of our assets and having a social value-first approach to foster community through public spaces, events, local partnerships to name a few. We also invest in several other approaches such as amenity enhancement, heritage, ESG certifications and effective risk and opportunity identification.

### **Project Realisation**

Although Yoo Capital does not currently have investments at the exit phase this is still something we take into consideration. At this phase, Yoo Capital will produce ESG impact assessments, report to investors, and have an internal close-out process including a process to document ESG lessons learnt. Finally, Yoo Capital is committed to aligning our ESG commitments with the Royal Institute of British Architects (RIBA) Plan of Work. This framework organises the process of briefing, designing, delivering, operating, and using a building into eight stages. It is a framework relevant for all disciplines on construction projects and Yoo Capital is using its stages to integrate ESG alignment across these stages.

## SOCIAL VALUE

Social value is at the forefront of our investment decisions. From our guiding vision to our daily operations, communities are at the heart of everything we do, and we create our investment thesis around the social value our projects will generate.

We follow a place-based impact investment (PBII) framework to guide our approach to social value. PBII takes a holistic view of communities, considering the impact of physical and non-physical factors that affect social and environmental matters.

Our PBII approach aligns with the core tenets of the IFC’s Operating Principles for Impact Management. Guided by these principles and our commitment to PBII, we follow a fund- and asset-level strategy that considers the intent of an investment, the contributions an investment will deliver to communities and investors, and measurements that evaluate our impact for transparency and accountability. We apply this framework to all business activities and go beyond compliance to actively seek additionality, which is the delivery of social value outcomes above what would have been achieved by purely financial incentives.

Stakeholder engagement is and has always been core to our activities. Our engagement strategy is highlighted in Table 1. Phases of engagement are adapted and tailored for individual projects; we focus on enhancing social value for our employees, our supply chain partners, our tenants, and our communities.

Table 1: Social value phases of engagement

	<b>Phase 1: Investment</b>	<b>Phase 2: Planning</b>	<b>Phase 3: Design</b>	<b>Phase 4: Construction</b>	<b>Phase 5: Operation</b>
<b>Phase description</b>	Due diligence and early appraisals pre-acquisition	Site acquired and core project team appointed	Project team evolving designs during pre-application process	Planning permission secured and project under development	Building tenanted and operated
<b>Phase of engagement</b>	Stakeholder research & due diligence. Initial social value analysis to assess opportunity for additionality	Begin stakeholder engagement to gain insight and understanding and identify potential social value additionality	Involve stakeholders on the design of the scheme	Continued engagement with stakeholders in line with Considerate Constructors Scheme. Delivery of social value through job creation	Tenant social value scheme and satisfaction monitoring in place

We believe PBII yields happier, more prosperous communities, as well as a greater return on investment for our business partners and investors. Furthermore, we believe environmental and social goals are often mutually beneficial; a focus on one can frequently benefit the other. PBII schemes can be complicated, involving multiple stakeholders, and require lengthy planning processes, and so investors need to hold a long-term view. Nevertheless, we believe the PBII investment strategy creates assets that are both defensive and capable of delivering enhanced long-term risk adjusted returns, whilst making a real positive difference to communities.

## OUR ESG PILLARS

**Our ESG Policy is comprised of four pillars that underpin our approach to ESG internally and across the portfolio. These have been updated based on developments in the industry and our business values, including listening to our key stakeholders through our double materiality assessment.**

### **Pillar 1: 'Empower authentic local communities'**

This first pillar is core to Yoo Capital's unique approach and emphasises our commitment to social value and impact. We incorporate this from the outset of our real estate development planning process to truly understand the local communities in which we work. Yoo Capital is passionate about fostering London's culture and to do this we need to understand the heritage and values of the areas in which we operate. We strive to be active neighbours, and we believe that good engagement creates better, more authentic places that in turn deliver stronger returns for our investors and create more liveable areas. Core to our strategy is that affordable housing, real communities, safer environments, and working with charitable and public benefit groups all create true intrinsic value in the fabric of our real estate.

This aligns with Yoo Capital's recognition of social value as its highest material topic in our double materiality assessment. Our social value and impact approach aligns with all regulations and industry standards, with a strong focus going forwards on aligning with place-based impact investing (PBII). The incorporation of these standards and our unique approach has enabled us to form a strong social value plan. This plan incorporates health and wellbeing, and we champion this across our YCFII portfolio, having had the pre-accreditation for YCFII already completed and having a wider strategy in place, aligning with healthy development principles.

### **Pillar 2: 'Drive decarbonisation through longevity'**

The second pillar revolves around driving decarbonisation and environmental impact through prioritising longevity, echoing our ethos on building assets with enduring quality. We lead with the knowledge that the construction phase of a building accounts for a significant portion of emissions from the built environment. By constructing buildings to last longer, the frequency of new construction projects can be reduced, thereby decreasing the embodied carbon throughout the whole life cycle of building or urban space. Yoo Capital focuses on developments with longer lifespans that require fewer replacements and renovations, in turn reducing the carbon emissions associated with demolition, disposal, and replacement of building components.

### **Pillar 3: 'Champion accountable governance'**

The third pillar centres on championing accountability through robust governance practices that ensure ESG regulation and compliance, business ethics, and transparency are front of mind at the board level. At a corporate level, our ESG Committee meets monthly and reports to our Management Committee. The purpose of the ESG Committee is to oversee reporting, manage risk, and review and update corporate policies. The Committee is currently working on our pathway to net zero and we also understand the importance of climate-related risks and opportunities being integrated into our pre-existing governance structure. The Investment Committee considers climate-related risks and opportunities at each stage of the investment cycle and provides ultimate sign-off on the investment.

### **Pillar 4: 'Invest in our people'**

Human capital development is fundamental to Yoo Capital's approach to our staff. In line with our project-level longevity goals, we aim to hire individuals with long-term growth potential, and we provide training and development opportunities for our staff. We recognise that firms that support the health and wellbeing of their employees have happier teams, are better at retaining staff and report higher returns on investment. We have created robust policies to ensure that our team has the support to thrive. We also support and encourage diversity and inclusion at Yoo Capital through our recruitment practices, internal training, and partnerships with external organisations. See our Annual ESG Report for further details of what we are planning.