

TPLREIT Fund I

Environmental, Social, and Governance (ESG) Policy

April 2022

Background on TPL REIT

TPL REIT Management Company Limited (“TPL RMC”), a 100% owned subsidiary of TPL Properties Limited (“TPLP”), is capitalizing on the real estate development and management expertise of its parent company and tapping into the gap in Pakistan’s real estate market by launching the first hybrid non-PPP REIT namely TPL REIT Fund I (“TPL REIT”).

TPL REIT will invest in developmental real estate assets, yielding real estate assets and underperforming real estate assets under a special purpose vehicle structure in Pakistan, as per the defined Investment Criteria set out in Section 6.2 of this Information Memorandum. Notably, the investments will be made in Project SPVs, aimed at sustainable assets and achieving best in-class environmental, social and governance standards.

Over the past two decades, Pakistan has witnessed a fast-paced growth in the real estate sector due to a myriad of factors including but not limited to; a burgeoning population, rapid urbanization, favorable government incentives, expansion of business activities as well as a rise in tourism, fueling a phenomenal growth in demand for real estate. However, the growing demand for real estate has been catered to a limited extent, mainly due to issues related to a lack of quality of real estate assets, and inadequate transparency and sustainability measures.

Additionally, Pakistan lags far behind in the development of high-quality real estate assets compared to other countries in the region. The country has an extremely low number of high-grade sustainable properties, which is evident from the fact that only ~8 Mn (Sq. Ft.) of developed space is LEED certified in Pakistan compared to other countries in the region including ~965 Mn (Sq. Ft.) in China, ~232 Mn (Sq. Ft.) in India, 30 Mn (Sq. Ft.) in Thailand and ~43 Mn (Sq. Ft.) in Bangladesh, depicting a significant opportunity for development of sustainable real estate developments in Pakistan.

Noteworthy, limited investment opportunities in the real estate sector of Pakistan via REIT schemes did not exist due to lackluster legislation. However, recent amendments in Pakistan’s REIT Regulations and Government initiatives to uplift the sector (including tax incentives for the construction sector and legislative reforms regulating development companies), have paved the way for developers to expedite development of quality REIT projects by attracting more public and private investments through REIT Schemes, providing a tax efficient, liquid and regularized investment avenue to investors.

TPL RMC, a non-banking finance company, was incorporated in Sindh, Pakistan as a public limited company in 2018 and is licensed as a “REIT Management Company” pursuant to applicable laws. The principal activity of TPL RMC is to carry on all or any business permitted to be carried out by a “REIT Management Company”, including but not limited to providing “REIT Management Services” in accordance with REIT Regulations and other applicable laws.

TPL RMC is led by a robust team of individuals who bring invaluable international and domestic experience with their careers spanning over two decades. The team’s capability to manage TPL REIT is evident from their strong combined expertise in a broad spectrum of services and industries relevant to real estate, including fund management, project management, corporate finance, ESG, and capital markets.

What is ESG?

Environmental, social and governance (ESG) is a term used to describe the overarching areas that characterize a sustainable, responsible, or ethical investment. TPL recognizes that the generation of long-term sustainable returns, is dependent on stable, well-functioning and well governed social, environmental, and economic systems. In this regard, TPL promotes international best practice in the areas of responsible investment and corporate governance.

Purpose of the Policy

This ESG Policy is created in order to provide the philosophy and approach by TPL leadership on matters related to environmental and social impact and the management thereof.

Philosophy

Antiquated ideas of corporate social responsibility suggest that a company will do well, succeed financially and then, give back. These ideas rest upon the notion that giving back and creating positive impact is an afterthought, or a secondary motion to that which derives profit and drives company performance.

Our approach to positive impact is to weave environmental and social performance into the core of our business, so that as the company grows, succeeds, and achieves its commercial targets, so too does it achieve its environmental and social targets. Our view on corporate responsibility is that it must be inextricably bound to the way we run our commercial endeavors. As one prospers, so too does the other.

Sustainable development is core to delivering on our growth objectives. Underpinning our corporate philosophy and growth path is an appreciation that our growth drivers cannot be achieved effectively without a committed focus on sustainable development.

This framework will be a key factor in the investment decision-making process as well as the ongoing management of our real estate projects and investments. Adherence to a tailored ESMS will be a critical factor for investing; and all projects will be required to provide regular and accurate reporting on their compliance.

Introduction

TPL's environmental, social, and governance (ESG) framework encourages transparency and accountability, and the integration of ESG matters in the entire investment process. We look to invest in projects that strike a balance between profits and positive impact, and to actively manage their environmental and social implications while maintaining international benchmark levels of corporate governance standards. As such, ESG factors form an integral part of TPL's investment analysis and decision making.

Our Approach to Sustainability

Our approach to sustainability is governed by a core principle - the integration of environmental, social, and governance considerations into our investment management process. We recognize that effectively addressing issues of sustainability will both protect value and enhance long-term returns for our investors, neighbors, host governments and other stakeholders.

We recognize that resilient, long-term financial value – which is what we, along with our investors and company management, seek to achieve – is achievable not only through financially robust real estate investments, but by investing in projects that create strong environmental resilience to climate change; provide engaging and innovative opportunities for social development and upliftment; and adhere to the highest international standards for governance

Our approach to sustainability is therefore aimed at improving investment results, building for the long-term, enhancing measurement and transparency, and strengthening stakeholder engagement.

Against this backdrop we also recognize that successful companies that display the positive attributes of such an approach to sustainability will become role models capable of catalyzing a generational change and incorporating behavior that yields significant long-term developmental benefits.

Our internal policies and processes are aligned with international standards, including the World Bank Environmental and Social Framework and the UN Sustainable Development Goals. Ongoing assessments and training are undertaken to ensure that our investment teams and project professionals have the necessary capabilities to integrate ESG criteria into project identification,

screening, due diligence, post-development value acceleration and governance, and exit. TPL REIT is responsible for our ESG and sustainability performance.

ESG as a critical part of the investment thesis

TPL has adopted best in class ESG criteria into our project development process - from project identification, screening, due diligence, through delivery of the project to exit. We view the integration of ESG practices into the investment decision making process as integral to managing potential risks and identifying value creation opportunities. In turn, decisions to invest are built on a solid understanding of what to focus on and how to turn a project's ESG challenges and limitations into a successful business.

TPL is committed to a sound environmental and social policy framework. This commitment is central to TPL's Environmental and Social Management System (ESMS), which will provide the framework for social and environmental management. In fulfilling this commitment, we are developing, implementing, and looking to continuously improve our management framework. This will provide our real estate development leaders with the policies, governance structures and reporting systems to manage the risks and opportunities that sustainable development presents.

It is intended that our Advisory Board will receive regular reports on the ESG Policy and ESMS implementation and compliance by TPL as well as its real estate projects.

Principles & Commitments

ESG considerations will filter into project identification, screening, and origination. Once a project has been identified and an investment has been made, TPL will look to apply the principles below to the projects and their operational activities and continue to monitor compliance with this framework and policy guideline, throughout the life of the investment.

In line with these commitments, TPL will endeavor to:

- comply with relevant regulations governing the protection of the environment, labour, occupational health and safety and business practices. We are active investors and incorporate ESG issues into our investment policies and practices;
- strive to adhere to the highest applicable standards of best practice and promote acceptance and implementation of the ESG principles within the Real Estate Investment and Property Management Industry;
- incorporate ESG issues into our investment analysis and decision-making processes and manage ESG risks and opportunities following investment, by seeking appropriate disclosure on ESG issues by the entities in which we invest;
- utilise the services of ESG experts, where appropriate, to assist with educating the team, developing and improving systems to integrate ESG into our investment-making decisions as well as measuring ESG performance over the life of our investments;
- provide for the assignment of and accountability for ESG responsibilities to senior management at project sites, where appropriate;
- advocate for the establishment of appropriate ESG policies and practices for projects and the reporting on ESG matters;
- review the ESG policy and its effectiveness and implementation annually and report on relevant findings and recommendations to the Board;
- distribute TPL's ESG policy, and related material, to the Fund Management team and to the Executive management teams of projects;
- undertake its activities in line with applicable international standards and industry good practice,
- meet the requirements of national legislation;
- foster values-driven ethical behavior and good governance practices, informed by respect for human rights;

- ensure social and environmental impacts are avoided or reduced as far as practical;
- communicate and work closely with projects to ensure their understanding and shared commitment to conformance with this policy;
- implement all reasonable precautions to protect the health and safety of its employees and promote the health and safety of contracted workers.
- In terms of the ESMS framework and aligning with the World Bank Environmental & Social Framework and the Sustainable Development Goals, TPL undertakes to:
 - identify and assess social and environment impacts, both adverse and beneficial, in TPL's area of influence;
 - to avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment;
 - to ensure that affected communities are appropriately engaged on issues that could potentially affect them; and
 - to promote improved social and environment performance of projects through the effective use of management systems

This policy and elements of the ESMS shall be regularly reviewed and updated in order to ensure their continued applicability to the activities of TPL and its real estate projects.

Day-to-day implications

Our approach to Responsible Investment is underpinned by the observance of rigorous ESG guidelines and the implementation of sector leading value creation opportunities. This commitment manifests itself in four ways:

- A determination to improve ESG at management level for all our real estate projects
- The integration of ESG into our investment decisions
- The tracking and monitoring of our performance against four key Sustainable Development Goals (SDGs):
 - Good Health & Well-Being (SDG 3)
 - Clean Water & Sanitation (SDG6)
 - Industry, Innovation & Infrastructure (SDG9)
 - Sustainable Cities & Communities (SDG11)
- The application of the World Bank Environmental and Social Framework during all new projects

With our real estate and property development projects, we build sustainable value creation into the core of their operations.

Measurement and Disclosure

The primary role of managing real estate project's ESG opportunities and risks rests with the management and investment committees. This could include additions or revisions to existing policies, strategies, management systems and ESG disclosures. The committees conduct on-going reviews of the ESG policy and its efficacy and implementation, and report regularly on relevant findings and recommendations to the Board of Directors.

TPL's quarterly and annual reporting commitments will be outlined in the Environmental and Social Management System, as will LP-specific reporting requirements and reporting obligations of projects.