

# Thriving Investments Responsible Value-Driven Investment Policy

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## 1. Introduction

Thriving Investments, formerly known as PfP Capital, is the only FCA-regulated fund manager that is a wholly-owned subsidiary of a not-for-dividend social enterprise. Our parent company, Places for People, is a Regulated Provider of Social Housing and leading UK social enterprise.

We are proud to hold the AREF Quality Mark, an annual validation of our compliance with the Association of Real Estate Fund’s Code of Practice.

The first iteration of this Responsible Investment policy was published on formation of the business in May 2017 with specific intentions around delivering “*asset management for social value*” and strong sustainability credentials. These include four Guiding Principles for the firm’s approach to Responsible Investment and a commitment to develop investment strategies aligned with the UN Sustainable Development Goals (SDGs) striving for ‘*peace and prosperity for people and the planet*’ by 2030.

The core purpose of Thriving Investments and the wider Places for People Group fulfils SDG11 ‘*Sustainable Cities and Communities*’ but Thriving Investments activity contributes to nine of the 17 SDGs. This will be outlined in more detail in our first annual sustainability report (to be published in April 2024) in addition to the transparency reporting through our commitment to the UN Principles of Responsible Investment (UN PRI) since 2019.

This 2024 version of the policy represents a significant update following a comprehensive strategy review by Hillbreak, an ESG specialist advisory firm, commissioned by the Thriving Investments Board and conducted from March – November 2023 amidst intense investor and regulatory focus on specific elements of ESG data collection, reporting and benchmarking.

This strategy review comprised a peer, partner and competitor review, anonymised feedback from interviews with existing investors, a review of potentially relevant certifications and benchmarks, a gap analysis and recommendations for a revised strategy and RI/ESG policy for Thriving Investments.

This policy applies to all of our managed investments. We currently manage three Living strategies, which invest in real estate across the UK including:

- rental homes in suburban locations, often referred to by investors as Build to Rent houses or singlefamily housing. SFH;
- affordable rental homes targeting key workers; and
- urban regeneration projects across the UK delivering mixed-tenure communities including sale, rent and affordable homes.

We recognise that the environmental, social and governance agenda (often referred to as ESG) is evolving rapidly, and our own strategy and capabilities must evolve and advance alongside this. As such, we are committed to further developing this Responsible Investment (RI) Policy and our ESG capabilities and have made various commitments in this respect below.

The Board have chosen to name this document a '*Responsible Value-Driven Investment Policy*' (RVDI) to underline our belief that, beyond it being the right thing to do, there is inherent value in prioritising sustainability, targeting decarbonisation of our investments and delivering positive social impact outcomes for our customers through our investments across the Living sector.

## 2. Policy Objectives

Framed by this context, the objectives of this RVDI Policy are:

- To establish a clear and cogent basis for the application of our Guiding Principles and the integration of relevant ESG considerations into our strategic planning, investment management procedures, investment decisions and the advice we give to clients.
- To consider the material risks taken, and outcomes achieved, on behalf of our investors, including those related to environmental and social issues, and their impact on risk-adjusted returns profile.
- To be transparent and engage proactively with investors and financial stakeholders regarding the environmental and social performance of their investments.
- To instil within the Thriving Investments team a clear understanding of the roles and responsibilities required of them regarding the implementation of our Guiding Principles.
- To make clear our expectations of our partners and supply chain – including property managers, agents and other service providers we appoint – in responding to and ensuring the effective implementation of our RVDI Policy in a collaborative and accountable spirit.
- To continuously assess, monitor and mitigate material ESG risks within our portfolio, whilst also seeking out opportunities to improve sustainability attributes and performance.
- To contribute positively to the responsible, sustainable and impact investment agendas through advocacy, collaboration with our peers, and participation in relevant industry endeavours to drive better investment practices and standards.

Taken together, the pursuit by Thriving Investments and its partners of these objectives supports the overarching aim of supporting capital raising and retention, delivering growth in assets under management and optimising risk-adjusted investment performance for our clients.

We believe that by investing our clients' capital responsibly we can help to protect and enhance asset value and improve long term investment performance. We also believe that our strong focus on investment in, and careful management of, each fund's portfolio leads to the generation of additional

value for our residents, places and neighbourhoods, which ultimately helps us to foster sustainable and thriving communities.

### 3. Guiding Principles

We believe that the investments we manage on behalf of our clients are delivering significant social value and impact for residents and communities. The environmental and social issues that arise from developing and managing residential assets and regeneration projects mean that integration of sustainability and ESG considerations into our investment strategy and process is fundamental.

We are guided by four overarching principles in the delivery of RVDI and the specific management of ESG issues within all of our investment strategies. We use these principles to determine appropriately tailored approaches and objectives for each of the fund strategies we manage and their investment assets. These principles were updated in October 2023 as part of the rebrand of the business from PfP Capital to Thriving Investments and reflect our commitment to embedding RVDI throughout all our investment, development and operational activity.

1. Bringing institutional capital to help tackle the housing crisis

We help address the housing crisis in the UK by enhancing the supply of affordable homes through a mix of tenures in places where it is needed.

2. Developing and nurturing thriving communities

We have an established track record in developing and managing residential property and understand the needs of our residents and other local stakeholders. This helps us to create and steward thriving communities.

3. Supporting the health and wellbeing of residents and communities

We strive to ensure the homes we manage and the services we provide support the health, comfort and financial security of our residents and offer meaningful social impact in the communities in which they live.

4. Protecting the environment and restoring natural capital

We recognise that investment and management decisions can have a significant impact on the environment both locally and globally. We intend to minimise our adverse environmental impacts and, wherever possible, deliver a net positive outcome for the environment.

### 4. Policy Implementation

We are continuing to develop the integration of sustainability and ESG considerations throughout all stages of our investment decision-making process in alignment with the UN Principles for Responsible Investment (UN PRI) to which Thriving Investments has been a signatory since May 2019 and with the wider UK regulatory requirements around responsible investment and reporting.

We are already actively reporting through to our investors under the Taskforce for Climate Related Financial Disclosures (TCFD) framework and preparing for the adoption of UK Sustainable Disclosure Requirements (SDR) labelling regime and anti-greenwashing regulations that come into effect from May 2024 in addition to the Taskforce for Nature Related Financial Disclosures (TNFD) framework.

We recognise that industry frameworks, standards and examples of best practice are constantly evolving. We are committed to keeping our policies, procedures and guidance documents updated and aligning to best practice where possible within our investment mandates.

We note the recent indication by GRESB in November 2023 of its intention to evolve the structure of its Real Estate assessment to better reflect the circumstances of residential investment entities and their portfolios. We will monitor how this progresses and are committed to engaging with the continued development of the GRESB Foundation Roadmap, particularly through our participation in relevant industry bodies including AREF (Association of Real Estate Funds) and BPF (British Property Federation).

We are continually evolving our performance measurement and benchmarking to ensure maximum transparency and disclosure and will be gradually adding further detail on our evolving policies and processes as they are approved and implemented.

The areas in which we are focussing our policy and processes include but are not limited to the following:

- Strategy and capital raising
- Sustainability-linked finance
- Origination, due diligence and acquisition
- Portfolio management, including asset management, lettings renewals and expiries, property management and customer engagement
- Development, refurbishment and retrofitting
- Responsible exit
- Investor reporting at fund and house levels

As action is undertaken in each of these areas there will be clear communication updates to all our people, partners, customers, investors suppliers and key stakeholders with clarity on the standards that Thriving Investments expect to be adhered to, the relevant information to ensure changes can be effectively adopted and adequate training provision for any specialist requirements.

Thriving Investments have the significant benefit of an in-house property management company within the PfP Group – Touchstone are leading property managers who manage the vast majority of our homes across the UK. In addition to offering our investors greater transparency and detailed reporting through the vertical alignment of our investment, asset and property management teams; we are able to leverage the benefit of wider PfP Group policies and customer benefits and appropriately influence Touchstone's operational policies to ensure our RVDI commitments set out in this policy are met.

In April 2024 will produce an annual sustainability Report for 2023 (in addition to contributing to the annual ESG report of our parent company, Places for People), which includes, but is not limited to:

- Qualitative reporting on key achievements related to our four Guiding Principles, supported by appropriate impact metrics;

- Progress reporting against each of our investment strategies reflecting the nuances of building typologies and tenures; and
- Where not commercially sensitive, reporting against the suite of sustainability metrics used for management information and investor reporting.

## 5. Leadership and Governance

### **Investment Oversight**

ESG decision-making and accountability at the overall platform level sit ultimately with the Board and, by delegated authority of the Board, to the Chief Executive Officer. These responsibilities include setting the ESG Strategy for Thriving Investments, overseeing the development and implementation of investment processes and corporate activities for the purpose of integrating ESG considerations into, and outcomes from, our work.

The Chief Executive Officer is responsible for leading the organisation in accordance with its vision and is accountable to our stakeholders for our delivery of social value and impact through high-quality affordable housing and urban regeneration.

Our Board includes Non-Executive Directors with a significant collective breadth of ESG and sustainable built environment expertise and experience as well as deep expertise around capital markets and real estate investment.

The Board receives specialist advice on ESG matters from an internationally-recognised placemaking expert who serves as Placemaking & Investment Director within the Investment team. We additionally seek advice from specialist external ESG advisers where appropriate.

### **Investment and Sustainability Committee**

The integration of ESG considerations into our investment process as set out in this Policy is supported by the development of our Investment Committee into our newly framed Investment and Sustainability Committee, approved by the Board on 23<sup>rd</sup> November 2023.

Our Investment and Sustainability Committee is the body responsible for approving investment decisions having followed discretionary fund guidance and met the relevant investment criteria as well as the UN Principles of Responsible Investment.

We have purposefully combined the typical functions of investment and sustainability committees into one decision-making body to reflect the importance we attach to making sure that all investment decisions we take [and recommendations we make to investors] have ESG considerations integrated fully.

The Investment and Sustainability Committee is chaired by one of our Non-Executive Directors, appointed in particular because of their deep experience and industry-leading expertise in sustainability in real estate. Previous roles included eight years serving as CEO of the UK Green Building Council.

### **Our People**

Every member of our team is assessed for performance annually. We are in the process of incorporating sustainability goals within performance matrices at every level, starting with our Board and the Senior Management Team Directors through a new long-term Incentive Programme (LTIP).

## **Diversity, Equity & Inclusion (DEI)**

We actively support many DEI efforts and initiatives, including through the wider 'Inclusion and Belonging' programme of the Places for People Group, as well as through the specific activities of Thriving Investments. These include mentoring, apprenticeships and developing our recruitment approach to develop career pathways for individuals from diverse backgrounds, including socio-economic disadvantage.

A priority for us is to communicate the breadth and the impact of these activities more comprehensively and regularly to our investors and other stakeholders, particularly through our sustainability reporting.

## **Our Partners, Suppliers and Service Providers**

Thriving Investments has long understood the value of commercial partnerships with organisations which align with our vision and inspire us and has a strong track record of successful joint venture partnerships.

We also recognise the importance of having a systematic approach to integrating sustainability and ESG considerations into our supplier policy to inform the selection, monitoring and remuneration of – as well as our engagement with – agents, property managers and developers acting on our behalf.

Beyond our primary supplier relationship with Touchstone we will engage with all our key stakeholders and utilise the PFP Group sustainable supplier policy that underpins and formalises our RVDI commitments.

## **Policy Approval and Review**

The Board is ultimately responsible for the contents and implementation of this RVDI Policy. This will include reviewing the adequacy of the policy on an annual basis, as well as keeping under review its interpretation and implementation across each of our investment strategies. The Investment and Sustainability Committee will maintain in-year oversight of appropriate implementation of the commitments in this policy.

**This RVDI Policy was approved by the Thriving Investments Board at its meeting of 01/02/2024.**