Vert Asset Management

# 2023 Annual ESG Report

Vert
ASSET MANAGEMENT

# OUR INVESTMENT PHILOSOPHY

Vert Asset Management believes there is economic value in sustainability. We maintain that companies focused on the triple bottom line of people, planet and profits will be better positioned for the risks and opportunities of the future than those focused on profits alone. We believe in a long-term perspective. Companies that look further out than the quarterly reporting cycle can invest in more projects that build value for the firm over time. We believe that markets work well, and price available information. More information, including environmental, social, and governance factors, can make markets work better. We build portfolios of companies that use sustainability to drive value, take a long-term perspective and are open and transparent.

We believe investment managers can and should use their ownership position to push companies to improve. We are a boutique asset manager, but are unique in our focus on sustainability in public real estate.

We focus our engagement efforts where we can make the most impact. The report summarizes our engagement and ESG perspectives in 2023.

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# **OUR APPROACH TO ENGAGEMENT**:
## Our Top 5 Ways to Drive Change

1. **Engagement is multifaceted.**

Engagement does not start and stop with a shareholder proposal or a proxy vote. Engagement is about direct engagement with public companies, building capacity in financial services, and being a sustainable business ourselves.

2. **Communication is key.**

Companies are made up of people. People learn through conversation. Our engagement approach is about education and influence.

3. **Engagement complements the investment strategy.**

We design our engagements in direct relationship to the environmental, social, and governance criteria that we invest with. We aim to match the systemic topics to our investor data needs.

4. **Work with others.**

Instead of the re-inventing the wheel we leverage the work others are already doing in areas that are aligned with our investment strategy and key performance criteria. Our stewardship efforts are focused on systems change.

5. **Share stories.**

Our website hosts highlights from our current and past engagement campaigns. Investors like to know that their fund managers are advocating for positive change. We try to make it easy by sharing these on our website.

# **OUR APPROACH TO ENGAGEMENT:**
## 2023 Highlights in Numbers

**75**

Companies Invested in that have Science-Based Targets

**137**

Companies Invested in that have a Task Force on Climate-related Financial Disclosures (TCFD) Report

**135**

Letters Sent for Vert's annual campaign ***Mapping ESG Frameworks***

**17**

Policy Initiatives Supported

# OUR APPROACH TO ENGAGEMENT: Interdisciplinary & Inclusive

We are investors that want to see improvements in corporate behavior and more sustainability in financial services. We are also a company that wants to build our business practices to high standards. Vert practices engagement in three distinct ways:

## Investment Stewardship

Shareholder engagement on ESG issues.

## Industry Advocacy

Advocating for ESG standards in financial services.

## Business For Good

Being a model company for sustainable businesses.

These three lines of activity help us improve our understanding and positioning on environmental, social, and governance (ESG) issues from the interdependent perspectives of civil society, the public sector and the private sector.

# OUR INVESTMENT PLATFORM:
## Vert Global Sustainable Real Estate ETF

*December 31, 2023*

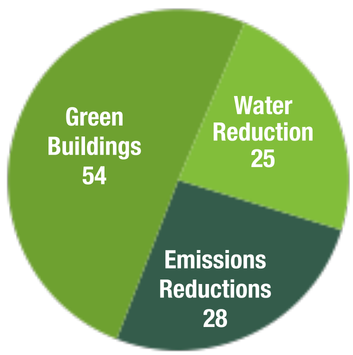
## ESG LEADERSHIP

The Vert Global Sustainable Real Estate Strategy seeks to buy and hold only the publicly listed Real Estate Investment Trusts that are truly committed to sustainability.

The 141 companies in the ETF demonstrate leadership in one or more of the **qualifying criteria*** shown below. Environmental, social, and governance topics are often overlapping issues. Many companies qualify on more than one criteria.

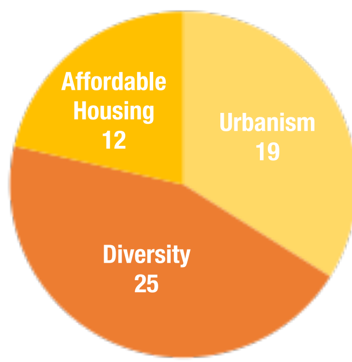
**More information on the portfolio construction criteria is available in our strategy paper at "Investing for Sustainability: Real Estate" https://www.vertasset.com/sustainable-real-estate/*

### ENVIRONMENTAL



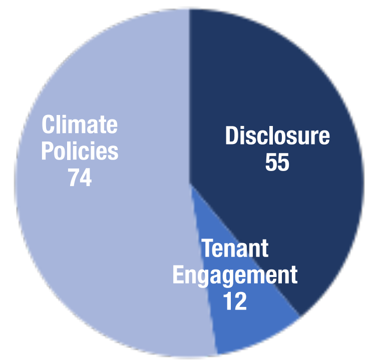

| | |
|---|---|
| **Green Buildings** | Share of buildings with a qualified green certification. |
| **Water Reduction** | Average reduction in water use and consumption. |
| **Emissions Reductions** | GHG emissions reduction that meet or exceed a decarbonization pathway by 2050. |

### SOCIAL




| | |
|---|---|
| **Affordable Housing** | Provision of below median market rate housing. |
| **Urbanism** | Share of portfolio near public transit options. |
| **Diversity** | Evidence of diversity in employee, management and executive teams. |

### GOVERNANCE




| | |
|---|---|
| **Climate Policies** | Verified policies, targets, or commitments to decarbonization. |
| **Disclosure** | Excellence in voluntary public reporting of ESG metrics. |
| **Tenant Engagement** | Initiating environmental and social goals with tenants through green leasing. |

## LOW ESG RISKS

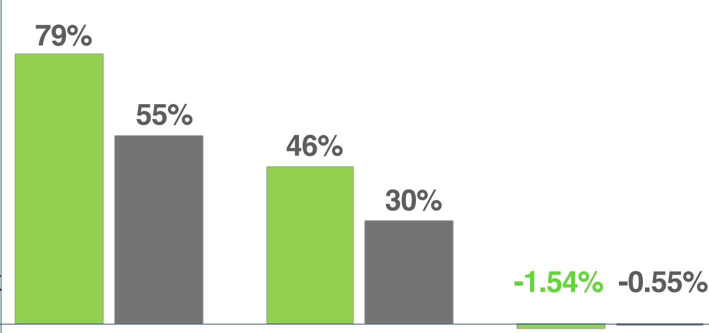
We **disqualify** companies in specific business lines, that have significant controversies, and/or are inadequately prepared for climate risk.


## EMISSIONS REDUCTIONS†

Companies Reporting GHG Emissions

Companies reducing emissions

Average annual emissions reductions



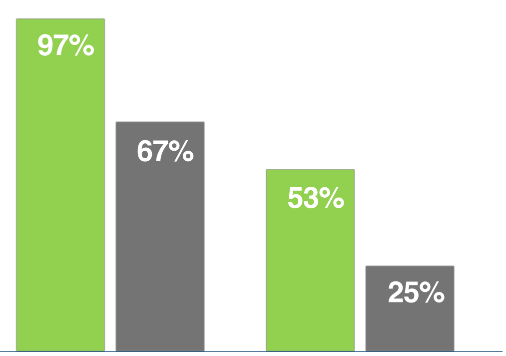

**PORTFOLIO** 141 companies

**BENCHMARK** 425 companies

## CLIMATE ENGAGEMENT

Reporting aligned with Task Force on Climate-related Financial Disclosures (TCFD)

Net-zero goals approved by Science-Based Targets Initiative (SBTi)




*† Portfolio emissions reductions represent 79% of the holdings that publicly report. Emissions reductions are calculated as the total change in company reported like-for-like Scope 1 (direct) + Scope 2 (indirect) greenhouse gas emissions in carbon dioxide equivalents (CO2e) between the 2023 and 2022 reporting years. This methodology is subject to change with data developments or other findings.*

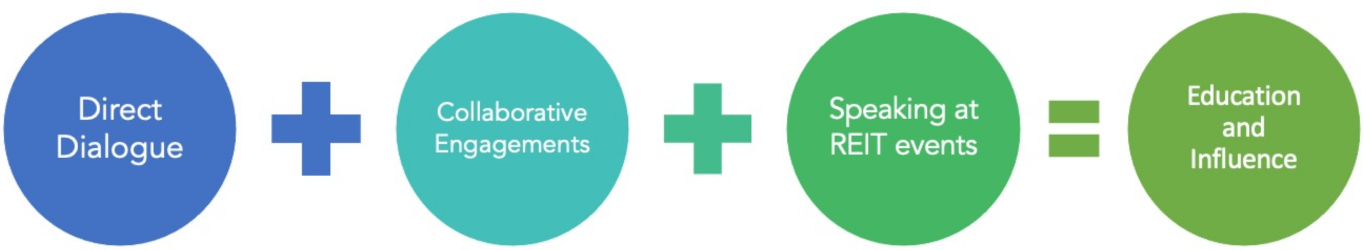
# INVESTMENT STEWARDSHIP:
## Our Theory of Change

We approach engagement from a “better business” perspective. We communicate with companies in the Fund on ESG issues that should enhance company operations and strategy.

We are recognized in the REIT community as an investment manager who is knowledgeable on ESG issues that are material to the real estate industry and the different real estate sectors. We want companies to understand that taking care of the triple bottom line – people, planet, and profit – is a successful way to run their business over the long-term.

Our theory of change hinges on building relationships with the companies that we invest in. We believe a successful investor and company relationship is a two-way street: we can go to the company with suggestions and they can come to us for up-to-date resources and guidance. We influence through education.

Our umbrella campaigns are designed in close consultation with input from our investment research group, our previous engagement conversations, other asset managers, non-governmental organizations (NGOs), and participants in the real estate industry. Our main tools as investment stewards are direct dialogue and influencing public policy.




We start with direct dialogue. Each year we run an “umbrella” campaign where we communicate with every company in the fund on a critical ESG issue.

We collaborate with other asset managers and asset owners to reach out to companies on shared issue engagements.

We speak frequently at real estate industry events. We present Vert’s investment goals and represent the ESG investor community.

Collectively, we believe these efforts do provide companies with education on issues that investors care about and ultimately influence corporate behavior.

# INVESTMENT STEWARDSHIP:
## Systemic Approach Increases Climate-related Disclosures from Portfolio Companies

**A systemic approach to investment stewardship requires the investor to look at the bigger picture.** We have purposefully chosen to identify engagement topics that more than one company may be affected by. What are challenges that all companies are facing? We believe that climate risks inform business strategy and voluntary disclosures provide more useful non-financial data.

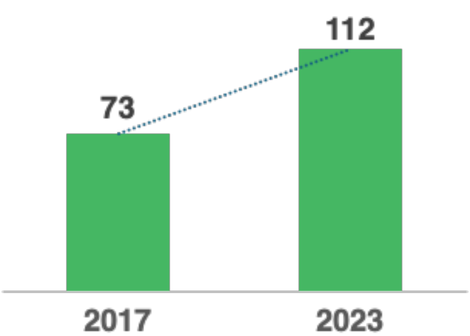
We seek greater commitment to disclosure and decarbonization. Buildings consume 40% of the world's energy and create 33% of global greenhouse gas emissions. Real estate owners including REITs can look at the transition to a low-carbon economy as an opportunity to foster innovation and outperform.

We define "net-zero energy" or "net-zero carbon" as getting buildings to only consume as much energy as they procure from renewable sources. Buildings can achieve net-zero through a combination of energy efficiency, electrification, and renewables procurement, and many can do so cost-effectively.

Non-financial data is useful for better understanding how a company is accountable to various stakeholders. It is information that does not appear in the traditional financial reports that a company is required to produce or file with their regulators.

For the real estate industry, climate-related disclosures are not only pervasive but they are also financially material. Over the last several years we have encouraged companies to increase their consideration of climate in their business strategy. We connect climate strategy to data disclosures.

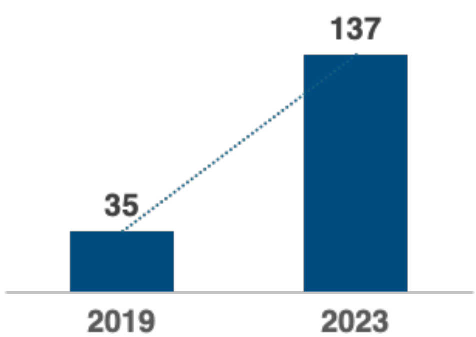
### Greenhouse Gas Emissions




We engaged with companies on reporting like-for-like emissions to an investor audience in 2018. We suggested companies report to the Global Real Estate Sustainability Benchmark (GRESB).

In 2023, there are 112 companies in VGSR that report to GRESB. This is an increase of 39 companies reporting to GRESB.

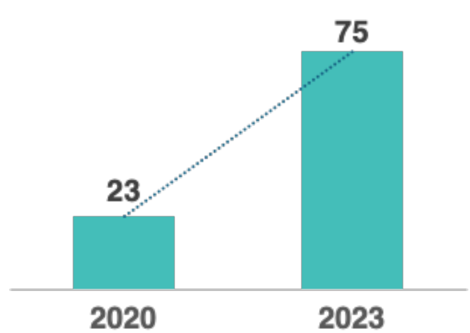
### TCFD & Climate Risks




We engaged with companies on integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFDs) and climate risks in 2019.

In 2023, there are 137 companies in VGSR that use the TCFDs. This is an increase of 102 reporters from 2019.

### Net Zero Pathways




We engaged with companies on net-zero  pathways initially in 2020. We suggested companies to develop science-based targets for emissions reductions and energy intensity.

In 2023, there are 75 companies in VGSR that have committed to the science-based targets initiative (SBTi). This is an increase of 52 from 2020.

# **INVESTMENT STEWARDSHIP:** Advancing Sustainability by Mapping ESG Frameworks

## Developing Resources for Efficient Sustainability Reporting

Over the last few years, there has been a flurry of sustainability reporting frameworks that have inundated the marketplace. Both corporate strategy teams and investors have become overwhelmed with making the case internally and externally for continually changing sustainability frameworks. Corporate strategy and investment strategy feed into the development of accountable sustainability metrics. Refining the “ask” of companies by investors is critical in moving towards standardized sustainability reporting.

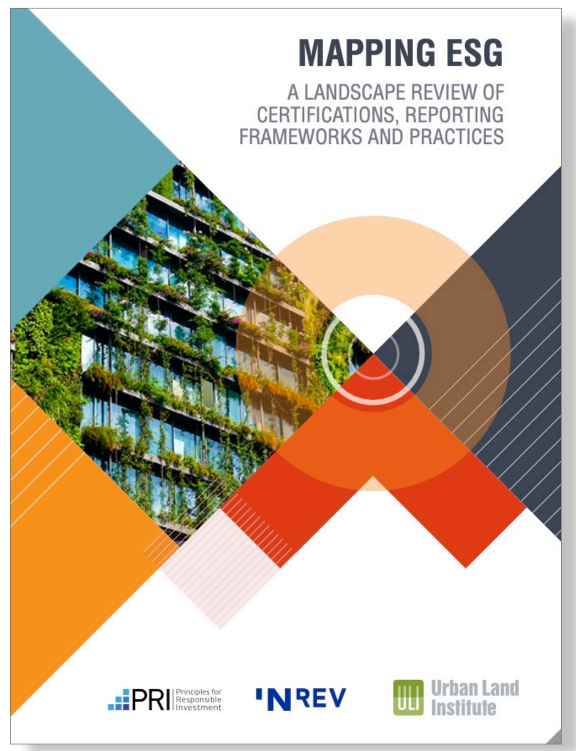
From 2021 through 2023, we worked as founding sponsors of a real estate disclosure mapping project coordinated by ULI Europe. The **Urban Land Institute (ULI)** works with real estate companies, real estate investors, real estate researchers on practical applications and policy for the real estate industry. With our expertise in real estate investment and past work on engagement, Vert was on the steering committee.

The final report ***Mapping ESG: A landscape review of certifications, reporting frameworks, and practices*** was released in April 2023. The project maps various data disclosure frameworks frequently used in real estate to simplify the process for real estate companies reporting into the capital markets.

The movement to price externalities into company value through more public information is over 20 years old. The Global Reporting Initiative (GRI) and CDP were founded in 1997 and 2000 respectively. As investors we’re looking at how this information can be made more timely, standardized, and reliable.

Regulators are embedding material climate risks into corporate reporting. Internationally, markets are increasing regulatory requirements for non-financial information.

There is less need to develop new frameworks now, and more attention should be paid to streamlining the overall reporting. We are proud to have helped developed this resource for efficient sustainability reporting in real estate.




The report was organized and led by Urban Land Institute (ULI Europe), the European Association for Investors in Non-Listed Real Estate (INREV) and Principles for Responsible Investing (PRI).

# INVESTMENT STEWARDSHIP:
## 2023 Campaign: Mapping ESG Frameworks

## Streamline Reporting to Focus on Strategy and Action

In our 2023 engagement campaign, we sent our holdings the report: ***Mapping ESG: A landscape review of certifications, reporting frameworks, and practices.*** Vert Asset Management sponsored and was on the steering committee for this 18-month project.

As *investors* we're looking at how this information can be made more timely, standardized, and reliable. We want to understand what is happening at the companies we invest in, so that we can better allocate capital to real estate investment trusts who recognize the economic value in sustainability. We also would like to see capital markets reward sustainability efforts, and more transparency facilitates more efficient market pricing.

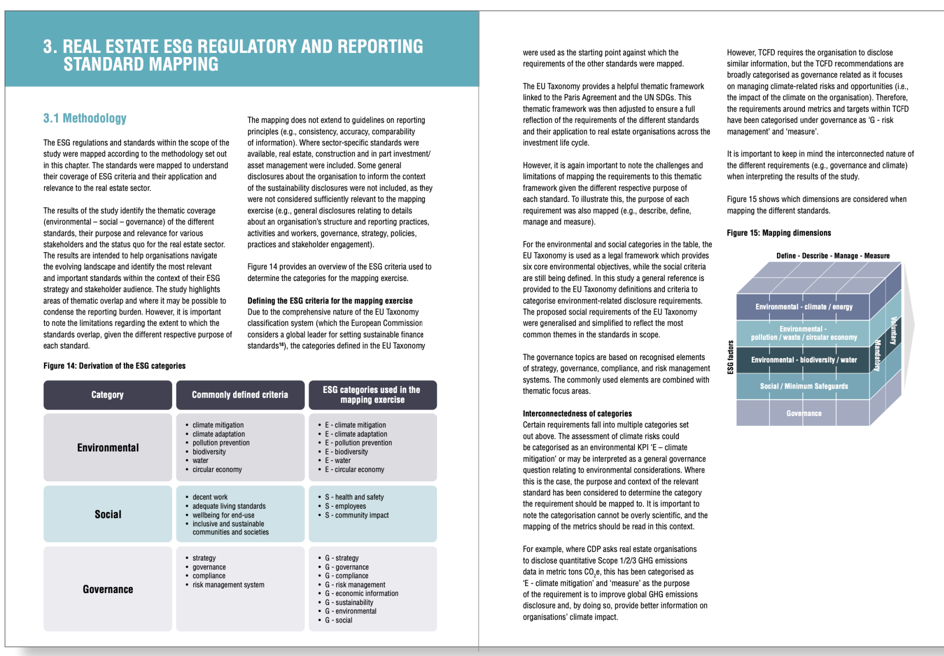
We provided corporate teams this resource to navigate the myriad reporting frameworks to better communicate to external stakeholders, limit reporting fatigue, and focus on action.

The report:

- Details ESG components of 14 different frameworks
- Maps the frameworks' specific ESG metrics so teams can readily identify differences and overlaps.
- Categorizes reporting requirements by specific audiences from general sustainability reporting for broader stakeholders to financial reporting for investors.
- Reduces the reporting burden so companies can re-focus on results.

We demonstrated to the companies that we invest in that we support teams navigating the evolving sustainability reporting landscape.

The report maps crosswalks between several general sustainability reporting frameworks and those that are more real estate focused.



### 3. REAL ESTATE ESG REGULATORY AND REPORTING STANDARD MAPPING

#### 3.1 Methodology

The ESG regulations and standards within the scope of the study were mapped according to the methodology set out in this chapter. The standards were mapped to understand their coverage of ESG criteria and their application and relevance to the real estate sector.

The results of the study identify the thematic coverage (environmental – social – governance) of the different standards, their purpose and relevance for various stakeholders and the status quo for the real estate sector. The results are intended to help organisations navigate the evolving landscape and identify the most relevant and important standards within the context of their ESG strategy and stakeholder audience. The study highlights areas of thematic overlap and where it may be possible to condense the reporting burden. However, it is important to note the limitations regarding the extent to which the standards overlap, given the different respective purpose of each standard.

The mapping does not extend to guidelines on reporting principles (e.g., consistency, accuracy, comparability of information). Where sector-specific standards were available, real estate, construction and in part investment/asset management were included. Some general disclosures about the organisation to inform the context of the sustainability disclosures were not included, as they were not considered sufficiently relevant to the mapping exercise (e.g., general disclosures relating to details about an organisation's structure and reporting practices, activities and workers, governance, strategy, policies, practices and stakeholder engagement).

Figure 14 provides an overview of the ESG criteria used to determine the categories for the mapping exercise.

**Defining the ESG criteria for the mapping exercise**
Due to the comprehensive nature of the EU Taxonomy classification system (which the European Commission considers a global leader for setting sustainable finance standards[18]), the categories defined in the EU Taxonomy were used as the starting point against which the requirements of the other standards were mapped.

The EU Taxonomy provides a helpful thematic framework linked to the Paris Agreement and the UN SDGs. This thematic framework was then adjusted to ensure a full reflection of the requirements of the different standards and their application to real estate organisations across the investment life cycle.

However, it is again important to note the challenges and limitations of mapping the requirements to this thematic framework given the different respective purpose of each standard. To illustrate this, the purpose of each requirement was also mapped (e.g., describe, define, manage and measure).

For the environmental and social categories in the table, the EU Taxonomy is used as a legal framework which provides six core environmental objectives, while the social criteria are still being defined. In this study a general reference is provided to the EU Taxonomy definitions and criteria to categorise environment-related disclosure requirements. The proposed social requirements of the EU Taxonomy were generalised and simplified to reflect the most common themes in the standards in scope.

The governance topics are based on recognised elements of strategy, governance, compliance, and risk management systems. The commonly used elements are combined with thematic focus areas.

**Interconnectedness of categories**
Certain requirements fall into multiple categories set out above. The assessment of climate risks could be categorised as an environmental KPI 'E – climate mitigation' or may be interpreted as a general governance question relating to environmental considerations. Where this is the case, the purpose and context of the relevant standard has been considered to determine the category the requirement should be mapped to. It is important to note the categorisation cannot be overly scientific, and the mapping of the metrics should be read in this context.

For example, where CDP asks real estate organisations to disclose quantitative Scope 1/2/3 GHG emissions data in metric tons $CO_2e$, this has been categorised as 'E - climate mitigation' and 'measure' as the purpose of the requirement is to improve global GHG emissions disclosure and, by doing so, provide better information on organisations' climate impact.

However, TCFD requires the organisation to disclose similar information, but the TCFD recommendations are broadly categorised as governance related as it focuses on managing climate-related risks and opportunities (i.e., the impact of the climate on the organisation). Therefore, the requirements around metrics and targets within TCFD have been categorised under governance as 'G - risk management' and 'measure'.

It is important to keep in mind the interconnected nature of the different requirements (e.g., governance and climate) when interpreting the results of the study.

Figure 15 shows which dimensions are considered when mapping the different standards.

**Figure 14: Derivation of the ESG categories**

| Category | Commonly defined criteria | ESG categories used in the mapping exercise |
|---|---|---|
| Environmental | • climate mitigation<br>• climate adaptation<br>• pollution prevention<br>• biodiversity<br>• water<br>• circular economy | • E - climate mitigation<br>• E - climate adaptation<br>• E - pollution prevention<br>• E - biodiversity<br>• E - water<br>• E - circular economy |
| Social | • decent work<br>• adequate living standards<br>• wellbeing for end-use<br>• inclusive and sustainable communities and societies | • S - health and safety<br>• S - employees<br>• S - community impact |
| Governance | • strategy<br>• governance<br>• compliance<br>• risk management system | • G - strategy<br>• G - governance<br>• G - compliance<br>• G - risk management<br>• G - economic information<br>• G - sustainability<br>• G - environmental<br>• G - social |

**Figure 15: Mapping dimensions**

Define - Describe - Manage - Measure
ESG factors
Environmental - climate / energy
Environmental - pollution / waste / circular economy
Environmental - biodiversity / water
Social / Minimum Safeguards
Governance
Voluntary
Mandatory

# INVESTMENT STEWARDSHIP:
## Engaging with Small Cap Companies

Each year Vert engages with all the companies in the portfolio on a central topic. This engagement covers all sizes of companies.

Typically, large cap companies garner most the attention from asset managers (or asset owners). For instance, CalPERS (California Public Employees' Retirement System) founded Climate Action 100+ to target engagement with the 100 companies who contribute most to global greenhouse gas emissions. These 100 large cap companies are important supplies, usually of energy and materials to other industries.

However, a key supplier to the economy is real estate, which produces the buildings and facilities that all companies use. Many real estate companies are not large cap and therefore, don't receive as much attention from investors overall.

Buildings use 40% of global energy and generate 33% of global greenhouse gases. We need all buildings to reduce emission so their tenants (often large cap companies) can meet their decarbonization climate goals.

In 2023, VGSR holds more small and mid cap companies than large cap companies. We engaged 56 mid cap companies and 52 small cap companies. Even though these companies make up roughly 30% of our portfolio by weight compared to large cap and mega cap companies at nearly 70%, we find it useful to engage with smaller names because they make up so much of the REIT universe by number of companies.

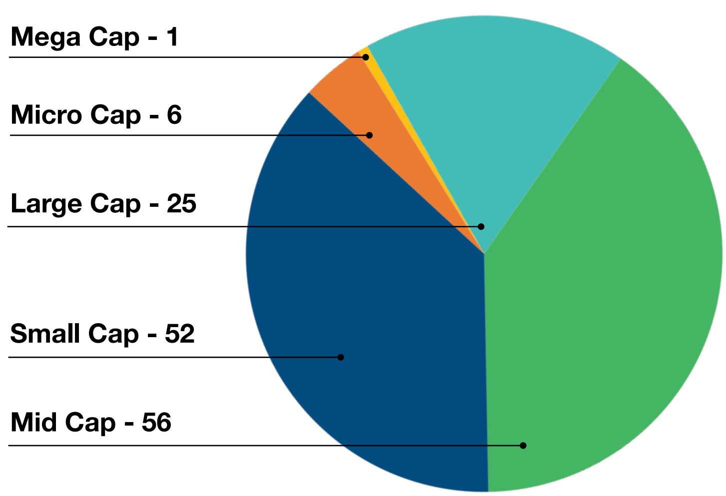
### Company Size by Weight in VGSR

*December 31, 2023*

| | | |
|---|---|---|
| Mega Cap | $100 billion + | 5.29% |
| Large Cap | $10 – 100 bilion | 62.72% |
| Mid Cap | $2 – 10 billion | 25.14% |
| Small Cap | $300 million – 2 billion | 5.73% |
| Micro Cap | $50 – 300 million | 0.17% |

### Number of Holdings by Company Size in VGSR

*December 31, 2023*



# INVESTMENT STEWARDSHIP:
Annual Engagement Campaign Review

## 2018
## Greenhouse Gas Emissions Reporting

Our first engagement focused on introducing companies to the Vert Global Sustainable Real Estate Fund, our investment philosophy, and what we are looking for in public disclosures. We wanted to let firms know that there was a dedicated ESG mutual fund that was investing in real estate on sustainability criteria. We wrote to companies about the importance of disclosing year-on-year comparable greenhouse gas emissions. We conveyed the importance of standardized investor ready data on emissions reported directly from companies to the capital markets.

| 2018 Campaign in Numbers | |
|---|---|
| Letters Sent | 98 |
| Responses Received | 29 |
| Response Rate | 30% |
| Calls | 11 |

## 2019
## Climate Resilience and Task Force on Climate-related Financial Disclosures (TCFDs)

Our second engagement asked companies to consider using the framework for evaluating climate risks called the Task Force on Climate-related Financial Disclosures. We believed that the investment community was coalescing around TCFD. The TCFD is intended to collate existing data (i.e. GRESB, CDP, management discussion and analysis) to understand physical risks to the company due to climate change. TCFD also asks companies to perform climate change scenario analysis in conjunction with a company's financial analysis to determine specific risks and opportunities for the company.

| 2019 Campaign in Numbers | |
|---|---|
| Letters Sent | 123 |
| Responses Received | 60 |
| Response Rate | 49% |
| Calls | 30 |

## 2020
## Net-Zero Pathways

Our third engagement built on our previous GHG emissions reporting and TCFD campaigns by asking companies to disclose their targets for emissions reductions, and also their plans to achieve them. Globally, physical assets and supply chains are facing increasing risks from climate change. The investment community at large is more closely evaluating the role of science-based emissions reduction targets in corporate strategy to keep global warming to 1.5°C above pre-industrial levels.

| 2020 Campaign in Numbers | |
|---|---|
| Letters Sent | 132 |
| Responses Received | 55 |
| Response Rate | 42% |
| Calls | 29 |

# **INVESTMENT STEWARDSHIP:** Annual Engagement Campaign Review

## 2021 Healthy Buildings

Covid focused occupant attention on indoor air quality and accelerated interest in health and wellbeing in buildings. People spend 90% of their time indoors, however indoor environmental quality is frequently overlooked. The book ***Healthy Buildings***, identifies the nine foundations of a healthy building — ventilation, air quality, health, moisture, dust and pests, safety and security, water quality, noise, lighting and views. We asked companies a series of questions. We also asked companies to participate in a healthy buildings academic research survey coordinated with a PhD student under the supervision of one of the academics on the Vert Investment Research Group, Professor Franz Fuerst of the University of Cambridge.

**This number does not represent all companies in our portfolio. We did not contact every REIT in industrial and specialized sectors where owners and/tenants do not have daily occupants. Additionally, several companies were acquired during 2021 and early 2022.*

| 2021 Campaign in Numbers | |
|---|---|
| Letters Sent | 138* |
| Responses Received | 37 |
| Response Rate | 34% |
| Calls | 11 |

## 2022 Stakeholders and Net Zero or Operationalizing Decarbonization

We've found that resilience continues to be a common theme stakeholders are embedding in their long-term strategies. There is increased *investors'* interest in decarbonization, *customers* (tenants) are looking to lower their carbon footprint, and *regulators* are embedding material climate risks into financial reporting.

In 2022, we revisited concepts from our 2020 campaign on net-zero pathways. We asked how companies are prioritizing stakeholder concerns around energy efficiency and emissions reduction into their long-term strategy.

| 2022 Campaign in Numbers | |
|---|---|
| Letters Sent | 138 |
| Responses Received | 45 |
| Response Rate | 33% |
| Calls | 34 |

## 2023 Mapping ESG Frameworks

This year our engagement campaign differed from previous years. We sent our holdings the report: ***Mapping ESG: A landscape review of certifications, reporting frameworks, and practices.*** Vert Asset Management sponsored and was on the steering committee for this 18-month project.

We are cognizant that over the last few years, there has been a flurry of sustainability reporting frameworks that have inundated the marketplace. The report is both a tool to report externally, but also a communication tool to use get to internal buy-in on sustainability reporting.

| 2023 Campaign in Numbers | |
|---|---|
| Letters Sent | 135 |
| Responses Received | 14 |
| Response Rate | 10% |
| Calls | 2 |

# INVESTMENT STEWARDSHIP:
## Building Capacity in the Industry

Vert participates in several collaborations that leverage the network effects of the investment management industry and research expertise of non-governmental organizations. As ESG investors, we believe a climate strategy is a sustainable business strategy. Our participation is voluntary and we do not take collection action on investment decisions.

The initiatives below are specifically to build capacity among companies for climate-related disclosures that investors are evaluating. We sponsor research on mapping ESG disclosures, encourage voluntary disclosure to known standards, and evaluate applicability of evolving disclosures.

### Sponsor Research

**Urban Land Institute (ULI)** works with real estate companies, real estate investors, real estate researchers on practical applications and policy for the real estate industry.

From 2021, we worked as founding sponsors of a real estate disclosure mapping project coordinated by ULI Europe.

With our expertise in real estate investment and past work on engagement, we are on the steering committee. The project maps various data disclosure frameworks frequently used in real estate to simplify the process for real estate companies reporting into the capital markets.

The final report was released in 2023.

### Encourage Voluntary Disclosure

**CDP (formerly the Carbon Disclosure Project)** helps companies and cities report their environmental impacts in emissions, waste, water, and forestry.

In 2023, we participated in the CDP Non-Disclosure Campaign for the third year. The CDP non-disclosure campaign asks companies who have not previously reported to CDP to start reporting to CDP.

We continued to participate in their Science-Based Targets Campaign where CDP is contacting over 1800 companies requests these companies to commit and set a science-based target aligned with 1.5°C temperature scenarios.

### Connect Investors To Real Estate Owners

Our conversations with real estate companies in collaboration with the Global Real Estate Engagement Network (**GREEN**) ask companies to consider making asset-level sustainability plans, consider developing science-based targets and to manage progress with tools such as the Carbon Risk Real Estate Monitor (CRREM). We also ask companies how they implement their plans (i.e internal carbon pricing for retrofits, asset-level sustainability plans).

### Evolve Sustainability in Real Estate

**IIGCC (The Institutional Investors Group on Climate Change)** is the European membership body for investor collaboration on climate change.

We are a member of IIGCC real estate working group where we are regularly reviewing the connections between investor data needs, changing regulation, and what real estate owners can reasonably respond to.

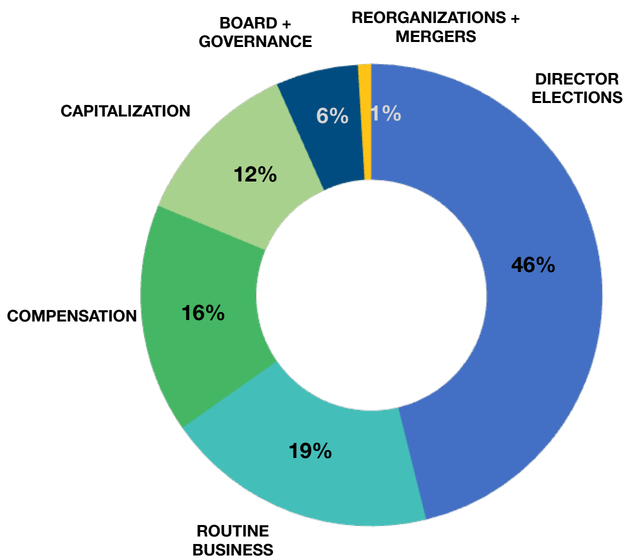
# INVESTMENT STEWARDSHIP:
## Proxy Voting Summary

Proxy Voting is one piece of the engagement process. It is a requirement for US 40-Act Funds. Our proxy voting policy reflects our concern for good corporate governance, environmental stewardship, and social well-being.

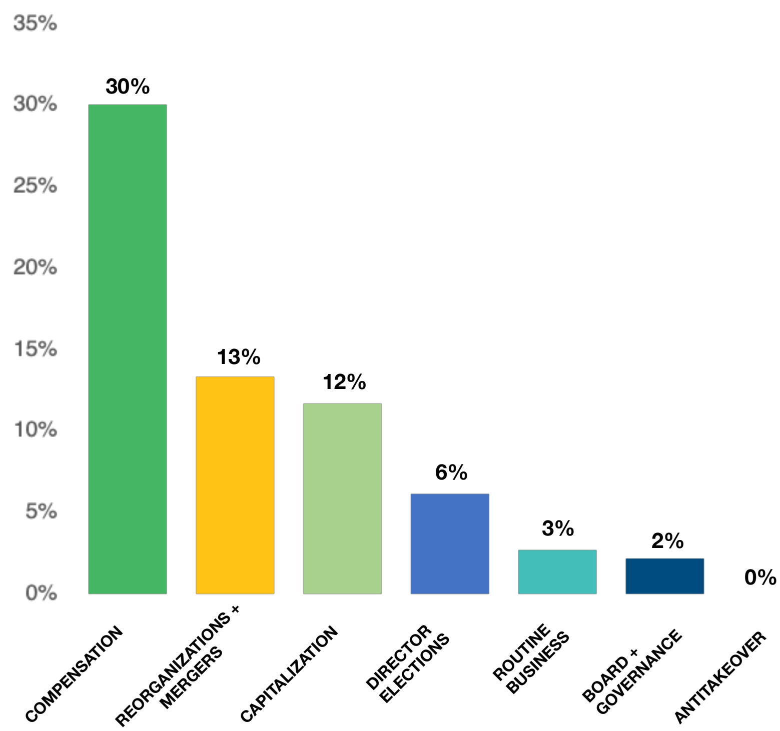
Vert Asset Management voted 1573 proposals at 141 meetings. Of these, there were 99.7% management proposals and 0.32% shareholder proposals.

| | Number of Proposals | Votes For | Votes Against |
|---|---|---|---|
| Management Proposals | 1568 | 82% | 8% |
| Shareholder Proposals | 5 | 0% | 100% |
| **Total Proposals** | 1573 | 82% | 8% |

### Proposals Voted by Topic




### Voted Against Management by Topic




Our proxy voting guidelines are to vote to improve environmental, social, and governance outcomes. The content and origin of the proposal is considered relative to ordinary business practices. We vote against proposals that are spurious, overly burdensome, or will not have meaningful impact. For more information about our proxy voting guidelines, please visit our website www.vertfunds.com.

**Proxy voting period is for July 1, 2022 - June 30, 2023. Our Proxy Voting Policy and the NPX report is available at www.vertfunds.com*

# INDUSTRY ADVOCACY:
## Our Partners

Vert participates in the advocacy of several working groups that are advancing policies addressing sustainability in business in general, in real estate and the financial services industry.

Signatory of:

We are signatories to the **Principles for Responsible Investment (PRI**) – an international organization of asset owners and investment managers that have committed to 6 principles of integrating ESG into the investment process and creating awareness on ESG.

We are a member of **The Forum for Sustainable and Responsible Investment (US SIF)** – the US policy group that coordinates priorities from all types of investors on sustainable investing and helps get representatives in Washington, D.C to listen. Vert sits on the **Education Committee**.

The **Urban Land Institute (ULI)** works with professionals within the real estate industry on new research and policy to support innovation. We are sponsoring and on the steering committee of research that the ULI Europe is coordinating to map various ESG disclosure frameworks.

We are supporters of the **Task Force for Climate-Related Financial Disclosures (TCFD)** – an international effort to normalize climate-related financial disclosures and make it common practices for companies.

We are investor members to the **CDP (formerly Carbon Disclosure Project)** – a global non-profit working to make "reporting a company's carbon footprint" the norm across industries and sectors.

We are investor members of the **Global Real Estate Sustainability Benchmark (GRESB)** – an industry association and data company that is advancing benchmarking and reporting of sustainability metrics in real estate.

We are members to **IIGCC (The Institutional Investors Group on Climate Change)** the European membership body for investor collaboration on climate change. The organization's mission is to support the investment community to commit to and make progress towards a net-zero future. We are a member of the property working group.

# INDUSTRY ADVOCACY:
## Our Partners

Vert participates in the advocacy of several working groups that are advancing policies addressing sustainability in business in general, in real estate and the financial services industry.

We are investor members of **ICGN (International Corporate Governance Network).** The organization advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to sustainable economies, societies, and the environment.

We are signatories to the **Finance for Biodiversity Pledge.** It is a loose collaboration of asset owners and investment managers that are concerned with figuring out how financial institutions can standardize and account for biodiversity and ecosystem services in their investments.

We are investor members to the **Green Real Estate Engagement Network (GREEN),** a network of institutional investors, backed by leading sustainable real estate scientists and advisors to accelerate sustainability in the real estate sector with the goal to educate companies about financial and non-financial climate risks.

We are on a working group with **The Climate Action 100+** – a coalition of large asset managers and asset owners led by CalPERS (the California Public Employees' Retirement System) who are engaging over 100 companies that have been identified as the world's largest carbon emitters.

We are members of **The Net Zero Asset Managers Initiative**. The purpose of the initiative is to support asset managers who are interested in reducing emissions in the real economy and their portfolios.

We are a **Certified B Corp.** There are now 4000+ Certified B Corps globally. **The B Lab,** a non-profit, manages the certification process works with companies and non-governmental organizations to encourage companies to improve practices is the areas of governance, customers, community, and environment.

We are supporters of **SME Climate Hub** which supports small to medium sized companies to explore pathways to net-zero by 2030.

# INDUSTRY ADVOCACY:
## Our Policy Initiatives

As an advocate for ESG disclosures in financial services, we call, meet and write to our elected representatives and regulatory institutions.

We coordinate with other organizations and asset managers on select environment, social and governance campaigns to bring a unified front to companies, networks, and government agencies.


In 2023, we contributed to 17 communications to different audiences detailed in the chart to the right. Below are some highlights from our advocacy work organized by theme.

| | |
|---|---|
| Transition to a Low Carbon Economy | Met with Senate and House of Representatives' elected officials to educate on the importance of clean energy at the federal level about the Inflation Reduction Act and the Infrastructure Act. This outreach was organized by Ceres's LEAD programming. |
| | Endorsed the California state proposed bills SB 261 and SB 253 on for Carbon Emissions Reporting and Climate Risk Disclosures. |
| | Endorsed the Congressional Sustainable Investment Caucus in the House of Representatives to educate members of Congress about sustainable investment and advance sensible policies on sustainable investing. |
| | Invited to participate in the UN PRI's Sustainable Systems Investment Managers Reference Group which aims to build a common view of priorities for financial markets and economic transition in a low carbon economy. |
| | Supported the Science-based Targets Initiative in their draft standards for buildings. |
| Sustainable Reporting and Transparency | Communicated with real estate investment trusts on behalf of CDP for disclosing corporate emissions. |
| | Provided comments for the framework development with on an International Financial Reporting Standards (IFRS) survey on sustainability reporting trends and a International Sustainability Standards Board (ISSB) consultation on the use of their newly released reporting requirements. |
| | Encouraged Asia-Pacific REITs to respond to the Global Real Estate Sustainability Benchmark (GRESB). |

# **INDUSTRY ADVOCACY:** Building Capacity for Sustainability with Federal Regulators

Vert meets annually with US federal representatives on Capitol Hill to communicate the link between capital market investors and regulation on sustainability.

Taking the time to engage with lawmakers is one aspect of our engagement program. Lawmakers need to hear from market participants about the investor perspectives and experiences in business.

Ceres

## LEAD (Lawmaker, Education, Advocacy Day)

May 2023

Vert met with lawmakers through Ceres' LEAD on a Clean Economy. Ceres works brings together companies and financial services. We sought to build off the momentum of three major bills that had recently passed in Congress that have positioned the US as a leader in the clean economy: the Bipartisan Infrastructure Investment and Jobs Act (IIJA), the CHIPS and Science Act, and the Inflation Reduction Act (IRA).

These bills demonstrate historic recognition of climate risk and innovation for climate challenges in regulation at the US federal level. Our discussions with lawmakers was to emphasize that these only work if they are effectively implemented.

We met with both Republican and Democrat members:

- Maine Senator Susan Collins (R)
- New Mexico Senator Ben Ray Lujan (D)
- California Representative Pete Aguilar (D)
- Connecticut Representative Rosa DeLauro (D)

US SIF
The Forum for Sustainable and Responsible Investment

## Capitol Hill Day

June 2023

Vert met with lawmakers through US SIF's organized Capitol Hill Day. US SIF represents financial advisors and suppliers in policy on Capitol Hill. These meeting focus on the impacts of regulation at the DOL (Department of Labor), the SEC (Securities and Exchange Commission) and in Congress on the financial markets.

We met with members to support the proposed SEC Climate Disclosure Rule. We helped to connect the dots that this is the US version of similar standardized frameworks and regulation for sustainability reporting in the UK and EU.

We met with Republican and Democrat members:

- North Carolina Senator Thom Tilis (R)
- Oregon Senator Ron Wyden (D)
- California Representative Maxine Waters (D)
- Oregon Representative Andrea Salinas (D)

# INDUSTRY ADVOCACY:
## Education & Influence

**We educate financial advisors on sustainable investing.**

**Understanding ESG, SRI, and Impact Investing**

**Building Sustainable Portfolios**

**Stakeholder Approach to Sustainable Business**

In 2023, we continued to iterate our Build It Bootcamps. We offer topics from the Bootcamp curriculum as one-off interactive workshops to select of groups of investors.

In partnership with **Dimensional Fund Advisors** and **Evidence-Based Investment Portfolios**, Vert has taught the benefits of sustainable investing to over 2000 financial advisors in the US, UK and Australia.

**6 ESG Workshops**

**100+ Advisors**

US SIF
The Forum for Sustainable and Responsible Investment

Chartered SRI Counselor
CSRIC™

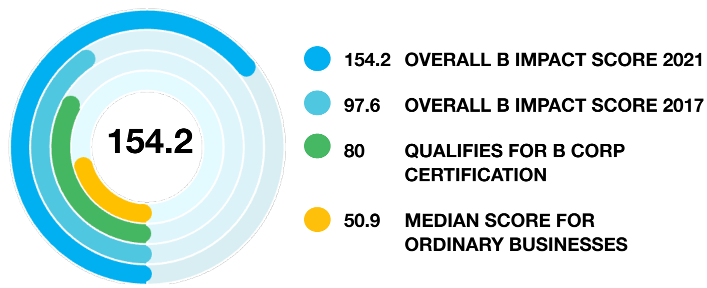
We teach on the **US SIF Fundamentals Course** and Kaplan's **Chartered SRI Counselor Course**. Both courses are designed for financial services professionals. Kaplan provides a designation after successfully completing an exam.

# BUSINESS FOR GOOD:
## Being a Model for Sustainable Business

We endeavor to show leadership on how to run a business with sustainability at the center of our mission. We became a Certified B Corp to signal to our clients and others that we are dedicated to managing and operating our business in an ethical and sustainable way.

B Corps are leading a global movement to redefine success in business – that businesses can be successful and do good at the same time. By voluntarily meeting higher standards of transparency, accountability, and performance, B Corps are distinguishing themselves in a cluttered marketplace.

Companies need only 80 points to qualify as a B Corp. We first became a B Corp in 2017 with the score of 97.6. We re-certified as a B Corp in 2021 with a new score of 154.2. We are proud of the improvements we've made over time. The point system is helpful to level-up, the robust B Impact Assessment Questionnaire helps us stay-up-to-date with business practices. While we're busy focusing on sustainable investing portfolios and sustainable investing in financial services, B Corp keeps our team track to do well by doing good.




## Here are some ways we do business differently:

### Carbon Footprinting

We have measured our carbon footprint to understand how we can design for less. As a service business, our carbon footprint is mostly the energy purchased for our office (Scope 2) and business travel (Scope 3). We do not have any Scope 1 emissions. We follow currently accepted best practice which is to reduce emissions as much as possible, and then purchase Carbon Offsets for the residual emissions that we cannot eliminate. *See our carbon reporting in our TCFD report on p. 23.*

### Flex-Time

Flex-time has been a reality for us since day one. Modern work life has evolved from being chained to your desk with your boss looking over your shoulder from 9-to-5. We've found we do better work when there is balance - working to deadlines, but having the freedom to stay home with a sick child.

### Education

We are interested in building capacity for ESG in financial services. This means providing and participating in educational opportunities. We are on the US SIF Education Committee. We teach on the USSIF Fundamentals of Sustainable Investing Course. We teach the Kaplan's Chartered SRI Counselor course. We also guest-lecture at universities.

Sam co-authored a book *Your Essential Guide to Sustainable Investing*.

### Internship Program

In the 2021/2022 academic year, we started an internship program for undergraduate students. We designed the role to introduce students to macro-sustainability issues and connect it to how companies are taking action. The program is specifically for those students who are working and cannot easily get the experience in sustainability that they need to advance in this field. In the 2023/2024 academic year, we welcomed 4 interns.

## Our 2023 diversity metrics.

| Vert Diversity Metrics | Ownership | Executive Team | Advisory Board | Interns |
|---|---|---|---|---|
| % Women | 49% | 33% | 33% | 100% |
| % Underrepresented | 1% | 0% | 33% | 25% |

# BUSINESS FOR GOOD:
## Charitable Donations

From the start we have been members of 1% For The Planet. Member companies pledge 1% of their before-tax revenue to the foundation which then donates to its network of ‘green’ charities. It is important that business is seen as a force for good.

FOR THE PLANET
— MEMBER —

### These are the organizations we have donated to over the last few years.

| | |
|---|---|
| **Family Harvest Farm at John Muir Land Trust** | California SF / Bay Area farm on the John Muir Land Trust. The farm hosts community events to create connection of those living nearby to the land. |
| **18 Reasons Community Cooking** | San Fransisco-based cooking school. 18 Reasons provides classes for general public, but also offers free classes to those in urban “food deserts” through their charitable program *18 Reasons Community Cooking.* |
| **Mercy Housing** | Mercy Housing provides affordable low-income housing as a non-profit operating throughout the US. They acquire, renovate, and develop new affordable rental properties. |
| **Urban Land Institute** | Urban Land Institute is a global non-profit working globally to research, educate, and support its members build more equitable. Sustainable, healthy and resilient communities. |
| **Rocky Mountain Institute** | Mercy Housing provides affordable low-income housing as a non-profit operating throughout the US. They acquire, renovate, and develop new affordable rental properties. |

# BUSINESS FOR GOOD:
## Our 2023 TCFD Report

The TCFD asks companies to report on climate risks as it relates to their business strategy. In 2018, we formally endorsed the TCFDs. In 2019, we engaged our portfolio companies on the TCFDs. Additionally, the PRI asked for volunteer reporting to the Task Force on Climate-related Financial Disclosures (TCFD) questions on their annual questionnaire. In 2020, we created our first TCFD Report.

Our 2023 TCFD report covers our approach to the operational resilience of our business as well as the climate risk of our investment products.

### Governance

| | |
|---|---|
| **Board oversight of climate-related risks and opportunities** | Climate-related risks and opportunities are governed by our founders. Sustainability and transition to a low-carbon economy underpins our investment products, education services, and engagement efforts.<br>As an LLC we do not have a formal board, but our Advisory Board includes a thought-leader on sustainability, an academic expert in finance, and a financial industry veteran. Management confers with these experts regularly. |
| **Management's role in assessing and managing climate-related risks and opportunities** | Senior Management including the CEO and the Chief Sustainability Officer implements a firm-wide strategy to identify climate-related risks across the business and its services.<br>The CEO leads the Investment Research Group, which designs the investment strategy and selects securities. The CEO is also part of the portfolio management team to provide additional oversight for climate-related issues. |

### Strategy

| | | | |
|---|---|---|---|
| **Climate-related risks and opportunities over short, medium and long term** | **Short term 1-3 Years**<br>Rapidly evolving demand for climate-risk products and financial services regulatory oversight covering ESG products. | **Medium term 3-7 years**<br>Higher temperatures, drought, and extreme weather events will change the way risks are managed. | **Long term 7-15 years**<br>Decarbonizing the economy will increase demand for different types of investment products. |
| **Impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning** | Our approach to building investment products recognizes climate change and decarbonization. 100% of our strategies incorporate energy transition concepts and we exclude the fossil fuel companies in our real estate strategy. We engage our portfolio companies on climate-related risks including responses to TCFD, adaptation and mitigation plans, and net-zero pathways.<br>Our business operations are currently climate neutral. We calculate our Scope 1, Scope 2, and Scope 3 (business travel) energy use. We have revised our position on voluntary offsets, and are no longer participating. | | |
| **Resilience of organization's strategy considering different climate-related scenarios** | Our strategy allows our investment approach and our business operations to respond with agility to climate-risks. We are regularly updating our risk assessments as climate change scenarios are updated.<br>We have assessed our investment product through the 2 Degrees Investing Initiative scenario analysis tool PACTA (Paris Agreement Transition Assessment). The results confirmed our own analyses that an investment will suffer losses if portfolio companies does not integrate climate-risk mitigation strategies. | | |

# BUSINESS FOR GOOD:
## Our 2023 TCFD Report (continued)

### Risk Management

| | |
|---|---|
| **Processes for identifying, assessing and managing climate-related risks and integration of those processes into overall business risk management** | Our process for identifying climate-related risks is part of our investment strategy and portfolio construction process. We evaluate a company's raw data on emissions reduction over a 5 year period. We also evaluate their climate change policies and adaption strategies and whether they have adopted a net-zero pathway. We also engage companies on their climate risks such as sea-level rise, flood, heat stress, water stress, and extreme weather.<br>We monitor and comply with all applicable laws and standards.<br>We participate in industry groups to monitor and understand emerging "best practices". We joined B Corp Climate Collective and SME Hub to ensure we were working on the next iteration of requirements for a service business. |

### Metrics and Targets

| | |
|---|---|
| **Metrics used to assess climate-related risks and opportunities in line with strategy and risk management processes** | In our investment strategy, we use a company's annual emissions over the past 5 years, their decarbonization goals and their exposure and mitigation efforts to physical climate risk.<br>We also engage companies on their climate issues including climate risks, TCFD, science-based targets, and planning for net-zero goals.<br>In our business operations, we strive for operational efficiency in our energy use and we prioritize video meetings over air travel to in-person meetings. |
| **Disclosure of Scope 1, 2, and if appropriate Scope 3 and related risks** | We are committed to voluntarily gathering and reporting our Scope 1, Scope 2, and Scope 3 emissions.<br>Our financed emissions (Scope 3) represent the majority of the emissions for our company. In 2021, we formalized our commitment to track the emissions of companies in our mutual fund. |

**Carbon Footprint**

| GHG emissions in Metric Tonnes $CO_2$ Equivalents | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| **Scope 1** refers direct emissions created by assets owned by the company. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Scope 2** is for indirect emissions i.e. purchased energy for office use. | 4 | 4 | 4 | 4 | 5 | 5 | 5 |
| **Scope 3** is for indirect emissions created in the supply chain and by any asset not owned by the company i.e. business travel and commuting.<br>*This figure does not include emissions of companies within our investment portfolio.* | 25.16 | 17.31 | 12 | 5.32* | 2.50* | 4.85 | 10.41 |
| **Total GHG Emissions** | 29.16 | 21.31 | 16 | 9.32 | 7.50 | 9.85 | 15.41 |

| | |
|---|---|
| **Targets used by the organization to manage climate-related risks and opportunities and performance against targets** | Our targets are to 1) use our investment platform to communicate to our stakeholders the importance of climate-change and the transition to a low-carbon economy, 2) build education materials to communicate to financial intermediaries the demand for sustainable investing, 3) to use our own operations as a lab to better understand the challenges we are asking of our portfolio companies. |

**Scope 3 emissions category 6 business travel is not reflective of normal travel demands in years prior to the pandemic. We expect that as conferences return to in-person these Scope 3 emissions will increase to pre-pandemic levels.*

## DISCLOSURES

*The Vert Global Sustainable Real Estate Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The statutory, and if available summary prospectuses contain this and other important information about the investment company, and may be obtained by calling 1-844-740-VERT or visiting www.vertfunds.com. Read carefully before investing.*

**Mutual fund investments involve risk. Principal loss is possible. Investors should be aware of the risks involved with investing in a fund concentrating in REITs and real estate securities, such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments. Investments in foreign securities involve political, economic and currency risks, greater volatility and differences in accounting methods. A REIT's share price may decline because of adverse developments affecting the real estate industry. REITs may be subject to special tax rules and may not qualify for favorable federal tax treatment which could have adverse tax consequences. The Fund's focus on sustainability may limit the number of investment opportunities available to the fund and at time the fund may underperform funds that are not subject to similar investment considerations. Diversification does not assure a profit or protect against loss in a declining market.**

B Corp Certification is a legal commitment. To qualify, an entity is required to amend its articles of organization to address accountability and outline a financial purpose that includes environmental and social contributions on par with the financial return generated by the company. B Corp requires the qualifying entity to assess their environmental management, supply chain, employee and well-being policies and governance policies.

The Vert Global Sustainable Real Estate ETF is distributed by Quasar Foreside ACA Distributors, LLC.

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