

ESG in CRE

Making the Business Case for Sustainability



PRESENTERS

Our presenters



Kelly Meissner



Meg Six



Jason Franken



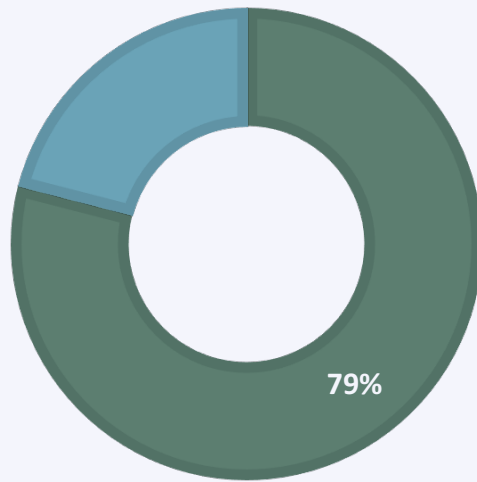
INTRODUCTION

Returns with a responsibility

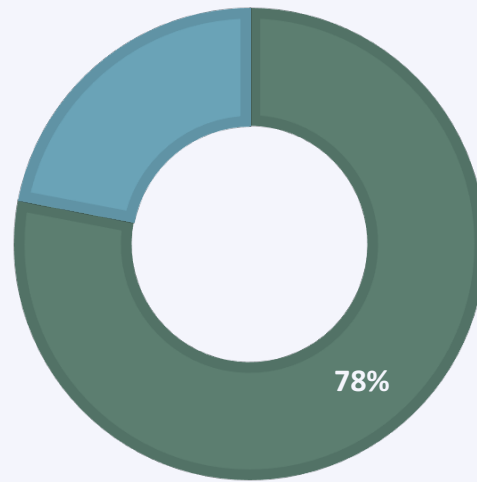
Why is it so important to identify, define, and defend the case for sustainability in today's business environment?

#1: You want to attract investors:

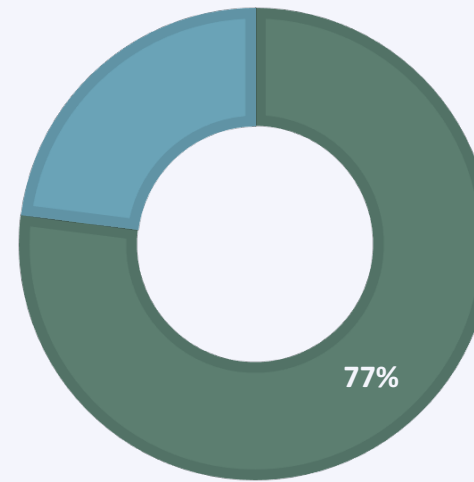
What do you consider as essential and important elements of ESG investments:



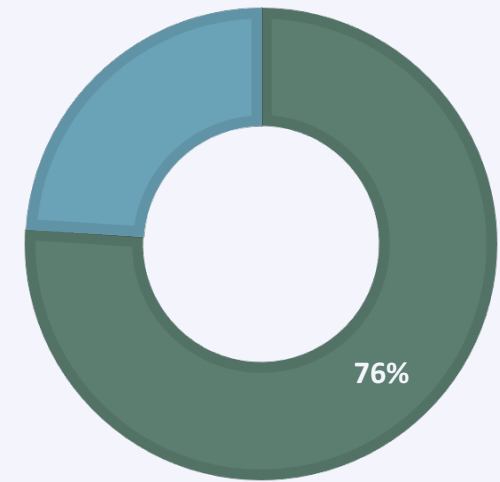
ethical
parameters & values



positive environmental
or social impacts



broader financial
performance



compliance

**#2: You need to comply with requirements
to ensure a healthier planet**



#3: You want to attract the best tenants and talent



**#4: You know there are better ways
to operate**



The Steps:



THE STEPS

Step 1: Set Overall Goals



- ✓ Consider investors, shareholders, peers, owners, and joint-venture partners
- ✓ Identify your current ESG challenges, financial targets, and time to implementation
- ✓ Determine the value of the effort
- ✓ Define success; what are your performance-based targets?
- ✓ Evaluate your long-term strategy

THE STEPS

Step 1: Starter Questions

- **Who are the stakeholders?** What are their goals and / or business models? How will you communicate with them?
- **What will a successful end result look like?** That is, how will you know when you've gotten where you're going?
- **What is your level of appetite?** Do you want to be at the forefront of adopting new approaches, or implementing what works once its been proven by others?
- **What's your holding time for a property?** A three-year ownership versus a long-term hold will yield completely different perspectives on sustainability initiatives, for example.
- **What are your financial and timeline targets?**
- **What are your current challenges?**
- **How does sustainability create value for your organization?**
- **Who are your peers and what are their sustainability goals?** There's something to be said for "Keeping Up with the Joneses". Your stakeholders will be using this as a metric when evaluating your organization, so you should as well.
- **What are your drivers for ROI?** There are three P's to consider, not just one. This is about **Planet**, **People**, and **Profit**, not just Profit alone.

THE STEPS

Step 2: Create a Budget



- ✓ How much are you willing to spend? Can you get funding?
- ✓ What is your ROI tolerance? Do you need to see a financial return in one year? Three years? 10 years?
- ✓ What has the highest value? How did you answer “What are your drivers for ROI?” in Step 1? Are you most interested in energy cost reductions? Are you pursuing certifications, such as ENERGY STAR or LEED?

THE STEPS

Step 3: Evaluate Opportunities

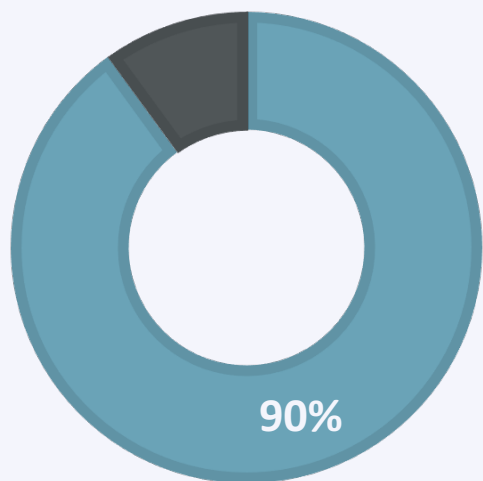


- ✓ Turn the raw data available on your buildings into actionable insight into strategic initiatives
- ✓ Identify top and bottom performers across your portfolio
- ✓ Define your portfolio classification and preferred asset groupings
- ✓ Leverage continuous monitoring to conduct building-level performance review and enable proactive improvements

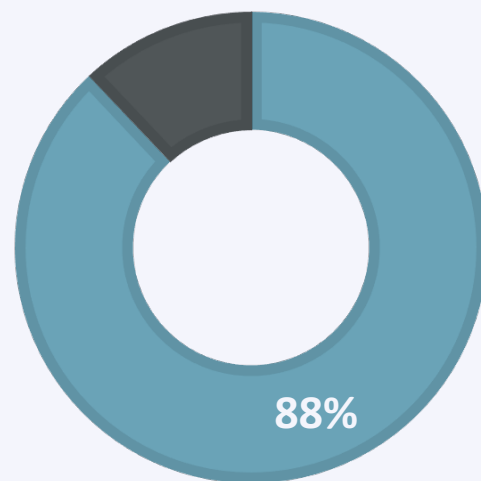
THE STEPS

Step 4: Construct an ESG Strategy Framework

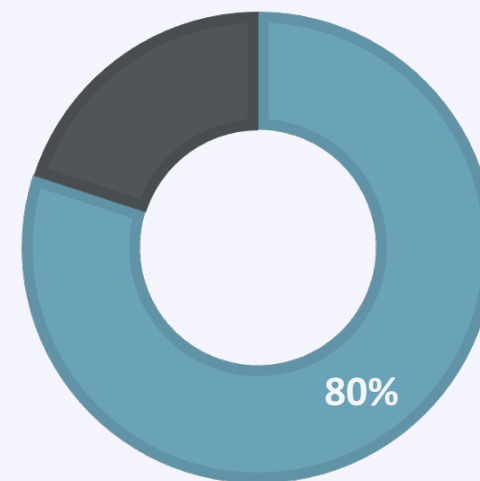
Companies that perform well in their ESG initiatives also trend toward strong financial performance



Lowered Costs



Improved Performance



Stock Improved

THE STEPS

Step 4: Construct an ESG Strategy Framework



THE STEPS

Step 5: Establish Ongoing Leadership

Decide whether it's best to build your own
or outsource the effort



THE STEPS

Step 5: The Dream Team



Executive
representative



Stakeholder
representative



In-house team
member



Consultant

THE STEPS

Step 6: Check Your Progress



- ✓ Establish protocols for regular collection of project status updates
- ✓ Develop tracking and analysis resources to monitor comparable data points
- ✓ Hold ongoing meetings to evaluate goals, update benchmarks, and gather lessons learned
- ✓ Compare to other ESG programs

THE STEPS

Step 7: Promote Your Performance



- ✓ What will the actual reporting process look like?
- ✓ What are your goals for promoting your efforts internally vs. externally?
- ✓ How will you communicate your progress and your goals, especially to investors?
- ✓ What metrics are you planning to use to measure your progress?

THE STEPS

Step 7: Promote Your Performance

	Private	Public
Tangible	<ul style="list-style-type: none">• Savings on utility costs• Higher tenant retention• Lower maintenance costs• Increased revenue	<ul style="list-style-type: none">• Transparency of enhanced building energy performance• Eligibility for certifications like ENERGY STAR or LEED• Lower environmental impact on surrounding areas (i.e. less pollution, lower GHG emissions, etc.)
Intangible	<ul style="list-style-type: none">• Increased tenant comfort• Staff time better spent on important maintenance issues instead of comfort calls, which helps improve buildings over time• Improved public image from focus on sustainability	<ul style="list-style-type: none">• Increase in tenant satisfaction from communication of energy and cost savings by building management• Informal advertising by tenants who spread the word about building and operational improvements• Creation of marketing opportunities

A non-comprehensive list of some intangible and tangible benefits of implementing your ESG strategy and their private and public effects



Taking Charge: ESG Leadership

Kelly Meissner, Director, Sustainability

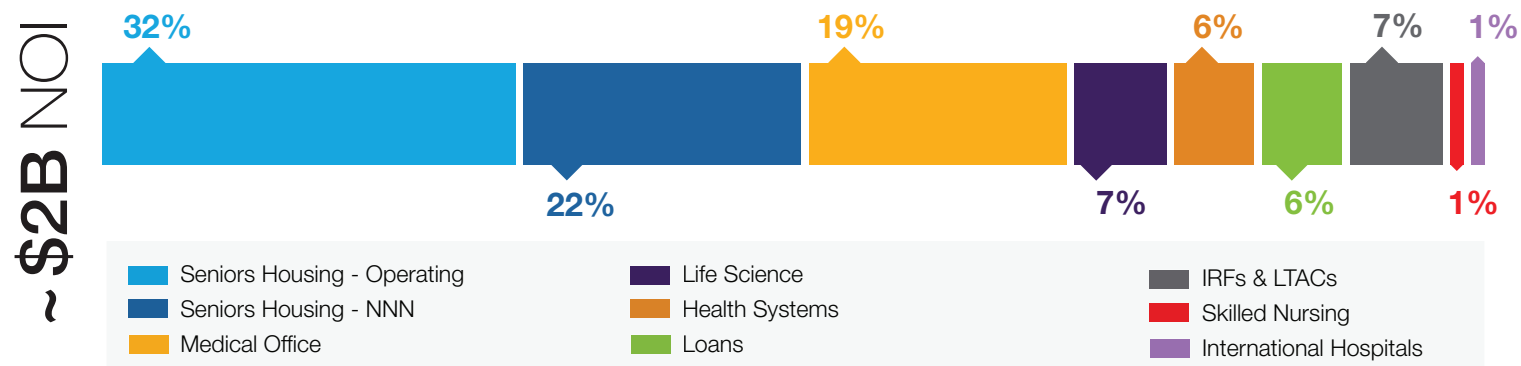
May 1, 2018

Excellence. Sustained.

About Ventas

- **Real Estate Investment Trust (REIT):** operating at the intersection of Healthcare and Real Estate
- **Premier Capital Provider:** to leading senior living and healthcare providers, life science & innovation institutions, and health systems
- **Portfolio:** 1,200+ properties across multiple asset classes in US, Canada and UK
- **Long Track Record:** two decades of consistent growth and income
 - Compound annual total shareholder return of more than 20% since 2000
 - Annual dividend per share growth of 8% since 2001

CURATED HIGH-QUALITY DIVERSIFIED PROPERTY PORTFOLIO



Institutional Investors Are Focused on ESG

- More requests from institutional investors on ESG topics
 - Increased interest/questions from US investors
 - Areas of interest include overall ESG strategy, environmental impact, gender diversity, and governance policies
- Established investment managers (e.g., State Street, BlackRock) have been outspoken advocates for ESG
 - BlackRock intends to double the size of its investment stewardship team over the next three years

“A company’s ability to manage environmental, social, and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth, which is why we are increasingly integrating these issues into our investment process.”

– Larry Fink, Chairman and CEO, BlackRock, Inc., 2018 Letter to CEOs

Path to ESG Success Is Not Linear

- Ventas's initial ESG focus: GRESB and CDP Surveys
 - Direct response to shareholders
 - Identifies areas of success and areas needing improvement
 - Provides benchmarking against peers and baseline data collection to understand the ESG landscape

- Look for 'win-wins'
 - Accretive investments that reduce energy or water (e.g., LED retrofits)
 - Social initiatives that improve employee engagement, (e.g., employee engagement survey, employee-directed charitable giving)
 - Identify stories/case studies that can be shared for marketing & PR purposes
 - Appeals to broad audience: investors, current and potential employees, business partners and service providers

Critical Inputs to Ventas's ESG Leadership

- Tone from the top: CEO and Executive Leadership Buy-In
 - Defined a business case for ESG
 - Articulated 'what / why / who / when'
 - Vocal advocacy at leadership levels supporting enhanced ESG focus
- Cross-functional collaboration
 - ESG includes everyone: acquisitions, asset management, risk management, HR, legal, marketing & communications, accounting
- Utility data: starting with what we could control
 - Focused on assets under our operational control and on readily available data
 - Then turned to third party resources to aggregate and analyze data for our portfolio
- Public disclosure
 - Many ESG surveys only use publicly disclosed data; GRESB added public disclosure in 2017
 - Ventasreit.com shares policies and data, highlighting ESG accomplishments

E

Stewards of the Environment

- **37 LEED** and **69 Energy Star** Buildings – **MOST** among healthcare REIT peers
- Significant developments targeting LEED (>**\$500M**)¹
- Long-term energy, water use and landfill waste **reduction targets on track**

S

Social Responsibility

- **\$1M donated** to >80 organizations in 2017, including marquee partnership with Greater Chicago Food Depository
- 25% increase** over 2016
- Significant **employee initiated giving**

G

Strong Governance

- Strong culture of ethics and integrity, backed by written **policies**
- **90% independent directors** with deep knowledge of healthcare, finance and real estate
- Leader in **board diversity** with **30% women**

Created a defined and accountable role of Director, Sustainability

1. Based on total active and committed development project costs as reflected in the Q1 2018 supplemental.



The Only Healthcare REIT on the 2018 List



“Winning Company” in the 2020 Women on Boards Gender Diversity Index, with the Ventas Board of Directors 30% Female



First Time Inclusion in Dow Jones Sustainability North America Index, Ranking in Top Quartile of Real Estate Companies



1st Place Ranking Among 3 Listed Healthcare Real Estate Participants in 2017 GRESB ESG Assessment



2017 Healthcare “Leader in the Light”



Thank
you!

PRESENTERS

Our presenters



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