Introductions

Marta Schantz
Urban Land Institute

Karen Mahrous
Clarion Partners

Anne Peck
TA Realty

Ben Myers
Boston Properties
Working Toward Net Zero, Best Practices to Engage Tenants

ULI Webinar I August 25, 2022
Clarion by the Numbers

One of the largest pure-play focused real estate investment managers

40 Years
Dedicated Real Estate Investment Manager with Partnership Culture

$81.4 Billion$\textsuperscript{1}
Assets Under Management

1,400+ Properties
Across the United States & Europe

102 bps
Since inception firm-level outperformance to NCREIF Index$\textsuperscript{2}$

$42.8 Billion$\textsuperscript{3}
Industrial Portfolio
920 Properties / 45 Markets

$15.4 Billion$\textsuperscript{3}
Multifamily Portfolio
171 Properties / 43 Markets

$13.1 Billion$\textsuperscript{3}
Office Portfolio
114 Properties / 20 Markets

$5.9 Billion$\textsuperscript{3}
Retail Portfolio
121 Properties / 31 Markets

As of June 30, 2022.
$\textsuperscript{1}$ Reflets Gross Asset Value (GAV).
$\textsuperscript{2}$ Please see important disclaimers at the end of this presentation. Preliminary estimate.
$\textsuperscript{3}$ Gross of fees reflects Gross Real Estate Value (GRE).
Gross Asset Value GAV, Gross Real Estate Value (GRE) and AUM are defined at the end of this presentation.
Overview of Clarion Net Zero Program

- ULI Net Zero – Scope 1 & 2 emissions to net zero by 2050
- Engagement activities include
  - Green Leases
  - Partnering on ESG initiatives
  - ESG surveys
  - Budget and business planning recommendations
  - Pilot technologies
  - Educational events and other messaging

*There can be no guarantee that objectives will be met.*
ULI Webinar

Working Toward Net Zero: Best Practices and Examples to Engage Tenants in Sustainability

August 25, 2022
Private Real Estate Investing Since 1982

- **$37 billion** of real estate acquired, invested and/or managed since inception\(^1\)
- More than **1,165** commercial and multifamily properties acquired in 40 years
- Partners average **27 years** of industry experience
- One of the largest buyers and sellers of **industrial** real estate in the U.S.\(^2\)
- Dedicated **research** focused on adding value throughout the life of the investment
- Committed to establishing a culture that places **ESG+R**\(^3\) at the forefront of our operational processes

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1\(^{As of 3/31/22.}\)  
2\(^{Per Real Capital Analytics (RCA). In each case based on transactional value, as of 3/31/22.}\)  
3\(^{Environmental, Social, Governance and Resiliency (ESG+R).}\)
Tenant Engagement to Increase Net Zero Targets

TA Realty targets a 25% reduction in Greenhouse Gas (GHG) emissions and energy consumption over 10 years (2.5% annually), a 15% reduction in water consumption over 10 years (1.5% annually), and 40% diversion rate within 10 years.

On May 18, 2022, the U.S. Department of Energy’s (DOE) Better Buildings Alliance and the Institute for Market Transformation (IMT) announced TA Realty as a 2022 Green Lease Leader.
Engaging Tenants in Sustainability

August 2022
BXP Quick Facts

The largest publicly traded developer, owner and manager of Class A office properties in the U.S.

193 Properties

$3.0B BXP’s Share of Annualized Revenue

S&P 500 Company

53.7M Square Feet Owned

$1.8B BXP’s Share of Annualized EBITDAre

Top 6% Sustainalytics Global Universe

4.6M Square Foot Life Sciences Portfolio

$888M Annualized Funds Available for Distribution

7.9 Years Weighted-average lease term

4.2M Square feet currently under development / redevelopment

4.4% Annualized Dividend Yield

929% Total Return Since 1997 IPO 1.9x S&P 500 1.6x REIT Index

1. Includes 100% of consolidated and unconsolidated properties.
2. See Appendix.
3. Represents 3.4M SF of in-service properties plus 1.2M SF of current life sciences redevelopments/lab conversions in process. Includes 100% of consolidated and unconsolidated properties.
4. Excludes residential and hotel properties. Calculation is based on BXP’s Share of Annualized Rental Obligations. See Appendix.
5. FTSE Nareit All REITs Index.
6. Calculated based on Q2 2022 dividend multiplied by four (4) compared to the stock price as of the close on June 30, 2022.
Climate Action

- Energy & Water Efficiency
- Green Building Development & Management
- Renewable Energy
- Carbon Neutrality

Resilience

- Climate Risk Awareness
- Asset-level Preparedness
- Scenario Analysis
- Management & Planning

Social Good

- Healthy Buildings
- Diversity & Inclusion
- Community Involvement
- Employee Programs & Benefits
Green Leasing

- BXP has been a Green Lease Leader since 2015.

- Green lease clauses are integrated into master lease --
  - cost recovery for capital expenditures made to reduce operating expenses;
  - cost recovery for certifications (including LEED and ENERGY STAR);
  - submetering of high intensity tenant equipment; and,
  - required tenant energy disclosure (benchmarking).

Energy and Carbon Management Support

- Property Management and Sustainability teams regularly engage with tenants to discuss energy and carbon performance.

- Piloting extension of real time energy management platform to tenant spaces.

- Growing focus of tenants on green power procurement and energy-related carbon emissions.

Renewable Energy

- 13 projects, 8 MW

- High visibility - demonstration of sustainability/ESG commitment

- Tenants directly offtake energy (behind the meter projects)

- Renewable energy development is becoming increasingly important to clients

Green Building Partnership

- Greenest building deliveries have been anchored by sustainability leaders (Akamai, Google, Microsoft, Natixis, Salesforce, Wellington, etc.)

- Shift from evergreen sustainability certifications to performance monitoring, standards and net zero validation increases necessity of effective tenant engagement.

Examples & Themes
Important Information

Note: The impact of the outbreak of COVID-19 on the economy and the properties and operations of any fund or portfolio is highly uncertain. Valuations and incomes may change more rapidly and significantly than under standard market conditions.

This is not an offer to sell, or a solicitation of an offer to buy, securities. Investment in real estate and real estate derivatives entails significant risk and is suitable only for certain qualified investors as part of an overall diversified investment strategy and only for investors able to withstand a total loss of investment. This material is for distribution only to prospective investors who are highly sophisticated and are, as applicable, “accredited investors” and “qualified purchasers,” as those terms are defined in the Securities Act of 1933 and the Investment Company Act of 1940, respectively. This presentation is strictly confidential and is not intended for distribution without the written permission of Clarion Partners. Unless otherwise indicated, returns are presented on a gross basis and do not reflect expenses, management fees or incentive allocations. References to indexes are hypothetical illustrations of aggregate returns and do not reflect the performance of any actual investment. Investors cannot invest in an index. Past performance is not indicative of future results and a risk of loss exists. Any investor’s actual returns may vary significantly from any aggregate returns set forth in this presentation. Forecasts and projections rely on a number of economic and financial variables and are inherently speculative. Such forecasts and projections are based on complex calculations and formulas that contain substantial subjectivity. There can be no assurance that market conditions will perform according to any forecast or that any fund or account will achieve its objectives. Investors are cautioned not to place undue reliance on any forward-looking statements. Clarion Partners does not assume any obligation to update any forward-looking statements as a result of new information. Such statements are believed to be accurate as of the date provided but are not guaranteed and are subject to change without notice. This material does not constitute investment advice and should not be viewed as a current or past recommendation to buy or sell any securities or to adopt any investment strategy. Clarion Partners does not provide tax or legal advice. Tax-related statements are based on Clarion Partners’ understanding of the tax laws. Investors must seek the advice of their independent legal and tax counsel before investing. Certain information contained in this material may have been obtained or derived from independent sources believed to be reliable. Clarion Partners cannot guarantee the accuracy or completeness of such information and has not reviewed the assumptions on which such information is based.

Target Return Disclosure. Target returns may be included herein and, if so, are based on historical performance of the real estate market, current market conditions, the amount of risk to be assumed by the account or fund, as applicable, and certain subjective assumptions relating to the respective investment strategy. Fund-level target returns assume investment through a complete real estate investment cycle. Target returns are presented to establish a benchmark for future evaluation of fund performance, to provide a measure to assist in assessing the anticipated risk and rewards and characteristics of an investment in the strategy and to facilitate comparisons with other investments. In general, the higher a target return is for an investment, the greater the amount of risk that is associated with that investment. The target is not intended to provide an investor with a prediction of performance and no investment should be made as a result of the target. Any target data or other forecasts contained herein are based upon estimates and assumptions about circumstances and events that may not occur or may change over time. For instance, the target may assume a certain rate of increase in the value of real estate over a particular period of time. If any of the assumptions used to prove to be true, actual results may be lower than targeted returns. The target investment returns are subject to change at any time and are current as of the date hereof only. In any given year, there may be significant variation from these targets, and Clarion Partners makes no guarantee that an investment will be able to achieve the target investment returns in the short term or the long term (i.e., over a complete real estate investment cycle). Targets are subjective and should not be construed as providing any assurance as to the results that may be realized.

Target Internal Rates of Return. “Target Gross IRRs” are returns calculated gross of fund-level management fees, incentive allocations and expenses, which in the aggregate will be substantial and will have the effect of reducing returns. “Target Net IRRs” are returns calculated net of fund-level management fees, incentive allocations and expenses, unless otherwise disclosed. Target IRRs are based solely on internal cash flow projections and estimates of current market value and do not reflect opinions of value from third party appraisals.

Aggregated Property-Level Data. Aggregated (or “blended”) property-level return targets, capitalization rates and internal rates of return (IRR), as applicable, are based, in part, on the value of the properties held in the portfolio. Values are assigned to each property using a consistent methodology that is applied in accordance with the written valuation policies. Aggregated asset-level return targets, capitalization rates and IRRs may incorporate property values assigned to properties on different dates within the prior year. Such property values are estimates only. This data is provided for illustrative purposes only and should not be viewed as a guarantee of current property value, capitalization rate or internal rate of return, as applicable. Neither individual nor aggregated cap rates represent a return or distribution from the portfolio itself.
Important Information (cont.)

Private Fund Disclosure. The information provided herein with respect to one or more funds (each, a “Fund”), as applicable, has been provided for informational purposes only and does not constitute an offer to sell, or solicitation of offers to buy or convert, securities in any existing or to-be-formed issuer. Investment in a Fund can be made only pursuant to the subscription agreement, offering memorandum and related documents and after careful consideration of the risk factors set forth therein. The information provided with respect to any Fund is qualified in its entirety by reference to, and will be superseded by, such documents.

An investment in a Fund is speculative and involves a high degree of risk, potentially including risks related to the use of leverage. The performance of the Fund and its assets may be volatile. An investor may lose all or a significant amount of its investment in the Fund. Investment in a Fund is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risk and lack of liquidity inherent in the investment.

There can be no assurance that unrealized investments will be realized at the current valuations. There can be no guarantee that any Fund will be successful in implementing its investment strategy or that target returns will be realized. Gross returns are calculated prior to deduction of all fund-level fees, including asset management fees and incentive distributions, and investor-level taxes, all of which will reduce returns to investors.

Value Definitions, As Applicable. Gross Asset Value (“GAV”) is the Firm’s consolidated wholly owned total assets and proportionate share of joint venture total assets. Gross Real Estate (“GRE”) is the Firm’s consolidated wholly owned real estate assets and proportionate share of joint venture real estate assets. In contrast to GAV, GRE excludes cash and other assets. For Periods on or after 12/31/2013, Assets Under Management ("AuM") is Gross Asset Value ("GAV"). Prior to that date, AuM is Gross Real Estate Value ("GRE").

Important Disclosure Relating to Clarion Partners Property Performance and Comparisons to the NCREIF Property Index

Inception date is 10/1/1984. Clarion Partners’ performance is calculated by blending the performance of assets from client portfolios that meet the criteria for inclusion in the NCREIF Property Index ("NPI"). If the performance shown is for a subset of accounts of Clarion Partners, then all properties that would meet the criteria for inclusion in such subset in the NPI are included. Except with respect to subsets (e.g., industrial properties), qualifying properties include all Clarion Partners client-owned U.S. office, industrial, retail, residential and hospitality operating properties accounted for at market value, pursuant to the current valuation policy applicable to the respective client. New qualifying properties are included in the first full quarter in which they reach a minimum of 60% occupancy or, for newly acquired renovation or development assets, the earlier of 60% occupancy or 1 year after completion of the renovation or development.

Once a property is included by Clarion Partners, it remains in the track record until it is disposed or converted to a property type which does not meet NPI inclusion criteria. With the exception of subsets outside of the hospitality sector, Clarion Partners includes the historical performance of 2 hotel investments managed by a Clarion Partners employee between 2002 and 2005 while working at Sarofim Realty Advisors and transferred to Clarion Partners in 2006 and 2007. The performance of Clarion Partners is hypothetical in that it does not track the aggregate performance of all assets held in Clarion Partners client accounts or of any individual account. No client has received the performance shown. Except as otherwise noted, Clarion Partners performance is shown unleveraged and gross of taxes, investment management fees, incentive fees, and, any fund expenses, if applicable. If such fees and expenses were deducted from the assets shown, performance would be substantially lower.

The NPI is a primary benchmark for the commercial real estate industry calculated and maintained by the National Council of Real Estate Investment Fiduciaries. The NPI is a total rate of return measure of the investment performance of a large pool of individual commercial properties that have been acquired in the private market for investment purposes. The NPI includes only U.S. office, industrial, retail, residential and hospitality operating properties owned in whole or in part by non-taxable institutional investors and accounted for at market value. The NPI is gross of investment management fees and is unleveraged. Information regarding NPI methodology is available at http://www.reportingstandards.info/. Substantial differences exist between the methodology for calculating the NPI and the Clarion Partners performance data. Performance was achieved under certain economic conditions that may not be repeated. Past performance is not a guarantee of future results.

Effect of Fees on Gross Performance

If management and other fees were included, performance would be lower. Advisory fees are disclosed in each fund’s private placement memorandum, in each investment advisory agreement for separate accounts, and are summarized in Part 2A of Clarion Partners’ Form ADV.
**Important Information (cont.)**

**Additional Index Definitions**

The NCREIF® Total Return Property Index (NPI). The NPI quarterly, annual and annualized total returns consist of three components of return – income, capital and total. Total Return is computed by adding the Income Return and the Capital Value Return.

NPI Market Value Index (MVI). The NPI MVI is simply an equal-weighted average of quarterly changes in reported market value for the properties that are not undergoing a major capital expansion. MVI is designed to reflect how property values are changing over time and be an alternative to the NCREIF® capital index.

NCREIF® Appreciation Index. The NCREIF® Appreciation Index is a quarterly, unleveraged composite appreciation return for private commercial real estate properties held for investment purposes only.

NCREIF® Industrial Sub-Index. The NCREIF® Industrial Sub-Index is a quarterly, unleveraged composite total return for private industrial real estate properties held for investment purposes only.

Bloomberg Barclays US Aggregate Bond Index. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

EURO STOXX 600. The STOXX Europe 600 or STOXX 600 is a stock index of European stocks designed by STOXX Ltd. This index has a fixed number of 600 components, among them large companies capitalized among 18 European countries, covering approximately 90% of the free-float market capitalization of the European stock market (not limited to the Eurozone).

FTSE NAREIT All Equity REIT Index. The FTSE NAREIT All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. Equity REITs. Constituents of the Index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

JLL Global RE Transparency Index. The JLL Global Real Estate Transparency Index is based on a combination of quantitative market data and information gathered through a survey of the global business network of JLL and LaSalle Investment Management across 109 markets.

Morgan Stanley EAFE Int’l Stock (MSCI EAFE) Index. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

Morgan Stanley Emerging Markets (MSCI EM) Index. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries. With 845 constituents, the index covers approximately 85% of the free-float-adjusted market capitalization in each country.

NAREIT Equity REIT. The NAREIT Equity REIT Index is an index designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the New York Stock Exchange, the NYSE AMEX Equities or the NASDAQ National Market List.

The FTSE NAREIT Equity REITs index contains all Equity REITs not designated as Timber REITs or Infrastructure REITs.

Investment Property Databank (IPD) Index. The IPD Index is a composite of investment returns on both a historical and current basis of its participating members, who must qualify as being open-end, core, diversified funds pursuing a core investment strategy and includes all investments owned by them including real estate, cash and other investments (mezzanine loans receivable, notes receivable, forward commitments, etc.). The IPD Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted. Unless otherwise noted, IPD Index returns are presented without leverage and before the deduction of portfolio level management fees and do not reflect the results of any actual investment portfolio. The index’s history is unfrozen; therefore, any reconstitution would result in a revision to the index’s historical data. For comparative purposes, IPD calculates LPF returns using the same methodology as the IPD Index. Further information is available online at http://www.ipd.com.

S&P 500 - Standard and Poor’s 500 Index. The S&P 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to capture the returns of many different sectors of the U.S. economy. The total return calculation includes the price-plus-gross cash dividend return.