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# Managing Conflicts of Interest

## Introduction

CBRE is committed to conducting its business with the highest ethical standards and complying fully with its legal and regulatory obligations. Inherent in the real estate services industry are situations where the interests of clients might conflict (or appear to conflict) with the interests of the service provider or other clients. We have engaged a broad cross-section of professionals and subject matter experts throughout our global business to examine our approach to conflicts of interest and have developed this document as a framework to articulate them clearly and in plain language.

This document:

- describes how and where real and perceived conflicts may arise in our business
- acknowledges our responsibilities to our clients and what they can expect from us
- summarizes the controls we have implemented to identify and manage conflicts
- sets forth a process by which CBRE responds to requests for information, clarification or resolution of a dispute regarding conflicts.

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CBRE has the broadest platform in our industry in terms of geography and the types of services we offer. We act in a variety of capacities for clients across the globe. For example:

- We **represent** clients as a broker in real estate transactions
- We **manage** property at the physical site on behalf of clients (including the procurement of supplies and services needed to operate the property)
- We **appraise** the value of real estate for clients
- We **arrange** for financing of real estate for clients
- We **invest** capital, our own and our clients, in real estate, directly or through loans or securities
- We **service** real estate mortgages, loans and securitized pools
- We **publish** research on real estate trends and information

Clients often ask us to act in several of these capacities in our overall relationship, frequently across multiple geographies. Company-wide, we also act in these roles for hundreds of clients simultaneously.

Our size and the scale and diversity of our lines of business allow us to accept the largest and most complex assignments anywhere in the world. They also enable us to invest in market intelligence, research and other client-facing expertise that are unrivaled by our competitors. They create value for our clients, shareholders and other stakeholders. However, as a result of our scale and diversity and the nature of the real estate services business itself, we inevitably face

both real and perceived conflicts of interest. Even when there is no actual conflict of interest, it is possible that a client might be sensitive to a given situation or might perceive it as a conflict.

We do not sell any tangible product, and daily depend on our reputation for service excellence as the foundation of our business franchise. We have only one reputation, and yet each day thousands of individuals are taking actions that may impact it. While, to an outsider, incentives to exploit a particular conflict of interest for our own short-run gain may appear to be strong, our firm’s reputation is paramount and we manage our firm to create long-term value for our stakeholders. Therefore, exploiting conflicts of interest—in addition to being at odds with our firm’s “RISE” values of Respect, Integrity, Service and Excellence—would be harmful to our profitability because we would have great difficulty continuing to sell our services. It is therefore critical for us to have an effective conflict management and business selection process that is overseen by experienced, senior people and embedded in the core decision-making of the firm.

CBRE is sensitive to potential engagements that might be legally permissible and not technically posing conflicts of interests, but problematic from a client relations perspective. These business selection issues, if not promptly identified and properly managed, may lead to ill-will and a loss of business. The principles we employ to manage these business selection issues are similar to those involved in the management of conflicts of interest.

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When we make decisions as to what assignments to accept and how to manage conflicts if and when they arise, we will always adhere to our fiduciary duties and place the interests of the client we represent ahead of our own. To combat any short term incentives on the part of any individual to exploit conflicts for personal gain, we have implemented policies, procedures, disciplinary, structural and compensatory measures, governance systems and training programs. We have well-established and publicized avenues to investigate concerns or allegations and, if we determine that any of our personnel violate our policies, we take appropriate remedial actions, including disciplinary action against any employee engaged in the misconduct.

#### How do we define conflicts of interest?

There is no single universally recognized definition of a conflict of interest. For us, a conflict of interest arises whenever CBRE or its employee:

- could make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- represents or seeks to represent two or more parties whose interests are actually or potentially in conflict with each other;
- represents a client and CBRE has a financial or other incentive to favor the interest of another client, or group of clients, over the interests of the client;
- carries on the same business as the client; or

- expects to receive a benefit from a person other than the client in relation to a service provided to the client other than a market-based commission or fee for that service, for example in the form of a discount, monies, goods or services.

We have created an [Appendix](#) to this policy that lists examples of where conflicts may be expected to arise in our business. The list is not intended to be exhaustive and CBRE personnel must consider all services and activities carried out by the firm in order to identify any conflicts that may arise.

#### Managing Conflicts

CBRE has established policies and procedures in each of its operations to identify and manage conflicts of interest. These policies and procedures are the subject of ongoing monitoring and review processes embedded within our lines of businesses. These controls are overseen by our most senior executive officers, who are supported by our Legal and Compliance Departments. These personnel play a vital role in the formulation of policies and make judgments regarding the appropriate resolution of particular conflicts, as further described in this document.

Some of the standards we employ to identify and manage conflicts are described below:

#### Compliance with Law

*We comply with all laws and regulations relating to our business.*

CBRE is subject to a myriad of federal, state or province, and local laws throughout dozens of

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countries, including real estate licensing laws in the jurisdictions where it operates. Per our Standards of Business Conduct, compliance with the relevant laws and regulations is a non-negotiable condition of employment with CBRE. We have well-established avenues for identifying and investigating reports of violations by our personnel, and our employees know that violations can lead to disciplinary action, up to and including termination of employment.

### Ability to Perform

*CBRE will accept only those assignments it can perform to its high standards for excellence.*

Prior to accepting any assignment, we will ensure that we are able to perform our responsibilities to our high standard of excellence all the way through execution of the transaction without compromising the client's or another client's interests. This necessarily includes identifying whether any conflicts of interest exist or are anticipated.

The conflicts review process may vary by line of business, country or by assignment type. For example, this review may be conducted directly through database and personal inquiries by our real estate professionals and managers who are trained to identify conflicts of interest. For certain types of assignments, we utilize a centralized and formal conflict check procedure.<sup>1</sup> Certain of our businesses (e.g., Global Corporate Services, Asset Services and investment

management businesses) also utilize investment or pricing committees to undertake a centralized review for conflicts prior to accepting any assignment.

If CBRE determines that it is unable to perform the requested assignment for any reason, including that it would be unable to manage a conflict of interest using one or more of the methods described in this document, it will decline to act on behalf of a client. In such case, CBRE's personnel will be asked to step down from working on a specific transaction.

### Clarity in our Role

*CBRE will be clear about its role and responsibilities in any assignment.*

At the outset of any assignment we accept, we will clearly articulate our role and our specific responsibilities to our client. CBRE personnel are trained to be unambiguous regarding the party represented by CBRE in any transaction and to disclose the client relationship at the earliest possible time to all parties to the transaction..

### Obligation to Disclose Conflicts

*It is CBRE policy to disclose to our client all known conflicts of interest.*

All CBRE personnel who interact with clients have a responsibility to identify and disclose any actual or potential conflict that exists or is reasonably likely

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1. For example, where the transaction contains a higher level of risk or regulations apply (e.g., government contracts, insolvency-related assignments), we will utilize internal databases and/or e-mail confirmation of relevant CBRE personnel.

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to occur in the scope of an assignment.<sup>2</sup> As part of this disclosure, we will also describe other activities we may continue to perform as a business while we are representing a particular client. Disclosure of all conflicts is required even where we have employed other measures to manage the conflicts and those measures have mitigated the risk of any damage to a client’s interests.

We recognize that conflict disclosures are typically expressed as disclaimers in engagement letters. We endeavor to make our disclosures meaningful, effective and prompt. Thus, our disclosure shall be in clear, fair and straight-forward language and contain sufficient information to allow the client (and, if applicable, other parties to the transaction) to make an informed decision as to whether to proceed. The disclosure should be tailored to the specific engagement or line of business and kept updated over time.

In most cases, this disclosure occurs prior to accepting an assignment. For example, prior to accepting an assignment to manage a property, we will disclose that we might already be the primary real estate advisor to one or more tenants in the building. The owner of the building will understand clearly through disclosure that (a) CBRE will have an obligation to advise the tenant client regarding its renewal rights and options in the marketplace and (b) the team that advises the tenant will be different and segregated from the landlord’s team. Conversely, prior to accepting the



representation of the tenant, it will be made clear that CBRE represents the landlord in the building and the team assigned to advise the landlord will be different and segregated from the tenant’s team—with each team having a fiduciary obligation only to the party they represent—the tenant or the landlord.

Our real estate professionals are expected to escalate any questions regarding how to resolve conflicts to their managers, who may further escalate the matter to our geographic or line of business executives and ultimately to our senior executive officers. Along the way, our Legal and Compliance Departments provide advice and counsel.

We believe our clients are entitled to understand fully the nature, amount and timing of compensation that

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2. This disclosure will omit certain facts that could technically qualify as conflicts but are so inherent and self-evident in the real estate business model; for example the fact that the landlord in a lease transaction will typically pay the commissions of both its broker and the tenant’s broker or the fact that the tenant’s broker’s commission is typically based on total rental value (i.e., term multiplied by rate).

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CBRE anticipates receiving for our services, even when it is contingent or not entirely paid directly by our client (e.g., a tenant representation brokerage commission paid by the landlord). Thus, our explanation of the compensation we anticipate should be complete and easy to understand. Where an amount is not possible to calculate at the outset of an assignment, we will share the formula on which expected compensation will be derived. The nature of our legal duties prohibits CBRE or its personnel from receiving any "secret profit" or benefit in addition to the fee payable when a transaction is successfully completed. In this vein, when it manages a client's properties, projects or facilities, CBRE will often procure goods or services (including hiring subcontractors) on behalf of its clients and, in doing so, may use its purchasing power and aggregate those purchases with its own. Typically, this results in our client receiving more favorable than "market" pricing due to CBRE's purchasing power or scale. However, if CBRE will receive any material business benefit from the vendor as a result of those purchases, the benefit to CBRE will be disclosed to the client.

### Independence and Objectivity

When we provide services to our clients, CBRE personnel will disclose the existence of any of the following interests and must not allow the existence of such interests to influence them when dealing with clients or potential clients:

- any personal interests which our personnel or members of their family may have in any third party, property or transaction;
- any existing or prospective business relationship between CBRE and any third party;

- any financial interest of CBRE in any third party or property; or
- any agreement or transaction which has been, will or may be, entered into by CBRE.

The above examples are not exhaustive, and CBRE and its employees are required at all times to consider the need to act independently of any conflicting interest.

### Our Subsidiaries

*CBRE's subsidiaries operate with appropriate independence from our other business lines and we do not give them any improper advantage over other CBRE clients.*

Certain of CBRE's subsidiaries, including CBRE Global Investors and Trammell Crow Development Services, are active participants in many of the most competitive markets in which we provide services. As stated elsewhere in this document, when we are engaged to market a property on behalf of a client, having an ownership or other financial interest in a prospective purchaser or developer is a conflict of interest. Similarly, when we represent a prospective tenant or purchaser and a subsidiary owns the subject property, a conflict of interest exists. It is our policy that we will disclose our intercompany relationships and they will be disregarded when we make recommendations or arrange transactions with or for our clients.

When they seek opportunities in the market, our subsidiaries sometimes find themselves in competition with some of CBRE's most valued clients. And while CBRE will not provide an improper advantage in any transaction to its subsidiaries, neither will it

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disadvantage them in the market nor ask them to yield to the pressure brought to bear by another firm client in a competitive situation.<sup>3</sup> This is for two important reasons. First, because these subsidiaries act as fiduciaries for their own investor clients, it would be inappropriate to disadvantage them due to a relationship with a firm client that would benefit only the parent.<sup>4</sup> Second, CBRE Global Investors and Trammell Crow Development Services are among CBRE’s largest clients in their own right. For example, acting as a fiduciary for its investor clients, CBRE Global Investors will often hire CBRE to manage buildings it acquires or to market those properties for leasing or sale. It demands a fair price, the highest level of service and access to market intelligence and opportunities from CBRE as it does all of its other large service providers. Thus, CBRE will neither favor nor disadvantage its own or its subsidiaries’ interests when engaged to provide services to any client.

There may also be situations where the legal or business interests of a subsidiary or a subsidiary’s client, on the one hand, and a CBRE client, on the other hand, conflict (including potential litigation). In such instances, our subsidiary must maintain independence and act solely in the best interests

of its clients to whom it owes fiduciary duties. For example, a CBRE Global Investors sponsored fund could be in litigation with a CBRE client regarding the sale of a property. In this instance, CBRE employees or executives must recuse themselves from any communication with either party regarding the dispute. As such, a CBRE employee must decline any requests from a CBRE client to intervene in, mediate or influence any such disputes, even when such client threatens a business consequence against CBRE.

Our subsidiaries operate with independence from the other parts of our business. Subsidiary personnel report to management within the subsidiary, are not integrated within office space with other CBRE employees and are compensated based on the success of their subsidiary or business unit only. To preserve independence, there is no internal compensation or incentive, rebate or any other benefit to induce our subsidiaries to select CBRE as their service provider.<sup>5</sup> While we encourage strong lines of communication and good relations among these businesses, we also strive to develop similarly strong relationships with our other clients.

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3. It is not unreasonable for a market participant (who might be a CBRE client) that is competing for a property being marketed by CBRE’s brokers to be upset if a CBRE subsidiary submits the winning bid. However, in striving for fundamental fairness and in discharging our duty to the seller, CBRE does not engage in favoritism for the benefit of its Subsidiary.

4. CBRE Global Investors puts the interests of its own clients ahead of its own or CBRE’s interest. It has adopted a policy regarding transactions with CBRE and other subsidiaries. Under this policy, CBRE is required to compete with other service providers on the basis of its ability to provide market intelligence, transactional excellence and a fair price.

5. The only exception is that our Trammell Crow Development Services business will receive a discount from the commission charged by CBRE’s brokerage line of business when it selects CBRE versus a CBRE competitor (although our competitors are free to offer their own discounted rates), or when the assignment is awarded to CBRE on a non-compete basis.

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## Confidential Information and the “Need to Know” Policy

CBRE has effective procedures in place to protect confidential information entrusted to us and to control the flow of such information within the firm.

We know a great deal about our clients and their trust in us is the foundation of our brand and our ongoing business success. Earning and maintaining that trust requires that we handle others’ confidential information at least as carefully as we would our own. The mishandling of that information could hurt our client or other parties. In addition, acceptance of client confidential information creates a legal responsibility on our part to protect it and mishandling it could have severe consequences. For these reasons, we have adopted a policy that all non-public information obtained from a client or potential client shall be treated as confidential and shall not be shared outside CBRE unless explicitly permitted by the terms of a confidentiality agreement or required by the terms of a transaction or relevant law or regulation. We have designed IT systems to reinforce this policy in the reality of a 21<sup>st</sup> century where most information is communicated digitally. We periodically require our personnel to certify their acceptance of this important policy and provide training regarding its requirements.

Internally, CBRE operates on a “need to know” basis. That is, confidential information may be disclosed only to those persons who need it to serve the legitimate interests of clients and who can be expected to keep it in confidence.



### Information Barriers

*Information Barriers effectively segregate sensitive information within the firm.*

Sometimes, we or our client determines that a policy or agreement regarding confidentiality should be supplemented by more formal barriers to impede or prohibit the flow of information within the firm. An “information barrier” is a set of procedures designed to segregate information and prevent the communication of that information by personnel in one part of CBRE’ business with employees in another part of CBRE. These procedures not only make the transfer of information less likely but can also reduce the appearance of conflicts of interest.

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Under our information barrier policies, if a client or one of our real estate professionals or managers determines that an information barrier is required, a team is created to act for the client that includes no employee who has performed work for, or otherwise is exposed to the confidential information of, any other party to the transaction who is represented by CBRE. A responsible manager informs each team member about this procedure and requires a specific acknowledgement of the duty of confidentiality. The manager has discretion to adopt certain other procedures that are designed to enhance information security, including by way of example: physical separation of the client team and their staff, securing of files and offices, and/or establishment of a code name in place of each client's actual name. The manager monitors the teams and the situation on an ongoing basis to assess the continuing effectiveness of the information barrier and make adjustments as necessary.

In the event CBRE determines that a client's confidentiality is compromised, it will notify the client, and any employee found to have violated his or her obligations will be subject to disciplinary action, up to termination of employment.

### **Outside Activities and Personal Ownership of Property**

*We have adopted appropriate controls to monitor and disclose the outside business or financial interests of our employees.*

Unless otherwise approved, CBRE employees are required to devote their full time and efforts to the

business of the firm and to avoid activities that might interfere or conflict with, or appear to interfere or conflict with, the employee's responsibilities to CBRE and its clients. Approval is required before our employees may engage in outside employment, board memberships or business activities within our industry. Such requests are approved only after a review of potential conflicts and if the outside activity does not present a substantial risk of confusing clients or others as to the capacity in which the employee is acting.

A conflict of interest arises if CBRE, its personnel or a subsidiary has an ownership interest in a property under consideration by a buyer, tenant or seller, or in a competing property. In virtually every jurisdiction where we operate, real estate regulations require that a real estate professional who is involved in a transaction with a property in which they have an ownership interest must disclose their ownership interest to all parties involved in a transaction involving that property. And, in certain of our business lines and geographies, there is an outright prohibition on performing services for a client while having such ownership interests. Our policies typically permit our personnel to enjoy the investment benefits derived from ownership of real estate but at the same time require disclosure to the firm of certain types of commercial real estate investments such that the firm can properly disclose these interests. Our policies also contain provisions that specify how these conflicts of interest are to be managed.

CBRE does not permit its employees to acquire, hold or otherwise trade in securities in our clients when they have access to material non-public information about

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the client. In certain of our businesses, we maintain and enforce a formal restricted securities list. In the remainder, we rely on the compliance with our policies and law and the informed judgment of our personnel.

## Gifts and Entertainment

CBRE has adopted policies relating to the giving and receiving of business gifts and entertainment.

Appropriate entertainment of clients has always been a normal part of our business and we believe it provides opportunities to build relationships with clients. However, employees are always expected to use common sense when making decisions related to business entertainment and must bear in mind that their actions at all times reflect on CBRE as well as



themselves. There is a line between these customary gifts and the types of gifts or entertainment that are perceived to be excessive. We do not permit our employees to give a gift knowing that the recipient would be in violation of his/her company's own policies. We similarly do not permit our employees to accept any gift or entertainment that could be perceived to improperly influence CBRE's business, purchasing choices or decisions on behalf of any client. In certain sensitive areas of our business (primarily dealing with procurement), we prohibit the giving or receiving of anything of value. Where not outright prohibited, CBRE has implemented certain guidelines that clarify the nature of any gift or entertainment that our employees may accept without specific high levels of executive approval, and has required that certain gifts and/or entertainment be disclosed and/or approved by senior management.

## Research

*CBRE's research is objective and impartial.*

CBRE prepares and issues real estate market and investment research relied upon by many institutional real estate investors to allocate their resources and investments. As such, it is critical that all research produced by CBRE be objective, impartial, fair and not misleading. CBRE has implemented policies and procedures to identify, disclose and manage conflicts of interest that may arise in the preparation and distribution of our research and to ensure that our researchers are not subject to influence by any real estate professional who might have a stake, however indirect, in their findings.

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## Internal Policies and Training

*CBRE has training and communication tools to help professionals identify and manage conflicts.*

A proper understanding and awareness of agency principles, fiduciary responsibilities and CBRE policies will maximize the likelihood that we will avoid even the appearance of impropriety and enhance our ability to effectively identify and manage conflicts of interest and business selection issues. CBRE has developed training programs and other communication tools on these topics that are made available to our professionals and managers. Training and internal guidance are used to help our personnel identify circumstances which may give rise to potential conflicts of interest and business selection issues and provide them with the necessary tools to manage any such issues.

## Escalation Procedures

*CBRE has established an effective escalation process for resolving conflicts and business selection issues.*

Our first line managers are trained and authorized to resolve business practice and conflicts issues that arise at the regional and business line levels including which assignments we will accept or decline. Our real estate professionals are trained to escalate difficult conflicts issues to their managers. Based on their training and knowledge of CBRE policy, our managers might escalate the issue to a more senior level of management or involve members of our Legal Department. Ultimately, our most senior executive officers have authority to resolve all conflicts and business selection issues. These executives have an ongoing obligation to monitor the businesses within

their span of control to ensure that any new conflicts of interest or business selection issues that may arise are documented and effective controls are put in place to manage them. They are at all times supported by the firm's Legal and Compliance Departments and other subject matter experts.

## Compliance and Monitoring

*CBRE has effective compliance systems to address concerns regarding conflict and business selection issues.*

We have established avenues for our clients or other third parties to report to us any circumstance in which they believe a conflict of interest was not disclosed or managed in a manner consistent with our own policies or the law. Each report received from a client or prospective client will be escalated to the appropriate personnel within CBRE to be addressed. Typically, allegations of this nature will be treated as reports of serious misconduct under our Ethics and Compliance Program. This requires that they be promptly, thoroughly and impartially investigated under the supervision of our Chief Compliance Officer. If a violation is found, prompt and thorough remedial action will be taken.

Our Chief Compliance Officer will have responsibility for the subject matter of this document and for annually reviewing, developing and strengthening our policies and procedures relating to managing conflicts. A periodic review of conflicts of interest is included in the CBRE Ethics and Compliance Program's monitoring and audit plans, supported by our Internal Audit Department.