DTZ INVESTORS' APPROACH TO CLIMATE RISK MANAGEMENT (TCFD)

2022 STATEMENT

DTZ INVESTORS

01
APPROACH TO CLIMATE RISK MANAGEMENT 2022 STATEMENT

2017

The Financial Stability Board's Task Force (FSB) on Climate Related Financial Disclosures (TCFD) advocated recommendations in 4 key business processes

- Governance
- Strategy
- Risk management
- Metrics & targets

These were drawn to support companies in demonstrating to investors, their approach to developing climate resilience through transitioning to a low carbon operating model.

2019

We committed to integrating the recommendations of TCFD into our responsible investment (RI) approach to effectively embed identification and governance of climate related risks and opportunities.

Our RI Committee, with support of the Board and CEO led the integration of the TCFD recommendations across the key processes & systems that support clients and their portfolios.

2020

We further developed our capabilities and enhanced our internal risk monitoring processes that support the business in monitoring and responding to climate-related issues across the investment portfolios that we manage on behalf of our clients.

A ***5-phase approach***, drawing on best practice and the TCFD Fundamental Principles for Effective Disclosure, was developed and adopted to implement the TCFD recommendations. The approach was tailored to our climate leadership ambition, and requirements of the implementation programme.

A baseline was established to determine the alignment of our processes & ESG disclosures with the 4 key TCFD business processes set out above. The maturity of the relevant business processes was represented by the 3-tier rating categories below:

- Poor alignment of processes / disclosures with TCFD recommendation, action required
- Moderate alignment of processes / disclosures with TCFD recommendation, opportunity to improve
- Processes / disclosures aligned with TCFD recommendation

These were accompanied by a set of key ***'Next step'*** actions with recommendations on how we can begin to direct appropriate focus and resources to enhance the relevant business processes to support TCFD alignment.

These can be found at - ***DTZI TCFD Implementation Report_v1.0,*** dated 23rd December 2020***.***

2021

We continued our efforts towards sustainable investments, at our corporate level as well as within our funds / portfolio investments. This included identifying implementation pathways for key recommendations from the 2020 implementation report, as well as benchmarking our carbon footprint (Scope 1 and 2) for 2021.

COVID working patterns have had an impact on the enterprise level carbon footprint due to less people in the office. Overall, reducing emissions and benchmarking against best practice, forms a key part of climate metrics as identified within TCFD recommendations.

02

PROGRESS IN 2022: GOVERNANCE

Describe the Board's oversight of climate- related risks and opportunities:

In the application of DTZ Investors' (DTZI) RI business strategy & investment approach the board of DTZ Investors holds ultimate accountability for ensuring that the ambitions of our RI Policy are realised across our business and ensuring that value is preserved and created for our clients & investors against key risks and opportunities respectively.

The Board's oversight of climate issues is supported by the RI Committee and the Risk & Governance Committee, which sit monthly & quarterly respectively to supervise the application of our ESG and risk governance frameworks across the business.

The ESG risk framework is informed by our existing Group-wide risk process and outlines the key roles & responsibilities of our investment and asset management functions. This includes:

Board-level	Fund-level	Portfolio-level	Property lifecycle event
Responsibilities for governance oversight of ESG risks	Fund-level oversight of risk & consider financial impacts on investor returns	Support risk identification & measures to manage risks	Consider risks across property lifecycle and financial impacts

The framework will support us to

- Identify climate-related risks & opportunities across assets and portfolios,
- Measure, analyse and prioritise risks, considering associated financial impacts,
- Develop controls and strategic responses to manage impacts of the relevant risks and seize related opportunities,
- Support on-going monitoring of risks and strategic responses,
- Report to appropriate internal governance structures to ensure appropriate oversight over strategic response to risks and preserve investor value creation.

Based on recommendations, the Board has approved the strategy for TCFD oversight & governance of climate risk by the ESG Committee & Risk Management Committee, as well as the fund-level Investment Committees.

Also, the Board has approved how we communicate our TCFD implementation to Investors. It has also been proposed to formalise internal governance structure and related organigram of roles & responsibilities for climate-related matters.

02

PROGRESS IN 2022: GOVERNANCE

Describe management's role in assessing and managing climate-related risks and opportunities:

At a fund and portfolio level, our fund directors and managers are responsible for the oversight and implementation of their bespoke investment strategies which includes effectively managing climate-related risks across the portfolio's assets, as well as the related financial impacts on investor returns. This ensures portfolio and asset-level climate-related risks are identified and evaluated so that appropriate management controls and measures are implemented. This supports the management of relevant risks to acceptable levels to preserve or enhance the value of our clients' investments.

Material climate risks and opportunities are reported to the Board and committees, through our enterprise-wide risk management framework. This ensures that there is formal oversight and management of ESG risks and opportunities across the investment cycle, as well as across the portfolio assets we invest in.

We apply an integrated approach to risk management, including climate-related risks and the associated financial impacts. Senior Management are highly involved in this process to ensure that the investment beliefs of our RI policy are realised in our day-to-day fund activities, and that clear accountability is established to identify, assess and manage the impact of these risks and to respond to the opportunities in relation to our client's mandates.

As part of the 2021 recommendations, the following were completed:

- Engage Governance & Risk Committee & RI Committee members to ensure executive buy-in and support for the rollout and adoption of the draft adapted risk management framework across corporate and fund-level business processes.
- Review our current Group-wide risk management framework and incorporate ESG, and climate-related risk types into the current framework.
- Implement the adapted draft risk management framework by assigning roles and responsibilities to key personnel across the business functions and levels (e.g., corporate to fund-level) for the identification, assessment and management of climate-related risks.

03
PROGRESS IN 2022:
STRATEGY

Describe the climate- related risks and opportunities the organisation has identified over the short, medium, and long term:

We consider both climate-related physical and transition risks, as well as associated opportunities that exist across the property lifecycle of assets in our client portfolios. We consider climate issues across near-term and long-term investment time horizons, as we realise that many climate issues may manifest across long-term horizons.

Short-term (present to 2 years):

We anticipate that transition risks related to the evolving policy landscape in the UK will emerge, to strengthen the requirements to improve the efficiency and impact of property assets on the environment.

Medium-term (up to 5 years):

Together with the continuation of the short-term issues which will evolve over time, it is anticipated that a combination of climate risks and opportunities will be realised over the medium term.

Material medium term risks include:

- Shifting occupier and investor preferences in response to evolving market developments
- Depressed demand for property assets that do not promote green credentials

Over the medium term, it is anticipated that opportunities related to the following will exist:

- Enhancing the resilience of asset portfolios, through adoption of low carbon technologies and energy efficiency measures
- Development of ‘green’ property assets that lead the market response to satisfy occupier expectations of a sustainable space

Long-term (greater than 5 years):

Material long term risks include:

- Depressed demand for assets that do not meet Net Zero carbon credentials
- Value and rental yields at risk if assets do not meet legislated performance thresholds i.e., Energy Performance Certificates (EPC)
- Realisation of physical risks (i.e., heat stress & flood risks) that pose a material risk to the value, continuity and operation of our portfolio assets that are not resilient against these climate changes or those who have not yet transitioned to low carbon.

03

PROGRESS IN 2022: STRATEGY

Describe the climate- related risks and opportunities the organisation has identified over the short, medium, and long term:

Climate-Related Risks

- Depressed occupier demand for property assets that do not promote green credentials
- Risk to value at sale due to assets being evaluated as ‘ low performing’ against regulatory and net-zero requirements
- Evolving policy landscape and emerging climate-related regulatory compliance
- Risk to Business continuity and reputation if climate risks are not fully integrated, affecting ability to win and retain business
- Yields at risk if assets do not meet legislated performance thresholds i.e. Energy Performance Certificates (EPC)
- Evolved regional & national planning requirements on refurbishment and new construction
- Increased cost of utilities for landlord & occupiers
- Rising Temperatures affecting building capacity to operate from heat stress
- Rising sea levels and surface water flooding affecting portfolio assets
- Depressed demand for assets that do not meet net-zero carbon credentials

Climate-Related Opportunities

Short term (1-3 years)

- Development of 'green asset' and 'net-zero' Investment offerings

Medium term (3-10 years)

- Enhance the resilience of portfolio assets, through adoption of low carbon technology and energy efficiency measures
- Development of 'green asset' and ‘net-zero’ assets and products that satisfy/exceed occupier expectation

Long term (>10 years)

03

PROGRESS IN 2022: STRATEGY

Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning:

We have conducted analysis of climate-related risks and opportunities that are relevant to our business and client’s portfolios. This analysis has informed our financial planning and fund investment strategies for responsible investment. Fund managers must ensure that financial planning is carried out on all assets in their portfolios based on each asset's level of exposure to transitional and physical risks.

Exposure to transitional and physical risks are assessed across the property life cycle. Assets are screened for ESG and climate related risks & opportunities at acquisition, as well as on an on-going basis during the operation of our funds’ portfolio assets, all the way through to disposal.

At present, investment portfolios managed by us have remained largely resilient to emerging climate-related risks in the short-term, with the high potential for medium and long-term risks to impact value, in the absence of a robust strategic response & financial planning.

Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario:

We continue to develop our internal capabilities to integrate scenario analysis in support of the Board’s on-going evaluation of the fund-level strategies, designed to preserve investor value against the relevant physical and transition risks our funds are exposed to.

During 2021, we set an objective to undertake financial assessment of the risk to value from transitional risks, specifically from the April 2021 UK Government consultation on the Energy Performance Regulations.

Our clients' assets are primarily located in the UK and therefore risk to value from physical risks is low, except where assets reside in flood prone areas. We anticipate fully developing our capabilities to undertake physical climate scenario analysis of our portfolio within the next two calendar years.

It has also been proposed to develop a bespoke in-house financial model, drawing on appropriate financial, real estate & climate-related proxies to quantify the financial impacts of climate risks to our client portfolios.

04

PROGRESS IN 2022: RISK MANAGEMENT

Describe the organisation's processes for identifying, assessing and managing climate-related risks and how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management:

We adopt an enterprise-wide risk management framework, which requires all potential investments to be screened against a suite of prioritised ESG risk categories. This includes climate-related risks associated with our portfolio assets across the investment cycle. This framework provides us with a consistent approach to identify, assess and manage all relevant ESG risks, whilst supporting our fund managers to:

1. Manage these risks in a robust manner, through implementation of specific asset-level measures that are designed to manage these risks, where they manifest across the portfolio assets.

2. Establish appropriate measures to monitor the effectiveness of the measures to mitigate the impact of these on the value that our investment funds create for our clients.

Our screening of climate-related risks and opportunities commences with the due diligence of target assets for acquisition and continues through with the day-to-day management of relevant risks during the operational phase of our assets. This holistic approach ensures we continually monitor risks and implement measures that support resilience to the long-term impacts of climate change.

An initial baseline was established with the following results:

Evaluation results				
TCFD Aspect	No. of recommendations	Poor alignment	Moderate alignment	Alignment
Governance	2	1	1	-
Strategy	3	2	1	-
Risk management	3	1	2	-
Metrics & targets	3	-	1	2
Total	**11**	**4**	**5**	**2**

It has been proposed to assign clear roles and responsibilities to property, fund-level & corporate personnel for ESG and climate risk management. Another proposed action plan is to integrate ESG risk sub-categories, specifically climate-related risks, into existing fund-level risk identification processes.

05
PROGRESS IN 2022:
METRICS AND TARGETS

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process and describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

In-line with our RI Policy, we monitor the performance of our client funds on relevant climatic issues using a suite of metrics and accompanying targets.

In 2021, key climate risk related themes identified, both at a corporate and a portfolio level, were as follows:

- Long-term physical impacts of climate change
- Business continuity against climate impacts
- Enhanced emissions-reporting obligations
- Emerging climate-related regulatory compliance
- Evolving regional & national planning requirements
- Increased cost of utilities across portfolio
- Changing investor behaviour & shifts in customer preferences
- Stakeholder concern or negative stakeholder feedback
- Resilience of fund portfolio assets to climate-related issues
- Renewable, low-emission energy and investment in technology
- Development of 'green asset' and 'net-zero offerings

Based on the above themes and in line with our net-zero commitment, the following were adopted as asset-level improvement targets:

- Reduce landlord carbon emission intensity by 50% by 2030.
- Create a balance sheet of all operational carbon emissions (Scope 1-3) and for new developments and refurbishments by the end of 2022.
- Financially embed transition to net-zero in Asset Management Plans by 2023.
- Transition all occupiers to purchase renewable electricity by 2030
- Decarbonise 50% of assets (removing use of gas and other fossil fuels) for heating and hot water by 2030.
- Collate whole building energy data for 75% of the portfolio by 2030 .

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PROGRESS IN 2022: METRICS AND TARGETS

We have set key targets for each of the portfolios under our management and continue to make progress against them.

Alignment to Pillar	Target	Progress
Environmental 	Complete long-term scenario modelling for portfolios under management by end of 2022	Net-zero audits to be completed for key assets in 2022
	Reduce landlord-controlled carbon emission intensity (by floor area) by 50% by 2030 from a 2019 baseline	Absolute landlord-controlled carbon emission intensity has fallen by 29%
	Decarbonise 50% of assets (removing use of gas and other fossil fuels) for heating and hot water by 2030, 75% by 2035 and 100% by 2040	Figure to be confirmed for 2022 reporting year
	Asset Improvement Plans (AIP) held on every multi-let asset	AIPs are held on all multi-let assets
	Target BREEAM certification for all new construction and major refurbishments including undertaking life cycle analysis (LCA) assessments to inform more sustainable design options	Achieving a BREEAM certification is a core part of our new development and major refurbishment guidelines. LCAs are now being trialled on new developments
	Zero landlord-related breaches in environmental legislation	MEES risk is being monitored and mitigated on an ongoing basis. Currently 2.1% of ERV has an F or G EPC rating.
	Collect and track tenant related carbon, energy, water and waste impacts. 75% collection rate by 2030, and 90% by 2035. (remaining 10% based on low energy consuming tenancies and estimation)	43% of electricity data, 25% of natural gas data and 27% of water data collected by floor area for tenant spaces in 2021. 100% of landlord electricity, water and waste data collected in 2021.
	Zero Waste to Landfill & recycling rate of 75% by 2025	Zero waste to landfill and 56% recycling rate in 2021
	Reduction in water usage by 10% from a 2019 baseline by 2025.	5% like-for-like reduction since 2019
Social Impact 	Embed social value commitments and targets across all portfolios and landlord procurement activities by 2023 through DTZI and third party appointed Property Managers	Social value key performance indicators have been included into our property management agreement for the majority of our portfolio
	Embed our RI Development & Refurbishment Framework in all projects with external project managers	All refurbishments, fit outs and new developments must follow our guidelines
	Engage all occupiers on environmental impact through data sharing and distribution of occupier guidance & tenant fit-out guidelines	Where possible, all tenants have been engaged with on the collection on utility data. Quarterly meetings being held with tenants within multi let assets regarding utility performance. Green clauses are being included in new leases to promote data sharing.
	All assets, where public realm and place making is a strategic objective in the asset plan, ensure there is a dedicated tenant and community engagement plan	Tenant and community engagement plans have been implemented for all applicable sites

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PROGRESS IN 2022:
METRICS AND TARGETS

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process and describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

From 2022, the following reporting metrics have been agreed and will be reported against on an annual basis. The first year of reporting can be found on the next page.

Risk, Adaptation & Mitigation:

- No. of assets with BREEAM, LEED or Wellbeing certification
- No. of assets with low carbon technology or renewables
- No. of assets utilising fossil fuels for heating and hot water
- Energy Performance Certificate (EPC) status and cost to improve to future regulatory standards (In-progress)
- Expenditure required to achieve Net-Zero Carbon by asset (In-progress)

Energy & Fuel Use:

- Energy: Electricity & Gas (kWh)
- Energy Intensity (kWh/Sqft)
- Energy Procurement (% of energy procured from renewable sources)
- Renewable Energy (% of energy generated on site from renewable sources)
- Green House Gas (GHG) Emissions (Tonnes CO_2e)
- Green House Gas (GHG) Emission Intensity (Tonnes CO_2e / Sqft)

Geography:

- Current Flood Risk (Low – High). Assessment of flood risk over 10 – 20 years in-progress
- No. of assets to be subject to high heat stress in the long term (to be reviewed in 2022)

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PROGRESS IN 2022:
METRICS AND TARGETS

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks:

Environmental Performance Metric	Unit of Measure	Type	2019	2020	2021
Landlord electricity consumption	kWh	Absolute	19,200,201	18,746,326	21,612,525
		Like-for-like	12,314,624	10,392,621	10,064,547
Landlord electricity consumption from renewable energy sources	% of total	Absolute	100%	100%	100%
Landlord natural gas consumption	kWh	Absolute	10,309,971	8,709,338	11,338,499
		Like-for-like	7,891,355	6,461,008	6,644,880
Scope 1 & 2 (landlord) GHG emissions	tCO_2e	Absolute	6,803	5,972	6,666
		Like-for-like	4,598	3,611	3,353
Scope 1 & 2 (landlord) GHG emissions intensity	tCO_2e/m^2	Absolute	0.039	0.044	0.033
		Like-for-like	0.039	0.030	0.028
Tenant data coverage (Electricity and gas)	% of floor area	Average	8%	19%	34%
Tenant electricity consumption	kWh	Absolute	136,294,047	159,136,345	163,988,549
		Like-for-like	117,659,932	144,609,090	150,678,126
Tenant natural gas consumption	kWh	Absolute	235,752,440	240,506,187	225,425,441
		Like-for-like	198,606,075	220,619,947	211,262,231
Scope 3 (tenant) GHG emissions	tCO_2e	Absolute	78,180	81,323	76,109
		Like-for-like	71,350	74,280	70,688
Scope 3 (tenant) GHG emissions intensity	tCO_2e/m^2	Absolute	0.062	0.059	0.056
		Like-for-like	0.063	0.061	0.058
Landlord water consumption	M^3	Absolute	181,775	256,872	222,359
		Like-for-like	86,139	80,155	81,881
Landlord waste production	Tonnes	Absolute & like-for-like	2,993	1,900	1,960
	% of total	Recycling	49%	54%	53%
F&G rated EPCs	% of ERV	-	-	-	2.1%
Assets in high flood risk areas	% of ERV	-	-	-	8%
Assets with environmental certifications	% of floor area	-	-	-	5.7%

05

PROGRESS IN 2022:
METRICS AND TARGETS

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks:

Reporting Clarifications

- We disclose the absolute carbon emissions associated with our performance during fiscal year 2021, prepared in accordance with the WBCSD / WRI GHG Protocol Corporate Accounting and Reporting Standard.
- As part of other carbon disclosures, 2021 carbon data is presented alongside 2020 and 2019 to gain further insight into the performance.
- GHG emissions figures have been prepared in accordance with the WBCSD / WRI GHG Protocol Corporate Accounting and Reporting Standard. As DTZ Investors' parent company, corporate scope 1-3 emissions are accounted for by Cushman & Wakefield.
- All scope 1 and 2 data was available for the portfolio. However, data gaps existed with occupier consumption that makes up scope 3 emissions. These gaps were addressed using industry 'typical practice' benchmarks from CIBSE Guide F and calculated using asset class and floor area.
- Scope 3 emissions only include emissions associated with tenant consumption of electricity and gas. Additional works will be completed in 2022/23 to calculate the emissions of purchased goods and services.
- Reporting is done on an absolute and like-for-like basis for the aggregated environmental performance data of all discretionarily managed real estate
- Disclosures have been prepared in alignments with (InRev) guidelines for ESG disclosures.
- Aligned with our financial reporting, GHG emissions relate to each respective calendar year.
- We have used the operational control method to outline our carbon footprint boundary. Corporate emissions are not included within scopes 1 and 2 as they are considered within DTZ Investors' parent companies net-zero commitment.
- GHG Emission Intensity includes reporting only on internal areas where floor area served by the energy supplies is known or can be reasonably estimated and is based on assets with a full year reporting only.
- A change in reporting methodology and a variation in meters/ sites included due to updated data means that 2021 figures are not comparable with previous years reporting.
- Environmental certifications include BREEAM and Fitwel.

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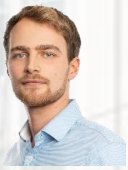

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