DTZ INVESTORS' APPROACH TO CLIMATE RISK MANAGEMENT (TCFD)

2024-5 STATEMENT

DTZ INVESTORS

01
APPROACH TO CLIMATE RISK MANAGEMENT 2024 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, and 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 – 2021

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.

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 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.

We advanced our sustainable investment efforts across both corporate and portfolio levels, identifying pathways for key 2020 recommendations and benchmarking our 2021 Scope 1 and 2 emissions.

2022 – 2023

We identified the need to more accurately determine the climate related risks associated to our portfolio. Therefore, we partnered with a climate risk specialist, Climate X. Their platform enables us to model our entire portfolio and understand key risks both now and in the future under different warming scenarios. This information is being utilised in our standing investments and acquisition due diligence in order to inform our decision making and next steps.

We integrated the outputs from Climate X into our quarterly/annual fund reporting and are continuing to develop metrics to accurately measure, benchmark and clearly communicate the associated risks within our engagements.

2024

We identified the need to assess climate related risks at unit level to provide more accurate, asset-specific insights. In alignment with upcoming EU regulatory requirements, we have also begun laying the groundwork for double materiality assessments in line with CSRD, integrating both financial and impact-focused considerations into our risk and disclosure processes.

02

PROGRESS IN 2024: GOVERNANCE

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

In the application of DTZ Investors' 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 RI 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:

The framework supports 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 RI Committee & Risk and Governance 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 2024: 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 RI 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 2024 annual review, the following were completed:

- Review of the current House-level risk management framework and further incorporation of ESG, and climate-related risk into the current pre-acquisition due diligence process.
- Various reviews with the RI Committee members to ensure executive buy-in and support for the revised climate risk assessment and management framework across corporate and fund-level business processes.
- Implementation of the revised risk assessment and 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.
- Continued utilisation of third-party software to support accurate modelling and forecasting of climate related risks across our portfolio.

03
PROGRESS IN 2024:
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 (up to 3 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.

As regulations tighten, we anticipate that transition risk in the UK, alongside the expectation for sustainable buildings, means properties not aligned with new environmental standards face becoming unattractive in the market.

We have also identified the impact of physical risk (specifically flood risk) significantly affecting the liquidity of assets.

Medium-term (up to 10 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 10 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 2024:
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
- Alignment of tenant and landlord sustainability goals leading to shared operating cost savings
- Potential for quick wins linked to carbon reduction and operational savings, and value add technologies (i.e. PV)

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)

- Regenerative development of properties that reduces environmental impact and enhances ecosystems.
- Alignment with future regulatory requirements, significant long-term cost savings

03

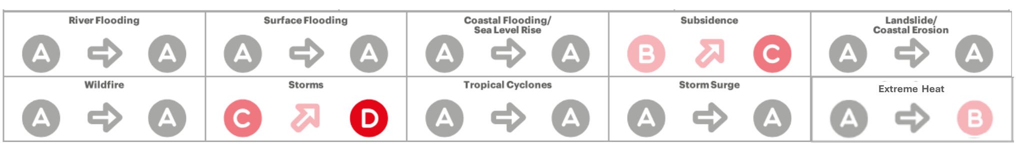
PROGRESS IN 2024:
STRATEGY

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

Through the use of the third-party software, we have been able to review the impact of key physical climate hazards across our portfolios under low and high carbon scenarios. Key risks, including drought and storms have been identified. These are in line with UK benchmarks, but we will still be looking to understand how risks can be mitigated.

The matrix below highlights a part of our Climate X physical risk rating calculations. Our portfolio is given a ratings for each hazard, under low and high carbon scenarios and projected to the short, mid and long term.

RCP8.5, 2050 **The first letter is the rating at the present and the second is the rating for the target year**



The table below summarises the results (converted to low, medium and risk) and relative risks associated to our portfolios.

Physical Risk	Low Carbon Scenario – RCP 2.6			High Carbon Scenario – RCP 8.5			Summary of Hazard Exposure
	2030	2050	2100	2030	2050	2100	
Extreme Heat	Low	Low	Low	Low	Low	Medium	Under high carbon scenario, risk associated with extreme heat rises to m medium risk over the long term (2100).
Drought	Low	Low	Low	Low	Low	Low	Under both low and high carbon scenarios, the risk of drought remains low.
Storm	Medium	Medium	Medium	Medium	Medium	Medium	Under both low and high carbon scenarios, the risk of storms is at a medium rating.
Tropical Cyclone	Low	Low	Low	Low	Low	Low	Risk associated with hurricanes is low across all time horizons in low and high carbon scenarios.
Subsidence	Low	Low	Low	Low	Medium	Medium	Risk of subsidence is significantly greater in a high carbon scenario.
Wildfire	Low	Low	Low	Low	Low	Low	Risk of wildfires is low across all time horizons in both low and high carbon scenarios.
Landslide/ Coastal Erosion	Low	Low	Low	Low	Low	Low	Risk of landslide/coastal erosion is low across all time horizons in both low and high carbon scenarios.
River flooding	Low	Low	Low	Low	Low	Low	Risk of river flooding is low across all time horizons in both low and high carbon scenarios.
Coastal flooding/Sea Level Rise	Low	Low	Low	Low	Low	Low	Risk of coastal flooding/sea level rise is low across all time horizons in both low and high carbon scenarios.
Surface Flooding	Low	Low	Low	Low	Low	Low	Risk of surface flooding is low across all time horizons in both low and high carbon scenarios.

03

PROGRESS IN 2024: 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:

In 2024, we have again revamped our approach to climate risk management by integrating scenario analysis into our standard climate risk assessments at house, portfolio, and asset levels. These assessments account for both transition and physical risks, using two warming scenarios (RCP2.6 & RCP8.5) and three distinct time horizons (present day, 2040 and 2050) to understand how risk exposure evolves over time. By taking this granular, forward-looking approach, we are able to develop more detailed, asset-specific business plans that reflect individual risk ratings and prioritise targeted interventions. By embedding this intelligence into portfolio strategy and planning, we are better equipped to safeguard investor value and enhance asset resilience on the path to net zero.

Net-zero costings are integrated into business planning to ensure that funds are available for the improvement of our assets towards our net-zero target. This will also support in the improvement of asset resilience.

04

PROGRESS IN 2024: 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 RI 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 2024: 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 2024, 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
- Water use and waste management/diversion from landfill
- Climate resilience: percentage of portfolio exposed to climate risks
- Development of 'green asset' and 'net-zero offerings

Based on the above themes and in line with our net-zero commitment, the following have been 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.

05

PROGRESS IN 2024: 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 2024, the following reporting metrics have been agreed and will be reported against, at fund-level, 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/Sqm)
- Energy Procurement (% of energy procured from renewable sources)
- Renewable Energy (% of energy generated on site from renewable sources)
- Green House Gas (GHG) Emissions (Tonnes CO2e)
- Green House Gas (GHG) Emission Intensity (Tonnes CO2e / Sqft)

Geography:

- Current Flood Risk (Low – High). Assessment of flood risk over 10 – 20 years in-progress

05

PROGRESS IN 2024:
METRICS AND TARGETS

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

Reporting Clarifications

- Reporting is done on an absolute and like-for-like basis for the aggregated environmental performance data of all discretionarily managed assets.
- Disclosures have been prepared in alignments with (INREV) guidelines for ESG disclosures and checked by external consultants Cushman and Wakefield.
- 2024 Scope 1, 2 and 3 emissions have been externally verified by AESG.
- Aligned with our financial reporting, GHG emissions relate to each respective calendar year.
- We have used a financial control method to outline our carbon footprint boundary.
- We have measured emissions based on the GHG Protocol Corporate Accounting Standard and emission factors provided by the UK's Department for Business, Energy & Industrial Strategy (BEIS).
- GHG Emission Intensity includes reporting only on internal areas where floor area served by the energy supplies is known or can be reasonably estimated.
- Where gaps exist in tenant electricity and gas consumption these were addressed using industry 'typical practice' benchmarks from CIBSE Guide F and calculated using asset class and floor area. Additional works will be completed in 2023/24 to calculate the emissions of purchased goods and services.
- Scope 1 and 2 emissions intensity figures do not include consumption or floor areas associated to vacant areas where consumption is the responsibility of DTZ Investors.
- Upstream leased asset data was not available before 2021, so an average consumption figure was taken from the available data
- A location-based emissions reported methodology has been utilised in order to help clarify the actual reductions in consumption levels. Therefore, the purchase of renewable electricity by DTZ investors and tenants is not considered within emissions reporting.
- Reported data covers all discretionarily managed asset.

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