



BEYOND OUR FOUR WALLS

RESPONSIBLE INVESTMENT REPORT 2022

CEO Foreword

Chris Cooper,
Chief Executive



Our 2022 Annual ESG report highlights the significant progress we have made in the implementation of our Responsible Investment (RI) Programme. This progress is continuing to support our journey to net-zero by 2040, enabling us to have a positive impact on individuals and communities around our assets and deliver long-term sustainable returns for our clients.

Turning Plans into Action

2022 was a year in which we focused on maximising the impact we have beyond our four walls of real estate.

We have committed to an ambitious net-zero target by 2040 and understand that we must act quickly in order to deliver this target and support the transition to a more sustainable future. 2022 has been a year for us to turn our plans into actions.

Throughout 2022 we prioritised several key initiatives that would support us in the implementation of our strategy. These included: auditing priority assets to develop short and long-term asset level implementation plans; increasing our engagement with occupiers and third parties; focusing on the decarbonisation of our portfolio and delivering significant improvements in energy performance.

Thanks to the use of new processes, greater engagement with all stakeholders and the integration of net-zero into business planning, we have made significant progress in each of these priorities and towards our net-zero by 2040 target.

Some of the key highlights of 2022 include: increasing the coverage of our occupier data by 58%; reducing our scope 1, 2 & 3 emissions by 22%, 10% ahead of our target; carrying out 24 net-zero audits and increasing the proportion of A-B rated EPCs by over 8%.

Working with Our Stakeholders

Engagement and collaboration with stakeholders, throughout the lifecycle of our investments and at every level of our business, is a key part of our RI programme.

With the emissions associated to our occupied spaces making up over 90% of our total footprint, the engagement of occupiers has been one of our top priorities. Therefore, with the support of our property and facilities management teams, we have implemented new processes that have resulted in a significant increase in our touch points with our occupiers, not only to capture their utility and waste information, but also to support them in the reduction of their impact on the environment, and the delivery of their own RI targets.

We are continuing to work with occupiers on these points, as well as gathering feedback via occupier surveys and regular meetings to ensure that our service provides all our occupiers with maximum value.

As managers of a diverse portfolio, we also realise that we have the potential to have a significant benefit to the wellbeing of individual and communities that our impacted by our business. Therefore, we continue to look at opportunities to drive and generate social value across our portfolio. Historically, this has been focused mainly on key assets, where placemaking was a core objective. However, we are now expanding this scope to see how tangible social value can be generated across our diverse portfolio.

Contents



CEO Foreword

2022 Corporate Overview

Implementing Responsible Investment

Stakeholder Engagement

Our ESG Performance





2022 Corporate Overview

2022 at a Glance

We are an integrated, full service real estate fund manager with a 50-year track record of creating long term, sustainable returns for clients. We manage £9 billion of real estate throughout Europe on a fully discretionary and advisory basis.

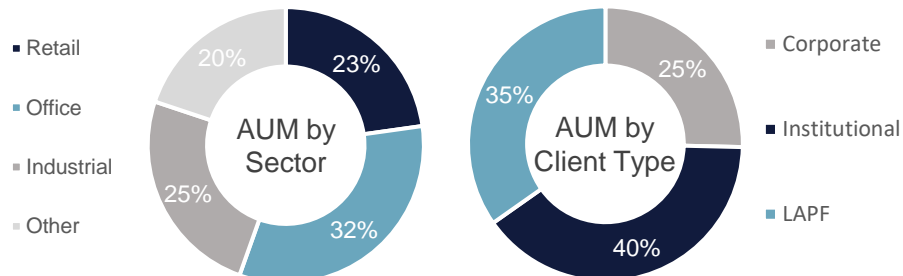
We recognise that to provide long term sustainable returns for our clients, we need to embed RI into everything we do. This will provide us with the confidence in our portfolios that any potential negative risks are appropriately mitigated, and any positive opportunities are capitalised upon.

By developing portfolios with RI embedded into their management, we also create benefits beyond the four walls of our real estate, generating a positive social impact and minimising any detrimental impacts our operations

have on the environment.

This year we have been able to demonstrate how this proactive RI approach can lead to significant environmental benefits. Alongside this, members of our team have volunteered in over 60 activities, raised money for charitable causes and provided valuable work experience as well as permanent roles for students with no previous links into our industry.

We will continue to focus on and develop our RI approach to ensure that returns are maximised, negative environmental impacts are minimised and social benefits are prioritised.



Established in
1968

260 directly
managed assets

£9bn AUM

17 MSCI
Awards

GRESB Global
Sector Leader

UNPRI
Signatory since
2013

BBP Climate
Commitment
Signatory

Committed to
Net-Zero by
2040

UK Net Zero
Carbon Building
Standard
Participant

Brought to you by the
pay later people.

5 Klarna.

Our RI Journey

2013

Launched our RI Strategy, integrating RI into business-as-usual activities.
Became a signatory to the UN Principles for Responsible Investing (PRI).

2014

Created standardised green lease clauses.
Published 1st iteration of our refurbishment & development guidelines setting the standard for Asset Managers and our supply chain.

2015

First funds participate in GRESB.
Integration of ESG issues in acquisition due diligence.

2016

Step change in ability to track and report energy and carbon emission performance.
Explicit ESG requirements set within supply chain vetting procedures.

2017

Set meaningful environmental reduction targets aligned with a 2°C global warming scenario. Awarded 'A' rating in PRI for both direct real-estate and strategy & governance.

Awarded 6 GRESB Green Stars out of 7 participating portfolios.
Revision of our RPI strategy, setting objectives against four pillars of RI.

2018

Commenced integration of the recommendations set by the Task Force for Climate Related Financial Disclosure (TCFD). 7 of 7 participating portfolios awarded GRESB Green Star.

2019

Appointed a Head of Responsible Investment to oversee our RI programme. Launched the Wellbeing Committee.

2020

Committed to net-zero by 2040 for all discretionarily managed assets. Launched our REACH programme.

2021

Reported on scope 1-3 emissions and financially embedded the transition to net-zero into business planning, as committed to in our net-zero pathway.

2022



Priorities and Success in 2022

We have achieved significant successes in 2022

2022 saw a significant acceleration in our RI programme as we focused on finalising our understanding of ESG performance across our portfolio and delivering meaningful changes in our assets.

24

Net-zero audits completed

86%

Of leases commenced since 2018 include green clauses

8%

Increase in A-B EPC ratings

2-5%

Of asset value assigned in fund level business planning to deliver net-zero

22%

Reduction in scope 1, 2 and 3 emissions since 2019

58%

Increase in tenant data capture since 2021

Governance Structure

We have put a strong structure in place to ensure there is responsibility for RI throughout our business

We have integrated our RI approach throughout our entire business and each stakeholder has a role to play in the delivery of our RI programme. To support this, we established a Responsible Investment Committee (RIC) and clear lines of responsibility are assigned, with robust support from the Board to ensuring its implementation.

To be sure that our RI approach is truly embedded within our day to day operations, we set business, fund, asset and individual ESG KPIs that are monitored and reported against on an ongoing basis.

Progress is monitored and reviewed at each level of the business, enabling support to be allocated where necessary and without delay.

Reporting is carried out on a monthly, quarterly and annual basis to all levels of the business, as well as to clients, to ensure transparency over our RI programme and its progress. Benchmark reporting is also carried out on an annual basis through GRESB and PRI to demonstrate our performance against peers.

This year we have further developed our approach to reporting both internally and externally. Increasing the granularity of this reporting and the level of scrutiny over it. This has driven forward our progress and looks to improve our performance against our peers.



The Board has accountability and ultimate responsibility for embedding and driving responsible investment, led by the Head of Responsible Investment.



The RIC has oversight and governance responsibility for objective setting, development of procedures and overseeing the implementation of the RI strategy and policy. This committee holds monthly, quarterly & annual meetings to ensure progress is maintained and that our strategy remains relevant and impact driven.



Fund and Portfolio Managers are responsible for the implementation of our policy and strategy at a portfolio level; reviewing each portfolio's strategic objectives and performance on a quarterly and annual basis; and reporting into the RIC and each portfolio's respective Investment Committee.



Third Party Property Managers are responsible for the proactive management of properties at the surveyor and facilities management level, governed by our Property Management Agreement.



Suppliers are vetted during the contract set up phase and during the life of each contract to ensure our RI approach is embedded.

Our REACH Programme

We want to maximise the impact that our employees have

We understand that one of the first and most crucial steps to ensuring our RI programme is successful, is the empowerment of our own employees. This means that everyone can deliver their own impact, truly believe in the mission of the organisation and maximise the benefits seen from the programme.

In 2021, we launched our REACH programme; a commitment to invest our time, money and expertise in causes that affect our society in the areas of Respect, Education, Accessibility, Community and Habitat.

This encourages our employees to use their own and the businesses resources, expertise and influence to create social value.



Wellbeing Committee

Our Wellbeing Committee provides a platform, based around our REACH pillars, to support our team's development, health and wellbeing and to inspire our efforts to generate a positive impact Beyond our Four Walls.

Highlights from 2022 included:

- 6 placements and 1 intern placed via our partners
- 9 educational presentations made
- 340kg of food and toiletries donated

Respect

Create an inclusive culture which understands the value of diversity of thought and background.

Education

Make a long-term commitment to develop talent and enable internal progression.

Accessibility

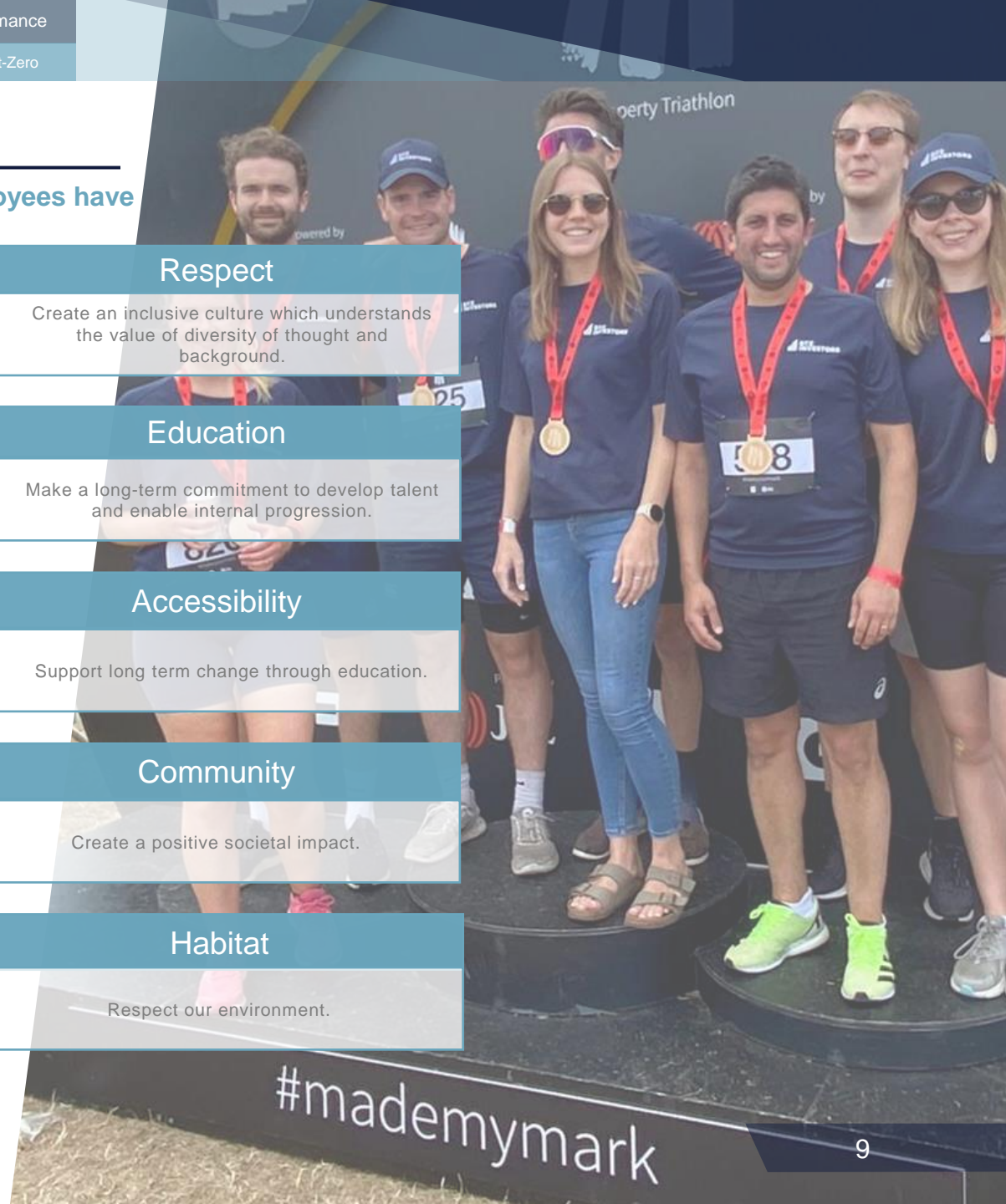
Support long term change through education.

Community

Create a positive societal impact.

Habitat

Respect our environment.



Our REACH Programme

We want to have an impact Beyond Our Four Walls

We are committed to developing links with charities, bodies and schools to provide mentoring, tutoring, internships and work experience placements.

We recognise that young people face barriers to enter the real estate industry and have tried to address this issue via our partnerships with The Land Collective, a career development platform which aims to engage more young people with the built environment sector and GAIN, an organisation set up by investment professionals to improve gender diversity in investment management by building a talent pipeline of entry-level female and non-binary candidates.

In 2022, we offered work experience opportunities, employment opportunities, led insight programmes,

and spoke at some of the charity's educational events.

Using our skills and resources to create long term social value in our communities is something we strongly believe in, and which we constantly strive to find new ways of doing.

As a business we have committed to providing two gifted volunteering days each for all staff for giving back causes, to providing matched funding for charity initiatives, and to facilitating a programme of giving back initiatives.

Our team have participated in charity events throughout the year and utilised giving back days to volunteer with local charities such as Citizen Zoo.



the land collective

The Land Collective acts an important career-development platform, aiming to engage more young people with the built environment sector.

Through our partnership we have:

- ✓ Supported the summer internship programme
- ✓ Held insight talks to members
- ✓ Hosted two work experience opportunities
- ✓ Recruited into our team directly
- ✓ Supported their ESG Launchpad event

JLL Triathlon

10 employees participated

Steptober

23 employees participated

43 Educational Presentations

in 2022

Trussel Food Banks Donations

435 kg given in 2022

Over £7,500 Raised

For LandAid in 2022

9 Interns and Graduates

in 2022



REACH in Focus

Our habitat principle helped us think about our changing environment



By restoring natural process and missing species, rewilding is a fantastic way to restore the natural function of our ecosystems by reintroducing species and empowering people and communities to take action to protect nature. Citizen Zoo helped us contribute and meet these objectives through their social enterprise and partnership programme.

By utilising one of our organisation's 'giving back days' 12 employees volunteered 90 hours with Citizen Zoo at Hogsmill River. Our team worked hand in hand with Citizen Zoo to reintroduce water voles into the river. Their return helped prompt a wider ecological benefit. Water Vole grazing can help control vegetation growth and promote the growth native grasses and flowers to create additional habitats along the river and its banks.

Our community principle helped us have a positive societal impact



Set up by Land Aid, the Sleepout initiative aims to bring together the property industry to raise money for charities helping young people who are or at risk of homelessness.

- 8 employees took part in Sleepout for LandAid event
- £4,300 raised helping to fund over 130 beds for a night
- Overall, over £500,000 was raised from the event
- 28 employees took part in Landaid's 10k and Landaid's Steptober Challenge, raising an additional £3,200 for the charity.



Impact-Focused Investment Through Co-Living

Since its inception in 2019, the COLIV fund has completed the development of two of its three initial assets and is close to launching its third. This has resulted in almost 800 co-living units being added to the London Market. All three developments are looking to support the fund's main objective of being an impact-focused investment vehicle striving to increase the delivery and diversity of environmentally conscious and affordable homes across London.

To support in the maximisation the fund has set clear commitments in four areas and are embedding sustainability across their operations and developments

In 2022, the fund was able to achieve numerous successes thanks to the impact-focused management approach.

FOLK.



Housing

To pioneer a good value housing solution and assist in providing housing to marginalised groups in London.

- £1m £1m contribution towards the provision of affordable housing in Harrow
- 5 5 rooms in each property will be offered at a 50% discount to market rent to assist marginalised groups
- 35% 35% of long-stay rooms at Earlsfield and Battersea are let at discounts to OMR levels
- 2 2 rooms at Earlsfield have been offered to Ukrainian refugees at a discount to market rent.



Community

To build strong, diverse and supportive communities in and around our assets by encouraging social engagement, empowerment and economic growth.

- 3 Established three community investment partners for the Fund
- 1% 1% of the net income from each operating asset donated to our COLIV Inclusive Community Grants
- Embedded support for local communities during the development and post completion
- LLW London Living Wage paid to all suppliers



Health & Wellbeing

To use innovative building design, community activation and management strategies to promote good health and wellbeing within our communities.

- Revised our events strategy to enhance social experience for residents.
- The Fund continues to review a subscription to the Lifeworks Wellbeing Platform
- 2 Two members of the Harrow team are Mental Health First Aid Trained



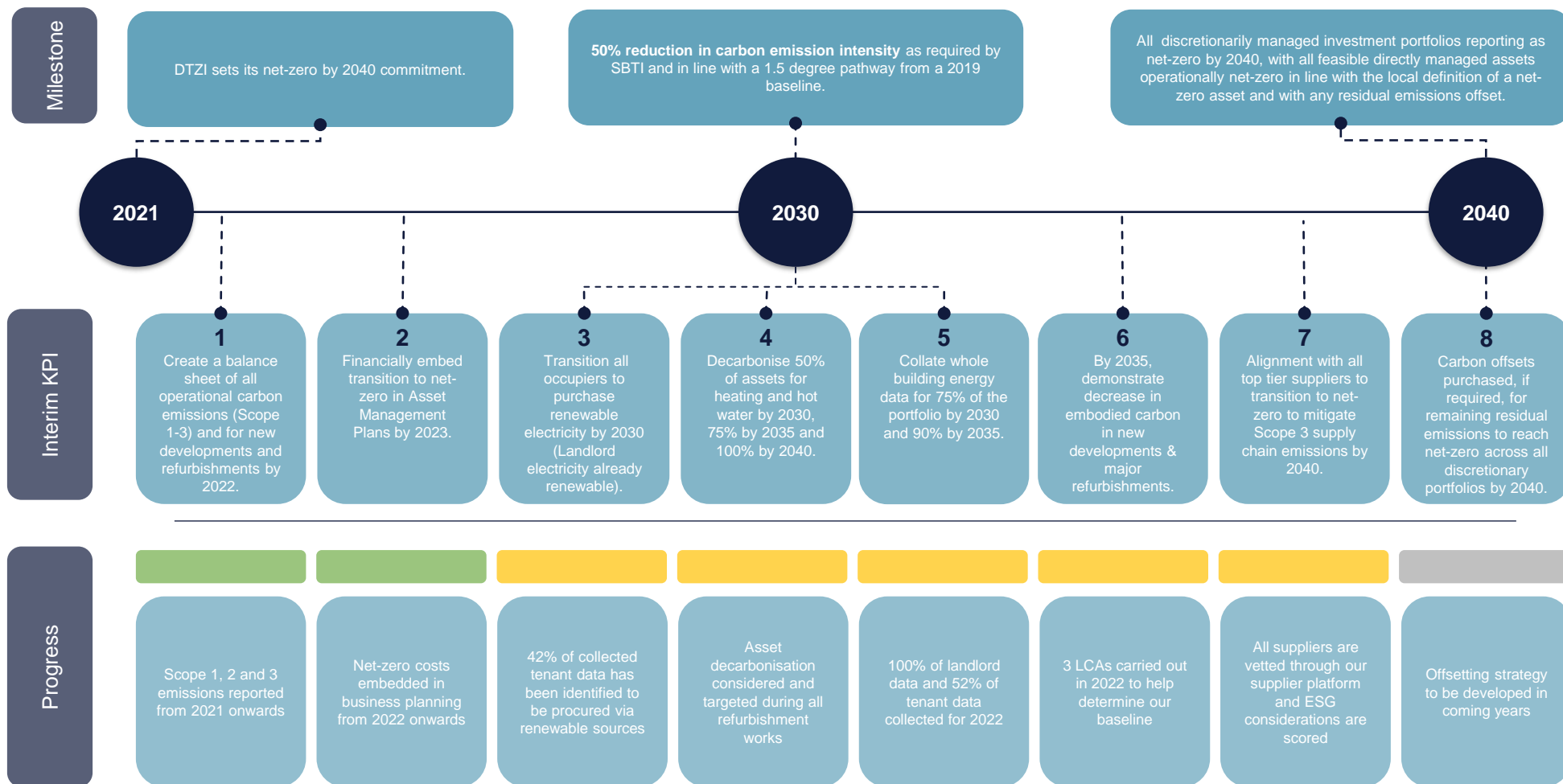
Environment

To develop and operate a portfolio of environmentally conscious and sustainable buildings.

- Targeting BREEAM Excellent across the Portfolio
- Completing a review on how energy efficiency within the building can be improved
- Co-Living Fund I has achieved a GRESB 5 Star rating and global sector leader status

Committing to Net-Zero by 2040

We have made good progress towards our net-zero by 2040 target



Progressing to Net-Zero by 2040

We have achieved significant reductions in our carbon footprint

As we progress to our 2040 target date, we continue to focus on delivering meaningful reductions in both the absolute emissions produced across our operations and the carbon emissions intensity of our properties. Alongside this, we are further reviewing the data on which we report to capture as much information on our portfolio as possible.

Thanks to focusing on the implementation of key initiatives we are making strong progress towards our target.

We have now progressed through the first two of our eight interim targets and continue to decrease the carbon emissions within our portfolio.

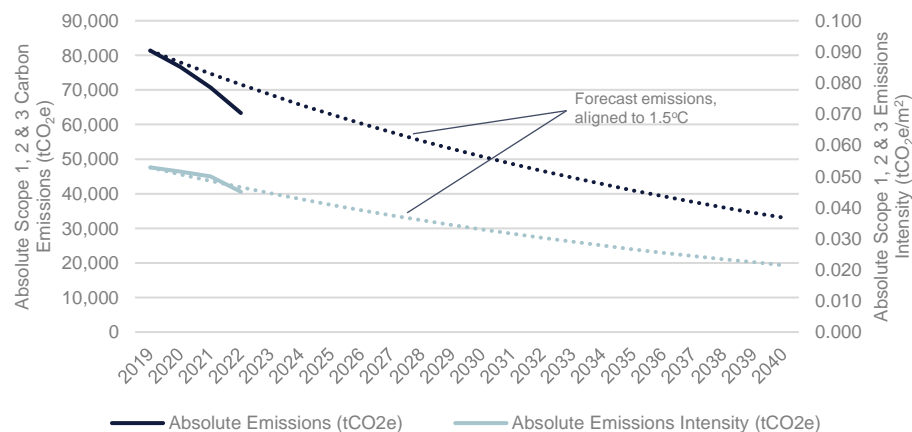
For our discretionary mandates we have now expanded our reporting to include an additional two scope 3 categories and we will continue to increase this to capture more data as we gather more data.

As a signatory to the BBP Climate Commitment we will continue to report on our progress to net-zero within our annual reports.



22% reduction in scope 1, 2 & 3 emissions

15% reduction in scope 1, 2 & 3 emissions intensity



Asset Decarbonisation – The Sanctuary, Westminster

All our assets are reviewed and monitored for potential carbon emission reduction, regardless of building class or condition.

Although this Grade II listed building presented less opportunity to implement energy saving strategies, it was possible to improve its ESG credentials and lower its carbon intensity.

Our refurbishment focused on:

- The removal of gas-powered heating, replacing with a new efficient modern VRF heating and cooling system with heat recovery.
- The replacement of existing fluorescent lighting with new high efficiency LED lighting.
- The installation of PIR controls with daylight dimming capability.
- Implementing new split meter boards to monitor occupier electricity usage.

The removal of all improper heating and lighting has led to significant reductions in carbon emissions, helping us move closer to our Net Zero targets.



Implementing Responsible Investment

Our Approach to Responsible Investment

We have built our approach to RI around four core pillars

To enable the delivery of our long-term ambitions and ensure that RI is embedded into everything we do, we have built our RI approach on **four core pillars**.

1. Leadership & Governance



Our leadership focuses on promoting an RI culture, where colleagues feel personally responsible for identifying improvements and delivering change as part of their day-to-day role, rather than assuming RI is the “ESG team’s” responsibility. RI considerations are assessed across our business and investment processes ensuring consistent implementation of ESG factors in our governance.

2. Investment Process & Implementation



We implement RI across six stages of the asset lifecycle, with clear investment processes, tools, and checklists. We have invested heavily in developing a proprietary, online collaboration tool, the Asset Management Toolkit. This ensures all stakeholders have the data needed to make informed decisions in line with our RI goals.

3. Stakeholder Engagement



Stakeholder engagement encompasses a broad range of parties, including colleagues, clients, underlying managers, suppliers, occupiers, and local communities.

4. Benchmarking & Disclosure



Educating and engaging with clients, occupiers, our people and local communities enables effective decision-making and action that leads to positive environmental and societal impact across all corporate & real-estate activities.



Implementing RI Throughout the Property Lifecycle

We implement RI at every single stage of our investment lifecycle

Since the start of our RI journey we have focused on embedding RI into the day to day roles of all of the stakeholders that play a role in the management of our assets. This includes everyone from our board through to individual facility and site managers. To support this and ensure that this is done in the most efficient, consistent and high quality manner, we have tools and processes across our Asset Management Lifecycle. This includes six key stages, including:

1. **Responsible Investment Strategy**
2. **Responsible Asset Acquisition**
3. **Active Ownership**
4. **Asset Improvement**
5. **Benchmarking & Disclosure**
6. **Sales Disciplines**

By developing our strategy around these six stages, we then know that all activities that we undertake in relation to assets under our

management are not only generating long term sustainable income for our clients but are also supporting a more sustainable future for our stakeholders and the wider environment.

We have developed clear processes, tools and checklists to ensure that all stakeholders, including asset managers, property managers and occupiers, have the necessary information to enable them to make informed decisions that follow the requirements of our RI programme.

With this information, stakeholders are empowered to go above and beyond just minimum standards and strive for best practice.



In 2022, we developed our in-house asset management toolkit that provides all stakeholders with quick and easy access to our policies, processes, reports and templates.



Understanding our Clients' Responsible Investment Strategy

It is critical that we understand our clients' objectives first

Before we look to purchase assets and bring them under our management, we strive to understand our clients' objectives and requirements and how our own management and processes can support these. This includes three key steps:

1. Understanding our Clients' Objectives

This includes return objectives, target allocation, RI objectives and priorities, risk tolerance, and any investment constraints the client may have. These objectives are reviewed and updated annually through ongoing client interaction.

2. Responsible Investment Style

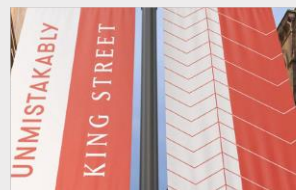
Through combining economic and property market forecasting and research in to global and local occupier RI trends with input from our RIC on ESG market trends and regulation, we can identify the style of investment that will deliver sustainable value within our portfolio risk parameters.

3. Responsible Investment Allocation

Our favoured RI style is overlaid with an assessment of risk concentration for each fund, analysing strategic weightings; tactical exposures; and ESG risks to show forecast returns over the asset hold period.

Understanding how to price ESG risk into this analysis is our key differentiator. This mitigates risk and provides an opportunity to spot market mispricing.

Placemaking in the heart of Manchester - King Street



Over the last 5 years we have implemented a repositioning and placemaking strategy with steps taken to address the challenges and transform the destination to one Manchester's leading retail and leisure districts, with great success.

This strategy included:

- Implementing a new brand and marketing strategy
- Helping connect landlords and occupiers and providing occupiers with marketing opportunities
- Investing £5m into regenerating 24,000 sq ft of redundant office accommodation.
- Utilising activations such as The Pop-Up Club, King Street Pride, the Manchester Flower Show and AI Fresco Dining/ Live music to increase footfall.

So far, this has led to a reduction of vacant units, a 50% increase in footfall figures, new store openings and increased brand awareness.

In recognition of this, the strategy was Shortlisted for the Placemaking Award at the 2023 Property Awards.



Responsible Asset Acquisition

We must choose assets that support our long-term strategy

We want to have an impact Beyond Our Four Walls. So, our acquisition strategy focuses on assets that;

- Are within highly-connected urban markets where public infrastructure investment and density of land-use are both high
- Can favour re-use and re-positioning over knock-down or sell
- Can be transitioned to Net Zero Carbon ("NZC")
- Will prove resilient to a more variable climate without significant capital expenditure.
- Occupied by long-term users
- Have the flexibility to add value through placemaking and occupier / community engagement programmes.

Potential acquisitions are screened against these requirements and due diligence is carried out pre-acquisition to identify potential ESG opportunities and risks to future occupation, operations and value. Issues with direct financial relevance are integrated into the valuation, IRR analysis and decision-making process.

Alongside this screening, our value committee reviews pricing analysis for capital transactions and ensures processes and policies are followed. The client

investment committee then tests the recommendations against objectives, risk parameters and returns requirements and holds fund teams to account in the delivery of the RI programme.

These reviews include:

- a review of the asset alignment with RI strategy set against the risk in the portfolio
- analysis of physical and transitional resilience to climate variability - for example reviewing flood risk, NZC capability, MEES and credit risk; asset adaptability and flexibility.
- Financial & cashflow modelling incorporates the outputs of this analysis to determine the impact on returns over the lifetime of the asset.

100%

Of assets went through our asset acquisition and due diligence process in 2022

100%

Of investments were screened against client requirements



Asset Acquisition at Purely Cross Retail Park

Purley Cross Retail Park presented a unique opportunity to invest in a long term, well connected, sustainable location with ESG factors already embedded.

- EPCs for units 1-4 being rated A-B meeting the requirements of the 2030 MEES Regulations.
- PV and EV systems already installed.
- Initiatives in place to donate surplus food to the local community.
- A healthy alignment with large diverse corporate tenants with similar ESG initiatives and ambitions.

A&B

Rated EPCs across the park

PV Panels and EV Charging

installed

ESG

Due diligence completed ahead of acquisition

Social Value Strategies In Place

With opportunities to expand

In acquiring Purley Cross, we ensured the following were completed:

- Environmental survey to determine compliance with laws, regulations and standards.
- ESG due diligence to determine potential liabilities to value and opportunities for improvement in relation to environmental and social performance. This included the identification of improved EPC ratings through reassessment.
- An investment committee review to evaluate investment rationale on an asset, fund and a market level basis.
- A value committee review to evaluate pricing and investment performance through the assessment of several factors including environmental resilience and the scope for ESG improvement.

Once acquired close attention is now being placed onto constant asset improvement. Key initiatives include:

- The potential to extend social value schemes to involve all tenants.
- The development of asset improvement plans.
- Strong occupier engagement including data collection strategies.

Active Ownership & Asset Improvement

We have built ESG into every part of the asset lifecycle

We have worked to embed ESG requirements into every level of our asset management. All stakeholders understand this strategy and adopt the necessary governance procedures to ensure asset performance is monitored, benchmarked, improved and maintained on an on-going basis.

Within the ongoing management of our assets, there are a number of key tools, process and strategies that we utilise to do this.

In 2022, our key focuses included:

- Legislation reviews and reporting
- Climate resilience reviews
- Net-zero auditing & business planning

Ultimately, these have ensured that we are continually progressing our assets towards our long term objectives and supporting the development of a more sustainable future.

Focusing on ESG credentials in standing assets - Stafford Industrial Estate, Romford.

Stafford Industrial Estate was identified as being suitable for asset improvement with scope to strengthen its ESG credentials. This would bring the asset more in line with our net-zero commitments, mitigate risk of non-compliance and deliver a more attractive asset for our occupiers.

Key ESG initiatives include:

- Installing a new roof
- Upgrading lighting to LED
- Installing low flow taps
- Implementing measures to improve biodiversity
- Installing cycle spaces
- Installing double glazing
- Targeting 'B' rated EPCs.

The improvements also added value to the investment increasing rental values and reducing void periods across the estate.



Legislation Reviews, Monitoring and Compliance

We have mitigated the risk of non-compliance with MEES

We hold a responsibility to ensure that our clients are exposed to as little risk as possible. By doing this, we can deliver sustainable returns over a greater period of time.

We continually review legislation and requirements implemented by governing bodies.

Through these reviews and the use of our integrated RI approach we are able to quickly and effectively manage risks, adapt our portfolio and stay ahead of any legislation.

In April 2023, all existing leases on commercial properties had to have EPC ratings of 'E' or above. Something that could have presented a significant challenge and potential risk if not quickly and effectively addressed.

Through in-depth analysis of portfolio exposure to 'F' and 'G' rated EPCs, reassessment of high risk EPCs and completion of a programme of improvement works where necessary, it was possible to not only mitigate against any risk but also deliver significant improvements in EPC ratings across our portfolios.

418

EPC surveys completed since the start of 2022

8%

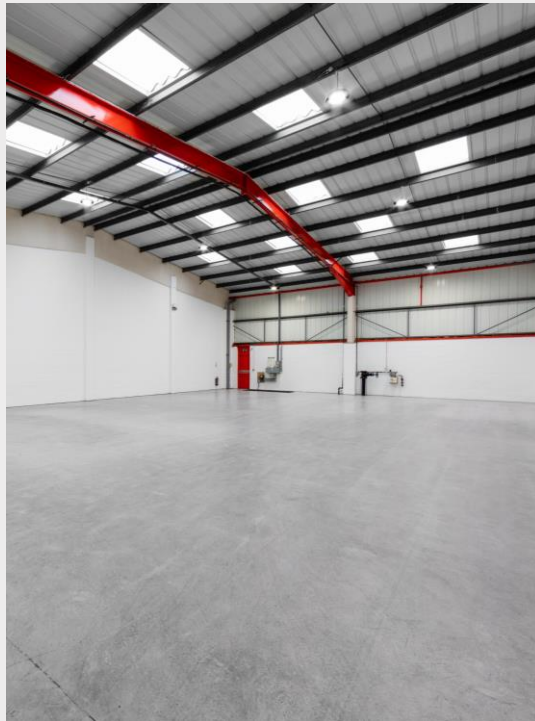
Increase in A-B coverage

>50

Improvement works scoped

0

Breaches in MEES legislation



Asset & EPC Improvement at Railway Triangle Industrial Estate, Portsmouth

By carrying out ESG audits and EPC+ reports early, it is possible to identify the key areas of improvement and plan any required works around the property lifecycle so that we use vacancies to improve the ESG credentials of the estate in the most cost-efficient way.

Process

To understand the best route to improving the performance of the asset, we undertook activities including:

- EPC reassessment to understand our baseline.
- Conducted an EPC+ report to highlight improvements.
- Reviewed the DTZI ESG Refurb Tracker with project team.
- Collected tenant ESG Data.
- Completed a net-zero audit of 4 units at the site.

Actions Undertaken

Following this, we focused on the implementation and completion of key initiatives, including:

- Removing gas heaters.
- Upgrading lighting to LED.
- Considering the installation of PV panels.
- Installing cycle spaces.
- Not painting the warehouse floor.
- Installing a defibrillator.
- Installing automatic meter readers.

A & B EPC

ratings delivered or targeted

100% reduction

in grid energy usage intensity identified through net zero audits

7.5% increase

in rental value seen in some units

BREEAM and Fitwel
ready

certifications on the development

Climate Risk, Resilience & TCFD

Understanding and mitigating physical risks within our portfolio

We manage a large variety of assets across the UK and Europe and our operations impact a significant number of people and businesses. Therefore, it is imperative for us to have a clear plan in place to achieve net-zero, report our progress and understand what risks exist in our portfolios that might act against our objectives.

By looking into a number of future scenarios and reviewing the impact of climate change on the landscape and populations around our business, we can do just this. We can look to mitigate those negative impacts, develop an approach to climate resilience and clarify our route to a low carbon operating model.

Since 2019, we have integrated the recommendations of TCFD into our RI approach and report against these each year. We continue to report against the 11 recommendations outlined by

the TCFD but each year we look to further extend our scope of reporting and our depth of analysis.

In 2022, we partnered with Climate X to more accurately understand the probability and severity of climate impacts on our portfolio as we move towards 2050. Through their Spectra platform, we are able to gain granular insight into both the physical and transitional risks the might occur at each of our assets under different warming scenarios.

We are now utilising this insight across the lifecycle of our assets from acquisition due diligence, to annual risk reviews and business planning, as well as informing sale decisions. To see more about how we monitor and manage climate related risks and opportunities within our business, please see our TCFD report [here](#).



Physical risk score

B

EPC rating

D

Actual

C

Potential

Analysed / Loaded

198 / 198

Volumes

198

Low risk

0

Medium risk

0

High risk

Net-Zero Auditing & Business Planning

Integrating the costs of net-zero into business planning is key to delivering our long-term targets

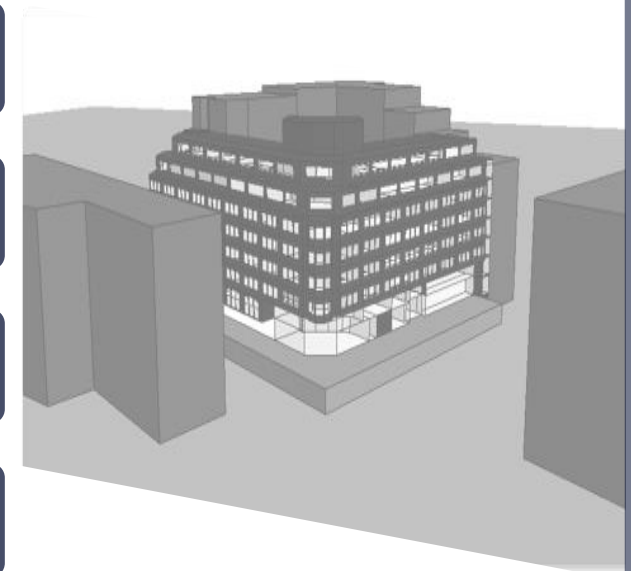
Delivering net-zero is a difficult task, which is made even more challenging by the fact that the assets we manage are so diverse. In not only asset type but also management style, occupant make up, geography and age.

So, in 2022 we made the decision to carry multiple net-zero audits to understand the true cost of achieving net-zero at an asset level across a representative sample of our portfolio. The learnings and costings within these audits could then be extrapolated to the rest of our portfolio to feed into business planning and ensure that our future cost forecasting was as accurate as possible.

Thanks to this we now have increased confidence in our business plans, we can more accurately forecast the success of our portfolio and begin to make decisions and take action to deliver a more sustainable portfolio. Ultimately, supporting our long term strategy.

To complete these audits, we worked closely with Cushman and Wakefield's sustainability team, who were able to utilise leading software and their in-depth knowledge of asset decarbonisation, refurbishment costing and property management to deliver reports that could support our own asset management decisions.

The process followed to deliver these included the following items.



Benchmarking and Disclosure

We need to understand our progress and performance against peers

Monitoring and reporting on the performance of our portfolio is critical. This allows us to demonstrate continued progress in our programme, how we are moving along our journey to our long term targets and performing against our peers.

We have put a thorough reporting process in place that ensures we are monitoring progress on a monthly, quarterly and annual basis.



9 funds and 25 green stars in 2022

Global Sector Leader



Public supporter of TCFD



4* rated in Investment & Stewardship Policy

5* rated in Real Estate

Monthly Reporting to the Responsible Investment Committee

Our RIC helps to develop our organisation's RI direction and strategy

Our investment committees hold our fund management teams to account on their progress

Quarterly Reporting to our Investment Committees

Annual Reporting to GRESB

GRESB allows us to review our progress and monitor performance against peers

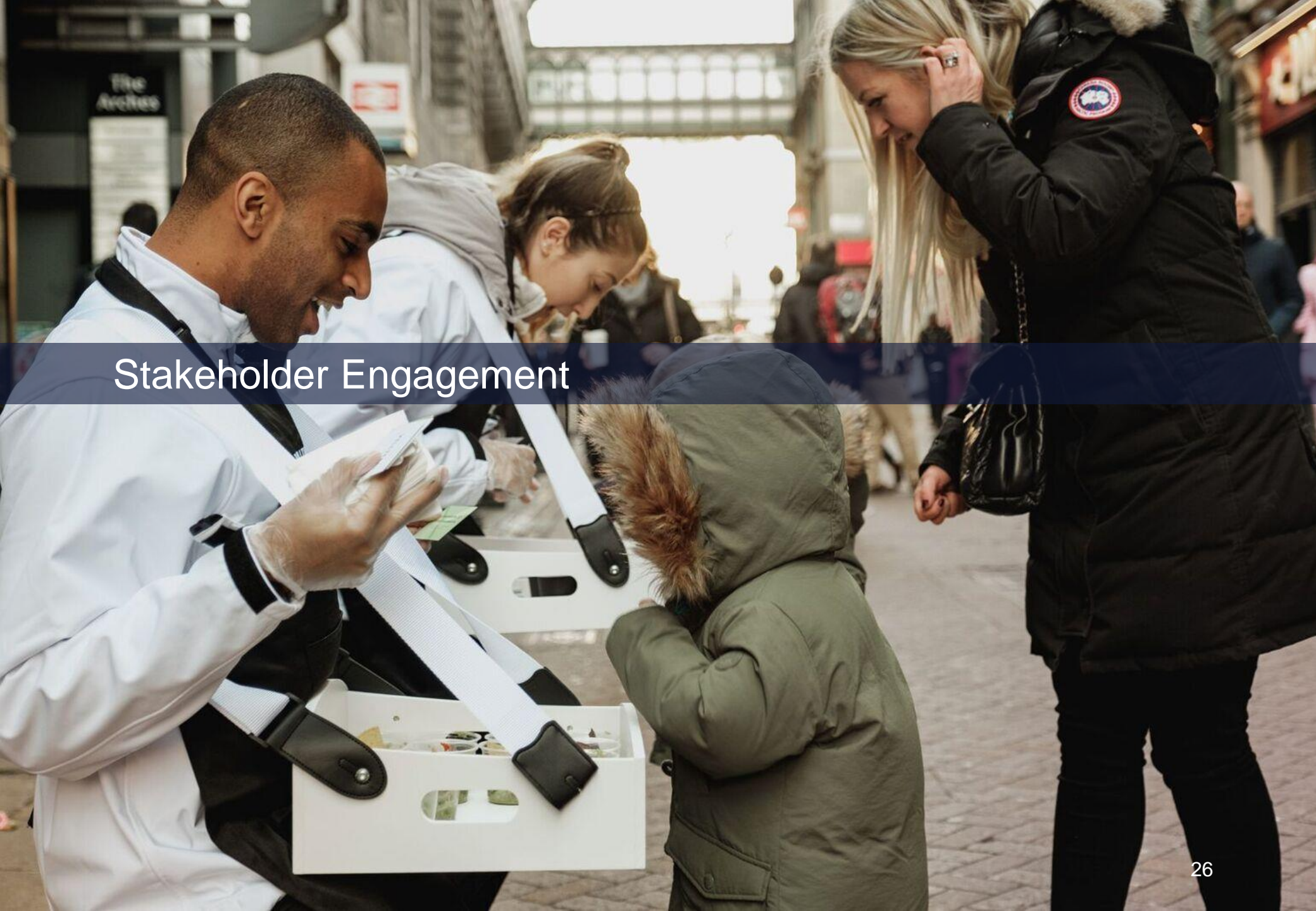
Reporting to PRI ensures we are implementing and aligned with best practice

Annual Reporting to PRI

Annual Reporting to our Clients

Our clients monitor our progress and ensure that we are aligned to their expectations





Stakeholder Engagement

Stakeholder Engagement

We have the potential to make a large impact Beyond Our Four Walls

It is also understood that because of the significant reach we have, we can have a significant impact on those stakeholders within the boundaries of our operations. Therefore, we have developed tools and processes in place to ensure that we are engaging with these stakeholders wherever possible in order to drive ESG performance and have an impact Beyond our Four Walls.

Key tools and process that have been put in place include:

- Green leasing guidance and requirements.
- Refurbishment, redevelopment, new

construction and fit-out guidelines for contractors and occupiers.

- Regular and structured occupier engagement meetings.
- Supplier vetting around ESG requirements.
- Identifying charity partners to work more closely with.

86%

Of leases started since 2018 have at least one green clause

100%

Of refurbishment projects have utilised our ESG guidelines

100%

Of suppliers have gone through our vetting process

>£15,000

Donated to our charity partners during 22



Delivering High Quality Buildings in Europe – Queens Towers, Amsterdam

Acquired in 2019, our primary focus with Queens Towers was to boost its environmental credentials and initiatives and bring the asset into alignment with our net-zero commitments. We also aimed to create an impressive, standout high-performance office block for the area.

By using our refurbishment guidelines and bringing together key stakeholders we were able to implement key initiatives to improve the asset. Including:

- The instillation of water efficient equipment.
- Completion of flood risk assessments.
- Completion of natural risk assessments.
- Ecology Report and action, including Bird and Bat boxes.
- Installation of LED lighting.
- Installation of double glazing.
- Completion of an ATES system.

These improvements delivered an increase in BREEAM rating from 'Good' to 'Very Good', as well as the consolidation of an A++ EPC rating.

Social Value Generation

We can use our reach to have a positive impact on people's lives

As managers of diverse portfolios, we have an extensive reach and the actions we take can influence a wide range of stakeholders. From our employees, contractors and suppliers, to our occupiers and local communities.

Therefore, we are continuing to increase our focus on utilising our reach to generate social value in each of these stakeholder groups.

To support this, we have developed a seven step process that helps us as managers to identify social value

opportunities and for our on site teams to act upon this and deliver the social value.

By following this process it is possible to identify, implement and monitor social value in all asset types and not just during development projects.

As we move forwards, we will be looking to utilise industry frameworks to calculate the total social value generated across our assets.

Generating Social Value at The Cow Cross Yard

Thanks to its location and its integration with local communities, Cow Cross Yard presented itself as a key site at which we can generate social value.



One of the key ongoing initiatives is a partnership with KERB. KERB offers food start-up workshops through impact charity partners to those who are low skilled and less-advantaged, completely free of charge. Successful start-ups can then look to manage their businesses on our site.

Alongside this, we have engaged in strong placemaking strategies, through the creation of a mural wall, branding, way finding and seating; we have laid new subterranean electrical supply to enable better and more frequent events within the space, such as Clerkenwell Design Week and we have created a new amenity space for the local community to use.







Social Impact & Placemaking at Dukes Lane, Brighton

Known as a hidden gem in the heart of Brighton, Dukes Lane presented us with a clear opportunity to create a vibrant community that has a positive social impact.

By focusing on key initiatives and fantastic causes, the space was transformed into a hub where small businesses can thrive, and people can escape from the hustle and bustle of Brighton.



THEMES	OUTCOMES
 <p>Jobs: Promoting skills & local employment opportunities</p>	<ul style="list-style-type: none"> • Colourful murals were completed by local artists and iconic 'Dukes Lane' arch to create a sense of identity. • 'Pop-up' shops were made available to support local SMES. Prioritising local artists, community groups, wellbeing organisations and ethical brands.
 <p>Growth: Supporting growth of responsible businesses</p>	<ul style="list-style-type: none"> • The space hosted four fundraising events (akt, the Greyhound Trust) and partnered with two tenants to support their charities (WaterAid and MTV Staying Alive). • Pop-up spaces were provided to charities (Help Refugees / Choose Love). • Some SME pop-ups were converted into longer term tenants.
 <p>Promoting wellbeing and strengthening communities</p>	<ul style="list-style-type: none"> • An opportunity to promote Brighton's LGBTQ+ community with annual Pride and Christmas carolling events (akt fundraiser, Gaydio, MTV Staying Alive Drag Show). • Raised £10,000 for charity and re-homed four greyhounds.
 <p>Decarbonising and promoting nature based solutions</p>	<ul style="list-style-type: none"> • Reviewed and reduced carbon emissions across the asset lifecycle. • Installed green planting and public seating throughout the lane.
 <p>Promoting social innovation</p>	<ul style="list-style-type: none"> • Hosted events to champion sustainable fashion. • Providing occupiers with bespoke marketing support, digital placemaking and implemented social media campaigns.

Engagement with External Bodies

We need to understand our progress and performance against our peers

Delivering net-zero and a truly sustainable future cannot be done by a single organisation. These are concepts that need to be delivered at a sector, country and global level.

To support this, we look to engage with industry bodies in order to support in the development and sharing of best practice within the real estate sector.

By sharing our own experiences and knowledge and learning with other organisations, we will all be able to accelerate the delivery of net-zero in the real estate sector.

In 2022, we engaged with leading industry organisations, membership bodies and professional partnerships to support in the acceleration of net-zero.



As signatories of the BBP Climate Commitment we are committed to support in the development of clear guidance for the industry, encourage greater consistency in net-zero definitions and boundaries and help to improve spaces in line with net-zero.



We have been working closely with the IIGCC for several years to help shape policies and regulatory frameworks for the sector.



We have worked to support the development of the new net-zero carbon building standard, specifically for the retail sector. Lending our knowledge, experience and expertise on how net-zero can be achieved within the asset class.



We work with INREV to share knowledge on the non-listed real estate sector. Supporting them to improve transparency, professionalism and best practices.



Indirect Fund Engagement

We engage with our indirect fund managers to support best practice

When investing indirectly, we have less control over what each of the managers do with regards to ESG. However, in terms of the manager selection process itself, we look for managers who meet our own standards and requirements in this area and we lobby funds we are invested in.

We assess managers, including during interviews, based on their adherence to ESG policies and also have a specific section in our due diligence checklist which covers ESG issues and assess areas including:

- Who is responsible for coordinating, monitoring and implementing ESG issues at company and fund level.
- What resources the fund manager has in place dedicated to ESG issues.
- Whether the fund is benchmarked by the Global Real Estate Sustainability Benchmark 'GRESB' and the fund's score.
- How environmental performance data is collected and monitored and its incorporation into the fund's investment process.
- The EPC and Green Building certificate ratings of the assets held in the fund.
- Compliance with ESOS Regulations (as applicable).

- Their approach to Climate Resilience and whether they adhere to the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD).

- Whether a commitment to Net Zero Carbon has been made at the fund level.

Following investment, we monitor these areas on an ongoing basis as part of our regular dialogue and through our annual assessment of the manager.

Annual assessments are done through a tailored questionnaire that requires responses from each manager on a number of ESG specific questions and indicators.

Supporting in the implementation of best practice

By annually reviewing the performance of our indirect mandates, we can identify where funds are utilising best practice and where some funds are falling behind. Thanks to individual feedback sessions, we are then able to support in the sharing of best practice with all funds.

In 2022, 67% of funds saw an increase in their ESG performance. With a number of these making significant changes such as committing to net-zero or developing new ESG reports.





Our ESG Performance

KING STREET
MANCHESTER

KING STREET
MANCHESTER

BOODLES

BOODLES

CASTLE FINE ART

TASTY

KESI
Wellie
Slip

LA BAN
EXPRESS
LUNCH
3 TAPAS
DAILY CO
COOK

Prioritising Sustainable Development

In developing our approach, we prioritised five United Nations Sustainable Development Goals that have the most material relevance to our business;

SUSTAINABLE DEVELOPMENT GOALS



Ensure healthy lives and promote wellbeing for all at all ages.

Engage employees, occupiers and local communities in the workplace, and in and around our assets on health & wellbeing and workplace safety.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Value our employees and support occupiers through management of real-estate to provide suitable workplaces, and manage our supply chain to ensure responsible and ethical working practices across all our business operations



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Develop, renovate and operationalise assets sustainably.



Make cities and human settlements inclusive, safe resilient and sustainable.

Revitalise our assets through placemaking and adding sustainable value



Take urgent action to combat climate change and its impact.

Continue to commit to environmental stewardship and reducing environmental impact of the assets we manage on the behalf of our clients.

and we target key areas for the improvement of environmental and social impact;



Net-Zero



Social Value Generation



Climate Change Risk



Waste Production & Disposal



Carbon Emissions



Stakeholder Health & Wellbeing



Energy Usage & Intensity



Air Quality Management



Water Efficiency



Sustainable Procurement



Renewable Energy



Occupier Satisfaction



Biodiversity & Habitat



Health & Safety Procedure



Transport & EV Charging



Fair Labour Practices



Stakeholder Engagement



Diversity, Equity & Inclusion

* Source: *Transforming our world: The 2030 Agenda for Sustainable Development*

Our Environmental Performance



Environmental Performance Metric	Unit of Measure	Type	2019	2020	2021	2022
Landlord electricity consumption	kWh	Absolute	16,888,335	21,670,068	16,500,227	15,178,558
		Like-for-like	6,169,240	5,162,386	5,204,892	4,912,110
Landlord electricity consumption from renewable energy sources	% of total	Absolute	100%	100%	100%	100%
Landlord natural gas consumption	kWh	Absolute	8,974,477	7,805,643	10,448,857	8,349,140
		Like-for-like	6,142,004	5,136,097	5,035,402	4,872,891
Scope 1 & 2 (landlord) GHG emissions	tCO ₂ e	Absolute	5,130	4,027	3,820	3,475
		Like-for-like	2,035	1,662	1,754	1,508
Scope 1 & 2 (landlord) GHG emissions intensity	tCO ₂ e/m ²	Absolute	0.103	0.079	0.079	0.057
		Like-for-like	0.089	0.070	0.078	0.068
Tenant data coverage (Electricity, gas and water)	% of floor area	Average	8%	19%	32%	42%
Tenant data coverage (Electricity, gas and water)	Weighted % of floor area	Average	-	-	33%	52%
Tenant electricity consumption	kWh	Absolute	132,182,803	148,977,396	157,024,851	149,446,596
		Like-for-like	116,654,917	138,489,716	150,087,255	144,517,083
Tenant natural gas consumption	kWh	Absolute	225,127,252	199,612,933	175,357,734	163,096,307
		Like-for-like	191,709,396	176,573,918	165,474,009	154,600,868
Tenant GHG emissions	tCO ₂ e	Absolute	75,176	71,435	65,460	58,672
		Like-for-like	65,063	64,754	62,176	56,168
Fuel & Energy Related Activity GHG emissions	tCO ₂ e	Absolute	868	944	1,321	1,026
		Like-for-like	299	241	430	345
Upstream Leased Asset GHG emissions	tCO ₂ e	Absolute	18	16	12	16
		Like-for-like	18	16	12	16
Waste Generated in Operations	tCO ₂ e	Absolute	199	209	84	99
		Like-for-like	84	70	46	64
Scope 3 GHG emissions	tCO ₂ e	Absolute	76,261	72,604	66,877	59,813
		Like-for-like	65,464	65,081	62,664	56,593
Scope 3 GHG emissions intensity	tCO ₂ e/m ² (NLA)	Absolute	0.052	0.051	0.050	0.045
		Like-for-like	0.051	0.051	0.049	0.045
Landlord water consumption	M ³	Absolute	145,419	160,152	120,529	127,564
		Like-for-like	19,795	27,822	12,553	13,883
Landlord waste production	Tonnes	Absolute & like-for-like	2,976	1,912	1,963	2,765
	% of total	Recycling Rate	46%	52%	51%	56%
F&G rated EPCs	% of ERV	-	-	-	2.1%	1.1%

Clarifications in our Data

- 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.
- 2022 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.
- A change in reporting methodology and a variation in meters/ sites included due to updated data means that 2022 figures are not comparable with previous years reporting.
- 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 2022/23 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 DTZI.
- 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 DTZI and tenants is not considered within emissions reporting.
- Reported data covers all discretionarily managed asset.



Progress Against our ESG Targets

Alignment to Pillar	Target	Progress
Environmental* 	<p>Complete long-term scenario modelling for portfolios under management by end of 2022</p> <p>Reduce landlord-controlled carbon emission intensity (by floor area) by 50% by 2030 from a 2019 baseline</p> <p>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</p> <p>Asset Improvement Plans (AIP) held on every multi-let asset</p> <p>Target BREEAM certification for all new construction and major refurbishments including undertaking life cycle analysis (LCA) assessments to inform more sustainable design options</p> <p>Zero landlord-related breaches in environmental legislation</p> <p>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)</p> <p>Zero Waste to Landfill & recycling rate of 75% by 2025</p> <p>Reduction in water usage by 10% from a 2019 baseline by 2025.</p>	<p>Net-zero audits have been completed at 24 units. The net-zero costs identified within these have been integrated into business planning for all assets.</p> <p>Absolute Scope 1 & 2 emissions have fallen by 32% and like for like emissions have fallen by 25% since 2019.</p> <p>Asset decarbonisation is being prioritised whenever an asset becomes vacant.</p> <p>AIPs are held on all multi-let assets</p> <p>Achieving a BREEAM certification is a core part of our new development and major refurbishment guidelines. 3 LCAs were completed or instructed in 2022. These LCAs will help develop an embodied carbon baseline.</p> <p>Zero breaches in MEES legislation and a significant reduction in F&G rated EPCs was achieved.</p> <p>100% of landlord energy data has been collected. 42% of tenant data was collected in 2022, as an average of electricity, natural gas and water.</p> <p>0.03% of waste went to landfill and a 56% recycling rate was achieved in 2022.</p> <p>12% reduction in absolute water consumption and a 30% reduction in like for like consumption</p>
Social Impact 	<p>Embed social value commitments and targets across all portfolios and landlord procurement activities by 2023 through our operations and third party appointed Property Managers</p> <p>Embed our RI Development & Refurbishment Framework in all projects with external project managers</p> <p>Engage all occupiers on environmental impact through data sharing and distribution of occupier guidance & tenant fit-out guidelines</p> <p>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</p>	<p>Social value key performance indicators have been included into our property management agreement for the majority of our portfolio</p> <p>All refurbishments, fit outs and new developments must follow our guidelines</p> <p>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.</p> <p>Tenant and community engagement plans have been implemented for all applicable sites</p>

* Does not include all interim Net-Zero Carbon targets

Contacts



Chris Cooper
Chief Executive

Tel: +44 (0)20 3349 0300
Christopher.Cooper@DTZInvestors.com



Jennifer Linacre
Head of Responsible Investment

Tel: +44 (0)20 3349 0234
Jennifer.Linacre@DTZInvestors.com



Harry Wilding
ESG Analyst

Tel: +44 (0) 20 3296 2482
Harry.Wilding@DTZInvestors.com