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. 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.

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.

2022

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.

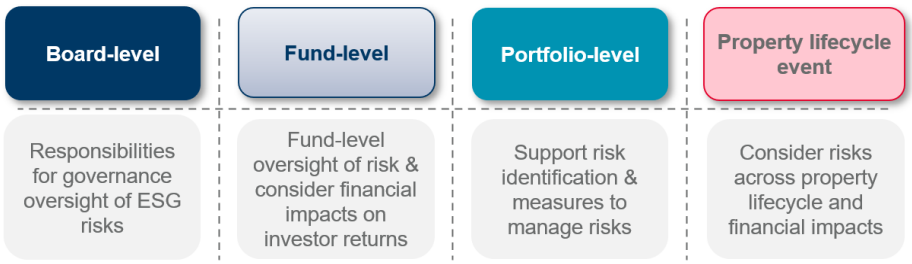
02
PROGRESS IN 2022: GOVERNANCE

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:



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 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 2022 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.
- Utilise third party software to accurately model and forecast climate related risks across our portfolio.

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 (up 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

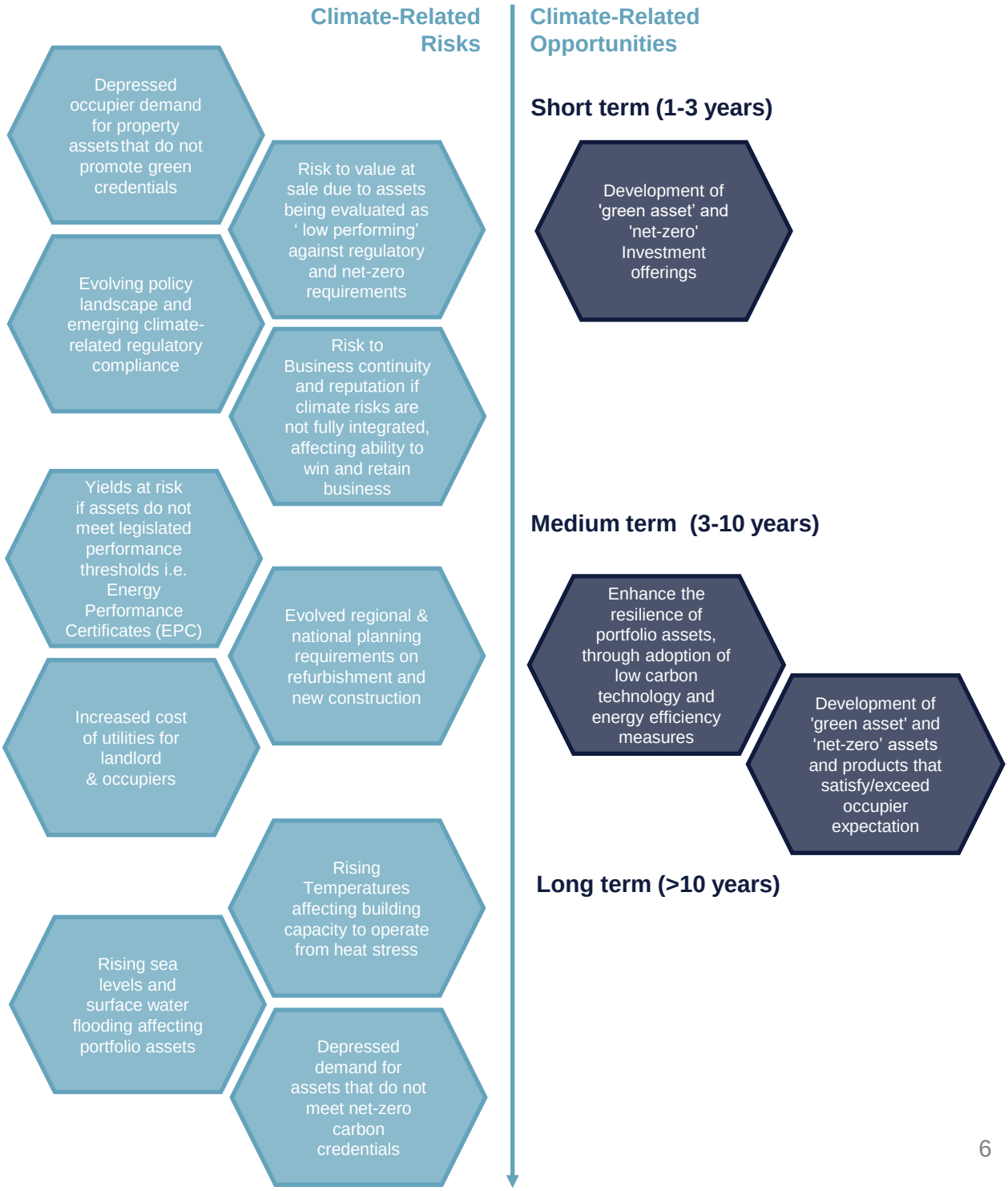
Long-term (greater than 5 years):

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:



03
PROGRESS IN 2022:
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. This are inline with UK benchmarks but we will still be looking to understand how risks can be mitigated.

The table below summarises the results 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
	2021-2040	2041-2060	2081-2100	2021-2040	2041-2060	2081-2100	
Extreme Heat							Under high carbon scenario, risk associated with extreme heat rises over the long term (up to 2100).
Drought							Under both low and high carbon scenarios, the risk of drought remains high.
Storm							Under both low and high carbon scenarios, the risk of storms remains high.
Hurricane							Risk associated with hurricanes is low across all time horizons in low and high carbon scenarios.
Subsidence							Risk of subsidence is significantly greater in a high carbon scenario.
Wildfire							Risk of wildfires is low across all time horizons in both low and high carbon scenarios.
Landslide/ Coastal Erosion							Risk of landslide/coastal erosion is low across all time horizons in both low and high carbon scenarios.
River flooding							Risk of river flooding is low across all time horizons in both low and high carbon scenarios.
Coastal flooding/Sea Level Rise							Risk of coastal flooding/sea level rise is low across all time horizons in both low and high carbon scenarios.
Surface Flooding							Risk of surface flooding is low across all time horizons in both low and high carbon scenarios.

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 2022, we carried out physical and transitional risk analysis at both an asset and portfolio level. This has helped us to identify the key risks within our portfolio, those assets that might require further mitigation action and the financial value at risk, further supporting the business case for mitigating these risks.

As we move forward, we will be looking to further understand how the risks vary across each asset and across different climate scenarios. This will enable us to take decisive actions to minimise the risk associated to our client portfolios.

Net-zero costings have now been 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 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 2022, 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 .

05
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 have been completed at 24 units. The net-zero costs identified within these have been integrated into business planning for all assets.
	Reduce landlord-controlled carbon emission intensity (by floor area) by 50% by 2030 from a 2019 baseline	Absolute Scope 1 & 2 emissions have fallen by 32% and like for like emissions have fallen by 25% since 2019.
	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	
	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. 3 LCAs were completed or instructed in 2022. These LCAs will help develop an embodied carbon baseline.
	Zero landlord-related breaches in environmental legislation	Zero breaches in MEES legislation and a significant reduction in F&G rated EPCs was achieved.
	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)	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.
	Zero Waste to Landfill & recycling rate of 75% by 2025	0.03% of waste went to landfill and a 56% recycling rate was achieved in 2022.
	Reduction in water usage by 10% from a 2019 baseline by 2025.	12% reduction in absolute water consumption and a 30% reduction in like for like consumption
Social Impact 	Embed social value commitments and targets across all portfolios and landlord procurement activities by 2023 through our operations 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

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

From 2023, 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 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
- No. of assets to be subject to high heat stress in the long term (to be reviewed in 2022)

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:

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_2e	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_2e/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_2e	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_2e	Absolute	868	944	1,321	1,026
		Like-for-like	299	241	430	345
Upstream Leased Asset GHG emissions	tCO_2e	Absolute	18	16	12	16
		Like-for-like	18	16	12	16
Waste Generated in Operations	tCO_2e	Absolute	199	209	84	99
		Like-for-like	84	70	46	64
Scope 3 GHG emissions	tCO_2e	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_2e/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%

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

- 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.

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