

## Savills Investment Management: Principal Adverse Impacts Statement<sup>1</sup>

### Principal Adverse Impacts

**This statement sets out the Savills Investment Management (Savills IM) approach to the consideration of principal adverse impacts (PAI) of our investment decisions on sustainability factors.**

This Statement is made in compliance with the EU's Sustainable Finance Disclosure Regulation<sup>2</sup> (SFDR), which defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. We use the United Nations Principles for Responsible Investment (UNPRI) definitions of E, S and G to inform our approach to identifying principal adverse impacts.

#### Environmental

Our principal adverse environmental impacts are:

- Carbon emissions and greenhouse gases (GHG)
- Energy use in the buildings we operate
- Water use in the buildings we operate
- Waste generated in the construction and operation of the buildings we manage
- Impact on biodiversity and green space

#### Social

We have undertaken a risk assessment to identify the most material social risks that apply to our strategies and have integrated these into our investment decision-making processes. However, as at the date of this Statement, we have not yet identified social factors on which our investment decisions would have a material adverse impact. This Statement will be updated as needed once we have undertaken further work on this area.

#### Governance

The real estate industry has recognised that improvements are needed in respect of diversity and inclusion across its sector. Whilst progress is being made, Savills IM has identified that its diversity needs to improve, particularly at the senior level, and therefore that this is a principal adverse impact for our business.

<sup>1</sup> 'Savills Investment Management' means Savills Investment Management LLP and its relevant subsidiaries.

<sup>2</sup> Regulation (EU) 2019/2088 of the European Parliament of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector

## Savills IM's approach to mitigating principal adverse sustainability impacts

Savills IM's Responsible Investment Policy sets out our approach for how we continuously integrate ESG considerations into the heart of our business and the funds we manage. Through our Investment Advisory Committee, Global Risk and Compliance Committee, ESG Committee and each individual fund manager, material adverse ESG impacts are identified, monitored and mitigated where possible.

Savills IM uses an environmental data management platform (the Data Platform) to track principal adverse impacts on the environmental factors we have identified. This enables us to monitor energy, water and waste from the buildings we operate. We summarise below how we measure and monitor each such adverse impact using this system and other tools. Where possible, we have sought to implement the Data Platform across our assets and are actively working to increase the data coverage. We currently track principal adverse environmental impacts for c.37% of the global AUM with a target of 60% of by the end of 2021.

### ***Carbon emissions and energy data***

We seek to capture carbon emissions data for the buildings we manage using the Data Platform through a combination of automated and manual energy data collation at least twice a year. We prefer to collect data using an automated energy meter in the building. Where this is not possible, we use manual reads and billing data. If these data sources are unavailable, we estimate the consumption using recognised industry benchmarks such as the Global Real Estate Environmental Benchmark (**GRESB**).

To assess our carbon emissions, we use a combination of industry tools including the Carbon Risk Real Estate Monitor (**CRREM**), on site energy audits and best practice frameworks such as the Better Buildings Partnership Net Zero Carbon Framework. We measure our carbon emissions in tonnes of CO<sub>2</sub> (tCO<sub>2</sub>) and energy use as kWh(m<sup>2</sup>) per annum.

### ***Fuel source***

Where Savills IM procures the fuel, we maintain records of the energy source and how much of that energy is renewable. Where Savills IM does not procure the fuel, we work with the tenant to access this data where possible. We measure our fuel source as % of contracts using renewable energy.

### ***Water use***

Where Savills IM procures the water, we maintain records in the Data Platform on how much water is used. Where we do not have access to this data, we use estimated water data benchmarks. We are seeking to reduce our water use by installing water efficient technologies and we plan to roll out automated water meters across our buildings by 2022. We measure our water use as m<sup>3</sup>/m<sup>2</sup> per annum.

### ***Waste***

Where possible, Savills IM captures waste data for the buildings, which is provided by our property managers at least twice a year. We do not routinely capture waste data from construction activities or materials usage during construction. However, we aim to do so as a matter of course by 2021. The metrics to measure waste will include % of waste recycled; % sent to energy recovery; and % sent to landfill.

### ***Biodiversity and green space***

We do not currently collect data relating to vegetated surfaces but we intend to do this from 2022. We will measure this using both quantitative and qualitative measures such as m<sup>2</sup> of green space and species. At first this will be largely estimated as this data is difficult to obtain.

### ***Diversity and Inclusion***

In 2020 Savills IM set up a D&I Steering Group to focus on D&I, in particular to further develop pathways for recruiting, retaining and promoting more diverse talent as well as increasing awareness of diversity issues, and to celebrate the diversity within the Savills IM workforce and its stakeholders.

The Steering Group is chaired by a member of the Savills IM Global Executive Committee (the **GEC**), and includes the Head of HR, Head of Media Relations and representatives from five sub-groups as follows:

- Age;
- Gender;
- LGBTQ+;
- Ethnicity and,
- Disability, mental health and wellbeing

The D&I Steering Group reports to the GEC regularly. The GEC monitors certain aspects of D&I, in particular gender, and is seeking to improve its data on all areas of D&I, within the limits of law and regulation on these sensitive areas. D&I is part of the strategic priorities of Savills IM, and is seen as key to sustainable growth and success.

Savills IM has in 2021 adopted the following aim in respect of D&I:

*Savills Investment Management embraces diversity and inclusion, seeking to provide a platform and a supportive environment for everyone to achieve their potential free from discrimination or prejudice. Savills Investment Management respects all of its staff, clients, stakeholders and counterparties, challenges stereotypes and celebrates the value of having a diverse range of people in its organisation, providing a rich variety of viewpoints.*

Savills IM works with its parent company, Savills plc, as appropriate and each D&I sub-group has an assigned executive sponsor from the GEC.

### Description of actions to address principal adverse sustainability impacts

During 2020 Savills IM undertook the following actions:

- Restructured the ESG Committee to involve Heads of Country and Heads of Investment to better support the integration of ESG issues across all jurisdictions and teams
- Provided ESG mandatory training to all Savills IM employees
- Started to implement a TCFD roadmap
- Undertook energy and sustainability audits across our funds
- Collated available energy, water and waste data
- Introduced a climate risk screening tool for fund teams to use when acquiring an asset
- Continued to undertake and enhance ESG due diligence as part of the acquisition process

In 2021 we will prepare a net zero carbon framework to help mitigate the impact of carbon emissions but also the waste and materials we use. We will map our GHG emissions and complete a global climate risk analysis identifying key physical and transition risks in alignment with the recommendations for the Task Force for Climate-Related Financial Disclosure (**TCFD**).

### Engagement Policies

Savills IM have the following tools and guidance to aid engagement with our stakeholders:

- Tenant ESG guidance
- Stakeholder engagement guidance
- Tenant fit out toolkit
- Green lease clauses
- Property management requirements
- Asset management requirements
- ESG Acquisitions Due Diligence guidance

From 2021, ESG will also be included in investor agendas, where it is not already. We have also taken a decision to capture data related to our principal adverse impacts even where the investor does not request this information. This is because we believe it is important to make sure every investor is aware of the principal adverse sustainability impacts to help build collective knowledge and understanding on how to tackle these critical issues.

#### Adherence to international standards

As a signatory to the UNPRI, we are aligned with an internationally recognised set of guiding principles for responsible investment. We are committed to integrating ESG within our operations and to transparent monitoring and disclosure of ESG performance in our investor reports, and via GRESB and UNPRI, to the wider investment community. We have aligned to the UN Sustainable Development Goals and have also adopted the CRREM guidance to inform the net zero transition of the assets we manage in order to meet the objectives of the Paris Agreement.

#### Compliance with SFDR

As at the date of this Statement, the final Level 2 regulatory technical standards of SFDR (**RTS**) which include the detailed PAI disclosure requirements have not yet been adopted. Savills IM will therefore continue to review and consider its obligations on PAI disclosures and will update this Statements and all relevant documents in accordance with the timing requirements of SFDR.

Date of statement: 10 March 2021