

WEBSITE DISCLOSURE

# **Sustainability related disclosures**

## **Savills IM UK Value Boxes Fund FCP-RAIF**



## 1. Summary

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The Savills IM UK Value Boxes Fund FCP-RAIF (the Fund) is considered by Savills Investment Management (Luxembourg) S.a.r.l. (the Manager) to fall within the scope of Article 8 of the EU's Sustainable Finance Disclosure Regulation (SFDR), as a fund that promotes environmental and/or social characteristics.

This disclosure sets out the Fund's approach to sustainable investing and the ways in which sustainability risks and factors are integrated into portfolio management decisions and how environmental and/or social characteristics are promoted by the Fund. This includes:

- A summary of the key environmental and social characteristics of the Fund, through the establishment of an ESG programme specific to the Fund;
- Confirmation that all assets in the Fund's portfolio are subject to the sustainability criteria set out in the Fund's ESG programme, which aims at aimed at improving the environmental sustainability performance of the portfolio and implementing standards for new investments;
- Confirmation that as an Article 8 product the Fund has certain sustainability characteristics but does not have sustainable investment as its objective and that the Fund, as the date of these disclosures, does not invest in "sustainable investments" as defined by Article 2(17) SFDR;
- An explanation of the how the Fund assesses sustainability risks, factors and opportunities and implements a targeted action plan in relation to its assets;
- The indicators that are used to measure success, such as (i) the floor area in sq m in the Fund with the Carbon Risk Real Estate Monitor (CRREM) (or equivalent) 1.5° decarbonisation pathway at the date of reporting, (ii) the energy use of the occupiers, (iii) the proportion of Green leases with tenants and (iv) the proportion of assets undertaking a physical climate risk assessment;
- The monitoring process for collecting the environmental and social data relevant to the indicators;
- The key industry aligned methodologies that are used;
- Approach to occupier engagement; and,
- The process for identifying data quality issues and the mitigations in place for ensuring this does not impact adversely on the Fund.
- The Fund operates under the Savills IM Responsible Investment Policy. Under this policy, the Manager identifies the specific material sustainability risks to the Fund and integrates these into its investment decision making process, as well as considering the material adverse impacts of its investment decisions on relevant sustainability factors.

## 2. No sustainable investment objective

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The Fund promotes environmental or social characteristics but does not have as its objective sustainable investments.

At the date of this disclosure, the Fund does not invest in sustainable investments as defined by Article 2(17) of the SFDR, however, it may do in the future. If so, the relevant sections of these disclosures will be updated accordingly.

### 3. Environment and/or social characteristics of the financial product

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The Fund takes a holistic approach to sustainability, integrating environmental, social and governance criteria into portfolio management decisions, and does not seek to promote one specific aspect. This is practiced through a ESG programme specific to the Fund (the “ESG Programme”), as described in the investment strategy section below. As a Fund investing in real assets, the Manager is aware of the ability to have an impact on both environmental and social themes. These include:

- Assessing building sustainability at acquisition and, ensuring that these have particular industry standards such as BREEAM, LEED or DGNB;
- Improving existing buildings to demonstrate impact on sustainability factors and to reduce sustainability risks;
- Reducing energy, and water consumption;
- Understanding the climate risks and opportunities; and
- Occupier engagement where possible.

The Manager uses, where possible the following sustainability indicators to measure progress for the Fund. These may include:

- % of the gross floor area of the value of the Fund should be aligned with the Carbon Risk Real Estate Monitor (“CRREM”) (or equivalent) 1.5° decarbonisation pathway at the date of reporting;
- Occupier energy use, reported as kWh/m<sup>2</sup>;
- % of Green Leases offered to tenants; and
- % of assets undertaking a physical climate risk assessment.

### 4. Investment Strategy

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The investment policy and strategy of the Fund is set out in the Fund’s offering memorandum and complemented by the information below.

To ensure our sustainability strategy is successfully implemented, we ensure that for each element of our ESG policy, the relevant sustainability risks, factors and opportunities are identified and incorporated on a continuous basis, i.e. into every stage of the property transaction: property acquisition, asset management, development / refurbishment / fit-out and disposal.

- a) ESG Programme in line with CRREM pathway

The Fund will implement a specific ESG Programme aimed at improving the environmental sustainability performance of the portfolio and implementing standards for new investments.

As part of the ESG Programme, as of the date of this disclosures, the Fund aims to carry out a CRREM analysis (or equivalent) for 100% of assets at acquisition. Where good quality data is not available at the point of acquisition, this will be undertaken within two years of acquisition and, for each asset held more than two years, the analysis will be carried out annually and the results reported annually.

Once the CRREM assessment has been carried out, a minimum of 60% of the gross floor area of the Fund should be aligned with the CRREM (or equivalent) 1.5° decarbonisation pathway at the date of reporting.

In addition to the CRREM alignment objective, the Fund aims to meet with at least one of the following as part of the ESG Programme:

- (i) Holding a portion of underlying assets for which the lease agreements entered into with tenants contain green lease clauses, including “minimum requirements” such as data sharing commitments. 100% of tenants will be offered green lease clauses.
- (ii) Energy data shall be collected for a minimum of 30% of the lettable area of the portfolio of the assets in the Fund.
- (iii) All assets within the Fund with a holding period of more than three years from the date of this disclosure must complete a physical climate risk assessment

These above-mentioned objectives may be subject to a reassessment and may therefore be amended from time to time.

- b) Binding elements of the strategy

The objective regarding the obligation to conduct a CREEM analysis as described above with a minimum of 60% of the gross floor area of the Fund being aligned with the CRREM (or equivalent) 1.5° decarbonisation pathway at the date of reporting, is binding on the Management Company for each asset in the portfolio, as well as the implementation of the ESG Programme. As part of its approach to responsible investment the Fund has, in addition, adopted a binding exclusions policy, applicable to the occupiers of its assets and covering the following areas:

### **Weapons**

The Fund seeks to exclude dealing with companies which are understood to be connected with the production, use, storage, trade, maintenance, transportation and financing of controversial weapons such as anti-personnel landmines, cluster munitions, chemical and biological weapons. More specifically, a zero tolerance threshold is set for companies associated with any outlawed Weapons.

### **Human Rights Abuses**

The Fund will not actively engage with companies believed to be associated with human rights abuses, and in particular, companies having violated the UN Global Compact, unless previously exposed practices have been credibly rectified.

### **Fossil Fuels**

The Fund will seek to limit direct exposure to the fossil fuel industry and will limit engagement with companies we believe contribute directly to the climate and biodiversity crisis and which are not taking positive measures to address this impact in a timely manner.



More specifically, companies deriving more than 10% of their turnover from extraction and processing of coal are excluded.

### **Other Activities**

Judgement will be exercised and particular consideration given to ethics and appropriateness of activities before entering into relationships implying indirect involvement in certain activities such as the sale and manufacture of tobacco products. Companies deriving more than 5% of their turnover from the production of tobacco are specifically excluded.

c) Good governance

As the Fund invests in real assets and does not invest in companies with employees, the good governance assessment of the investee companies is therefore not relevant in the investment decision process of the Fund. However, the Fund makes sure that governance issues are assessed in the materiality assessment to identify the most material risks, which include namely human rights, modern slavery, corruption and labour laws.

## **5. Proportion of investments**

All assets in the Fund's portfolio are subject to the sustainability criteria set out in the Fund's ESG Programme and are thus used to meet the environmental and social characteristics promoted by the Fund. ESG assessments carried out as part of the ESG policy may lead the Manager to implement measures to improve the ESG ratings and lower the identified risks through a structured asset improvement plan. There is no particular sub-division between environmental and social objectives given our holistic approach to sustainability.

At the date of this Memorandum, the Fund does not invest in sustainable investments neither under Article 2(17) of the SFDR nor under the EU Taxonomy and therefore does not have any sustainable investments with an environmental objective. The minimum sustainable investments with an environmental objective aligned with the EU Taxonomy is therefore 0%. The Fund may invest in such sustainable investments in the future, in which case the relevant sections of these disclosures will be updated.

## **6. Monitoring of environmental or social characteristics**

a) Audit

Monitoring is undertaken at various stages and for different purposes.

The Fund carries out sustainability reviews to:

- establish the current building performance, covering, where applicable, energy, water, waste, and health & wellbeing and to understand operational set-up as the basis for developing a sustainability management plan
- identify feasible technological and operational saving opportunities to form the basis of a detailed sustainability action plan and where relevant, to complete a cost benefit analysis

The Fund also regularly monitors energy consumption to identify trends and outliers in consumption that can then be investigated with property managers.

The Fund collates data streams relevant to ESG performance to allow the Fund to measure performance.

b) Monitoring of the CRREM assessment

The Fund monitors the relevant data to comply with its ESG Programme, in particular in the context of the CRREM assessment.

Where data is insufficient at the point of acquisition, the Fund must carry out the CRREM assessment within two years of acquisition and, for each asset held more than two years, the analysis will be carried out annually and the results reported annually.

c) Consideration of principal adverse impacts

To monitor the environmental and social characteristics of the Fund, the principal adverse impact indicators are identified and considered. All investment decisions in relation to the Fund broadly consider the principal adverse impacts of those decisions. The Management Company, together with the Investment Advisor, consider (i) the exposure to fossil fuels through real estate assets and (ii) exposure to energy inefficient real estate assets, in line with the indicators related to real estate assets provided under SFDR. In addition, the following voluntary principal adverse impact indicators are also considered: (i) GHG emissions (scope 1, 2 and 3) and (ii) energy consumption.

Qualitative and/or quantitative reporting on the above-mentioned indicators will be included in the dedicated section in the periodic report relating to the Fund

## 7. Methodologies

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Measurement and disclosure are vital parts of responsible property investment, and the annual review of the Fund ESG Programme with ESG specialists provides an effective means to achieve this.

The Fund also undertakes:

- Appropriate Green building certifications where this adds value to the portfolio
- EPC ratings
- Reviews of the performance data collated on its behalf by external ESG consultants, as noted above.

## 8. Data sources and processing

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In addition to our in-house team we use a range of ESG data providers and seek to align with particular environmental standards as described in “Methodologies” above.

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## 9. Limitations to methodologies and data

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Available ESG and sustainability data has its limitations particularly environmental data because this research is still emerging. We regularly review the data providers we source from, and we continuously seek to improve transparency, disclosure and data provision in relation to the Fund. Where data gaps exist, for example where we are unable to capture carbon emissions or energy consumption data from our occupiers, we will use reference benchmarks to make informed estimates and be transparent where this process has been applied. A target will then be put in place to reduce reliance on estimations so that eventually we are reporting actual emissions. In case data gaps pose challenges to make an informed decision and ensure alignment of the Fund with its sustainable strategy, our responsible investment specialists, together with the dedicated fund team jointly recommend mitigation actions. This could include testing an approach on a single asset before applying that approach to the whole Fund.

## 10. Due diligence

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Due diligence is carried out at various points in the investment cycle and for different purposes. The Fund conducts detailed sustainability due diligence for all acquisitions. The intention is to understand the ESG risks and opportunities at the earliest stage in the lifecycle, in line with the ESG Programme applicable by the Fund. This includes, for example:

### Deal sourcing

- Environmental screening for climate risk, Green building certification and EPC
- Acquisition due diligence
- Undertake environmental site condition assessments (e.g. pollution risk, toxic materials) but also review energy efficiency to ensure any improvements needed are costed into the asset management plan.

Where possible, due diligence is carried out on managing agents, where the fund manager looks to select agents who have a strong track record in sustainability and responsible property management, and expect that they adhere to our Responsible Investment strategy and incorporate ESG factors into all aspects of their management mandate.

## 11. Engagement Policies

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The Fund actively engages with the tenants of its properties regularly and across a number of issues as the Manager aims to continually improve the properties within its portfolio. The Manager continually seeks open and collaborative engagement with tenants also with the aim of improving ESG reporting across areas such as water, waste and energy usage and with the aim of improving the overall sustainability of the properties in line with the relevant asset plan.