

## **Overview**

Environmental, social and governance (ESG) matters form an integral part of our role as responsible and effective investment managers.

Savills IM holds as a core value that integrating and embedding ESG issues throughout our investment decision-making and ownership practices are a key part of our primary responsibility towards investors, clients, employees and other stakeholders, as well as those in the wider community.

### **Savills Investment Management's Corporate Vision**

To be the property investment manager of choice recognised for our investment performance and client focus

### **Savills Investment Management's Corporate Values**

Our business is built on four values which determine how we conduct ourselves on a daily basis:

- Integrity by acting in the best interests of our clients at all times
- Diligence in applying rigour and process to manage risk
- Accountability is integral to the management and governance of our business
- Innovation in finding solutions for our clients

## **Guiding Principles: UNPRI**

There are sound practical reasons for monitoring and managing the environmental and social impact of our business activities and embracing good corporate citizenship. Consequently, Savills IM is a signatory to the UNPRI.

The principles entail a set of internationally agreed guidelines which aim to help institutional investors incorporate ESG issues into their investment decision-making and ownership practices. These principles are based on the notion that ESG issues can affect the performance of investment portfolios and should therefore be considered alongside traditional financial and risk analysis. This aligns with our belief that there are pragmatic as well as ethical reasons for the integration of ESG risks and issues in our investment decisions and asset ownership.

By following and applying the voluntary and aspirational principles central to UNPRI we intend to improve our ability to meet commitments to investors and better align our investment activities with the broader interests of society and the environment.

We will adopt and implement these guidelines to support our fiduciary responsibilities, and commit to evaluate their effectiveness. We will strive to improve the way in which we adhere to the principles over time, focusing on continuous improvement.

Therefore, we will:

- assess and incorporate ESG issues into investment analysis, risk and decision-making processes;
- be active owners and incorporate ESG issues into our ownership policies and practices;
- seek appropriate disclosure on ESG issues by the entities in which we invest;
- promote acceptance and implementation of the principles within the investment industry;
- work to enhance our effectiveness in implementing the principles; and
- report on our activities and progress towards implementing the principles.

## **Responsible Investment: Core Objectives**

Savills IM's Responsible Investment strategy is expressed in terms of the following ESG objectives:

**Environment – becoming planet positive**

Savills IM aims to become planet positive. In the short term this means significantly reducing the environmental impact of the real estate we own and manage for our clients and strive for climate-resilient investment portfolios. Longer term we seek to become net positive with respect to energy, water, biodiversity and the circular economy and achieve net zero carbon emissions. We ascribe to the 'polluter pays' principle - we believe that those who produce pollution should bear the costs of managing it to prevent damage to human health or the environment. Therefore we endeavour to work collaboratively with our stakeholders to proactively manage and reduce identified negative environmental impacts. We recognise that, as a property investment manager, it is imperative that we incorporate environmental objectives; these include sustainable development, energy, waste, water and carbon monitoring and reduction. We are also committed to engaging with internal and external parties including employees, clients, tenants, project partners and service providers to further integrate positive environmental impact into our business and products.

**Social Equity – support building a fairer society with reduced inequality**

Savills IM strives to improve the social impact of the assets we own and manage for our clients. We also recognise that our business has social obligations to our supply chain, tenant, employees and other stakeholders within our value chain. We believe that the operation of our business should include consideration of the communities in which we operate and the broader society in which we function. We aim not only to meet legislative obligations but exceed these requirements by proactively engaging in activities that further Savills IM's Diversity and Inclusion and community outreach aims and objectives.

Our social policy also includes an awareness and commitment to the social impacts of our business and office environment, on our staff, with a staff benefit programme, and awareness of Health and Wellbeing in place.

**Responsible Corporate Governance – enable fair, transparent and inclusive working environments**

Savills IM believes that it is important to be a responsible business and observes fundamental standards of excellent management and conduct, including actively promoting happy, healthy and inclusive work environments. Our governance obligations also extend to complying with all relevant regulation and best practice approaches to eliminating financial crime, maintaining cyber security and eradicating modern slavery. Savills IM is committed to transparent monitoring and disclosure of ESG aims and asset performance for the wider business and investment community, through fund reporting and participating in the [GRESB](#) survey and annual [UNPRI reporting requirements](#).

**Responsible Investment: Implementation**

To ensure our strategy is successfully implemented, we ensure that, for each ESG objective, the relevant ESG risks and opportunities are identified and incorporated into every stage of property transaction: property acquisition, asset management, development / refurbishment / fit-out and disposal.

Wherever relevant, training and detailed supporting documentation is made available to guide investment managers, asset and property manager and support teams as to how relevant and material ESG risks and opportunities should be incorporated at every lifecycle stage.

We have undertaken a materiality assessment to identify the most material risks that apply to our strategies. These include, but are not limited to, mitigating and adapting to climate change, unsustainable use of natural resources through property management and development activities, modern slavery, global pandemics and failing to integrate diversity and inclusion considerations.

**Asset acquisition and asset management.**

At the earliest stage an ESG screening exercise is undertaken for pipeline opportunities and incorporated into pipeline reporting. All purchases are reviewed and presented to the Investment Advisory Committee (**IAC**). The IAC templates contain detailed guidance on ESG risks and opportunities to be made in stock selection and purchase due diligence, such as environmental and social risks and opportunities, regulatory compliance, green building accreditation or value-add innovation.

We identify opportunities for, and the inherent risks of, sustainable practices. Opportunities may include tenant engagement to help meet sustainability targets, the installation of green technology and infrastructure within an asset, or participating in benchmark surveys and reporting at both a fund and corporate level.

We evaluate and manage the impact that ESG risks have on investment performance; for example, this may include depreciation costs due to additional capital expenditure or the ability to let or sell a property. We seek to manage these elements in a manner appropriate to each fund or mandate's risk and return profile.

For all investment management mandates, Savills IM aims to:

- Meet and where possible exceed the minimum requirements of any relevant planning, construction or environmental legislation, constantly striving for best practice
- Consider the sustainability credentials of an asset or development prior to purchase and include details in the papers presented to the IAC;

Whilst the RI Policy describes Savills IM's approach to responsible investing, including the integration of ESG risks into our investment decision-making process, some funds may be managed differently to some or all of the processes set out in the RI Policy, including for example where funds are managed in accordance with specific client instructions or objectives or where the investment management, or elements of it, are delegated outside of the of the Savills IM group of companies.

#### **Property development, refurbishment or fit-out**

Integrating sustainability and ESG risks and opportunities into the earliest stages of design and construction of asset development, refurbishment or fit-out creates an opportunity to add tangible value to asset value, future-proof against obsolescence, improve occupancy appeal and results in improved building performance. Savills IM has a fit out toolkit for tenants and where possible we work with our tenants to use this toolkit.

#### **Property management**

Where we manage the assets in our investment portfolios, we carry out due diligence on and select managing agents who have a strong track record in sustainability and responsible property management. We expect that they adhere to our Responsible Investment strategy and incorporate ESG factors into all aspects of their management mandate. We expect that our managing agents have integrated best practice core provisions (using the relevant local guidance) for integrating sustainability into property management and are held accountable for this.

Our focus on integrating ESG into property management practices ensures we are able to continue to add value, improve and enhance assets in our ownership, reduce operation costs and foster tenant satisfaction and occupancy appeal.

#### **Asset disposal**

When a property is being positioned for sale, sustainability measures and programs can be used to further enhance the property's status and maximize its value. Such features help provide valuable criteria that differentiate the property from other offerings in the market and serve as an indicator of overall quality. Being able to bring high-performing assets to market will result in a greater choice of prospective buyers, and potentially lead to a more profitable and efficient exit.

### **Responsible Investment: Delivery, monitoring and reporting**

#### **Governance and oversight**

The integration of ESG risks and opportunities into the investment decision-making process, and throughout the lifecycle of our investments, is the responsibility of the IAC, which forms a key part of the governance process at Savills IM, and whose recommendations are provided to and considered by the decision making bodies of each relevant Savills IM entity. In addition, the Global Risk and Compliance Committee seeks to actively manage and mitigate key business risks including those attributable to sustainability and ESG issues. This Responsible Investment Policy (together with these guidelines) should be considered in conjunction with our Enterprise Risk Management Policy.

In addition, the ESG Committee which meets quarterly and reports to the Savills IM Global Executive Committee (**GEC**) has been appointed to drive the development, promotion and implementation of appropriate ESG policies as well as corporate and fund action areas. The ESG Committee provides leadership and guidance to the GEC and the wider business on ESG issues. The group reviews the efficacy of ESG policies and procedures to ensure that they remain in line with best practice and with the targets set by Savills IM.

The ESG committee is chaired by the Global Head of Investment Risk and includes senior members from all international office locations who are responsible, inter alia, for encouraging the consideration of ESG issues and ensuring adherence to the ESG policy.

### **ESG Roadmap**

An ESG roadmap is used to track and monitor the delivery of our responsible investment objectives at corporate, fund and asset level.

Specific actions and targets comprise compliance, governance, environment and social impacts. The targets are set to drive continuous improvement in implementation, benchmarking and reporting. The roadmaps also include goals for ESG training and development for all fund staff, public disclosure and reporting.

### **ESG Reporting and Disclosure**

As a UNPRI signatory, we follow the mandatory annual reporting and assessment process. More information on these reporting requirements is available on the UNPRI website, and the Savills IM report, submitted on an annual basis is also available online for public viewing, furthering our commitment to increase transparency around our ESG activities: <http://www.unpri.org/>

We disclose the emissions related to managed portfolios, illustrate how these associated emissions are being reduced and report performance to the wider investment community.

### **Internal and Investor Corporate Reporting**

Quarterly and annual reporting is undertaken on a fund and corporate level. Information is collated and reported where possible for:

- Energy consumption - electricity, gas, oils, diesels, etc.
- Water consumption
- Waste consumption - amounts to landfill and recycling
- Total carbon emissions
- Any other ESG risks and opportunities

These reports also illustrate the ongoing historic performance of assets, in order to track reductions and assess opportunities and challenges on an asset and fund basis.

### **TCFD Disclosure**

Savills IM has adopted the Task Force on Climate-Related Financial Disclosures (**TCFD**) recommendations and we are currently incorporating the recommendations into our reporting and risk management frameworks. We are assessing both physical risk and transition risk to fully understand the financial impact of climate change on both corporate and fund level activities. We will continue to evolve our approach as we develop our climate change resilience plan for the business and we will disclose annually our progress against this plan.

### **SFDR Disclosure**

Savills IM complies with the disclosure requirements of SFDR at an entity level and across our portfolio of funds, including this RI Policy, which integrates our obligations to describes how we integrate ESG risks and opportunities into our investment decision-making process. All other SFDR related disclosures can be found on our website at [www.savillsim.com](http://www.savillsim.com) or, where relevant, in our fund documentation.

### **GRESB Disclosure**

Savills IM recognises that taking a responsible approach to property investment can protect and enhance the long-term performance of the funds we manage. Measurement and disclosure are vital parts of responsible property investment, and the participation in Global Real Estate Sustainability Benchmark (**GRESB**) provides an effective means to achieve this. GRESB provides a means of measuring a product's environmental performance and benchmarks this against the environmental and social performance of 450 other real estate companies and funds. More information on GRESB can be found at <http://gresb.com/>.

All Savills IM managed funds are encouraged to annually report their environmental and social performance to GRESB, thereby:

- Meeting Savills IM's commitment to responsible property investment measurement and reporting;
- Supporting the funds' individual sustainability strategies; and
- Monitoring and managing exposure to the risk of obsolescence and occupancy cost

### **Health and Wellbeing**

#### **Training, awareness and communications**

Training and upskilling our people on ESG issues is absolutely critical. We incorporate sustainability into the training and development for all employees and include sustainability linked objectives where appropriate. We have engaged with staff globally on ESG topics via a staff survey, the results from which will form part of a Materiality Matrix and will guide the participatory development of our ESG policy and strategy.

A focused intranet group is used to communicate and share information on sustainability topics, corporate projects and reports, as well as new green initiatives being introduced by the ESG Committee, policies and terms of reference. All new employees are invited to the group, providing a discussion forum for ESG issues within the Savills IM community.

#### **Employee engagement, development and welfare**

Savills IM encourages our employees to acquire skills and knowledge through training and volunteering opportunities, where new skills can be developed and applied, such as fundraising, communication, leadership, teamwork and problem solving. We also support our employees to volunteer their time for charitable causes.

The company ensures adequate controls are provided for health and safety risks arising from work performed for and on behalf of the company, and at properties owned or controlled by the company. Savills IM implements and adheres to our own Conflicts of Interest policy as well as subscribing to the Savills group Conflicts of Interest, Anti-Corruption and Environmental policies.

Employment benefits provide support to staff health and wellbeing, such as the availability of an impartial, third party-provided therapy, counselling, mindfulness and life and career coaching platform which is available to all employees.

With an awareness of staff health and wellbeing, we ensure all employees have the access to the services and provisions needed to stay healthy, engaged with work and comfortable in a personal and professional sense. The company regularly reviews benefits with new benefits introduced where necessary.

Our Human Resources department is also in the process of developing and promoting flexible working at Savills IM. Savills IM aims to make our business a flexible place to work to support individual needs, ensuring engagement and commitment to work is higher, and health and wellbeing optimal.

Other benefits which contribute to health and wellbeing include the annual leave provision, which offers days above the required legal minimum, and allows employees to roll over holiday so it is not lost. Free leave days are provided over the Christmas period to encourage employees to take a proper break, which is crucial to staff health and wellbeing.