

Sustainability related disclosures

Savills IM UK Build to Rent Fund FCP-RAIF

11 April 2024



Contents

1. UKBTR Article 8 website disclosure	3
Summary	3
No sustainable investment objective	3
Environment and/or social characteristics of the financial product.....	4
Investment Strategy	5
Proportion of investments	6
Monitoring of environmental or social characteristics	6
Methodologies	8
Data sources and processing	8
Limitations to methodologies and data	9
Due diligence	9
Engagement Policies	10

1. UKBTR Article 8 website disclosure

Summary

The Savills IM UK Build to Rent 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 promoting environmental and/or social characteristics and the ways in which sustainability risks and factors are integrated into portfolio management decisions. The disclosure sets out 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 implementation of the Carbon Reduction Strategy, specific to the Fund;
- Confirmation that direct real estate assets in the Fund's portfolio are subject to the environmental criteria set out in the Fund's Carbon Reduction Strategy, which aims 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 environmental and social 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 space in sq m in the Fund with a carbon reduction plan, (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.

No sustainable investment objective

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. If the Fund decides to invest in sustainable investments in the future, the relevant sections of these disclosures will be updated accordingly.

Environment and/or social characteristics of the financial product

The Fund promotes the environmental characteristic of carbon emissions reductions in line with a 1.5°C decarbonisation pathway, focusing on reducing energy consumption and transitioning the assets in the Fund to resilient, low carbon buildings. The Fund monitors carbon emissions reductions through a bespoke framework (the “**Carbon Reduction Strategy**”), 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.

The Manager has determined broad commitments, against which the Fund has set detailed objectives and responsibilities. These include the binding criteria, detailed in the section “investment strategy” below, alongside other objectives with themes across the ESG spectrum. Consequences relevant to the environmental characteristic being promoted include: improved environmental data capture for baselining and monitoring performance; formulating climate adaptation plans and undertaking carbon reduction audits.

The Fund has not designated a benchmark for the purpose of attaining the environmental characteristics promoted by the Fund. This is because there are no appropriate benchmarks available to assess the attainment of environmental and social characteristics that the Fund aims to promote with its investments.

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

- % floor space in sq m in the Fund with a costed carbon reduction plan by 2040, aligned to the Carbon Risk Real Estate Monitor (“**CRREM**”) (or equivalent) 1.5° - an open-source tool developed by academics with and for the real estate sector to monitor decarbonisation using a 1.5°C pathway against quantifiable energy and carbon benchmarks .
- Occupier energy use, reported as kWh/m²;
- % of new Green Leases offered to tenants; and
- % of assets undertaking a physical climate risk assessment

Investment Strategy

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 the Manager's sustainability strategy is successfully implemented at the level of the Fund, 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) Carbon Reduction Strategy in line with CRREM pathway

ESG assessment carried out as part of the Carbon Reduction Strategy may lead the Manager to implement measures to improve the energy efficiency of the assets and lower the identified risks through a structured asset improvement plan.

The Fund will implement specific objectives within its Carbon Reduction Strategy aimed at improving the environmental sustainability performance of the portfolio and implementing standards for new investments.

As part of the Carbon Reduction Strategy, the Fund aims to carry out a CRREM analysis for 100% of the real estate assets at the point of acquisition. 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 and the results reported annually.

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

- i. 100% of tenants will be offered green lease clauses. Green lease clauses accepted will include "minimum requirements" such as data sharing commitments .
- 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 hereof must complete a physical climate risk assessment, identifying the hazards to the asset arising from a changing climate and proposed mitigation or adaptation measures and associated action plan. This complements the environmental characteristic of carbon reduction as a building cannot be resilient and support the transition to a greener economy if there are climate hazards on site which have not been mitigated.

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

To attain the environmental characteristic of carbon emissions reductions in line with a 1.5°C decarbonisation pathway, the binding elements of the investment strategy, detailed below, are applicable to 100% of invested assets (i.e. Assets that are not included under excluded under "#2 Other" as detailed below).

Binding Element 1

As part of the Carbon Reduction Strategy, the Fund aims to carry out a CRREM analysis (or equivalent) for 100% of assets at acquisition. Or, where accurate data is not available, the Fund will conduct this analysis within two years of acquisition. For each asset held more than two years, the analysis will be carried out and the results reported annually.

- A minimum of 60% of the gross floor area of the Fund should be aligned with the CRREM (or equivalent) 1.5°C decarbonisation pathway at the date of reporting.

- Alternatively the Fund must have a costed carbon reduction plan in place within 2 years of the asset being acquired. Progress is tracked and reported annually.

Binding Element 2

100% of tenants will be offered green lease clauses when agreeing new leases. Green lease clauses accepted will include "minimum requirements" such as data sharing commitments [Binding Element 3](#)

Energy data shall be collected for a minimum of 30% of the lettable area of the portfolio of the assets in the Fund.

Binding Element 4

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 and associated action plan.

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.

Proportion of investments

100% of invested real estate assets are subject to the sustainability criteria set out in the Carbon Reduction Strategy and are thus used to meet the environmental characteristics promoted by the Fund.

At this date, 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 hold, next to direct real estate investments, e.g. cash or derivatives, for liquidity or hedging purposes, which are not aligned with the environmental characteristic. All such investments have environmental and social safeguard standards through the implementation of the Manager's procurement policies.

Monitoring of environmental or social characteristics

a) Audit

Monitoring is undertaken at various stages and for different purposes.

The Fund carries out sustainability audits to

- establish the current building performance, covering energy, water, waste, and health & wellbeing and to understand operational set-up as the basis for developing a sustainability management plan

- identify 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 uses an external ESG consultant to collate 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 attain the promotion of environmental characteristics, in particular in the context of the CRREM (or equivalent) assessment that is intended to be carried out for 100% of assets at acquisition. The assessment may be unable to provide an accurate representation of the Fund's position on the CREEM trajectory, so the Fund will conduct this analysis within two years of acquisition. For each asset held more than two years, the analysis will be carried out and the results reported annually.

- A minimum of 60% of the gross floor area of the Fund should be aligned with the CRREM (or equivalent) 1.5°C decarbonisation pathway at the date of reporting.
- Alternatively the Fund must have a costed carbon reduction plan in place within 2 years of the asset being acquired. Progress is tracked and reported annually.

c) Consideration of principal adverse impacts

To monitor the environmental and social characteristics of the Fund, the principal adverse impact indicators ("PAI") are identified and considered, as part of the asset due diligence scope during the investment stage. For example, for consideration of carbon emissions reductions, the asset's potential energy efficiency is sought through its energy performance certificate ("EPC").

All investment decisions in relation to the Fund consider the PAIs of those decisions. The Management Company, together with the Investment Adviser, consider the two mandatory PAIs: (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.

For the avoidance of doubt, the PAIs listed above are considered as defined in the Commission Delegated Regulation (EU) 2022/1288, as amended.

The Manager takes the aforementioned indicators into account before entering into an investment in respect of the Fund (provided that the necessary data is available). Where data is unavailable or not provided by the relevant parties involved in the transaction, the Fund will use appropriate proxy data to estimate the gaps, based on energy consumption data.

In addition, the Manager takes the PAI indicators into account during the term of the Investment and will conduct regular periodic reviews (usually annually) in accordance with the SFDR. The Manager decides on measures to avoid or reduce the PAIs on a case-by-case basis. Specific thresholds for the indicators of adverse effects are not provided as these may differ due to the differences between the underlying real estate assets.

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

Methodologies

The Fund undertakes:

- Appropriate Green building certifications where this adds value to the portfolio, e.g Home Quality Mark
- EPC ratings
- Reviews of the performance data collated on its behalf by external ESG consultants, as noted above.
- CRREM (Carbon Risk Real Estate Monitor) tool alignment review, harnessing the tool's 1.5oC-aligned carbon reduction pathway for residential assets in the UK.

Where there is value to the investor, the fund will report to Benchmarks such as GRESB. Measurement and disclosure are vital parts of responsible property investment, and the participation in Global Real Estate Sustainability Benchmark (GRESB) can provide 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/>.

Data sources and processing

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.

These include, for example, the following data sources:

- CRREM tool
- Lease documents
- Energy consumption certificates or energy requirement certificates
- Intelligent measurement and allocation systems
- Contracts for construction, project management and project controlling
- Contracts and other documents relating to rental and lease agreements
- Building-related service contracts
- Building-related technical documents
- Technical reports
- Energy consumption data
- Heating cost billing

In addition, Savills IM has partnered with a centralised and collaborative SaaS (software as a service) platform and service that supports the aggregation, analysis and reporting of ESG data.

Savills IM takes the greatest possible care when procuring data and selecting external providers. The company carries out regular data cross-checks to ensure data quality. However, no guarantee is given for the accuracy and completeness of the information and data from external providers.

If the data required to determine the information on a property is not available and cannot be obtained (e.g. because it cannot be requested from third parties due to existing legal and contractual regulations), the best possible alternatives are used to determine the data. For this reason, it may be necessary to resort to transparently presented estimates and benchmarks, which may result in a deviation from actual data. A specific proportion of estimated data cannot be specified on the website disclosures since the proportion of estimated data may vary from one year to another and is presented transparently in the relevant documents (e.g. the annual reports).

Limitations to methodologies and data

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 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.

Due diligence

Due diligence is carried out at various points in the investment cycle and for different purposes. The Manager 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 Carbon Reduction Strategy applicable by the Fund. This includes, for example:

- Deal sourcing
- Environmental screening for climate risk and green building certification
- 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.

Engagement Policies

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.

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