

Sustainable Finance Disclosure Regulation

Article 3: Managing Sustainability Material Risk

August 2025



Purpose of this document

'Responsible Investment' matters form an integral part of our role as responsible and effective investment managers.

Each of Savills Investment Management SGR S.p.A., Savills Investment Management KVG GmbH, Savills Fund Management GmbH and Savills Investment Management (Luxembourg) Sàrl (each an **AIFM**, and together **Savills Investment Management** or **Savills IM**) believes that awareness and consideration of responsible investment issues throughout its investment process are a key part of its primary responsibility towards investors, clients, employees, and other stakeholders, as well as those in the wider community.

Our corporate vision and purpose are consistent with our objective to encourage, promote and enforce good corporate governance and awareness of responsible investment issues across our business activities, wherever possible. This will help us reduce the risk of stranding assets, minimise voids and mitigate increasing energy costs and risks to liquidity.

This disclosure is made by Savills IM in accordance with Article 3(1) of Regulation (EU) 2019/2088 (**SFDR**), and its purpose is to explain how we identify and manage sustainability risk to ensure we deliver responsible investment outcomes for our clients, employees and wider society.

Following the materiality assessment, the Savills IM Group (comprised of financial market participants) and taking due account of its size, the nature and scale of its activities and the types of financial products we make available, considers the relevant risks (including sustainability risks) of investment decisions. Such consideration is integrated into its processes and procedures (including due diligence) for relevant financial risks and relevant sustainability risks.

For completeness, a sustainability risk means "an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment".

Identifying Material Sustainability Issues

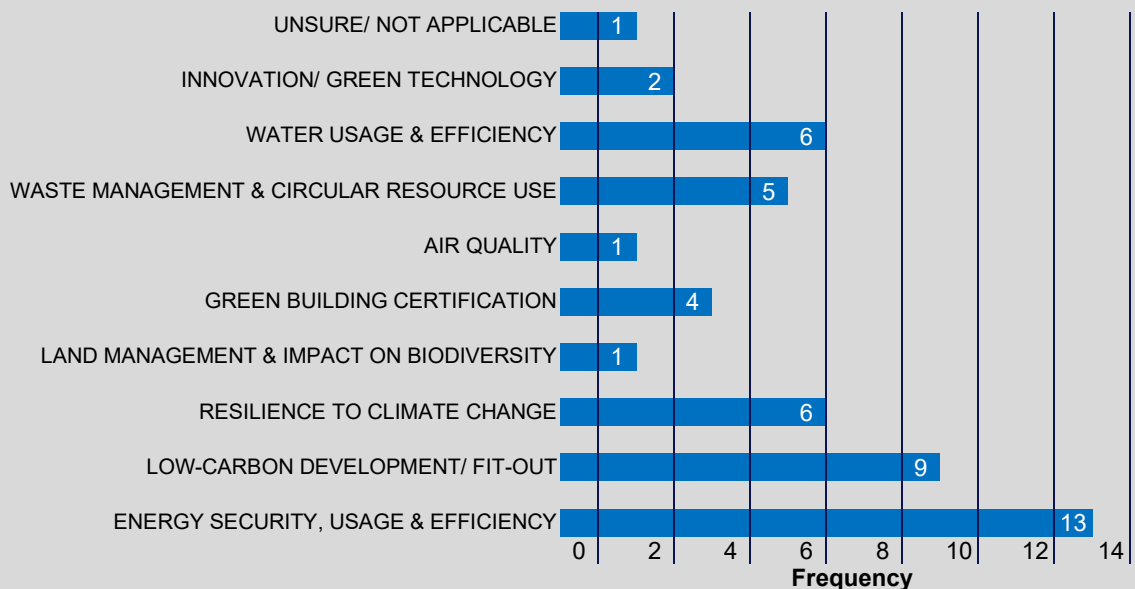
To identify material sustainability risks, Savills IM undertook a double materiality assessment which involved the following:

- TCFD scenario analysis using a wider of range of sources (including, IPCC scenarios, shared socioeconomic pathway scenarios, IEA scenarios and NGFs scenarios) identify material financial risk as a result of climate change. This included probabilistic modelling against RCP 2.6 and RCP 8.5.
- Undertaking a baseline carbon footprint of the global AuM portfolio to identify the scale of carbon emissions.
- Internal workshops with employees to identify material sustainability issues to them.

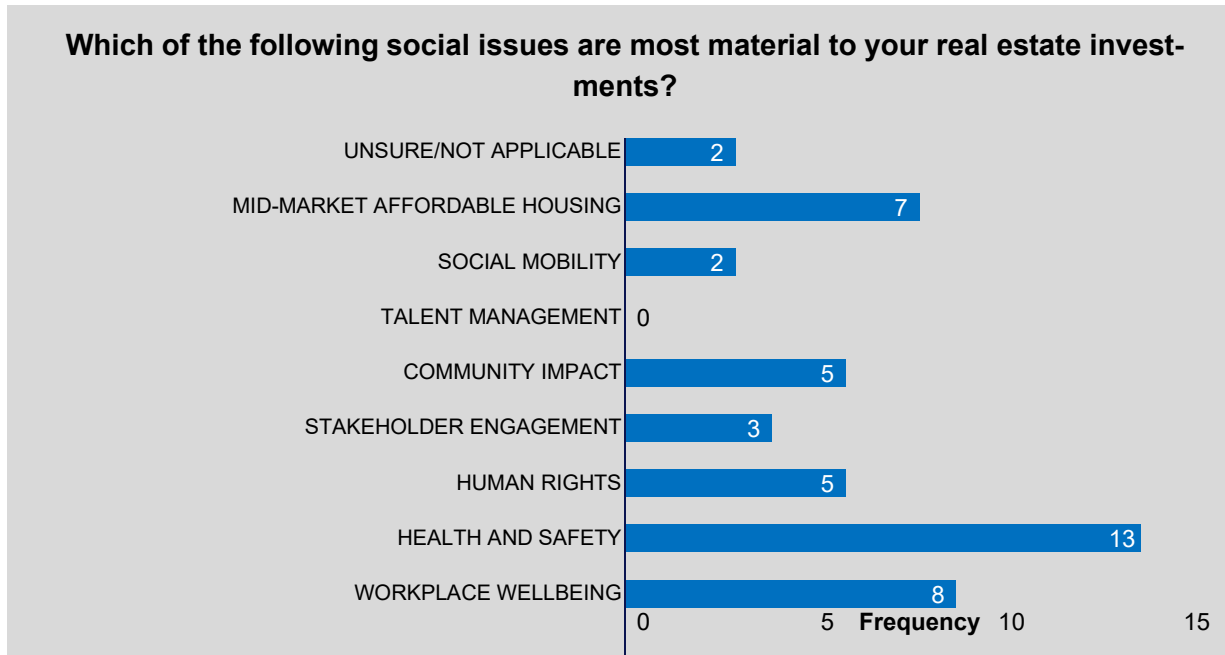
- A survey with global investors to identify material sustainability issues under their perspective.
- Analysis of the UN Sustainable Development Goals, targets, and indicators to identify which UN SDGs Savills IM could materially impact.

The first part of the materiality assessment is identifying material issues that society and the world could have on Savills IM which was determined by a survey to investors in Q4 2022 and discussing material issues relevant to the whole real estate sector through industry working groups. As Savills IM Group has over 1,000 investors, the survey was only sent to investors who comprised the top 50 investors by value. The results are shown below. By far the most material topic was **ensuring energy security and efficiency of buildings and low carbon development. Using water efficiently and ensuring resilience to climate change were also high priority issues.**

Which of the following environmental issues are most material to your real estate investments?



Health and safety ranked as the number one social material issues for investors followed by workplace wellbeing and providing mid-market affordable housing. These material issues closely mirror the material issues that Savills IM have identified through internal stakeholder engagement.



The second part of the double materiality analysis involves identifying Savills IM's impact on the world and wider society through activities such as assessing global energy, water and waste footprint, where data was available, as well as undertaking a global TCFD¹ assessment which includes climate risk scenario analysis. The principal material issues that Savills IM identified were:

- energy efficiency – focusing on reducing energy consumption in buildings
- Increasing renewable energy principally through the installation of solar photovoltaics
- Facilitating job creation through management of buildings
- Working with occupiers and supply chain to eliminate modern slavery
- Integrating mitigating and climate adaptation strategies into the investment lifecycle
- Building sustainability knowledge of our employees and supply chain
- Increasing biodiversity through enhanced management of real assets
- Responsible procurement to reduce impact on natural resources, e.g. water, forests etc.

As part of our double materiality assessment process and through further engagement with investors, internal workstreams and analysing sustainability data where available, Savills IM has identified its most material sustainability factors from a financial perspective. This means

¹ Task Force on Climate-Related Financial Disclosures

these material issues if not addressed will likely reduce corporate profitability such as decrease in revenue from high carbon activities or buildings. It could further require increased CapEx investments to reduce the GHG emissions per unit, write-offs or impairments of the asset value, potential fines, litigations, or an impact on taxes and could lead to decreased investment returns for the AuM we manage. Financial costs also could increase given the low credit rating (non ESG loan) as well as interest rates.

These include:

- Failure to mitigate and adapt to climate change;
- unsustainable use of natural resources through real estate management and development activities;
- failure to train employees to understand how they can identify and manage sustainability related risks and opportunities in their day-to-day activities and responsibilities;
- failure to manage sustainability risks and opportunities as part of the real estate asset selection; and,
- failure to engage stakeholders in delivering on our purpose to manage resilient assets as well as supporting our longer-term restorative vision.

Alignment to the UN Sustainable Development Goals

We are committed to ensuring that responsible investment material issues are assessed against each focus area when acquiring new assets and at each appropriate stage in the investment lifecycle. In doing this, we will ensure that equal focus is given to each of our three focus areas whilst indirectly seeking to contribute to the UN Sustainable Development Goals (SDGs). To enable Savills IM to deliver the highest positive impacts through our RI processes, whilst reducing negative impacts from our business operations to the highest extent possible, we have categorised our impact as contributing to the **six priority Sustainable Development Goals (SDG 7, 8, 11, 12, 13 and 15)** and **aligned with three others (SDG 3, 4 and 5)**, as described below. We recognise as an individual organisation, our impact is limited but as an industry there are substantial areas for the real estate sector to deliver sustained, long-term contributions and have considered our contributions in that context. Therefore, in assessing our contribution to the SDG goals we have considered this from a double materiality perspective, i.e. what environmental and social factors are materially relevant to the AuM we manage and how our activities impact the environment and society. For the six priority UN SDGs, the material factors relevant to Savills IM through a double materiality lens are:

SDG	SDG Targets	Impact	Contribution Rationale / SIM answer
SDG 7: Affordable and Clean Energy	7.2: Increase global percentage of renewable energy 7.3: Double the improvement in energy efficiency	Real Estate lifecycle operations generate significant carbon footprint (production, transportation and use of materials and machinery) and absorb huge amount of energy, causing	Buildings have the capacity to substantially improve contribution to renewable energy provision through the installation of onsite renewables.

SDG	SDG Targets	Impact	Contribution Rationale / SIM answer
		environmental damages and inefficiency. Relevance: high	Decarbonising buildings by improving the energy efficiency can significantly contribute to this target and maintain asset value.
SDG 8: Decent Work and Economic Growth	8.3: Promote policies to support job creation and growing enterprises 8.5: Full employment and decent work with equal pay 8.7: End modern slavery, trafficking, and child labour	Real estate directly and indirectly facilitates job creation and employment through the various building asset classes, such as logistics, retail and commercial. Innovative buildings may facilitate new business ideas and economic growth. No barriers buildings can help inclusion of disables. Relevance: high	In addition, Savills IM has a direct and indirect contribution to enabling decent worksites (respectful of applicable regulation and equipped with all best solutions of access / wellbeing) and equal pay (complying with best practices). As a facilitator of employment opportunities real estate has a direct and indirect contribution to eradicating trafficking and child labour through assessment of building occupier activities and our own supply chain.
SDG 11: Sustainable Cities and Communities	11.1: Safe and affordable housing	Lack of new housing offer targeting only top range units for riches generate price rise and loss of purchase power by the people/community. Relevance: medium	Real estate has an opportunity to provide safe, affordable housing and increasing exposure to the Living sector (both in selling and built to rent assets) is a key pillar of Savills IM's business strategy.
SDG 12: Responsible Consumption and Production	12.2: Sustainable management and use of natural resources	Real estate uses c.40% of the world's natural resources through built environment activities and need to find ways to lessen this impact. Concurrently the availability of natural capital such as water, timber, air quality directly impacts the ability to operate buildings, undertake retrofit and development projects. Relevance: high	Savills IM has produced sustainable development requirements which we are in the process of implementing. This includes requirements on integrating processes to reduce carbon emissions in the construction process, using water-efficient products, increasing biodiversity and green space and ensuring high standards of air quality. Our ability to implement these requirements is dependent on whether we have discretionary control, but in all instances we seek to collaborate with key stakeholders we work with, whether that be contractors or investors.
SDG 13: Climate Action	13.1: Strengthen resilience and adaptive capacity to climate-related disasters 13.2: Integrate climate change measures in national policies and strategies	Extreme climate events are increasingly impacting properties, generate damages to the buildings and to the people living/working in those assets. Relevance: high Without suitable regulation it's not possible to build	Climate action is a key focus area for Savills IM's Responsible Investment approach as real estate is responsible for circa 40% of global carbon emissions and carbon emissions were identified as the most material factor in the environmental footprint for the AuM we manage.

SDG	SDG Targets	Impact	Contribution Rationale / SIM answer
	13.3: Build knowledge and capacity to meet climate change	<p>resilient assets and mitigate the negative effect of climate change.</p> <p>Relevance: medium</p> <p>Without understanding of climate change causes and effects knowledge there is no possibility to take appropriate and prompt action to mitigate the effects.</p> <p>Relevance: medium</p>	<p>Integrating climate change measures into the AuM we manage is a material issue as decarbonising assets and reducing carbon emissions is a business priority for Savills IM to protect the value of investments.</p> <p>Building sustainability knowledge through learning and development of its staff base is a key implementation priority for Savills IM and is essential for improving how investment value is assessed over the longer term. Equally, finding the better competences on the market is a key target of our procurement strategy.</p>
SDG 15: Life on Land	15.5: Take urgent and significant action to reduce the degradation of natural habitats.	<p>Contamination and pollution generated by real estate industry have a massive negative impact to nature and human being life quality.</p> <p>Relevance: high</p>	<p>Savills IM has identified nature as one of our key focus areas, as nature-based solutions such as green walls, green roofs, sustainable urban drainage can improve resilience of buildings. Furthermore as c.40% of natural resources are consumed by the built environment, we have an active stewardship role to ensure Savills IM is contributing to reducing the degradation of natural habitats and helping to restore ecosystems and biodiversity where possible.</p>

For the UN SDGs with which we are aligning we do not seek to contribute to a specific target but instead focus on the wider aims of the goal and how this is considered through our RI processes.

SDG	Goal	Impact	Alignment rationale
SDG 3: Good Health and Well-being	Ensure healthy lives and promote well-being for all at all ages.	<p>Unsafe building may generate sicknesses and unhealthy working spaces, with negative impact on productivity.</p> <p>Relevance: medium</p>	<p>People spend more than 90% of their time in buildings, therefore enabling healthy lives and promoting wellbeing for all ages is an area Savills IM can impact through our RI processes.</p>
SDG 4: Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<p>With poor education there is no prosperity and opportunities. Where people do not have access to decent education, they may be subject</p>	<p>The real estate investment management sector has a skills gap between the skills needed to deliver sustainable buildings and fully embed how sustainability opportunities are integrated into the investment lifecycle and the</p>

SDG	Goal	Impact	Alignment rationale
		to exploitation and inequality. Relevance: medium	current workforce. As a responsible investment manager, we can seek to contribute by mentoring young people and upskilling our employees and supply chain.
SDG 5: Gender Equality	Achieve gender equality and Empower all women and girls	By denying women equal rights, we deny half the population a chance to live life at its fullest. Political, economic and social equality for women will benefit all the world's citizens. Relevance: medium	Enabling diversity and inclusion in the workplace has been proven to lead to better business decisions. Savills IM has a strategic focus on diversity and inclusion, including initiatives to support and further gender equality within its own operations and on the supply chain.



Further information about how we manage sustainability risks and opportunities is set out in the Responsible Investment Policy published on our website.

Managing Material Sustainability Issues

Savills IM has set five implementation areas to enable enhanced management of material issues at corporate, asset, and fund level. These implementation areas are intended to enable Savills IM to build prosperity by investing into resilient real estate and position Savills IM employees to develop the skills, knowledge, and processes to work towards restorative outcomes: These are:

Investment and operational processes

- *This includes our approach to identifying and managing material sustainability issues for the real estate assets we manage on behalf of investors, for example, through guidance provided to Investment Teams. We look to assess investment opportunities based on a long-term horizon, assessing costs and benefits through the lens of delivering environmental and social value as well as financial value. For example, encouraging positive stock selection of assets that are all electric or can be retrofitted to become climate resilient, or facilitating community benefits such as, housing, employment and local services which helps enable people, communities and ecosystems to thrive. Where third party leverage is used sourcing of finance which incentivises sustainable outcomes is preferred.*

Product ESG programme

- *This includes our approach to setting fund and asset level objectives and targets to address the material factors identified as well as promoting relevant sustainability opportunities, e.g., generating energy from onsite renewables or engaging with our occupiers for reduction in energy consumption and/or improvement of facilities/units. These actions are intended to ensure we are enabling resilient real estate and searching for opportunities to work towards restorative outcomes whilst also targeting long term financial returns.*

New Business

- *This refers to how material sustainability issues are considered in the creation of new funds and mandates and in capital raising, for example how we are developing products that help us work towards becoming respected for our expertise in restorative real estate, including natural capital and affordable housing offerings as well as incorporating sustainability into our more widely focussed products.*

Knowledge and Capacity Building

- *We value high quality research and analysis and use science-based evidence to set our goals and targets, wherever possible. This includes a programme of learning and development on material sustainability issues as well as encouraging self-learning through access to a ringfenced global ESG learning and development budget. It also includes how we work with other stakeholders to build their knowledge and capacity to deliver positive sustainability outcomes. Through these initiatives we will strive to become an industry influencer and thought leader in real estate industry. Over time these actions will contribute to Savills IM becoming respected for its expertise in restorative real estate.*

Corporate Disclosure

- *This includes our approach to sharing our story regarding our journey to become a real estate investment manager which enables people, communities and ecosystems to thrive. We are also committed to disclosing our progress honestly and transparently, sharing our challenges and successes, as well as meeting all applicable and adopted SFDR requirements.*

For further information, please contact:

Savills Investment Management

33 Margaret Street London W1G 0JD

T +44 (0) 20 7877 4700

F +44 (0) 20 7877 4777

info@savillsim.com

savillsim.com

IMPORTANT NOTICE

This document has been prepared by Savills Investment Management LLP, a limited liability partnership authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom under firm reference number 615368, registration number OC306423 (England), and having its registered office at 33 Margaret Street, London W1G 0JD. Property is not a financial Instrument as defined by the Market in Financial Instrument Directive under European regulation; consequently, the direct investment into and management of property is not regulated by the FCA.

This document may not be reproduced, in whole or in part and in any form, without the permission of Savills Investment Management LLP. To the extent that it is passed on, care must be taken to ensure that this is in a form that accurately reflects the information presented here.

Certain statements included in this document are forward looking and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events.

Consequently, the actual performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. Accordingly, no assurance can be given that any particular expectation will be met, and readers are cautioned not to place undue reliance on forward- looking statements that speak only at their respective dates.

Past performance is not necessarily a guide to future performance. The information contained herein should not be taken as an indicator of investment returns that will be achieved, as this will depend on a variety of factors. Property can be difficult to sell, and it may be difficult to realise investments when desired. This is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any promotion on dealing ahead of the dissemination of investment research.

All rights reserved by Savills Investment Management LLP.© Savills Investment Management LLP 2025.