Sustainable Finance Disclosure Regulation

Article 3: Managing Sustainability Material Risk

May 2026

Version control

Version	Summary of changes	Last checked	Next review
1.0	Initial document creation	November 2023	./.
1.1	Editorial changes	August 2025	August 2026
1.2	Excluded Savills Fund Management from this document, as the company is no longer an investment management company (KVG)	February 2026	February 2027
1.3	Inserted version control	April 2026	April 2027
2.0	Double materiality assessment results updated following latest assessment undertaken in 2026 Removed reference to UN SDGs Updated text on implementation areas and added detail on integration into the investment process Added Governance section	May 2026	May 2027

Purpose of this document

'Responsible Investment' (RI) 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 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 Topics

To identify material sustainability risks Savills IM undertakes double materiality assessments, the first of which was undertaken in 2022. Double materiality considers how sustainability factors may affect the financial performance of the asset portfolio and the manager, as well as how the asset portfolio and related investment management activities may affect people, society and the environment. These are referred to respectively as “financial materiality” and “impact materiality". This disclosure explains the methodology and presents the results of the latest assessment, concluding in April 2026. The steps taken for this assessment were:

1) Topic identification- Consolidation of 19 key sustainability topics from a thorough review of relevant industry frameworks, standards and regulations applicable to the jurisdictions in which Savills IM operates.

2) Stakeholder opinion- A survey distributed to both Savills IM employees and selected external stakeholders (such as investors, lenders, and shareholders) to gauge perceived materiality of each of the 19 topics across impact and financial dimensions.

3) IRO identification- Development of a detailed inventory of potential Impacts (positive and negative), Risks and Opportunities (IROs) linked to each sustainability topic, mapped across the investment lifecycle stages and Savills IM property sectors.

4) IRO scale- Defining a rating scale for each identified IRO, drawing on regulatory and industry guidance, with separate criteria applied to developments and standing assets to reflect the distinct characteristics of each stage of the asset lifecycle.

5) Rating sustainability topics- Each sustainability topic rated on its potential against each IRO, drawing on legislative and framework coverage frequency and subject matter expertise.

6) Materiality matrix- Results for developments and standing assets aggregated to plot financial and impact materiality scores on a double materiality matrix, with stakeholder opinion reintroduced as a third dimension.

The latest double materiality assessment was conducted by Hillbreak, Savills IM’s Sustainability Advisor.

The assessment found that the topics of very high materiality in the context of both standing assets and developments, and across both the financial and impact axes were **Climate Risk and Resilience**, **Energy** and **Operational GHG Emissions**, although Operational GHG Emissions is somewhat less material in the development context. These topics were also of highest priority to stakeholders undertaking the survey.

While these were the most material topics, Human Capital was additionally found to be material to standing assets, whereas Pollution and Health, Safey and Wellbeing were found to be material to developments. Some sustainability topics (such as Embodied Carbon, Natural Resource Use & Circularity, and Biodiversity & Greenspace) while not currently as material as the topics above are expected to become more material by our stakeholders.

Most Material Sustainability Topics

Climate Risk and Resilience: How assets and their operations are exposed to both the physical impacts of a changing climate and the economic shifts of the transition to a low-carbon economy. This encompasses approach to climate adaptation, the identification of climate-related opportunities, and how carbon pricing and risk underwriting inform investment and asset management decisions.

Energy: Examines the full energy profile of a portfolio, from total consumption and intensity across fuels and carriers, through to the generation, storage and use of renewable energy-ensuring that energy security and supply resilience remain central considerations.

Operational GHG Emissions: Accounts for the greenhouse gas emissions arising from operational sources within the building across landlord and tenant activities (spanning Scopes 1, 2 and 3), and considers how these inform the setting and delivery of meaningful operational carbon reduction targets.

Savills IM has identified these three topics as the most material from a financial and impact perspective. This means these issues, if not addressed, have the most potential to influence corporate profitability and the business' environmental and social impact.

For example, negative impacts to the business from these factors could include:

- Decrease in rental income from undesirably high energy buildings,
- Unexpected CapEx investments to repair damage from a climatic weather event, or
- Potential fines, litigations, or an impact on taxes and financing.

We have also identified clear links to environmental impacts such as global climate change and natural resource depletion from the emissions of greenhouse gas emissions and consumption of non-renewable sources from our assets and operations.

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 sustainable outcomes: The implementation areas are:

1) 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. Further details are provided in the next section: 'How risks are assessed: Investment and Operational Processes'.

2) 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 sustainable outcomes whilst also targeting long term financial returns.

3) 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 align with regional ESG disclosures and labels, deliver on more impactful outcomes, as well as incorporating sustainability into our more widely focussed products.

4) 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 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 a thought leader in real estate industry.

5) 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 regulatory ESG disclosure requirements.

How risks are assessed: Investment and operational processes

To ensure our strategy is successfully implemented, we ensure sustainability risks are assessed at relevant points in the lifecycle of an investment. Supporting documentation is made available to guide investment managers, asset and property managers and support teams as to how relevant and material RI considerations should be incorporated.

- **Asset Acquisition & Asset Management:** All purchases are reviewed and presented to the Investment Committee (IC) where there is a non-voting RI Committee member sitting therein as well. The IC paper templates contain detailed guidance on RI considerations to be made in asset selection, and purchase due diligence, such as regulatory ESG compliance, climate risk screening, tenant exclusions screening and green building accreditation. Savills IM have developed a bespoke scope of services document to guide due diligence consultants on how to assess ESG risks and sustainability opportunities. We identify opportunities for, and the inherent risks of, sustainable practices. We evaluate and manage the impact that sustainability has 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.

- **Property development, refurbishment or fit-out:** Integrating sustainability and ESG considerations 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. We have developed a Sustainable Development Brief that provides guidance to fund teams and their consultants on how to ingrate sustainability into the development process. This covers topics such as whole life carbon assessment, waste reduction, health and safety, and biodiversity net gain requirements.

- **Property management:** Where we manage the assets in our investment portfolios, we select managing 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 positive RI practices into all aspects of their management mandate. Good property management practices will inform risk assessment, ensuring we can continue to add value, improve and enhance assets in our management, reduce operation costs and foster tenant satisfaction and occupancy appeal.

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

Governance

Responsibility for identifying, assessing and managing sustainability risks at Savills IM is embedded across the investment lifecycle and underpinned by a defined governance framework. This combines:

- First line of defence: Investment teams (asset, fund and transaction teams) and support functions who integrate sustainability risk into day-to-day decision-making.
- Second line/oversight: Risk management and compliance function providing challenge, guidance and monitoring.
- Third line/audit: Internal audit for risk assurance.
- Governance committees: Formal oversight, escalation and policy direction.

This structure ensures sustainability risks are managed at asset, fund and firm level.

Sustainability risks are primarily identified and managed by investment teams, but first line of defence includes all operations and support functions. The first line of defence is responsible for day-to-day ownership and management of risks and control. They are responsible for overseeing third parties (such as property managers), collecting data, monitoring performance and ensuring compliance with relevant ESG legislation and standards. The ESG team provides subject matter expertise, tools and guidance to support consistent implementation across the business.

Oversight of sustainability risk management is provided through the risk management and compliance function. They promote strong governance, internal control and assist in designing risk management processes across the Group. They support and challenge the first line, ensuring risks are appropriately identified, assessed and managed.

The third line of defence is the internal audit function which is primarily responsible for risk assurance. They provide independent assurance to the executive committees about the effectiveness of risk and control activities in both the first- and the second line of defence.

Savills IM maintains a formal governance structure of committees to oversee sustainability risks:

- **Responsible Investment (RI) Committee:** Provides oversight of the review, implementation and effectiveness of the RI Policy and broader ESG framework, including reviewing sustainability-related risks and performance, and providing leadership and guidance on responsible investment matters to support the Global Executive Committee.
- **Global Executive Committee (GEC):** Establishes corporate strategy, risk appetite and is responsible for reinforcing the risk culture. The GEC holds ultimate accountability for the firm's management of sustainability risk, reviewing and approving recommendations from the RI Committee.

- **Investment Committees**: Integrate sustainability risk considerations into investment decision-making.
- **Other Governance Bodies:** Sustainability risks are also monitored through the Group Risk Committee, relevant boards, and ongoing management processes.

Collectively, these bodies ensure that sustainability risks are escalated appropriately, subject to independent oversight and incorporated into strategic decision-making.

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