savills investment management

Enabling Resilient Real Estate

SAVILLS IM'S NET ZERO CARBON PATHWAY

APRIL 2022 -WITH MAY 2026 REVISION



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COLLABORATORS:

This document has been developed in collaboration with EVORA, Future Makers and Hillbreak Ltd, using the Better Buildings Partnership's (BBP) Net Zero Carbon (NZC) Framework guidance.

FUTURE MAKERS

HILLBREAK

EVORA

Foreword

As an investment manager we understand the importance of channeling finance to be a force for good and the investment that will be needed to transition the built environment to achieve Net Zero Carbon emissions by 2040. We also recognise that climate action, nature restoration and people are all interconnected and we need to develop solutions that address all three.

We are proud of our achievements to date, but we recognise that past achievements will not halt the worsening impacts of the advancing climate crisis. We need radical, bold action that benefits everyone. This is why we have committed to target Net Zero Carbon emissions across our AuM and our own business by 2040.

We will aim to go beyond 'net zero' not just doing no harm, but supporting biodiversity and social co-benefits where feasible. We aim to achieve this by channeling the principles of responsible investment through everything we do. As an asset manager we will collaborate with our investors, occupiers and supply chain to deliver this ambition.

We recognise that avoiding and reducing harm caused by buildings' emissions and the impacts of climate change must be the first priority to enable our investors to receive resilient long term returns.

Alex Jeffrey Global Chief Executive

> **"We are proud of our achievements to date but we recognise that past achievements will not halt the worsening impacts of the advancing climate crisis."**





Solar panels, Zaandam

About Savills IM

Savills IM is an international real estate investment manager with a presence in Australia, France, Germany, Italy, Japan, Luxembourg, Malaysia, the Netherlands, Poland, Singapore, Spain, Sweden and the UK. Savills IM manages real estate worth circa EUR 26.1bn worldwide (as of Q4 2021).

Savills IM offers comprehensive real estate asset and fund management services in the form of individual mandates and fund solutions for a broad spectrum of investors, including insurance companies, pension funds, charities, foundations and family offices. The investment styles employed range from core to opportunistic.

Savills IM is part of the Savills group, whose parent company, Savills plc, is a London listed global real estate services company.

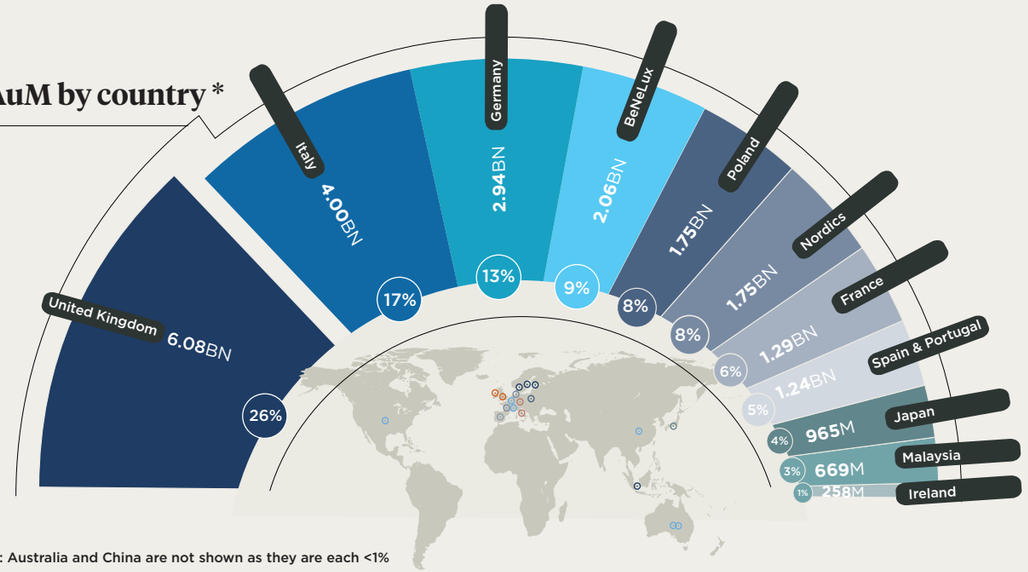


Katowice Gallery, Poland

Circa EUR 26.1bn AuM worldwide

Over 30 years investment experience

AuM by country *



Note: Australia and China are not shown as they are each <1%

Part of the Savills Group, but operating independently

AuM by sector *



*Non-real estate assets including cash are excluded

Source: Savills Investment Management, as at 31st December 2021

What is Net Zero Carbon?

Savills IM uses the London Energy Transformation Initiative's definition of NZC as follows:

A 'Net Zero (Whole Life) Carbon' Asset is one where the sum total of all asset related GHG emissions, both operational and embodied, over an asset's life cycle are minimised, meet local carbon, energy and water targets, and with residual 'offsets', equals zero.[1]

Net Zero is achieved through a combination of reducing carbon emissions as much as possible through low carbon design, improved energy efficiency, generation of onsite-renewable energy, use of off-site renewable energy, and where emissions cannot be eliminated these are offset.

The diagram on the next page shows how emissions are captured during each phase of the building's life cycle. Savills IM will seek to reduce all emissions over a building's life cycle to net zero by 2040. [2]

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[1] LETI is the London Energy Transformation Initiative. LETI is a network of over 1000 built environment professionals that are working together to put London on the path to a zero carbon future.

[2] At this point in time Savills IM are not looking to offset any embodied carbon which forms existing assets that we acquire as we deem this as 'sunk' carbon emissions but we will seek to better understand the components that form those building's embodied emissions when it was built. We will review this position annually.

Why is achieving Net Zero Carbon emissions important?

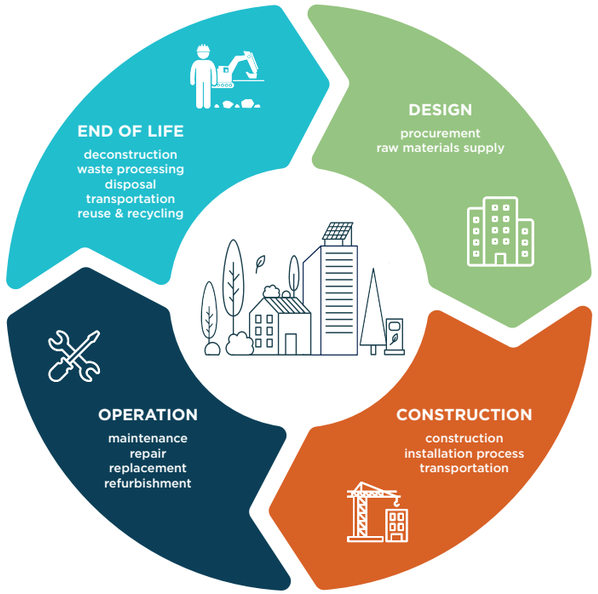
Climate change is the biggest existential threat to society and the capital markets today, and the built environment contributes approximately 40% of the global greenhouse gas emissions that are driving it.

Savills IM strongly supports the goal of keeping global warming below 1.5 degrees compared to pre-industrial levels and setting targets that are aligned with that headline goal. As part of Savills plc's commitment to climate action, we will set a science-based emissions reduction target and will determine whether guidance for real estate due to be published by the Science Based Targets Initiative (SBTi) in 2023 provides an appropriate basis for independent accreditation of our target.

Savills IM must reduce the emissions produced from the properties we manage on behalf of our clients. We also need to invest in climate resilience measures to protect assets from the impacts of climate change, or else these buildings risk becoming obsolete and 'stranded' from an investment point of view. We are in the midst of a climate emergency. We must take radical action to protect our clients' investments by upgrading existing properties under management and, where necessary, developing new stock that minimises whole life carbon impacts, whilst being resilient to climate change.

We are committed to playing a constructive role with our clients, partners and peers to help drive progress in the wider global real estate industry on this critical issue.

Life Cycle Assessment (LCA)



The built environment contributes approximately 40% of global greenhouse gas emissions

Our ESG journey so far

Continue to the next page to see a snapshot of our key achievements as part of our ESG journey so far. Achievements contributing to decarbonising our portfolio are shown in **bold.**

2014

- Became a signatory to UNPRI
- Became a signatory to GRESB

2018

- Formed ESG Committee
- Implemented Green leases
- **Became a TCFD supporter**

2020

- **Negotiated first Green Loan for an Italian asset**
- Recycled 67% of waste globally
- **Generated 1.4 million kWh from on-site renewables**
- **Reduced energy intensity of our assets by 4% from 2019 to 2020**
- **Developed Nearly Zero Energy Building (NZEB) in Milan, Italy**
- Became a member of the Better Buildings Partnership

2021

- **Reported our global carbon footprint for scope 1, 2 and 3**
- **Began construction on Net Zero Ready* developments in the UK**
- Became a member of the UK Green Building Council

*A Net Zero Ready development is defined as set out in the UK Green Building Council Guidance Document: Net Zero Carbon Buildings Framework.

Our ESG approach

Savills IM commits to net zero emissions by 2040.

Our first priority on this journey is supporting Savills plc with setting a science-based emissions reduction target on Scope 3 emissions, that accounts for our AuM.

During the next 12 months we will allocate resources to develop how we achieve these outcomes for our business. We have started this process with the creation of a restorative business champions network, comprising 28 colleagues from across Savills IM. The champions will undertake a bespoke and extensive training programme focusing on how to reframe business challenges to achieve positive outcomes.



Our focus areas

NZC emissions are an important component of our strategy, but they are not the only component.

We recognise that a transition to a low carbon economy requires contributing to the United Nations Sustainable Development Goals (SDGs), focusing our attention where we can contribute most through three key focus areas:



In doing this, we will ensure that equal focus is given to each of the three outcomes whilst indirectly contributing to all SDGs.

Materiality

Savills plc are working towards enabling nine of the seventeen UN SDGs, as shown in the graphic on the right.

To understand where to focus, Savills IM ran a series of ESG engagement workshops with our staff to seek their views. We also spoke with our investors and stakeholders. From this engagement, we have categorised our impact as 'contribution' for six priority SDGs (SDG 7, 8, 11, 12, 13 and 15) and 'alignment' for three others (SDG 3, 4, and 5). This will enable Savills IM to deliver the highest positive impacts, whilst reducing negative impacts from our business operations.



Our Net Zero Commitment

Savills IM's goal is to reduce absolute emissions of all assets we manage. We plan to ensure every asset under our management for two years or more will develop a NZC pathway.

2025	2030	2040
By 2025, 25% reduction in emissions intensity compared to 2019 baseline.	By 2030, we will target 50% reduction in emissions and energy intensity for AuM held for more than two years (based on 2019 baseline). By 2030, for corporate emissions we will target net zero operational carbon emissions.	By 2040, we will target net zero emissions based on 2019 baseline.

In doing this, we will follow an emissions hierarchy of avoid, reduce, use renewables and offset, as follows:

- We will avoid any unnecessary emissions and reduce embodied carbon where possible.
- We will reduce operational emissions through efficiency measures and changing fuel sources.
- We will increase onsite renewables and promote and use renewable energy contracts where available.
- We will offset the remainder of emissions as a last resort, initially only focusing on offsetting residual embodied carbon from developments and refurbishments.

There are currently many challenges to achieving this outcome, as described in the Challenges section on page 30.

By halving emissions by 2030 we are aligning to the latest climate science with the Paris Agreement goals to halve greenhouse gas emissions by 2030 and reach net zero before 2050. As a signatory to the Better Buildings Partnership (BBP) Climate Commitment, we have prepared this document, which provides details on the scope of our commitment, our approach and how we intend to measure and report on progress to achieve these net zero ambitions. As an investment manager, this document is intended to provide a high-level overview of our approach, targets and progress so far. We operate across many jurisdictions and asset classes and therefore our global framework acts as a minimum standard for our funds and mandates to create their own tailored net zero pathway that aligns with Savills IM's corporate ambitions.

Our pathway has been developed in line with the BBP NZC Framework, aligns to the UN Sustainable Development Goals and reflects our business core values.

We aim to be transparent in the challenges we face as a business and for the real estate sector and we will report progress towards this pathway annually.

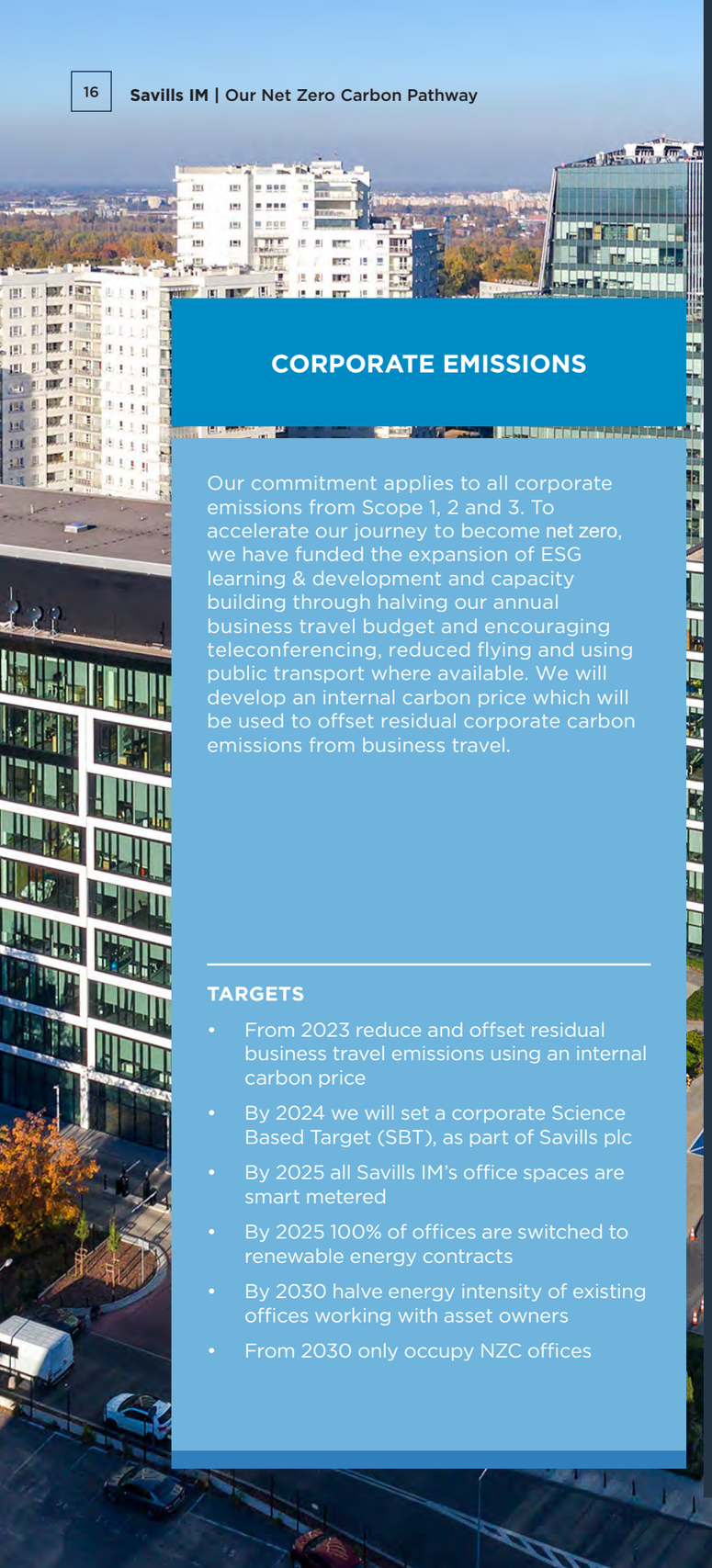
This is the first iteration of our pathway and we expect to review and update our approach as the whole industry progresses on the NZC journey.

As a signatory to the BBP Climate Commitment, we will also publish our climate resilience plan, in line with the BBP Climate resilience guidance, which is under development in 2022.

OUR SHORT, MEDIUM AND LONG-TERM TARGETS TO ACHIEVE NET ZERO CARBON

	GOAL	2021 BASELINE	SHORT TERM TARGETS 2022	2023	2024	2025	MEDIUM & LONG TERM TARGETS 2030	2040
PORTFOLIO	**CLIMATE ACTION**	• 2019/2020 showed emissions intensity of 40% reduction from 2019 to 2020 but likely Covid related • 2021: Scope developed and tested	• Set energy reduction targets across all portfolios • 100% of standing assets and new assets assessed for climate risk • 100% of new acquisitions to follow new acquisitions process and enhanced scope of services • 100% of forward commitments must meet new mandatory standards for development. • 100% of investment professionals trained on new acquisitions process • Climate resilience action plan developed.	• 100% of new acquisitions to follow new acquisitions process and enhanced scope of services • Climate resilience action plans implemented for each Fund • Map additional renewables capacity across each Fund • 10% of AuM using renewable energy (RE) for power (80% of landlord)		• 75% of AuM emissions including tenant data reported is based on actual metered and billing data • 25% reduction in AuM emissions intensity by 2025 • 90% of waste recycled and reused from our AuM • 25% of AuM using RE for power (100% landlord)	• 50% reduction in AuM emissions intensity by 2030 • Halve waste from property activities • 5 GWh of RE generated • 50% of AuM uses RE for power	• Net Zero emissions by 2040 • 75% reduction in waste by 2040 • 20 GWh of RE generated. • 100% of AuM uses RE
	NATURE	• Ad hoc biodiversity initiatives captured	• Baseline biodiversity and green space across AuM • Report bi-annually on biodiversity initiatives	• 5% increase in biodiversity and purposeful green spaces	• 10% increase in biodiversity and purposeful green spaces	• 15% increase in biodiversity and purposeful green spaces	• 50% increase in biodiversity and green space under management	• 100% increase in biodiversity and green space under management
	PEOPLE	• Diversity & Inclusion (D&I) awareness raised	• Undertake a gap analysis in 2022 and use the results to develop a D&I action plan for our products.	• Develop social value strategy across our AuM. • Implement D&I plan.		• GBP 500 million invested in inclusive housing and places	• GBP 1 billion invested in inclusive housing and place	• GBP 2 billion invested in inclusive housing and places
CORPORATE	**CLIMATE ACTION**	• Baseline business travel emissions	• Disclose business travel emissions • Develop smart meter installation programme • 50% of offices switched to green energy by 2030	• Reduce and offset all business travel emissions • 50% offices are smart metered • 75% of offices switched to green energy by 2030	• Reduce and offset all business travel emissions • 80% of offices are smart metered • 90% of offices switched to green energy	• Reduce and offset all business travel emissions • All Savills IM offices are smart metered • 100% of offices switch to green energy / use RE contracts	• Only occupy net zero office buildings	• Absolute zero for all corporate emissions including supply chain
	NATURE	• 1 single use plastic free office.	• 3 Single-use-plastic free offices	• 5 Single-use-plastic free offices	• 10 Single-use-plastic free offices	• All offices are single-use-plastic free • 100% of waste diverted from landfill	• Halve energy, water and waste in offices	• 80% reduction in water and waste
	PEOPLE	• 41 people undertaken BBP Real Estate ESG Training	• 100% of staff received ESG training appropriate for their role, including BBP ESG training • Undertake a gap analysis in 2022 and use the results to develop a clear D&I action plan	• Continue to implement Savills IM's D&I plan			• Achieve National Equality Standard or similar benchmark	• Continue to foster an inclusive and diverse environment where everyone can be their best

Scope of our commitment



CORPORATE EMISSIONS

Our commitment applies to all corporate emissions from Scope 1, 2 and 3. To accelerate our journey to become net zero, we have funded the expansion of ESG learning & development and capacity building through halving our annual business travel budget and encouraging teleconferencing, reduced flying and using public transport where available. We will develop an internal carbon price which will be used to offset residual corporate carbon emissions from business travel.

TARGETS

- From 2023 reduce and offset residual business travel emissions using an internal carbon price
- By 2024 we will set a corporate Science Based Target (SBT), as part of Savills plc
- By 2025 all Savills IM's office spaces are smart metered
- By 2025 100% of offices are switched to renewable energy contracts
- By 2030 halve energy intensity of existing offices working with asset owners
- From 2030 only occupy NZC offices

EXISTING ASSETS

Our commitment applies to all assets we hold for more than two years and any new acquisitions. For existing built assets, this is equivalent to more than 98% of the AuM we manage.

Where we do not hold the asset for longer than two years, we will do what we can to reduce emissions as much as possible. We will use the Carbon Risk Real Estate Monitor (CRREM) to ensure energy use intensities are being set for each asset, which are in line with limiting global warming to 1.5 degrees and meeting our NZC target by 2040. All Fund NZC emissions pathways and implementation plans will be aligned to the BBP Net Zero Pathway Framework.

TARGETS

- By 2025 75% of emissions data (including tenant data) is based on actual metered and billing data.
- By 2025 100% of landlord areas use only renewable energy.
- By 2025 25% of tenant areas use only renewable energy.
- By 2030 50% operational energy and GHG intensity on existing assets held for more than 2 years based on 2019 baseline.
- By 2040 AuM operational emissions are net zero.

NEW DEVELOPMENTS

Our commitment applies to new developments and forward funding and forward commitment deals.

For developments where we are in direct control, NZC base build will be a mandatory requirement and we will include green lease clauses to encourage occupiers to operate the building as intended (e.g. all electric).

For developments that we are forward funding or forward committing to, each development must undertake a set of mandatory requirements such as a whole life cycle carbon assessment. In addition, if the development is not net net zero ready due to market constraints, a NZC action plan will need to be provided for the asset to identify how the asset will achieve NZC emissions by 2040.

TARGETS

- Every development meets the mandatory standards set out in Savills IM's Sustainable Development Brief.
- All developments led by Savills IM must be net zero ready by 2030. Any new assets must set out a NZC pathway by 2040 and feasible improvements must be undertaken whilst the asset is managed by Savills IM.
- All forward funding commitments must set out a NZC pathway for the asset by 2040.

DEBT ASSETS

Our commitment applies to all assets in new debt funds that we manage from 2023.

This will follow the same processes as the existing Funds and mandates.

TARGETS

- New assets where loans are offered must set out a NZC pathway by 2040 and include a plan for feasible improvements.

Our baseline carbon footprint

To plan our pathway to NZC, we first needed to understand our existing carbon footprint.

We have used the operational carbon footprint for the year ended 31st December 2019 to demonstrate the extent and type of emissions for our business.

Working with sustainability consultants, EVORA, we have benchmarked the energy, greenhouse gas emissions (GHG), water and waste performance for the 2019 calendar year across the global portfolio of 852 assets in more than 60 funds or mandates. Where data was available, we provided this for 2020 as well. We will be focusing efforts first on reducing our environmental footprint from these assets.

For embodied carbon, Savills IM worked with Savills Earth to develop an embodied carbon baseline. Emissions from all developments and refurbishments we directly controlled from 2019-2021 were taken as an average over the last three years. From 2022 new developments will include a whole life carbon assessment so we can better track and reduce emissions from development and refurbishment processes.

No significant development emissions were reported in 2019 and so 2020 has been used as the baseline.

Corporate emissions include energy and gas but excludes business travel until we have a more reliable baseline.

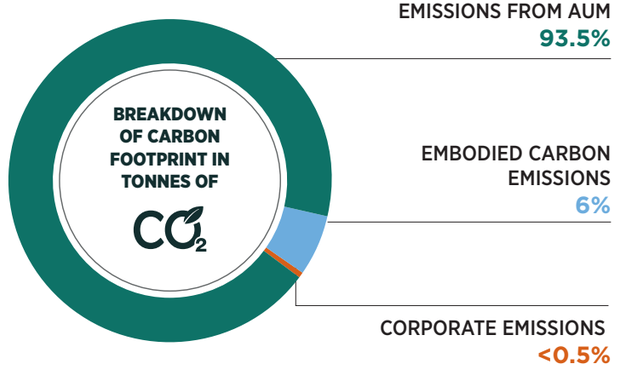


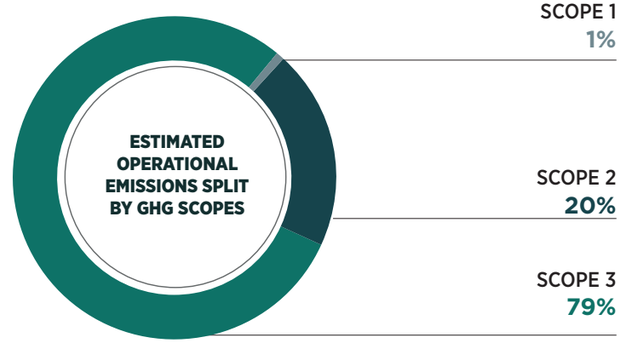
THIS NZC BASELINE DOES NOT INCLUDE:

- Non-development emissions from our supply chain, e.g. facilities management.
- Business travel
- Tenant fit out
- End of Life emissions from assets
- Embodied emissions from the operational phase of the building
- Landlord or tenant waste emissions
- Debt fund assets as Savills IM DRC was acquired after 2019

Savills IM will work to improve the accuracy of this baseline by prioritising the automation of data for the assets we manage, particularly focusing on energy data in the short term.

Savills IM will work to improve the accuracy of this baseline by prioritising the automation of data for the assets we manage, particularly focusing on energy data in the short term.





AuM carbon emissions split by country

This table shows the countries in which Savills IM's AuM has the highest operational carbon emissions. Assets in Poland and Malaysia comprise 60% of the total. Please refer to Appendix 1 for our full environmental performance data.

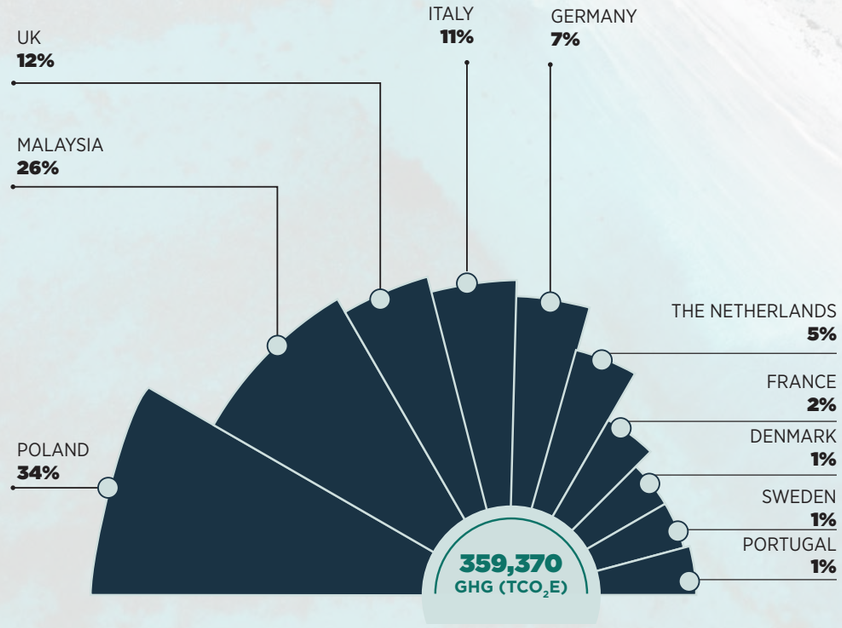
This is a reflection of the carbon intensity of the energy grids in these countries as well as the scale, age and condition of the assets we hold there.

By understanding the countries in which we have the highest emissions, we will be able to focus efforts on the properties in these locations.

We have started to undertake NZC audits for properties in these countries as set out in the case study section and delivery plan.

	COUNTRY	GHG (TCO_2e*)	% TCO_2e*
1	Poland	121,761	34%
2	Malaysia	93,023	26%
3	UK	43,508	12%
4	Italy	37,888	11%
5	Germany	25,769	7%
6	The Netherlands	16.267	5%
7	France	8,693	2%
8	Denmark	5,228	1%
19	Sweden	3,820	1%
10	Portugal	3,412	1%
	Total	**359,370**	**100%**

*Total tonnes of carbon emissions equivalent.



EMBODIED CARBON

The pie chart below shows the split of embodied carbon emissions from the different building components used in the design and construction of developments we have managed between 2019-2021.



Substructure	43%
Superstructure	34%
Services	18%
Finishes	5%

Our Net Zero Carbon delivery framework

Savills IM have collaborated with Hillbreak Ltd to develop a new integrated sustainability governance framework. Developed by Hillbreak Ltd, the bespoke *SIMS* framework translates our ambitions into procedural realities and ensures a consistent approach across Savills IM.

It itemises those behaviours and activities that need to be altered as we shift the focus of our business in the pursuit of **positive** outcomes by classifying what we need to start, do more or less of and, where inconsistent with our ESG ambitions, to stop. It also indicates the timeframes for doing so.

The table below provides further details on how we plan to achieve our NZC commitment using the *SIMS* framework. We will publish our progress annually against this delivery framework.

Our *SIMS* framework is broken down as follows:

S Start
Actions we will START

I Increase
Actions we will INCREASE

M Moderate
Actions we will MODERATE

S Stop
Actions we will STOP

TABLE: NET ZERO CARBON DELIVERY FRAMEWORK

TOPIC	AIMS	DELIVERY STRATEGY	REPORTING METRICS	PROGRESS TO DATE
OPERATIONAL CARBON EMISSIONS (ENERGY, WATER, WASTE)	Reduce energy and carbon intensity of our assets within our portfolio. Understand full carbon footprint.	**Corporate** ● **START** mapping scope 3 corporate emissions ● **START** promoting Savills electric car leasing scheme ● **START** undertaking NZC audits for our office spaces ◣ **MODERATE** business travel emissions by 50% based on 2019 baseline ■ **STOP** occupying offices which are not NZC in operation by 2030 **Portfolio** (Prioritising funds and assets with highest carbon emissions) ◢ **INCREASE** asset level NZC audits ◢ **INCREASE** smart meters and prop tech to automate data collection ● **START** collaborating with industry bodies and peers to develop Energy Use Intensity targets for asset classes such as logistics ● **START** including NZC audits as part of new acquisitions ● **START** including net zero requirements for occupier fit-out guides for landlords and occupiers ■ **STOP** funding new developments that are not all electric. In countries that are still heavily reliant on coal powered electricity, ensure they can transition to NZC emissions before 2040. ◢ **INCREASE** electric car charging	• % of net zero offices occupied • % AuM with a NZC pathway in place • % of assets with CRREM (Carbon Risk Real Estate Monitor) stranding by 2030 • % AuM achieving net zero energy efficiency target • Total energy consumption (kWh) • Total like for like energy consumption (kWh) • Average Like for like energy intensity (kWh/m^2) • Scope 1 emissions from landlord obtained consumption of fuels (tCO_2e) • Scope 2 emissions from landlord obtain consumption of electricity (tCO_2e) • Scope 3 tenant emissions and benchmarked emissions (estimated) from assets where utility data is unavailable • Average GHG like for like emissions intensity (tCO_2e/m^2) • Total water consumption (m^3) • Total like for like water consumption (m^3) • Like for Like coverage • Total waste generated (tonnes) • Total waste recycled (%)	Working with EVORA we have developed an approach to estimate whole building energy data through energy benchmarks and are working to improve this baseline. Savills IM as a corporate business has committed to halve emissions from business travel. We have developed occupier engagement guidance. **We have undertaken four pilot NZC audits and assessed more than 40% of the assets we manage using the CRREM tool. In 2022, we plan to undertake at least another 50 NZC audits and will review our audit strategy thereafter.**



NET ZERO AUDITS
UK & MALAYSIA

Across portfolios in the UK and Malaysia, we have undertaken pilot NZC audits, performed by our third-party sustainability consultant to assess the potential to reduce energy, water and waste consumption as well as operational carbon emissions. In 2022, we will undertake a further 50 NZC audits to be able to more accurately provide costings for achieving NZC emissions.

TOPIC	AIMS	DELIVERY STRATEGY	REPORTING METRICS	PROGRESS TO DATE
RENEWABLE ENERGY (ON-SITE GENERATION AND OFF-SITE PROCUREMENT)	Decarbonise the energy used at assets by us and occupiers. Maximise onsite renewables.	**Corporate** ◢ **INCREASE** the number of corporate offices purchasing certified renewable energy ■ **STOP** purchasing landlord electricity that is from non-renewable sources by 2025 **Portfolio** ◢ **INCREASE** efforts to identify opportunities for on-site renewables. ● **START** baselining all onsite renewable energy produced developing onsite renewable strategy ● **START** implementing Power Purchase Agreement (PPAs) for renewable energy, starting with UK assets ◢ **INCREASE** landlord procured electricity from certified renewable energy providers	• MWh on-site generated energy • MWh procured renewable energy • % of total energy purchased that is renewable	We have switched two of our offices to all renewable energy: UK and Paris. **We have more than 13MW of onsite renewable energy capacity.**
EMBODIED CARBON	Reduce carbon intensity of developments and refurbishments.	**Corporate** ● **START** undertaking corporate office fit outs that only adhere to our Sustainable Development Brief **Portfolio** ● **START** implementing requirements for embodied carbon as part of our sustainable Development Brief ● **START** updating occupier refurbishment guidance to promote NZC fit outs	• Carbon intensity ($kgCO_2e/m^2$/year)	**We have created a new sustainable development brief incorporating net zero carbon requirements for all developments we are in direct control of delivering.**
CARBON OFFSETTING	Offset residual carbon as a last resort.	**Corporate** ● **START** setting requirements for offsetting residual carbon emissions **Portfolio** ● **START** developing an approach to offsetting residual carbon emissions as a last resort, keeping in mind just transition principles ● **START** experimenting with different offsetting solutions	• Total emissions offset (Tonnes) • % of emissions offset	**We are piloting an offsetting approach for our first net zero carbon developments – Alchemy Park in Belvedere and Bourn Quarter in Cambridge.**



EUROPEAN LOGISTICS FUND
SOLAR PANEL INSTALLATION

A number of sustainable considerations were undertaken across one of our European logistics Funds. Initiatives included the installation of c.40,000 solar panels fitted to the roof of a Dutch distribution-centre generating c. 13 million kWh/annum, equivalent to the annual consumption of 3,159 average Dutch households. This initiative will lead to an avoidance of annual CO_2 emissions of c. 4,610 tonnes.



OCCUPIER ENGAGEMENT
DIDCOT QUARTER, DIDCOT

At a strategic 300,000 sq ft warehouse/logistics site in Oxfordshire, WELL Building principles were incorporated into the base-build design to achieve 25% carbon savings, compared to original building standards. The development is trialling the integration of new green lease clauses working with the prospective occupiers to help ensure the development operates as Net Zero.



CARBON PRICING
BELVEDERE WHARF

At an industrial development in South London, the Fund Team challenged the Development Manager and Design Team to modify the design specification with a view to delivering a NZC whole life building by working with the occupiers. An internal carbon price of GBP 77 per tonne of carbon has been set for the development to pay for offsetting residual carbon emissions and provide a transition fund to support other assets in the fund to become net zero.

TOPIC	AIMS	DELIVERY STRATEGY	REPORTING METRICS	PROGRESS TO DATE
THIRD-PARTY VERIFICATION & CERTIFICATION	Provide robust and independently verified data and certification	**Corporate** • Continue to ensure Savills IM's Corporate reporting reflects best practice **Portfolio** ● **START** undertaking third party Net Zero assurance (once assurance route is available) ◢ **INCREASE** number of funds reporting energy data ◢ **INCREASE** number of assets participating in the BBP Real Estate Environmental Benchmark and associated initiatives ◢ **INCREASE** amount of AuM which has its fund level energy performance independently verified ◢ **INCREASE** asset level green building certification in line with fund targets	• Independent third party verification statements • % of AuM reporting independently verified energy and carbon data	We are a public TCFD supporter. **We have increased the number of funds reporting to GRESB to just under half of AuM.** We have started participating in the BBP REEB benchmark.
GOVERNANCE & OVERSIGHT	Have clear governance structure to ensure delivery of NZC pathway	**Corporate** • Ultimate responsibility sits with Savills IM's GSC ◢ **INCREASE** the depth of NZC carbon and progress updates shared with these committees and fund boards where appropriate **Portfolio** ● **START** implementing Savills IM's Exclusions Policy to ensure as a minimum we are working with occupiers who have committed to transition their business model to enable a greener, fairer society and not worsening the climate crisis ◢ **INCREASE** use of *SIMS* Framework to shape decision making ◢ **INCREASE** the number of occupiers in Savills IM's managed buildings who are championing climate action ● **START** ensuring NZC targets are part of green financing requirements for both debt and equity products	• Number of funds with Committee approved NZC targets • Annual review of targets • No. of companies engaged with • % of occupiers supporting a just transition	Working with Hillbreak Ltd, we have started to implement a new integrated governance and delivery framework comprising activities which we Start, Increase, Moderate and Stop. **We have trained Savills IM's employees on the businesses'** sustainability **ambitions.**



ENERGY DATA COLLECTION

AUTOMATION OF ENERGY DATA

We are actively working to increase the number of Fund's reporting energy data, and with the support of our third party sustainability consultant we are starting to audit this data.



STAFF ENGAGEMENT

STAFF TRAINING

Our staff have received a number of training opportunities to further understand NZC. We recently delivered a global Activation Event with all staff to increase engagement with our new ESG strategy approach. 40+ staff have also undertaken specific ESG training with the BBP, delivered by Hillbreak Ltd, as well as continuing to implement our TCFD roadmap. All staff involved in acquisitions and disposals have undertaken a bespoke training session to better understand how to incorporate climate risk, NZC and other ESG considerations into the underwriting of the asset.

Our partnership approach

We recognise that we are more effective when we collaborate with others to achieve our shared goals. In addition to our BBP membership, we are also members of these organisations championing a green economy.

BBP BETTER BUILDINGS PARTNERSHIP

GRESB REAL ESTATE Member

ECORE ESG-Circle of Real Estate

NET ZERO ASSET MANAGERS INITIATIVE

CRREM

CRE Finance Council® The Voice of Commercial Real Estate Finance

PRI Principles for Responsible Investment

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

UK GBC

RACE TO ZERO

SCIENCE BASED TARGETS



Challenges to achieving Net Zero Carbon emissions

Achieving Net Zero **will be one of the hardest challenges our organisation has ever faced, however we have no choice but to operate within planetary boundaries. The costs of financing the Net Zero Carbon transition is not straight forward and there are many challenges that as a sector need addressing. In developing this approach, we have identified several market challenges that we will need to overcome.**

DISCRETIONARY CONTROL

Savills IM is a real estate investment manager. We manage real estate investment on behalf of our investors. In some cases, we have discretion allowing us to make financial decisions on their behalf, but in the vast majority of cases, we require investor approval. Therefore, we must collaborate with our clients to achieve sustainable outcomes and bring them along on this journey. We are also doing this through active engagement with occupiers to explain the mutual benefits of our approach.

COUNTRY DECARBONISATION PATHWAYS

In the UK and most of Northern Europe, Net Zero is well understood in real estate and decarbonisation of the grid is underway. In other European countries and some countries in Asia, the economies are more reliant on fossil fuels. Here, Net Zero emissions will be challenging to achieve by 2040. In these countries, regulatory building standards tend to be less mature and best practice standards are lower. Therefore, we will need to work in collaboration with industry bodies and our peers to positively influence regulatory changes and incentivise best practice standards where possible. We also need to acknowledge that the market may not always be able to provide the level of detail we require for underwriting an asset. Where this is the case, we will take a best efforts approach.

ACQUISITIONS AND SALES

There is a growing evidence base that greener buildings can deliver higher rental premiums in sectors such as offices. However, in other sectors, this premium is harder to identify and dependent on the country and market. This is partly due to lack of available data provided by sellers for Net Zero. We will seek to overcome this by collaborating with industry bodies to change valuation methodologies to help drive market change.

DEVELOPMENT

Savills IM have produced a new global Sustainable Development Brief and associated documents to support the delivery of highly sustainable buildings. As noted in our scope, where Savills IM has control over the development team selection and early engagement process, we will target Net Zero Ready buildings for all new developments. However, where Savills IM is committing to forward funding and forward commitments, achieving Net Zero Ready buildings is challenging in some countries and therefore to achieve consistency we will have minimum development standards that must be followed. At this stage we will commit to influence the developer to achieve a Net Zero Ready building but as we are not in control of the delivery of the development, we cannot mandate Net Zero Ready developments. Instead, we will ensure every development undertakes a whole life carbon assessment and meets the mandatory standards set in our Sustainable Development Brief.

DATA

Data for whole buildings is notoriously difficult to access for real estate. Savills IM has sought to baseline based on best available data but our carbon baseline will likely shift over time as we gather better whole building data as well as data for our supply chain.

ABSOLUTE ZERO

Savills IM's NZC emissions target is currently structured around Greenhouse Gas (GHG) and energy intensity to accommodate business growth and increasing AuM. We want progress to include a decoupling of emissions from growth. This means reducing our emissions whilst also growing the AUM we manage.

Whilst this is very challenging, a key behaviour in the 'SIMS framework' is not to let our ambition be limited by what we know is currently deliverable. We acknowledge that we are reliant on technology and innovation, however this is an area we will seek to develop as we gather better environmental data of the assets we manage.

COSTING NET ZERO

It is currently challenging to accurately predict the full cost of achieving NZC for buildings during the acquisition process. Using our new ESG scope of services, we will work with our due diligence providers to increase the accuracy of costing for NZC to support the underwriting of each asset.

For existing assets, Savills IM are in the process of undertaking NZC audits for c. 50 assets to derive initial costings.

Another challenge we need to overcome is to enable the benefits of retrofitting existing buildings to be shared equally. We will also need to consider the costs and benefits of different interventions to find the optimal solution for all involved.

BALANCING E, S, G

Achieving NZC emissions is not solely about carbon, we have to make sure the transition is fair and does not impinge on social or good governance outcome. For example, in shifting to renewable energy, battery storage will be needed. The mining of lithium can be a destructive to local communities and to the local nature. It is imperative that the issues for climate action, people and nature are considered in equal measure.

OFFSETTING

Offsetting is an incredibly tricky subject. As a global society we cannot offset our way out of the climate crisis, for three main reasons:

- There are not enough high quality offsets available now or expected in the future
- Not all offsets are equal. Some offsets are better quality than others
- Offsetting means the carbon emissions are still emitted, so the activity that caused the emissions has not altered

Savills IM will develop an offsetting strategy as an integral part of our transition to NZC. We expect that this will be iterative and evolve as the market evolves. Where we need to use offsets for residual, unavoidable emissions we will follow the Oxford Principles for Offsetting and as far as possible use the UK GBC Guidance on Offsetting and Renewable Energy Procurement. This will be limited to embodied carbon emissions to begin with. This means for any emissions from upfront construction and fit out we will strive to only use offsets from credible sources including:

- Gold Standard
- Verified Carbon Standard (VERRA)
- Clean Development Mechanism
- UK Woodland Carbon Code
- UK Peatland Code
- Plan Vivo

APPENDIX 1: OUR ENVIRONMENTAL PERFORMANCE DATA

PORTFOLIO UNDER MANAGEMENT

The table shows the carbon emissions for the Savills IM's AuM. This was split by Scope 1, Scope 2 and Scope 3 as well as by sector. The data analysis was prepared by EVORA. The analysis looked at energy, Greenhouse Gas emissions (GHG), water and waste performance for the 2019 calendar year across the global portfolio of 852 assets in 67 funds or mandates and compared this to 2020 data where available.

To achieve this, EVORA adopted a two stage approach:

1.We utilised sustainability data collected for 'mobilised' funds / mandates where annual data was already collected for GRESB reporting purposes. Where only partial data was available, a set of rules were applied to extrapolate the available data set to a 'whole building' position.

2.Where no data was available ('non-mobilised funds'), energy, GHG and water benchmarks were applied to the asset floor area to obtain an estimated 'whole building' position. The benchmark used was a 2019 intensity (consumption per square metre floor area) benchmark sourced from GRESB. In EVORA's opinion this is the most appropriate and accurate global benchmark available.

- All tenant data is deemed to be scope 3 emissions.
- All estimated data in the absence of any other information is deemed to be scope 3.

Scope		Total portfolio		Offices		Retail		Industrial		Hotel		Residential		Lodging, Leisure & Recreation		Mixed Use		Other	
Indicator	**Boundaries**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Energy	Total energy consumption (kWh)	1,113,334,889	-	279,586,980.90	-	444,187,051	-	294,258,691	-	8,493,842	-	51,032,401	-	13,090,697	-	12,024,852	-	10,660,375	-
	Coverage	852 out of 863	-	182	-	354	-	179	-	12	-	74	-	7	-	15	-	29	-
	Total like for like energy consumption (kWh)	261,463,295	258,916,062	96,186,572	92,929,638	79,599,045	66,894,809	68,578,931	83,035,044	729,888	434,361	11,460,076	11,305,524	1,395,261	949,391	3,513,523	3,367,294	-	-
	Coverage	120 out of 852	120 out of 863	39	39	33	33	33	33	2	2	9	9	1	1	3	3	-	-
Energy intensity	Like for like energy intensity (kWh/m^2)	145	135	155	141	202	174	61	73	63	37	213	213	200	136	136	126	-	-
G.house gas emissions	Scope 1 emissions from landlord obtained consumption of fuels (tCO_2e)	3,832	4,052	349	248	430	260	2,779	3,525	274	19	-	-	-	-	-	-	-	-
	Scope 2 emissions from landlord obtained consumption of electricity (tCO_2e)	74,623	78,042	55,716	53,161	7,050	10,632	11,022	13,479	108	67	-	-	-	-	727	703	-	-
	Scope 3 tenant emissions and benchmarked emissions (estimated) from assets where utility data is unavailable	290,049	285,970	62,037	61,685	128,344	119,119	76,629	80,640	2,221	2,765	11,667	12,023	2,887	2,786	1,655	1,521	4,609	5,431
	GHG like for like emissions intensity (tCO_2e/m^2)	0.16	0.17	0.02	0.02	0.03	0.04	0.01	0.01	0.02	0.02	0.01	0.01	0.05	0.05	0.01	0.01	0.01	0.01
Water	Total water consumption (m^3)	3,759,264	-	957,697	-	1,578,287	-	387,491	-	107,041	-	627,526	-	48,237	-	40,431	-	12,554	-
	Coverage	852	-	182	-	354	-	179	-	12	-	74	-	7	-	15	-	29	-
	Total like for like water consumption (m^3)	403,520	336,134	121,389	74,713	124,985	111,004	88,475	85,115	4,939	4,939	58,275	56,666	0	0	5,457	3,697	0	0
	Like for Like coverage	84	84	15	15	31	31	26	26	1	1	8	8	0	0	3	3	0	0
Waste	Total waste generated (tonnes)	37,554	430,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total waste recycled (%)	57%	89%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Coverage	65 out of 852	117 out of 863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The methodology to calculate GHG emissions followed a two stage approach:

1. Actual consumption data was used where data collection processes were already established for funds / mandates. Where only partial data was available, data was extrapolated to a 'whole building' position using the following methodology:
   a. Where whole building meter data had more than 6 months of missing data, actual data was replaced by benchmark data (see point 2)
   b. Where whole building meter data had 6 months or less of missing data, actual data was extrapolated to full year data
   c. Where shared services and tenant meter data was missing, the rules in A and B were applied
   d. Where only shared services electricity was available, consumption was doubled to provide an estimate of whole building electricity consumption
   e. Where tenant meter data was available only, the rules in A and B were applied. The value was then divided by meter area served and multiplied by the asset NLA to create whole building consumption

2. Where no data was available, energy, GHG and water benchmarks were applied to the asset floor area to obtain an estimated 'whole building' position. The benchmark used was a 2019 intensity (consumption per square metre floor area) benchmark sourced from GRESB. A benchmark specific to the property type (e.g. Industrial Distribution Centre) and country location was used, where available. Where unavailable, the asset class (e.g. Industrial) benchmark was used. Where a benchmark value for asset class and / or geography was not available, a benchmark in a neighbouring country was used.

With respect to the disclosure of greenhouse gas emissions:

- Scope 1 emissions were derived from actual and extrapolated data relating to natural gas combustion from whole building, common area and shared services
- Scope 2 emissions were derived from actual and extrapolated data relating to electricity and district heating / cooling from whole building, common area and shared services
- Scope 3 emissions were derived from actual and extrapolated data relating to natural gas, electricity and district heating / cooling from tenant areas, and all benchmark data (see point 2 above)

APPENDIX 2: BBP NET ZERO CARBON PATHWAY SCOPE TABLE

- The table here sets out the carbon emissions included within the scope of our commitment and alignment with the BBP Net Zero Carbon Pathway mandatory scope elements.
- Alignment of the expected basis of reporting and Greenhouse Gas Protocol Emissions Scope definitions.
- The table provides an extended breakdown of Table 1, setting out impact sources expected to be included within the BBP Climate Change Commitment, their GHG Protocol Reporting Category and emissions Scope.

Business area	Sub Area	GHG Protocol Reporting Category	Emissions Scope	Commitment Inclusion	Savills IM Commitment	Comments
CORPORATE	Head office energy use	Company Facilities	1 & 2	N	Y	
	Company vehicles	Company vehicles	1	N	Y	From 2023, we will report on these emissions.
	Business travel (excl. commuting)	Business travel	3	N	Y	
	Purchased goods & services	Purchased goods & services	3	N	Y	From 2025 we will report on our supply chain
	Operational waste generated	Waste generated in operation	3	N	N	We report on a best efforts basis
	Operational water use	Purchased goods & services	3	N	N	We report on a best efforts basis
	Employee commuting	Employee commuting	3	N	N	We report on a best efforts basis
DIRECT REAL ESTATE HOLDINGS (Including JVs with management control)	Landlord purchased energy (electricity & fuels)	Purchased electricity, heat and steam	1, 2 & 3	Y	Y	
	Tenant purchased energy (electricity & fuels)	Downstream leased assets	3	Y	Y	
	Landlord refrigerants	Purchased goods & services	1	Y	Y	
	Tenant refrigerants	Tenant Scope 3	3	N	N	
	Landlord purchased water	Purchased goods & services	3	Y	Y	
	Tenant purchased water	Tenant Scope 3	3	N	Y	
	Landlord managed operational waste	Waste generated in operations	3	Y	Y	
	Tenant managed operational waste	Tenant Scope 3	3	N	N	
	Tenant transport emissions	Tenant Scope 3	3	N	N	
	Tenant supply chain emissions	Tenant Scope 3	3	N	N	
	Landlord purchased capital goods & services (M&E & property management services)**	Purchased goods & services	3	Y	Y	We will report on landlord purchased capital goods and services from 2025
DEVELOPMENT	New development (including funding)	Purchased goods & services	3	Y	Y	We will aim to report emissions from all new developments by 2025
	Refurbishments	Purchased goods & services	3	Y	Y	We will aim to report emissions from refurbishments by 2025
	Landlord controlled fit-out	Purchased goods & services	3	Y	-	We will aim to report emissions from landlord controlled fit-out by 2025
	Tenant controlled fit-out	Tenant Scope 3	3	Y	-	We will report on tenant fit-out by 2025 where tenant is undertaking a whole life carbon assessment
	End of life	End of life treatment of sold products	3	***	N	
INVESTMENTS (Indirect Real Estate Holdings, e.g., where investments are managed by a third party such as JVs with no management control or investments in other real estate investment vehicles)	Landlord purchased energy (electricity & fuels)	Investments (proportional to the investment)	3	Y	Y	
	Tenant purchased water (managed and unmanaged)	Investments (proportional to the investment)	3	Y	Y	
	Landlord refrigerants	Investments (proportional to the investment)	3	Y	Y	
	Tenant refrigerants	Tenant Scope 3	3	-	N	
	Landlord purchased water	Investments (proportional to the investment)	3	Y	Y	
	Tenant purchased water	Tenant Scope 3	3	-	N	
	Landlord managed operational waste	Investments (proportional to the investment)	3	Y	Y	
	Tenant managed operational waste	Tenant Scope 3	3	-	N	
	Visitors' transport emissions	Tenant Scope 3	3	-	N	
	Tenant supply chain emissions	Tenant Scope 3	3	-	N	
	Landlord purchased capital goods & services (M&E & property management services)**	Purchased goods & services	3	Y	Y	We will report on landlord purchased capital goods and service from 2025

- Corporate emissions are not included within the scope as the focus of the BBP Climate Change Commitment is on Signatories real estate investments. It is also likely these emissions are not significantly material. However, some Signatories may voluntarily elect to include them in their target scope.

* For indirect investments it is recommended that carbon emissions should be attributed as a % ownership of the investment.

** This relates to services procured by the landlord to service and maintain the space e.g. property management, service charge recoverable items and minor CapEx items e.g. minor replacements.

*** End of life carbon has not been included within the scope of the BBP Climate Change Commitment due to lack of industry consensus on how it should be accounted for. As industry understanding improves and an agreed approach adopted, this position will be reviewed.



GLOSSARY

AuM

Assets under management.

Absolute zero

Reducing carbon emissions to zero without the use of offsets, i.e. through reducing energy consumption and using onsite renewables.

Carbon intensity

The amount of emissions of carbon dioxide (CO_2) released per unit of another variable such as floor space of a building.

Carbon offset

A reduction or removal of emissions of carbon dioxide or other greenhouse gases made in order to compensate for emissions made elsewhere.

Embodied Carbon

The carbon dioxide emissions associated with making a building – as distinct from using it – are referred to as embodied carbon. More precisely, embodied carbon covers greenhouse gas (GHG) emissions that arise from the energy and industrial processes used in the processing, manufacture and delivery of the materials, products and components required to construct a building.

Energy intensity

The amount of energy a building uses divided by the total floor space of the asset. It's calculated by dividing the total energy consumed by the building in one year in kWh by the total gross floor area of the building (measured in square feet or square meters).

GHG

Greenhouse Gas. A gas that absorbs and emits radiant energy within the thermal infrared range, causing the greenhouse effect.

Like for like

Of a comparison, figures, statistics that measure identical things, the same period in different years, etc. a 7% decrease in carbon emissions from a building, compared to the previous year.

Net zero emissions

Achieving a balance between the carbon emitted into the atmosphere, and the carbon removed from it. This balance, or net zero, will happen when the amount of carbon we add to the atmosphere is no more than the amount removed. For real estate it is especially important that buildings are built and managed to have very low carbon emissions before any offsetting takes place.

Net Zero (Whole Life) Carbon

Savills IM uses the London Energy Transformation Initiative's definition of Net Zero Carbon Definition: A 'Net Zero (Whole Life) Carbon' Asset is one where the sum total of all asset related GHG emissions, both operational and embodied, over an asset's life cycle are minimised, meet local carbon, energy and water targets, and with residual 'offsets', equals zero.

Offsetting

The action or process of compensating for carbon dioxide emissions arising from industrial or other human activity, by participating in schemes designed to make equivalent reductions of carbon dioxide in the atmosphere.

Science Based Target

Target is aligned with what the latest climate science deems necessary to meet the goals of the Paris Agreement — limiting global warming to well-below 2°C above preindustrial levels and pursuing efforts to limit warming to 1.5°C, with no or low overshoot.

Scope 1

This one covers the Greenhouse Gas (GHG) emissions that a company makes directly — for example while running its boilers and vehicles.

Scope 2

These are the emissions it makes indirectly – like when the electricity or energy it buys for heating and cooling buildings, is being produced on its behalf.

Scope 3

Emissions associated, not with the company itself, but that the organisation is indirectly responsible for, up and down its value chain. For example, from buying products from its suppliers, and from its products when customers use them

TCFD

Task Force on Climate-Related Financial Disclosures. An organisation that was established in December 2015 with the goal of developing a set of voluntary climate-related financial risk disclosures which is now widely adopted.

UN PRI

United Nation Principles for Responsible Investment. A United Nations-supported international network of investors working together to implement six aspirational principles.

WELL Building Principles

A performance-based system for measuring, certifying, and monitoring features of the built environment that impact human health and wellbeing, through air, water, nourishment, light, fitness, comfort, and mind.

UN SDGs

The Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by 2030.

Operational Carbon

The amount of carbon emitted during the operational or in-use phase of a building

CRREM

The Carbon Risk Real Estate Monitor (CRREM) provides the real estate industry with transparent, science-based decarbonisation pathways aligned with the Paris Climate Goals of limiting global temperature rise to 2°C, with ambition towards 1.5°C.

WLC

A Whole Life Cycle (WLC) Carbon assessment provides a holistic picture of a building's carbon impact on the environment. It takes account the carbon emissions emitted from the whole building's life cycle including, construction, operation, maintenance and end of life.

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