

# European Sustainability Policy

June 2017

## INTRODUCTION

LaSalle Investment Management is one of the world's leading real estate investment managers investing in both private and public real estate investments across all of LaSalle's operating subsidiaries. LaSalle's European business manages around €19 billion worth of private real estate assets on behalf of its investors. LaSalle acts as a fiduciary in its role as an investment manager and in this regard its primary responsibility is to maximize the investment returns for its clients, within the constraints imposed upon LaSalle via client management agreements.

Through all of our investment decisions, our purpose is to generate **lasting value** for our clients.

LaSalle takes a long-term business perspective that builds trust, accountability and transparency with clients. We believe that sustainability, including environmental, social, economic and corporate governance - has an impact on investment performance to varying degrees for individual companies, sectors, regions, asset classes and timeframes. As such it should be an integrated component when evaluating real estate securities, real estate related investments and managing real estate assets.

## PURPOSE AND SCOPE

We have developed a European Sustainability Strategy to support our delivery of superior investment results for our clients and generate lasting value for our both company and our stakeholders. This policy establishes our European Sustainability Strategy as an integrated investment approach which gives equal consideration to financial and non-financial ("ESG" or "sustainability") risk factors, and explains how it will enable us to achieve our over-arching objectives. It is applicable to all LaSalle entities and employees across Europe, and is aligned with the principles and objectives established in our [Global Policy on Sustainable and Responsible Investing](#).

## APPROACH AND OBJECTIVES

LaSalle's European Sustainability Strategy involves a long-term, holistic approach to business and investment management at all levels:



### Sustainable Investment Culture

Ensuring that sustainability is fully integrated into our governance structure, performance management and remuneration and incorporated into LaSalle communications



### Future-Focused Investment Strategies

Aligning our investment strategies with our house view of Demographics, Technology, Urbanisation and Environmental Change (DTU+E) investment themes, as well as with our clients' sustainability objectives; together this allows us to clearly demonstrate measurable improvements in performance across all of our portfolios.



### Resilient Investment Management

Incorporating sustainability into all stages of the asset lifecycle to ensure we identify, develop and manage the type of assets that deliver resilient investment performance.

We have developed a bespoke approach to sustainability management at each tier, and defined a series of aspirations setting out what we aim to achieve by 2020.

### Sustainable Investment Culture

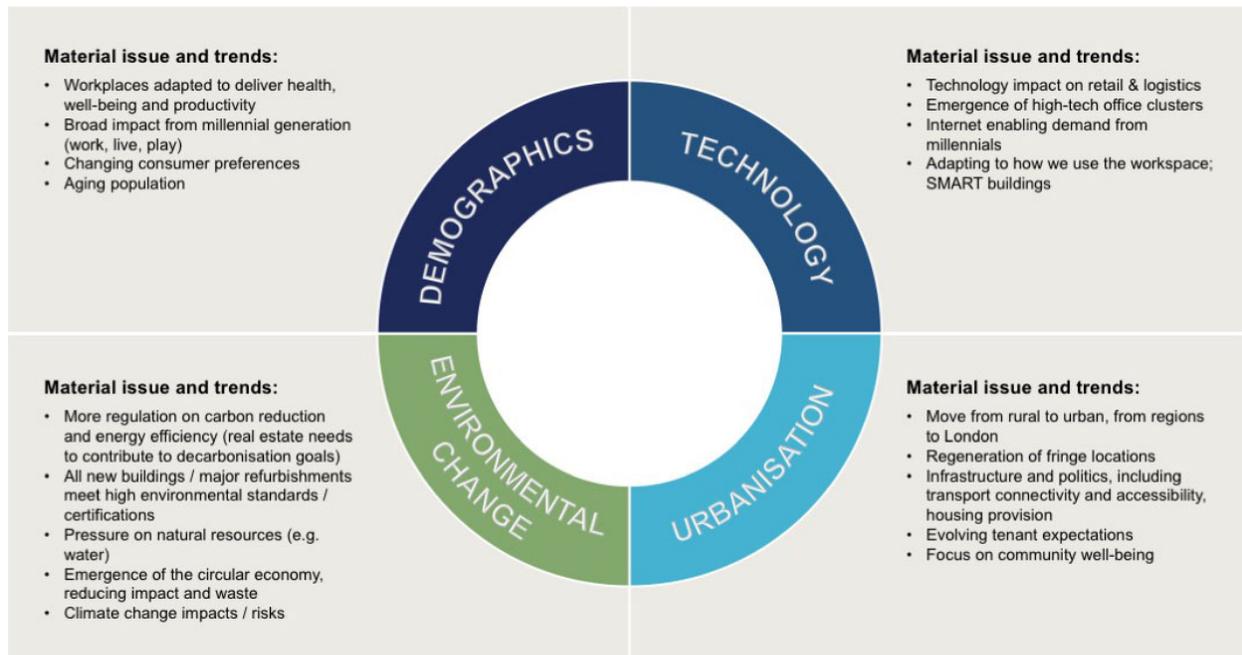
We will develop a fully sustainable investment culture at the corporate level, linking sustainability and financial information, data and analysis within our **reporting and communications**, **client engagement**, **thought leadership** and **specialist training** activities. We will continue to uphold the highest standards of **governance and compliance**.

By 2020, we will aspire to have:

- Sustainability fully integrated into the governance structure, performance management and remuneration
- A comprehensive sustainability thought leadership programme in place covering four megatrends which helps to inform the investment strategy and assesses how sustainability contributes to investment performance
- Realised the commercial benefits of the Strategy by winning and retaining client mandates, with clear demonstration of the relevance of sustainable property investing performance to financial risk and value
- All staff, including senior management and key service providers, understanding and able to articulate what sustainability means to their role, demonstrate a visible commitment and act accordingly to improve the overall firm performance
- Sustainability as a core differentiator, actively managed as part of the brand, with internal and external communications and dialogue clearly demonstrating the relevance of sustainable investing performance

### Future-focused Investment Strategies

As part of our investment approach, we consider long-term themes that we believe will drive capital preservation. We have reviewed and updated our existing investment themes, and the underlying considerations, to ensure that our investment strategies will deliver future-proofed sustainable property investing for our clients.



We will actively track trends against these themes and use this data to help inform **fund strategy, investment selection and timing** decisions.

By 2020, we will aspire to have:

- Fund strategies that are fully aligned with DTU+E sustainable investment themes and our clients' sustainability objectives
- Demonstrated clear improvements in terms of the sustainability purpose and performance across all funds under management
- View sustainability alongside other investment assessment criteria when investing in indirect funds and clearly communicate the sustainability characteristics of the underlying funds to our investors. LaSalle aims to invest only in funds where sustainability issues are a key consideration and are actively addressed.
- Ensure that any asset (including developments) that we provide debt against complies with our house minimum standards and review environmental and social risks alongside all other risks. Consider opportunities to lend against works that improve the sustainability performance of the underlying asset.

## Resilient Investment Management

At the level of individual investments, we will deliver resilient investment performance over the long-term by integrating best-in-class sustainable management practices at each stage of the property cycle:



By 2020, we will aspire to the following:

- All investments making a positive contribution to the sustainability – as well as financial - performance of their fund
- All developments and refurbishments supporting the aims of the four DTU+E investment themes
- All leases incorporating sustainability factors in order to maximise value and minimise risk, supported by agents / asset managers engaging with the tenant to understand their own sustainability ambitions for the space and to communicate LaSalle's
- A robust Sustainable Management Programme in place across the portfolio to reduce obsolescence risk, engage stakeholders and support value creation
- All materials integrating relevant sustainability performance factors

Overall, our European Sustainability Strategy sets us up to be one of the first major property investment managers to visibly and fully integrate environmental and social risk factors into our investments. It will allow us to deliver stronger governance and risk management, raise the profile of the business, and develop innovative fund and asset strategies that anticipate evolving trends and client demands. Most importantly, it should enable us to demonstrate the link between resilient investment management (i.e. that which takes full account of social and environmental sustainability considerations) and superior longer-term investment performance.

## Implementation

Our European Sustainability Strategy is supported by a comprehensive and practical roadmap based on our 2020 aspirations and including short-term management actions and asset-level performance targets.

Key actions within this roadmap include the roll out a robust Communications Plan to engage both internal and external stakeholders and ensure that they fully understand the Strategy. Role-specific sustainable investment training will be developed and delivered so that all staff and key service providers understand what sustainability means to their role and act accordingly to improve overall firm performance. Sustainability objectives will be incorporated into job descriptions and performance management.

We will align our fund strategies, procedures, pitch materials and reporting explicitly to the DTU+E investment themes, and where relevant, align to client sustainability strategies and core purpose. We will establish a methodology and set of sustainability KPIs to measure the impact of sustainability factors on investment performance.

At the asset level, we will implement a Sustainable Management Programme (SMP) with property managers and progressively roll it out across a larger number of assets, with the aim of delivering higher sustainability credentials and asset performance.

We will update existing asset/investment-level procedures in line with the DTU+E themes and material sustainability issues.

### **Monitoring and Reporting**

We will roll out a new web-based software platform to collate and analyse sustainability data in a robust and efficient way across our funds and assets under management. We will also introduce an internal mechanism to measure the sustainability performance of investments and funds against sustainability KPIs, to track performance improvements up to 2020.

We will establish KPIs that demonstrate LaSalle is making a real, measurable difference to tenants and communities through our investments, and track and report performance against these KPIs on a regular basis.

We will integrate sustainability content into quarterly and annual reports and other communications to investor clients and internal and external stakeholders. We will continue to submit data to external sustainability benchmarks and initiatives including the Global Real Estate Sustainability Benchmark (GRESB) and the United Nations Principles for Responsible Investment (UNPRI).

### **Governance and Management Review**

Our Strategy has been developed based on a comprehensive and robust review of sustainability considerations within the market context. As such, it addresses all sustainability aspects which present material risks and opportunities to LaSalle's European business.

Going forwards, the management of the strategy will be overseen by our European Sustainability Task Force, supported by dedicated country-level sustainability personnel. The European Sustainability Task Force will review progress against our roadmap and 2020 aspirations and undertake periodic reviews to ensure that the strategy remains relevant and effective in delivering our over-arching objectives.

### **Administration of the Policy**

The Policy is owned by the European Head of Sustainability. It shall be subject to periodic review and revision by the European Sustainability Task Force as necessary or appropriate. The European Head of Sustainability, in consultation with the UK and CE Management Boards, Global Sustainability Committee and European Sustainability Task Force, shall have the authority to make any interpretations regarding the operation of this Policy.