

INFORMATION IN RESPECT OF LASALLE GROUP'S POLICY ON THE INTEGRATION OF SUSTAINABILITY RISKS INTO INVESTMENT DECISION-MAKING PROCESSES¹

December 2023

In accordance with Articles 3 and 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**"), this document sets out information regarding the policy of LaSalle Group (as that term is defined below) with respect to the integration of sustainability risks in investment decision-making processes.

Financial market participants

The following entities are each "financial market participants" and in respect of certain mandates, may be a "financial advisor" as those terms are defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**") and will be each taken to have severally published this document for the purpose of Article 3 of the SFDR.

1. LaSalle Investment Management of 4th Floor, 78 St James's Street London SW1A 1JB (a MiFIDPRU firm regulated in the UK by the Financial Conduct Authority and in respect of which its LEI is 21380OKY2U1HEMN1SF69).
2. LaSalle Investment Management SAS of 112 Avenue Kléber, Paris Cedex 16, 75784, France (AIFMD firm (with MiFID top up) regulated in France by the Autorité des Marchés Financiers and in respect of which its LEI is 969500MG16B7D61CEI33).
3. LaSalle AIFM Europe S.à r.l of 34-38 Avenue de la Liberté L-1930, Luxembourg (an AIFMD firm regulated by the Commission de Surveillance du Secteur Financier and in respect of which its LEI is 254900PBOOSQG9Q1G018).
4. LaSalle Investment Management Kapitalverwaltungsgesellschaft mbH, Viktualienmarkt 8, 80331 (AIFMD firm regulated in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht and in respect of which its LEI is 549300WN31W6EEEEI560).

Reference herein to "**LaSalle Group**" is a reference to those entities above each and collectively.

¹ This document provides information required under SFDR. This document is not intended to be a substitute for the more detailed and portfolio specific information which may be contained in client disclosure materials and related offer documentation. Investors should always refer to the more detailed and portfolio specific information which may be contained in client disclosures.



What are "investment decisions"?

LaSalle Group may manage or advise mandates that are characterised as discretionary, semi-discretionary or non-discretionary with respect to the control of "investment decisions". In each of these cases, LaSalle Group adopts a governance structure which requires material actions which are proposed by the responsible fund manager and which relate to one or more investments (or a portfolio) to be reviewed independently by an internal Investment Committee.

Materiality for the purpose of the foregoing includes matters such as acquisitions and disposals, offering of loan facilities and structured equity investments, major capital expenditure, annual business plans, litigation and financing. It is noted that for the purpose of this document, the reference to "investment decisions" should (unless otherwise stated) be taken to mean a reference to acquisitions, offering of loan facilities and structured equity investments, material capital expenditure and annual business plans for assets. Whilst other matters are referred to an Investment Committee for review, sustainability risk is unlikely to be a material factor in that determination (other than to the extent that failure to meet certain sustainability standards and requirements may have a materially adverse impact on that matter).

Investment decisions include the determination of matters which a member of the LaSalle Group has either full discretion in respect of, or where a matter is intended to be recommended to a client in cases where LaSalle Group has only an advisory mandate.

What is "sustainability risk"

Article 2 of the SFDR defines "sustainability risk" as follows:

'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

Having regard to the fact that LaSalle Group is dedicated to the provision of investment management related services focused on real estate as an asset class, greater weight is given to environmental events or conditions in the investment decision making process. Such risks might include the following (by way of example):

- a) The risk of physical damage to a client's assets that arises from weather events such as heat, wildfires, storms or floods.
- b) The risk of physical damage to a client's assets that arises from longer-term shifts in the climate such as the increase in mean temperatures and rising sea levels. Valuations of residential and commercial property in vulnerable areas may be reduced as a result.
- c) In connection with the foregoing, the risk that client assets might incur significant insurance costs, or become uninsurable.
- d) The change of law risks (in particular and by way of example, capital expenditure costs which might be needed in order to meet energy efficiency, water reduction, or carbon emission regulations).
- e) The risk of failing to meet occupier and user requirements in respect of asset sustainability credentials (leading to "stranded assets" that suffer from functional obsolescence).

How does LaSalle Group integrate sustainability risk into investment decisions?

The approach to investment decisions should be consistent with the strategy, risk profile, and rules of the relevant LaSalle Group mandate to which such decision relates (including and in-particular with respect to matters concerning sustainability objectives or undertakings that might have been



given in respect of a LaSalle financial product – for example, where LaSalle Group is responsible for managing or advising a financial product that "promotes environmental characteristics" (i.e. commonly referred to as an "Article 8 fund").

It follows that first and foremost, that if sustainability objectives or undertakings have been given in respect of a LaSalle financial product (such as products which LaSalle has represented meet the requirements of an "Article 8" fund as that term is typically applied under the SFDR), then the fund manager responsible for presenting a potential transaction to the Investment Committee will be required to provide documentary support (via a submission paper to the Investment Committee) which includes a detailed analysis of how that subject transaction, if approved, would be consistent with the sustainability objectives and undertakings of such financial product. Such analysis also includes the analysis of the relevant risk management team.

The detailed analysis referred in the paragraph above is required to be supported via the application (under the supervision of the responsible fund manager) of certain "sustainability tools" that LaSalle Group has adopted (and which will continue to evolve) that taken together constitute LaSalle Group's sustainability due diligence process which is required to be undertaken prior to the presentation of papers to an Investment Committee requesting that an investment decision be approved (in particular in the case of acquisitions). Such tools include, but not limited to, the following (though, each being applied where appropriate having regard to the underlying real estate and the investment decision sought):

Pre-acquisition/pre-investment

For acquisitions

- (i) in the case of acquisitions, an assessment via a pre-acquisition sustainability template (which includes a preliminary carbon assessment);
- (ii) application of a sustainability assessment tool (which provides a sustainability score for target and existing assets) for our financial products classified under "Article 8" of SFDR;
- (iii) pre-acquisition carbon assessments and related implementation road-maps; and
- (iv) assessment against climate change risks applying detailing modelling and third-party assessment tools.

For loan offering and structured investments

- (i) assessment of the underlying property's sustainability credentials and a borrower's business plan via a sustainability checklist;
- (ii) application of a sustainability assessment tool (which provides a sustainability score for the underlying property) for our financial products classified under "Article 8" of SFDR; and
- (iii) assessment against climate change risks applying detailing modelling and third-party assessment tools.

Post-acquisition/post-investment

It is also noted that sustainability risks need to be considered throughout both the acquisition/investment process and in respect of ongoing asset and loan management activities.

In respect of our direct real estate offering, dashboard tools are made available to fund managers and their teams to track and aggregate sustainability related initiatives and data. The risk management teams leverage the data collected to monitor sustainability risks on an ongoing basis.



In respect of our real estate debt and structured investments offering, the fund managers and their teams monitor progress made by the borrowers in line with the business plan agreed on and in line with the covenants in the facility agreements (where applicable). The risk management teams leverage the data collected to monitor sustainability risks of the underlying properties on an ongoing basis.

In addition, the fund managers conduct periodic climate risk assessments on a property (for our direct real estate offering) and underlying property (real estate debt and structured investments offering) to monitor, together with the risk management teams, the exposure to climate hazards throughout the investment period.

Furthermore, fund managers are required to make reasonable efforts to collate the data required to manage sustainability risks.

Does LaSalle Group take account of "principal adverse impacts" on sustainability factors? (and if so, what due diligence policies support this?)

LaSalle Group recognizes that real estate as an asset class can be a significant contributor to carbon emissions and energy usage, which means that a number of aspects of development, repositioning and general asset management and operational activities (either undertaken by LaSalle Group or by borrowers in respect of its real estate debt and structured investments offering) can give rise to an adverse impact on environmental sustainability factors. LaSalle Group also recognises that real estate activities can impact other sustainability factors, including social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Accordingly, in respect of financial products managed or advised by LaSalle Group which promote environmental characteristics under "Article 8" of SFDR, the principal adverse impacts on environmental sustainability indicators, unless a financial product's pre-contractual disclosures do state otherwise, constitute the primary matters taken into account as a part of the investment decision process (these include assessing the exposure of relevant real estate to fossil fuels, energy efficiency metrics and greenhouse gas emissions, and determining how these can be mitigated).

It is noted that having regard to the strategy and stated objectives of each financial product, an affirmative investment decision may still be made if the underlying real estate gives rise to adverse impacts, including in cases where a business plan to mitigate such adverse impacts is adopted at the same time.

Further to the above, the fund manager responsible for presenting a potential transaction to the Investment Committee is required (amongst other matters) to do the following:

- A. Collect the information and data required to support disclosure of the principal adverse impacts listed above. If the relevant data is not available in respect of a particular/targeted real estate investment (or a loan/structured investment), the fund manager uses appropriate proxy data to provide estimated energy consumption and GHG data. It is noted that in those cases where relevant data is not readily available, details of the best efforts used to obtain the information is also required to be provided to the Investment Committee in connection with that request for an investment decision to be made.
- B. Undertake a climate risk assessment in respect of a property (for our direct real estate offering) and underlying property (real estate debt and structured investments offering). This requires screening the property through a third-party assessment tool and an in-house assessment;



- C. Present the Information referred to above using a standardised pre-acquisition sustainability template and address specific questions and issues via a standardised investment committee format.

The principal adverse impacts indicators are then monitored on an ongoing basis. For the avoidance of doubt, it should be noted that the principal adverse impact indicators considered by each financial product are disclosed in the 'pre-contractual disclosures' (i.e. Annex II of SFDR for "Article 8" product) and reported in the 'periodic disclosures' (i.e. Annex IV of SFDR for "Article 8" product) of each financial product.

What business conduct codes and internationally recognised standards for due diligence and reporting has LaSalle Group adopted?

As a member of the LaSalle global business, the LaSalle Group has committed to the following (which for the avoidance are only applicable to financial products advised or managed by LaSalle Group that are in scope of such standards):

- (I) The United Nations-backed Principles for Responsible Investment (the LaSalle business has supported this since 2009 and has made a commitment to report on the progress toward the six principles of the PRI).
- (II) In 2019, LaSalle business signed on as a supporter to the Taskforce on Climate-related Financial Disclosures, signalling its intent to incorporate climate risk into investment decisions and investor reporting.
- (III) The LaSalle business is a signatory to the Net Zero Asset Managers initiative and has committed to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with international efforts to limit global warming.
- (IV) GRESB (Global Real Estate Sustainability Benchmark) is an industry-driven organization committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. In 2022, LaSalle submitted over US\$46 billion in assets under management to GRESB.
- (V) The LaSalle business is a charter member of ULI Greenprint Center for Building Performance (the largest global collection of transparent, verifiable and comprehensive data about the environmental performance of buildings). The LaSalle business has aligned with ULI Greenprint Center for Building Performance goal to reduce landlord-controlled operational carbon emissions of LaSalle's global portfolio of managed assets to Net Zero Carbon (NZC) by 2050.
- (VI) As a signatory to the Better Buildings Partnership, the LaSalle business has committed to publish net zero carbon pathways and delivery plans, disclose the energy performance of their directly owned long term assets (but not short term, indirects and debt) and develop comprehensive climate resilience strategies.

What are the engagement policies of LaSalle Group ?

LaSalle Group is dedicated to the provision of investment management related services focused on real estate as an asset class. For our direct real estate offering, the tenant at property level may impact the sustainability performance of a property. LaSalle Group seeks to identify opportunities to engage with tenants in respect of sustainability issues and expectations (such as energy consumption) by way of tenant initiatives and tenant satisfaction surveys among other initiatives.



These tenant initiatives will vary from one jurisdiction to another and will depend on the sustainability strategy pursued by a financial product managed or advised by LaSalle Group.

What is the degree of alignment of the LaSalle Group with the objectives of the Paris Agreement?

LaSalle Group's sustainability policy recognizes the urgent requirement for action on mitigating the effects of climate change and the transition to a low carbon economy. In 2020, the LaSalle Group committed to reduce the Scope 1 and 2 landlord-controlled operational carbon emissions of our portfolio of directly managed properties to net zero by 2050.

Track version

Date	Comment
January 2023	Publication of the document
December 2023	Amendment