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LaSalle Investment Management

2023 TCFD Entity Report prepared pursuant to Chapter 2 of the FCA's Environmental, Social and Governance sourcebook

(for calendar year ending 31 December 2023)

A member of the Jones Lang LaSalle group
Authorised and regulated by the Financial Conduct Authority
Registered in England Number 2597050

Introduction

This document has been prepared by LaSalle Investment Management ("**LaSalle (UK)**") on the basis of the four thematic recommendations (being governance, strategy, risk management, metrics and targets) and the climate related "recommended disclosures" set out in the "*Recommendations and Recommended Disclosures published in June 2017*" (as updated in 2021) (the "**TCFD Recommendations Paper**") of the Task Force of Climate-related Financial Disclosures (the "**TCFD**"), whilst also endeavouring to meet the stated objectives of the TCFD to provide a series of climate-related disclosures that promote more informed investment, and underwriting decisions, whilst also enabling our stakeholders to understand better the concentrations of carbon-related assets associated with our business.

Given the above, this report has been structured in four parts, these being as follows:

- **Part One**: An introduction to LaSalle Investment Management and its governance arrangements with respect to climate related risks and opportunities

- **Part Two**: Disclosures with respect to the impact of climate related risks on LaSalle's strategy

- **Part Three**: LaSalle's approach to the management of climate related risks.

- **Part Four**: Disclosures with respect to material metrics and targets LaSalle uses to manage climate related risks and opportunities

<u>Financial Conduct Authority (UK) Environmental, Social and Governance sourcebook</u>

This document has been published pursuant to our obligations under Chapter 2 of the FCA's Environmental, Social and Governance sourcebook (the "**ESG Sourcebook**") (as incorporated into the FCA Handbook). The ESG Sourcebook requires FCA regulated firms to publish a "**TCFD Entity Report**" setting out certain disclosures aligned with the Task Force on Climate-Related Financial Disclosures ("**TCFD**") "*Recommendations and Recommended Disclosures published in June 2017*" (as updated in 2021) (the "**TCFD Recommendations Paper**"). The key objective of this Report is to meet the stated objectives of the TCFD to provide a series of climate-related disclosures that promote more informed investment, and underwriting decisions, whilst also enabling our stakeholders to understand better the concentrations of carbon-related assets associated with our business.

<u>Basis of preparation</u>

As set out in Chapter 1A.1 of the ESG Sourcebook, this document relates to the activities of LaSalle (UK) as a "portfolio manager" (these are referred to as the "**TCFD in-scope business**" of LaSalle (UK)) which we classify as "Direct Investment" and "Indirect Investment" (but not "Debt Investments" on account of our limited control over the underlying assets, the data limitations associated with the majority of our outstanding loans at this date and our inability to verify methodologies which might be used across the spectrum of our borrowers). Although LaSalle (UK) provides distribution services, these are not provided to or in respect of retail clients and accordingly this report does not provide any information in respect of those services.

This report is our first TCFD entity report under the FCA Rules and has been prepared on a best-efforts basis. However, we highlight that climate reporting in the real estate asset management industry is still in its infancy, and there are significant data challenges and methodological challenges associated with climate reporting (in particular with respect to embodied carbon and Scope 3 emissions, but also in relation to portfolio wide sourcing of reliable waste and water data). We also note that certain investments (such as tenant controlled real estate, real estate debt and those which are made on behalf of clients by our Global Solutions business) do not necessarily allow us to accurately measure relevant information. We have included TCFD-aligned disclosures where in our opinion it is fair, clear and not misleading for us to do so. We also explain below any limitations on our ability to disclose, and the steps being taken to address those limitations.

For the purpose of this TCFD Entity Report, all matters and facts should be treated as having been made as at 31 December 2023 except where expressly stated to the contrary.

<u>Compliance Statement</u>

We hereby confirm that the disclosures in this report comply with our obligations under chapter two of the ESG Sourcebook.

Philip Lapierre

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Philip LaPierre
Head of Europe
LaSalle Investment Management

Part One: introduction to LaSalle and its governance arrangements with respect to climate related risks and opportunities

1.1 "LaSalle Investment Management" is the name used to identify a group of affiliated companies doing business globally and which are referred to collectively as "**LaSalle**".

1.2 LaSalle is a wholly owned division of JLL (one of the world's leading real estate services firms and listed on the NYSE). JLL specializes in real estate and investment management. JLL is a Fortune 500 company with annual revenue of USD$20.4 billion which has operations in over 80 countries and a global workforce of more than 106,000 (as of December 31, 2023).

1.3 LaSalle is a leading real estate investment manager with over 925 people employed across 23 offices in 13 countries around the world. LaSalle's global headquarters are located in Chicago, Illinois, USA and as of December 31, 2023, LaSalle managed US$89.7 billion of real estate related investments globally. LaSalle was established in 1968 and has invested across Europe and North America for over 40 years and in Asia Pacific for over 20 years.

1.4 LaSalle Investment Management ("**LaSalle (UK)**" or the **"Firm"**) is an unlimited company incorporated in England and Wales and is a member of the LaSalle group. As at 31 December 2023, LaSalle (UK) managed in excess of £17.12 billion across the three business lines which provide services in the United Kingdom (being our Private Equity Business, our Global Solutions business and our Private Debt business (as each of those are discussed in greater detail below)).

1.5 LaSalle has a diverse client base, which includes public and private pension funds, insurance companies, governments, corporations, endowments and private individuals from across the globe. Our institutional clients manage assets for millions of workers and pensioners, from teachers to firefighters to healthcare workers. LaSalle considers its custom accounts, commingled funds and any other entity it has an advisory or management agreement with as its "clients".

1.6 Across the spectrum of products and services offered by LaSalle's four distinct business lines (as described below), its underlying objective is to meet the differing requirements of its clients with respect to their exposure to real estate (whether these requirements relate to their strategic allocation, risk/return profile, income, sustainability related expectations, liquidity needs, or otherwise). Whether acting in an advisory or management capacity, its overarching duty is to act as a fiduciary and accordingly its primary responsibility is to always act in each clients' best interest – which means maximizing investment returns having regard to the broad strategic objectives, risk tolerance, investment constraints and other preferences upon which each client has chosen to mandate LaSalle as their trusted advisor. As a steward of its client's capital, it would be remiss of LaSalle to not assess sustainability risks and opportunities which (based on experience) it foresees may be reasonably expected to have an impact (whether negative or positive) on its client's returns.

1.7 For the purpose of this Report, all matters and facts should (unless stated to the contrary) be read to made as at 31 December 2023.

1.8 As noted above, LaSalle (UK) is a member of the LaSalle group and a subsidiary of JLL. JLL has published an annual TCFD report covering the LaSalle group. With respect to the operational aspects of LaSalle's business, LaSalle has generally aligned its approach towards climate-related governance, strategy, risk management and targets and metrics with those of JLL (a copy of JLL's 2022 TCFD report can be found at: https://www.jll.de/content/dam/jll-com/documents/pdf/research/global/jll-global-jll-2022-tcfd-report.pdf

LaSalle's global business lines

1.9 Through its structured business lines LaSalle offers a range of investment products designed to provide clients with differing means of obtaining exposure to real estate. These can be broadly characterized as investments made via commingled funds or custom account arrangements and the objective of each such fund or account is to generate returns pursuant to a specific strategy based on:

(a) *Direct Investments*: the acquisition of an ownership interest (whether in the name of the client, via a client owned vehicle or through an investment in a commingled fund) in one or more real estate assets (each a "**Direct Investment**") managed on behalf of clients by LaSalle's "**Private Equity**" business;

(b) *Indirect Investments*: the acquisition of an interest via a club, co-investment or fund vehicle (i.e. "**Indirect Investment**") in one or more real estate assets managed by a third party, but in respect of which LaSalle represents the Client's interests via LaSalle's "**Global Solutions**" business;

(c) *Private Debt Investments*: the provision of loans to third parties secured against real estate owned by that party ("**Private Debt Investment**") on behalf of Clients by LaSalle's "**Private Debt**" business; and

(d) *Public Securities Investments*: the acquisition of an interest (i.e. via securities listed on a stock exchange) in one or more real estate operating businesses (generally referred to as a "**Public Securities Investment**") pursuant to mandates given to LaSalle's "**Public Equity**" business.

1.10 The Private Equity business and the Private Debt business, together with certain support and oversight related roles are managed on a regional basis by reference to three regions broadly identified as "the Americas", "Asia Pacific" and "Europe" (each region having its own management committee). The Public Equity business and Global Solutions business are managed together on a global basis (though provided with services by regionally based support teams as needed).

LaSalle's business in the UK

1.11 LaSalle (UK) is a MiFID Investment Firm (as that term is defined in the FCA Handbook and is regulated by the Financial Conduct Authority ("**FCA**")). Having regard to the ESG Sourcebook (as defined below), LaSalle (UK) provides portfolio management and distribution services. LaSalle (UK) is not an "asset manager" or an "asset owner" for the purpose of the ESG Sourcebook.

Oversight of climate-related risks and opportunities

1.12 The head of each business line (as described above), together with our Global CEO and other senior employees with global ownership of certain support responsibilities are members of our Global Management Committee (the "**GMC**"). The GMC is supported by appropriate governing bodies, a variety of committees and related charters, together with necessary and appropriate policies and procedures. Policies and procedures are adopted and applied globally where possible and regionally (or locally) where necessary (in particular having regard to fact that a number of LaSalle's entities are regulated by financial services authorities).

1.13 LaSalle has adopted a concept globally referred to internally as "One LaSalle". The underlying objective of this concept is to maintain global consistency with respect to the culture, policies and high standards. Accordingly, LaSalle structures its governance programmes to take account of both corporate and client perspectives, overlaying sustainability risks and opportunities on both.

1.14 LaSalle's Global CEO has ultimate responsibility for the management of LaSalle and is supported by the Global Management Committee (the "**GMC**"). The GMC consists of senior leaders from around the globe representing each business line and also each functional team supporting LaSalle's businesses (such as finance, human resources and legal functions). The GMC oversees LaSalle's global strategies and initiatives, plus corporate and client governance (including sustainability related risks and opportunities).

1.15 LaSalle's strategic approach with respect to sustainability issues (including the management of associated risks) is broadly developed and reviewed at a global level, but is subject to country specific adjustments that might be needed to meet local requirements, standards or the needs of specific assets. Responsibility for implementation of LaSalle's sustainability policy is shared by the head of each business line (whether regionally or globally structured, as explained above), each of whom is guided by and works closely with the Global Head of Climate and Carbon (the "**GHCC**") and the regionally based sustainability team leaders (as described in greater detail below).

1.16 The GHCC formally reports to the Global Chief Operating Officer and presents to the GMC at least annually for oversight and approval on overall strategy and any new sustainability-related public commitments. The GHCC is responsible for managing the sustainability function across LaSalle's business globally, including oversight of priorities and global initiatives for the regional Heads of Sustainability for each of LaSalle's four main business lines, and their respective teams.

LaSalle's European business

1.17 Ownership for the management and operations of LaSalle's European business falls to the Head of Europe. The responsibilities of the Head of Europe include (other than in respect of its Global Solutions business, responsibility for which rests with the Head of Global Solutions) the following.

(a) The formulation and implementation of the global strategic objectives of LaSalle so far as they apply to LaSalle's European business.

(b) The development of business plans and operating strategies for LaSalle's European business.

(c) The oversight of LaSalle's European operations and business performance (including regional performance, business initiatives and investment performance).

(d) Risk management (both at an enterprise level, and at the investment level (as chair of the European Investment Committee and co-Chief Investment Officer ("**CIO**")), including the implementation of approved LaSalle policies and procedures in Europe.

On a more granular and day-to-day basis, the Head of Europe is supported by a European leadership group known internally as the "European Management Committee" (the "**EMC**"). In addition to the Head of Europe (whom is also the co-CIO and head of the European based Private Equity business), membership of the EMC includes the European Chief Operating Officer, the European Chief Financial Officer, the Head of our Private Debt Business (being a co-CIO of the European business), the European General Counsel and the Head of HR, Europe). The EMC acts in an advisory and information sharing capacity, whilst also actioning (each within their respective functions and with their direct reports) strategic initiatives of LaSalle globally and regionally. The Head of Europe and the EMC are also assisted by the members of each statutory board of LaSalle's European businesses, which (despite the governance arrangements as described herein) are the statutory operating entities (including LaSalle (UK) of LaSalle's European business) and bear ultimate responsibility for the business operations of LaSalle in each respective country where they are incorporated.

1.18 Notably, each statutory board of a LaSalle group entity which is also regulated to provide financial services in Europe has at least one director on its board whom is also a member of the EMC. The statutory board of LaSalle (UK) is not expected to implement or consider granular climate related issues for LaSalle (UK) as a stand-alone enterprise (as opposed to client / asset related initiatives) given the wide application of LaSalle's regional and global sustainability initiatives that it benefits from. In the converse, the EMC and each statutory board monitors and remains informed in respect of sustainability risks and opportunities that impact clients and / or their investments via periodical reports from the Head of Sustainability Europe and / or the European COO. That said, as a fiduciary of client capital, a strategic assessment in respect of each client portfolio is undertaken by the Investment Committees (whose role is described in more detail below) and this includes an in-depth analysis of sustainability risks and opportunities identified as relevant to that client.

1.19 As it relates specifically to the governance and management of climate related risks, LaSalle has (i) a global sustainability leadership group (comprising all regional sustainability heads, GHCC and appointed others, which meets monthly to discuss and share progress against key sustainability objectives); (ii) in Europe specifically, the Head of Sustainability is a permanent member of the European Asset Management Board (which is an operational management group focusing on the operational aspects of our asset management responsibilities and platform); and (iii) ad-hoc sustainability focused meetings with key business lines to focus on a material sustainability topics as required.

1.20 Further, in the context of sustainability resourcing, LaSalle Europe has a dedicated sustainability team comprising a core team of four full-time employees, one part time (75% FTE), plus an additional two full-time equivalent employees supporting the delivery of sustainability across the business. The team is led by the European "**Head of Sustainability**", who is charged with overseeing the development and implementation of sustainability strategies relevant to related risks and opportunities (including climate related issues) in connection with LaSalle's European business and also material investment related decisions. The GHCC works closely with the European Head of Sustainability to implement global practices and procedures. The team also comprises a dedicated **Net Zero Carbon Lead,** who is responsible for delivering the net zero carbon strategy, together with advising clients on asset level decarbonisation pathways.

1.21 The Head of Sustainability reports directly to the European COO (whom is a member of the EMC and the board of LaSalle (UK)). Given this reporting line, it follows that LaSalle's European COO has day-to-day responsibility for the delivery of LaSalle's sustainability strategy and related sustainability services and internal resources. LaSalle's European COO reports periodically on these matters at EMC meetings, the Risk Management Committee and the board of LaSalle (UK) on sustainability related objectives and initiatives to ensure that each of these bodies are each able to monitor and assess climate related initiatives, risks and opportunities.

1.22 In addition to the services provided by the European Sustainability Team, in order to further enhance its approach to meet stakeholder expectations and growing requirements of sustainability related reporting matters, LaSalle has also appointed two employees whose roles include supporting sustainability reporting in respect of:

(a) financial and non-financial carbon related reporting (as required by a number of clients (whether to meet their internal requirements, voluntary disclosures or statutory disclosures)); and

(b) LaSalle's own sustainability related reports and disclosure (such as this TCFD Entity Report).

Both of these employees are based in Europe and respectively titled "*Director, Sustainability Investor Accounting and Finance*" and "*Sustainability Reporting Manager*".

1.23 As noted above, each employee is expected to have relevant sustainability related objective(s) in their personal objectives. These are role specific and aligned to the materiality of risks related to the role, and the responsibilities of the role to influence and affect change. Personal objectives are directly linked to an individual's renumeration, at the discretion of their line manager.

1.24 LaSalle's Global Research and Strategy team has a large role to play in managing risks and opportunities arising from sustainability issues. The Global Head of Research and Strategy has a specific objective in respect of developing data led strategies for assessing the impact (both negative and positive in terms of value) of sustainability issues and demands on real estate, and the team also has a strategist dedicated to climate risk research and reporting for the European business. Both participate in sustainable product strategy, the design of sustainable investing solutions, and provide insight into sustainability related market data and trends.

1.25 Although not focused on sustainability matters, the following pan-European committees form an important part of LaSalle's governance framework and are required to consider relevant sustainability related matters to the extent they might be reasonably expected to have a material impact (whether negative or positive) on the value of client investments.

(a) *Investment Committees*: The regional Investment Committees (which are comprised of the most senior investment professionals) are required to consider investment level risks (including sustainability related risks and opportunities) in connection with material decisions and asset level strategic planning (this is discussed in greater detail below). As part of periodical strategy reviews which fund managers are required to present to Investment Committees, oversight of progress against sustainability related goals and targets are reported and maintained.

(b) *Risk Management Committee* ("**European ERMC**"): LaSalle's European ERMC is mandated to identify material risks to LaSalle as an enterprise and recommend those risks which should be prioritised for attention, together with mitigation strategies to manage and/or plan a response to the impact of such risks materialising. The European ERMC provides reports to each statutory board of LaSalle's European business (including LaSalle (UK)) and also to the EMC. LaSalle's European COO is a member of the European ERMC and the Head of Sustainability is required to present to the European ERMC (as a subject matter expert) where and if a sustainability related risk is assessed as an actual or potential enterprise risk. Our Global Solutions business also has a separate risk management committee.

(c) *European Transformation Advisory Board ("**European TAB**")*: The European TAB has a wide mandate to identify, budget and prioritise business initiatives which are designed (amongst other matters) to mitigate operational business risks, drive efficiency, improve data management, meet compliance needs, and leverage existing resources, and which need a dedicated project manager to manage them through to implementation and adoption. The European TAB was established in 2022 and is led by LaSalle's European COO and supported by LaSalle's Global CEO, the European Head of Sustainability, LaSalle's European General Counsel, LaSalle's technology team and a dedicated project management team.

1.26 The GMC and EMC respectively meet on a monthly basis. The European TAB meets four to six times per annum. Investment Committees are scheduled to meet on a weekly basis (as required) and each of the European ERMC and statutory boards meet at least three times annually.

1.27 Additional information and background in relation to LaSalle's governance as it relates to sustainability related matters is also set out in Part 3 of our publication titled "*Global ESG Policy*" (found here: https://www.lasalle.com/wp-content/uploads/2024/09/global-esg-policy-2024.pdf

Our GHG emissions reduction commitments – our Climate Action Plan

1.28 The Paris Agreement (2015)[1] set out the need for a rapid transition to a low-carbon economy. Many governments have subsequently set out their intention to achieve Net Zero Carbon ("**NZC**") by 2050 in line with the Agreement. Having regard to this long-term objective, LaSalle (global) has adopted a Climate Action Plan, which is underpinned by the need for sustainability related decisions to be drivers of, or mitigants against, value gains or losses whilst, to the extent possible driving towards a targeted reduction in Clients' scope 1 and scope 2 emissions, and to the extent possible, scope 3 GHG emissions, on an "intensity basis" (i.e., by floor area, where relevant) of 50% by 2030 (as against a 2019 baseline)[2]. LaSalle has committed to engage with its existing and new clients to increase the percentage of our AUM in scope to this commitment to over 50% by 2030.

1.29 In addition to the above, LaSalle (UK) is a signatory to the Better Buildings Partnership ("**BBP**") Climate Change Commitment which aims to achieve NZC by 2050 across its European direct portfolio. This initiative addresses:

(a) operational carbon, covering whole building performance including tenant activities; and

(b) embodied carbon of development, refurbishment and fit-out works.

1.30 The above commitments help shape the strategy and Energy Efficiency Plan and therefore the approach to sustainability related governance, strategy and risk management. It follows that the metrics associated with these commitments are increasingly important to understand in this context.

1.31 As a qualification to these initiatives, it is important to note that across its four business divisions, LaSalle manages a number of differing strategies and products on behalf of its clients. Within these product offerings, LaSalle manages differing levels of ownership (including, for example zero ownership in the case of debt strategies) which limit the ability to influence underlying sustainability related decisions and outcomes or to collect and aggregate relevant data needed to assess sustainability related risks and opportunities as drivers or mitigants of value. It may be the case that even where LaSalle manages and has significant control in respect of an investment, third parties may manage and 'own' the data needed in this context (for example, tenant controlled space). As such, the way it exercises its obligations as a fiduciary varies between the business divisions (and within each division) and it follows that the ability to implement its Climate Action Plan and its management of sustainability risks and opportunities as described in Part 2 and Part 3 varies across Direct Investment, Indirect Investments, Private Debt Investments and Public Security Investment (as discussed in greater detail below).

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[1] Reference to the legally binding treaty on climate change adopted by 196 countries in Paris 2015. UNFCCC parisagreement_publication.pdf

[2] Our baseline is expressed on an intensity basis over floor area in order to eliminate as much variability from the property acquisitions and dispositions that occur within our vehicles. Further, due to the use of estimates and changes in our asset mix, this figure is subject to change

Part Two: Climate-related strategies and risks:

Our framework for assessing climate risk (and opportunities)

2.1 LaSalle's view is that delivering positive investment performance and the making of a contribution to a sustainable future for our stakeholders are not mutually exclusive. The thematic lens adopted by our GMC to drive this internally is centered around its framework: "*People, Planet, Performance"*. In striving to meet performance-related expectations it is becoming increasingly important to have regard to:

(a) (**LaSalle level**) matters which concern the sustainability and viability of LaSalle as an ongoing business (which are managed by the EMC, European ERMC and respective statutory boards); and

(b) (I**nvestment level**) sustainability related risks and opportunities as they relate to the investment lifecycle of real estate assets (which includes considering specific jurisdictional requirements and its client's investment objectives).

LaSalle level

2.2 Further to (a) above, with respect to general risk management assessments carried out in relation to the business of LaSalle (UK) 'enterprise', it assesses the "impact" of a specific identified risk transpiring against four operational themes, and the degree to which LaSalle UK has control over the identified risk. of control over

Table: Framework for assessing identified enterprise risks

Impact criteria		Impact measures		level of control
Reputational impact Impact on client deliverables/operations Regulatory impact Financial impact	each assessed against differing	insignificant low moderate high severe	further considered against our view of control status	potentially over-controlled adequately controlled potentially poorly controlled poorly controlled

Internal definitions and guidance have been developed which provide a framework for assessing how the "impact criteria" should be assessed against identified "measures of impact". For example, if the impact criteria being assessed against is "financial impact", then it would be considered within the framework to have "low" impact if it results in lost revenue which is less than 8% of the expected revenue in the relevant year).

The above are also considered against "likelihood criteria" which are time based (as discussed in greater detail below in paragraph 2.6).

Investment level

2.3 Further to paragraph 2.1(b) above, the assessment of sustainability risks and opportunities with respect to investments is broadly a function of assessing whether a particular asset is exposed to ESG related risks (amongst others), or whether in the opinion of LaSalle ESG related initiatives might be reasonably expected to enhance the value of the relevant real estate.

2.4 Our sustainability policy supports an approach that seeks to add and / or protect value via certain factors referred to as **Accretive Value Drivers** (AVD) and fortifying **Defensive Value Protectors** (DVP). The table below provides a high level view of ESG related matters assessed as part of the AVD and DVP approach, though it should be noted that these will vary between properties (and some may be more relevant to a particular property than others).

Table: AVP and DVP examples

AVP examples	DVP examples
More desirable spaces	Carbon pricing risk
Rent premiums	Climate impact risk
Increased occupancy	Resilience risk
Increased tenant retention	Regulatory disclosure risk
Faster lease-up	Insurance premium risk
Lower operating expenses	Valuation risk
Higher net operating incomes	Functional obsolescence risk
Lower cap rates	Reputational risk

Assessing risks over different time periods

2.5 Given the nature of real estate assets, LaSalle's strategic business planning (including time needed to implement meaningful sustainability initiatives) and real estate market cycles (amongst other matters related to the ownership of real assets), in respect of time frames relevant to LaSalle (UK) and investment levels can be categorised into the following bands:

LaSalle / enterprise level Four identifiable periods aligned with the likelihood of a relevant event occurring		(**Investment level**) With respect to client investments, more generally (and subject to extraneous matters, such as nature of the investment and term of the mandate)	
in the near term i.e. within 1 year, being	"almost certain"	1-2 years	"short term" period,
once in 2 years	"likely"	3 to 6 years	"medium term"
once in 4 years	"occasional"	7 or more years	"long-term"
once in 10 years	"unlikely"		

It is noted that in respect of investment level time periods for assessment, specific periods are not mandated by clients for this purpose and such periods are more a function of investment objectives, generally observed market cycles and liquidity of real estate as an investment asset class.

2.6 For ease, in the disclosure tables below we align the terminology used in paragraph (a) to that used in paragraph (b) such that:

(a) "**almost certain**" and "**likely**" should be read to be the same as "**short term**" (i.e 1-2 years);

(b) "**occasional**" should be read to be the same as "**medium term**" (i.e. 3-6 years); and

(c) "**unlikely**" reconciles to "**long term**" (i.e. more than 7 years).

Climate related risks and opportunities (enterprise and investment level)

2.7 Set out below is a summary which has been prepared for having regard to Appendix 1, and Table A1.1 and Table A1.2 of the TCFD Recommendations Paper. Where appropriate, it delineates between risks and opportunities as they may impact LaSalle (in respect of its operations as an enterprise) and clients (in respect of their investment portfolios).

2.8 Noting the alignment of time periods for enterprise risks and investments risks (as set out in paragraph 2.6 (above)), certain "short term", "medium term" and "long term" climate related risks and opportunities can be broadly framed accordingly:

Sustainability related risks (transitional and physical risks at enterprise and investment level)	
Transition Risks	**Physical Risks**
Policy and legal risk Technology risk Market risk Reputational risk	Acute risk: risk of extreme weather events (i.e hurricanes, floods, etc) Chronic risk: risk of longer-term shifts in weather patterns increasing the impact of rain and wind, rising sea levels and above average temperature.
Sustainability related opportunities (at enterprise and investment level)	
Resource efficiency Energy sources Products and services Markets Resilience	

2.9 In the context of the framework above, LaSalle has identified the following areas which give rise to sustainability related risks and opportunities:

(a) **Transition Risk (1)**: "Policy and Legal changes": Enhanced disclosure obligations (enterprise)

(b) **Transition Risk (2)**: "Policy and Legal changes": Enhanced disclosure obligations (investment)

(c) **Transition Risk (3):** "Policy and Legal changes": Introduction of emissions caps, carbon pricing and offsets (investment)

(d) **Transition Risk (4):** "Changing technology" (investment)

(e) **Transition Risk (5): "**Market risks": Macro-level market changes may impact investors (investment)

(f) **Transition risk 6: "**Reputational risk": Issues for LaSalle's reputation (enterprise).

(g) **Physical risks:** A summary of certain physical risks (classified by reference to "acute" or "chronic" in nature) is discussed below.

Each of these is described in more detail in paragraphs 2.10 to 2.16 (below).

2.10 Transition Risk (1): "Policy and Legal changes"

Risks and opportunities identified in connection with enhanced disclosure obligations (LaSalle)

Summary explanation of identified risk	**Potential financial impact – summary**
Identified risks for LaSalle include: (a) the volume of disclosure reporting; (b) inconsistency with respect to reporting standards; (c) investors requesting bespoke reports; and (d) difficulty in collecting and verifying data.	Financial impact is "moderate" and may include the following: (a) a perception by certain investors that emission levels of real estate may make the sector less attractive generally (which may lead to investors withdrawing or lowering allocations of capital to the sector) (b) increased operating costs for LaSalle to prepare reports and invest in technology systems which automate data collection; (c) margin pressure for LaSalle should the market adopt sustainability related services included as standard investment management services, for which investors may ask that no additional fees charged for; and (d) costs to LaSalle for hiring employees with skills needed to manage, analysis and assess data and reporting.
Risk period – short term (1-2 years) Risk period – medium term (3 to 6 years) Risk period – long term (7 years plus)	Almost certain Low Low
Control status	Adequately controlled
Opportunity	The opportunities identified for LaSalle in this regard include: (a) provision of specialised value-added services which may generate additional revenue; and (b) consolidation of existing relationships and potential new investor relationships via the provision of well developed data collection and analytics services

2.11 Transition Risk (2): "Policy and Legal changes":

Risks and opportunities identified in connection with enhanced disclosure obligations (investments)

Summary explanation of identified risk	Potential financial impact - summary
Identified risks for investors include: (a) counterparty assessment of data (suggests "policy risk" is not exclusive from "market risk"); and (b) regulator assessment of data.	Financial impact may include the following: (a) realisation by counterparties that certain real estate investments may have poor sustainability credentials and need significant capex to align to investor or regulatory expectations (which may lead to lower returns for investors for such assets); (b) costs to investors associated with retrofitting needs highlighted by legal standards and reporting requirements; and (c) additional cost risks for investors flowing from capex needed for data collection tools, costs associated with third party experts and risk of adverse reports for poor performing assets.
Risk period – short term (1-2 years) Risk period – medium term (3 to 6 years) Risk period – long term (7 years plus)	Low Medium High
Control status	Adequately controlled
Opportunity	Opportunities identified for investors in this regard include: (a) identification of investments which may have longer term risks and opportunity to develop strategies for these; and (b) the development of portfolio's that reflect their longer-term corporate sustainability objectives and undertakings

2.12 Transition Risk (3): "Policy and Legal changes":

Risks and opportunities identified in connection with the introduction of emissions caps, carbon pricing and offsets (investments)

Summary explanation of identified risk	Potential financial impact - summary
Risks to investors include: (a) increased costs to investors; (b) impact to investment returns; (c) real estate may become less attractive as an investment class.	Financial impact may include the following: (a) increased operating costs would impact returns; and (b) if real estate became less attractive as an asset class, then lower demand may impact returns.
Risk period – short term (1-2 years) Risk period – medium term (3 to 6 years) Risk period - long-term (7 years plus)	Low Medium High

Control status	Potentially poorly controlled (from investor perspective)
Opportunity	Lower emissions buildings may present value-add due to lower operating costs and improved returns as a result of a carbon pricing drag relative to higher emissions assets

2.13 Transition Risk (4): Technology

Risks and opportunities identified for real estate investors **(investment risk)**

Summary explanation of identified risk	**Potential financial impact - summary**
Risks to investors include: (a) costs to transition to lower emissions technologies; (b) evolution of relevant technology is fast - meaning investments today may not achieve forecast hurdles and may be redundant in medium to long term; and (c) tenant demands may drive property level changes	Financial impact may include the following: (a) potentially large retrofitting costs for existing products to adopt modern technology (which may not be deferrable if regulatory changes mandate enhanced minimum standards); (b) write-offs and early retirement of existing assets; and (c) capital investments in technology development
Risk period – short term (1-2 years) Risk period – medium term (3 to 6 years) Risk period – long term (7 years plus)	Medium Medium Medium
Control status	Adequately controlled (from investor perspective)
Opportunity	Assets may benefit from enhanced technology improvements and LaSalle's product range may expanded if it can provide services in connection with such technology solutions

2.14 Transitional risk (5): Market Risks

Risks and opportunities identified in connection with macro-level market changes may impact investors.

Summary explanation of identified risk	**Potential financial impact - summary**
Risks to investors include: (a) Changing stakeholder expectations (and applicable laws) may force changes to investment strategies (stakeholders include investors that clients may serve (eg pension funds) and tenants of assets owned by investors); (b) Consolidation and demand within certain sustainability linked strategies	Financial impact may include the following: (a) Reduced demand for investment management services due to shift in consumer preferences; (b) Exposure to energy sources (local or national) which have high carbon emissions may be difficult to control and mitigate which will drive up operating costs; (c) Increased costs to meet standards and market expectations (e.g., energy, water); and

and assets (which increases pricing of those and decreases others); (c) Near term material capex costs to meet legal and market expectations.	(d) Re-pricing of assets.
Risk period – short term (1-2 years) Risk period – medium term (3 to 6 years) Risk period - long-term (7 years plus)	Medium Medium High
Control status	Potentially poorly controlled (from investor perspective)
Opportunity	Acquisition of mis-priced assets which have retrofitting potential

2.15 Transitional risk (6): Reputational risks (to LaSalle)

Risks and opportunities identified on behalf of LaSalle associated with reputational issues.

Summary explanation of identified risk	Potential financial impact - summary
Risks to LaSalle include: (a) Failure to deliver on client sustainability objectives (b) Stigmatization of sector (c) Increased stakeholder concern or negative stakeholder feedback	Financial impact may include the following: (a) reduced demand for investment management services due to shift in consumer preferences (leading to reduced revenue from decreased demand for LaSalle services); (b) legal risks from inadvertent greenwashing claims; and (c) Challenging industry to attract and retain talent.
Risk period – short term (1-2 years) Risk period – medium term (3 to 6 years) Risk period - long-term (7 years plus)	Medium Medium High
Control status	Adequately controlled (from LaSalle perspective)
Opportunity	Opportunity to build expertise and demonstrate value add initiatives for the benefit of clients driven by considered ESG strategies

2.16 **Physical risks – acute and chronic**

A summary of certain physical risks (classified by reference to "acute" or "chronic" in nature) is set out below.

Summary explanation of identified risk	**Potential financial impact - summary**
"Acute risks" – these are generally described as risks associated with extreme weather events (i.e hurricanes, heat waves, floods, heavy snow, dust storms, etc))	Financial impact may include the following: (a) increased capital costs (e.g., damage to facilities); (b) reduced revenues due to tenants claiming rent breaks if unable to access premises during repairs; (c) increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations; (d) Asset value depreciation due to assets vulnerability to extreme weather with potential investors screening for climate risk as part of due diligence.
"Chronic risks" – these are considered to be longer-term shifts in weather patterns increasing the impact of rain and wind, rising sea levels and average temperature.	Financial impact may include the following: (a) increased capital costs (e.g., to reinforce against chronic risks); (b) reduced revenues due to tenants claiming rent breaks if unable to access premises during repairs; (c) increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations; (d) potential redundancy of assets due to "high-risk" location

Part Three: Climate-related risk management

3.1 LaSalle believes there is a correlation between the management of climate related risks and opportunities (as a function of stakeholder expectations and investment returns, regardless of product or strategy) and the long-term health and success of the business. In this sense, strategies related to climate related transition risks and opportunities which impact LaSalle's business are closely tied to the same risks and opportunities as are faced by its clients and which are managed on their behalf (as such, the strategies discussed in Part 2 (above) overlap in part with the "risk management" matters discussed below).

Our approach to managing physical risk

3.2 LaSalle has a robust risk management framework in place which addresses physical climate risk. Using data from its third-party data provider to evaluate the assets where risk exposure is material, then evaluate the risk mitigants currently in place, and evaluate whether more is necessary and if so, pursue necessary means to further mitigate the risk. LaSalle has built, and continues to enhance, a resiliency toolkit as a resource for respective teams as a starting point in mitigating physical climate risk, and is building a network of third-party resources that can help to do deeper evaluations where necessary in a particular location or on a particular asset.

3.3 LaSalle currently uses MSCI as its preferred third-party data provider for physical climate risk, to understand potential risk exposure at an asset and portfolio level. The MSCI climate risk toolkit models physical climate risk for eleven different hazard types and outputs a CVaR (Climate-Value-at-Risk) metric for seven of these hazard types.

3.4 For each of these hazards the model produces a CVaR for four different time-horizons; 2030, 2040, 2050 and 2100. In addition to reporting a CVaR, the model also produces a hazard severity level which describes the physical outcome associated with each hazard, e.g. for flood hazards it reports the inundation depth in meters at the asset in a 1-in-100-year event.

Table: Summary of our Physical Climate Risk analysis metrics

		Hazard level (severity of hazard)	Financial Impact (Value at Risk % of Capital Value)
Hazard	**Unit**	**Current Year / 2030 / 2040 / 2050 / 2100**	**2030 / 2040 / 2050 / 2100**
Coastal Flooding	Inundation depth (m)	Yes	Yes
Fluvial Flooding	Inundation depth (m)	Yes	Yes
Pluvial Flooding	Inundation depth (m)	Yes	Yes
Tropical Cyclones	Wind speed	Yes	Yes
Wildfire	Fire probability (annual %)	Yes	Yes
Extreme Cold	Days < 0C	Yes	Yes
Extreme Heat	Days > 30C	Yes	Yes
Precipitation	Days >20mm precipitation	Yes	No
Snowfall	Days >5cm snow	Yes	No
Water Scarcity	Days >60% water stress	Yes	No
Wind gusts	Days > 24m/s wind gusts	Yes	No

3.5 The CVaR is calculated as the Net Present Value of the expected loss for each individual hazard and combined for each available time-horizon and scenario.

3.6 In addition to using MSCI climate risk assessments, LaSalle also conducts further flood analysis on every acquisition in the UK, conducting an independent flood risk assessment as part of the due-diligence process to better understand potential flood hazards present at the asset.

3.7 In terms of assessing the impact on specific investments, subject to the specifics of the asset and its location, the following physical risk issues may be considered (together with assessment of actions and costs for mitigation/adaption):

Physical risk	Mitigant / adaptation assessed
Extreme heat	e.g. Cooling systems & insulation
Extreme cold	e.g. Heating systems & insulation
Higher rainfall (precipitation)	e.g. Drainage capacity, access
Higher winds (tropical cyclones)	e.g. Resilient facades & external fixtures, planting wind barriers
Drought (water scarcity)	e.g. Foundation reinforcements, water recycling
Snowfall	e.g. roof structure, access
Flooding (fluvial, coastal or surface water)	e.g. Drainage, planting, access

Our approach to managing Transitional risk

3.8 As set out in LaSalle's Climate Action Plan, supported by complementary publications and policies, sets out LaSalle's strategy for decarbonising its 'in scope' assets under management. This ambition of this strategy can be summarised as

(a) Where LaSalle has control or material influence over its assets (such as Direct Investments and majority owned joint ventures), it is targeting a reduction in clients' scope 1 and scope 2 emissions, and to the extent possible, scope 3 GHG emissions on an "intensity basis" (i.e., by floor area) of 50% by 2030 (as against a 2019 baseline)[3] and 100% by 2050; and

(b) Where LaSalle does not have material influence or direct control over the assets (which may, for example, include investments in third party funds, debt investments, minority joint venture interests and listed securities), it is committed to supporting the goals of the Paris Agreement through engagement with our partners.

in each case, in a manner consistent with client investments objectives and LaSalle's fiduciary and regulatory duties.

3.9 Progress in respect to the Climate Action Plan is discussed in greater detail in Part 4 of this Report. Investments which are "in scope" for the purpose of the above is explained in Part 4.1.

3.10 As noted above, many—but not all clients have set sustainability objectives alongside investment performance goals. Trade-offs between LaSalle's climate commitments, impact, and financial goals, if any, should not be made blindly and it is critical that climate related initiatives are clearly identified, have measurable objectives and are underwritten through the lens of generating (and/or protecting) investment values and returns whilst meeting any legal

[3] Our baseline is expressed on an intensity basis over floor area in order to eliminate as much variability from the property acquisitions and dispositions that occur within our vehicles. Further, due to the use of estimates and changes in our asset mix, this figure is subject to change

requirements. But even if climate related goals are not pursued, financial risks stemming from identified structural trends (such as climate change) must be considered in order to manage capital prudently.

Climate Action Plan

3.11 Implementation of its Climate Action Plan across its European portfolio is led by the European Sustainability Team, which adopts a "collect", "engage", "implement" and "invest" framework for assessing its Net Zero Roadmap for meeting the above objectives where LaSalle has control of underlying assets. The key components of that model are summarised below (which it should be noted, comprises a series of internal targets and may be subject to change based on market events, asset level decisions, client expectations and technological improvements).

	2024	2025	2028	2030
Collect	100% of 'in scope' direct investment assets completed NZC audits by end of 2023 and data assessed.[4] All new developments and major refurbishments measure for an embodied carbon target starting in 2024	100% landlord-purchased electricity procured from renewable sources by 2025		
Engage	Create asset-level transition plans, which map the transition away from on-site fossil-fuel based heating, by 2030		Target 90% tenant purchased electricity procured from renewable sources by 2028	
Implement	Target NABERS UK Design for Performance on all UK office 'ground up' developments and major refurbishments after 2024			30% reduction in landlord controlled operational energy intensity by 2030 50% reduction in whole building operational emissions by 2030[5] New developments target an embodied carbon (A1 – A5) intensity that aligns with LETI 2030 Design Targets[6]
Invest				Increase onsite renewable deployment to 25MW across portfolio by 2030

[4] LaSalle's European direct equity portfolio is in scope of this 'collect' objective. Assets excluded were those currently in development, planned development in next 3 years, earmarked by our fund management team for a short-term sale, and those assets in our 'sell down' portfolios. In addition, for our large multi-family assets, not every unit was individually audited, rather a sample of units were audited.

[5] For assets that have been held for longer than 18 months and the tenant has demonstrated a willingness to share consumption data and actively engage in energy efficiency measures with LaSalle.

[6] Low Energy Transformation Initiative (LETI) is a voluntary network of over 1,000 built environment professionals, working together to "put the UK and the planet on the path to a zero carbon future." LETI has established a set of targets which are aligned with assets transitioning towards net zero.

3.12 LaSalle's Net Zero Roadmap provides a guide to the "hierarchical approach" used to reduce GHG emissions, which can be summarized by reference to the following priority of relevant improvement initiatives

(a) fabric efficiency

(b) energy efficiency

(c) on-site renewables

(d) off-site renewables

(e) high quality offsets (least preferred)

3.13 This hierarchy of GHG emissions reductions can be loosely categorised into the following real estate interventions:

Operational carbon	Building plant efficiency	e.g. Building Management System optimization
	Electrification	e.g. Replace gas boilers with electric heat pumps
	Power generation	e.g. Install onsite solar photovoltaics (PV)
	Power procurement	e.g. Procure renewable energy or PPAs
	Data accuracy	e.g. Linked to each of the above, timely and reliable data across portfolios
Embodied carbon	Development and material refurbishments	e.g. Minimise both operational and embodied carbon during design

Integrating climate related risks into our decision making

3.14 Where LaSalle has an active management role (for the purposes of delivering appropriate services to client investee entities) our ability to manage and control the risks is far greater than where LaSalle does not have day to day control of an underlying investment. Where it does not have control, the approach is to directly engage with the relevant third party (whether that is a borrower, joint venture partner or security issuer) with a view to understanding their approach to physical and transition risks.

3.15 The substance of how LaSalle integrates climate related risks into the real estate process follows:

(a) the collection and management of climate related risk data (both with respect to asset specific carbon emissions (both embodied and operating) and physical climate risk)) which is used (amongst other matters) to:

(i) assess "buy/sell" decisions; and

(ii) develop short term, medium term and longer term capex initiatives for mitigation or adaption activities, and/or longer term "dispose or retain" decisions; and

(iii) assess whether direct investment assets meet legal requirements.

(b) the employment and retention of experts having the knowledge and skills to implement carbon reduction programmes that have a meaningful reduction in carbon whilst understanding that such investments need to be accretive to investment returns.

3.16 In our view (and further to the above time horizon risks), it follows that investment managers which cannot build expertise and frameworks in the short term with the objective of identifying, costing and managing sustainability related risks and opportunities of clients, regulators and counterparties (amongst others) will jeopardise their medium and long-term viability and competitiveness (which in itself would be expected to result in limiting access to capital). An investment into in-house carbon management expertise and new skills, together with technology and automation will be key to this as client's remain vigilant with respect to the impact on returns of additional cost burdens and may expect these additional services to be covered by asset managers under existing cost frameworks (which may come under additional pressure as the number of sustainability experts is limited and their compensation increases in response).

3.17 To address the above, the Head of Sustainability Europe is focused on implementing LaSalle's Energy Efficiency Plan and mitigating and managing the risks and opportunities which are associated with climate change transition issues to LaSalle's business. To this end, the following have been central to this.

(a) (**Services, Skills and Operations**) LaSalle has made significant investment in developing a well-resourced and skilled European Sustainability Team (see details relating to this above in the "Governance" section above). The key objective of the Sustainability Team is to support the broader organization in setting sustainability goals, making investment decisions, and measuring and reporting on progress against the stated carbon targets. More specifically, for direct investments managed for clients (other than any client that has specific instructions to the contrary , assets under development or the assets marked for sale in the short term) LaSalle has undertaken full carbon audits of its European portfolio[7] and developed Carbon Risk Real Estate Monitor (CRREM) pathways and associated capital expenditure plans for implementing ECMs (Energy Conservation Measures) (or divestment recommendations) having regard to client objectives and the return on these investments.

(b) (**Data collection (1)**) Software has been procured or developed for collecting, aggregating and reporting against sustainability related targets and third-party suppliers have been engaged for enhancing the reliability and scope of data collected (this is expected to materially enhance reliability and the scope of data collected over the short term and help identify where initiatives should be focused to manage sustainability risks and opportunities). More specifically, LaSalle is using an inhouse bespoke tool to track the carbon profile of all direct assets (this tool provides a detailed data breakdown across the portfolio of carbon audits, assessments, works status, budgets, etc). Further, a third party platform is used to ingest and track operational energy at all direct properties.

(c) **(Data collection (2)**) Periodically LaSalle engages with the on-site asset teams to discuss sustainability performance and initiatives. These initiatives are fed into the business planning and budgeting processes and performance is reported to investors. LaSalle has a strategy to collect tenant energy and carbon data which sits outside the direct operational control - as part of its ambition to obtain 100% data coverage and understand the full carbon footprint of the portfolio.

(d) (**Research and strategy**) further, LaSalle has refined its regional investment thesis to reflect the impact of sustainability related risks and opportunities. LaSalle broadly subscribes to the thesis that medium and long-term investment performance of real estate-related investments will be driven by secular, society-wide themes which will shape real estate investment strategies and wider financial markets in ways that supersede and outlast the shorter-term property cycles. The on-going development and ownership of these themes are led by LaSalle's in-house Research and Strategy team. Specifically relevant to direct investments and indirect investments, there are four important long-term secular themes driving real estate demand,

[7] As at the date of this report, we have completed 220 carbon audits across our European direct real estate portfolio

which are “demographics”, “technological change”, “urban and regional change”, and “environmental factors” (generally, referred to as DTU+E factors). The Research & Strategy team incorporates climate change risks into the market analysis and market rankings and has published several material pieces recently each of which considers sustainability related risks and opportunities (the most recent of these can be found on LaSalle’s website). LaSalle also published an ISA Brief in April 2024, exemplifying some of the approaches and considerations around climate risk (a copy of which can be found here: https://www.lasalle.com/research-and-insights/isa-briefing-climate-risk-regional-market-and-asset-level-views/).

(e) (**Aligning with a recognised standard for measuring Net Zero Carbon**). LaSalle Europe has adopted the Carbon Risk Real Estate Monitor (“CRREM”) methodology for monitoring and tracking individual assets’ (and portfolios’) carbon profiles and decarbonisation pathways. By using a single methodology it is possible to compare assets’ and portfolios’ performance, and provide clear metrics and targets to achieve. Whilst it is acknowledged that the CRREM model is not 100% accurate for all real estate assets, it remains the most appropriate tool available to the European market currently.

(f) (**Industry engagement and collaboration**). Given the evolving nature of the science, regulation, investor demand and market norms surrounding sustainability and climate risk, it is vital that LaSalle maintains active dialogue with key stakeholders in the industry. In the past 12 months LaSalle has actively engaged with Urban Land Institute (on Climate risk); UK Green Building Council (UKGBC) (on Net Zero Carbon definitions); Better Buildings Partnership (on sustainability acquisition criteria); regulators (on the SFDR consultation), to name a few.

3.18 The European Sustainability Team is responsible for advising the business in relation to acute and chronic physical risks that are associated with climate change. Relevant initiatives and approaches include those set out in the following table.

Table: Examples of sustainability related interventions lead by the European Sustainability Team

Intervention stage	Risk intervention
Portfolio level	Portfolio-level tracking of GHG emissions and climate risk, incorporated into annual strategic plans
	Climate risk informed portfolio construction strategies, acquisitions and hold/sell decisions
Acquisition	Assessment of key sustainability information and climate risk screening
	Development of a budget and action plan for achieving investment performance, including through sustainability focused plans
	Findings and improvement plans reflected in underwriting and Investment Committee approval documents
Asset management	Ongoing efforts to track performance: manage sustainability certifications , and optimise energy use, GHG emissions, water use and waste production.
	Sustainability plans integrated into annual asset level business plan, operating budget and capital plan
	Leverage opportunities to maximize efficiency in planned capex
	Address climate risk mitigation and adaptations as needed
	Continuous focus on operating efficiently and partnering with property teams and tenants

3.19 Transposing objectives in the nature of those above into an effective action plan is critical to all stakeholders. Where LaSalle (UK) believes asset managers have the ability to demonstrate that such action can meet their client's investment objectives whilst also addressing sustainability risks and opportunities (and in each case, having a meaningful impact which align to the Paris Agreement) will have a competitive advantage. To that end, the implementation phase needed to meet these challenges includes matters in the nature of the following (and implementation may include a combination in the nature of the initiatives described below).

Table: the following sets out a summary of real estate opportunities that derive from sustainability related initiatives.

	Opportunity	Time period	Potential impact	Implementation
Resource efficiency	More efficient buildings, technology, operations and transport; Leverage energy incentives	Short term	Operating cost savings; Value appreciation; Supply chain resilience	Energy metering; optimisation technology; energy audits; skills and resources
Products and services	Investment strategies with climate focus Products / services supporting climate mitigation or adaptation	Short term	Greater revenue / demand Access to new and emerging markets Higher valuations	Supportive climate-related drivers to be integrated into portfolio company value creation plans Portfolio company engagement to develop sustainable offerings
Market	Appeal to new investors through climate investment strategies	Medium term	Attraction & retention of investors Brand value and reputation Lower cost of capital	Sustainable investing as a strategic priority Clear climate strategy for investments Enhanced climate due diligence
Market	Appeal to climate conscious corporate tenants	Medium term	Attraction & retention of corporate tenants with strong sustainability credentials as it relates to their real estate; Rental premiums; Longer lease terms; Reduced voids;	Asset refurbishments; efficient and optimal asset operations; effective marketing and communication; active engagement with tenants
Technology	Market shift to lower emissions and climate-resilient technologies impacting portfolio companies	Short to medium term	Greater portfolio company revenue, market share and valuations	Continuous market and peer analysis Investment in R&D & adoption of latest technologies

PART 4 – Metrics and Targets

4.1 This section discloses the metrics and targets used to assess and manage climate-related risks and opportunities by LaSalle, where such information is relevant and material.

4.2 As noted above, LaSalle (UK) is an investment and asset manager and in such capacity it acts as an agent and fiduciary investing on behalf to its clients. It does not set climate-related targets for client investments as it recognises that clients each have different investment objectives. The metrics disclosed in this section are therefore influenced by those client objectives and the assessment of macro, market and other broad factors (such as legal requirements) that give rise to sustainability-linked risks and opportunities assessed in connection with those investments. Ultimately, subsequent sustainability initiatives need to be viewed through a lens of whether the costs of implementation are legally required and/or whether they can be plausibly expected to be accretive to value. Changes over time in the metrics disclosed result from decisions linked to client objectives and may differ based on investments which may be "out of scope" of sustainability-linked metrics for certain reasons (as explained in more detail below).

4.3 It follows that in respect of this section we set out our report primarily with respect to:

(a) metrics in relation to physical climate risks; and

(b) metrics in relation to material transition risks

in each case, for "in scope" assets LaSalle (UK) manages on behalf of its clients which are physically located in the UK.

Scope of our reporting

4.4 The following sets out an explanation of those investments managed by LaSalle (UK) and which are in scope for inclusion in our UK Energy Efficiency Plan.

(a) **UK Direct Investment business**: The AUM of LaSalle's Private Equity business (across core, core plus and value add mandates by reference to the categorisation of their investment style and also being Direct Investments) was approximately £10.51 billion, of which £1.3 billion was treated as "out of scope". Investments will be out-of-scope if:

(i) clients have specified that emissions of their portfolio's should not be assessed; or

(ii) investments have been identified for inclusion in a short term disposal programme; or

(iii) scope 1 and 2 emissions are not scheduled for measurement on account of an investment being in the process of development or major refurbishment; or

(iv) assets are held in a Joint Venture and LaSalle's ownership (on behalf of our client) is less than 50%).

(b) **Global Solutions**: Indirect investments which are (i) majority owned joint venture interests; and (ii) limited partner (or equivalent structures) commitments to funds managed by third party managers on behalf of clients of its Global Solutions business are in scope meaning that £1.66bn is in scope).

In respect of indirect holdings managed by third party managers, even though LaSalle does not control the operations of those investments, it does receive underlying carbon reports via GRESB (Global Real Estate

Sustainability Benchmark) reports issued by those third parties for European investments. This enables the assessment of sustainability risks and opportunities associated with those investments.

(c) **Private Debt business**: Debt investments (AUM £3.3 billion with capital committed of £5.3 billion) are not directly controlled by LaSalle (UK) and as such are treated as out-of-scope. LaSalle is committed to assess the climate transition objectives or criteria set out in the terms of those third party loans and how these might be reported. When financing private real estate, the investment typically has limited exposure to the long-term risks of the underlying assets given the relatively short and medium term of the lending agreements. To date there is limited data available on the underlying assets.

(d) **Public Equity business**: For completion only, we note that LaSalle's Public Equity business does not manage any investments from the United Kingdom.

Physical climate risk metrics

Table: Physical climate risk metrics applied by LaSalle

% of portfolio vulnerable* to physical climate risks	*Assets have been defined as 'vulnerable' if they are found on a subjective assessment to have at least a 'moderate' exposure to risk in the short or medium term (ie in the period between assessment and 2030), as defined by the assessment risk score.

Transition risks metrics

Table: Key transition risk metrics applied by LaSalle

% of total portfolio vulnerable to Minimum Energy Performance Certificates (UK only)	Vulnerable has been defined as those assets that do not meet the current minimum energy rating for lettings and sale, currently EPC E. Given the varied nature of our UK-based AUM, this metric is reported on a fund by fund basis, and cannot be practically aggregated up and reported within this Report. We will endeavour to report against this metric in future disclosures.
% of accurate electricity and gas actual data vs estimated. (landlord procured).	Data accuracy is critical to understanding the energy use and carbon emissions associated with real estate activities. It is important to understand how much of the data is estimated vs actual meter reads. Given the varied nature of our UK-based AUM, this metric is reported on a fund by fund basis, and cannot be practically aggregated up and reported within this Report. We will endeavour to report against this metric in future disclosures.
Energy use intensity (EUI)	Final Energy Use Intensity (EUI) ((kWh_f/m^2/year) normalised by gross floor area provides an accurate picture of change and comparability for most asset classes than normalising by value (which meets the TCFD objective of comparability and consistency).[8] kWh_f/m^2/year is the predominant means used in the real estate sector for measuring EUI. With respect to EUI, it is noted that the real estate sector needs to rely in part on proxy or estimated energy consumption data – which limits the utility of this as a metric as it cannot be considered accurate. LaSalle (UK) relies on a single proxy data set from a third party which is integrated with actual energy consumption data. We use a single proxy data set as it provides us with consistency

[8] See submission made by several property industry associations to the FCA dated 12 January 2024 (https://www.inrev.org/system/files/2024-01/Submission%20to%20FCA_ISSB_TCFD_TPT%20Proposals%20ESG%20Metrics%20for%20Real%20Estate_12%20January%202024.pdf)

	in the methodology and ensures that all building-related emissions are accounted for the AUM within scope. See the discussion below with respect to data limitations [9] Primary energy demand (PED) intensity (kWh_p/m^2/year) is an additional metric used across the portfolio. Whilst final energy demand is the energy consumption data measured at the utility meter, primary energy demand accounts for the energy used in the conversion process (for example generating electricity) and losses associated with transmission and distribution. PED is a metric required as part of reporting against Principal Adverse Impact reporting under the EU's Sustainable Finance Disclosures, which is applicable to a number of funds and mandates. Given the varied nature of our UK-based AUM, this metric is reported on a fund by fund basis, and cannot be practically aggregated up and reported within this Report. We will endeavour to report against this metric in future disclosures.
Greenhouse gas (GHG) emissions	Carbon equivalent emissions is a critical metric to understand the absolute environmental impact of an asset/portfolio's activities. It is a currency that is applicable across all industries and throughout the value chain, allowing for comparability. It is increasingly used by regulators, industry bodies and as an internal performance metric.
Net Zero Carbon CRREM alignment (Risk to 1.5C climate scenario)	This transitional climate-related stranding risk is assessed against the Carbon Risk Real Estate Monitor's (CRREM) methodology, and other national building energy performance targets, which enables the measurement and quantification of the risk at the asset-level. Given the varied nature of our UK-based AUM, this metric is reported on a fund by fund basis, and cannot be practically aggregated up and reported within this Report. We will endeavour to report against this metric in future disclosures.
Data limitations	LaSalle strives to consider cross-industry climate related metrics categories outlined in the TCFD recommendations. Based on those recommendations, LaSalle discloses GHG emissions (please see next section 5.2. However, itis difficult to quantify exposure to other metrics (such as climate-related opportunities or capital deployment towards climate-related risks and opportunities) due to challenges related to portfolio aggregation and sourcing data from investee companies or third-party fund managers. Emissions data often relies on estimates or substitute information, which may not fully depict portfolio exposures or risks. Additionally, the data can vary significantly from year to year due to improvements in data quality or changes in estimation methods. Efforts are made to ensure the accuracy of the data however it is important to note that any results should be seen as approximate rather than exact.

4.1 It should be noted that emissions-related data, models and methodologies used are often relatively new, evolving and are not of the same standard as those available in the context of other financial information (i.e. developed disclosure standards, benchmarks or accepted accounting principles). LaSalle (UK) has used a variety of data sources, including data gathered directly from suppliers, borrowers, partners and/or publicly available sources, and data provided by third-party data providers to prepare the metrics in this Report. LaSalle (UK) has not verified the data in this Report and the data has not been subject to third-party assurance. Any data source used may not be

[9] With respect to estimates and proxy data, we are ***in the final stages of commissioning*** a consultant to define a LaSalle global standard methodology for calculating emissions, including estimates, based on PCAF. This has been used to create a 2023 dataset that is being presented shortly. However at the fund/regional level we currently have 3 or 4 different data providers (Deepki, Retech etc) who have differing methods of estimating data (Deepki's is their own proprietary, fully audited, method that is not PCAF)

comprehensive, may use estimations, or may involve a qualitative assessment and there may be discrepancies between data sources, data gaps, lags, or limitations in the methodology for a particular data source.

4.2 Other metrics in addition to carbon emissions, such as water consumption, waste production etc, may also be relevant and collected to differing degrees across the direct and indirect portfolio.

4.3 LaSalle quantifies and reports its GHG emissions in line with the GHG Protocol.

2023 metrics

4.4 The table below sets out a summary of the climate-related metrics used by LaSalle (UK) for the purpose of this report.

Table: LaSalle's Scope 1, 2 and 3 emissions (tCO2e) for calendar year 2023 are summarised below:

GHG scope	Description	Source of data	2023 tC02e
Scope 1	Emissions related to onsite fossil fuels burned at LaSalle UK offices.	JLL Corporate Emissions Reporting based on consumption data collected from both 1 Curzon Street and 78 St James's Street	0
Scope 2 (location-based)	Electricity procured for LaSalle UK offices.	JLL Corporate Emissions Reporting based on consumption data collected from both 1 Curzon Street and 78 St James's Street	23.4
Scope 3 (category 15) – financed emissions	Emissions related to the energy consumption of assets under management.	Third party consultant specialising in real estate carbon accounting. The figures comprises a mix on underlying actual and estimated energy consumption data	102,400

Table: Carbon emissions metrics

	2023
Total carbon emissions (Scope 1 and 2 tCO2e)	23.4
Total carbon emissions intensity (Scope 1, 2 and 3 tCO2e/ €M AUM)	9.38
Weighted average carbon intensity (tCO2e/ €M revenue)	-

Table: Physical climate risk (2023)

% of portfolio vulnerable* to physical climate risks	For the applicable 157 direct investments in the UK portfolio, the aggregate CVaR (climate-value-at-risk) metric is –0.14%. The climate risk data provider groups risk exposure into categories by severity of risk, by AUM (UK). The distribution of value in those categories are: Severe: 0% Significant: 0% Moderate: 4.9% Negligible: 94.1% Negligible risk reduction: 1%

Methodology

4.5 In order to provide data in a format which meets the requirements of a large portion of clients, LaSalle has elected to adopt the UKs *Pension and Lifetime Saving Association Carbon Emission Template* (for real assets). If follows that the emissions data is presented by scopes 1 & 2 as well as scopes 1, 2 & 3; each of which are presented as a location-based intensity.

4.6 WACI - The Weighted Average Carbon Intensity metric was developed with the intention to allow comparison of different asset classes, particularly for energy intense industries. Real estate practitioners have flagged that this does not allow for the size of a building, nor the rental income, and raised concerns it may not be the most appropriate measure for Real Estate. Whilst carbon metrics are evolving and maturing, LaSalle will continue to monitor the suitability of this metric, but currently does not apply WACI to its real estate assets. It should also be noted that this metric does not align with metrics employed for building regulation compliance, which is a transition risk.

4.7 It is noted that water and waste metrics are not able to be reliably or fully measured across the portfolio of assets managed by LaSalle (UK) and which are in scope for this report. LaSalle is in process defining a global methodology for calculating emissions, including estimates, based on PCAF.

Internal Carbon Pricing and related services

4.8 At this date, internal carbon prices have not been developed by LaSalle given the bifurcation across real estate markets to this issue, and the varying impact that a carbon price would have on specific fund mandates. That said, where LaSalle invests on behalf of clients in locations that have carbon taxes, these are factored into asset plans, and further, with some of the strategies, the likely impact of a carbon tax has been considered.

4.9 LaSalle continues to assess whether its clients should bear costs for services provided by LaSalle in respect of climate related assessments and related matters. On balance, at this date we are of the view that whilst some recovery of costs for time related to these matters is warranted on account of the services being additional to those initially in scope at the time of LaSalle entering mandates and being beyond those typically offered by investment managers, the aggregate amount of such fees is not meaningful to LaSalle. The more relevant issue in this regard is highlighted above with respect to providing a service which is competitive to peers and meets client expectations, whilst maintaining the duties as fiduciaries.

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