



Sustainability
Review
2016



About us

At LaSalle we are dedicated to our clients' returns and we believe that by investing responsibly we can protect and indeed enhance that investment performance.

What does ESG mean for us and our clients?

It's about creating and managing buildings that are good for the planet, the people who occupy them and the people who invest in them in the long term.

We act in accordance with our own responsible investing policy but also the requirements and expectations of our clients and occupiers.

We firmly believe in the link between sustainability and enhanced investment performance and that by future proofing and building resilience into our portfolios we are protecting long term returns. Sustainability is after all about economic longevity as well as environmental and social considerations.

What are the big trends? The world is moving away from green buildings and towards smarter and healthier buildings. Access to big data and a focus on health and wellbeing mean that the language that we use around sustainability is changing and it's changing rapidly. By looking ahead we are able to anticipate and prepare ourselves for these changes.





Highlights

29,109,045 kWh reduction in our energy consumption*

8,318 tonnes reduction in CO₂ emissions*

£1,896,893 savings in energy costs

Reduction in energy consumption*

Year 1

7%

Year 2

15%

Year 3

4.5%

*over the last three years on like-for-like assets in our Energy Reduction Programme

...savings which will power



4,000 UK homes for a year

OR



600 average sized hospitals for a year

OR



1.000 primary schools for a year

Sustainability risk



Sustainability covers a variety of risks such as climate change, legislative compliance and obsolescence, but it also presents opportunities. By looking to mitigate these risks we can not only build resilience into our portfolios but also capitalise on the opportunities to upgrade the overall quality of our assets.

Sustainable Development and Refurbishment Standards

We were delighted to announce the launch of our Sustainable Development and Refurbishment Standards in March 2016, a practical approach to ensuring that each of our projects achieves the best standard across a range of dimensions, including energy, water, waste, community and wellbeing. We have set out our aspirational best practice targets in each of these areas, but knowing that it will not be appropriate or viable to deliver these for every project, we have also established our minimum standards. For example, we will be required to deliver an EPC rating of D as a minimum on all refurbishments but will strive to deliver an EPC rating of at least B.



Case Study

Sefton Park, Stoke Poges, Slough



Biodiversity – Enhancing biodiversity with benefits to employee wellbeing

Sefton Park is an office park consisting of five separate buildings set in a 34 acre site three miles north of Slough. The site includes tennis courts, a cricket ground and a golf course – all of which are available for employee use.

In 2014 two bee hives were installed near the existing wildflower meadow and the planting of an orchard in part of the meadow in 2015 further enhances the biodiversity of the local area and helps reverse the decline of the bee population. The hives are well sited with shelter from a hedge to the rear and with the meadow and orchard in front. In 2015 in excess of 30 lbs of honey was produced which is approximately 50-60 jars. The honey is available for occupiers to purchase and money made from this is re-invested into the upkeep and expansion of the hives.

This supports LaSalle's approach to...

- Enhancing local biodiversity
- Improving occupier experience, health and wellbeing



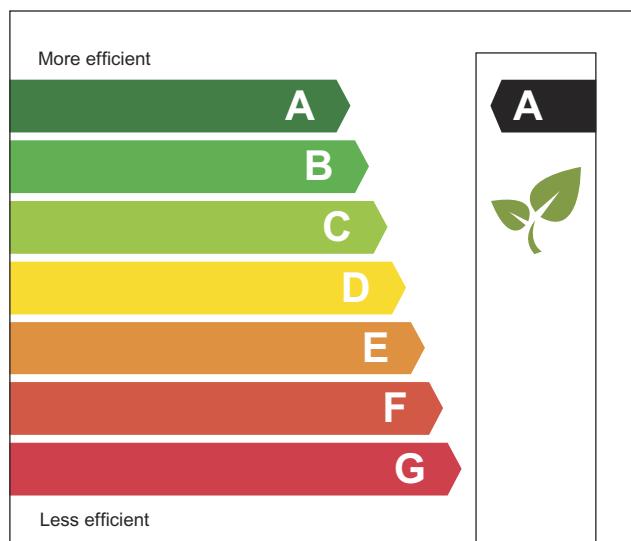
Compliance

No. of funds affected by ESOS (Energy Savings Opportunity Scheme)	13
ESOS compliance by Dec 2015	100%
No. of CRC (Carbon Reduction Commitment) audits successfully passed	1

NB. Please note that CRC will be scrapped at the end of Phase 2 in 2019.



Minimum Energy Efficiency Standards



The Minimum Energy Efficiency Standards set a minimum EPC rating of E and will apply to new leases from 1st April 2018 and to all leases in existence from April 2023. This regulation introduces the risk of increased obsolescence as any assets with F or G rated EPCs will need to be upgraded in order to be able to protect the income stream. We have already experienced price reductions when looking to buy or sell assets with poor EPC ratings as investors look to mitigate the capital expenditure required to upgrade.

In 2015 we released new EPC guidance to our asset management teams to help them find the most effective way to remove the risk presented by MEES from their standing assets and to appropriately assess the risk during the acquisition due diligence process.

We have appointed an EPC consultant to carry out a further in depth review of our portfolio and identify opportunities to upgrade the EPC ratings and reduce the risk of poor or unknown ratings.

All our sustainability data is now on LaSalle's internal dashboard which allows asset managers and fund managers to instantly identify and manage risk.



Environmental performance

Saving energy, reducing our carbon footprint

Our Energy Reduction Programme has gone from strength to strength and now includes 60 assets. In the first year we achieved a reduction of 7%, the second year of the programme saw a 15% reduction, and in the third year we have seen a reduction in energy consumption of 4.5% against a target of 4%. Setting energy reduction targets and frequent engagement with the asset team have helped to deliver strong savings each year since the programme was launched. Overall this equates to £1.75 million in savings to date.

Many of the low and no cost energy saving initiatives have now been achieved, such as adjusting heating set points and refining operational timings for heating and cooling systems. Other large reductions have been delivered through refurbishment projects or small scale works directly targeted at reducing energy consumption. Some examples include 27 Great West Road, Brentford where we achieved a 36% reduction in normalised energy consumption compared to the same period in the previous year as a result of a simple upgrade to the air handling units at the property, and 130 St Vincent Street, Glasgow where the installation of a Building Management System and an upgrade to the lifts resulted in a 37% reduction.

Real Estate Environmental Benchmark

The Real Estate Environmental Benchmark (REEB), allows us to compare the energy intensity (kWh/m²) of our office and shopping centre assets against their peers and helps us understand how well they are performing. These benchmarks form an important part of our Energy Reduction Programme, allowing us to meaningfully analyse relative as well as absolute performance. In 2015, 47% of our office portfolio performed better than the REEB Good Practice benchmark and 67% better than the typical practice benchmark. 19% of the shopping centre portfolio outperformed the REEB good practice benchmark and we have seen a reduction in energy intensity of 27% since 2010/2011 in our covered shopping centre portfolio.

27 Great West Road,
Brentford achieved a

36%

reduction in normalised
energy consumption
compared to the same
period in the previous year.



Renewable energy

As well as working to reduce the energy consumed at our assets, we also look to make the energy cleaner. In 2015 we investigated opportunities to install solar photovoltaic panels across our portfolio. We identified three assets with the right roof space, orientation, building age and condition where the installation would deliver an attractive return. These have now been installed and are expected to deliver a total of 471,000 kWh and savings of 230 tonnes of CO₂ in the first year. As well as reducing carbon emissions, these installations provide cheaper energy to our tenants, increase energy security and also protect tenants against future energy price hikes.

Solar panels installed in three of our assets deliver a total annual electricity amounting to
471,000
kWh...

...and saving **CO₂** to the amount of
230
tonnes



Environmental Management Systems

We reported last year on the implementation of ISO14001 certification across our shopping centre portfolio and are pleased to announce that certification has now also been achieved across our office portfolio. This recognises the implementation of an Environmental Management System and continual improvement against that system. By achieving certification against the ISO14001 standard, we are able to validate our commitment to reduce the environmental impact of our buildings and ensure that we have robust systems in place that benefit the environment and reduce costs for tenants.



Awards

We were delighted to be awarded with these

12 Green Apple awards

in 2015 across 25% of our shopping centre schemes.

UK Gold:
Middleton Grange, Hartlepool
– Carbon Reduction

Regional Gold:
Four Seasons, Mansfield
– Energy/Lighting efficiency

UK Silver:
Broadway Centre, Bexleyheath
– Carbon Reduction

Regional Silver:
The Pavilions, Uxbridge
– Energy/Lighting Efficiency

Silver:
High Chelmer, Chelmsford
– Environmental Best Practice, Innovation

Silver:
The Howard Centre, Welwyn
– Estate Management – Energy/Lighting Efficiency Green

Silver:
Ankerside
– Waste Management, Recycling National

National Bronze:
Westside Plaza, Edinburgh
– Estate Management

Bronze:
Royal Priors, Leamington Spa
– Waste Management

Bronze:
Green Travel Plan
– Estate Management
Plus BCSC Gold short list runner up 2015 for the ISO14001 project.

Apple Awards:
Rochdale Exchange
– Environmental Best Practice

Apple Awards:
Cumbernauld Shopping Centre
– Environment Best Practice



Stakeholder Engagement

Managing agents

We meet with all our managing agents each quarter specifically to discuss progress on sustainability objectives. In 2015 we awarded a new property management contract to Workman including specific sustainability objectives.

Investors

In 2015 we completed a stakeholder engagement exercise to find out what our clients think about sustainability and how they want us to communicate about it.

Occupiers

We have developed a new tenant engagement programme with Upstream, starting with 10 office buildings. The aim is to establish a dialogue about sustainability with our tenants in order to further reduce the environmental impact of those assets.

Employees

We care about what our employees think, and in 2015 we carried out a global culture and engagement survey with an 81% response rate.

Creating a diverse and inclusive culture within LaSalle is high on the agenda and in October 2015 we established a new Diversity Board working to further encourage diversity and inclusivity in our environment. We enlisted the support of Dr Wanda Wallace, a leadership and diversity expert, to conduct some research to help us establish a strategy to help drive diversity into the business.

LaSalle employees took part in the 100 day Global Corporate Challenge for the first time in 2015. The challenge encourages participants to work in a team of seven to rack up their daily step count to compete against other teams globally the challenge promotes awareness of daily activity levels and encourages staff to take lunch break following the success in 2015, we have launched the challenge again in 2016 with an impressive 80% of our employees taking part.



Industry



We are pleased to announce that we became a member of GRESB in 2016 and this year have submitted the GRESB Debt Assessment for our LREDS fund.



This year we submitted our third PRI report which can be read [here](#). We scored A+ on Strategy & Governance and A on Property



Our Head of Sustainability, Sophie Carruth, became a board member of the BBP and will be chairing the Investor Engagement Working Group.



We sit on the INREV sustainability committee which has launched its new sustainability reporting framework.



We participated in a round table discussion hosted by the Fifth Estate about Green Property Bonds.



Social

Community engagement

Our community engagement programme runs across our shopping centre assets with the dual aim of creating a sense of place within the local community and helping to market our centres. We work closely with the local community and various stakeholder groups for each shopping centre including charities, schools, colleges, sports teams, councils, Town Centre Management teams, BIDs and community groups.

The benefits of the programme are:

- *Involving the local community in events and activities taking place in the shopping centres as part of the marketing strategy*
- *Raising money for charity*
- *Providing space for community and charity fundraising activity within the centre free of charge*
- *Supporting local community initiatives*
- *Supporting tenants' own fundraising efforts by raising awareness via the local press and PR*

Charity Fundraising

2015 was our first year contributing as a LandAid foundation partner. LaSalle entered three teams into the TowerAthlon event which raised £4,000 for LandAid's charities. The event involved a static 10 minute cycle, running up a 13 story tower and abseiling down from the top. Land Aid Ambassadors Ross Burns and Alexandra Randall organised an event for the annual LandAid day which raised £2,500 and saw 14 property companies compete in a football and netball tournament, going head to head for the LandAid Ambassadors' Cup. We received a Best Collaboration Award as a result of the event's success.



We encourage our staff to take off one day each year for community volunteering projects. In 2015 our Business Space team spent a day working community allotments in Tottenham with Living Under One Sun, our Retail team spent a day sorting through donated stock, categorising and valuing via Amazon & Ebay for Trinity Hospice in Balham and our finance team spent the day cleaning, leafleting and painting for homeless charity Emmaus in Lambeth. These are charities that we return to year after year and have established long term relationships with.



LaSalle's corporate commitment to charity is complemented by our individual and team participation in fundraising and volunteering.

Case Study

Pyramids Shopping Centre, Birkenhead



Pyramids Shopping Centre won a BCSC Purple Apple Merit award in the Cause Related Marketing category for the Junior Rangers event. A vacant unit was transformed into an indoor forest during the summer holidays with free interactive sessions over 18 days including games, craft workshops, live animal displays, storytelling and den making.

All activity was delivered by the Ranger Park team of Birkenhead Park through their Forest Schools Outreach Programme and further partners included Wirral Council, the Animal Ark Experience, Vesbim productions, Wirral Met College and the Cheshire Regiment.

The highlight was a series of live Skype sessions with Rangers from Central Park New York to explore its similarities with Birkenhead Park.

By supporting community initiatives and engaging with local stakeholders, our shopping centres are able to not only bring benefits for local partners but also to really help create a sense of place which can be seen through increased footfall.



Cause Related Marketing
BCSC Purple Apple Award





What's next?

We are committed to enhancing our environmental, social and governance initiatives and as a result are excited to have launched a project to design the next stage of our sustainability strategy for our European business. Working with Upstream (JLL) and building on our existing work, the aim of this project is to robustly advance our sustainability platform to deliver a forward looking and visionary sustainability programme that identifies opportunities, mitigates risks and future proofs the portfolios that we manage. We will report on the results later in the year.

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