



# Investing in our future

LASALLE SUSTAINABILITY  
REVIEW EUROPE 2018



## Note from the Europe CEO and Head of Sustainability

Our primary objective is to deliver superior performance for our clients and we believe that managing our portfolio in a sustainable way will serve to protect and enhance value in the long term.



**Simon Marrison**  
*CEO, Europe*

At LaSalle long term sustainable investment is at the heart of everything we do. We live in a world where systemic risks will have an impact on future generations unless we all act in a responsible manner. An increasingly important part of our job as risk managers is to focus on the sustainability risk to our investments, but also to ensure our buildings have a positive impact on the environment, the people that occupy them, and on the communities in which they are located.

In making our investments more sustainable we not only protect long term value but also help reduce the systemic risks around us. Whilst our clients are increasingly demanding and more exacting in what they require from us with regards to sustainability, these requirements are becoming second nature to us. As we strive to become leaders in this domain I would like our people to be proud of what we are doing, not just because it is now part of our fiduciary responsibility, but because we are making a positive impact on the world in which we live and operate.



**Sophie Carruth**  
*Head of Sustainability,  
Europe*

The need to seamlessly align our everyday operations with long term sustainable investment is the reason we developed an innovative new sustainability strategy for our European business at the start of 2017.

This focuses on three areas: truly embedding sustainability into our culture, ensuring that our investment strategies look to the future, and building resilience into our investment management processes.

Over the last few years, we focused on the environmental impacts of our assets. This year we turn our attention to the socio-economic impacts of our portfolio and look to see how we can establish a means of measuring our progress in this area. This report is designed to guide you through our strategy and highlight our recent sustainability achievements across our European operations. It also demonstrates our approach to diversity & inclusion, community engagement and employee development and wellbeing.



## About LaSalle

LaSalle Investment Management is one of the world's leading real estate investment managers with approximately \$60 billion of private and public equity and private debt investments under management (as of 31 March 2018). LaSalle's diverse client base includes public and private pension funds, insurance companies, governments, corporations, endowments and private individuals from across the globe. LaSalle sponsors a complete range of investment vehicles including separate accounts, open- and closed-end funds, public securities and entity-level investments. LaSalle is a wholly-owned, operationally independent subsidiary of Jones Lang LaSalle Inc. (NYSE: JLL), one of the world's largest real estate companies. For more information please visit [lasalle.com](http://lasalle.com)





# Key Highlights

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G R E S B

**8 LASALLE FUNDS  
GLOBALLY WERE  
AWARDED GREEN  
STARS IN 2017**

Signatory of:



**2017 RESULTS:**

- STRATEGY AND GOVERNANCE A+
- PROPERTY A



**DIVERTED 97% OF  
WASTE FROM LANDFILL  
IN UK**



**771,556 KWH ON-SITE  
RENEWABLE ENERGY  
GENERATION IN THE UK**



**ACHIEVED 14.6%  
REDUCTION IN GHG  
IN UK PORTFOLIO  
BETWEEN 16/17**



**600+ COMMUNITY  
ENGAGEMENT EVENTS  
ACROSS EUROPE**

**BBP | BETTER  
BUILDINGS  
PARTNERSHIP**

Real Estate Environmental Benchmark

- 4th out of 24 in performance league table for Offices
- 3rd out of 14 in performance league table for Retail

## Our Sustainability Strategy

Our investor expectations are changing and sustainability (be it legislation, trends, knowledge or technology) is evolving so we need to guide our clients in the right direction. To address this we developed a European strategy launched in January 2017 focused on three pillars.



***Our purpose is to generate lasting value for our clients***

As we work through our 4 year plan to implement this strategy, we will cement a **sustainable investment culture** at the corporate level, linking sustainability and financial information, data and analysis. As part of our investment approach, we will further explore long-term trends that we believe will drive capital preservation and ensure that our **investment strategies** will deliver long term sustainable value for

our clients. At the level of individual investments, we will deliver **resilient investment performance** over the long term by integrating best-in class sustainable management practices at each stage of the asset life cycle. The aim of this approach is to ensure that we are contributing to the industry drive to tackle sustainability risks and capitalise on opportunities.

## Sustainable Investment Culture

The first pillar of our strategy demonstrates that we can be trusted to uphold the highest standards of governance and ethics, commit to our relationships and communicate transparently.

We aspire to do more and are constantly challenged to do so by our clients. It is essential that we attract and retain the best talent as we are facing increasing legislation and competition in this area.

A sustainable investment culture helps us to deliver superior financial performance for clients. Furthermore it ensures that our employees feel proud to work for LaSalle, and that we have a strong voice with government industry bodies on sustainability issues.

### What We Have Achieved

#### GOVERNANCE

We have a very active Global Sustainability Committee that was established in 2008 and is chaired by Jeff Jacobson, our global CEO. Ten years on and we have built on the momentum of that group by establishing a European Sustainability Task Force which is fully integrated into our European business and has clear accountability to our European boards. This group is made of professionals from all business lines across Europe and is championed by Rebecca Gates, Head of Asset Management in the UK.

#### TRAINING

In 2017 we produced and delivered bespoke sustainability training to all teams in Europe, which covered the link between sustainability and real estate, legislation, industry context and the investor perspective, as well as presenting our house strategy. Our European CEO, Simon Marrison, attended the Prince of Wales's Business & Sustainability Programme for executives at the Cambridge Institute for Sustainability Leadership in early 2018 and we are currently planning to deliver sustainability training to all of our European executive leadership team.



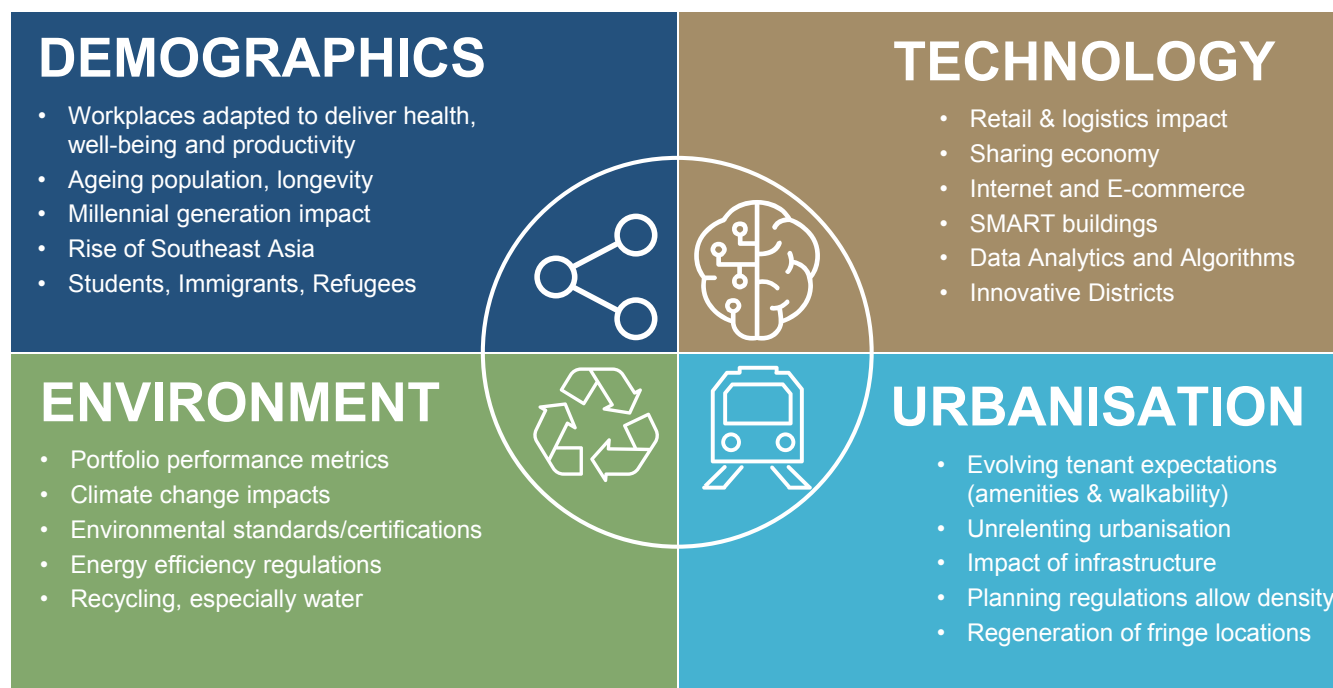
# Sustainable Investment Culture

## THOUGHT LEADERSHIP

In 2017, LaSalle added a fourth long-term trend to the “DTU” global drivers of demand (demographics, technology, and urbanisation): Environment. To establish our new “DTU+E” strategy, we published a white paper “Environmental Factors & Real Estate Demand” to help investors think about efficient ways

to better analyse, price and bring environmental factors into the risk-return evaluation of each asset. The paper explains why environmental factors are integral to investment analysis and to show how our thinking about these ‘E-Factors’ at LaSalle continues to evolve.<sup>1</sup>

### *DTU+E: How the four long-term trends impact on real estate*



<sup>1</sup>) The report can be found here: <https://www.ukgbc.org/wp-content/uploads/2018/03/08529-Retail-Lab-Report-FINAL-WEB.pdf>





## Future focused Investment Strategies

This pillar focuses on our need to ensure that our fund strategies are driven by key long-term investment themes, thereby anticipating change and creating lasting value for our clients.

We need to future-proof our fund performance and we need to keep up with key market and sustainability trends. By orientating our strategies around long-term sustainability trends we can protect and enhance value for our investors. Our fund managers can also better understand and address our clients' sustainability requirements.

## What We Have Achieved

### BESPOKE FUND STRATEGIES

While building up our sustainability platform and processes over the last 10 years we have sought to bring the whole portfolio up to the same standard (asset type and geography allowing). We have also tailored approaches where our clients have specific sustainability objectives. For example, a French separate account client approached us to create a bespoke tool to assess the socially responsible investment impact of each asset in the fund thereby allowing us to deliver progress against a clear set of sustainability criteria and demonstrate performance at the asset level.

### RISK MANAGEMENT

In the UK, we prepared for the introduction of Minimum Energy Efficiency Standards (MEES) which came into effect in April 2018. Currently 3.8% of our UK portfolio has an F or G rated EPC. For these assets, we have obtained bespoke improvement plans which are incorporated into our asset business plans.







## Future focused Investment Strategies

### Sustainable Investment Principles

We have developed a set of Sustainable Investment Principles, against which our Investment Committee assess all new acquisitions, disposals and developments ensuring that any new assets are fit for purpose and align with our long term DTU+E trends.

#### SOCIAL IMPACT INVESTING

We have seen a huge increase in interest in impact investing, in particular social impact investing. While we have had an active community engagement programme in place since 2012 (see page 11), we understand that there is more work to do in measuring the socio-economic impact of our investments and setting targets to deliver specific outcomes. This is an area of focus for our business in 2018.

#### CLIMATE CHANGE

The work of the Taskforce for Climate-related Financial Disclosures (TCFD) has helped to bring a structured approach to managing the long-term risks of climate change. In anticipation of the publication of the TCFD recommendation report in summer 2017, we worked with one separate account client to investigate the various ways in which climate change can impact real estate. Being able to quantify this risk is a large undertaking and will take time. In 2018, we have been working with the Better Buildings Partnership to establish industry consensus on the most meaningful and appropriate methodology to assess climate change risk.

#### FUTURE PROOFING & ELECTRIC VEHICLES

We scan the market for sustainability trends that will have an impact on real estate. The use of electric cars has already increased rapidly in the last few years, but it is the next few years when their use is expected to rise dramatically. We need to capitalise on this shift in the car market to ensure we are ready to provide charging facilities, both to attract tenants and customers to our assets and to increase their dwell time in retail assets. We have already installed eight car charging points at three shopping centres in the UK and Germany this year. We are reviewing our portfolio for opportunities across all asset types including offices, retail warehouses and industrial assets.



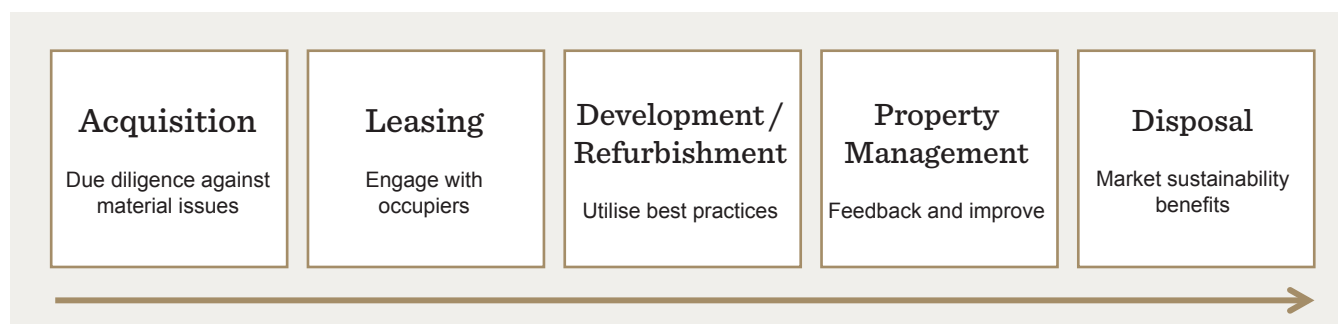


## Resilient Investment Management

The third pillar of our strategy is about incorporating sustainability into all stages of the asset life cycle. Our goal is to consistently identify, develop and manage assets efficiently to ensure we deliver resilient investment performance over the long term. Our sustainability management programme manages key risk, engages stakeholders and supports value creation. This approach allows us to maximise value and minimise risk as well as decrease both landlord and tenant costs and ultimately future proof our assets.

### What We Have Achieved

We have ensured that the risks and opportunities presented by sustainability are built into the decision making process throughout the hold period of each asset.



#### CERTIFICATIONS AND ACCREDITATIONS

Green building certification allows us to demonstrate our commitment to buying and managing sustainable assets. We have 27 sustainable building certifications out of 99 assets and a further 18 certifications in the UK. We have ISO 14001 accreditation across all shopping centres and large multi-let offices in the UK.

#### INDIRECT INVESTMENT AND SPECIAL SITUATIONS

We have developed an ESG ranking system which allows us to screen new investments and track existing investments based on their ESG performance. This is not necessarily about excluding funds which have some ESG risk in the fund, but instead engaging with them to reduce the risk and improve performance.

The activities of our debt team are further removed from day to day management of the real estate they lend against, but the risks presented by environmental factors are equally real and we have therefore incorporated an assessment of sustainability risk into our due diligence process and loan tracking system.

#### AWARD WINNING ASSET MANAGEMENT



##### *Green Apple Environment Awards*

Pavilions Shopping Centre, Uxbridge  
Gold winner, 2017



##### *Sceptre Awards*

Middleton Grange Shopping Centre, Hartlepool  
Energy Management Award, 2017



##### *Green World Awards*

Golden Square Shopping Centre, Warrington  
Global Bronze winner, 2017





## Resilient Investment Management

### Stakeholder Engagement

#### COMMUNITY ENGAGEMENT



Road safety awareness event attended by 132 children at Bilbondo Shopping Centre, Spain

Our assets have an impact on the communities around them and we work hard to ensure that it is a positive relationship. We have a well-established community engagement programme across our shopping centres which forges links with local community groups, creates a sense of place and helps to raise funds for local charities. For example all of our

UK shopping centres took part in a joint charity event on 5th July 2017 for Crisis, our charity partner. Over the course of 2017 our European shopping centres raised over £200k for charity.

#### SUPPLY CHAIN ENGAGEMENT

We work closely with our property managers to deliver our sustainability programme. In the UK we have been holding quarterly sustainability engagement meetings with all property managers since 2010. This innovative approach has allowed us to share ideas and drive progress across our portfolio.

#### INDUSTRY ENGAGEMENT



We are actively engaged with a number of industry groups. Through our membership of the Better Buildings Partnership (BBP) we recently worked on the development of an acquisition toolkit to be used as a best practice reference

guide. We also participate in the DGNB real estate committee in Germany, a dynamic group which allow us to influence the direction of DGNB and to participate in the development and piloting of new certification. In addition, we have just completed a 3-year rotation on the INREV Sustainability Committee.

#### OCCUPIER ENGAGEMENT

In 2017 we carried out tenant satisfaction surveys across all of our shopping centres in the UK, including sustainability specific questions. We are now feeding the results from these surveys into the asset business plans.



#### Waste Management | Sailmakers Shopping Centre, Ipswich

In just 12 months Sailmakers Shopping Centre has gone from sending 60% of its waste to landfill to now diverting 100% of its waste and sending zero waste direct to landfill. The waste management initiative was dependant on high levels of engagement with the tenants. They are incentivised as a result of reductions to their service charge. The tenants benefit from lower waste bills as they receive rebates on materials such as cardboard and polythene that are sent for recycling or reprocessing. In addition, the centre has delivered specialist training and posters to encourage customers to recycle paper, cardboard, cans and plastic bottles in new bin stations throughout the centre. The initiative has seen Sailmakers increase recycling by almost 25% after launching a new dry mixed recycling service both for retailers back-of-house and for the public area.



## Resilient Investment Management

### Sustainable Management Programme

We see refurbishments and new developments as a key opportunity to build long term resilience into our portfolio. We created our own develop Sustainable Development and Refurbishment Standards which set out our minimum requirements and our aspirational best practices to ensure that all projects across our European business deliver the best quality within what is financially viable.



### Award-winning Development at Bourne Business Park

The development at Bourne Business Park in Weybridge, UK is an excellent example of our standards in action. Prior to redevelopment the brownfield site had no mature trees, public access or recreational facilities on site. The aim of the development was to create highly environmentally sustainable office buildings and also to improve the amenity offering and public realm. This, in conjunction with organised events, enhances the community aspect of the park and employee wellbeing.

**The development was completed in 2017 and includes the following sustainable features:**

- BREEAM 'Excellent' / EPC 'A'
- 92 Cycle Parking Spaces
- High quality shower facilities
- Photovoltaic panels powering external areas
- Bird boxes and owl boxes
- 98 new trees planted
- New trim trail
- Air source heat pump
- On site café offering healthy food
- Access to external spaces and seating
- Organised wellbeing programme for employees
- Community events

The development was awarded for the **BCO Commercial Workplace South of England Award 2018**. Sustainability and health and wellbeing formed a key part of the award criteria.












# Resilient Investment Management

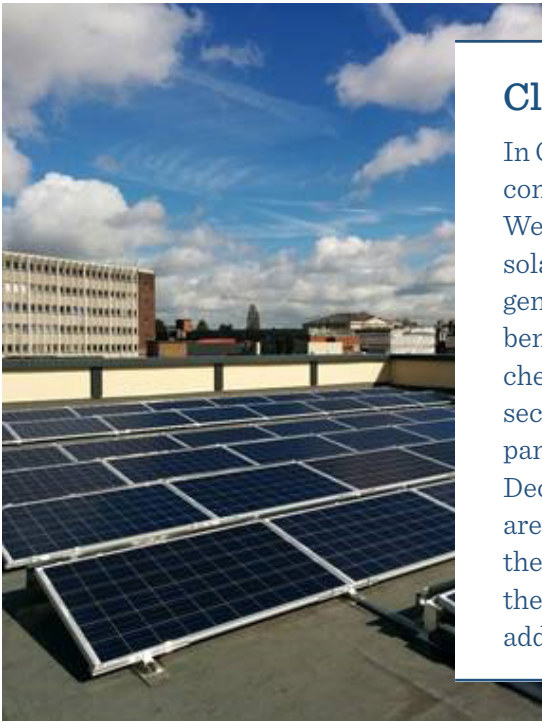
## Sustainable Management Programme

Following on from the success of our Energy Reduction Programme in the UK, which delivered reductions in energy of 19% from 2013 to 2017, we established a new Sustainable Management Programme which focuses on water and waste in addition to energy and carbon and which extends across our European business. We work closely with our property managers

and sustainability experts to track the environmental performance of our managed portfolio, set asset level reduction targets, identify efficiency opportunities and report on progress. This programme helps to drive efficiency through a combination of low cost measures such as fine tuning heating and cooling setpoints, and capital expenditure projects.

		Annual Target	Progress (JAN-DEC 2017)
	Energy	-3%	-1.8%
	Carbon	-4%	-14.6%
	Water	-2%	3.7%
	Waste	Zero direct-to landfill by 2020	3%
	Waste Recycling	80% recycled by 2020	97%

These figures reflect our UK portfolio between 2016 and 2017. These targets are annual targets to be achieved each and every year until 2020. We launched the Sustainable Management Programme across Continental Europe in early 2018 and will report on progress next year.



### Clean Energy

In Germany and the UK, 100% of our energy is procured through green contracts, with energy obtained from renewable sources. We also regularly review our portfolio for opportunities to retrofit solar panels on the roof space of our assets with the objective to generating energy on-site for use by the tenants. This has the triple benefit of reducing the carbon emissions of the asset, providing cheaper electricity for our tenants, and finally providing energy security. We have retrospectively installed rooftop photovoltaic panels at five properties in the UK totalling 523 kw, and as of December 2017 had generated 777,792 kwh on site. These installations are all generating positive returns for our clients from the income they receive from the tenants to whom the energy is sold. Following the success on these initial installations, we have identified several additional sites for retrofit.

# Our People

At LaSalle, our people are the foundations of everything that we do. We seek to create a work culture that values diversity, recognizes and rewards talent, develops skills for tomorrow's challenges and fosters good health and well-being. Attracting and retaining the best talent ensures that we maintain our competitive advantage and offer the best possible level of service to our clients.

## ACCELERATING GROWTH AND RECOGNITION

We are committed to ensuring all our people have the skills and resources needed to grow their careers. To achieve this, we invest in targeted development programs and work with external consultants to provide training options to our employees. In addition, we help build deeper connections among all employees by enabling and encouraging talent to connect across the business: we strive to provide such cross-country experiences through mobility assignments, training or work-related travel. LaSalle fosters an environment of collegial collaboration and progressive thinking. We recognise specific efforts that contribute towards our ongoing success and deserves special acknowledgement, having recently relaunched our recognition programme.

## HEALTH AND WELLBEING

We understand the importance of employee's health and wellbeing and believe that healthy employees make for happy and productive employees. LaSalle colleagues receive support through a range of mental, physical and financial wellbeing initiatives. In most of our European offices, employees receive retirement & private medical arrangements, and can apply for flexible working opportunities to help them better manage their personal and working lives. In addition, employees are encouraged to participate in sports inside and outside the office such as personal training sessions or Pilates, and have the opportunity to participate in annual ski trips and a range of football, golf, netball and dodgeball tournaments throughout the year.

## CHARITY AND COMMUNITY INITIATIVES

We enable and facilitate for employees to engage in community activities. Our teams take part in local business-incentive days and team building activities annually. In addition, we encourage employees to volunteer, engage with and give back to local communities. Across Europe, our employees have participated in a range of charity runs, charity days, Triathlon, Mudathon and walking expeditions to raise funds and awareness for special causes. Since January 2017, LaSalle has been fundraising for our most recent charity partner; Crisis, alongside our partnership with Landaid since 2015.



1. London Marathon with Crisis, UK
2. Landaid Tournament, UK
3. Les Foulées de L'Immobilier, Paris, France
4. Maison d'enfant à Caractère Social, Orly, France
5. Yorkshire Three Peaks, UK



# Our People

## DIVERSITY AND INCLUSION

Our Diversity & Inclusion board and strategy help create an environment that values the different backgrounds, perspectives and contributions of each employee, enabling both the company and our employees to achieve their full potential. We are committed to enabling the growth of diversity and fostering inclusion within our Company and among our clients, as they cultivate innovation and efficiency in our work place, and in turn enable our people to do their best for our clients. We strongly believe in providing equal opportunity for all, by:

- 1. Raising awareness for, and promoting the establishment of a best in class inclusive culture;**
- 2. and increasing the representation of diverse employees with a focus on visible, client facing and executive positions; and to retain diverse employees in equal or greater than firm-wide attrition rates.**

### LASALLE'S DIVERSITY & INCLUSION FOCUS IN RECENT YEARS

2015	2016	2017	2018
Creation of European D&I Board & D&I and launch of strategy	Creation of internship programme with diversity-focused recruitment	Launch of European D&I Working groups	Roll out of Unconscious Bias training in Europe
Partnering with Leadership Inc in 2015 to conduct an in-depth diversity audit and working actively towards implementing the recommendations	Launch of partnership with charities to promote social mobility within our firm and industry	Maternity Mentoring launched to support women going and returning from maternity leave	LaSalle publishes Gender Pay Gap in UK voluntarily
Repositioned our Maternity Policy to Family Matters, reflecting what our people said they needed	Set-up of various speaker events to increase awareness of D&I topics	European Management Board welcomes two new female board members	LaSalle France appoints female Country Manager

### Women in Business | Cocktail event at MIPIM

In 2018, LaSalle hosted this event for its second year. This is a testament to how seriously LaSalle takes diversity and inclusion that this was one of our headline events at MIPIM.

In an event where only 20% of participants are women, the event was designed as an opportunity for women to make early connections, and help increase the ratio of women attending. In the last 2 years alone, women have represented over 25% of our LaSalle representatives, reaching 29% of participants in 2017.





Amsterdam

Los Angeles

New York

Shanghai

Atlanta

Luxembourg

Paris

Singapore

Baltimore

Madrid

Prague

Sydney

Chicago

Mexico City

San Diego

Tokyo

Hong Kong

Milan

San Francisco

Toronto

London

Munich

Seoul

Vancouver

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