



Building
impact
together

**KFIM UK Stewardship
Code 2024**

Published October 31st 2025



Executive Summary

I'm pleased to present Knight Frank Investment Management's (KFIM) second annual UK Stewardship Code report for calendar year 2024, demonstrating our commitment to transparency and sustainability across our £3.578 billion portfolio.

Purpose and Governance (Principles 1-5)

We strengthened our ESG framework by adopting a comprehensive Responsible Investment Policy, evolving from a three-page Environmental Policy to a 13-page operationalised framework. Our UN PRI scoring improved from 79% to 92% in Direct Real Estate, achieving five-star ratings across all categories. Our governance structure integrates ESG throughout decision-making, with robust conflicts of interest management ensuring client interests remain paramount. We systematically assess market-wide and systemic risks, including MEES requirements, climate-related risks, and biodiversity considerations through annual policy reviews.

Investment Approach (Principles 6-8)

We serve diverse UK and international investors (75% UK, 25% EU), integrating ESG at every stage from acquisition to active management. Key achievements include 74% of properties achieving EPC B or above, 100% renewable electricity for landlord-controlled supplies, and 81% Scope 3 data coverage. Our tenant satisfaction survey identified opportunities to enhance communication and maintenance responsiveness.

Engagement (Principles 9-12)

Our BMS optimisation pilot project demonstrated measurable impact: 22% Energy Use Intensity reduction, 19% CO₂ decrease (37 tonnes), and £26,277 in operational cost savings since April 2024, earning recognition through the UKPA Data Excellence Award 2024. We completed a 332kWp solar installation generating 275 MWh annually, meeting 70% of tenant electricity needs, and progressed EV charging infrastructure with 22 bays under development. Collaborative engagement included AREF's Nature in Real Estate initiative, UKGBC energy reduction guidance, and UK Net Zero Carbon Buildings Standard participation. We completed biodiversity sensitivity mapping for 56% of AUM and updated flood risk assessments across 100% of the portfolio. We escalated stewardship through enhanced data collection, expanded supplier due diligence (36% by spend), and implemented BBP dark green lease clauses.

Looking Forward

Our 2025 priorities focus on expanding BMS optimisation across additional assets, advancing biodiversity net gain initiatives through tenant partnerships, and scaling renewable energy installations. We will continue enhancing data coverage to support evidence-based decision-making whilst strengthening our collaborative engagement across industry initiatives. These achievements reflect systematic integration of stewardship principles across our investment lifecycle, delivering sustainable long-term value for clients whilst contributing to positive environmental and social outcomes.

Matthew McDonald
Chief Executive Officer
Knight Frank Investment Management



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Principle 1: Purpose & ESG Stewardship



Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.



Activity

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.4 & 5: Our Purpose, Culture & Values, Our core values & service delivery principles; p.5 & 6: Our commitment to sustainability & stewardship.

Our Business Model & Strategy

KFIM operates as a specialist pan-European real estate investment manager, with a robust portfolio comprising c. £3.578bn of assets under management (AUM) (as at December 2024). Our expertise spans both commercial and residential assets, enabling us to offer a diverse range of investment strategies tailored to the needs of our clients.

We deliver three key solutions within our business model: Tailored Strategies, Long Income Strategies, and Single Asset Solutions. Each of these play a crucial role in our overall strategy, reflecting KFIM's commitment to delivering innovative and effective investment solutions that cater to a variety of investor profiles.

Tailored Strategies: KFIM's Tailored Strategies focus on creating customised, risk-adjusted portfolios that align with the unique investment objectives of both UK and international clients. This approach emphasises a personalised investment strategy that takes into account individual risk tolerances, market conditions, and financial goals. With Assets Under Management (AUM) of £1.27 billion as of December 2024, this segment showcases KFIM's commitment to delivering bespoke financial solutions.

Long Income Strategies: The Long Income Strategies involve investing in direct real estate assets to provide pooled investors with access to targeted investment opportunities. This approach is designed to generate stable, long-term income through strategic investments in high-quality properties, appealing to investors seeking consistent returns. With an AUM of £0.75 billion as of December 2024, this segment reflects KFIM's ability to leverage its expertise in real estate markets to create sustainable income streams.

Single Asset Solutions: This solution specialises in the sourcing, structuring, and performance management of individual asset acquisitions for prominent international investors. This approach is characterised by a detailed focus on the specific asset's potential and strategic fit within the investor's broader portfolio. With an AUM of £1.56 billion as of December 2024, this segment highlights KFIM's proficiency in navigating complex real estate transactions and optimising asset performance.

Outcome

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.6 & 7: Investment Beliefs Guide Our Investment Strategy, Embedding ESG into our Investment Strategy, & The Effectiveness of Our Investment Beliefs.



Principle 2: Governance

Signatories' commitment to stewardship is supported by our effective governance practices, allocation of necessary resources, and alignment of incentives.

Activity

Embedding Stewardship Across the Organisation Structure

ESG governance at KFIM is effectively managed through a well-defined framework involving key components at all levels of our organisation. This comprehensive governance structure helps us to safeguard ESG principles woven into the fabric of KFIM's decision-making processes, fostering sustainability across the entire investment lifecycle.

Figure 1: KFIM Organisation Structure as of December 2024

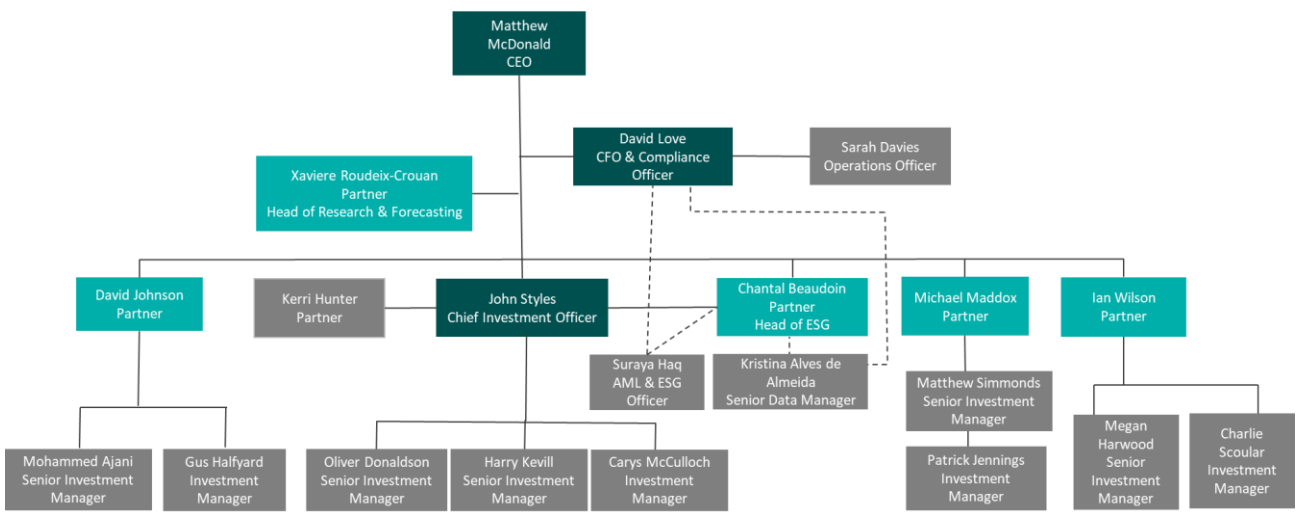


Table 1: KFIM Board

KFIM Exec:

- Matthew McDonald - CEO
- David Love - CFO
- John Styles - CIO
- David Johnson - Partner
- Ian Wilson - Partner
- Xavier Roudeix-Crouan - Partner
- Chantal Beaudoin - Partner
- Michael Maddox - Partner

KFIM Board:

- Matthew McDonald - CEO
- David Love - CFO
- John Styles - CIO
- Stephen Clifton - KF Head of Commercial
- Matt Tweedie - KF CFO



KFIM Board



Investment Committee



ESG Committee



Matthew McDonald



David Love



John Styles



Stephen Clifton



Matt Tweedie



Sir Paul Clark



Xaviere Roudeix-Crouan



David Johnson



James Madden



Chantal Beaudoin



Michael Maddox



Ian Wilson



Ian Whittock



Mike Crowe



We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.8, 9 & 10: Embedding Stewardship Across the Organisation Structure & ESG Team.

In 2024 we replaced our Environmental Policy with a Responsible Investment Policy. KFIM's Responsible Investment (RI) Policy outlines our approach to responsible investment and our stewardship processes, with all aspects of Environmental Social Governance (ESG) embedded into our investment processes and portfolios we manage on behalf of clients.



Figure 2: KFIM UNI PRI Summary Scorecard 2024

SUMMARY SCORECARD

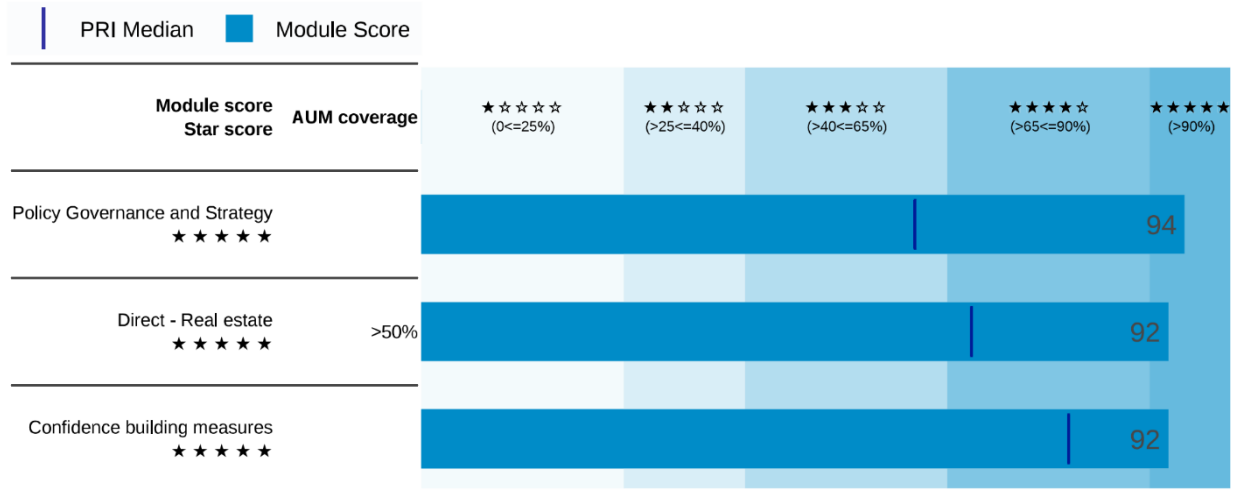


Table 2: Case Study: KFIM ESG Policy Evolution: December 2021 to July 2024

CASE STUDY: KFIM ESG Policy Evolution: December 2021 to July 2024

OVERVIEW

KFIM evolved from a three-page Environmental Policy to a comprehensive 13-page Responsible Investment (RI) Policy, shifting from high-level environmental principles to an operationalised framework with measurable outcomes. Net zero targets remain unchanged (operations by 2025, assets by 2050), whilst leadership responsibility transferred from the Chief Executive Officer to the Chief Investment Officer.

IMPLEMENTATION

The RI policy includes comprehensive UNPRI reporting commitments covering six key areas: integrating ESG considerations into investment analysis, incorporating ESG into ownership practices, advocating for tenant ESG disclosure, promoting UNPRI Principles within the investment industry, continuous improvement, and thorough progress reporting. KFIM reports environmental and social performance to GRESB annually when client-mandated.

A robust two-stage due diligence framework was established. Stage 1 screens EPC ratings, site energy intensity, heating/cooling systems efficiency, climate-related risks, building certifications, tenant zero-carbon electricity contracts, Science-Based Targets, and green lease clauses. Stage 2 evaluates net zero building performance, soil contamination, zero carbon measures, habitat and biodiversity initiatives, water and waste reduction, transport facilities, circular economy materials, health and wellbeing optimisation, and equity policies.

New forward-funded developments must meet additional criteria including embodied carbon assessments, targeted EPC ratings (B or A), CO₂ emissions minimisation, all-electric energy sources, overheating analysis for residential properties, flood risk assessments, local labour procurement, Modern Slavery Policy compliance, Building Safety Act requirements, and anti-bribery procedures.



KEY CHANGES

Leadership responsibility transferred from CEO to Chief Investment Officer, with governance evolving from the Executive Committee to a specialised ESG Real Estate Committee responsible for defining, implementing, and monitoring the ESG Strategy.

The policy introduced five core values: Transparency, Integrity, Accountability, Respect, and Responsibility to ESG, alongside enhanced principles addressing climate resilience, circular economy adoption, equality and diversity, and individual environmental stewardship.

Extensive governance and stewardship metrics were established including UN PRI signatory status, GRESB participation when client-mandated, UK Stewardship Code alignment, the two-stage investment due diligence framework, construction standards for forward-funded projects, and regulatory compliance tracking.

The exclusions list expanded significantly to include cluster munitions, anti-personnel landmines, tobacco, nuclear weapons, coal and oil sands production, human rights violations, adult entertainment, and gambling activities.

The Investment Transaction Approval Process (ITAP) now requires comprehensive ESG assessment before Investment Committee sign-off, integrating ESG factors alongside traditional financial analysis. Integration requirements extend to Conflicts of Interest Policy, Energy and Carbon Policy, and Supplier Code of Conduct.

OUTCOMES

The transformation demonstrates KFIM's evolution from basic environmental compliance to comprehensive ESG integration through sophisticated management systems with clear accountability, measurable standards, and stakeholder engagement across the investment lifecycle. The framework positions the organisation to meet evolving regulatory requirements and client expectations whilst maintaining net zero commitments and alignment with UN Sustainable Development Goals (SDGs 3, 5, 7, 8, 9, 10, 11, 12, 13, and 15).

KFIM ESG in Action 2024

- ◆ We adopted a Responsible Investment (RI) Policy outlining our approach to responsible investment and our stewardship processes.
- ◆ We integrated processes and standards to help us assess, improve, and monitor each asset's sustainability impact throughout its lifetime by working towards:
 - ◆ Calculating portfolios' carbon emissions and tracking energy, waste and water consumption covering 100% of KFIM AUM.
 - ◆ Promoting consumption reduction measures whilst improving energy performance, increasing on-site renewable power generation, and ensuring 100% renewable electricity procurement for all landlord-controlled supplies.
- ◆ Invited occupiers to take part in Technical Building Assessments and engaged them to actively promote environmental and social measures; we covered 16.12% of AUM by sqm.
- ◆ Participating in the Global Real Estate Sustainability Benchmark (GRESB) for two of our funds (46% AUM) and being transparent about our ESG data and performance.



Figure 3: LIPUT 2024 GRESB Scorecard

2024 GRESB Standing Investments Benchmark Report

KFIM Long Income Property Unit Trust | Knight Frank Investment Management

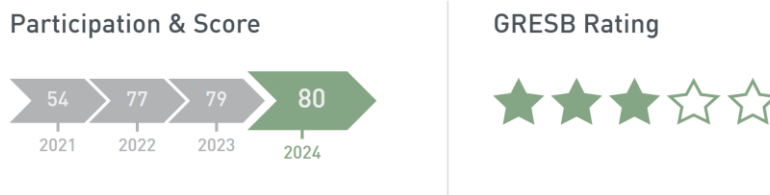
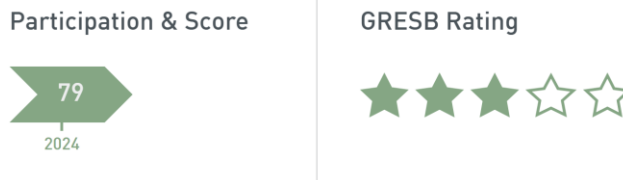


Figure 4: LIPUT 2024 GRESB Scorecard

2024 GRESB Standing Investments Benchmark Report

LPPI Real Estate Fund | Local Pensions Partnership Investments Limited



The Equitable Resource of Stewardship

At KFIM, we recognise that equitable resource of stewardship is essential to our mission, and diversity and inclusion are integral to our ESG strategy. We are committed to fostering a diverse and inclusive culture through key initiatives that promote equitable access and representation.

Annually, to better understand our current standing, we conduct a diversity and inclusion assessment of our Board members, senior management, and employees, focusing on age, gender, and racial diversity. We also perform a pay gap and equal pay review for all employees, presenting our findings and recommendations to the KFIM Senior Management to work towards more accountability and transparency.

In 2024, we participated in the Asset Owner Diversity Charter, which underscores our commitment to enhancing diversity within the asset management industry. We have integrated these commitments across our policies and procedures including [Responsible Investment](#), [Communities & Charities](#), [Diversity & Inclusion](#), [Health & Safety](#), [Human Rights & Modern Slavery](#), and [Supplier Code of Conduct](#).



We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p10: The Equitable Resource of Stewards; p.11: Investment in Systems, Processes, Research, and Analysis, Integration of Stewardship in Performance Management; p12 & 13: Integration of Stewardship in Performance Management, Effectiveness of the Governance for Stewardship & Improvement Recommendations.

Investment in Systems, Processes, Research, and Analysis

We believe that robust research and investment processes lie at the core of successful real estate investment management. Our Head of Research and Forecasting undertakes research to deepen our proprietary understanding of real estate and industry trends. This role also contributes materially to our stewardship activities by providing analysis on market drivers, which includes environmental, social and political factors. We also conduct specific research on stewardship matters within our sustainability team, which in 2024 included research on energy reduction technologies and supporting two UCL Masters students at the Bartlett School of Environment, Energy and Resources. KFIM was a partner organisation supporting their respective research projects on "natural capital opportunities for real-estate investments" and "sustainable investment strategies adopted by real estate funds in the EU".

Table 3: Case Study: Emerging Natural Capital Opportunities for Real Estate Investment by Macarena Mo Umpierre

CASE STUDY: Emerging Natural Capital Opportunities for Real Estate Investment by Macarena Mo Umpierre, UCL MSc Business and Sustainability student at the Bartlett School of Environment, Energy and Resources

OVERVIEW:

This research explores natural capital opportunities for UK real estate investment managers (REIMs) based on 19 industry interviews including asset managers, project suppliers and market experts. The study examines what natural capital land-based asset types are relevant to REIMs, how strategies are integrated into portfolios and what motivates investment decisions.

MARKET CONTEXT:

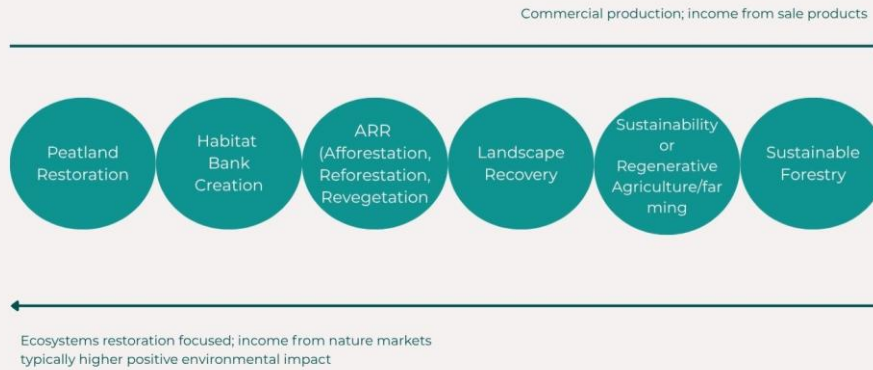
The UK ranks lowest amongst G7 countries on biodiversity indicators but is rapidly positioning itself as a leading market for mobilising private finance in nature recovery. Policy frameworks such as the established Woodland and Peatland Carbon Codes, the mandatory 10% Biodiversity Net Gain (BNG) requirement in England and the "30 by 30" nature conservation targets provide a strong foundation. In this context, sustainable land management is increasingly linked to private capital and investors are exploring natural capital strategies. For REIMs, natural capital traction creates potential opportunities alongside uncertainties, as engagement remains uneven with few asset managers actively investing and no standardised approach.

SIX INVESTMENT ACTIVITIES IDENTIFIED:

The research identified nature-related investment activities (NC activities) positioned along a spectrum from ecosystem restoration to commercial focus, as shown in the diagram below.



NC activities in land-based assets in the UK



Source: authors' own based on primary and secondary data

The below table maps these NC activities against main monetisation mechanisms derived from the interviews and represented in the first column, reflecting income streams that shape REIMs' revenue potential, investment horizons and risk profile. The orange arrow indicates greater income diversification from left to right, though not necessarily lower risk or higher returns as outcomes depend on market maturity, regulation and risk-return dynamics.

Potential monetisation mechanisms (income streams) by NC activity in the UK

NC Activity Monetisation Mechanism	Peatland Restoration	Habitat Bank Creation	Sustainable Forest Management	ARR (Afforestation, Reforestation, Revegetation)	Sustainable/ regenerative agriculture or farming	Landscape recovery
Carbon Credits VCC	●		●	●	●	●
Biodiversity credits (BNG or VBC)		●				●
Nutrient neutrality credits					●	●
Payments for water quality				●		●
Landscape recovery agreement					●	●
Income from Sustainable food/raw materials production					●	●
Income from sustainable timber production			●	●		●
Potential public grants	✓			✓	✓	✓

Source: authors' own based on primary and secondary data

Restoration-focused activities require high integrity and innovative de-risking: Peatland restoration and afforestation/ reforestation/ revegetation (ARR) generate carbon credits via Peatland and Woodland Carbon Codes. Results indicate challenging risk-return profiles compared to conventional real estate, with one £120 million peatland and ARR fund reporting a 7% return and higher risk than traditional assets, while other asset managers opted not to proceed after financial modelling. UK high integrity carbon credits trade at premium prices, with 2024 averages of nearly £27 (Woodland Carbon Code) and £25 (Peatland Code) per tonne of CO2 equivalent versus the \$ 6 global average, and unit issuance rising significantly between 2018 and 2022 for both codes. However, key risks include demand volatility and lengthy verification periods as more than 90% are ex ante credits. Geographic preference follows Scotland, then Wales, then England based on land scale and peatland availability. REIMs investment in these activities is strategic rather than return driven, with opportunities emerging through innovative structures including alliances with landowners or corporates seeking long-term credit supply and blended finance vehicles using public or philanthropic first-loss capital.



Another restoration-focused NC activity is habitat banks creation, generating BNG and voluntary biodiversity credits. Financial viability is highly scale dependent, with one example suggesting that approximately £400,000 in sales is needed to reach profitability. Current market oversupply creates investor challenges as demand from developers mature, but BNG regulatory backing reduces long term uncertainty. Investment opportunities lie in dedicated funds for large scale habitat creation or developing habitat banks within existing land assets where long term planned use supports the 30-year management requirements and enables pre-commitments from credit buyers.

Commercial-focused activities demand measurable, verifiable impact: Sustainable forestry generates most revenues from timber sales with potential income from carbon credits, and sustainable agriculture offers price premiums for food and raw materials though post-Brexit government incentives have been reduced. These NC activities have the most established risk-return profiles, enable portfolio diversification and store value in land, but its positive impact is harder to measure compared to pure ecosystem restoration activities. Given the heterogeneity in sustainable land management approaches, assessing each strategy's balance between financial performance and ESG outcomes is essential, as large-scale commercial forestry and agriculture labelled as "natural capital" investments often face scrutiny regarding their nature-positive impact. Investment structures include joint ventures or equity partnerships with landowners or farmers, leveraging on-site expertise, and prevail outside the UK due to scale though select opportunities exist in Scotland.

Hybrid approaches unlock flexible income models: Restoration and commercial-focused NC activities can sometimes be combined across adjacent land areas. For example, a property within specific catchments may include sustainable forestry generating timber revenues, alongside nearby ARR producing carbon and nutrient neutrality credits and capturing public grants such as the England Woodland Creation Offer.

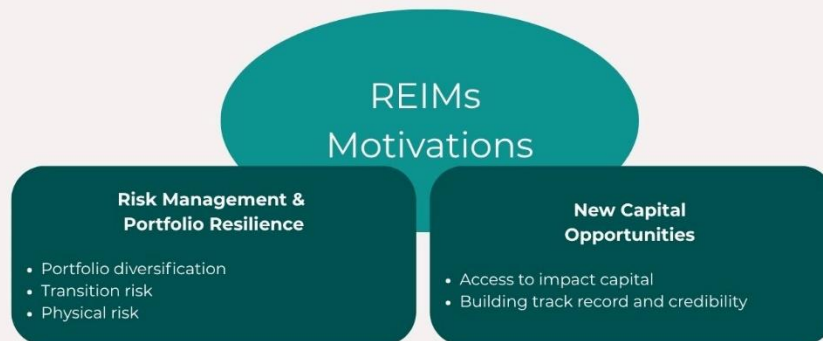
Landscape recovery represents a hybrid approach combining multiple revenue streams across large land parcels. Depending on the land's characteristics and stakeholders' sustainability goals (e.g. tenant, investor), income may be generated from both restoration and commercial-focused NC activities alongside traditional real estate assets such as residential development. Financial structures remain experimental, with models such as corporate payments to supply chain farmers for sustainable crop management and share-based investments with defined ecosystem restoration targets.

INVESTMENT MOTIVATIONS:

With risk-adjusted returns from natural capital investments often lower than traditional assets, REIMs are primarily motivated by risk management rather than purely financial performance. Net zero commitments position natural capital as a "carbon hedge" to future proof assets, relevant as 74% of European real estate portfolios have adopted net zero targets. While growing efforts to decarbonise and reduce offsets make future carbon credit demand uncertain, high integrity credits price is still anticipated to rise. Portfolio diversification also drives interest, as land-based assets show low or negative correlation with other asset classes, offering stability when traditional real estate markets soften. Physical risks such as flooding can be mitigated with activities like wetland restoration, reducing losses and dependence on costly engineered solutions.



Investment motivations



Source: authors' own based on primary data

Another motivation for REIMs is tapping into the competitive impact investment space targeting the ESG outcomes of natural capital strategies, though accessing it remains challenging. A UK fund that faced difficulties raising private capital but secured charitable and public funding highlighted the need to identify the right investors mix. Those prepared to take more risk for impact or prioritising long term returns and risk mitigation are best suited at this stage. Building expertise and a track record is essential to gain investor confidence, with early movers benefiting from credibility and stronger partnerships as governance and demand signals mature.

KEY CHALLENGES:

Challenges include high uncertainty around demand, delivery and permanence of carbon and biodiversity credits; volatile markets tied to corporate commitments and BNG regulation progress; long investment horizons of at least 10-20 years for carbon verification and 30 years for biodiversity obligations; and intensifying competition for suitable land. Participants emphasised the uncertainty over the scale of liabilities and the level of capital at risk as a fundamental barrier. Both risks and benefits, such as asset value gains from enhanced land productivity through restoration, are difficult to quantify and incorporate into financial valuation and risk-return modelling. As investors expect a proven track record, progressing along the learning curve requires REIMs to dedicate resources to build internal expertise, analytical tools and new partnerships.

STRATEGIC RECOMMENDATIONS:

Asset managers seeking to build strategic positioning ahead of regulatory shifts and build portfolio resilience should take calculated risks in natural capital strategies, but risk averse firms may wait for markets like biodiversity to consolidate over the next 3-5 years.

Identifying the right opportunity requires understanding the risk-return-impact profiles of NC activities. Commercial strategies like sustainable forestry and agriculture offer clearer financial performance, being less dependent on carbon and biodiversity credits, but harder to quantify positive impact than restoration-focused approaches. ARR stands out for combining diversified income streams with measurable impact, making it an attractive NC activity for asset managers to explore. Scotland offers scale and peatland opportunities, while BNG regulation applies only in England.

Ensuring investment viability, especially for restoration strategies, requires REIMs to integrate appropriate de-risking mechanisms. Adopting recognised voluntary market standards such as the government-backed Woodland and Peatland Carbon Codes ensures integrity and supports demand. Leveraging public support is also key, through programmes like the England Woodland Creation Offer which provides grants and the Woodland Carbon Guarantee which secures minimum carbon prices for 35 years. Investment structures should prioritise partnerships with those managing the land rather than direct ownership, as purchasing land solely for natural



capital activities is rarely effective. Collaborative models such as joint ventures, public-private partnerships and blended finance incorporating philanthropic first-loss capital offer more scalable solutions.

To strengthen business cases, REIMs should move beyond framing land-based assets as either natural capital or real estate, instead combining both through stacking revenues from NC activities alongside traditional real estate. Although technically complex and requiring adjustments to impact frameworks and investor education, these approaches align with emerging hybrid models such as landscape recovery presented in figure 2 which emphasise flexibility to adapt to the specific characteristics of the land and its stakeholders.

MARKET OUTLOOK:

Natural capital offers a path to strengthen portfolio resilience, but demands navigating volatile markets and credible impact frameworks, patient capital and return expectations aligned with ecological timelines. Many funds are observing early movers to understand trade-offs and performance in a finite land market.

For REIMs, natural capital represents an evolving opportunity requiring careful evaluation of risk-return-impact profiles, dedicated resources and realistic financial assessments, particularly for restoration-focused strategies where returns may not meet conventional real estate benchmarks but can improve through revenue stacking and new partnerships.

Policy and market momentum remain strong despite recent withdrawals from voluntary climate alliances by major asset managers. EU, UK and devolved government incentives, together with growing emphasis on credibility and integrity in nature markets, continue to enable private investment in nature recovery, while the TNFD framework advances following the precedent set by TCFD.

However, success requires scale, innovative de-risking mechanisms and flexible models that balance impact with financial viability. As the path to profitability is still taking shape, the scale and land footprint of REIM portfolios position them as key actors in driving nature recovery, but they need external incentives and market track records alongside internal strategic vision to engage effectively.



Principle 3: Conflict of Interest



Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.



Activity

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.14 & 15: Approach to Conflicts of Interests, Sources of Potential Conflicts & Those between the interests of customers or potential customers and members of staff, Those between the interests of different clients & Anti-Bribery and Corruption.

Outcome

KFIM recognise the importance of identifying and managing conflicts of interest to uphold the integrity of our stewardship practices.

Table 4: Case Study: KFIM Appointments with Knight Frank Group

CASE STUDY: KFIM Appointments with Knight Frank Group

OVERVIEW

KFIM is wholly owned by Knight Frank LLP (KF), which provides a range of property-related services including property management, lettings, and agency services. This integrated structure presents inherent conflicts of interest when KFIM clients require third-party service providers, as KF divisions may be considered for appointments alongside external competitors.

The potential for conflicts is particularly acute given that:

- ◆ KFIM manages substantial real estate portfolios requiring ongoing professional services
- ◆ KF divisions have established capabilities across multiple property disciplines
- ◆ Client interests must be protected through demonstrable "best in class" appointments at market competitive rates
- ◆ Regulatory standards under the FCA Conduct of Business Rules and RICS Professional Standards require robust conflicts management



POLICY IMPLEMENTATION

KFIM applies its Conflicts of Interest Policy which establishes clear principles for KF appointments. Whilst KF teams may be considered for various appointments such as property management or lettings, they are only instructed where it can be demonstrated that they are both "best in class" and offer market competitive fees.

Any KF appointment is subject to the same service levels, formal agreements, and dismissal criteria as would be applied to other third-party providers. This ensures that Knight Frank LLP service providers are held to identical standards as external competitors, with no preferential treatment for underperformance.

GOVERNANCE AND OVERSIGHT

All KF appointments are subject to the same approval requirements as other third-party suppliers. For appointments not taken to Investment Committee meetings, the Investment Committee is notified through an entry in the register of Knight Frank LLP appointments. This register provides an additional layer of oversight and transparency for all KF-related appointments.

The three Independent Members of the Investment Committee, who have no connection to Knight Frank LLP, provide independent oversight of KF appointments to ensure client interests are protected.

COMPETITIVE PROCESS

In practice, KFIM obtains multiple quotes from external providers whenever KF teams are being considered for appointments. The fees proposed by KF are tested against alternative quotes to demonstrate market competitiveness. Appointments are then made based on a combination of service quality and fee competitiveness, with the governance structure ensuring senior professional review or Investment Committee approval depending on the size of the appointment.

VALUATION INDEPENDENCE

Knight Frank Group is prohibited from providing valuation services for any client assets, maintaining complete independence in asset pricing decisions where objectivity is paramount.

OUTCOMES

The application of KFIM's Conflicts of Interest Policy delivers robust protection for client interests through:

- ◆ Consistent application of "best in class" and market competitive fee principles
- ◆ Independent scrutiny from Investment Committee members with no connection to Knight Frank LLP
- ◆ Transparency through the register of Knight Frank LLP appointments across all appointment sizes
- ◆ Accountability through formal agreements and performance standards applied equally to KF teams and external providers
- ◆ Independence in asset pricing through the prohibition on Knight Frank Group providing valuation services

In practice, this results in KF teams being appointed where they demonstrate both superior service quality and competitive fees, whilst external providers are appointed where they offer better value or capability. Client interests remain paramount in all appointment decisions.



Principle 4: Response to Systemic Risks



Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.



Activity

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.17 & 18: Identifying and Responding to Market-wide and Systemic Risks, & Working with Industry Initiatives to Improve Financial Markets & Alignment of Investments.

KFIM's engagement efforts in 2024 centred predominantly on tenant companies to drive ESG improvements and sustainability initiatives, complemented by industry body participation to address broader market risks. The approach balanced promoting actionable changes with ensuring transparency, aiming for measurable outcomes at both individual and systemic levels.

- ◆ Engagement focused on tenants and industry bodies: Approximately 90% of engagements targeted corporate tenants, involving 159 entities and 377 interactions, while 10% involved industry bodies like AREF for sustainability initiatives.
- ◆ Emphasis on individual issuer improvements: Nearly all engagement resources (99.5%) were dedicated to direct tenant interactions focusing on ESG enhancements, with a minor portion addressing market-wide risks through industry collaborations.
- ◆ Balance between action and transparency: Two-thirds of engagements encouraged concrete actions such as energy reduction technologies and renewable installations, while one-third focused on transparency through technical assessments and certifications.
- ◆ Substantial engagement activities: Out of total engagements, 184 were substantial, involving specific objectives and in-depth dialogue to facilitate measurable ESG improvements.
- ◆ Engagement outcomes and objective setting: Objectives were derived from ESG strategy reviews and KPIs, targeting tenants with collaborative potential; outcomes from tenant engagements were entirely attributed to KFIM's direct efforts, while industry body outcomes were collaborative.
- ◆ Additional stakeholder engagements: Beyond tenants and industry bodies, KFIM engaged investors via AGMs, clients through monthly ESG reviews, and provided educational sessions on sustainable lease provisions to institutional investors.
- ◆ Commitment to industry-wide transformation: Participation in initiatives like biodiversity education and UK Green Taxonomy consultations exemplified KFIM's role in driving sustainable real estate practices beyond individual assets.



Table 5: KFIM Engagements 2024

KFIM	Technical Building Assessments	BREEAM Engagements	Energy Reduction Engagement	Solar PV	EV	AREF	Total
Entities engaged	30	4	100	23	2	2	161
Number of engagements	120	4	107	127	19	2	379
Substantial engagements	120	4	23	16	19	2	184
Type of action	Disclosure	Disclosure	Action	Action	Action	Both action (nature) and disclosure (consultation)	
Outcome	The entity developed a credible strategy to meet the engagement objective or address concern	The entity developed a credible strategy to meet the engagement objective or address concern	The entity implemented a strategy or measures to address the concern	The entity implemented a strategy or measures to address the concern	The entity implemented a strategy or measures to address the concern	The entity developed a credible strategy to meet the engagement objective or address concern	

Engagement Types

- ◆ **Technical Building Assessments (TBA):** A key focus in 2024 has been strengthening tenant engagement as part of our ESG and net-zero strategy. Our property managers conducted in-person workshops to increase our understanding of efficiency measures and the building fabric. During these sessions, technical building assessments were undertaken to evaluate existing energy, water and waste systems at each asset, and pinpointing areas for future collaboration. The workshops explored tenant interest in ESG initiatives including solar, EV charging, net zero retrofits, and biodiversity measures, whilst gaining insights into advanced sustainability practices tenants have already implemented.
- ◆ **BREEAM Engagements:** In 2024, we partnered with Longevity to develop BREEAM In-Use Score Optimisation Reports for each asset undergoing certification. These tailored reports provided insights and pathways to improve environmental performance scores, outlining targeted recommendations to uplift an asset's BREEAM In-Use rating with consideration for cost and timeline, aiming for continual improvement beyond initial green building certification. Two sites, successfully achieved BREEAM In-Use certifications, both securing a 'Good' grade. The fund remains committed to environmental performance through continued BREEAM certifications, with certified assets now aligned with or exceeding the GRESB benchmark, demonstrating alignment with best practice across the sector.
- ◆ **Energy Reduction:** Engaged with tenants to advance energy efficiency and reduce environmental impact as part of our commitment to achieving net zero. A comprehensive energy-saving pack was distributed to targeted tenants, providing essential information and resources to support informed decision-making regarding energy consumption. The pack included practical guidance on various energy-saving technologies and best practices, featuring detailed explanations of solutions such as BMS machine learning optimisation, which minimises energy waste through intelligent building management, and voltage optimisation, which reduces energy use by adjusting voltage levels to optimal ranges. Additionally, the pack offers information on accessible resources and support to help tenants implement these strategies effectively.



- ◆ **Solar PV:** We actively engage with tenants to offer fully funded solar installations in exchange for Power Purchase Agreement (PPA) arrangements at targeted sites. In 2024, we identified and successfully reactivated a previously decommissioned solar installation that had been taken offline due to health and safety concerns. Whilst the process faced delays related to roof conditions, we addressed these challenges through effective remediation and the system is now back online. Additionally, we completed a new solar photovoltaic installation across two units at one of our industrial estates. The system now generates clean energy annually, meeting a significant proportion of the tenant's electricity needs whilst providing additional income and exceeding the target total return for the fund, demonstrating our commitment to reducing our environmental footprint and enhancing long-term asset value.
- ◆ **EV:** Addressing transport emissions has become a major concern, with passenger cars accounting for a significant proportion of transport-related emissions in Europe. The rising demand for Electric Vehicles has led to increased installation of charging points, which have become essential at retail parks, shopping centres, and hotels, signalling alignment with market trends focused on reducing emissions. In 2024, we advanced our commitment to sustainable transport through a comprehensive feasibility study conducted in partnership with our appointed electric vehicle provider. Following this assessment, an Agreement for Lease has been drafted for one retail site, with installation planned for 2026. Additionally, we have made progress at several other sites across the fund: two retail parks are set to be implemented through Agreements for Lease, whilst at two further retail parks we have confirmed proposal sites and are progressing tenant communications and legal plans, demonstrating our ongoing commitment to expanding sustainable transport infrastructure across the portfolio.
- ◆ **AREF:** The AREF ESG & Impact Investing Committee collaborates with members to champion ESG and impact investing standards within the real estate fund management sector, influencing critical issues and regulatory frameworks. KFIM's Head of ESG sits on the Committee and during 2024 participated in the Nature in Real Estate working group, contributed to the AREF website revamp enhancing member access to ESG resources, and engaged in UK Green Taxonomy consultation. This participation enabled KFIM to address market-wide sustainability risks whilst driving systemic improvements across the real estate sector.

Outcome

KFIM employs a systematic process to assess the material financial impact of risk on its business and financial planning. This process is incorporated at both the pre-acquisition and post-acquisition stages of the property lifecycle to effectively identify and manage both market-wide and systemic risks to our portfolio.

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.18: Market-wide Risks, Changes in consumer demand & Geopolitical Issues.

Systemic-wide Risks

Systemic risks are those that may lead to the collapse of an industry, financial market or economy. Systemic risks are risks that arise from the overall economic or financial system, rather than from specific factors related to a particular industry or asset class. These risks can affect the entire real estate market and are often difficult to predict or control. Examples of how KFIM incorporate the assessment of systemic-wide risks include the following:

Regulatory Changes: The transition risks related to policy changes have the potential to move markets and strand assets on short-term time frames as well. Recognising policy risks as a key concern in real estate management, we have implemented several strategic measures to comprehensively cover our ESG objectives. In preparation for the upcoming changes to Minimum Energy Efficiency Standards (MEES), we continued a comprehensive portfolio analysis to assess the potential impact of a B rating requirement in 2024. By identifying potential stranded assets, allows us to implement action plans to improve the EPCs of the assets and mitigate against the future financial risks associated with non-compliant assets.



We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023 p.19: Climate Risks, Asset Level Portfolio Analysis, Corporate Governance & Acquisitions and Due Diligence](#).

Table 6: Case Study: Bristol Cala EPC Upgrade

CASE STUDY: Bristol Cala EPC Upgrade

OVERVIEW:

KFIM instructed Vital to conduct an EPC assessment for a 5,478 sq. ft industrial unit, which transformed its energy performance from Grade D to Grade B. The building originally held an EPC Grade D rating and required upgrading to meet 2030 MEES regulations.

CHALLENGE:

The industrial unit held an EPC Grade D rating, which would not meet the upcoming 2030 Minimum Energy Efficiency Standards (MEES) regulations. The building required significant energy efficiency improvements to ensure regulatory compliance whilst reducing energy consumption and operational costs for future tenants.

SOLUTION:

Following the site survey and EPC Plus advisory report, Vital recommended targeted energy efficiency upgrades including LED lighting throughout, replacing office windows with double glazing, and fitting air-conditioning split heat pumps for efficient heating and cooling. The refurbishment involved £27,439 invested specifically in energy improvements to elevate the building to EPC Grade B.

RESULTS AND IMPACT:

The upgrade successfully achieved EPC Grade B rating, ensuring long-term compliance with MEES regulations and significantly reducing energy consumption. Vital's forecasts showed annual energy costs dropping from £16,712 to £8,280, delivering substantial annual savings for future tenants. This projection was validated by actual performance data showing the unit achieved a 43% reduction in electricity consumption between 2022 pre-refurbishment and 2024 post-refurbishment with the new tenant. These results enhanced the building's sustainability credentials and market appeal.

Before



After





Principle 5: Review & Assurance



Signatories review their policies, assure their processes and assess the effectiveness of their activities.



Activity

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.21: Review of Policies to Enable Effective Stewardship, KFIM Standards; p22: Internal and External Assurance.

Policies which enable effective stewardship include the following:

Global Real Estate Sustainability Benchmark (GRESB): GRESB is an annual benchmark to which the two KFIM funds submit data at the request of our clients. GRESB evaluates the ESG performance of commercial real estate through a range of indicators and metrics. By participating in this annual reporting, these KFIM funds can assess their operational management and environmental performance within a globally recognised framework. This process enables them to compare their ESG performance with that of industry peers, revealing both the strengths and opportunities in their ESG strategy. By engaging with this framework, KFIM funds demonstrate their dedication to transparency, accountability, and continuous improvement in ESG performance.

- ◆ **LIPUT:** In 2024, LIPUT submitted its fourth report to GRESB, increasing its score from 77% in 2023 to 80%. This improvement highlights the positive performance in environmental, social, and governance factors and reflects the continued efforts to integrate ESG considerations into our processes and practices
- ◆ **LPPI:** In 2024, LPPI submitted to GRESB for the second consecutive year, achieving a score of 79% and a 3-star rating. This improvement from the first baseline reporting year (67% and 1-star) reflects the successful implementation of recommendations from its initial assessment.

United Nations Principles for Responsible Investment (UN PRI): KFIM is a signatory of the UN Principles for the Responsible Investment (UN PRI). The UN PRI is a global framework that sets out voluntary principles for responsible investment, guiding investors in integrating ESG considerations into their investment decisions. By reporting against this globally recognised framework, KFIM demonstrates the commitment towards transparency and credibility in ESG practices and performance.

ESG Annual Reports: To target transparency and credibility, KFIM engages an independent third party to prepare fund-specific annual fund reports when instructed by clients. These reports provide a comprehensive overview of our ESG KPIs, environmental data performance, and progress on sustainability initiatives. By outlining our performance year-over-year, we can identify areas for improvement and prioritise actions to enhance our ESG impact. The independent review process helps to ensure that our reporting is objective, balanced, and understandable for investors and stakeholders.

Outcome

Our review and assurance processes are essential for continuously enhancing our stewardship policies and practices. By conducting regular internal and external assessments, we evaluate the effectiveness of our current strategies, pinpoint areas for improvement, and make necessary updates to stay aligned with changing market dynamics and stakeholder expectations.



Environmental Data - External Assurance

In 2024, environmental data covering 54% of our AUM was externally assured to the AA1000AS standard through the ISOS Group. This assurance process, applied to landlord and tenant environmental performance data submitted to GRESB, verifies KFIM's adherence to data management procedures, confirms the accuracy and completeness of reported data, enforces quality controls, and validates emissions calculations.

Policies which enable effective stewardship include the following:

Policies are reviewed by the ESG committee and KFIM Board on an annual basis with the aim to align with best practices. Recommendations are made for improvement measures and circulated to the appropriate personnel. In 2024 we reviewed our current policies and no amendments were made.

Table 7: KFIM Policies

KFIM Policies and Documents	Document Content	2024 Review
Responsible Investment Policy	Outlines KFIM's approach to responsible investment and our stewardship processes. This policy applies to all our Assets Under Management (AUM), including assets managed on behalf of third-party clients under mandates, unless client-specific requirements specify otherwise	Adopted
ESG Strategy for KFIM Business	Outlines the ESG KPIs that KFIM, as a business, is committed to achieving. These KPIs are aligned with the United Nations Sustainable Development Goals (SDGs)	Renewed without amends
ESG Strategy for Assets Under Management	Outlines the ESG KPIs that KFIM's assets under management are committed to achieving. These KPIs are aligned with the United Nations Sustainable Development Goals (SDGs)	Renewed without amends
Governance and Operational Manual	The documentation of the Corporate, Management and Governance structure of Knight Frank Investment Management (KFIM), the manner in which authority is delegated to it and the way in which it delegates authority, collectively and individually.	Renewed without amends
KFIM Sustainable Procurement Standards	Establishes the ESG standards that service providers and the supply chain should adhere to when relevant and proportionate.	Renewed without amends
Net Zero Strategy	Fund-specific strategies which set out initial trajectories and action plans for the funds' assets under management to achieve net zero carbon.	Renewed without amends
Employee Remuneration Policy	The policy aims to reward performance at all levels and provides a framework within which local "market practices" are aligned	Renewed without amends
Communities and Charity Policy	Outlines the KPIs we focus on, the restrictions governing our charitable activities, and our approach to engaging with local communities.	Renewed without amends
Human Rights and Modern Slavery Policy	Outlines the commitment to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business.	Renewed without amends
Health & Safety Policy	Outlines KFIM's commitment to ensuring a safe and healthy workplace for all employees by complying	Renewed without amends



	with health and safety regulations, identifying and mitigating hazards, and promoting employee well-being	
Maternity and Paternity Leave Pay Policy	KFIM's maternity and paternity leave policy ensures compliance with legal requirements and supports employees in balancing work and family life.	Renewed without amends
Whistleblowing Policy	This Policy is designed to ensure that staff within KFIM can raise concerns about wrongdoing or malpractice within KFIM without fear of victimisation, subsequent discrimination, disadvantage, or dismissal.	Renewed without amends
Anti-Bribery and Corruption ("ABC") Policy	KFIM have adopted Knight Frank LLPs Global Anti-Bribery and Corruption ("ABC") Policy which emphasises that Knight Frank does not tolerate the giving or receiving of bribes, including the making of facilitation payments.	Renewed without amends
Conflicts of Interest Policy	This policy outlines KFIM's approach to identifying and managing conflicts of interest, detailing the procedures to follow when a conflict arises.	Renewed without amends

GRESB Improvement Plans

GRESB improvement plans have been successfully undertaken this year, strategically targeting areas identified for development. This proactive approach ensures we take advantage of opportunities to further solidify our commitment to ESG principles. By addressing these areas, we aim to continue to achieve increases in our GRESB score year-over-year.

Table 8: Example GRESB improvement plan targets in 2024

Key Performance Indicator	Target	2024 Progress
Technical building assessments	Increase coverage of technical building assessments across assets; those older than 3 years would no longer be valid. Assessments should be with respect to energy, water and waste.	Property Managers were instructed to undertake technical building assessments on site to identify efficiency measures. 47% of area let covered across 62 individual tenancies.
Tenant satisfaction survey	Develop evidence on the tenant satisfaction survey of whether the survey was undertaken externally	Completed with action plan activated to address feedback and opportunities.
Data collection	<p>Review all data collection methodologies and establish a robust plan aimed at maintaining or increasing the coverage.</p> <ul style="list-style-type: none"> ◆ Greater investment in both onsite and offsite renewables through procurement ◆ Divert 100% of landfill waste ◆ Reduce year on year consumption at key sites 	Property Managers were instructed to coordinate tenant engagement via property managers. Waste data collection increased from 36% in 2023 to 74%.



Building certificates	Instruct green building certificates across assets within the portfolio with the aim of maximising on floor area and GAV coverage.	BREEAM certifications awarded to three targeted sites:
Energy Ratings	Ensure complete coverage of energy ratings across the portfolio. Instruct additional Energy Performance Certifications if applicable	Completed, included in 2025 GRESB submission



Principle 6: Client Needs & Activities



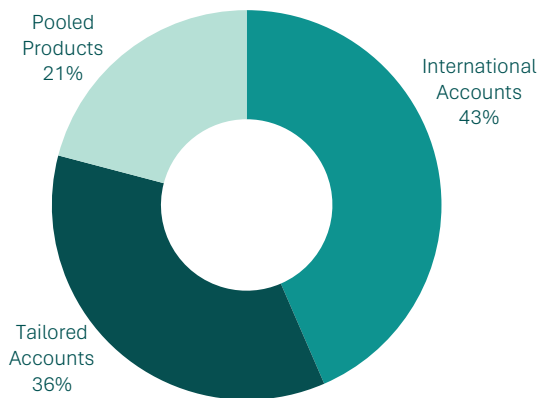
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.



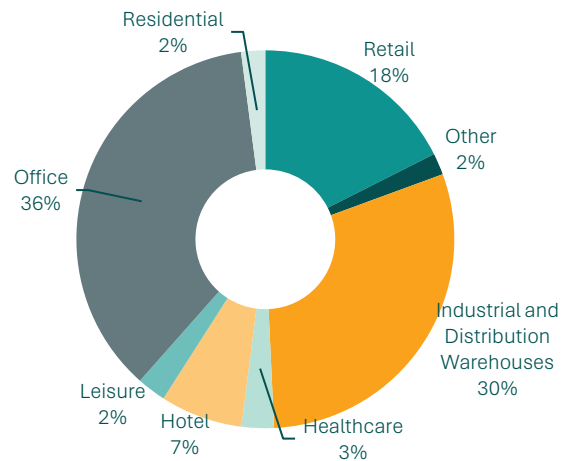
Activity

Table 9: Portfolio Overview and Client Base

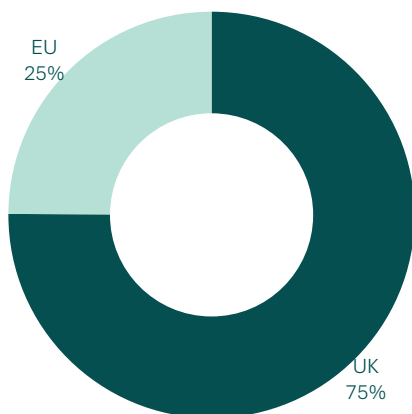
KFIM AUM by Business Area (2024)



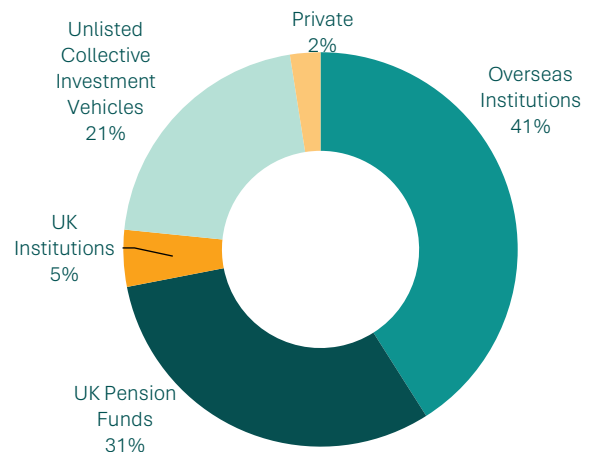
KFIM AUM by Property Type (2024)



KFIM AUM by Property Location (2024)



KFIM AUM by Investor Type (2024)





Portfolio Overview and Client Base

As of the end of December 2024, KFIM had 3.577 billion GBP of AUM. The pie-charts below set out the breakdown of our global AUM by three different means: business area, property type, property location, and investor type. We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.26,27, 28: Communication with Clients, Evaluation of Method Effectiveness.

Principle 7: ESG in Investment Decisions



Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.



Activity

Differences for Funds, Asset Classes and Geographies

KFIM acknowledges that the degree of control over ESG objectives can vary based on the level of discretion allowed and the ESG ambitions of its clients. KFIM takes an asset-focused approach to investment strategies, considering geography and asset class to inform our individualised methodologies. For each asset, we assess various factors, including the level of control we have, the type of asset, the tenants who occupy it, and other relevant criteria to determine which ESG initiatives to implement. When applicable, we engage in certifications such as BREEAM and explore opportunities for on-site enhancements like solar installations or EV charging points.

We also create tailored net zero strategies detailing estimated budget and timelines for retrofits based on lease expirations. In 2024 we activated customised net zero strategies for 49% of our AUM. In cases where KFIM has discretion or clients have high ESG objectives, more ambitious ESG impacts and targets have been established.

Some KFIM funds report to GRESB, which has helped identify areas for advancing responsible investment objectives. Client planning horizons are determined individually, but our approach to climate risks and opportunities extends beyond these horizons

Table 10: ESG Stage 1 and Stage 2 Acquisition Form

ESG Assessment		
ESG Criteria	ESG Target	Assessment
Current / As designed (new builds) EPC	EPC A	EPC rating: EPC expiry:
Heating, Cooling and Hot Water systems	100% electric, net-zero enabled	[YES/NO] No gas on site (Net Zero enabled building) [YES/NO] MEP landlord-controlled



ESG Assessment					
ESG Criteria	ESG Target		Assessment		
Tenant(s) has Science-Based Targets (SBTi) approved?	SBTi carbon targets published		Check https://sciencebasedtargets.org/companies-taking-action#dashboard		
Climate-related risks	Located in flood zone 1 or mitigation plan in place, low surface water risk		Flood zone: Surface water risk:		
Building certification(s)	BREEAM Very Good or better, UK Net Zero standard, WELLS, Embodied Carbon Building Passport, etc		Any building certification or standard planned or in place?		
Alignment to Net Zero target:					
Client Net Zero Targets			Provide description of Client Target or KFIM aims to have 100% AUM Net Zero by 2050 or sooner:		
Retrofit Costs to achieve Net Zero Target (add assumed costs corresponding to source used)					
	Description of measures	Building surveyor estimate	KFIM estimate	EPC Plus analysis	CRREM analysis
Unit A					
Unit B					
[YES/NO]	Net Zero cost has been included in IRR analysis, both with and without scenarios presented?				
[YES/NO]	Climate Hazards and Scenario Report – Value at Risk received? Provide asset sqm, value, type/sector, postcode, EPC rating data to Senior Data Manager or ESG Officer to produce MSCI climate report. [INSERT] MSCI Physical Climate Risk Overall				
[YES/NO]	Biodiversity opportunities, risks, regulations, or sensitive areas applicable? Provide asset red line boundary and postcode to ESG Officer for Biodiversity Assessment. [Biodiversity summary report included in Appendix X if applicable]				
Recommendations for Stage 2 [delete as appropriate]					
[YES/NO]	EPC Plus report to achieve A rating?				
[YES/NO]	Net Zero Audit?				
[YES/NO]	Other				



New Solar Installations

The demand for Solar Photovoltaic installations continues to grow as both landlords and tenants seek to enhance on-site renewable electricity generation. This shift not only promises increased revenue through Power Purchase Agreements but also mitigates risks associated with asset stranding and enhances tenant satisfaction. Solar PV advancements contribute to clean energy access, reducing global emissions, reinforcing grid security, and promoting economic stability. We remain committed to increasing the use of renewable energy across the KFIM portfolios, which not only aligns with our sustainability goals but also supports our tenants in reducing electricity costs and achieving their ESG objectives.

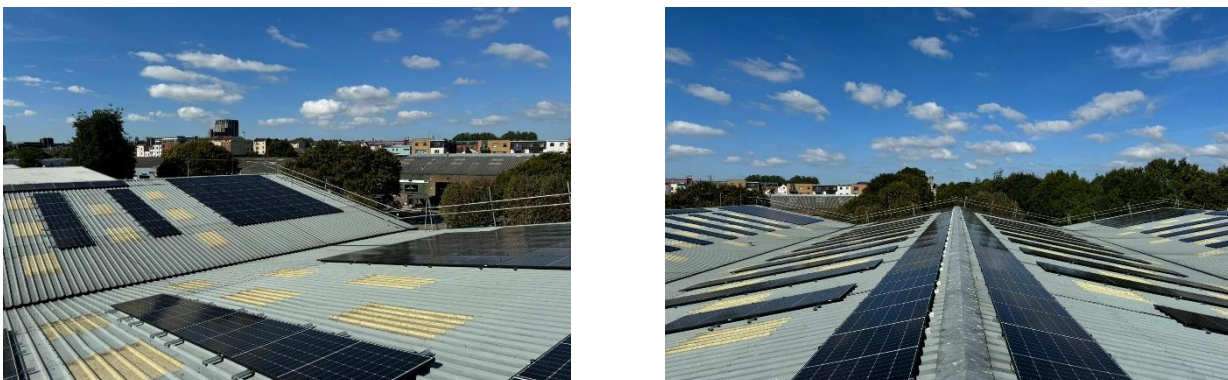
In August 2024, KFIM successfully completed the solar installation at Kingsland Trading Estate in Bristol. The installation, comprised a 332kWp solar photovoltaic system across two units. This project exemplifies our commitment to sustainable investment, delivering significant benefits for both our tenant and our investors.

The Solar PV system is now generating over 275 MWh of clean energy annually, meeting over 70% of the tenant's electricity needs. In the first six months, on-site consumption reached approximately 68%. The project has provided additional income and achieved the total return for the Fund over the life of the system. This project aligns with our commitment to reducing our environmental footprint and enhancing the long-term value of our assets.

Figure 5: Kingsland Trading Estate



Figure 6: Solar Installation at Kingsland Trading Estate



We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p29, 30: Integration of Stewardship in Service Provider; p31 & 32: Supplier self-assessment form, we monitor stewardship at key stages of our supply chain &: Stewardship in Decision Making.



Solar Contractor Modern Slavery & Forced Labour Due Diligence

Table 11: Solar Contractor Modern Slavery & Forced Labour Due Diligence

#	Question
1	Provide your modern slavery policy statement detailing your approach to combating modern slavery and labour exploitation. Show evidence of policy commitments that adhere to a robust due diligence framework for your supply chain, covering prevention, identification, mitigation, and remediation. This should be supported by references to frameworks such as the UN Guiding Principles on Human Rights & Business, OECD, and BS 25700.
2	Provide a detailed policy statement from your solar panel supplier(s) outlining their approach to tackling modern slavery and labour exploitation within their supply chain?
3	Disclose relevant information about your supply chain including locations and identities of subcontractors involved in the production process (starting from material sourcing to installation). As well as evidence of an established and structured approach to materials sourcing and provenance (materials mapping).
4	Provide proof of third-party audits and social audits conducted within your supply chain, with a particular focus on modern slavery and labour exploitation. Specify whether the due diligence practices of your supply chain partners have been verified by an independent third-party audit program like SEDEX or its equivalent.
5	Can you verify that fair wages and working hours, appropriate employment and no forced and child labour are established within your organisation and your supplier(s)?
6	If accessible, please provide a copy of the organisational action plan relating to solar PV supply chain transparency. This should include training, supply chain engagement, monitoring and reporting and continuous improvement plans.
7	Please present documentation showcasing your commitment to diversity, inclusion, and equal opportunities within your company and workforce and your supplier(s).
8	If applicable, please present evidence of conducting Conflict Minerals surveys with your relevant supplier(s).
9	Confirm if your suppliers adhere to any of the following standards: ISO 26000, ISO 20400, BS 25700, SA 8000, BES 6001, or EPEAT for Solar, please supply evidence of compliance.
10	Specifically, do you or your supplier(s) procure silicon or other raw materials from Xinjiang region?
11	Where do you and your supply chain procure silicon and how do you ensure it's not derived from areas with human rights abuse?
12	Where do you believe your supply chain is most at risk of environmental or human right violation?



Principle 8: Monitor Service Providers



Signatories monitor and hold to account managers and/or service providers.



Activity

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.35: Overview of Our Service Providers, Monitoring Service Providers & Monitoring Property Management.

Tenant Engagement

Tenant engagement plays a crucial role in enhancing understanding between landlords and tenants regarding their respective ESG strategies. By facilitating tenant engagement, we create opportunities for tenants to provide feedback about the management of their sites, convey their sustainability goals, explore potential collaborations, and identify ways to enhance the ESG performance of our properties. This includes initiatives such as solar PV installations and EV charging points, as well as establishing ongoing dialogue to support and improve sustainability efforts.

Tenant Survey

The 2024 occupant satisfaction survey captures tenant sentiment across our portfolio through 105 responses from 409 individual tenants, achieving a 25.7% response rate. The results reveal solid foundations of tenant satisfaction, with 78% of tenants confirming their current space meets their needs and 59% believing it will accommodate future requirements. Additionally, 53% express satisfaction with overall property management, supported by a strong promoter base of 23% who provide examples of operational excellence, particularly highlighting responsive communication, professional service delivery, and helpful management teams.

Building on these positive foundations, the survey identifies three critical improvement areas: enhancing communication protocols to ensure consistent tenant interactions across all properties, accelerating maintenance response times to meet occupant expectations more reliably, and strengthening relationship management through more proactive engagement strategies. These targeted improvements will leverage existing tenant satisfaction to drive higher overall performance and support long-term retention across the portfolio.

Tenant Workshops & Technical Building Assessments

In 2024, we organised in-person workshops at targeted sites to deepen our understanding of efficiency measures and the building energy, water and waste systems in place. During these sessions, the property manager conducted technical building assessments to evaluate the existing efficiency systems at each asset. This approach allowed us to gain insights into the advanced ESG initiatives tenants have implemented, recognise systems that may need upgrading, and pinpoint areas for future collaboration.

The workshops served as a platform for both parties to share their sustainability strategies and targets while discussing specific opportunities for improvement. All tenants were encouraged to express their interest in collaborating with us as their landlord or to receive further information on ESG initiatives tied to their technical building assessments. Following the workshops, a tenant ESG guide was distributed to those who showed interest in



particular ESG initiatives. Occupiers eager to collaborate with KFIM were given priority for follow-up discussions, ensuring that we can move forward together in our sustainability efforts.

Outcome

Services Adapting to Service Providers Needs

After monitoring service provider performance, we are committed to adapting our services in order for our tenants to receive the best possible experience. By analysing feedback and performance metrics, we can identify areas for improvement and make necessary adjustments. This proactive approach not only addresses tenants' concerns but also enhances the overall quality of service, contributing to our stewardship goals. Furthermore, by creating a positive tenant experience, we can drive greater financial performance through increased lease renewals.

Table 12: Case Study: Tenant Engagement & Waste Data Coverage

CASE STUDY: Tenant Engagement & Waste Data Coverage

BACKGROUND:

Prior to 2024, a KFIM fund encountered difficulties in capturing comprehensive waste data, managing to report only 36% of its total waste generation. Recognising the critical role of accurate waste reporting in driving our ESG strategy, a key objective for tenant engagement this year was to improve data coverage by surveying waste schedules, including collection types, volumes, frequency of each waste stream, and final destination.

OVERVIEW:

To achieve this, individual interviews were conducted with tenants and property managers at the site, focusing on waste streams, their end treatment and volume.

During the interviews, tenants who already monitored their waste consumption—tracking waste streams and the proportions directed to landfill, energy recovery, recycling, and other categories—shared their data with the team. For those unable to provide specific figures, the team employed estimation techniques, utilising information such as the number and size of bins on-site, and the schedule of bin pickups to generate accurate waste assessments.

RESULTS & LOOKING FORWARD:

This targeted approach, supported by a new tracking system, delivered significant improvements in both data accuracy and coverage for the fund. The tenant engagement workshops covered 47% of area let covered across 62 individual tenancies, and successfully doubled waste data reporting coverage from 36% in 2023 to 74% in 2024.



Principle 9: Enhancing Value



Signatories engage with issuers to maintain or enhance the value of assets.



There are no issuers in direct real estate and so this principle does not apply to our direct real estate investment teams in its purest form. However, we work closely with stakeholders to maximise stewardship outcomes

Activity

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.37: Prioritisation of Engagement, KFIM SDG Goals & Enhancing Asset Value; p.38-39: Engaging with Stakeholders, Our Stakeholders & Expectations to Ensure Value is Delivered.

Value Environment: Planet Stewardship and Climate Resilience

Approach: Through our active asset management, enhance energy efficiency, reduce net carbon emissions to zero, promote renewable energy use, minimise climate-related risk, implement climate adaptation solutions, achieve biodiversity net gain, promote practices that reduce waste, support recycling and circular economy, improve water efficiency, and enhance indoor air quality.

Table 13: ESG KPI for AUM: Environment Progress Report 2024

Ref	Key Performance Indicator – All AUM	Target	2024 Progress
E001	Achieve EPC B or above ratings for all qualifying assets.	100% with EPC E or above by May 2023 100% with EPC C by 2026 100% with EPC B or above by 2029	99% with EPC E or above 91% with EPC C or above 74% with EPC B or above 1% not applicable for EPC
E002	Collect landlord electricity and gas data for Scope 1 and Scope 2 and engage with occupiers to collect Scope 3 data including energy, water consumption, and waste generation.	100% coverage Scope 1 & 2 by 2022 and annually 50% coverage Scope 3 by 2023 and achieve 80% by 2025	100% coverage of Scope 1 and 2 81% coverage Scope 3
E003	Procure 100% renewable or zero-carbon electricity for landlord supplies.	100% of landlord supply confirmed in 2022 and renewed when contracts expire	100% of landlord supply confirmed as renewable



E004	Promote 100% renewable or zero-carbon electricity to occupiers.	50% of tenants supply renewable by 2023 and achieve 80% by 2025	53% of tenant electricity supply confirmed as renewable
E005	Achieve net zero carbon by reducing energy use, operational carbon, and embodied carbon whilst using minimal carbon offsets.	50% GHG intensity reduction by 2030 80% GHG intensity reduction by 2040 100% GHG reduction by 2050	2.5% absolute GHG increase from 2022 to 2024 2.5% change in GHG intensity kWh/m2 from 2022 to 2024
E006	Understand physical climate-related risks under different climate scenarios and suitably adapt relevant assets.	Complete assessments in 2022 and propose adaptation plans in 2023 with action measures activated 2024 onwards	Annual review completed on 100% of AUM and specialists' assessments completed on sites with medium to risks
E007	Understand transitional climate-related risks associated with the global transition toward a low-carbon economy and suitably adapt relevant assets.	Complete assessments in 2022 and propose adaptation plans in 2023 with action measures activated 2024 onwards	Annual review completed on 100% of AUM and net zero strategies developed for 55% AUM
E008	Maximise solar generation.	Complete desktop assessments in 2022 and set kWh generation targets in 2023 with solar projects activated 2024 onwards	Completed desktop assessment and progressed on 332kWh generation installations
E009	Maximise EV charging.	Complete assessments in 2022 with recommendations delivered in 2023, and EV projects activated in 2025 onwards	Completed assessments and working on 4 landlord controlled EV installations (22 bays)
E010	Engage with tenants on environmental practices and initiatives.	Engage annually with tenants to encourage environmental practices and initiatives	Sent tenant ESG guides with online workshops sessions targeting 55% AUM
E011	Assess baseline biodiversity and promote initiatives to enhance and monitor biodiversity net gains.	Conduct biodiversity baselines and promote initiatives to enhance and monitor biodiversity net gains	56% of AUM with biodiversity boundaries completed

Value Society: Thriving People and Communities

Approach: Through our activities maximise social impact for the benefit of occupiers and local communities.

Table 14: ESG KPI for AUM: Society Progress Report 2024

Ref	Key Performance Indicator – All AUM	Target	2023 Progress
S01	Implement an ongoing programme of occupier engagement with an overriding objective to assess and improve beneficial social impact.	Survey at least every 3 years	Tenant engagement survey conducted with 55% of AUM



S02	<p>Subject to engagement outcomes, for multi-let environments – or other properties where KFIM can hold direct influence – maximise opportunities to improve:</p> <p>Tenant well-being measures Building and environmental amenities Wider community engagement Meaningful public art and celebration of place</p>	Continued improvements in tenant satisfaction	Invested £1m in common spaces and amenities in Hammersmith – to upgrade reception, atrium and roof terrace for tenants
S03	<p>Subject to engagement outcomes, for single-let environments – or other properties where KFIM cannot directly influence – support opportunities to improve:</p> <p>Tenant well-being measures Building and environmental amenities Wider community engagement Meaningful public art and celebration of place</p>	Continued improvements in tenant satisfaction	Achieved BREEAM-in Use at 27%, BREEAM New Construction at 71%, and ActiveScore at 2% of total certified floor area.

Value Governance: Promoting Fairness and Prosperity

Approach: Uphold the highest standards in the way we do business within a transparent and robust governance framework.

Table 15: ESG KPI for AUM: Governance Progress Report 2024

Ref	Key Performance Indicator – All AUM	Target	2023 Progress
G01	Signatory of the United Nations (UN) Principles for Responsible Investment (PRI).	Improve scoring year-on-year	Improved UN PRI scoring from 79% to 92% in the Direct Real Estate Category, reaching 94% in Policy, Governance, & Strategy, and 92% in Confidence Measures, achieving five stars in all categories.
G02	Align to the 10 United Nation (UN) Global Compact principles and monitor progress towards selected UN Sustainable Development Goals (SDG).	Report progress in annual report	Reporting progress in ESG Annual report as part of UK Stewardship
G03	Align and report to recommendations set by Task Force on Climate-Related Financial Disclosures (TCFD) regulation.	Set strategy and start reporting by April 2023	TCFD report via Knight Frank LLP
G04	Align and report to Sustainable Finance Disclosure Regulation (SFDR) regulation.	Report on funds' categories by 2023	The LIPUT Fund submitted its SFDR statement and self-qualifies under Article 8



G05	Sign-up to the Net Zero Asset Managers to achieve and support investments that achieve net zero greenhouse gas emissions by 2050 or sooner and limit global warming to 1.5 degrees Celsius or less.	Set strategy to reach net zero target by 2050 or sooner	Net Zero Asset Managers Alliance paused. KFIM participating in consultations.
G06	Align investment decisions using One Planet Living® framework by Bioregional.	Track and report One Planet Living outcomes from investments	New Acquisition form ESG section embed principles from One Planet Living® framework
G07	Achieve best building certifications with the type and level of the accreditation selected according to viability and relevance.	Monitor and improve year-on-year the proportion of accredited buildings	BREEAM certified assets represented 39.7% of total KFIM AUM as of Q4 2024
G08	For all clients wishing to participate, submit client data to GRESB benchmark.	Improve scoring year-on-year	LIPUT increased its GRESB score from 54% in 2022 to 77% in 2023, and further to 80% in 2024. LPPI began reporting in 2023 with a score of 67%, improving to 79% in 2024.
G09	Vet new tenants and tenancy renewals with a view to maximise ESG alignment and promote the inclusion of Green Clauses.	Review process and increase the proportion of tenancy agreements with Green Clauses	IC acquisition form tracks ESG alignment and Green Clauses inclusions. Limitations to update if Green Clauses are not present at time of acquisition
G10	Communicate and monitor alignment of suppliers and property managers to KFIM's Supplier Code of Conduct and procurement values.	Develop supplier self-assessment and prioritise dissemination	Self-Assessment form developed and completed by 26% of suppliers (by spend)
G11	Publish progress report.	Publish first annual report and improve on targets year-on-year.	Published via UK Stewardship KFIM Report in October 2024

KFIM's Business Operations

The following Strategies ensure that environmental, social, governance (ESG) factors are central to decision-making and operations across KFIM's Business Operations. The KFIM New Change Committee is responsible for defining, updating, implementing and monitoring this strategy. The framework is designed to evolve over time, maintaining a progressive and responsive approach to corporate development whilst providing a platform for team members to contribute ideas and implement meaningful projects.



Value Environment: Planet Stewardship and Climate Resilience

Approach: Minimising our own environmental impact including energy, waste, natural resources, and carbon.

Table 16: ESG KPI For Business Operations: Planet Stewardship and Climate Resilience

Zero Waste	
Target	Achieve zero waste including reducing resource-use and waste production, increasing recycling, activating reuse and circular solutions, and sending zero waste to landfill.
Actions Taken to Date:	<p>Zero waste:</p> <ul style="list-style-type: none"> ◆ Removed individual waste bins and replace with centralised recycling stations. ◆ Introduced food waste collection and recycling. ◆ Introduced coffee pods recycling. ◆ Introduced battery recycling. ◆ Maintained toner ink cartridge recycling. ◆ Activated recycling processes and communicated to staff for other waste types such as broken electronics, coffee pods, ink cartridges, and batteries. ◆ Confirmed with waste collection provider that no waste is sent to landfill. Our general waste is sent to waste-to-energy. ◆ Trialled a “recycling police” campaign to team reduce contamination and boost recycling. ◆ Maintaining waste transfer notes for a three-year period. <p>Paper:</p> <ul style="list-style-type: none"> ◆ Established baseline and tracked progress on paper consumption both black and white and colour printing from 2022 to 2024. ◆ Created a newsletter instructing staff how to print double sided and in black and white ink. <p>Plastic:</p> <ul style="list-style-type: none"> ◆ Removed single-use hand soap and dish soap dispensers. ◆ Switched to bamboo sponges instead of synthetic polyester or polyurethane. ◆ When pumps/disposable plastic bottles break replace with permanent/stainless steel pumps.
2024: Progress	<ul style="list-style-type: none"> ◆ Recycling increased to 75% in 2022 with slight reduction to 71% in 2024 ◆ Decreased paper printing by 19% from 2022 to 2024. This is equal to about 10,000 sheets which is equivalent to a tree saved. ◆ Maintained zero waste to landfill since 2022
Energy & Carbon	
Targets	Reach net zero carbon emissions across our business operations (scope 1 & 2) by 2025, and for our entire AUM (scope 1, 2, 3) by 2050 or sooner.
Actions Taken to Date:	<ul style="list-style-type: none"> ◆ Created desktop review to calculate scope 1, 2, and 3 carbon emissions baseline. ◆ Reviewed and activated energy efficiency measures such as office temperature settings and controls, switching off heating and cooling systems during weekends and holidays, and turning off coffee machine at the end of each day. ◆ Environmental team meets quarterly and sets goals to help achieve net zero targets. ◆ Created environmental newsletter to inform staff of progress with energy savings. ◆ Introduced natural ventilation in summer by opening windows and shutting down heating/cooling systems. ◆ Office has motion sensor lights throughout.
2024: Progress	<ul style="list-style-type: none"> ◆ KFIM HQ office 100% electric, net zero enable with 100% renewable electricity supply; achieved Net Zero for business operations. ◆ 23% reduction in energy consumption since 2022.



Value Society: Thriving People and Communities

Approach: Ensuring KFIM maintains an open, progressive and supportive working environment.

Table 17: ESG KPI For Business Operations: Thriving People and Communities

Diversity & Inclusion	
Target	Increase diversity & inclusivity (D&I) measures and protocols.
Actions Taken to Date:	<ul style="list-style-type: none"> ◆ Implemented and updated D&I policy. ◆ Delivered unconscious bias and inclusivity training to all staff. ◆ Implemented tactics to combat unconscious bias in recruitment processes.
2024: Progress	<ul style="list-style-type: none"> ◆ Underwent gender/diversity pay-gap analysis. ◆ Adopted prolonged maternity and paternity leave.

Approach: To ensure we focus on the benefits of enjoying working together and feeling at our best in our office environment, while giving equal regard to professional, and personal, development to staff.

Table 18: ESG KPI For Business Operations: Wellbeing and Development

Wellbeing & Development	
Target	Implement and monitor a comprehensive staff well-being programme encompassing cultural, social and health activities.
Actions Taken to Date:	<ul style="list-style-type: none"> ◆ Annual office satisfaction surveys completed with staff feedback implemented. ◆ Conducted an office assessment for biophilia design opportunities and completed office retrofit from recommendation report. ◆ Implemented health & well-being measures such as office weekly fruits, take the stairs campaign, running/walking clubs, mindfulness/meditation sessions. ◆ Offering team more of a variety of teas and coffee options + plus dairy-free milk options. ◆ New fruits introduced in 2024 (grapes, as opposed to the standard). ◆ Work socials and staff away days. i.e. glamping and Christmas in Canterbury. This is to promote team building and generally happier environment to work in. ◆ Reviewed options, recommendations and activated a programme of activities that promote inclusivity, such choosing different types of social events to appeal to different members of staff. ◆ Assessed staff needs and developed and activated CPD sessions.
2024: Progress	<ul style="list-style-type: none"> ◆ According to the office survey, employee general wellbeing averaged 7.10 out of 10 in 2024, representing a 28.39% increase from the 2022 baseline. ◆ Other indicators such as individual productivity, motivation to work in-office, productive meetings, and sense of pride also rose from 2022 baseline in 2023 and 2024.



Value Governance: Promoting Fairness and Prosperity

Approach: Encouraging all staff to contribute their time and endeavours to charitable causes and social impact.

Table 19: ESG KPI For Business Operations: Promoting Fairness and Prosperity

Charities & Volunteering	
Target	Set a whole-business approach for the benefit of carefully considered charities, volunteer opportunities and community impact.
Actions Taken to Date:	<ul style="list-style-type: none"> ◆ Created staff engagement surveys to set KFIM’s approach to support charities, fund-raising and volunteering. ◆ Presented at local schools and implemented a work placement programme and internships opportunities to provide experience to under-represented groups in the real estate industry. ◆ Staff offered 2-day volunteer leave annually. ◆ When employees personally fundraise, KFIM will match their charitable contributions up to £500 per year.
2024: Progress	<ul style="list-style-type: none"> ◆ KFIM staff volunteered at different charities and a member of staff completing a Marathon and raised money to donate to Mind charity. ◆ Project Felix: Colleagues spent a day sorting food for this brilliant charity. The Felix Project works to reduce food waste whilst tackling food poverty. The kitchen service has been providing a variety of meals at an average of 3,500 per day since July 2021. ◆ Lunch Litter Pick: KFIM colleagues volunteered to remove litter from the River Thames. Whilst there wasn't much rubbish to collect, the outing provided a brilliant social opportunity for team members to enjoy the outdoors together and appreciate our local river in good condition. ◆ The KFIM men participated in Movember campaign last November and raised £476.

Approach: Set best-in-class standards, processes, incentives and report on ESG progress.

Table 20: ESG KPI For Business Operations: Sustainable Procurement

Sustainable Procurement	
Target	To adopt, communicate, and monitor compliance to a Sustainable Procurement policy prioritising products and services based on ESG performance.
Actions Taken to Date:	<ul style="list-style-type: none"> ◆ Approved Sustainable Procurement policy and introduced processes to communicate and monitor compliance. ◆ Reviewed office products and services to establish ESG performance and supplier options to select best-in-class.
2024: Progress	<ul style="list-style-type: none"> ◆ 36% of KFIM suppliers completed self-assessment form.

Table 21: ESG KPI For Business Operations: ESG Incentives

ESG Incentives	
Target	To incentivise ESG actions and performance.
Actions Taken to Date:	<ul style="list-style-type: none"> ◆ Updated staff appraisal to include ESG assessments and targets. ◆ Recommended and activated financial and non-financial ESG reward programmes.
2024: Progress	<ul style="list-style-type: none"> ◆ 100% of KFIM staff with ESG KPI as part of their annual appraisal. ◆ Annual recognition award to highlight staff ESG impact.



Table 22: ESG KPI For Business Operations: ESG Values

ESG Values	
Target	Update KFIM key values to include sustainability (ESG) for our business and investments to support people and planet to thrive.
Actions Taken to Date:	<ul style="list-style-type: none"> ◆ Updated KFIM values and communicate change on website and other relevant channels. ◆ Updated KFIM Investment Committee forms to track and monitor ESG alignment across asset lifecycle. ◆ Replaced Environmental Policy with comprehensive Responsible Investment Policy.
2024: Progress	◆ 100% of KFIM policies and investment committee forms reviewed and updated for alignment.

Table 23: ESG KPI For Business Operations: ESG Reporting

ESG Reporting	
Target	Publish KFIM’s ESG report annually.
Actions Taken to Date:	<ul style="list-style-type: none"> ◆ ESG strategy and progress report included in client quarterly and annual reports. ◆ Reporting to UN PRI since 2021. ◆ Submitted annual report to demonstrate alignment to UK Stewardship Code.
2024: Progress	<ul style="list-style-type: none"> ◆ Achieved year-on-year progress in UN PRI scores climbing to 92% in confidence building measures, 95% for our policy governance strategy and 88% in real estate categories in 2024. ◆ Approved as a signatory of the UK Stewardship Code.

The Taskforce on Nature-related Financial Disclosures

The Task Force on Nature-related Financial Disclosures (TNFD) is an initiative aimed at developing a framework for disclosing and managing nature-related financial risks. It focuses on highlighting the financial implications of biodiversity loss and ecosystem degradation and aims to encourage businesses and financial institutions to incorporate nature-related risks into their decision-making processes.

The impact of TNFD on real estate investment over the coming years could be significant. Real estate is closely linked to the natural environment and can have both positive and negative impacts on biodiversity and ecosystems. The TNFD framework will likely require real estate investors to assess and disclose their exposure to nature-related risks, such as the potential impact of climate change on properties, the ecological value of land, and the conservation measures in place.

Biodiversity Net Gain

Biodiversity net gain is a mandatory requirement for land developments in England, introduced under The Environment Act 2021. From November 2023, all developments requiring planning permission must achieve a 10% net gain in biodiversity, ensuring that the natural environment is left in a better state than before. This involves establishing a biodiversity baseline, maintaining existing biodiversity levels, and implementing measures to achieve additional biodiversity enhancements. The net gain must be protected for 30 years, and on-site delivery is encouraged, but biodiversity offsetting is allowed if necessary. The aim is to conserve and enhance biodiversity through development projects, contributing to the overall improvement of ecological value in the local environment.

Key methods to achieve biodiversity net gain include creating and restoring habitats, enhancing ecological quality, incorporating green infrastructure, implementing sustainable drainage systems, utilising biodiversity offsetting when necessary, and ensuring ongoing monitoring and management. These actions aim to enhance biodiversity and ecological value, contributing to a net gain in biodiversity as part of development projects.



2024 Progress

We continued with assessment of key assets' greenspace, categorising them as high, medium, or low based on their environmental features. To facilitate this evaluation, KFIM utilised the Sensitivity platform, known as MAGIC, to gain insights into the biodiversity surrounding each asset. MAGIC stands for Multi-Agency Geographic Information for the Countryside. This website provides authoritative geographic information about the natural environment from across government. The information covers rural, urban, coastal and marine environments across Great Britain. By inputting the relevant postcodes, we were able to overlay various data layers, with the asset's outline highlighted in red. This method allowed us to determine whether the asset is situated within critical biodiversity and habitat zones and to identify the presence of priority species.

The summary generated from this analysis provided us with a clearer understanding of the biodiversity aspects most relevant to each asset. By knowing the surrounding habitat and ecological context, we are better positioned to make informed decisions about our environmental strategies.

Table 24: Case Study: Biodiversity Sensitivity Mapping

CASE STUDY: Biodiversity Sensitivity Mapping

OVERVIEW:

In 2023, we established a baseline assessment of our assets' greenspace, categorising them as high, medium, or low based on their environmental features. To facilitate this evaluation, KFIM utilised the Sensitivity platform, known as MAGIC, to gain insights into the biodiversity surrounding each asset. This process was continued throughout 2024.

CHALLENGE:

We needed to understand the biodiversity and ecological context surrounding our assets to make informed environmental decisions. This required accessing and interpreting complex geographic and environmental data about natural habitats, priority species, and critical biodiversity zones.

SOLUTION:

MAGIC (Multi-Agency Geographic Information for the Countryside) was used as the primary tool for this assessment. This authoritative government platform provides geographic information about natural environments across rural, urban, coastal and marine areas throughout the UK. By inputting relevant postcodes, the ESG Officer could overlay various data layers with asset boundaries highlighted in red, enabling them to determine whether assets were situated within critical biodiversity and habitat zones and identify the presence of priority species.

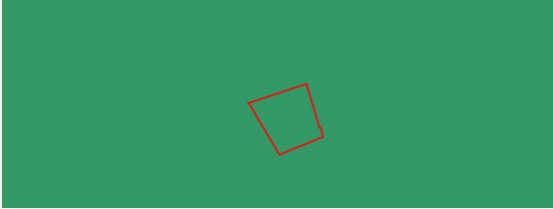

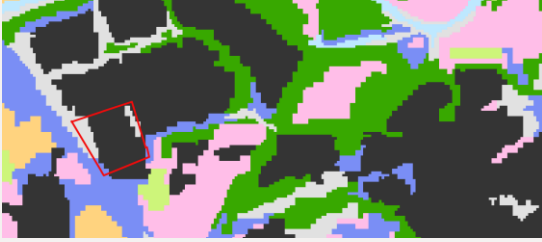
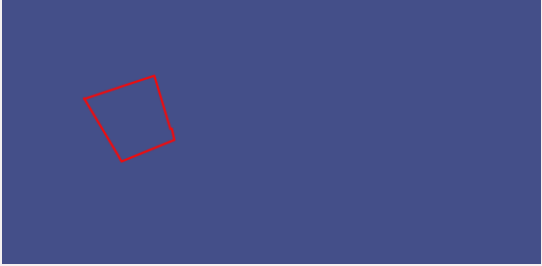

RESULTS AND IMPACT:

The analysis provided clearer understanding of the biodiversity aspects most relevant to each asset. By knowing the surrounding habitat and ecological context, we are now in a better position to make informed decisions about their environmental strategies, having established a comprehensive baseline for future environmental planning and management.



Outcome

Table 25: An example of the sensitivity desktop study - Tuscany Way

Category	Magic Map Layers	Legend Description
Country Stewardship (CS) Targeting & Scoring Layers		The green layer on the map indicates that this asset has community forests on site.
Habitats & Species		The green layers which are a close proximity to the site indicate priority habitat inventory – deciduous woodland (England).
Habitats & Species		The map shows the Living England Habitat Map. Each colour represents an indicator. For example on site . the black indicates built up areas and gardens and the grey are unclassified areas. The purple which has a close proximity to the site indicates Fen, Marsh and Swamp and the dark green represents Broadleaved, Mixed and Yew Woodland. The light green indicates improved grasslands.
Habitats & Species		The purple layer indicates Lapwing on site. Lapwing is a species of bird as shown below: 

Next Steps

Looking ahead to 2025, our next step will be driven by tenant engagement. We will commission a comprehensive biodiversity assessment through a third-party provider only for those assets where we have secured tenant engagement. This will enable us to create a tailored action plan specific to each engaged asset. This proactive approach, contingent upon tenant collaboration, will enhance our understanding of local biodiversity and directly involve our tenants in sustainability efforts. This collaborative approach will contribute to the ecological health of our properties and the surrounding communities. Through these initiatives, and with our tenants' active participation, we are committed to fostering a more sustainable and biodiverse environment across our portfolio.

As described in our activities above, initiatives to create and maintain the value of our assets is critical in our strategy. To illustrate this, we provide a case study to describe the outcomes that are aligned to our investment approach.



To reduce our carbon impact across our portfolio, in 2024 we initiated a Building Management System (BMS) optimisation initiative with Re:sustain.

Table 26: Case Study: BMS Optimisation

CASE STUDY: BMS Optimisation

BACKGROUND:

Buildings account for approximately 75% of the EU's energy inefficient building stock¹, with HVAC systems representing approximately 38-40% of total commercial building energy consumption² and significant optimisation opportunities remaining untapped. HVAC system energy consumption can vary by up to 10 times between buildings³ indicating substantial potential for improvement through targeted interventions.

OVERVIEW:

After a successful feasibility assessment Re:Sustain was deployed at 4 Victoria Square. Re:Sustain connects to the Building Management System (BMS), using digital twin technology and machine learning to model building performance in real-time. It monitors systems continuously, identifies inefficiencies, and makes remote adjustments to reduce waste without disruption.

RESULTS:

From January to March 2025, the energy optimisation program at 4 Victoria Square yielded substantial results:

- ◆ **Energy Use Intensity (EUI) Reduction:** A 22% reduction in EUI was achieved, translating to a saving of 12.2 kWh/m².
- ◆ **Carbon Dioxide (CO2) Emissions Reduction:** The program resulted in a 19% decrease in CO2 emissions, equivalent to a saving of 12.8 tonnes of CO2.
- ◆ **Operational Cost Savings:** The optimised energy consumption translated into significant operational cost savings, amounting to £5,088 (a 5% reduction).

Since the optimisation programme began in April 2024, both metered CO2 emissions and operational costs have been reduced through March 2025, highlighting the sustained effectiveness of the implemented strategies. Total savings over this period reached £26,277 and 37 tonnes of CO2.

LOOKING FORWARD:

The success at 4 Victoria Square serves as a great case study for future energy optimisation projects across our portfolio. We plan to replicate and scale this model by expanding BMS optimisation and energy monitoring capabilities, implementing similar energy-efficient technologies and continuous monitoring and improvement of building performance.

¹ [In focus: Energy efficiency in buildings - European Commission](#)

² [CIMScienceDirect](#)

³ [REHVA Journal Assessing electrical energy use in HVAC systems](#)



Our KFIM and re:sustain collaboration was recognised as a UKPA Award Winner 2024 for demonstrating exemplary leadership in climate action. The project successfully translated theoretical energy reduction strategies into measurable, verified carbon savings through automated control optimisations via building management systems (BMS) and advanced analytics.

This award-winning approach showcases our commitment to translating climate ambition into tangible environmental and financial outcomes.

Figure 7: UKPA Award Winner 2024





Principle 10: Collaborative Engagement



Signatories, where necessary, participate in collaborative engagement to influence issuers.



Activity

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.41: Collaborative Engagement, Engagement with Industry Partnership & KFIM Memberships.

Engagement with Industry Partnership

We are active members and signatories to a number of associations and industry initiatives. A list of KFIM memberships are as follows:

Table 27: Engagement with Industry Partnership

Organisation	Role and Contribution	Outcome
UN Principles for Responsible Investment (PRI)	As signatories of the UN PRI, KFIM is committed to incorporating ESG factors into our investment decision-making processes.	Enhanced integration of ESG criteria into investment strategies, leading to improved risk management and long-term sustainable returns.
GRESB	Two KFIM funds submit to GRESB annually. This participation allows us to benchmark against industry standards and implement best practices that enhance the stewardship of the portfolios	Improved portfolio performance and transparency through benchmarking, resulting in increased investor confidence and alignment with sustainability goals.
Association of Real Estate Funds (AREF)	As a member of AREF, KFIM collaborates with fellow industry leaders to promote best practices in real estate investment.	Strengthened industry relationships and access to shared knowledge, fostering innovation in responsible investment practices.
AREF ESG and Impact Investing	KFIM has actively contributed to the collaborative efforts of AFREF through the involvement of its Head of ESG in the ESG and Social Impact Investing committee.	Development of impactful ESG frameworks and policies that guide responsible investment practices, benefiting both investors and communities.
UK Net Zero Carbon Buildings Standard	KFIM is a contributor both as a data provider and as a member of the offices sector group to the UK's first Net Zero Carbon (NZC) Buildings	Demonstrated commitment to sustainability, enhancing the credibility of KFIM's investment



	Standard led by industry organisations BBP, BRE, the Carbon Trust, CIBSE, IStructE, LETI, RIBA, RICS, and UKGBC. By endorsing the UK Net Zero Carbon Buildings Standard, KFIM aligns our real estate investments with the national objective of reducing carbon emissions.	strategies and aligning with national climate goals.
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Outcome

KFIM's active engagement with industry working groups and collaborative initiatives has resulted in many successful partnerships that drive stewardship and value throughout the real estate sector. While there are many examples to highlight, we provide a case study below that illustrates how we have facilitated this collaboration.

Table 28: Case Study: AREF Nature in Real Estate

CASE STUDY: AREF Nature in Real Estate

OVERVIEW:

KFIM held a nature event in 2024 with AREF, featuring the head of ESG on the panel. The event focused on the critical role nature plays in the global economy, with more than half of the world's GDP dependent on healthy natural systems. The gathering addressed the urgent need for protecting and sustainably managing our natural world to ensure long-term social and economic prosperity.

CHALLENGE:

The UK faces severe environmental degradation, ranking amongst the bottom 10% globally for nature depletion. Key habitat losses over the past century have been staggering: wildflower meadows declined by 97%, seagrass beds by 92%, wetlands by 90%, and ancient woodlands by 70%. With the construction sector responsible for approximately 30% of biodiversity loss, there was an urgent need to educate fund managers on incorporating nature-based solutions into property development and management. [Watch the Nature in Real Estate video here](#)

SOLUTION:

AREF partnered with Knight Frank to sponsor and produce 'Nature in Real Estate', a video designed to help fund managers navigate biodiversity and natural capital considerations. On Tuesday, 21 November 2024, AREF members convened at Travers Smith in London for the video's premiere event. The programme included a compelling WWF video featuring Sir David Attenborough, followed by AREF's debut video highlighting actionable steps for the real estate industry. Kathleen Jowett presented key insights from the TNFD Fund survey, and a panel discussion featuring industry leaders explored nature's vital role in driving global economic value and supporting decarbonisation efforts.

RESULTS AND IMPACT:

The event provided practical guidance for incorporating biodiversity considerations into every stage of the investment lifecycle, from acquisition to disposal. Fund managers gained actionable insights on how integrating nature-based solutions can protect asset values, create more resilient buildings, and contribute to climate change mitigation. The initiative positioned fund managers to lead restoration efforts whilst driving positive change and safeguarding long-term value in the natural environment.



Principle 11: Escalating Stewardship



Signatories, where necessary, escalate stewardship activities to influence issuers.



This principle does not strictly apply to direct real estate investing since there are no issuers. For real estate investments, engagement is necessarily confined to the specific asset. We have therefore focussed on how escalation is approached in our practices

Activity

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.43: The Modification and Escalation of Activities.

Energy Savings Guidance for Tenants

In 2024, KFIM engaged with tenants to advance energy efficiency and reduce environmental impact as part of our commitment to achieving net zero. A comprehensive energy-saving pack was distributed to all tenants, providing essential information and resources to support informed decision-making regarding energy consumption.

The pack includes practical guidance on various energy-saving technologies and best practices, featuring detailed explanations of solutions such as BMS machine learning optimisation, which minimises energy waste through intelligent building management, and voltage optimisation, which reduces energy use by adjusting voltage levels to optimal ranges. Additionally, the pack offers information on accessible resources and support to help tenants implement these strategies effectively.

This initiative underscores KFIM's dedication to enhancing building performance and sustainability. By equipping our tenants with the knowledge and tools to make responsible choices, we are collectively working towards a more energy-efficient future that aligns with our net zero objectives.

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.44: Escalating issues with Property Managers.

Outcome

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.44: Outcome.

In 2024, KFIM continued to identify several stewardship activities to escalate, ensuring that we continue to align with best practices and meet our clients' evolving expectation.

- ◆ **Flood Risk Reviews:** In 2024, we updated our desktop analysis, undertaking a surface water and flood risk assessment for every property within our portfolio using the Environmental Agency platform. We commissioned CBRE to assess properties with a medium to high risk level to conduct analysis of surface water flooding was overlaid with our site data, for geospatial mapping of each asset against the updated flood risk classifications. This repeatable process ensures that we maintain an accurate understanding of evolving flood exposure, enabling adaptation of our risk management strategies. A key innovation implemented in 2024 was the



introduction of a long-term flood risk assessment component. Beyond assessing short-term flood risks, we also assess potential flood impacts into the future, incorporating the potential effects of climate change. This long-term assessment allows for strategic CAPEX mitigation planning and asset resilience. The following table provides a representative overview of selected sites within our portfolio and their assigned flood risk categories.

- ◆ **Enhancing Environmental Data Collection:** Our 2024 environmental performance highlights significant advances in data collection and risk management. We achieved a substantial increase in data coverage, reaching 99%, resulting in enhanced GHG emissions coverage this year. This expanded coverage enables more precise measurement and reporting of our portfolio's environmental impact, supporting our ongoing efforts to improve energy efficiency.
- ◆ **Expanding Our Supplier Code of Conduct:** We broadened our Supplier Code of Conduct to include a self-assessment checklist, which enhanced our supplier due diligence. This initiative has bolstered our confidence in our suppliers and increased their awareness of our stewardship expectations.

Table 29: Case Study: Flood Risks

CASE STUDY – Flood Risks

OVERVIEW:

Our flood risk assessment framework continues to improve how we understand and mitigate flood vulnerabilities across our portfolio. This year we have integrated surface water flooding as an assessment criterion, allowing us to categorise each site within high, medium, and low surface water flood risk zones for a more granular understanding of potential flood impacts from all sources.

CHALLENGE:

We needed to develop a comprehensive understanding of flood vulnerabilities across their entire property portfolio, including the previous surface water flooding risks. There was also a requirement to consider long-term flood impacts incorporating climate change effects, moving beyond short-term risk assessments to enable strategic planning.

SOLUTION:

In 2024, we updated our desktop analysis by undertaking a surface water and flood risk assessment for every property within our portfolio using the Environmental Agency platform. We commissioned CBRE to assess properties with medium to high risk levels to conduct surface water flooding analysis, which was overlaid with our site data for geospatial mapping of each asset against updated flood risk classifications. A key innovation was the introduction of a long-term flood risk assessment component that incorporates potential effects of climate change for strategic CAPEX mitigation planning and asset resilience.

RESULTS AND IMPACT:

This repeatable process ensures that we maintain an accurate understanding of evolving flood exposure, enabling adaptation of our risk management strategies. The long-term assessment allows for strategic CAPEX mitigation planning and enhanced asset resilience. The framework now provides comprehensive flood risk categorisation across the entire portfolio, with detailed mapping and future-focused planning capabilities to support informed decision-making.



Principle 12: Exercising Rights and Responsibilities

Signatories actively exercise their rights and responsibilities

Activity

Since direct real estate investing is focussed on buying buildings and not shares in listed companies, the reporting requirements set forth by the FRC do not directly apply to our business. However, there are clear rights and responsibilities that we have as a real estate investor. Therefore, in this section we outline our rights and responsibilities as a real estate investor

We have adopted the UK Stewardship Code's interim measures and maintained our approach throughout this reporting year. Please refer to [KFIM UK Stewardship 2023](#) p.46: Expectations for Investment Managers.

Outcome

Reviewing Rights and Responsibilities based on Asset Class and Geography

KFIM customises its responsibilities for each asset based on its specific characteristics, including use, type, location, and capacity for hands on implementation.

Table 30: Case Study: Green Lease Implementation

CASE STUDY: Green Lease Implementation

OVERVIEW

KFIM implemented robust environmental, social and governance provisions within commercial property leases, aligning with the Better Buildings Partnership Green Lease Toolkit's most stringent "dark green" tier. The BBP Toolkit, relaunched in 2024, provides three levels of environmental clause stringency designed to support sustainability ambitions.

CHALLENGE

The Model Commercial Lease currently lags behind ambitious sustainability provisions in the 2024 BBP Toolkit, having not progressed beyond "light green". This creates a gap between leading sustainability practices and standard market documentation.

KFIM identified three essential clauses: data sharing for comprehensive environmental performance data, access for environmental improvements, and renewable energy procurement requiring 100% renewable energy usage.



SOLUTION

KFIM adopted BBP's dark green wording across most sustainability clauses, with strategic selections from medium and light green tiers where appropriate.

Dark green provisions cover building management, social impact, environmental works rights, yield up procedures, renewable energy procurement, and waste management demonstrating commitment to circular economy principles.

The data sharing clause requires annual sharing of energy, water and waste data between landlord and tenant, with information also shared with managing agents and third parties who reasonably require it for reporting or advisory purposes. Where tenants procure utilities directly, they authorise the landlord to contact suppliers to obtain consumption data or give consent to access national databases.

IMPACT

KFIM's predominantly dark green framework positions the organisation ahead of standard market practice. The strategic balance between stringency and practicality creates an enforceable framework that advances ESG objectives whilst remaining commercially viable, providing a model for landlords seeking to lead sustainability trends in commercial property.



Glossary

AML	Anti-Money Laundering
AUM	Asset Under Management
BREEAM	Building Research Establishment Environmental Assessment Method
DEI	Diversity, Equality & Inclusion
EPC	Energy Performance Certificate
ESG	Environmental, Social & Governance
EUI	Energy Unit Intensity
EV	Electric Vehicle
GRESB	Global Real Estate Sustainability Benchmark
HVAC	Heating, Cooling, and Hot Water Systems
IC	Investment Committee
KF	Knight Frank LLP
KFIM	Knight Frank Investment Management
KPI	Key Performance Indicators
SBTi	Science Based Targets initiative
SFDR	Sustainable Finance Disclosures Regulation
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-related Financial Disclosures
UN PRI	United The Principles for Responsible Investment

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