

## LBA REALTY: CLIMATE RISK ASSESSMENT REPORT AND RESILIENCY PLAN

### SOLUTION OVERVIEW

LBA Realty (LBA) is a full-service real estate investment and management company with a diverse portfolio of industrial and office properties in major markets throughout the United States. The motivation was to own and operate a more resilient portfolio by implementing a climate risk assessment process that was purposeful and effective. By creating supplemental resources to the climate risk assessment report, the team was able to identify, validate, and mitigate confirmed climate risk factors at the property level during the acquisition process. Property teams are able to respond to the identified risks by creating property-level resilience plans and managing accordingly through the entire ownership of the asset.

### CHALLENGE

Implement an actionable climate risk assessment process that addresses climate risk concerns at a property-specific level.

### SOLUTION

Created a new process to identify, validate, and mitigate confirmed climate risk factors during the acquisition process.

### OUTCOME

The new process and procedures allowed property teams to produce property-level resilience plans to respond to the identified risks upfront and throughout the life-cycle of ownership.

### POLICIES

Executive team buy-in was an important part of implementing this new process, including adding it to LBA's Environmental, Social and Corporate Governance (ESG) policy. The executive team's support of the program also helped obtain buy-in from other departments. The ESG Team worked with the compliance and risk management department to review and approve the addition of climate risk into LBA's ESG policy.

### PROCESS

LBA implemented a multi-step process to ensure all necessary actions were considered and that the

right parties were included. First, the Due Diligence Team generates a Climate Risk Assessment Report using a third-party software program. The report identifies risk levels associated with climate risks including floods, heat stress, wind events, sea-level rise, water stress, and wildfires based on the geographical coordinates of the property. However, because the report is solely based on geographic location, additional resources and steps were needed to validate the risks at an individual asset level. For example, closer analysis sometimes found that the geographic area could be at risk for flooding, but the property sat above the flood plain, absolving the perceived risk.

LBA engaged their due-diligence consultant to validate the flagged medium-to-high climate risks on the assessment report during an on-site physical condition evaluation, using a sustainability attribute checklist. The sustainability checklist both validates the perceived climate risks as well as provides sustainability improvements that should be considered. For major concerns, an issues memo is prepared for the Investment Committee's review and consideration. The Operations Team is also included in the upfront process to utilize the Climate Risk Report and Sustainability Checklist in order to develop the operational strategy response through creating a Climate Risk Assessment Memo. This step is critical in making the results of the analysis actionable at a property level.

The Climate Risk Assessment Memo defines the validated medium-to-high risk concerns for the property and provides operational recommendations. Additionally, the Risk Management Team reviews the results to determine if there is a need for additional insurance (above and beyond) what LBA normal purchases to mitigate the risk(s). The process is then transitioned to the Property Management Team to review the Climate Risk Assessment Memo to determine if LBA should consider underwriting capital or operating expenses into the budget as a result of these findings. Once the budget is determined and the property is purchased, the Property Management Team prepares the property-level Resiliency Plan and incorporates the plan as a section in the Standard Operating Procedure.

## **OUTREACH**

LBA maintains a [sustainability website](#) to share updates on initiatives and publishes an annual sustainability report. The annual report is used to convey programmatic updates and successes to stakeholders, including customers and investors, so all relevant parties are aware of the initiatives. Additionally, they successfully engaged the due diligence department to fully implement the process into each acquisition.

## **MEASURING SUCCESS**

LBA determined success of the initiative based on how effectively the assessment worked and how smoothly it was integrated into company standard operating procedures for both new and existing buildings, as tracked among other goals in LBA's sustainability report.

## **OUTCOMES**

LBA successfully developed and implemented their climate risk assessment process for all acquisitions. The various staff and departments have fully integrated the process into standard procedures and remain involved in the execution. The property-level checklist allowed LBA to overcome the geographic limitations built into their reporting and data collection processes. In addition, the memo included budgeting for items that may mitigate or absolve risk altogether. Now, every new acquisition goes through the climate risk assessment process, and LBA has a better

picture of the climate-related risk profiles in its portfolio.