

# Responsible Property Investment (RPI) Position Statement

## Philosophy

BMO Real Estate Partners is a European direct property investment and asset management specialist within BMO Global Asset Management. We are acknowledged as one of the leading property investors and property fund managers in Europe, with a strong presence and critical buying power across all the markets in which we operate.

Adopting a responsible approach to property investment – that is, an approach which integrates the effective management of relevant Environmental, Social and Governance (ESG) issues – is entirely consistent with our fiduciary responsibility, our focus on quality, and our tenacity in delivering financial performance for our clients. There are key reasons for this:

- A number of ESG issues (especially climate change) are seen as a considerable threat to the stability of financial markets by influential institutions including the Bank of England, the World Bank and the International Monetary Fund. They are also viewed by many business leaders and investors as some of the most significant risks to the global economy, as shown by, for example, the World Economic Forum Global Risks Landscape Survey (2019) and the Global Investor Statement on Climate Change (2019).
- We have seen, and continue to see, a groundswell of interest and engagement on these matters from our clients and expect this trend to continue as investment markets across the asset classes become more sensitive to corporate governance factors, social impact and environmental risk.
- We are faced with an evolving and generally strengthening framework of policies and regulations in the jurisdictions in which we invest, on issues ranging from anti-corruption and modern slavery to building energy performance and carbon reporting. This means that we need to take a comprehensive and proactive approach to compliance and regulatory risk management.
- A range of occupiers – from global corporates to local start-ups and across the public, private and NGO sectors – are becoming more discerning with their consideration of environmental and wellness factors when choosing, fitting out and operating the properties they occupy. This means that we need to engage with our tenants to understand their changing requirements and expectations, in order to safeguard income, drive rental growth, minimise void costs and protect residual values.
- The direct and indirect financial impacts of extreme weather events and other physical risk factors on real estate are increasing

markedly, particularly as climate change is causing these events to be more frequent and severe. This means that it is important that we account for and address climatic and environmental risks when acquiring and managing assets.

We manage a wide range of real estate investment products and continue to innovate across the core to opportunistic spectrum. In this sense, our attitude to Responsible Property Investment is concerned with the dual imperative of managing risk effectively whilst seeking to enhance returns through the identification and execution value creation opportunities. This means ensuring that investment returns and portfolio performance are not compromised by emerging trends, be they environmental, technological, geopolitical, economic or social, whilst also responding to and anticipating new market demands by repositioning assets and products within the context of those trends.

## Capability

Our aptitude for responsible property investment is derived from a blend of characteristics which give us a unique standing in the market:

1. Our ownership by BMO Global Asset Management, with its long-standing track record of stewardship and its reputation for responsible investment solutions including a dedicated fund range;
2. Our formative contributions, sustained over many years, in developing international standards for and understanding of Responsible Property Investment, particularly through our involvement with influential bodies such as the Institutional Investors Group on Climate Change and the UNEP Finance Initiative Property Working Group;
3. Our unwavering focus on commerciality, which means we take a tailored approach to ESG risks, opportunities and priorities in relation to each of our investment solutions;
4. Our extensive in-house property management capability means that we have direct control over the resources needed to implement our RPI Strategy on the ground.

However, the existence of these credentials, significant though they are, does not guarantee the delivery of an effective RPI Strategy. Indeed, all of our people have a personal responsibility to work together to ensure our RPI Strategy is implemented and it is incumbent upon us as a fund manager to ensure that they each

have the necessary knowledge, tools, capability and motivation to do that. To this end, we will have in place systems appropriate to our mandates for capturing, analysing and reporting on relevant ESG data, whilst also delivering relevant training and engagement opportunities for our staff and key suppliers.

## Objectives

In order to guide effective implementation of our RPI Strategy, we have established the following overarching objectives:

- **Tune our approach:** to ensure that ESG strategies are tuned to each of our investment products, whilst unlocking value when repositioning assets through our value-add and opportunistic activities;
  - **Continue to evolve and strengthen:** through regular engagement with our clients, to meet evolving investor expectations on ESG matters;
  - **Leverage our track record and ethical proficiency:** to harness the capabilities of BMO Global Asset Management, including its Governance and Sustainable Investment team and its Responsible Investment Advisory Council;
  - **Enhance performance and resilience:** to identify and harness opportunities to enhance environmental performance, community engagement and building-user experience, whilst addressing relevant risks across the asset lifecycle;
  - **Facilitate capital diversification:** to give investors looking for environmental, social and financial outcomes a compelling platform with which to realise their investment goals.
- **Asset management** – to integrate RPI objectives and performance targets into asset business planning and reporting processes in accordance with mandates;
  - **Property management** – to adopt a system of continuous improvement at all of our directly managed assets including through regular maintenance, the implementation of performance enhancement measures which make good business sense, and rigorous measurement and reporting of energy use, waste generation, Health and Safety, and tenant satisfaction;
  - **Development and refurbishment** – to establish a repeatable framework for delivering high standards of environmental performance and occupant wellness in all of our development and major refurbishment activities, incorporating an approach to building certification which is attuned to local market expectations.

## Actions

In order to implement our RPI Strategy, we have adopted the following actions:

- **Fund management** – to undertake portfolio performance and risk assessments (with an initial focus on our core institutional products), prepare proportionate enhancement and mitigation strategies in line with the goals of each investment vehicle, and ensure that newly acquired assets will, after appropriate interventions, make a positive contribution to portfolio ESG profiles with relevant risks properly accounted for;

## Oversight and Review

Our efforts will be monitored, and our approach kept under regular review, by our ESG Committee, operating in close partnership with the BMO Global Asset Management Governance and Sustainable Investment team and Responsible Investment Advisory Council.

Our ESG Committee draws together key functions and expertise from across the business to facilitate an integrated approach across our investment and corporate activities.

Our RPI Strategy will be reviewed annually to ensure that it remains fit-for-purpose, a process that will include engagement with clients and other stakeholders. Responsibility for this will also rest with our ESG Committee, supported by specialist advisors as appropriate.



**Stewart Bennett, Global Head of Alternatives, BMO Global Asset Management & Chief Executive Officer, BMO Real Estate Partners**