# BMO Real Estate Investments Limited

## Responsible Property Investment Report 2018

BMO

# Contents

# Common acronyms

| | |
|---|---|
| **BMO REP** | BMO Real Estate Partners |
| **BREI** | BMO Real Estate Investments Limited |
| **BREEAM** | Building Research Establishment Environmental Assessment Method |
| **CDP** | Carbon Disclosure Project |
| **DEFRA** | Department for Environment, Food and Rural Affairs |
| **EPC** | Energy Performance Certificate |
| **EPRA** | European Public Real Estate Association |
| **ESG** | Environment, Social, Governance |
| **FRI** | Full repairing and insuring (lease type) |
| **GAV** | Gross Asset Value |
| **GRESB** | Global Real Estate Sustainability Benchmark |
| **GRI** | Global Reporting Initiative |
| **MEES** | Minimum Energy Efficiency Standards, as enforced by The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (Principal Regulations) as amended by The Energy Efficiency (Private Rented Property) (England and Wales) (Amendment) Regulations 2016. |
| **NLA** | Net lettable area |
| **RPI** | Responsible Property Investment |
| **sBPR** | Sustainability Best Practices Recommendations |
| **TCFD** | Task Force on Climate-related Financial Disclosures |

# Corporate information

**Directors (all non-executive)**
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# Foreword from the Chairman

Welcome to the first dedicated Responsible Property Investment (RPI) Report for BMO Real Estate Investments Limited, providing insight and transparency on our approach to, and performance on, a range of Environmental, Social & Governance (ESG) factors.

This inaugural Report is presented ahead of the 2019 Annual Report & Accounts expected in September 2019. It provides a dedicated overview of our approach, commentary on our progress against our RPI commitments, and transparency on the performance of key ESG characteristics of the Company's portfolio of property assets. The Company intends to align publication of future updates of the RPI Report alongside publication of Annual Report & Accounts.

We have always taken our ESG responsibilities seriously, an ethos we share with our Property Manager, BMO Real Estate Partners. We recognise the material impact ESG factors may have on protecting and enhancing investment returns and we are clear that proper attention to such matters is consistent with the fiduciary duty owed to our shareholders.

We have aligned our approach to RPI with our objectives and investment strategy. We seek to ensure that material ESG factors are integrated into our investment decision-making and asset management processes, and that we are best placed to address the challenges and opportunities presented in this rapidly evolving arena.

My fellow Board members and I would be very pleased to discuss our RPI approach and our performance with any of our key stakeholders, and we look forward to any feedback you might have on our first RPI Report.

**Vikram Lall** Chairman

# 1. About this RPI report

This is the first BMO Real Estate Investments Limited (BREI or 'the Company') annual Responsible Property Investment (RPI) Report.

This RPI Report:

- Describes the Company's RPI strategy and related priorities, including the process for determining these and the progress against them so far.
- Presents key Environmental, Social and Governance (ESG) performance data for the reporting year, as well as our targets for future performance.
- Provides an overview of key ESG risks facing the property portfolio and outlines our approach to managing these.

This first RPI Report is being published ahead of the 2019 Annual Report & Accounts of BMO Real Estate Investments Limited. The description of progress against the RPI commitments of The Company in Section 3 is therefore current to the year ending 30 June 2018. However, the ESG performance data set out in Section 4 relates to the half-year ending 31 December 2018.

We plan to publish future annual RPI Reports alongside our Annual Report and Accounts in order to ensure full alignment between our financial and non-financial disclosures.

The ESG data section of the report is written in accordance with the latest European Public Real Estate Association's (EPRA) Sustainability Best Practices Recommendations (sBPR)[1], which in turn are aligned principally with the Global Reporting Initiative (GRI) standards.

This report has been prepared on behalf of the Company by BMO Real Estate Partners Asset Management plc, working closely with our strategic advisor on responsible investment matters, Hillbreak. Any reference to "we", "us" and "our" throughout the report refers to BREI. BMO Real Estate Partners Asset Management plc is referred to throughout as BMO REP or 'the Property Manager'.

[1] European Public Real Estate Association (2017) EPRA Sustainability Best Practices Recommendations Guidelines: Third Version, September 2017. Published at http://www.epra.com/sustainability/sustainability-reporting/guidelines

# 2. About the company

### The Company

BMO Real Estate Investments Limited is an authorised closed-ended Guernsey-registered investment company. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange.

### Objective

The investment objective of BMO Real Estate Investments Limited is to provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

## Management

The BREI Board has appointed BMO Investment Business Limited (BIBL) as the Company's investment managers and BMO Real Estate Partners Asset Management plc as the Company's property managers. BIBL and BMO REP are both part of the BMO Asset Management (Holdings) PLC (BAMH). BAMH is owned by Bank of Montreal (BMO) and is part of the BMO Global Asset Management group of companies.

BMO Global Asset Management is a member of the United Nations Principles for Responsible Investment (UN PRI), and is committed to exercising responsible investment practices throughout the BMO Global Asset Management group, including through BMO REP. This is reflected in the high ratings it achieved for its UN PRI Transparency Report, including an A+ rating for Strategy & Governance.

The approach to RPI, which is described in more detail in the following section of this Report, is reflective of these arrangements, whereby:

- The Board of Directors has engaged closely with BMO REP, with the support of specialist consultant, Hillbreak, to satisfy itself that the approach to integrating ESG factors into the investment and property management process is rigorous and appropriate to the investment strategy of the Company; and
- The Board of Directors has determined a suite of RPI pillars, commitments and targets that are bespoke to the Company and its portfolio of property assets.

### Key to terms used in this report

**The Company:** BMO Real Estate Investments Limited

**The Property Managers:** BMO Real Estate Partners Asset Management plc (BMO REP)

**The Investment Managers: BMO** Investment Business Limited (BIBL)

## Portfolio

BREI is an authorised closed - ended Guernsey-registered investment company with focus on prime UK commercial property. As at the 31st December 2018, the BREI property portfolio had a total value of £347 million.

The portfolio has exposure across a range of property asset classes, broadly a quarter each to the offices and logistics sectors, with the remaining half spread relatively evenly between high street retail, industrial and retail warehouse.

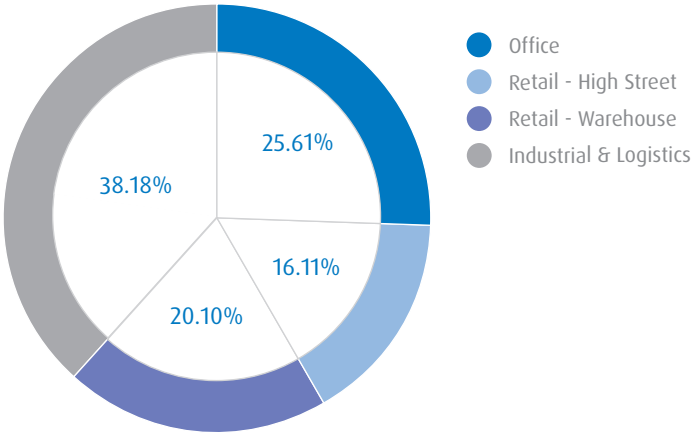
The portfolio is dominated by core assets which are held for the long-term. More than 80% of the portfolio has an anticipated hold period (the amount of time an asset is held by an investment owner before being sold) of five years or more, with circa 50% likely to be held for over 10 years. This means that the integration of ESG factors into our asset management activities is concerned primarily with the safeguarding of rental income and the preservation of strong, long-term capital values. With evolving expectations in the commercial real estate market in respect of ESG factors (from investors, lenders, occupiers and regulators, for example), we need to ensure that the assets we buy and hold are resilient and capable of being adapted in response to changing demands.

Measured by number of assets, around two-thirds of the portfolio is directly managed, meaning that there is a degree of operational landlord control in the majority of assets. The extent to which the landlord provides services to these assets varies and this has a bearing on the extent to which our Property Manager is able to influence or control certain activities, such as waste management, for example. When measured by total floor area, directly managed properties account for just less than half of the portfolio. Consequently, when measured by the most meaningful intensity metric for key environmental performance measures such as energy consumption and greenhouse gas emissions, the landlord and Manager has little direct control over the way a significant proportion of the portfolio is managed.

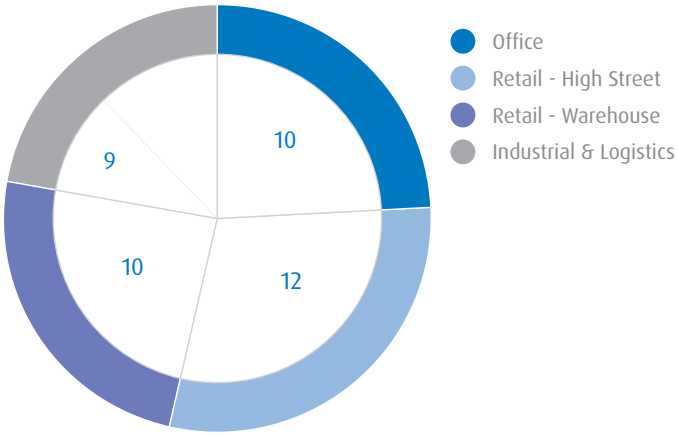
The ESG Performance Data in Section 4 and the ESG Risk Profiles set out in Section 5 of this RPI Report, particularly that relating to utilities and related greenhouse gas emissions, are limited to those assets where we have operational control.

## Figure 1: Portfolio composition

**Percentage of portfolio capital value**




**Property type (number of assets)**




**Management status (absolute)**

| | Capital Value (£) | Number of Assets | NLA (sq ft) |
|---|---|---|---|
| Directly managed | 233,600,000 | 27 | 939,158 |
| Indirectly managed | 113,700,000 | 14 | 956,835 |

**Management status (percentage)**

| | Capital Value % | Assets % | NLA % |
|---|---|---|---|
| Directly managed | 67.26% | 65.85% | 49.53% |
| Indirectly managed | 32.74% | 34.15% | 50.47% |

# 3. RPI strategy and priorities

## Developing our RPI strategy

In 2018, the Company strengthened its focus on Environmental, Social and related corporate Governance (ESG) matters by developing a formal Responsible Property Investment (RPI) Strategy. The development of the Strategy builds on the strong foundations established by the Property Managers' approach to ESG integration throughout all key investment and property management activities.

The process for defining and prioritising the Company's material RPI issues included:

- Appointment of a specialist consultant, Hillbreak, to provide strategic advice on the process.
- Support for the strategy from the whole Board, led by the Chairman.
- Dialogue and cooperation with the Property Manager, BMO REP.
- Use of the robust BMO REP approach to RPI (see box, below) as a foundation for BREI, particularly in relation to the integration of material ESG considerations into investment decision-making processes, throughout the management lifecycle.

### The BMO Real Estate Partners approach to Responsible Property Investment

As Property Managers for BREI, the BMO REP approach to Responsible Property Investment was used as the foundation for the development of BREI's own Strategy.

The BMO REP RPI approach was developed in response to a recognition of the increasing level of risk presented to financial markets and real estate assets by ESG issues such as climate change, and the growing interest and attention paid to ESG issues by investors, occupiers and governments – including through evolving regulatory frameworks.

BMO REP applies a consistent approach to integrating ESG matters into fund management, asset management, property management, and development, with a particular emphasis on:

- Having a clear understanding of the material issues and priorities for commercial real estate presented by the evolving ESG landscape;
- Identifying and responding to the investment risks and value enhancing opportunities presented by ESG criteria;
- Setting asset-specific targets within an overall context of fund policy, direction and vision;
- Applying the ESG framework across all core business functions, supporting full integration, including by its professional staff having a clear understanding of the interactions between different business functions on relevant ESG matters;
- Routinely considering and integrating ESG factors within regular asset business planning activities; and
- Implementing ESG interventions in a co-ordinated manner.

The BMO REP ESG Committee – with reference to the BMO Global Asset Management Governance and Sustainable Investment Team and its reference to the BMO GAM Responsible Investment Advisory Council – monitors and reviews the RPI approach and performance.

Further information on the BMO REP approach to Responsible Property Investment can be found here:

https://www.bmorep.com/wp-content/uploads/2018/10/cm16109-bmo-rep-responsible-property-investment.pdf

The process described above led to the development of a focused RPI approach, bespoke to the BREI portfolio, investment strategy and business model, and centred on four key pillars:

1. Leadership & Effectiveness – measures through which we will demonstrate effective governance in relation to ESG criteria, a theme that is particularly pertinent to our shareholders in the context of our outsourced investment and property management arrangements.
2. Investment Process – procedures through which BREI integrates ESG into the investment process, ensuring that material factors are central to investment decision-making and property management so that relevant risks to income and long-term performance are addressed in a timely and efficient manner.
3. Portfolio – attendance to and optimisation of material ESG performance and risk factors across the portfolio, with a particular emphasis on resource efficiency and renewable energy, occupier wellbeing and satisfaction, managing the implications of new regulations concerning minimum energy standards for leased properties, and ensuring that our properties are not used by organisations connected to Controversial Weapons activities.
4. Transparency – approach to investor reporting and public disclosure on relevant ESG factors, including participation in recognised industry reporting initiatives and through alignment to applicable standards of best practice.

## Progress against our RPI commitments

The BREI ESG commitments and targets set out below address each of the four pillars of our RPI approach.

These commitments and targets were set in 2017. Some have required immediate action, many impose ongoing requirements, whilst others set a longer-term direction of travel and remain as forward actions. Our progress against these pillars to the end of December 2018 is described, along with an explanation of notable outcomes, many of which are further elaborated in later sections of this RPI Report.

The Company will continue to drive ahead with its RPI Strategy into 2019 and beyond, and will provide shareholders with regular updates of progress.

Fulfilled (including those that are ongoing) | In progress and on track | Not on track or at risk | Not achieved

| ESG commitment | Status | Review of progress |
|---|---|---|
| **Leadership & effectiveness** – measures through which BREI will demonstrate effective governance in relation to ESG criteria. | | |
| Participate in the Global Real Estate Sustainability Benchmark (GRESB) from 2018, with the objective thereafter of realising year-on-year improvements in score and peer group ranking. | ✓ | We participated in the GRESB survey for the first time in 2018, achieving an inaugural score of 43 out of 100. This resulted in a one-star rating.<br>This provides a platform on which we will seek to build in future years, having achieved a solid first-time outcome, and many of the measures we have been putting in place during 2018 are expected to result in an improved score in the 2019 GRESB survey.<br>We recognise the important role that GRESB has played in facilitating the advancement of the RPI agenda within the commercial real estate sector globally, and our commitment to participating in the survey remains. However, we are also cognisant of its inherent limitations and the results of all participants in the Survey should be interpreted with these limitations in mind. We would be happy to discuss our observations in this regard with our shareholders and other stakeholders, albeit in full acknowledgement of the fact that we will be continuing to pursue improved scores and rankings in the years ahead. |

| ESG commitment | Status | Review of progress |
|---|---|---|
| **Investment process** – procedures through which BREI integrates ESG into the investment process. | | |
| Confirm classification of all assets within the manager's Asset Classification System by procuring EPC assessments for those assets for which an EPC is not in place. Implement routine of Asset & Property Management actions according to the classification of each asset and the manager's corresponding RPI Requirements for Asset Managers and Property Managers. | ✓ | One of the driving criteria in the Asset Classification System is the EPC rating of the properties. The Company has maintained 100% EPC coverage throughout the reporting period, obtaining updated assessments as EPCs expire or asset improvements dictate. The impact on the distribution of properties and capital values according to the classification system is shown in Section 5. Seven assets fall into the upper (more material) tier of the classification system, whilst the number in the second tier is 19 and the third tier is 15.<br><br>The distribution of energy ratings for the portfolio is also shown and explained in Section 5. This shows that 4.54% of income, corresponding to 2.97% of floor area, is associated with F or G rated properties. Our approach to managing these issues is explained in Section 5 but it is worth noting that some of these F or G ratings have not been formally lodged on the national database pending incorporation of potential improvement options within the asset business planning process.<br><br>This is an ongoing commitment and our comprehensive and diligent approach has ensured that it has been fulfilled for 2018. |
| Where assets have been classified, undertake RPI Appraisals of all Tier 1 assets by end of 2017, Tier 2 assets by end of Q2 2018 and Tier 3 assets by end of Q4 2018. Asset Business Plans to be updated to reflect the findings of the RPI Appraisals. Appraisals to be kept updated on an annual basis. | ✓ | RPI Appraisals have been completed for all assets in relation to issues that we have determined to be potentially material to future investment performance, such as EPC ratings, green building certification coverage and contamination. A comprehensive, desk-based screening of the exposure of all assets to flood risk, using a range of up-to-date public and proprietary modelled data, has also been undertaken.<br><br>The aggregated profile of the key ESG risk metrics arising from these RPI Appraisals is disclosed and discussed in Section 5.<br><br>Completed RPI Appraisals are being used to inform the asset business planning process and will be subject to ongoing annual review. |
| Undertake RPI Appraisals on 100% of new acquisitions prior to transaction closure, with investment critical findings reported to the Property Investment Committee and relevant findings and improvement recommendations incorporated into the Asset Business Plan. | ✓ | The Company has not acquired any new assets within the reporting period, however, we are ready to implement an enhanced approach to capturing and evaluating material ESG factors in the form of an extended brief for consultants engaged in due-diligence enquiries, completion of an RPI Appraisal and specific coverage within the Investment Committee approval process. |

| ESG commitment | Status | Review of progress |
|---|---|---|
| **Portfolio** – attendance to material ESG performance and risk factors across the portfolio. | | |
| Using aggregated data from asset level RPI Appraisals, prepare an annual report to shareholders on the exposure of the portfolio to key ESG risks including those pertaining to energy (including MEES), water, waste, flooding contamination, accessibility and building certification. | ✓ | This RPI Report provides the first Portfolio ESG Profile, as presented and explained in Section 5. |
| Establish year-on-year intensity-based energy, carbon, water and waste reduction targets for landlord services against an appropriate baseline. | ✓ | Building on the steps that have already been taken with the support of Carbon Credentials to develop and implement an environmental monitoring protocol, a comprehensive third-party analysis of data robustness for energy and carbon was completed by Verco Advisory Services Limited for the whole of the portfolio, covering annual data for both 2017 and 2016. From this, the relative energy efficiency and absolute landlord-procured energy consumption of each asset has been determined, allowing assets to be classified according to the relative materiality of their in-use energy performance attributes.<br><br>Following this process, Verco Advisory Services Limited provided advice on the establishment of a long-term target for reducing energy consumption across the portfolio, using a methodology consistent with the goal of the Paris Agreement on Climate Change to limit global warming to less than 2ºC above pre-industrial levels.<br><br>Informed by the long-term framework, we established asset-specific energy targets for 2017-18 amounting to an average reduction target for the portfolio of 3% for the year.<br><br>In addition, we have set a portfolio-wide water use reduction target for 2018 of 1% for directly managed assets.<br><br>We continue to make efforts to improve the collection of waste data to enable us to determine an appropriate suite of waste management targets. |
| Set a long-term (2030 or beyond) target for energy (and carbon) reduction according to a recognised science-based targets methodology. | ✓ | Based on advice from Verco Advisory Services Limited, the Company has looked to adopt a target of reducing the energy intensity of the portfolio by 20% per square meter by 2031, against a 2016 baseline.<br><br>This target exceeds the science-based Sectoral Decarbonisation Approach pathway and has been used to frame the establishment of asset-specific energy reduction targets for 2017-18, which average to 3% for the portfolio.<br><br>Application for recognition of this long-term target has been made to the Science Based Targets initiative. |
| Establish a basis for measuring occupier wellbeing and satisfaction across the portfolio and set targets by 2020 for improved performance in this regard. | ✓ | We have commenced a pilot occupier satisfaction survey programme with the support of specialist customer experience consultancy, RealService. However, restrictions imposed under GDPR have resulted in a protracted timetable for occupier engagement. We hope to be able to disclose the results of this initial survey, together with our response to them, later in 2019. |

| ESG commitment | Status | Review of progress |
|---|---|---|
| Have in place 100% renewable electricity supplies for all landlord procured power by the end of 2018. | ✓ | We renewed landlord electricity contracts at the end of Q3 2018 resulting in 100% of supplies being from certified renewable energy sources. |
| Prohibit new lease contracts with organisations connected to the production, storage, distribution or use of Controversial Weapons. Monitor the tenant mix of the Company on a regular basis and exercise discretion when considering leasing to organisations involved in other controversial activities and engage regularly with investors on their expectations in this regard. | ✓ | BMO REP has prepared and enacted a Policy on Controversial Weapons and other controversial activities, drawing on the resources available to its parent, BMO Global Asset Management, to actively screen organisations based on their association of their activities with a range of ethical criteria, including Controversial Weapons. The Policy and its implementation support our commitment, and ensure that we have the necessary processes in place to address the criteria at each relevant stage of the property investment and management cycle.<br><br>We monitor our tenant mix as part of our commitment to minimising its leasing exposure to organisations connected to the production, storage, distribution or use of Controversial Weapons. At the period ending 31 December 2018, 0% (zero percent) of rental income was attributed to organisations that appear on the exclusions list managed by BMO Global Asset Management.<br><br>In addition to the exclusionary screening of companies linked to Controversial Weapons, and the discretion we apply to entering into contracts with organisations based on a range of additional ethical criteria, we have also enacted enhanced standard lease clauses in England & Wales, based on the models of good practice established by the Better Buildings Partnership, to address environmental performance and risk. In particular, we have instructed our retained solicitors to incorporate, wherever possible within new leases, requirements on both the Company and the tenant to share in-use environmental performance data, whilst also prohibiting the implementation of alterations that would weaken an EPC rating. |
| **Transparency** – approach to investor reporting and public disclosure on relevant ESG factors. | | |
| Submit the Minimum tier questionnaire of the Carbon Disclosure Project (CDP) General Climate module in 2019 and the Full tier from 2020 onwards, whilst investigating the potential to submit across the Water and Supply Chain modules. | ✓ | The Property Manager is preparing to make its first General Climate module submission on behalf of the Company in summer 2019. The results will be made available to our shareholders on request. |

| ESG commitment | Status | Review of progress |
|---|---|---|
| Align Non-Financial Reporting to the 3rd Edition of the EPRA Sustainability Best Practices Recommendations. Include summary of performance measures in the 2019 Annual Report, linked to full ESG disclosure on Company website. | | Ahead of our 2019 commitment, we have prepared this first RPI Report, with the inclusion of ESG data for the 2018 financial year, setting out our performance against a range of ESG metrics. This is aligned to the latest EPRA sustainability Best Practices Recommendations. The 2018 ESG data shows both positive and negative trends for the investment portfolio for 2017-2018 with a 13% increase in electricity and 4% reduction in gas consumption on a like-for-like basis. GHG emissions (Scope 1 & 2) have reduced by 10% whilst water intensity has improved by 35%.<br><br>We recognise that we have work to do to increase the extent of the portfolio for which we hold data, especially for environmental metrics. Our priorities for the remainder of 2019 include extending the scope of the data captured. |
| Produce in the 2019 Annual Report a 'routemap' towards financial reporting in line with the recommendations of the Financial Stability Board (FSB) Task Force on Climate-Related Financial Disclosures (TCFD). | | We have continued to advance our approach to addressing climate risk across our portfolio and through our investment processes during 2018.<br><br>Disclosures aligned to the TCFD recommendations are set out as an appendix to this Report, along with a statement of intended actions for the remainder of 2019 and beyond which are intended to further develop the precision of our analysis of, and response to, climate risks and opportunities. |
| Provide six-monthly dashboard and commentary updates to shareholders on key ESG attributes for the portfolio. | | This, our first RPI Report, establishes a baseline against which we will report to shareholders, on a six-monthly basis, the evolving profile of ESG characteristics that will occur as a result of portfolio churn, management action and changing external circumstances. |

# Spotlight on **Royal Standard Place, Nottingham**


An extensive refurbishment of prime office space in Nottingham's central business district to provide fresh, clean and attractive quality workspace for leasing.

Situated in Nottingham's business quarter, and positioned at one of the major gateways into the city centre, Royal Standard Place is an imposing building built in 2000 as part of the redevelopment of the former Nottingham General Hospital site. Offering some 28,000 square feet of office space, this well connected building has bus and tram stops at its doorstep and is within walking distance to the city's central rail station. Expiry of the previous lease presented the Company with an opportunity to undertake a £2.2m refurbishment and create a modern, clean and sustainable asset, attractive for the occupier market, and secure a long-term 15 year lease to an established occupier.

Commissioning a reputable architectural practice and a local main contractor operating under a formal building contract with contractor's design, sustainability considerations featured prominently throughout the design stage and a range of attractive characteristics were incorporated into the completed project.

### Internal environment

- New glazing with 80% light transmittance reducing demand for artificial lighting
- High levels of internal natural daylight to help improve staff comfort and wellbeing
- New heat pumps as an integral part of the heating and ventilation strategy
- Reduced energy consumption through high efficiency heating and cooling design with associated carbon emissions reduction
- Occupancy sensing lighting & water controls anticipated to deliver reduced demand for lighting by 10% and water usage by 60%
- 5.1 kWp roof mounted solar photo voltaic panel system generating some 4,000 kWh of renewable energy per annum, reducing grid demand, offsetting landlord service charge expense and offsetting over 2 tonnes of $CO_2e$ per annum.

### External environment

- Installation of three Electric Vehicle Charging Points to provide facilities to occupiers and support transition to a low carbon society, align with D2N2 Low Carbon Action Plan and Nottingham's Go Ultra Low Strategy
- New cycle storage, shower and changing room facilities to create additional travel to work options and support and facilitate occupier wellbeing initiatives

# 4. ESG performance data for 2018

The ESG data section of this RPI Report has been written in accordance with the European Public Real Estate Association's (EPRA) sustainability Best Practices Recommendations (sBPR), which are principally aligned with the Global Reporting Initiative (GRI) standards. BMO REP has taken responsibility for providing the data held within this report.

## Scope

BREI had an overall investment in real estate of £354 million as at 30th June 2018.

Where there is a landlord-obtained supply of water, electricity and/or natural gas, the respective data on water and energy consumption has been analysed for this report. BMO REP does also arrange for waste collection and disposal at four properties, equating to 4% of the whole portfolio by floor area. However, at present the data collected is not sufficient to report on absolute values of waste produced from these sites.

The landlord-procured utilities may be consumed in the whole building, in shared spaces only or by tenants in their leased demises. Properties on which a full repairing and insuring (FRI) lease is held are outside the scope of this RPI Report, as these tenants are responsible for property management, including the procurement of utility supplies.

Thus, the organisational boundary used for the environmental data in this report is based upon operational control. This is explained in more detail in the notes on environmental data contained in Appendix One.

In addition to the investment properties held by BREI, we have included disclosures within this RPI Report pertaining to the Head Office of BMO REP. Although BREI has no employees or premises, we consider it appropriate and in the spirit of the EPRA sBPR to refer to the environmental footprint associated with the operational activities of our Property Manager in the form of a proxy for our own. BMO REP is responsible for the management of several listed and non-listed property funds and is resourced accordingly. Nevertheless, the disclosures herein include the total energy consumption, Scope 1 and 2 greenhouse gas emissions, and water consumption of the BMO REP Head Office.

| EPRA sBPR code | Code meaning | Table number | GRI standard and CRESD indicator code |
|---|---|---|---|
| Elec-Abs (4.1) | Total electricity consumption | 1,2 | 302-1 |
| Elec-LfL (4.2) | Like-for-like total electricity consumption | 1,2 | 302-1 |
| DH&C-Abs (4.3) | Total district heating and cooling consumption | Excluded | 302-1 |
| DH&C-Lfl (4.4) | Like-for-like total district heating and cooling consumption | Excluded | 302-1 |
| Fuel-Abs (4.5) | Total fuel consumption | 1,2 | 302-1 |
| Fuels-LfL (4.6) | Like-for-like total fuel consumption | 1,2 | 302-1 |
| Energy-Int (4.7) | Building energy intensity | 1,2 | CRE1 |
| GHG-Dir-Abs (4.8) | Total direct greenhouse gas emissions | 3,4 | 305-1 |
| GHG-Indir-Abs (4.9) | Total indirect greenhouse gas emissions | 3,4 | 305-2 |
| GHG-Int (4.10) | Greenhouse gas emissions intensity from building energy consumption | 3,4 | CRE3 |
| Water-Abs (4.11) | Total water consumption | 5,6 | 303-1 |
| Water-LfL (4.12) | Like-for-like total water consumption | 5,6 | 303-1 |
| Water-Int (4.13) | Building water intensity | 5,6 | CRE2 |
| Waste-Abs (4.14) | Total weight of waste by disposal route | No data | 306-2 |

| EPRA sBPR code | Code meaning | Table number | GRI standard and CRESD indicator code |
|---|---|---|---|
| Waste-Lfl (4.15) | Like-for-like total weight of waste by disposal route | No data | 306-2 |
| Cert-Tot (4.16) | Type and number of sustainably certified assets | 7 | CRE8 |
| Diversity-Emp (5.1) | Employee gender diversity | 9 | 405-1 |
| Diversity-Pay (5.2) | Gender pay ratio | 9 | 405-2 |
| Emp-Training (5.3) | Training and development | N/A | 404-1 |
| Emp-Dev (5.4) | Employee performance appraisals | N/A | 404-3 |
| Emp-Turnover (5.5) | Employee turnover and retention | N/A | 401-1 |
| H&S- Emp (5.6) | Employee health and safety | N/A | 403-2 |
| H&S-Asset (5.7) | Asset health and safety assessments | Page 23 | 416-1 |
| H&S-Comp (5.8) | Asset health and safety compliance | Page 23 | 416-2 |
| Comty-Eng (5.9) | Community engagement, impact assessments and development programmes | Page 23 | 413-1 |
| Gov-Board (6.1) | Composition of the highest governance body | 11 | 102-22 |
| Gov-Select (6.2) | Nominating and selecting the highest governance body | 10 | 102-24 |
| Gov-Col (6.3) | Process for managing conflicts of interest | 10 | 102-25 |

## Environmental

### Energy

Since FY16 BMOREP have contracted Carbon Credentials, a third-party environmental data services provider, to collect energy data on its behalf for those BREI assets for which where there is a permanent landlord-obtained energy supply. The following tables show the results of the in-house analysis of this data as well as that of properties for which there has been some landlord responsibility in the period from transient supplies, covering the energy consumption and intensities (energy use by respective area) of relevant assets, as well as of BMO REP's head office.

As of October 2018 the landlord is purchasing renewable electricity for all of its portfolio, the effects of which will be reported in the next RPI report. For the first time this year the 2018 absolute energy figures for the Company were audited by external party, Lucideon. The audit conclusion can be found in appendix 3.

EPRA sBPR codes DH&C-Abs and DH&C-LfL are excluded as no district heating and cooling is implemented within the portfolio.

**Table 1: BREI Energy Consumption**

| Measure (units) | EPRA code | | Industrial & Logistics | Offices | Retail | Retail warehouse | Grand Total |
|---|---|---|---|---|---|---|---|
| Electricity consumption (kWh)<br>With proportion of landlord procured electricity from renewable sources | Elec-Abs | 2018 | 10,700 | 933,294 | 19,582 | 32,329 | 995,906 |
| | | 2017 | 26,119 | 807,177 | 15,458 | 36,274 | 885,029 |
| | | 2018 | 0% | 0% | 0% | 0% | 0% |
| | | 2017 | 0% | 0% | 0% | 0% | 0% |
| Change in electricity consumption (kWh/%) | Elec-LfL | 2018 | 10,700 | 933,294 | 17,538 | 32,329 | 993,862 |
| | | 2017 | 26,119 | 806,518 | 14,138 | 36,274 | 883,048 |
| | | % | -59.03% ↓ | 15.72% ↑ | 24.05% ↑ | -10.87% ↓ | 12.55% ↑ |
| Natural gas consumption (kWh) | Fuel-Abs | 2018 | 0 | 575,248 | N/A | N/A | 575,248 |
| | | 2017 | 48,797 | 598,952 | N/A | N/A | 647,749 |
| Change in natural gas consumption (kWh/%) | Fuel-LfL | 2018 | N/A | 575,248 | N/A | N/A | 575,248 |
| | | 2017 | N/A | 598,952 | N/A | N/A | 598,952 |
| | | % | N/A | -3.96% ↓ | N/A | N/A | -3.96% ↓ |
| Energy intensity (kWh/m$^2$) | Energy-Int | 2018 | 0.9 | 77.6 | 8.5 | 2.9 | 30.6 |
| | | 2017 | 3.9 | 69.8 | 6.7 | 3.3 | 28.6 |
| Change in energy intensity (%) | | | -76.55% ↓ | 11.14% ↑ | 26.68% ↑ | -10.87% ↓ | 7.16% ↑ |

**Table 2: BMO REP Head Office Energy Consumption**

| Measure (units) | EPRA code | | Office |
|---|---|---|---|
| Electricity consumption (kWh)<br>With proportion of landlord procured electricity from renewable sources | Elec-Abs | 2018 | 100,432 |
| | | 2017 | 132,548 |
| | | 2018 | 0% |
| | | 2017 | 0% |
| Change in electricity consumption (kWh/%) | Elec-LfL | 2018 | 100,432 |
| | | 2017 | 132,548 |
| | | % | -24.23% ↓ |
| Natural gas consumption (kWh) | Fuel-Abs | 2018 | 92,324 |
| | | 2017 | 88,716 |
| Change in natural gas consumption (kWh/%) | Fuel-LfL | 2018 | 92,324 |
| | | 2017 | 88,716 |
| | | % | 4.07% ↑ |
| Energy intensity (kWh/m$^2$) | Energy-Int | 2018 | 257.7 |
| | | 2017 | 315.3 |
| Change in energy intensity (%) | | | -18.25% ↓ |

### Emissions

Data collected from properties where there is landlord-procured energy was used to calculate emissions, reported here as kilograms of carbon dioxide equivalent (kg $CO_2e$). The following tables report on:

- *Scope 1 emissions* – resulting from the burning of natural gas in a boiler on site
- *Scope 2 emissions* – resulting from the acquisition and use of electricity from the National Grid
- *Scope 3 emissions* – (emissions from tenant-acquired and consumed energy) are not reported here due to inaccessibility of relevant data for the reporting year.

The following tables report on the emissions from relevant BREI assets and from BMO REP's head office.

**Table 3: BREI Emissions**

| Measure (units) | EPRA code | | Industrial & Logistics | Offices | Retail | Retail warehouse | Grand total |
|---|---|---|---|---|---|---|---|
| Emissions from Scope 1 usage (kg $CO_2e$) | GHG-Dir-Abs | 2018 | 0 | 105,823 | N/A | N/A | 105,823 |
| | | 2017 | 8,987 | 110,305 | N/A | N/A | 119,292 |
| Change in emissions from Scope 1 usage (%) | | | -100% ↓ | -4% ↓ | N/A N/A | N/A N/A | -11% ↓ |
| Emissions from Scope 2 usage (kg $CO_2e$) | GHG-Indir-Abs | 2018 | 3,029 | 264,188 | 5,543 | 9,151 | 281,911 |
| | | 2017 | 9,182 | 283,771 | 5,435 | 12,752 | 311,141 |
| Change in emissions from Scope 2 usage (%) | | | -67% ↓ | -7% ↓ | 2% ↑ | -28% ↓ | -9% ↓ |
| Emissions intensity for Scope 1 & 2 (kg $CO_2e/m^2$) | GHG-Int | 2018 | 0.3 | 24.7 | 2.4 | 0.8 | 9.7 |
| | | 2017 | 1.6 | 26.3 | 2.4 | 1.1 | 10.8 |
| Change in emissions intensity from Scope 1 & 2 usage (%) | | | -83% ↓ | -6% ↓ | 2% ↑ | N/A | -10% ↓ |

**Table 4: BMO REP Head Office Emissions**

| Measure (units) | EPRA code | | Office |
|---|---|---|---|
| Emissions from Scope 1 Usage (kg $CO_2e$) | GHG-Dir-Abs | 2018 | 18,475 |
| | | 2017 | 16,338 |
| Change in Emissions from Scope 1 Usage (%) | | | 13% ↑ |
| Emissions from Scope 2 Usage (kg $CO_2e$) | GHG-Indir-Abs | 2018 | 28,429 |
| | | | 46,599 |
| Change in Emissions from Scope 2 Usage (%) | | | -39% ↓ |
| Emissions Intensity for Scope 1 and 2 (kg $CO_2e/m^2$) | GHG-Int | 2018 | 257.7 |
| | | 2017 | 315.3 |
| Change in Emissions Intensity from Scope 1 & 2 Usage (%) | | | -18% ↓ |

### Water

The following tables report on the water consumption and intensities of BREI assets and BMO REP's head office. These are the results of the in-house analysis of data from invoices for properties for which there is landlord-obtained supply. The change year-on-year seen in industrial assets is explained by the landlord having control of a supply in 2017 while the asset was vacant, and by 2018 this was back in tenant control.

**Table 5: BREI Water Consumption**

| Measure (units) | EPRA code | | Industrial & Logistics | Offices | Grand total |
|---|---|---|---|---|---|
| Water consumption ($m^3$) | Water-Abs | 2018 | 0 | 2,079 | 2,079 |
| | | 2017 | 114 | 3,107 | 3,221 |
| Change in water consumption ($m^3$/%) | Water-LfL | 2018 | - | 2,079 | 2,079 |
| | | 2017 | 114 | 3,107 | 3,221 |
| | | % | -100% ↓ | -33% ↓ | -35% ↓ |
| Water intensity ($m^3/m^2$) | Water-Int | 2018 | - | 0.44 | 0.2 |
| | | 2017 | 0.02 | 0.66 | 0.3 |
| Change in water intensity (%) | | | -100% ↓ | -33% ↓ | -35% ↓ |

**Table 6: BMO REP Head Office Water Consumption**

| Measure (units) | EPRA code | | Office |
|---|---|---|---|
| Water consumption ($m^3$) | Water-Abs | 2018 | 419 |
| | | 2017 | 526 |
| Change in water consumption ($m^3$/%) | Water-Lfl | 2018 | 419 |
| | | 2017 | 526 |
| | | % | -20% ↓ |
| Water intensity ($m^3/m^2$ NLA) | Water-Int | 2018 | 0.79 |
| | | 2017 | 0.99 |
| Change in water intensity (%) | | | -20% ↓ |

### Sustainability certification

The following table presents the percentage of sustainably certified assets by net lettable area (NLA) in the portfolio at the end of the reporting year, including energy performance certificates (EPCs) and Building Research Establishment Environmental Assessment Method (BREEAM) certification. For standing portfolio, the Company considers the merits of green building certification on a case-by-case basis.

**Table 7: Type and percentage of sustainably certified assets by NLA**

| EPRA code: Cert-tot | % of properties certificate exists for | | Ratings summary | |
|---|---|---|---|---|
| Company | EPC | BREEAM | EPC | BREEAM rating (& scheme version) |
| Cert-tot | 100% | 0% | 87% E rating or higher | N/A |

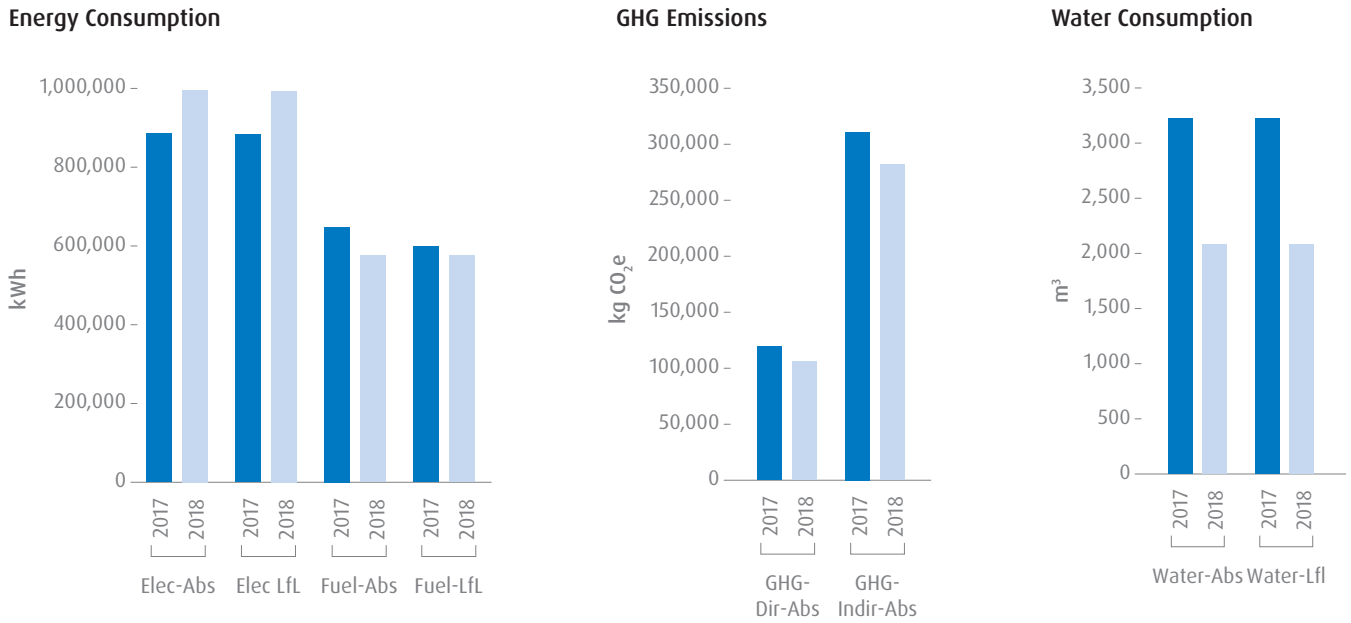
### Environmental summary

Table 8 and Figure 1 show key data for properties within the Company that were relevant given the organisational boundary.

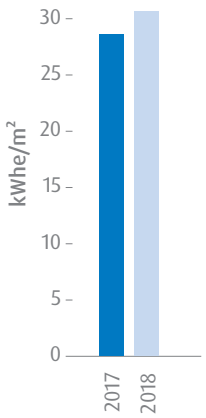
**Table 8: Summary of energy, emissions and water performance data**

| | 2017 | 2018 | % Change |
|---|---|---|---|
| Like-for-like electricity usage (kWh) | 883,048 | 993,862 | 13% ↑ |
| Like-for-like fuel usage (kWh) | 598,952 | 575,248 | -4% ↓ |
| Carbon emissions (kg $CO_2e$) | 430,433 | 387,734 | -10% ↓ |
| Like-for-like water usage ($m^3$) | 3,221 | 2,079 | -35% ↓ |

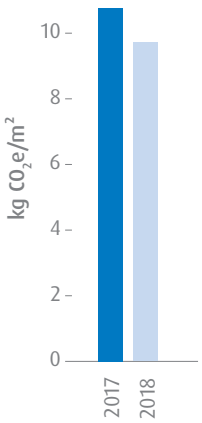
## Figure 1: Absolute & Like-for-like trends (investment portfolio)



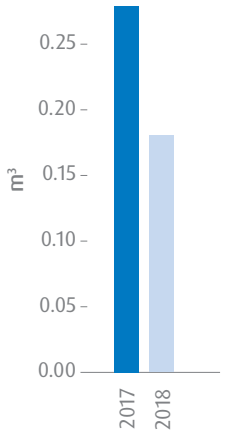
**Energy Intensity**




**GHG Intensity**




**Water Intensity**




## Social

### Scope

As Property Manager for the Company, BMO REP takes a responsible approach to corporate citizenship, both through engagement with industry and corporate stakeholders, and through the positive impact it seeks to generate in the communities around its managed assets.

With regards to the EPRA sBPR guidelines, the Company has no direct employees and therefore cannot report on the following EPRA social performance measures: Emp-Training, Emp-Dev, Emp-Turnover and H&S-Emp.

However, Building Managers who are employed directly by BMO REP are required to achieve a minimum of 50 hours of Continuing Professional Development (CPD) each year.

### Gender equality

As the Company has no direct employees, the following table discloses gender equality data pertaining solely to the Company's board.

**Table 9: EPRA sBPR for reporting on gender equality**

| EPRA code | Social performance measure | Company response |
|---|---|---|
| Diversity-Emp | Percentage of male and female employees in the Company's governance body. | There is one female member on the Board equating to a 20% representation. |
| Diversity-Pay | Ratio of remuneration of men to women (gender pay ratio). | The remuneration of Alexa Henderson was 98.8% of that of the average salary of men on the Board |

### Health & safety

With regards to the EPRA sBPR guidelines on health and safety assessments (H&S-Asset), of the 27 assets directly managed by the Company:

- 78% undergo regular review in respect of health and safety controls and performance, with the remaining assets being either *de minimis* in terms of physical area (as may be encountered with a parade of retail assets for example) or captured by wider estate management companies.
- 100% undergo fire risk assessments
- 15% (of assets directly managed by the Company) undergo a water hygiene assessment, including assessment of potable water management and risk of legionella

Further to these assessments, and in light of the Grenfell Tower tragedy, an additional analysis of all BREI properties has been undertaken from a fire risk and liquidity perspective. This is discussed in more detail in Section 5.

Finally, on asset Health & Safety compliance (H&S-Comp), there were no breaches of compliance with legislation in the reporting period for assets owned by BREI.

### Community engagement

EPRA sBPR guidelines suggest reporting the proportion of assets under management that have implemented community engagement, impact assessments and development programmes (Comty-Eng). When opportunities present themselves, such as when a forward funding project arises where the fund can influence the opportunities such a project can create for the community, the fund manager and colleagues will liaise with local stakeholders. Such an opportunity did not arise in the reporting year.

## Governance

BMO REP has a strong governance structure that enables its operations to focus on the best interests of the Company. Its robust operating procedures and policies ensure the risks associated with illegal practices such as bribery and corruption are managed appropriately and in line with local legislation.

The Company's board nomination (Gov-Select) and conflict management (Gov-Col) processes are discussed in detail in the 2018 Annual Report and Consolidated Accounts . References to the relevant section in the Annual Report are shown in Table 10 below, or where reference cannot be made, an explanation of whether conflicts of interest are disclosed to stakeholders has been provided.

**Table 10: EPRA sBPR for reporting on governance performance measures**

| EPRA code | Reference |
|---|---|
| Gov-Select | Corporate governance statement - page 28 |
| Gov-Col: cross-board membership | Corporate governance statement - page 28 |
| Gov-Col: cross-shareholding with suppliers and other stakeholders | Corporate governance statement - page 28 |
| Gov-Col: existence of controlling shareholder | Director's Report - page 25 |
| Gov-Col: related party disclosure | Notes to the accounts - note 17 |

The composition of the Company's board (Gov-Board) is reported by various indicators in the following table.

**Table 11: EPRA sBPR for reporting on composition of the highest governance body**

| Gov-Board | Number |
|---|---|
| Number of executive board members | 0 |
| Number of independent non-executive board members | 5 |
| Average tenure on the governance body | 5.6 years |
| Number of independent non-executive board members with competencies relating to environmental and social topics | 0 |

# 5. ESG risk profile

The ESG Risk Profile described in this Section presents key data collated by BMO REP as part of its ongoing process of appraising all held assets using its RPI Appraisal system. It provides a picture of the key ESG characteristics of the BREI portfolio at 31 December 2018 with respect to issues such as environmental management, flood risk, energy performance and contamination.

## Asset classifications

It is important that our approach to ESG is proportionate in the context of each asset's impact and the degree to which we have management control. This is particularly the case for energy, in relation to which both regulatory and performance-related risks to value can materialise. We have therefore devised a classification system to enable resources to be directed at those assets for which the risks and potential enhancement opportunities are likely to be greatest.

Importantly, the classification of an asset determines the frequency and extent to which its ESG characteristics and performance are monitored within the asset and property management process. For example, the relevant Asset Manager should review Property Manager reports on environmental performance against targets, as well as progress against Asset Action Plans, for Level 1 assets on a quarterly basis. For Level 2 assets, the frequency of the review is reduced to six months, whereas for Level 3 assets, where there is no landlord energy spend, there is no requirement to review consumption on a regular basis.

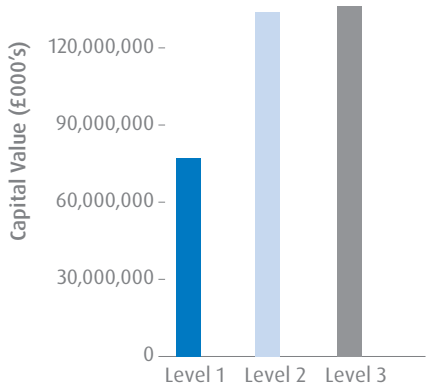
BMO REP has in place clear procedural guidelines to assist asset and property managers in this regard.

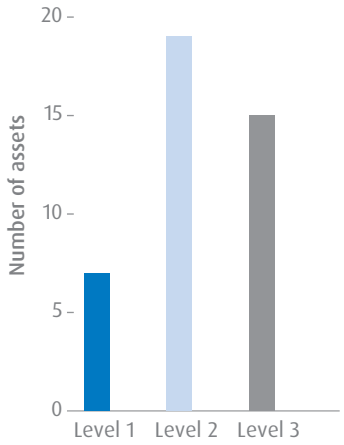
The classification of an individual asset will quite likely change over time, as its energy rating(s) or performance attributes evolve. So, for example, a Level 1 FRI asset may be downgraded to Level 3 if there is a change in its EPC rating, or a directly managed asset may be upgraded to Level 1 from Level 2 if energy consumption increases.

| Asset Classification | Energy Rating | | Energy Spend |
|---|---|---|---|
| **Level 1** | EPC Rating of F or G | and/or | Total annual landlord energy spend ≥£50,000 |
| **Level 2** | EPC Rating of E | and/or | Total annual landlord energy spend >£0 and <£50,000 |
| **Level 3** | EPC Rating of A+ to D | and | No landlord energy spend (typically FRI assets) |

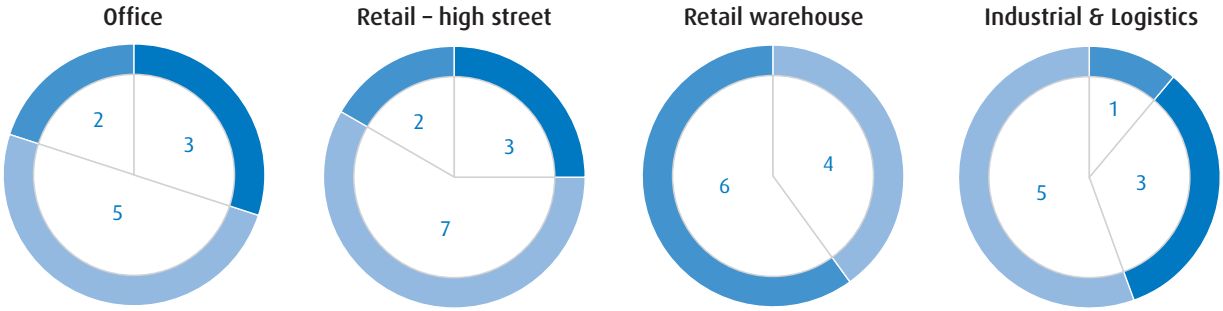
The chart to the left shows the distribution of asset classifications across the portfolio, with reference to number of assets, capital value and by property type.

### Figure 2: Asset classifications



## Figure 2 (continued): Asset classifications by property type




Asset classifications

- *Level 1* – where EPC rating is F or G and/or annual landlord energy spend is > £50,000
- *Level 2* – where EPC rating is E and/or annual landlord energy spend is between > £0 and £50,000
- *Level 3* – where EPC rating is A+ to D and there is no landlord energy spend

### Fire Risk

The tragic Grenfell Tower fire in 2017 underlined the very human cost of inadequate fire protection measures and catalysed an increased focus on this issue throughout the real estate sector.

We have always paid close attention to fire risk at our properties through a combination of due diligence processes and by implementing fire risk strategies at all directly managed assets. In 2017, BMO REP undertook a further comprehensive review of fire risk across the entire portfolio, drawing upon input from a number of independent building construction specialists and overseen by its Investment Committee. This was to determine the extent of any residual risk presented to our properties and was based upon a proprietary methodology for risk assessment. This generated a risk profile for each asset determined by a combination of the following considerations: the use of the property for residential purposes; the presence of composite cladding panels; the setting of such panels against demised areas; and the height of the building.

BMO REP's assessments concluded there is no unacceptable fire risk to our properties or the people living in or using them, primarily due to the limited presence of residential and high-rise assets. We have communicated the detailed results of the review with shareholders and will maintain an ongoing focus on assessing and minimising fire risk across our portfolio.

### Flood Risk

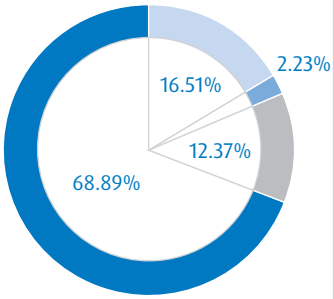
The exposure of the portfolio to the principal sources of flood risk is shown in the Flood Risk Dashboard. This shows that, taking account of flood defences, the majority of the portfolio is at negligible or low risk of flooding from rivers or seas, with 16.5% of capital value at high risk of flooding from this source. Approximately 9.7% of capital value is deemed to be at high risk from groundwater flooding, principally confined to a number of office and high street retail assets. Circa 10.7% of capital value is deemed to be at high risk from surface water flooding, again principally confined to office and retail sectors.

The principal elements of our approach to managing flood risk include:

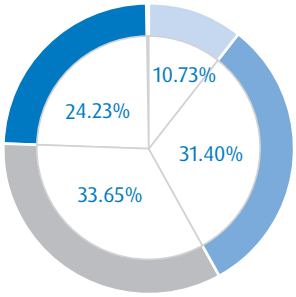
- Undertaking annual flood risk assessments of all held assets to keep our overview of portfolio risk exposure under regular review;
- Undertaking flood risk assessments, including an assessment of repairing obligations within lease terms, at the pre-acquisition stage for all assets in which we consider investing and taking account of any material issues in investment decisions and subsequent asset business planning;
- Ensuring that we have adequate insurance cover in place;
- In areas of higher risk, maintain a watching brief on insurance premiums and planning decisions for development work, including in relation to change of use decisions which may be pertinent to future asset strategy;
- For assets subject to higher levels of direct risk, review asset files, including purchase reports, to ensure that detailed flood risk information is held by the Company;
- For directly managed assets in areas of high and moderate indirect risk, prepare operational contingency plans so that anticipatory and responsive measures can be put in place effectively to deal with local disruption, and ensure that tenants are engaged in this process;
- Engage with our tenants in those assets that are not directly managed but to which higher levels of risk apply, to ensure that they can be prepared for a possible future flood event; and
- Ensuring that flood resilience is a feature of our approach to sustainable development and refurbishment.

## Figure 3: Flood Risk

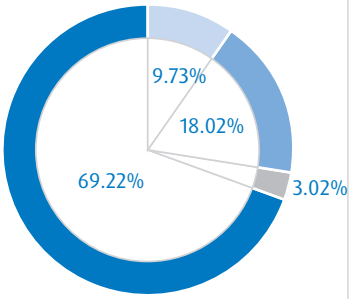
### Fluvial flood risk
Distribution of risk ratings as a proportion of total Capital Value



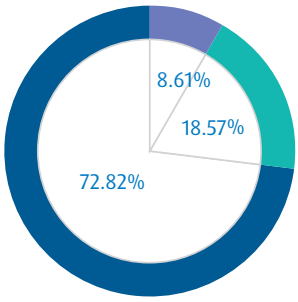

### Surface water flood risk
Distribution of risk ratings as a proportion of total Capital Value




### Groundwater flood risk
Distribution of risk ratings as a proportion of total Capital Value



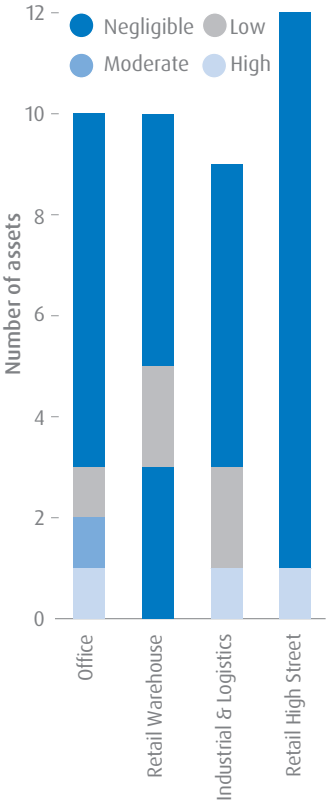

### Historic flooding
Distribution of historic flood incidents in relation to total Capital Value




### Fluvial flood risk by sector
Distribution of risk ratings by number of assets

**Legend**

Risk of fluvial or storm-surge flooding accounting for existing flood defences.




**Risk definitions**

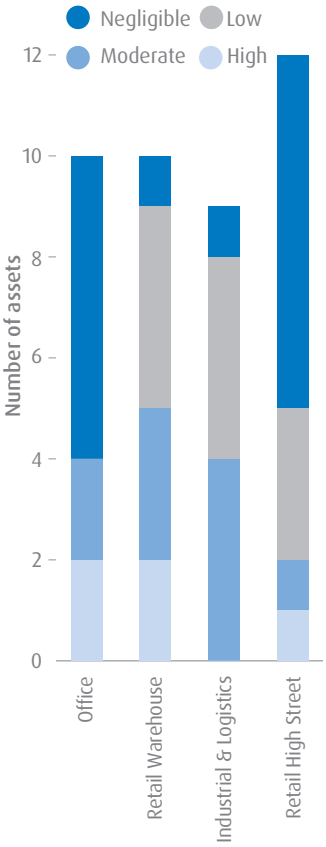
*Fluvial & tidal (defended) flood extents*

- High [>3.3% event]
- Moderate [between 3.3% & 1%]
- Low [between 1% and 0.1%]
- Negligible [<0.1%]

### Surface water risk by sector
Distribution of risk ratings by number of assets

**Legend**

Level of surface water flood risk




**Risk definitions**

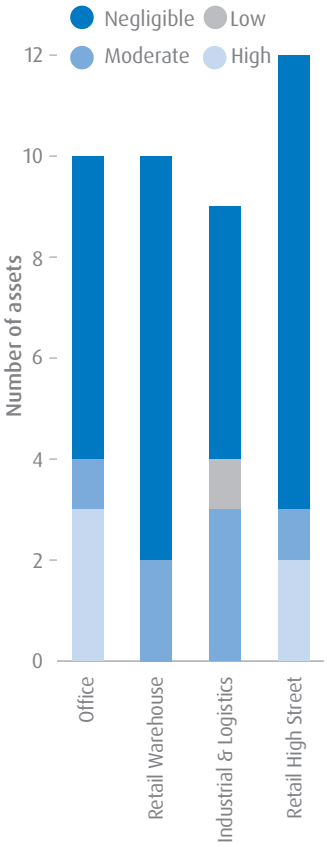
*Pluvial (surface water) flood extent*

- High [>1% event, where flood depths >1m]
- Moderate [>1% event, where flood depths between 40cm to 1m]
- Low [>1% event, where flood depths between 20cm to 40cm]
- Negligible [>1% event, where flood depths <20cm]

### Groundwater risk by sector
Distribution of risk ratings by number of assets

**Legend**

Level of groundwater flood risk




**Risk definitions**

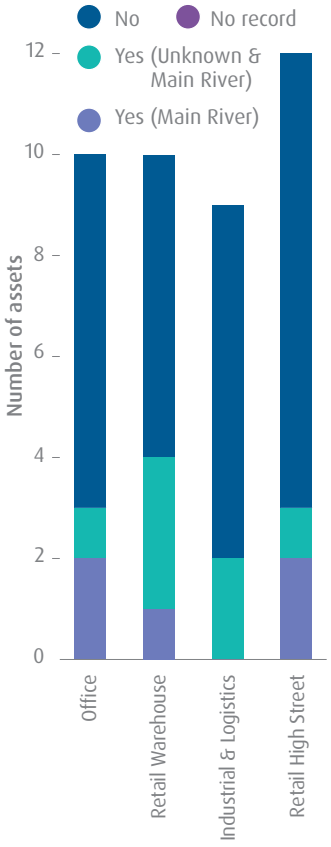
*Groundwater flood extent*

- High
- Moderate
- Low risk with [>1% liklihood]
- Negligible with [<1% liklihood]

### Historic flooding by sector
Distribution of risk ratings by number of assets

**Legend**

Level of groundwater flood risk



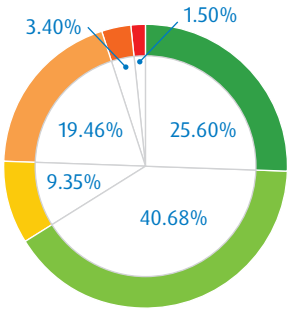
## EPC ratings

The dashboard overleaf provides a summary of the profile of Energy Performance Certificate (EPC) ratings for the portfolio. Across all UK assets, it can be seen that the majority, from both a rental value and floor area point of view, relates to the higher EPC ratings, indicating a good level of modelled energy performance for the portfolio. Indeed, the two lowest ratings summate in combination to only 4.54% of rental value and 2.97% of the total lettable floor area. This compares to a national average of a little over 18% of EPCs lodged on the National Register being F or G rated.

When viewed specifically within the context of our properties located in England & Wales, the jurisdiction within which regulations pertaining to Minimum Energy Efficiency Standards (MEES) apply, the proportion of rental value that is associated with F and G ratings is slightly higher at 4.9%, applicable to some 3.2% of net lettable area.

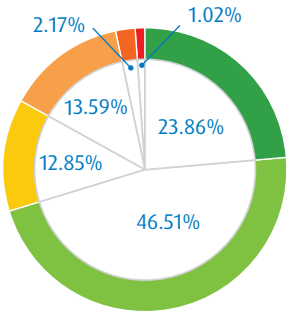
## Figure 4: EPC ratings

**Distribution of EPC ratings by rental value**
Assets in England & Wales only




**2018**

**Distribution of EPC ratings by NLA**
Assets in England & Wales only

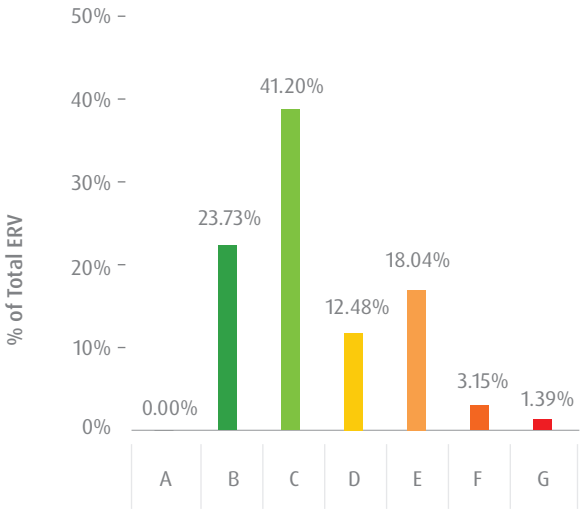



**2018**

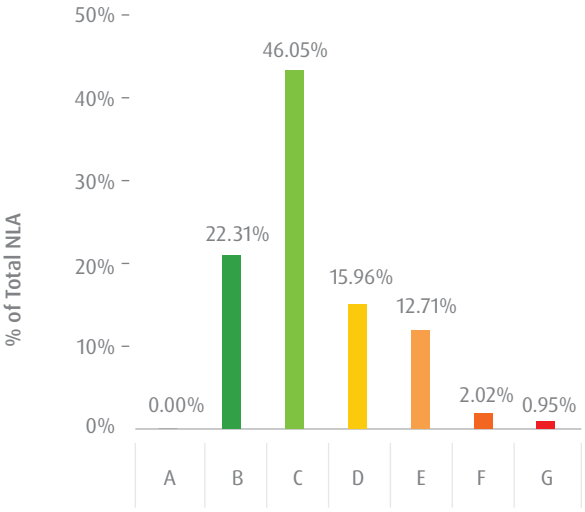
**EPC rating:** $CO_2$ emissions

- **A** (0-25)
- **B** (26-50)
- **C** (51-75)
- **D** (76-100)
- **E** (101-125)
- **F** (126-150)
- **G** (over 150)

**EPC ratings by rental value**
Whole portfolio – including assets in Scotland

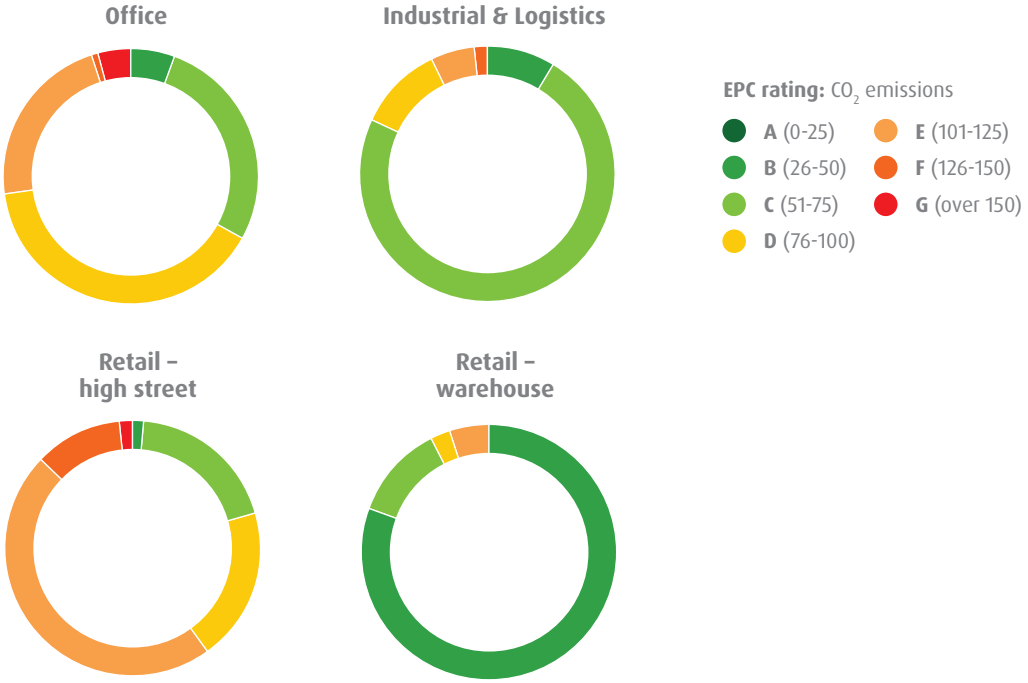



**EPC ratings by net lettable area**
Whole portfolio – including assets in Scotland

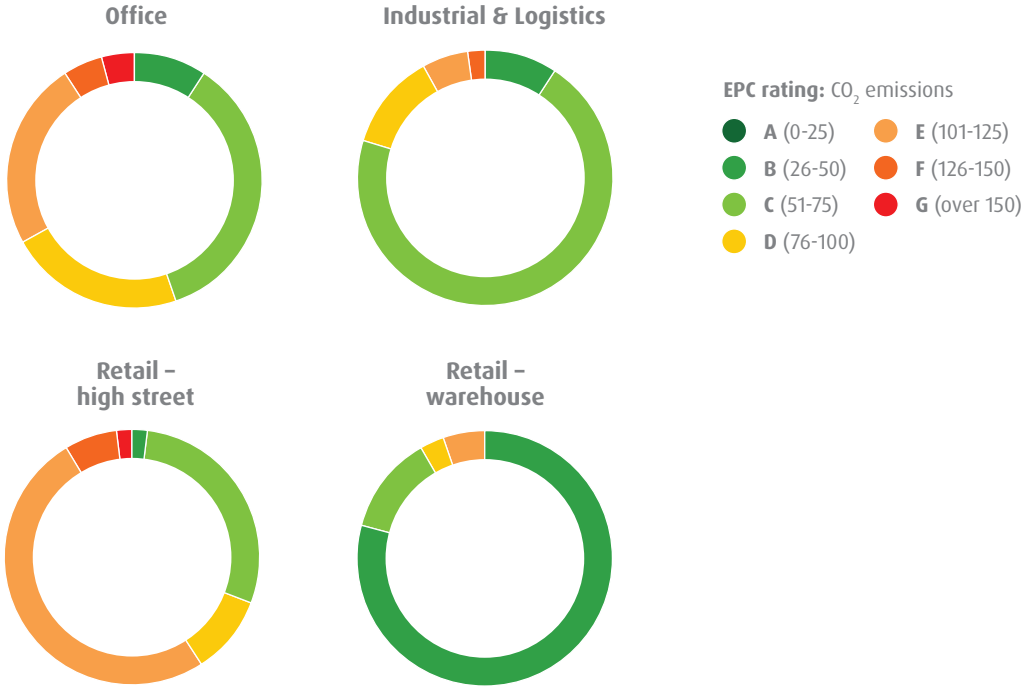


## Figure 4: EPC ratings (continued)

**Sector distribution of EPC ratings (NLA)**
Whole portfolio – including assets in Scotland




**Sector distribution of EPC ratings (by rental value)**
Whole portfolio – including assets in Scotland




**Notes**

1 Values shown are Contracted Rental Value (CRV) except for void units and those few (*de minimis*) commercial leases for which CRV data is not available, for which Estimated Rental Values (ERV) have been used.

We have in place a comprehensive policy and strategy for managing the risks associated with MEES, with particular emphasis on ensuring that:

- We maintain comprehensive records that are kept up-to-date to ensure clear visibility on related risks;
- We procure high-quality EPC assessments from best-in-class providers so that the ratings we hold are accurate and the information supporting them useful for managing performance;
- We are well-sighted on energy performance risk when acquiring assets and when preparing for and executing lease transactions;
- We have robust processes in place to ensure that EPC ratings are optimised through development, refurbishment and routine property management activities; and
- We have in place comprehensive information to support sales when we choose to bring properties to the market.

With these measures in place, we ensure not only that we take timely and cost-effective action to address energy ratings ahead of a legislative restriction on transactions, but also that we future-proof our assets to future regulatory change and standards, in the interests of delivering occupational benefits for our customers and sustainable returns for our shareholders in the long-term.

## Other RPI risk metrics

The profile of the portfolio with reference to a range of additional ESG attributes is shown in Figure 5. This indicates that the exposure of BREI assets to various environmental risk criteria is limited, whilst other metrics convey the extent to which certain management actions have been fulfilled.

### Current contamination risk

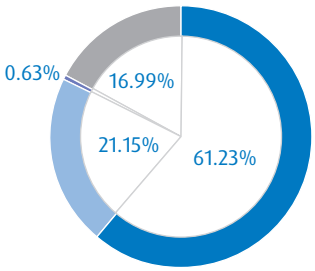
With reference to capital value, approximately two-thirds (61%) of the portfolio is at low risk of contamination, with the majority of the remainder at the modestly elevated level of Moderate-Low risk. One retail warehouse, representing 0.6% of total capital value, is deemed as moderate risk. Contamination is an 'investment critical' criteria within our RPI Appraisal process when considering potential acquisitions. FRI assets over which we have no direct management control benefit from an annual inspection by an asset manager, whilst directly managed assets have the benefit of our Environmental Management System, certified to the ISO 14001 standard, of which the prevention and management of contamination is part.

### HCFC coolants

Currently, two office assets within the portfolio have air-conditioning equipment that utilises a hydrochlorofluorocarbon (type R-410A and R407C) coolant which is subject to the European F-Gas Regulations for the phasing out of ozone depleting substances. The Regulations prohibit the use of 'recycled' and 'reclaimed' HCFCs to top up or service existing equipment and we manage the implications of this through our asset business plans.

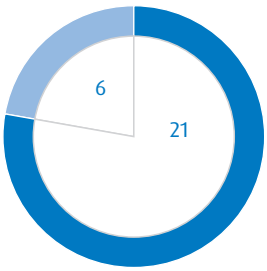
## Figure 5: Other Risk Metrics

**Current contamination risk**
Distribution of risk ratings as a proportion of total Capital Value



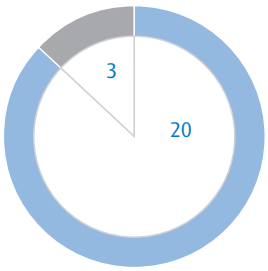

What is the current level of risk?
Low · Moderate-Low · Moderate · No record

**HCFC coolants**
No. of directly managed assets in which HVAC systems using HCFCs are present



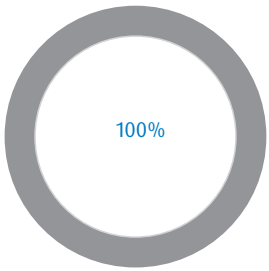

Are HCFCs (eg. R22) used in cooling systems?
No · Yes

**Building manager ESG training**
Directly managed assets for which Building Managers have received ESG training



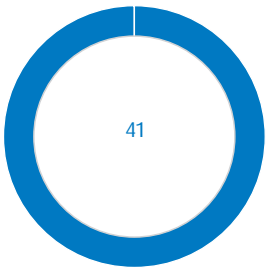

Level of training received
Advanced · Foundation · None

**Green building certification**
Distribution of green building ratings with reference to Net Lettable Area



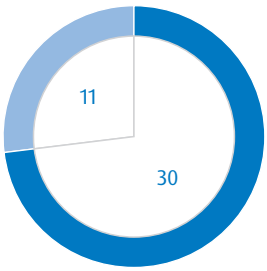

Green building certification scheme & rating
BREEAM Excellent · BREEAM V. Good · None

**Statutory wildlife designations**
Assets to which statutory nature conservation designations apply




Are there any statutory wildlife designations (eg. SSSI, Ramsar, SPA, SAC)?
No

**Aquifer protection zones**
No. of assets which are situated in Acquifer/ Groundwater Protection Zones




Does the site fall within an Aquifer/ Grounwater Protection Zone?
No · Yes

### Groundwater Source Protection Zones

Eleven assets fall within Groundwater Source Protection Zones, six of which, three Nottingham properties, Bromsgrove, Hemel Hempstead and High Wycombe, relate to directly managed sites. These are designated zones around public water supply abstractions and other sensitive receptors that signal there are particular risks to the groundwater source they protect. It is important that our pollution prevention measures are particularly effective in these areas of elevated risk.

### Statutory wildlife designations

None of our properties are affected by statutory wildlife designations.

### Building Manager ESG Training

All building managers employed directly by BMO REP have received a basic foundation level of training on relevant ESG matters, commensurate with the enhanced RPI Protocols for Asset & Property Management that have been put in place. This training has been delivered by the Property Manager's dedicated sustainability professionals. One building manager has undertaken more advanced training delivered by specialist third-party providers.

The directly managed assets at which building managers are engaged but have not received formal training relate to outsourced building management services provided by our Managing Agents, Eddisons. BMO REP will extend their training delivery to these building managers over the course of the next year.

### Green Building Certification

None of our properties have the benefit of a formal BREEAM rating. As previously mentioned, the Company considers the merits of green building certification on a case-by-case basis.

### Building User Guides

There are no known Building User Guides in place at any of the assets where the landlord has direct responsibility for operation of common parts and services. There are a number of assets where such common parts and services are of a type and scale that merit the creation of such guides to promote better efficiency in use and we will look to procure these over the next year.

### Environmental Management System

An Environmental Management Systems (EMS) accredited to the ISO 14001 standard and covering energy, water, waste and the control of hazardous substances has been established by BMO REP and applies to all directly managed assets with the exception of properties considered to be *de minimis* in terms of the landlord's environmental impact. For the current portfolio, 16 of the 27 directly managed assets are considered to be of this nature and include for example the assets at Hemel Hempstead, Eastleigh and Edinburgh.

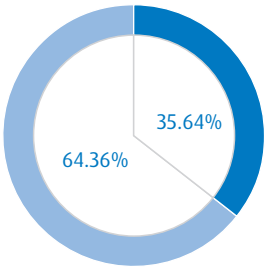
# Appendix 1: Notes on environmental data

## Scope

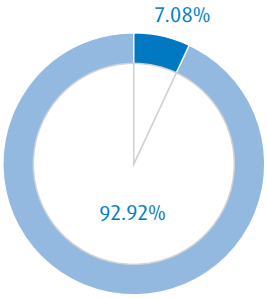
Much of the environmental performance data within Section 4, particularly those relating to utilities and related greenhouse gas emissions, are limited to those assets on which we have relevant operational control. The precise scope of the ESG Performance Data held for each asset are listed in Figure B.

### Figure A: ESG Data Coverage

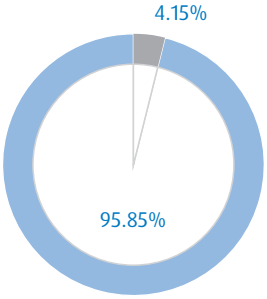
**Group data coverage**
Energy & GHG emissions
as a percentage of floor area (NLA)




**Group data coverage**
Water consumption
as a percentage of floor area (NLA)



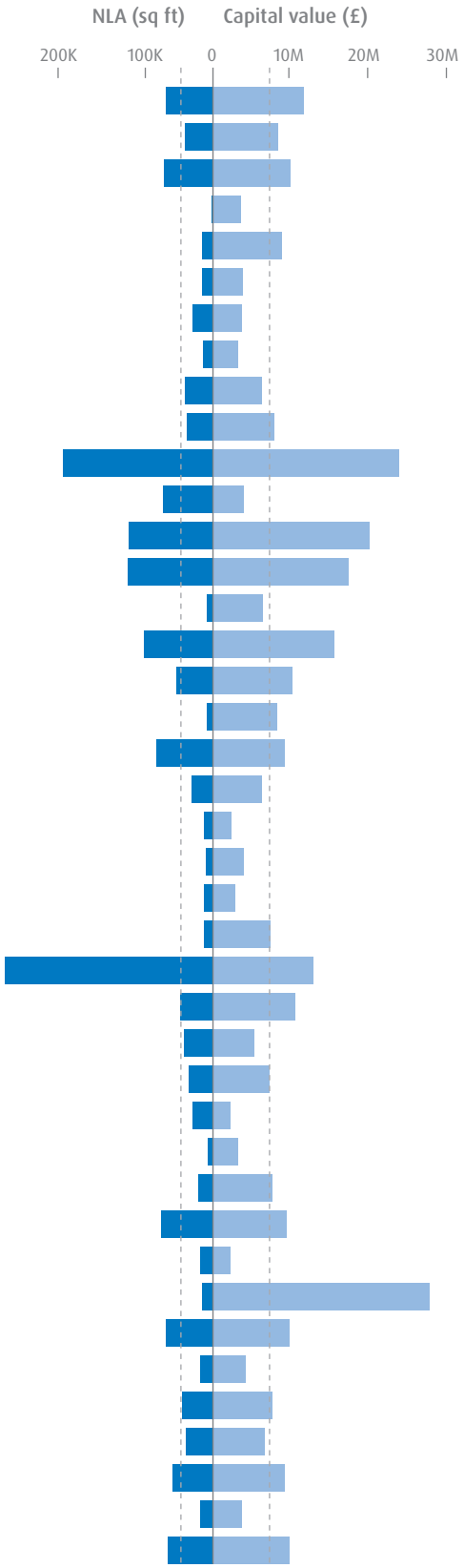

**Group data coverage**
Waste management
as a percentage of floor area (NLA)




Included
Not Included
Out of scope

## Figure B: ESG Data Coverage by Asset

| Property name | Is energy consumption data available? | Is water consumption data available? | Is waste data available? | Other data |
|---|---|---|---|---|
| Bracknell, 1/2 Network Bracknell, Eastern Rd | Included | Not in Scope | Not in Scope | Included |
| Chelmsford, County House, County Square. | Not in Scope | Not in Scope | Not in Scope | Included |
| Eastleigh, Wide Lane | Not in Scope | Not in Scope | Not in Scope | Included |
| Kingston-Upon-Thames, 11 Church Street | Not in Scope | Not in Scope | Not in Scope | Included |
| New Malden, 7 Beverley Way | Not in Scope | Not in Scope | Not included | Included |
| Nottingham, 21/22 Long Row, 2/6 King Street | Not in Scope | Not in Scope | Not in Scope | Included |
| Rayleigh, 41/47 & 55/55A High Street | Included | Not in Scope | Not in Scope | Included |
| Redhill, 15 London Road | Not in Scope | Not in Scope | Not in Scope | Included |
| St. Albans, 16,18 & 20 Upper Marlborough Road | Not in Scope | Not in Scope | Not in Scope | Included |
| Bromsgrove, Brook Retail Park, Sherwood Road | Included | Not in Scope | Not included | Included |
| Banbury, 3663 Unit, Echo Park | Not in Scope | Not in Scope | Not in Scope | Included |
| Bellshill, Mercury House, Strathclyde Bus Pk | Not in Scope | Not in Scope | Not in Scope | Included |
| Colnbrook, Units 1-8 Lakeside Road | Included | Not in Scope | Not in Scope | Included |
| Eastleigh, Southampton International Park | Not in Scope | Not in Scope | Not in Scope | Included |
| Guildford,51-53 High Street | Not in Scope | Not in Scope | Not in Scope | Included |
| Hemel Hempstead, Hemel Gateway | Included | Not in Scope | Not in Scope | Included |
| Leamington Spa, 30-40 Parade | Included | Not in Scope | Not in Scope | Included |
| London SW1, 24 Haymarket & 1/2 Panton Street | Included | Not in Scope | Not in Scope | Included |
| Milton Keynes,Site E Chippenham Drive | Included | Included | Not in Scope | Included |
| Nottingham, Standard Hill | Included | Not in Scope | Not in Scope | Included |
| Rayleigh, 81/87 High Street. | Included | Included | Not in Scope | Included |
| Sunningdale, 53/79 Chobham Road, Berkshire | Included | Not in Scope | Not in Scope | Included |
| Sutton Coldfield, 63-67 The Parade | Not in Scope | Not in Scope | Not in Scope | Included |
| Winchester, 7-8 High St.& 50 Colebrook Street | Not in Scope | Not in Scope | Not in Scope | Included |
| York,Clifton Moor Gate | Not in Scope | Not in Scope | Not in Scope | Included |
| Edinburgh, 1-2 Lochside Way, Edinburgh Park | Included | Not in Scope | Not in Scope | Included |
| Nelson, Churchill Way | Not in Scope | Not in Scope | Not in Scope | Included |
| Northallerton, Willowbeck Road | Included | Not in Scope | Not in Scope | Included |
| Gateshead, Sands Road, Swalwell | Not in Scope | Not in Scope | Not in Scope | Included |
| Nottingham, 25/27 Bridlesmith Gate | Not in Scope | Not in Scope | Not in Scope | Included |
| High Wycombe, A3 Glory Park, Wooburn Green | Included | Included | Not in Scope | Included |
| Andover, Keens House, Anton Mill Road. | Not in Scope | Not in Scope | Not in Scope | Included |
| Birmingham, 157/163 High Street, Kings Heath | Included | Not in Scope | Not in Scope | Included |
| London W1, 14 Berkeley Street | Included | Included | Not included | Included |
| Theale, Maxi Centre | Not in Scope | Not in Scope | Not in Scope | Included |
| Newbury, The Triangle, Pinchington Lane | Not in Scope | Not in Scope | Not in Scope | Included |
| Luton, Enterprise Way | Not in Scope | Not in Scope | Not in Scope | Included |
| Bury, Halls Mill Retail Park, Foundry Street | Included | Not in Scope | Not in Scope | Included |
| Rotherham, Unit 1, Northfields Retail Park | Not in Scope | Not in Scope | Not in Scope | Included |
| Nottingham, Park View House, 58 The Ropewalk | Included | Included | Not included | Included |
| Basingstoke, Unit K60, Lister Road | Not in Scope | Not in Scope | Not in Scope | Included |




NLA (sq ft) Capital value (£) – – – – – Average

## Estimates

The proportions of estimates for the portfolio energy and water are shown in the table below, by asset class. Estimates were calculated through pro-rating the data available for the missing period. The proportions of estimates were based on both the floor area and the time interval for which data was estimated.

**Estimation of data**

| | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Electricity | Gas | Water | Electricity | Gas | Water |
| Offices | 0% | 0% | 5% | 0% | 0% | 0% |
| Industrial | 0% | 0% | 0% | 0% | 0% | 0% |
| Retail | 0% | 0% | N/A | 0% | 0% | N/A |
| Retail Warehouse | 0% | 0% | N/A | 0% | 0% | N/A |

## Conversion Factors

Emissions were calculated in kg $CO_2$ equivalent using the DEFRA GHG Conversion Factor Guidelines for 2017 and 2018. The conversion factors from DEFRA for 2017 and 2018 are presented in the following table.

**DEFRA conversion factors (kg $CO_2$e per kWh)**

| | 2017 | 2018 |
|---|---|---|
| Electricity | 0.35156 | 0.28307 |
| Natural Gas* | 0.18416 | 0.18396 |

*Where the conversion factor used is for gross calorific value as opposed to net.

A further conversion factor used was for reporting of energy intensities. Following the Better Buildings Partnership's (BBP) Real Estate Environmental Benchmark (REEB) methodology, intensities are reported using numerators in units of kWh electricity equivalent (kWhe). One kWh of electricity is 1kWhe, whereas gas has been converted using a factor of 0.4kWhe/1kWh. This is recommended due to a thermodynamic difference between electricity and gas.

## Normalisation

Intensities (for energy, emissions and water) have been calculated per square meter of space for each individual property, normalising the data for comparability to other properties. As a general rule, all properties have been normalised using a denominator based on net lettable area (NLA).

The exceptions to the rule are as follows:

- Assets for which the landlord does not procure energy for the whole building
- Assets for which there is no indoor energy procured by the landlord

In the first scenario the common parts area (CPA) was used as the denominator; CPA is considered to be a more appropriate basis for relating landlord consumption to the areas served, and, as a result, a more meaningful measure of efficiency. These were estimated using an estimate of 5% of building NLA. For energy provided to outdoor areas this was estimated from floor plans in the case of outdoor walkways, but where the energy supply is to car park lighting the number of car parking spaces multiplied by 25m2 (per BBP REEB recommendation) was used.

It should be noted that while the intensities were normalised for floor area, there was no normalisation carried out for degree days. This is when heating data is corrected according to weather patterns. The Company intends to correct for degree days in future reports of this kind.

## Data coverage

The table below highlights the data coverage for each asset-level performance measure in terms of number of assets within the organisational boundary that were included. Exceptions are as follows:

- Where a tenant within one of these properties procures their own energy separate to the building supply for shared spaces; these scenarios are considered the same terms as FRI tenants and data was not obtained due to inaccessibility of such data for the reporting year.
- In some instances, water data was not gathered from these properties as procurement of water is under the responsibilities of the occupier. Coverage of water data by gross asset value (GAV) gathered within the organisational boundary therefore represents disclosure of 7% of the Company's total £354 million investment in real estate.

**Coverage of data**

| | Industrial | Offices | Retail – High Street | Retail – Warehouse |
|---|---|---|---|---|
| Elec-Abs | 100% | 100% | 100% | 100% |
| Elec-Lfl | 100% | 100% | 75% | 100% |
| Fuel-Abs | 100% | 100% | 100% | 100% |
| Fuel-Lfl | 100% | 100% | 100% | 100% |
| Energy-Int | 100% | 100% | 100% | 100% |
| GHG-Dir-Abs | 100% | 100% | 100% | 100% |
| GHG-Indir-Abs | 100% | 100% | 100% | 100% |
| GHG-Int | 100% | 100% | 100% | 100% |
| Water-Abs | 0% | 100% | 0% | 0% |
| Water-Lfl | 0% | 100% | 0% | 0% |
| Water-Int | 0% | 100% | 0% | 0% |
| Waste-Abs | 0% | 50% | 0% | 33% |
| Cert-Tot | 100% | 100% | 100% | 100% |

## Flood risk assessment methodology

The methodology required to satisfy the project scope included the use of ArcGIS software packages and complex scripting models to prepare each set of Asset data and analysis.

Further review and checking of each report was undertaken by an experienced GeoSmart Consultant.

The datasets used to inform each of the key questions for each Asset were GeoSmart's Groundwater Flood Risk Data, Environment Agency datasets and Ambiental's UKFloodMap4™ Flood data. The industry focused and accepted datasets have been produced using the most up to date methodology to ensure suitable Risk Screening for key assets.

Each of the 41 Assets are included within this report with an overview map and answers to each of the 8 questions. More detailed analysis could be undertaken on an Asset specific basis for those Assets at the highest risk. This additional work would incorporate more detailed flood level and depth datasets, to provide suitable recommendations of mitigation measures; to reduce the overall risks of flooding at each Asset.

### Data limitations

The data and information which GeoSmart interprets in Reports is obtained by GeoSmart from third parties including the British Geological Survey, BlueSky, Ordnance Survey and the Environment Agency. The data, information and related records supplied can only be indicative and should not be taken as a substitute for specialist interpretations, professional advice and/or detailed site investigations. Geological observations are made according to the prevailing understanding of the subject at the time. The quality of such observations may be affected by subsequent advances in knowledge or improved methods of interpretation.

FloodSmart and SuDSmart reports make use of BGS data within the GeoSmart Groundwater Flood Risk Map (GW5) and SuDS Infiltration Map (SD50), for which the following disclaimer applies:

### BGS Natural Environment Research Council Disclaimer

Disclaimer (Clause 7.9): Some of the responses contained in this report are based on data and information provided by the Natural Environment Research Council (NERC) or its component body the British Geological Survey (BGS). Your use of any information is at your own risk. Neither NERC nor BGS gives any warranty, condition or representation as to the quality, accuracy or completeness of such information and all liability (including liability for negligence) arising from its use is excluded to the fullest extent.

# Appendix 2: TCFD Disclosures

| Recommended Disclosure | Current arrangements | Planned activity and timeframe |
|---|---|---|
| **Governance** | | |
| Describe the board's oversight of climate-related risks and opportunities | BMO Real Estate Partners' Sustainability Team provides regular progress reports to the Fund Manager who in turn formally updates the Board on salient matters at quarterly Board Meetings. During the last year, this has included particular emphasis on climate-related transition risks and opportunities, linked to our work on setting long-term targets for the portfolio aligned to the goals of the Paris Agreement on Climate Change in line with a recognised science-based targets methodology. Progress on ESG matters, including on climate change, are highlighted in the Fund's Annual Report and the aligned Responsible Property Investment Report, both of which are reviewed and signed-off by the Board in discussion with the Fund Manager and Hillbreak. | The Board will continue to receive regular updates across the full range of material ESG factors to which the Company is attending, including climate change. This will include receiving reports from the Fund Manager on progress against the annual and long-term energy reduction targets, as well as updates on external factors which may prompt the need to review those targets.<br>Furthermore, during 2019, the Board will receive a report on the exposure of the portfolio to, and the potential financial implications of, physical climate risk factors, such as future changes in the frequency and severity of extreme weather events. The Board will be looking to direct the Fund Manager to take appropriate action in the context of the findings of the analysis. |
| Describe management's role in assessing and managing climate-related risks and opportunities. | As part of its Responsible Property Investment programme, the Property Manager is responsible for ensuring that climate-related risks and opportunities are integrated into operational processes and asset management decisions, including by monitoring relevant performance and risk metrics, making recommendations to the Board on appropriate objectives and targets, and arranging for the implementation of measures necessary to fulfil these.<br>These responsibilities include making sure that the Company has adequate technical and strategic expertise on climate-related risks and opportunities at its disposal. In addition to the retained role of the strategic ESG advisor, this has included procuring analysis and advice from energy management specialist, Verco Advisory, to set a pathway for energy and carbon reduction in line with the Paris Agreement on Climate Change.<br>The Property Manager also has an established ESG Committee which convenes on a quarterly basis to oversee its work in this area, including keeping the relevant regulatory, climate science and market changes under review, as well as monitoring the progress of environmental training delivered to asset and building managers. This has included specific refresher sessions, delivered by lawyers, on the implications of Minimum Energy Efficiency Standards for leased properties, a key transition risk factor that requires diligent management. | During 2019, the Property Manager will be responsible for appointing specialist consultants to undertake an analysis of the exposure of the portfolio to physical climate risks; reviewing the findings of the analysis; and making recommendations to the Board on any strategic decisions that may need to be taken to mitigate those risks.<br>This will allow for a comprehensive scenario-based analysis to be reported to shareholders and other stakeholders in future Reports. |

| Recommended Disclosure | Current arrangements | Planned activity and timeframe |
|---|---|---|
| **Strategy** | | |
| Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. | The two principal forms of climate-related risk pertinent to the Company are from the potential exposure of its portfolio to the physical effects of climate change and from the growing regulatory and market demands associated with the transition to a low-carbon economy. The relevance of these factors is heightened by the relatively long-term nature of our typical holding periods.<br>In the short-term, the key risks arise from changes to levels of flood risk (for which we update asset-level flood risk screening analysis annually) and from the restrictions on property transactions associated with building energy performance regulations in England & Wales and, separately, in Scotland. Changes in the risk profile of the portfolio for these factors are confirmed at least annually and will be documented in the next Responsible Property Investment Report.<br>In respect of medium-term risks and opportunities, work has been completed to understand the extent of the measures that would need to be implemented by 2031 across the portfolio to ensure that energy and carbon reduction levels were reduced in line with the goal of keeping global warming to less than 2°C above pre-industrial levels, in line with the Paris Agreement on climate change. Taking account of reasonable assumptions for grid decarbonisation and future churn in the portfolio, we have ascertained that annual energy reduction needs to be of the order of 3%. | A priority action under our Responsible Property Investment Strategy is to analyse the exposure of the portfolio to physical risks in the short, medium and longer term. At the end of 2018, the Property Manager had invited proposals from potential consultants to undertake physical risk modelling using the latest UK Climate Projects 2018 data, that was released under the Met Office Hadley Centre Climate Programme. |
| Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. | A core principle of our approach to Responsible Property Investment is to ensure portfolio resilience. In that regard, we seek to:<br>• Identify and address environmental and social risks through effective asset planning and property management.<br>• Deliver operational efficiencies and strengthen the appeal of assets under management through smart and efficient use of resources.<br>• Understand and respond to the changing (and in most respects, strengthening) expectations of occupiers, regulators and investors.<br>To date, the level of short-term risk facing the portfolio from physical climate risks has not been deemed to have a substantive financial or strategic impact; most assets face low or negligible flood risk, whilst insurance cover, contingency planning and property management arrangements are considered adequate in this current context.<br>We continue to monitor changes in the extent of asset and portfolio-level flood risk on an annual basis. More detailed analyses are undertaken for those limited number of assets at which the level of risk is high.<br>Our Strategy and asset business planning has evolved to take account of transition risks associated with energy performance ratings and consumption. This has been explained in detail in the Responsible Property Investment Report, and in the relevant ESG Commitments described in the Annual Report and Accounts.<br>In summary, this involves classifying assets based on the materiality of their energy performance characteristics, putting in place energy reduction plans (as part of our ISO-14001-accredited Environmental Management System) for those assets at which landlord energy consumption is significant, with these plans forming part of the operational business planning and budgets for each asset. | One of the objectives for the Company in 2019 is to further analyse the potential impacts of climate-related risks and opportunities, particularly with respect to physical risk factors in the short, medium and long-term. The intention is that this scenario-based risk modelling will be undertaken and with the findings incorporated into the future investment strategy of the Company, following proper consideration by the Board. |

| Recommended Disclosure | Current arrangements | Planned activity and timeframe |
|---|---|---|
| Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | | The findings of our scenario-based analysis of physical climate risks, due to be conducted during 2019, together with an assessment of the resilience of the Company's strategy in the context of the findings, will be set out in future Annual Reports and aligned Responsible Property Investment Reports. |
| **Risk Management** | | |
| Describe the organisation's processes for identifying and assessing climate-related risks. | Climate risks are integrated into multi-disciplinary company-wide risk identification, assessment, and management processes and are considered at each key stage of the property investment process, including:<br>• Enhanced due diligence assessments when looking at potential real estate acquisitions, including consideration of multiple flood risk factors, energy efficiency, metering and ratings.<br>• Regular (annual) reappraisal of the ESG (including climate-related) characteristics of assets held by the Company, including reclassifying assets according to changes in their energy risk profile in order to determine the frequency and extent of asset management routines and interventions. | In 2019, we intend to enhance our acquisition due diligence approach to take fuller account of longer-term climate risk factors, including:<br>• Sensitivity to potential changes in the cost and availability of insurance cover.<br>• Potential effects of physical climate risks including in relation to overheating and cooling demand, storm damage, soil shrinkage and heightened flood risk.<br>This will complement the planned undertaking of comprehensive scenario-based analysis of physical risk exposure of the standing portfolio and will inform the ongoing advancement of our approach to investment decision-making. |
| Describe the organisation's processes for managing climate-related risks. | Ultimate responsibility for managing climate-related risks across the portfolio rests with the Fund Manager, using the intelligence gained from enhanced due diligence and annual reappraisal of climate characteristics at the individual asset level. Of particular note in this regard, are the following core risk management features of our asset and property management procedures:<br>**For all assets:**<br>• Making sure that information and recommendations compiled by the RPI Appraisal process, either during acquisition or as a routine of the asset and property management process, are utilised when preparing and signing-off on Asset Business Plans. Incorporating appropriate actions to mitigate climate-related risks and capture related opportunities into Asset Business Plans.<br>• Safeguarding the transition and physical risk resilience credentials of a property when negotiating leases and considering applications for alterations, especially in relation to energy performance ratings.<br>• Targeting optimal performance and resilience outcomes when undertaking development or refurbishment work.<br>These Core Requirements are applied across all of our assets, although the frequency and depth of certain actions is proportionate to the circumstances of each asset, as defined by the Property Manager's Asset Classification System. | Pending the completion of the scenario-based analysis of physical risk exposure of the standing portfolio, we expect to incorporate specific climate-related considerations into our investment criteria for acquisitions, hold/sell and CapEx decisions, recognising that:<br>• Options for improving the resilience of assets for which a long-term hold is envisaged could be highly cost-effective, give rise to ancillary benefits (such as improved occupier comfort) and should therefore be prioritised.<br>• In some situations, it may be advantageous to the Company to exit its position on an individual asset that is exposed to a material climate-related risk that cannot be cost-effectively mitigated within the context of our investment strategy.<br>• Recycling of capital can be a useful way of reducing risk exposure of the portfolio over time. |

| Recommended Disclosure | Current arrangements | Planned activity and timeframe |
|---|---|---|
| Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. | Ownership and management of all risks, including climate-related risks, is the responsibility of the Fund Manager. The Fund Manager, reporting to the Board, is responsible for ensuring the operating effectiveness of the internal control systems, whilst Asset Managers, supported by the Property Manager's sustainability team, are responsible for implementing key risk mitigation plans. Climate-related risks which are included in this process. | Following the completion of the planned scenario-based analysis of physical risk exposure of the standing portfolio, we expect to deliver briefing and training sessions to asset and property managers on the results, as well as the recommended actions for improving the resilience of assets to those risks. |
| **Metrics & Targets** | | |
| Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | Financial category: **Expenditures (Energy/Fuel)**<br>• Total electricity consumption (kWh)<br>• Like-for-like total electricity consumption (kWh/%)<br>• Total fuel consumption (kWh)<br>• Like-for-like total fuel consumption (kWh/%)<br>• Building energy intensity (kWh/$m^2$ NLA)<br>Financial category: **Expenditures (GHG emissions)**<br>• Emissions from Scope 1 consumption (kg $CO_2e$)<br>• Change in emissions from Scope 1 consumption (%)<br>• Emissions from Scope 2 consumption (kg $CO_2e$)<br>• Change in emissions from Scope 2 consumption (%)<br>• Emissions intensity for Scope 1 & 2 (kg $CO_2e/m^2$ NLA)<br>• Change in emissions intensity from Scope 1 & 2 consumption (%)<br>Financial category: **Expenditures (Water)**<br>• Water consumption ($m^3$)<br>• Change in water consumption ($m^3$/%)<br>• Water intensity ($m^3/m^2$ NLA)<br>• Change in water intensity (%)<br>Financial category: **Assets (Location)**<br>• Flood risk distribution of portfolio for fluvial flooding, pluvial flooding, groundwater flood risk (% capital value, # assets)<br>• Historic flooding (% capital value, # assets)<br>Financial category: **Assets (Risk Adaptation & Mitigation)**<br>• Proportion of assets that are BREEAM rated (% NLA)<br>• Distribution of EPC ratings (% rental value, % NLA)<br>• Number of assets in which HVAC systems use HCFC coolants (# assets)<br>Data associated with these metrics are disclosed in the 2018 Responsible Property Investment Report. | During 2019, we may refine the suite of metrics we use to monitor our exposure to climate risk and opportunity, particularly on a result of the planned scenario analysis of physical risks. This may include the addtion of Risk Adeptation and Migration Metrics pertaining to revenues and expenditures. |

| Recommended Disclosure | Current arrangements | Planned activity and timeframe |
|---|---|---|
| Describe the organisation's processes for identifying and assessing climate-related risks. | To be disclosed in our 2018 Responsible Property Investment Report, which will be published following the completion of independent assurance on our GHG emissions data by Lucideon. | To be disclosed annually in the Annual Report & Accounts from 2020. |
| Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | **Short-term:**<br>• We have established annual targets to reduce landlord energy consumption on a like-for-like basis during 2018 by 2.7% for FCCPH and by 4.0% for SCP.<br>• In parallel, we established a target of having renewable electricity supplies for all landlord-procured power by the end of 2018. This was largely achieved, with the exception of some de-minimis supplies that are to be addressed in 2019.<br>**Medium-term:**<br>• We worked with Verco Advisory to set are target for reducing the energy intensity of the portfolio by 20% per square meter by 2031, against a 2016 baseline, for landlord-procured energy. These targets go beyond what might have been determined by the market, as the Fund would have achieved with no intervention because of forecasted decarbonisation of the grid. Using the location-based method the Fund's science-based targets will therefore be based on energy- consumption rather than emissions-production. | |

# Appendix 3: Independent Assurance in accordance with ISO 14064-3

### Verification of BMO Real Estate Investments Limited (formerly F&C UK Real Estate Investments Limited) 2018 Greenhouse Gas Emissions

Lucideon CICS Limited was contracted to undertake the actions necessary to provide limited assurance in verification of GHG emissions reported in the "2018 Responsible Property Investment Report" for the period 1 July 2017 to 30 June 2018. The verification was carried out against the requirements of the CDP based on ISO14064-3.

### Organisational Boundary

The boundaries for the corporate wide emission inventory were developed on the basis of operational control. As a real estate business, the scenarios for operational control may vary from building to building therefore further explanation on how this has been handled can be found in the Inventory Management procedure. In summary, only energy that is directly the responsibility of the fund is included, anything that is a tenant responsibility is outside of the boundary for the purposes of the report.

### Conclusion

Lucideon CICS Limited has verified the reported emissions with the "2018 Responsible Property Investment Report" from the operations of BMO Real Estate Investments Limited (formerly F&C UK Real Estate Investments Limited) consistent with the requirements of ISO14064-3 and provides limited assurance that the CO2 emissions for the 2018 reporting year are verifiable.

**Sorcha Anderson** Lead Verifier

For and on behalf of Lucideon CICS Limited

VERIFIED
LUCIDEON
CARBON FOOTPRINT

# BMO Real Estate Investments Limited

## Responsible Property Investment Report 2018

**Directors (all non-executive)**
Vikram Lall (Chairman)
Andrew Gulliford
Mark Carpenter
David Ross
Alexa Henderson

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