



Responsible Property Investment



BMO Real Estate Partners

BMO  Global Asset Management



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St
Christopher's
Place Boutique Fashion
&
Alfresco Dining

“Responsible Property Investment is not a thing we do, but the way we do things”.



For BMO Real Estate Partners, responsible investing is part of our heritage and remains a key part of our organisational culture.

We recognise that our activities have both direct and indirect impacts on the environment and communities in which we operate. We believe we have a responsibility to identify, assess and manage such impacts effectively.

We have seen a groundswell of interest and engagement on environmental, social and corporate governance issues from our clients. We expect this trend to continue as investment markets across all asset classes become more sensitive to such matters.

We see an ever-evolving and strengthening framework of policies in the jurisdictions in which we invest ranging from anti-corruption to building energy performance. Occupiers across all sectors are becoming more discerning in making their property choices driven by their increasing understanding and connection with environmental, social and governance factors.

Our attitude towards Responsible Property Investment is therefore concerned with managing risk effectively whilst seeking to enhance returns through the identification and execution of value-creation opportunities. This requires us to ensure that investment returns and portfolio performance are not compromised by emerging trends such as those presented by environmental, technical, geopolitical, economic or social factors, and that we are capable of repositioning assets and products in response to subsequent underlying market movements and demands.

We are convinced that environmental, social and governance issues are material to our business and to the delivery of investment performance.



Stewart Bennett,

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

Our Responsible Property Investment Governance Structure

BMO REP’s Environmental, Social and Governance (ESG) Committee, which convenes on a quarterly basis, oversees the implementation of, and compliance with, our policy framework, together with some of the underlying regulatory requirements.

Its primary function is to advise our Investment Committee on the direction and scope of the responsible investment landscape. In doing so, the committee strives to provide leadership and support to all real estate personnel, direction as to their responsibilities, and guidance on the execution of policies and procedures.

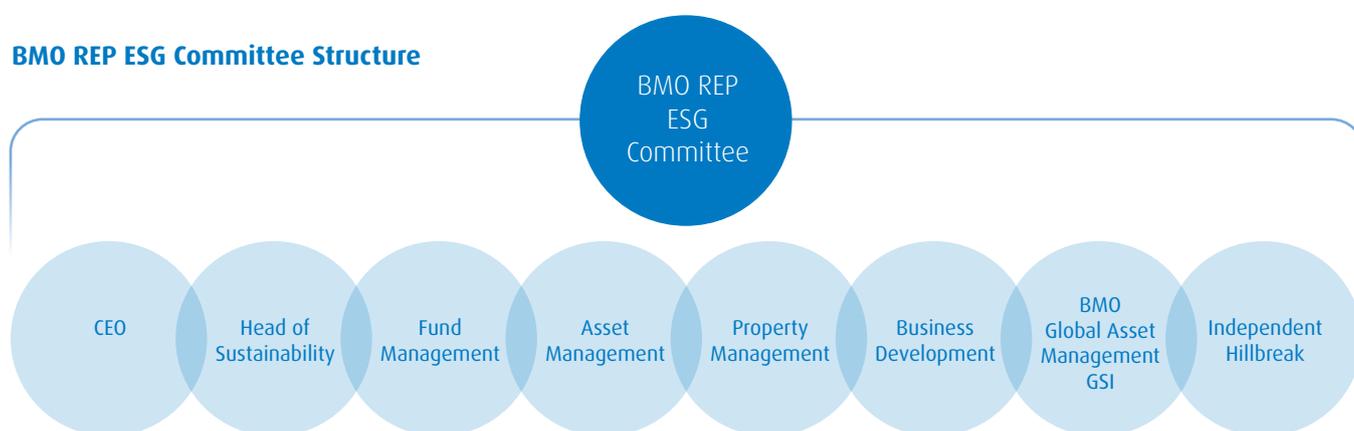
This ESG Committee is composed of representatives from core operational pillars across our European platform, convened under the chairmanship of the Chief Executive Officer.

It is enriched by the active participation of a representative from BMO Global Asset Management’s Governance &

Sustainable Investment team of experts. This enables us to benefit from both that team’s broad knowledge on sustainability issues and the inputs they in turn receive from the Responsible Investment Advisory Council – an independent external body of sustainability experts who focus on providing advice on sustainability issues. Responsible investment has been at the heart of BMO Global Asset Management proposition for over 30 years.

The Committee is equally supported by its own retained consultant ESG partner whose participation in real estate specific industry groups allows for timely awareness of relevant developments.

BMO REP ESG Committee Structure



A rich heritage

At BMO Global Asset Management, we recognise the important role that environmental, social and governance (ESG) considerations play in the creation of superior long-term investment returns. We also believe that investors have a critical role to play alongside policymakers and business in meeting the many ethical and sustainability challenges facing today’s world. Our responsible investment solutions and services seek to be a part of the answer to those challenges and make a positive contribution to society.

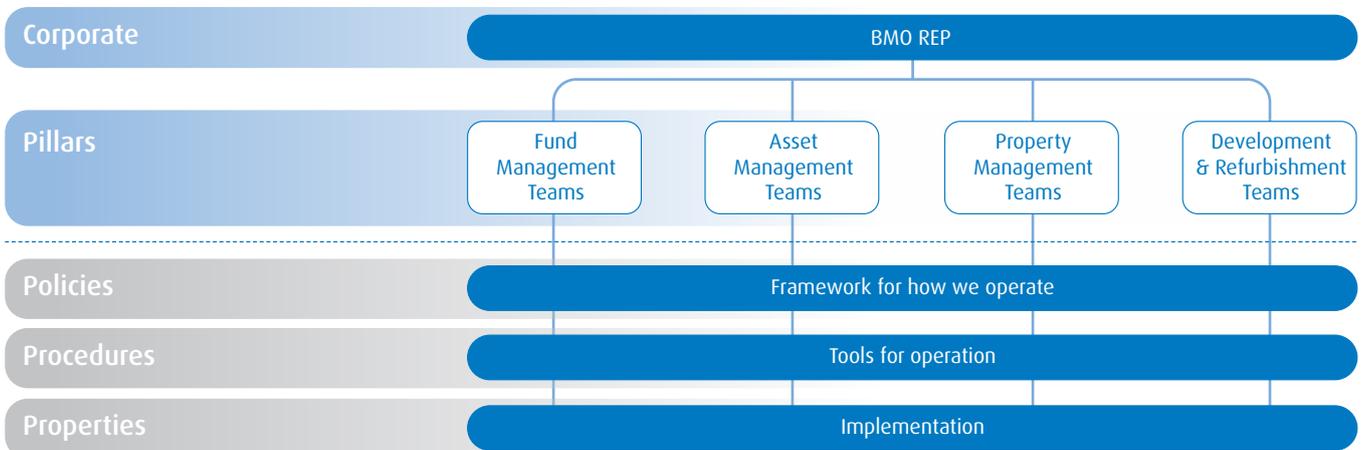
We have a long and distinguished heritage in responsible investing. From the launch of Europe’s first ethically-screened portfolio in 1984 we have gone on to build a diverse range of responsible products and services. Our Governance and Sustainable Investment (GSI) team brings award-winning expertise and capabilities to responsible investment.

Our Environmental, Social and Governance Strategy

At BMO Real Estate Partners, we have developed a comprehensive Responsible Property Investment (RPI) framework through which we seek to implement strategies in a disciplined and coherent way throughout the period of our stewardship. This framework allows:

- The business to have a clear understanding of the material issues and priorities presented by the ESG landscape
- The identification of investment risks and value enhancing opportunities presented by ESG criteria
- The setting of asset specific targets within an overall context of fund policy, direction and vision
- Our professional staff to understand the interactions between different business functions on ESG matters
- For ESG aspects to be routinely considered and dovetailed within regular asset business planning activities
- For ESG interventions to be implemented in a co-ordinated manner

The framework sits across our core business functions and allows full integration.



Performance lies at the heart of our business philosophy. Our aim is to deliver returns driven by long-term sustainable income through our platform to all our investors. Our business has evolved through years of experience – a result of our commitment to innovation and complemented by highly skilled ‘hands-on’ implementation which has generated an impressive track record.

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

Tune our approach:
to ensure that ESG strategies are tuned to each of our investment products, with a focus on safe-guarding high-quality income across our core funds.

Continue to evolve and strengthen:
through regular engagement with our clients and consideration of global megatrends and the understanding of changing market dynamics.

Enhance performance and resilience:
to identify and harness opportunities whilst addressing relevant risks across the asset lifecycle.

Facilitate capital diversification:
to give investors looking for environmental, social and financial outcomes a compelling platform with which to realise their investment goals.

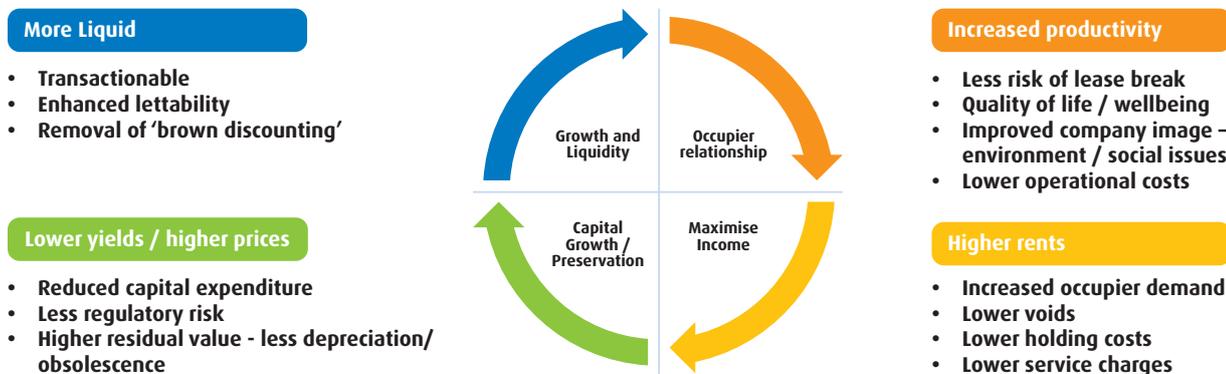
Responsible Property Investment in practice

We believe Responsible Property Investing is principally about risk management, about ensuring that investment returns and portfolio performance are not compromised by new and emerging trends and conditions that are presented by the global ESG landscape, about recognising touch points where our interventions can improve assets for the benefit of their stakeholders – investors, occupiers and the community.

For us, it is about anticipating and understanding the potential impacts that these issues create for real estate, and about making informed judgements on how to respond in appropriate fashion, all within the context of our fiduciary obligation to protect and enhance client assets.

We are convinced that property sustainability issues should be considered alongside conventional investment criteria and

be fully integrated into the investment process. In doing so we are able to drive conventional investment criteria such as ensuring the asset is more liquid, works for the occupier, generates a stronger income and commands a higher price, as illustrated below.



The integration of our sustainability policies and procedures framework into day-to-day activities ensures that our teams have a clear understanding of the way real estate and environmental and social issues interact. It allows us to identify opportunities, to counter risks of obsolescence, to set objectives and targets, to acquire prudently, and to build and refurbish sensitively.

Training and development

Our teams benefit from regular training, workshops and presentations to ensure they are conversant with topical and forthcoming issues and so relevant matters can be addressed in a coherent way across the business. Commitment to the responsible property investment dimension is reflected in the performance objectives of all relevant staff.

How does Responsible Investment apply to property?

Recognising how global megatrends might interact with property and the business of real estate investment is crucial to delivering sustainable income from future-proofed assets. In the same way that a responsible equity investor may screen negatively or for best in class or look to engage with the management of a company, the responsible property investor must likewise consider key touch points. However, with property, the possible interventions go beyond physical property management through to occupier and community engagement – each aligned to the strategy of the fund.

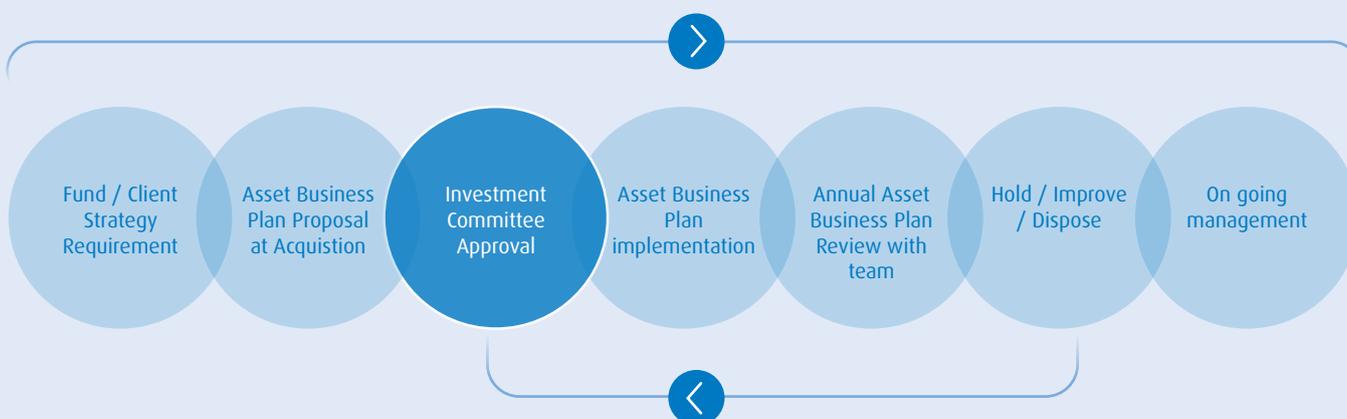
Fund Management

Our responsibility as manager is to ensure properties within our portfolios are truly aligned to the strategy. Our day job is to manage stakeholder requirements alongside political, economic and market movements that vary in magnitude across business sectors and micro locations.

Stock picking skill in real estate is comparable to other asset classes at a macro level, however, once under the bonnet, the breadth of interventions that must be assessed is far greater. We will always take our analysis back to basics, prioritising income security using our integrated RPI principles and real estate investment know how.

To maintain the long-term value of our portfolios, we consider it essential to assess a number of ESG related criteria, both on potential new acquisitions and on existing standing stock. The management process of an asset is illustrated below.

Asset Management Process Chart



Acquisition due diligence

Our due diligence checklist has been expanded to recognise the emergence of new factors driven by a continually developing sustainability landscape.

We now undertake enhanced due diligence assessments when looking at potential real estate acquisitions. In addition to evaluations of contamination and flood risks, we now extend our enquiries to cover energy efficiency, metering and control options, options for renewables technologies, flexibility and adaptability of the structure, its transport links and occupier welfare. The analysis of potential risks and opportunities identified here are blended with more conventional criteria to determine a decision on action.

These due diligence reports further act as tools for improvements should acquisitions proceed, ensuring that after any appropriate interventions, the asset will make a positive contribution to portfolio ESG profiles with relevant risks property accounted for.

Existing assets

Throughout the period of stewardship our standing assets are subject to regular evaluation of their ESG profile. We routinely ensure that the information held is current and relevant so we can determine materiality more accurately, thereby directing our resources more effectively.



Leonardo House,
Crawley,
UK

- Let to strong tenant covenant
- New build beyond current standard
- BREEM 'Excellent' accreditation
- Ecology retained
- Integrated natural green spaces
- Efficient plant and equipment
- Occupier commitment to achieve BREEM 'Excellent' fit-out

Asset Management

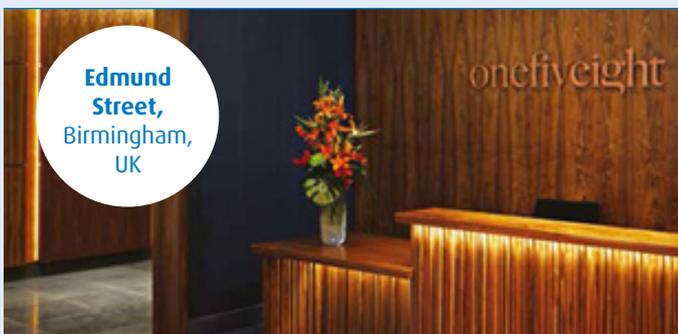
The fulcrum of our asset management activity is the individual Asset Business Plan (ABP). This sets out the strategy to be adopted on an individual property basis in order to contribute to fund expectations and deliverables.

Whilst each plan is owned by an individual asset manager, contributions are made by our fund, research, property, and project management teams. Responsible property investment objectives and performance targets are thus integrated into the asset business plan model. Sustainability matters may impact on decisions to redevelop or reconfigure, to refurbish, upgrade or otherwise improve, to reposition an asset within the market, or to enter into lease renegotiation.

Our focus will be on positioning assets in accordance with current and future legislative standards, on providing assets that meet contemporary and anticipated occupier demands and

expectations, and anticipating industry sentiment in this space. Our ESG specific action plans will look to address a range of measures which, depending on the nature of the asset, might include:

- Capturing opportunities presented by market trends
- Mitigating liquidity risks
- Driving implementation of our ESG operational programmes
- Safeguarding ESG credentials when negotiating leases or assessing requests for alterations
- Engaging in dialogue, sharing ESG data, and exploring incentives with our stakeholders



- Energy Saving Technologies
- Heat recovery heating/cooling system
- Thermal modelling targeting key areas to improve the buildings insulation characteristics
- LED lighting - 80% more efficient than traditional lighting.
- 'Intelligent' lighting systems within office areas
- A 10kWp photovoltaic solar panel system is installed on the roof which will generate electricity for the core areas of the building
- By utilising these technologies it is anticipated that this will lead to savings of 89 tonnes of CO2 per annum

Property Management

Our directly employed centre, building and facilities managers represent the front face of our operations on the ground. That direct association gives them a unique perspective of the buildings they manage and a sense of ownership that drives their enthusiasm and commitment towards delivering an optimally run property.

Such authority enables them to better connect with their communities, to engage in dialogue with their occupiers and with other stakeholders. They play an intrinsic and crucial part in delivering our responsible property aspirations at grass roots level. Contributing to the overall asset business plan, each directly managed property has an action plan focussed on capturing and tracking environmental and social impacts, all with a view to identifying potential areas for improved and sustained performance. Our managers are mandated to control risk and seek out opportunities by virtue of their annual performance objectives, whilst our processes are underpinned by

rigorous measurement and reporting regimes, often supported by specialist third party platforms.

Typical areas of activity include compliance, energy management and control, water and waste management, tenant liaison and data sharing, health and well-being, community engagement and contractor management. We place specific focus on enhancing tenant satisfaction and seeking out aligned interests on responsible investment practices. We firmly believe that in a day to day property management context across our portfolios, every little helps.



- Engagement with large corporate lessee with 24/7 operation
- Analysis of core operational hours and typical occupation patterns
- Reconfiguration of BMS set points
- Adjustment to chiller run times to compliment building usage
- Intelligent lighting upgrade
- 23% energy saving over typical 12-month period
- 29% saving in gas consumption over typical quarter

Development and Refurbishment

Embedding our Responsible Property Investment principles across all our development and refurbishment activities is crucial given that such events represent relatively rare opportunities in a property's lifecycle to make significant and fundamental differences to the characteristics of the asset.

We continue to evolve our development and refurbishment framework, looking to apply minimum standards and requirements, and seeking out opportunities for dialogue with the consultant partners and ultimate users involved.

Our in-house project management team ensures we have oversight of all development projects including refurbishments, forward commitments and standard development.

“Developments represent a rare and real opportunity to improve our built environment – we respect and value this”

Richard Kirby, Director UK Property Funds



- Development of a whole city quarter in core inner city Mannheim.
- A unique mixed use scheme of Retail, Hotel, Office and residential with a total letting space of 61.250 m².
- Shopping Centre integrated into Pedestrian zone
- The residential above the commercial buildings allowing “green” village like living for families in the city.
- Green Building Certificate DGNB Gold.

Corporate Responsibility

We recognise the significance our real estate assets can make within their contextual locations. We understand the relationships that our building can have in community and how the contributions of each can impact on the other, and we also appreciate that the degrees of influence of each can vary according to the type of asset.

ONE GREAT DAY is a UK wide annual charity fundraising day, raising money and support for Great Ormond Street Hospital Children's Charity and where possible, another local children's charity close to the heart of each community. The main event is

based at St. Christopher's Place, our retail and leisure scheme in Central London, with other shopping centres across the country also taking part. The aim is to inspire, engage and empower our community to make a difference.



- UK wide fundraising event
- Circa 140 shopping centres taking part annually
- ONE GREAT DAY was established in 2014 and has so far raised over £250,000 for more than 50 different children's charities
- Working in partnership with eight other shopping centre owners

BMO Real Estate Partners

Our sole purpose is to create and manage successful property investment portfolios on behalf of our diverse range of clients.

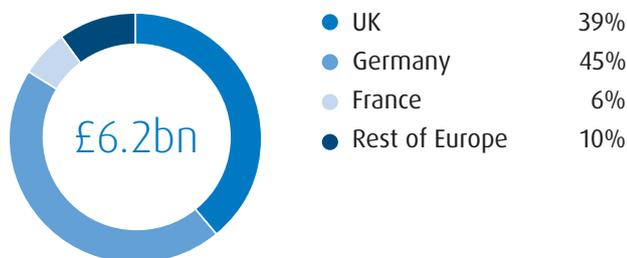
Who are we?

We are a Real Estate Investment boutique within BMO Global Asset Management. We are property specialists providing vertically integrated real estate investment solutions across Europe. We offer clients a number of routes to market, investing across the risk spectrum, tailored to their requirements.

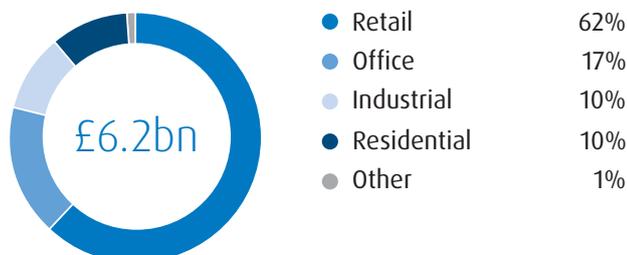
What do we do?

We manage £6.6bn across a direct portfolio of 1,000 properties.

AUM by Geographic Location



AUM by Sector



How do we do it?

We are on the ground in the core European markets of the UK, Germany and France. This provides our platform with reach and enables us to maintain our network of industry professionals. Our experienced investment teams execute product strategies, sourcing opportunities through their extensive networks – real estate is a personal industry, real estate impacts everybody and our personal relationships are key.

We target stock with characteristics key to delivering long-term performance. The return requirements of each strategy may differ, but our investment approach and commitment to property fundamentals means we can meet the challenge of change whether geo-political, economic or structural.



Source: BMO Real Estate Partners, 31.12.2019.

Summary

At BMO Real Estate Partners, we are determined to act in our client's best interests. We have a fiduciary duty to do so. This means embedding the consideration of ESG factors alongside more conventional criteria in all aspects of our activities. We report on our progress to investors on a fund-specific basis, whilst publishing business-level updates annually.

“Responsible Property Investment is not just about reducing carbon and resource efficiency, but as much about creating property assets that to our investors and occupiers are desirable today and will remain desirable in the foreseeable future.”

Stewart Bennett,

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



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Past performance should not be seen as an indication of future performance. Stock market and currency movements mean the value of, and income from, investments in the strategy are not guaranteed. They can go down as well as up and you may not get back the amount you invest.

The value of property-related securities and directly held property reflect the opinion of valuers and is likely to be revised. These assets can also be illiquid and significant or persistent redemptions may require the manager to sell properties at a lower market value adversely affecting the value of your investment.

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