F&C Commercial Property Trust Limited

Responsible Property Investment Report 2018

BMO

Contents

Common acronyms

BMO REP	BMO Real Estate Partners
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
FCCPH	F&C Commercial Property Holdings Limited (a subsidiary of FCPT)
FCPT	F&C Commercial Property Trust Limited
FRI	Full repairing and insuring (lease type)
GAV	Gross Asset Value
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
SCP	SCP Estate Limited (the holding entity for St Christopher's Place Estate and subsidiary of FCPT)

Corporate information

Directors (all non-executive)
Chris Russell (Chairman)
Trudi Clark
Martin Moore
Peter Cornell
David Preston
John Wythe (appointed 11 September 2018)
Paul Marcuse

Secretary
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Foreword from the Chairman

Welcome to our latest Responsible Property Investment (RPI) Report for the F&C Commercial Property Trust, covering the 2018 financial period, and providing continuing insight into our Environment, Social & Corporate Governance (ESG) processes and performance.

We have made excellent progress with our Responsible Property Investment (RPI) strategy, building on the solid foundations set in earlier years.

The importance of environmental and social factors, together with the management of those factors through corporate governance and property management, continues to strengthen within the UK commercial property market. The Company, supported by its Property Manager, has continued to make significant progress in developing our approach to ESG factors.

Attendance to these matters continues to be an important determinant of the confidence in which existing and prospective shareholders place in the Company as an attractive and appropriate vehicle for risk-adjusted returns, and through which their maturing corporate governance and responsible investment requirements and objectives can be satisfied. The positive feedback of shareholders to our enhanced approach to ESG matters has been a notable feature of our engagement with them this year. The integration of ESG considerations into our investment and management approaches remains a core feature of our activities.

The details of our progress are presented in this Report. We trust they are found to be informative and transparent. My fellow Board members and I would be very pleased to discuss our approach and performance with any of our key stakeholders and we look forward to receiving further feedback.

Chris Russell Chairman

1. About this 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 Report is being published alongside the 2018 Annual Report & Accounts of the Company. The description of progress against the RPI commitments of the Company in Section 3 together with the ESG performance data set out in Section 4 are presented as information in parallel to the 2018 Annual and Consolidated Accounts of F&C Commercial Property Trust Limited.

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), which in turn are aligned principally with the Global Reporting Initiative (GRI) standards.

This RPI 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 FCPT. BMO Real Estate Partners Asset Management plc is referred to throughout as BMO REP or 'the Property Manager'.

2. About the company

Objective

The investment objective of F&C Commercial Property Trust 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.

The Company

F&C Commercial Property Trust Limited is an Authorised Closed-Ended Guernsey incorporated 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. Stock Code: FCPT.

Management

The FCPT 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 founding signatory 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: F&C Commercial Property Trust Limited (FCPT)

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

The Investment Managers: BMO Investment Business Limited (BIBL)

Portfolio

FCPT is an investment trust for investors who wish to gain exposure to prime UK commercial property. As at the 31st December 2018, the FCPT property portfolio had a total value of £1,430,190,000.

The portfolio is comprised predominantly of the mixed-use St Christopher's Place leisure destination, a number retail assets (both high street and warehouse), offices and industrial premises (both logistics and light manufacturing), along with one student housing asset. St Christopher's Place includes several residential properties, although is mainly comprised of retail and office uses.

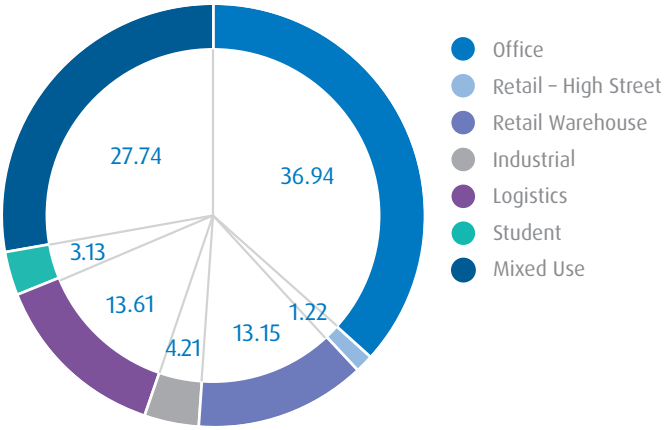
The portfolio is dominated by core assets, which we hold for the long-term. More than 80% of the portfolio has an anticipated hold period (the amount of time an asset is held by an investment owner before being sold) of five years or more, with over 50% likely to be held for over 10 years. This means 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 expectations in the commercial real estate market evolving in relation to 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 three quarters of the portfolio is directly managed, meaning that there is a degree of landlord control in most assets. The extent of the landlord services provided 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. More tellingly, when measured by total floor area, directly managed properties account for little over a third of the portfolio. This means that, as landlord, and when measured by the most meaningful intensity metric for key environmental performance measures such as energy consumption and greenhouse gas emissions, we have no direct control over the way in which the majority of the portfolio is managed.

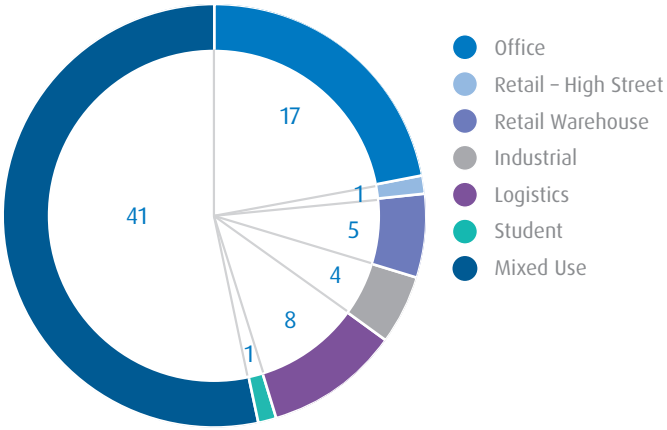
The assets of the Group are held by a number of subsidiary companies, the results of which are consolidated within the Group financial statements (separately published). Similarly, the ESG Risk Profile set out in Section 5 of this RPI Report relates to the consolidated portfolio for the Group as a whole, as do certain elements of the ESG Performance Data for 2018 provided in Section 4. However, 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 operational control. As such, these exclude all the assets held by Prime Four Limited, Winchester Burma Limited and Leonardo Crawley Limited, and some of those held by SCP Estate Limited and F&C Commercial Property Holdings Limited. This is explained in more detail in Appendix 1.

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	922,152,000	57	1,526,810
Indirectly managed	508,038,000	20	2,941,811

Management status (percentage)

	Capital Value %	Assets %	NLA %
Directly managed	64.48%	74.03%	34.17%
Indirectly managed	35.52%	25.97%	65.83%

3. RPI strategy and priorities

Developing our RPI strategy

In 2018, the Company continued to focus on the effective implementation of the RPI Strategy established in 2017. A full explanation of this strategy can be referenced in last year's report summarised by the four key pillars below.

1. **Leadership & effectiveness** – demonstration of effective governance in relation to ESG criteria.
2. **Investment process** – procedures to ensure material ESG factors are central to investment decision-making.
3. **Portfolio** – continual monitoring, analysis, attendance and optimisation of material ESG performance and risk factors.
4. **Transparency** – comprehensive reporting on relevant ESG factors.

The BMO Real Estate Partners approach to Responsible Property Investment

As Property Managers for FCPT, the BMO REP approach to Responsible Property Investment was used as the foundation for the development of FCPT'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.
- Implementing ESG interventions in a co-ordinated manner.

The BMO REP ESG Committee – with reference to the BMO Global Asset Management Responsible 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

Progress against our ESG commitments

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

These commitments and targets were set out 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, in later sections of this RPI Report.

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

ESG commitment	Status	Review of progress
Leadership & effectiveness – measures through which FCPT will demonstrate effective governance in relation to ESG criteria.		
Meet the Hampton-Alexander recommendation of having at least 33% female representation on our Board by 2020.		Following changes to Board composition scheduled in 2019, as detailed in the 2018 Annual Report & Accounts, the Board will comprise of five directors with 40% female representation.
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 47 out of 100. This resulted in a one-star rating and placed us seventh out of nine diversified listed UK participants. We outperformed or were in line with the peer group average scores for the Management (FCPT: 86, Peer Average: 85), Monitoring & EMS (FCPT: 70, Peer Average: 72), and Building Certifications (FCPT: 35, Peer Average: 30) Aspects of the Survey. 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. 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.

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

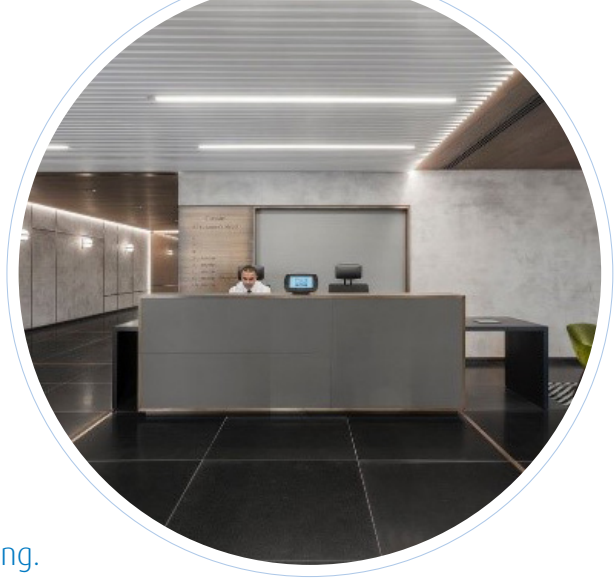
ESG commitment	Status	Review of progress
Investment process – procedures through which FCPT integrates ESG into the investment process.		
Confirm classification of all assets within the manager's Asset Classification System[2] by procuring EPC assessments for those assets for which an EPC is not in place. 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.	✓	Following the completion of the asset classification process in 2017, we have continued to keep records up-to-date and under review. Some assets have been reclassified as a result with 29 now falling into upper (higher materiality) tier of the classification system (2017: 25). The number of assets in the second tier has increased to 27 (2017: 21), whilst those in the lower tier have decreased to 21 (2017: 31). These changes are the result of an increase in reported landlord energy consumption relating to void properties and, in some cases, full annual energy data becoming available for the first time. This means that the routine for monitoring ESG risks and issues at the asset level has been intensified for those properties which have moved up in the classification system this year. One of the driving criteria in the Asset Classification System is the EPC rating of the properties. The distribution of EPC ratings relative to income value and floor area has remained fairly consistent with 2017. Whilst this is an ongoing commitment, 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 reviewed and updated for all properties in 2018, with a continued focus on the ESG factors that are considered material to investment performance, either because they could suppress rental growth and/or capital appreciation during the hold period, or because they might impact on future liquidity and the realisation of value at the point of exit. The effect of these updated RPI Appraisals on the profile of ESG characteristics are presented in this 2018 Responsible Property Investment Report.
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.	✓	Units 2 & 4 at Estuary Business Park, Liverpool were acquired in May 2018. The RPI Appraisals were completed and highlighted low-negligible flood risk, moderate-low contamination risk, and strong energy efficiency credentials on the construction specification.

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 2018 Responsible Property Investment Report follows the inaugural such report published and presented to key shareholders last year. The Company will continue to present annual Responsible Investment Reports and will look to publish these alongside the Annual Reports, subject to the availability of Q4 utility data becoming available and the time frame required to have non-financial data independently audited.
Establish year-on-year intensity-based energy, carbon, water and waste reduction targets for landlord services against an appropriate baseline.	✓	Early in 2018, we set asset-specific energy reduction targets for the portfolio and these were confirmed in the 2018 Interim Report, together with our annual water use reduction target of 1% for directly managed assets. Since then, we have improved our data collection processes for waste, and have set a target for eliminating landlord-managed waste to landfill by the end of 2020.
Eliminate landlord-controlled waste being directed to landfill to any extent by the end of 2020.	✓	Currently, 70% of waste is diverted from landfill. Data collection and refinement continues in parallel to contract re-negotiation when opportune.
Reduce landlord energy consumption on a like-for-like basis during 2018 by 2.7% for FCCPH and by 4.0% for SCP.	✓	In 2018, landlord energy consumption on a like-for-like basis fell by 6.8% for FCCPH and 5.2% for SCP compared with 2017.
Reduce water consumption in directly managed assets by 1.0% on a like-for-like basis during 2018.	✓	2018 water consumption across the fund increased by 2% on a like-for-like basis compared with 2017. The volumes of water usage for which the landlord has direct control is relatively small such that marginal variances will have a notable impact on percentage fluctuations.
Set a long-term (2030 or beyond) target for energy (and carbon) reduction according to a recognised science-based targets methodology.	✓	Our long-term target of reducing the energy intensity of the portfolio was confirmed in the 2018 Interim Report. This new target, identified separately below, has been developed in line with the Sectoral Decarbonisation Approach, with the advice of energy and carbon management specialist, Verco Advisory Services. We continue to await formal acceptance of our target from the Science Based Targets Initiative, having submitted our evidence in August 2018.

ESG commitment	Status	Review of progress
Reduce the energy intensity of the portfolio by 20% per square meter by 2031, against a 2016 baseline, for landlord-procured energy.		Energy intensity reduction in the FCPT portfolio since 2016 was 11.1%, or 4.9% on a like-for-like basis.
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.
Have in place 100% renewable electricity supplies for all landlord procured power by the end of 2018.		We renewed landlord electricity supply contracts in Q3 2018 for the vast majority of the portfolio, resulting in >98% of supplies by consumption being from certified renewable energy sources. There are a small number of supply contracts at St Christopher's Place, procured by a third-party intermediary, which have yet to be renewed and which account for ~1.8% of all supplies by consumption for the portfolio. These were not captured in the contract renewal due to the cost of early break penalties, but the Company continues to establish the optimum time to renew such contracts and will provide a status update later in 2019.
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.		We continue to monitor our tenant mix as part of our commitment to minimising our leasing exposure to organisations connected to the production, storage, distribution or use of Controversial Weapons. 0% (zero percent) of rental income was attributed to organisations that appear on the exclusions list managed by BMO Global Asset Management for the duration of 2018.
Transparency – approach to investor reporting and public disclosure on relevant ESG factors.		
Submit the Minimum tier questionnaire of the 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 completed the minimum tier of the CDP General Climate module questionnaire. A full tier submission will be made in 2019 and the outcome reported to shareholders.
Align Non-Financial Reporting to the 3rd Edition of the EPRA Sustainability Best Practice Recommendations. Include a summary of performance measures in the 2018 Annual Report, linked to full ESG disclosure on the FCPT website.		Our 2017 Responsible Property Investment included a near-comprehensive disclosure of ESG performance for the Company aligned with EPRA Sustainability Best Practice Recommendations, including like-for-like trends for 2016-2017. For this 2018 Responsible Property Investment Report, the scope of the Report has been further expanded to include waste data where possible. Furthermore the absolute energy and emissions data was subject to independent assurance by Lucideon in accordance with ISO 14064-3.

ESG commitment	Status	Review of progress
Produce in the 2018 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. Disclosures aligned to the TCFD recommendations are set out as an appendix 2 to this Report, along with a statement of intended actions for 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.		Our 2017 Responsible Property Investment Report established a baseline against which we will report to shareholders on the evolving profile of ESG characteristics that will occur as a result of portfolio churn, management action and changing external circumstances. This Report provides shareholders with an update across the full range of ESG metrics. Thereafter, a summary of notable changes will be presented to shareholders alongside the 2019 Interim Report.

Spotlight on
Cassini House, London



A multi-million pound refurbishment of prime West End office premises to provide fresh, modern communal areas within the building and attractive quality workspace for leasing.

Creative solutions and sympathetic design

With a lease expiry on the horizon, the landlord engaged with its major tenant, Artemis, negotiating a new 15-year lease for over half the space in the building, whilst concurrently implementing a comprehensive refurbishment of the remaining offices and the common parts and facilities.

The design solution focussed on revitalising the asset in modern but classical style. The key objective was to provide superior workspace that felt comfortable and smart, whilst maintaining a level of sophistication throughout the common spaces and circulation areas. The design concepts for the entrance, reception and shared toilet facilities sought to capture a traditional St James's Club atmosphere but with a contemporary feel. The selection of materials was inspired by the same aesthetical composition as the Artemis floors and were refurbished using the same design language throughout. The stylistic correlation was greatly achieved by using recurring key features, such as sleek elements of antique brass, polished plaster and fabric panelling.

The top three floors available for lease are designed with adaptability in mind. Each floor provides an individual level access via the secure, modern, newly-replaced lifts, making these areas highly exclusive and personal if required. Raised access flooring provides for easier servicing and a sectional ceiling panel division can easily accommodate any partitioning requirements of a prospective tenant. The highly flexible nature of the landlord fit-out provides endless layout possibilities for any future occupier.

Sustainability and wellbeing

The project included for the full replacement of the mechanical and electrical services, replacement of the passenger lifts, full refurbishment of the reception area and common parts, provision of new showers in the basement together with greatly enhanced bicycle storage and car charging facilities. Sustainability aspects were integral to the design as demonstrated by:

- Adopting a `slow design' approach.
- Selecting materials with inherent durability to reduce replacement frequencies and repair cycles.
- Use of natural products and sourcing materials locally and ensuring manufacturers adopt responsible procurement practices.

With an increasing focus on improving individual health and wellbeing, the scheme integrates a number of features in support of this trend:

- The property is situated in the heart of a busy London street and the provision of ample cycle facilities, including plentiful racks, a bicycle repair station and generous showering facilities within the basement area should encourage and support staff electing to walk or cycle to their workplace.
- The ventilation air handling units are positioned so that their extract will not contaminate the incoming fresh air.
- All existing ductwork risers were cleaned and sterilised to recognised standards.
- All products used in the finishes are those that emit low quantities of VOC's, formaldehyde and phthalates.

Future proofing

Recognising that modern day prime office occupiers are likely to operate outside of once traditional core hours, significant emphasis was placed on the design solutions to mechanical and electrical equipment from an energy efficiency context. The following key features were realised:

- The Energy Performance Certificate rating has significantly improved from the original E rating to a high C rating.
- New fully addressable LED lighting systems with daylight dimming.
- New efficient chillers.
- Refurbished air handling units with variable speed drives.
- The constant volume 4-pipe fan coil system has been changed to a variable flow system comprising new variable speed pumps and fan coil units incorporating pressure independent control valves to achieve a system that meets the exact load requirements of the building.
- Heat meters have been installed and linked to the Building Management System to enable closer monitoring and measurement of energy usage and to inform interventions.

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

FCPT has an overall investment in real estate of £1.430 billion as at 31st December 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. Similarly, if the landlord is responsible for any waste removal from the site in 2018, the waste production data has been included. The 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. As such, the only FCPT subsidiaries within scope (and only partially so) are F&C Commercial Property Holdings Ltd (FCCPH) and SCP Estate Ltd (SCP). This is explained in more detail in the notes on environmental data contained in Appendix One, including a full and detailed schedule of the data obtained for each asset within each subsidiary entity.

In addition to the investment properties held by FCPT, we have included disclosures within this RPI Report pertaining to the Head Office of BMO REP. Although FCPT is a Trust with 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.

In August 2018 the BMO REP offices moved to a newly refurbished single floor in a multi-tenanted building. As such it was predicted that water and energy efficiency would improve. However, this could not be confirmed as the managing agent for the property could not provide BMO REP with sufficient consumption data to permit reporting for the August to December period. BMO REP did however have data for the period January to August from the original office, so reported here are these figures extrapolated to the full year. Like-for-like data is not shown due to the office move in the reporting year.

EPRA sBPR code	Code meaning	Table number	GRI standard and CRESD indicator code
Elec-Abs (4.1)	Total electricity consumption	1,2,3	302-1
Elec-LfL (4.2)	Like-for-like total electricity consumption	1,2,3	302-1
DH&C-Abs (4.3)	Total district heating and cooling consumption	N/A	302-1
DH&C-Lfl (4.4)	Like-for-like total district heating and cooling consumption	N/A	302-1
Fuel-Abs (4.5)	Total fuel consumption	1,2,3	302-1
Fuels-LfL (4.6)	Like-for-like total fuel consumption	1,2,3	302-1
Energy-Int (4.7)	Building energy intensity	1,2,3	CRE1
GHG-Dir-Abs (4.8)	Total direct greenhouse gas emissions	4,5,6	305-1

EPRA sBPR code	Code meaning	Table number	GRI standard and CRESD indicator code
GHG-Indir-Abs (4.9)	Total indirect greenhouse gas emissions	4,5,6	305-2
GHG-Int (4.10)	Greenhouse gas emissions intensity from building energy consumption	4,5,6	CRE3
Water-Abs (4.11)	Total water consumption	7,8,9	303-1
Water-LfL (4.12)	Like-for-like total water consumption	7,8,9	303-1
Water-Int (4.13)	Building water intensity	7,8,9	CRE2
Waste-Abs (4.14)	Total weight of waste by disposal route	10	306-2
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	11	CRE8
Diversity-Emp (5.1)	Employee gender diversity	N/A	405-1
Diversity-Pay (5.2)	Gender pay ratio	14	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	On page 25	416-1
H&S-Comp (5.8)	Asset health and safety compliance	On page 25	416-2
Comty-Eng (5.9)	Community engagement, impact assessments and development programmes	On page 25	413-1
Gov-Board (6.1)	Composition of the highest governance body	16	102-22
Gov-Select (6.2)	Nominating and selecting the highest governance body	15	102-24
Gov-Col (6.3)	Process for managing conflicts of interest	15	102-25

Environmental

Energy

Since FY16 BMOREP has contracted Carbon Credentials, a third-party environmental data services provider, to collect energy data on its behalf for those FCCPH and SCP 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 floor area) of relevant FCCPH and SCP assets, as well as of BMO REP's head office.

As of October 2018 the landlord is purchasing renewable electricity for the majority of its portfolio, the proportion of which can also be seen in the following tables.

For the first time this year the 2018 absolute energy figures for FCCPH and SCP 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: FCCPH energy consumption

Measure (units)	EPRA code		Industrial	Offices	Retail	Retail warehouse	Alternative	Grand Total
Electricity consumption (kWh) With proportion of landlord procured electricity from renewable sources	Elec-Abs	2018	59,124	4,852,416	1,200	170,372	249,845	5,332,957
		2017	48,229	4,282,404	3,144	152,694	269,815	4,756,286
		2018	37%	25%	13%	28%	25%	27%
		2017	0%	0%	0%	0%	0%	0%
Change in electricity consumption (kWh/%)	Elec-LfL	2018	59,124	3,514,895	1,200	170,372	249,845	3,995,437
		2017	48,229	3,501,271	3,144	152,694	269,815	3,975,154
		%	22.59% ↑	0.39% ↑	-61.83% ↓	11.58% ↑	-7.40% ↓	0.51% ↑
Natural gas consumption (kWh)	Fuel-Abs	2018	109,924	4,411,834	N/A	N/A	N/A	4,521,757
		2017	252,634	4,888,717	N/A	N/A	N/A	5,141,352
Change in natural gas consumption (kWh/%)	Fuel-LfL	2018	109,924	3,787,806	N/A	N/A	N/A	3,897,729
		2017	252,634	4,238,137	N/A	N/A	N/A	4,490,771
		%	-56.49% ↓	-10.63% ↓	N/A N/A	N/A N/A	N/A N/A	-13.21% ↓
Energy intensity (kWh/m^2)	Energy-Int	2018	8.0	121.0	47.3	11.0	307.6	85.2
		2017	11.6	114.1	123.8	9.9	332.2	81.3
Change in energy intensity (%)			-30.94% ↓	6.08% ↑	-61.83% ↓	11.58% ↑	-7.40% ↓	4.83% ↑

Table 2: SCP energy consumption

Measure (units)	EPRA code		Mixed use
Electricity consumption (kWh) With proportion of landlord procured electricity from renewable sources	Elec-Abs	2018	553,405
		2017	577,332
		2018	18%
		2017	0%
Change in electricity consumption (kWh/%)	Elec-LfL	2018	538,117
		2017	577,332
		%	-7% ↓
Natural gas consumption (kWh)	Fuel-Abs	2018	98,398
		2017	94,250
Change in natural gas consumption (kWh/%)	Fuel-LfL	2018	98,398
		2017	94,250
		%	4% ↑
Energy intensity (kWh/m^2)	Energy-Int	2018	100.7
		2017	104.5
Change in energy intensity (%)			-4% ↓

Table 3: BMO REP head office energy consumption

Measure (units)	EPRA code		Mixed use
Electricity consumption (kWh) With proportion of landlord procured electricity from renewable sources	Elec-Abs	2018	127,352
		2017	111,347
		2018	unknown
		2017	unknown
Natural gas consumption (kWh)	Fuel-Abs	2018	88,299
		2017	126,782
Energy intensity (kWh/m^2)	Energy-Int	2018	305.2
		2017	304.0
Change in energy intensity (%)			0.4% ↑

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 FCCPH and SCP assets, and from BMO REP's head office. The reported absolute 2018 GHG emissions figures were audited for the first time this year by Lucideon, for which the audit conclusion can be found in appendix 3.

Table 4: FCCPH emissions

Measure (units)	EPRA code		Industrial	Offices	Retail	Retail warehouse	Alternative	Grand total
Emissions from Scope 1 usage (kg CO_2e)	GHG-Dir-Abs	2018	20,222	811,601	N/A	N/A	N/A	831,822
		2017	46,526	900,326	N/A	N/A	N/A	946,852
Change in emissions from Scope 1 usage (%)			-57% ↓	-10% ↓	N/A N/A	N/A N/A	N/A N/A	-12% ↓
Emissions from Scope 2 usage (kg CO_2e)	GHG-Indir-Abs	2018	16,736	1,373,573	340	48,227	70,724	1,509,600
		2017	16,955	1,505,522	1,105	53,681	94,856	1,672,120
Change in emissions from Scope 2 usage (%)			-1% ↓	-9% ↓	-69% ↓	-10% ↓	-25% ↓	-10% ↓
Emissions intensity for Scope 1 & 2 (kg CO_2e/m^2)	GHG-Int	2018	2.9	40.0	13.4	3.1	59.4	27.9
		2017	4.9	44.0	43.5	3.5	66.1	31.2
Change in emissions intensity from Scope 1 & 2 usage (%)			-42% ↓	-9% ↓	-69% ↓	-10% ↓	-10% ↓	-11% ↓

Table 5: SCP emissions

Measure (units)	EPRA code		Mixed use
Emissions from Scope 1 Usage (kg CO_2e)	GHG-Dir-Abs	2018	18,101
		2017	17,357
Change in Emissions from Scope 1 Usage (%)			4% ↑
Emissions from Scope 2 Usage (kg CO_2e)	GHG-Indir-Abs	2018	156,652
			202,967
Change in Emissions from Scope 2 Usage (%)			-23% ↓
Emissions Intensity for Scope 1 and 2 (kg CO_2e/m^2)	GHG-Int	2018	29.7
		2017	37.4
Change in Emissions Intensity from Scope 1 & 2 Usage (%)			-21% ↓

Table 6: BMO REP head office emissions

Measure (units)	EPRA code		Mixed Use
Emissions from Scope 1 Usage (kg CO_2e)	GHG-Dir-Abs	2018	16,243
		2017	23,349
Change in Emissions from Scope 1 Usage (%)			-30% ↓
Emissions from Scope 2 Usage (kg CO_2e)	GHG-Indir-Abs	2018	36,050
		2017	39,145
Change in Emissions from Scope 2 Usage (%)			-8% ↓
Emissions Intensity for Scope 1 and 2 (kg CO_2e/m^2)	GHG-Int	2018	98.1
		2017	117.0
Change in Emissions Intensity from Scope 1 & 2 Usage (%)			-16% ↓

Water

The following three tables report on the water consumption and intensities of FCCPH and SCP 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.

Table 7: FCCPH water consumption

Measure (units)	EPRA code		Industrial	Offices	Retail	Retail warehouse	Grand total
Water consumption (m^3)	Water-Abs	2018	283	20,756	195	N/A	21,234
		2017	411	25,750	174	N/A	26,335
Change in water consumption (m^3/%)	Water-LfL	2018	283	19,087	195	N/A	19,565
		2017	411	18,727	174	N/A	19,312
		%	-31% ↓	-19% ↓	12% ↑	N/A N/A	1% ↑
Water intensity (m^3/m^2)	Water-Int	2018	1.8	0.5	0.24	N/A	0.5
		2017	2.6	0.7	0.21	N/A	0.7
Change in water intensity (%)			-31% ↓	-19% ↓	12% ↑	N/A N/A	-19% ↓

Table 8: SCP water consumption

Measure (units)	EPRA code		Mixed Use
Water consumption (m^3)	Water-Abs	2018	782
		2017	619
Change in water consumption (m^3/%)	Water-Lfl	2018	743
		2017	619
		%	26% ↑
Water intensity (m^3/m^2 NLA)	Water-Int	2018	0.5
		2017	0.4
Change in water intensity (%)			26% ↑

Table 9: BMO REP Head Office Water Consumption

Measure (units)	EPRA code		Mixed Use
Water consumption (m^3)	Water-Abs	2018	389
		2017	459
Water intensity (m^3/m^2 NLA)	Water-Int	2018	0.7
		2017	0.9
Change in water intensity (%)			-19% ↓

Waste

In 2018 BMO REP began collecting site waste data. It is for this reason that EPRA's Waste-Lfl requirement has not been reported as only 12 months of data is available and, in the instance of two office properties, a full year of data is not available for 2018 due to change in waste carrier half-way through the year. Their half-year waste production has however been reported along with properties for which there is a full year of data in the Waste-Abs table on the next page.

There is one retail warehouse at which the landlord handles waste removal, however the waste carrier does not provide waste stream data, therefore no weight data could be provided for this property category. Similarly, this data is not available for SCP at this time.

BMO REP targets zero waste to landfill by the end of 2020 and to achieve this will be ensuring use of waste carriers across the portfolio who can account for the total waste removed from site and its waste streams. Furthermore, at this time, BMO REP cannot provide weight data for hazardous waste but this is due to be captured moving forward in line with our 2020 target. At present, all properties in the portfolio with waste streams under landlord control are managed through site management procedures through which the sites have ISO 14001 accreditation. This accreditation ensures proper management and removal of waste (both hazardous and non-hazardous) from site.

The landlord is not responsible for any waste removal from any retail – high street properties, hence this is non-applicable. BMO REP's head office waste data is also unavailable as it occupies a multi-tenanted building for which waste data is not collected by the landlord for individual occupiers.

Table 10: FCCPH Waste Production

Measure (units)	EPRA code		Industrial	Offices	Retail	Retail warehouse	Grand total
Total weight of waste by disposal route (tonnes)	Waste-Abs	Recycling	0 (0%)	47 (54%)	N/A	Unknown	47 (39%)
		Materials Recycling Facility	20 (58%)	0 (0%)	N/A	Unknown	20 (16%)
		Incineration with energy recovery	15 (42%)	12 (14%)	N/A	Unknown	27 (22%)
		Landfill	0 (0%)	28 (32%)	N/A	Unknown	28 (23%)
Number of site for which there is hazardous waste			1	2	N/A	N/A	3

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.

There is near complete coverage of EPCs across the portfolio with the exception of one property under refurbishment: Nevis and Ness Houses in Edinburgh (part of FCCPH). Once completed, this property will receive a new EPC prior to tenant occupation.

Table 11: Type and percentage of sustainable certified assets by NLA

EPRA code: Cert-tot	% of properties certificate exists for		Ratings summary	
Company	EPC	BREEAM	EPC	BREEAM rating (& scheme version)
F&C Commercial Property Holdings Ltd	99%	6%	96% E rating or higher	Very good 2008
SCP Estate Ltd	100%	0%	80% E rating or higher	N/A
Winchester Burma Ltd	100%	100%	97% E rating or higher	Very good (Residential) 2008
Prime Four Ltd	100%	100%	100% E rating or higher	Very good 2008
Leonardo Crawley Ltd	100%	100%	75% E rating or higher	Excellent 2011

Environmental summary

Table 12 and Figure 2 show key data for properties within the fund that were relevant given the organisational boundary.

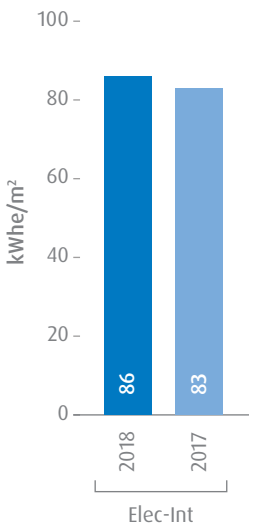
Table 12: Summary of energy, emissions and water performance data

	2017	2018	% Change
Like-for-like electricity usage (kWh)	4,552,486	4,533,554	-0.4% ↓
Like-for-like fuel usage (kWh)	4,585,021	3,996,128	-13% ↓
Carbon emissions (kg CO_2e)	2,839,296	2,516,176	-11% ↓
Like-for-like water usage (m^3)	19,931	20,308	2% ↑

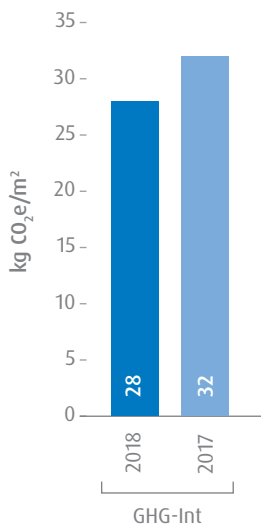
Table 13: Absolute & like-for-like trends (investment portfolio)

Measure (units)	EPRA code	FCCPH 2017	FCCPH 2018	SCP 2017	SCP 2018
Energy Consumption (kWh)	Elec-Abs	4,756,286	5,332,957	577,332	553,405
	Elec-LfL	3,975,154	3,995,437	577,332	538,117
	Fuel-Abs	5,141,352	4,521,757	94,250	98,398
	Fuel-LfL	4,490,771	3,897,729	94,250	98,398
GHG Emissions ($kgCO_2e$)	GHG-Dir-Abs	946,852	831,822	17,357	18,101
	GHG-Indir-Abs	1,672,120	1,509,600	202,967	156,652
Water Consumption (m^3)	Water-Abs	26,335	21,234	619	782
	Water-LfL	19,312	19,565	619	743

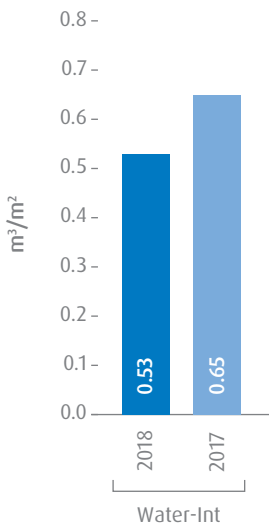
Energy intensity



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, Table 14 discloses gender equality data pertaining solely to the Company's board.

Table 14: 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 woman on the board, Trudi Clark, who represents 14% of the board.
Diversity-Pay	Ratio of remuneration of men to women (gender pay ratio).	It is our Policy that all directors are paid the same with the Chairman, Audit Chair and Senior directors receiving additional payment commensurate with their enhanced responsibilities. As Audit Committee chair, the remuneration of Trudi Clark was 104% that of the average salary of men on the board.

Health & safety

With regards to the EPRA sBPR guidelines on health & safety assessments (H&S-Asset), of the 42 relevant assets controlled by the Company:

- 100% undergo regular review in respect of health and safety performance and opportunities for improvement.
- 100% undergo fire risk assessments.
- 74% of (those under the Company's control) undergo a water hygiene assessment, including assessment of potable water management and risk of legionella.

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 FCPT.

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). 4% of assets by net lettable area engage with the community through One Great Day, an annual UK-wide fundraising day to support the Great Ormond Street Hospital Children's Charity, and other children's charities close to the heart of communities which support the host shopping complexes. The 2018 event at Saint Christopher's Place (which makes up the 4%) took place on June 14, 2018.

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 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 12 below, or where reference can be made, explanation is provided.

Table 15: EPRA sBPR for reporting on governance performance measures

EPRA code	Reference
Gov-Select	Governance Report – Corporate Governance Statement – page 33
Gov-Col: cross-board membership	Governance Report – Corporate Governance Statement – page 32
Gov-Col: cross-shareholding with suppliers and other stakeholders	Governance Report – Corporate Governance Statement – page 32
Gov-Col: existence of controlling shareholder	Director's Report – page 29
Gov-Col: related party disclosure	Notes to the accounts – note 16

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

Table 16: 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	7
Average tenure on the governance body	4.5 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 FCPT portfolio at 31 December 2018 with respect to issues such as environmental management, flood risk, energy performance and contamination.

Asset classifications

We have devised a classification system that enables 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.

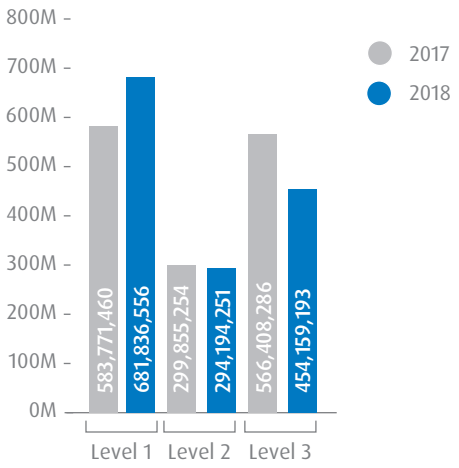
BMO REP has in place clear procedural guidelines to assist asset and property managers in this regard.

The classification of individual assets has changed: firstly reflecting differences in energy ratings, and secondly reflecting complete landlord energy spend data.

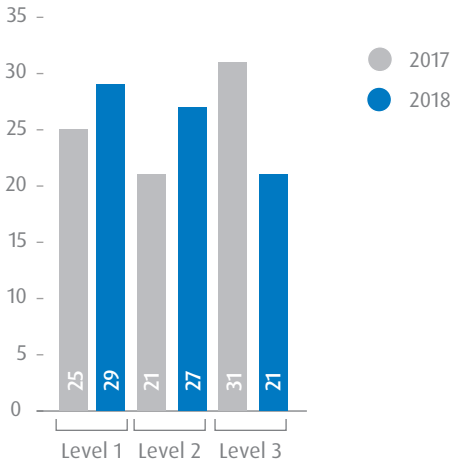
The charts to the right and overleaf show the distribution of asset classifications across the portfolio, with reference to number of assets, capital value and by property type.

Figure 2: Asset classification

Capital Value (£) 2017 v 2018



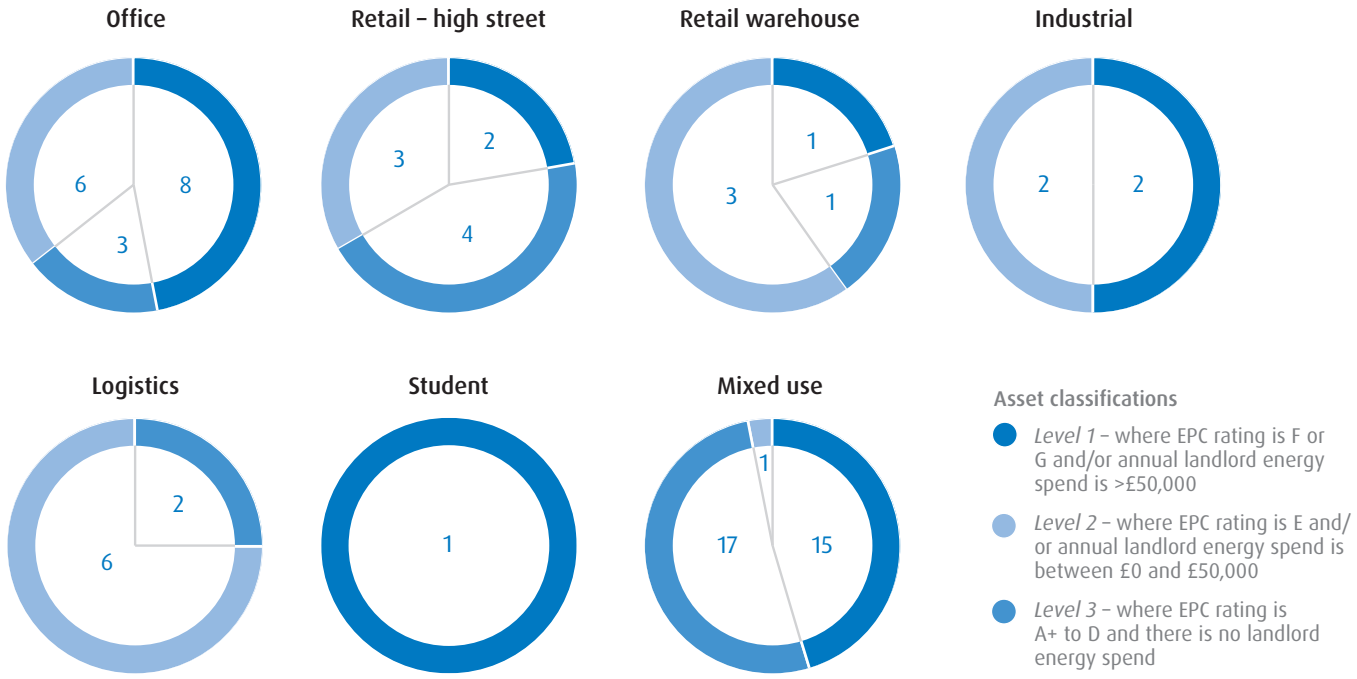
Number of Assets 2017 v 2018



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

Figure 2 (continued): Asset classifications by property type



Flood risk

The exposure of the portfolio to the principal sources of flood risk is shown in the Flood Risk Dashboard (figure 4). This shows that, taking account of flood defences, the vast majority of the portfolio is at negligible or low risk of flooding from rivers or seas, with just over 5% of capital value at high risk of flooding from this source. Groundwater flood risk is similarly limited, with 3.79% of capital value deemed to be at high risk. The higher levels of risk are confined to a small number of office, logistics and retail warehouse assets.

Surface water flood risk is more significant, commensurate with the urban context of the majority of the assets that we hold. Still, less than 75% of capital value is found to be at negligible or low risk.

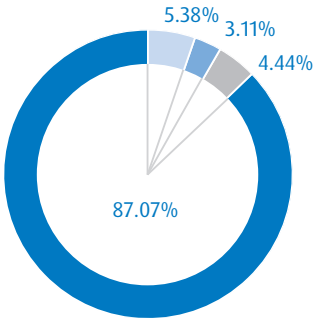
Any changes to flood risk ratings, first recorded in 2017, are as a consequence of updated data sets used to determine this risk. For further information on the flood risk methodology, see appendix 1.

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

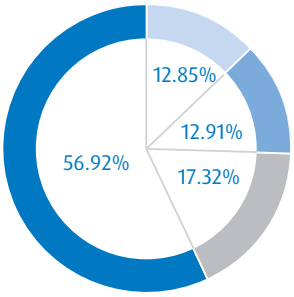
- Undertaking annual flood risk assessments of all held assets to keep our overview of portfolio risk exposure under regular review.
- Undertaking flood risk assessments, including an assessment of repairing obligations within lease terms, at the pre-acquisition stage for all assets in which we consider 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 fund.
- 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.
- Ensuring that flood resilience is a feature of our approach to sustainable development and refurbishment.

Figure 3: 2018 Flood risk comparison

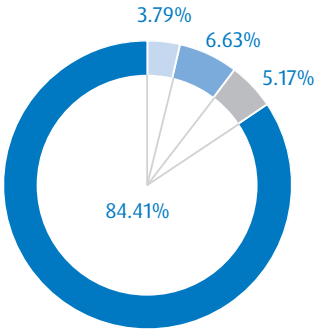
Fluvial flood risk
Distribution of risk ratings as a proportion of total Capital Value



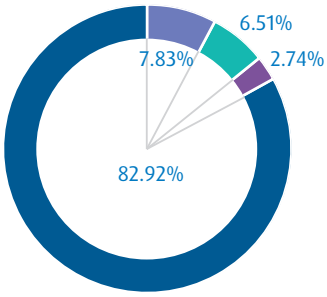
Surface water flood risk
Distribution of risk ratings as a proportion of total Capital Value



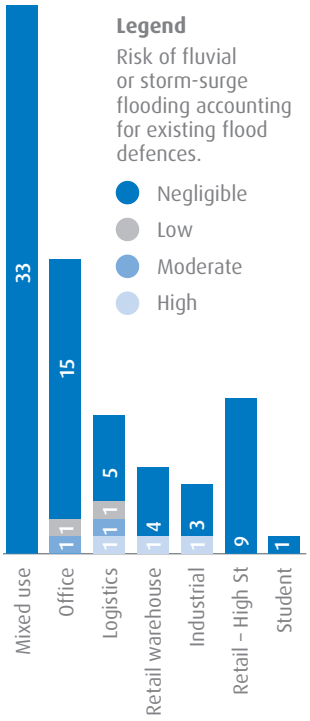
Groundwater flood risk
Distribution of risk ratings as a proportion of total Capital Value



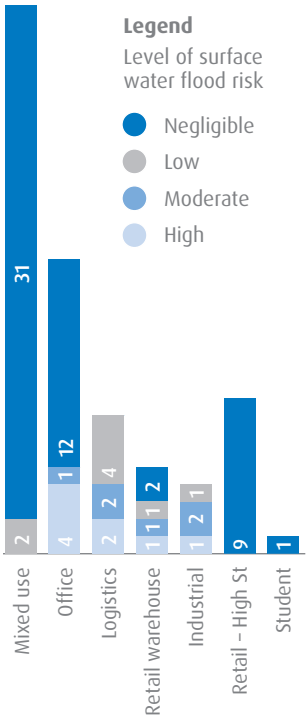
Historic flooding
Distribution of historic flood incidents in relation to total Capital Value



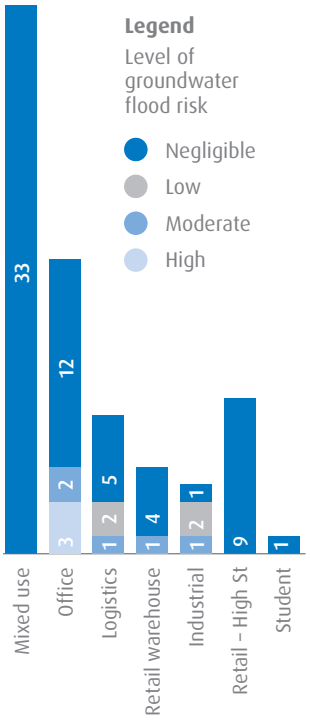
Fluvial flood risk by sector
Distribution of risk ratings by number of assets



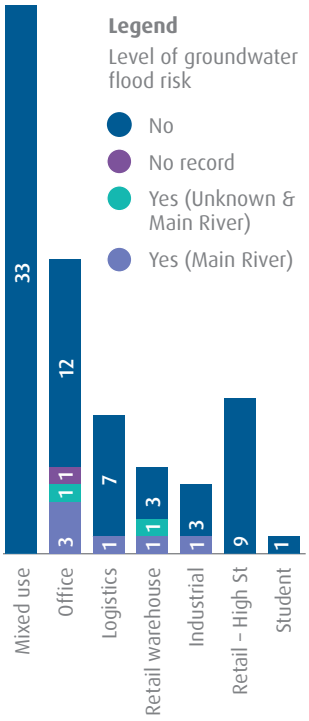
Surface water risk by sector
Distribution of risk ratings by number of assets



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



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



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%]

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]

Risk definitions

Groundwater flood extent

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

Spotlight on **St Christopher's Place, London**

Located between Oxford Street and Wigmore Street in the heart of London's West End, St Christopher's Place Estate comprises 150 lettable units made up of over 50 shops and restaurants, 40 office suites, and 60 apartments, and consequently provides a regular stream of opportunities where small incremental improvements to individual assets can add up to better overall portfolio credentials.

30-34 James Street
Shell refurbishment for Harrys bar

- New energy efficient LED lighting installed
- Improved insulation between restaurant ceiling and first floor accommodation
- Installed double glazed roof lights

14 James Street
Refurbishment

- New energy efficient LED lighting introduced throughout
- Installed double glazing to windows
- Improved insulation to floors, perimeter walls and roof
- Sealed enclosures to reduce air leakage
- Local electrical heating to apartments given space, electrical capacity and acoustic restrictions
- Improved Energy Performance Certificate ratings from E to C achieved

50 James Street

Refurbishment to shell

- New energy efficient LED lights installed
- Improved insulation roof and floors
- Installed double glazing to windows
- Energy Performance Certificate improved from E to C rating

32 James Street

Refurbishment of apartments

- New energy efficient LED lights installed throughout
- Insulation provided across entire roof and floor voids
- Installed double glazing windows
- Sealed enclosures to reduce air leakage
- Achieved D rated Energy Performance Certificate in respect of each apartment

6-8 James Street

3rd & 4th floor office refurbishment

- New energy efficient LED lighting installed throughout
- Further lighting efficiencies through Passive Infra-Red movement controls
- High energy efficient refrigerant based heating and cooling

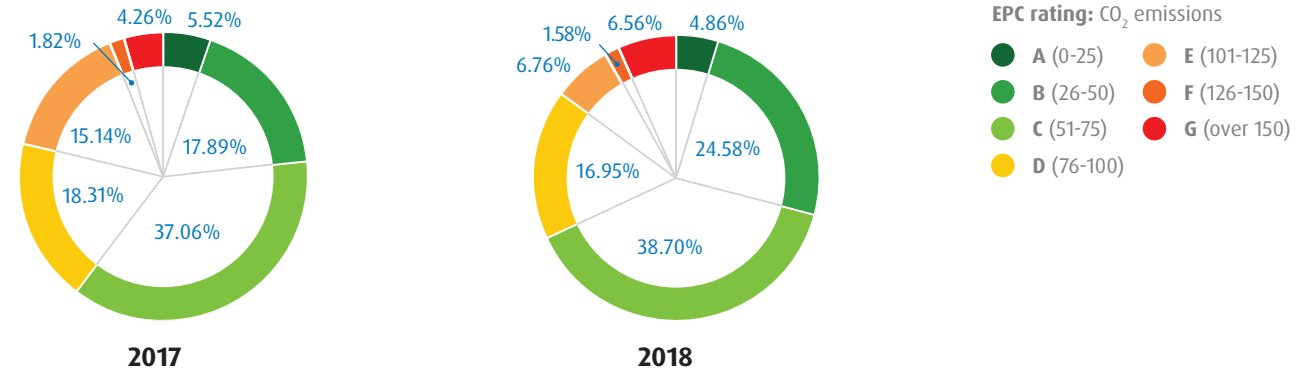
EPC ratings

The dashboard below provides a summary of the profile of Energy Performance Certificate (EPC) ratings for the portfolio. The majority of the whole UK portfolio - from both a rental value and floor area perspective - achieves higher EPC ratings of A to C, indicating a good level of modeled energy performance for the portfolio. Indeed, the two lowest ratings apply in combination to only 7.14% of rental value and 3.31% of the total lettable floor area respectively. This compares to a national average of just over 18% of EPCs lodged on the National Register being F or G rated. When benchmarked within individual property types, High Street Retail assets have the greatest proportion of income and floor area ascribed to these lower ratings. This is fairly consistent with the wider market, where retail tenant fit-outs are renowned for having a detrimental effect on energy ratings.

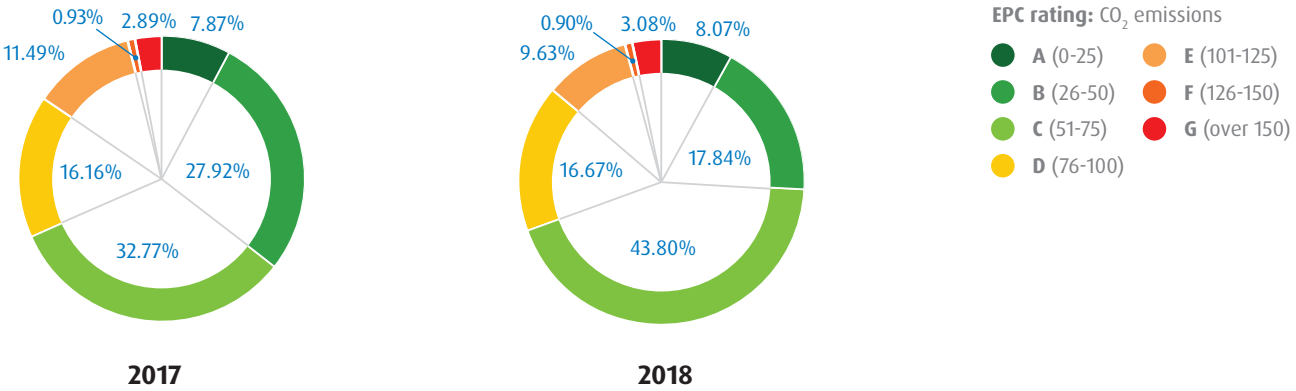
When viewed specifically within the context of our properties located in England & Wales, the jurisdiction within which regulations pertaining to Minimum Energy Efficiency Standards (MEES) apply, the proportion of rental value that is associated with F- and G-ratings is marginally higher than the wider portfolio, at a little over 8%.

Figure 4: 2017 and 2018 Profile of EPC ratings

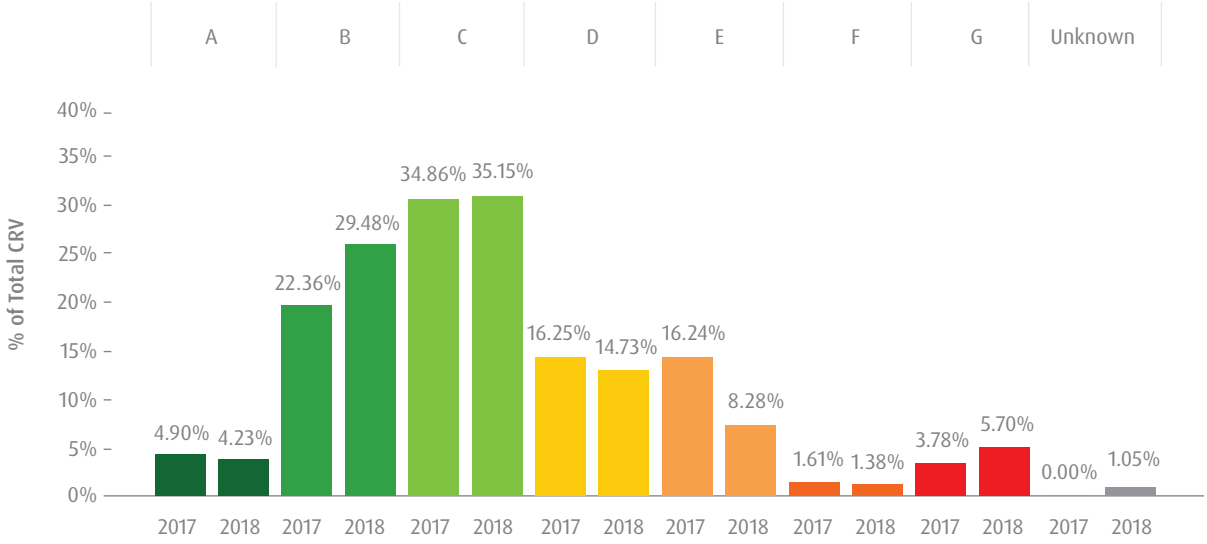
Distribution of EPC ratings by rental value
Assets in England & Wales only



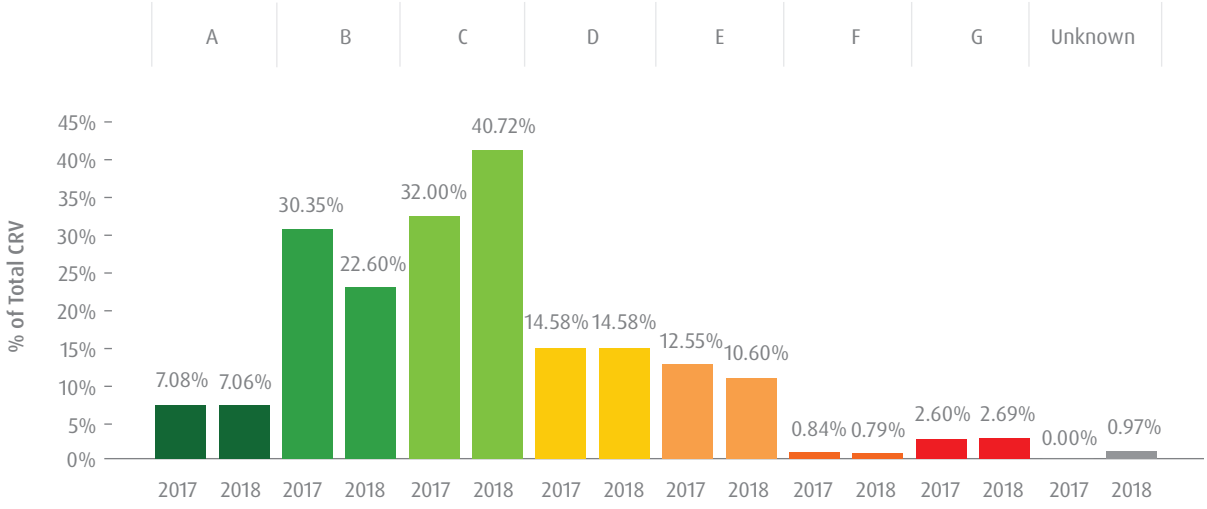
Distribution of EPC ratings by NLA
Assets in England & Wales only



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



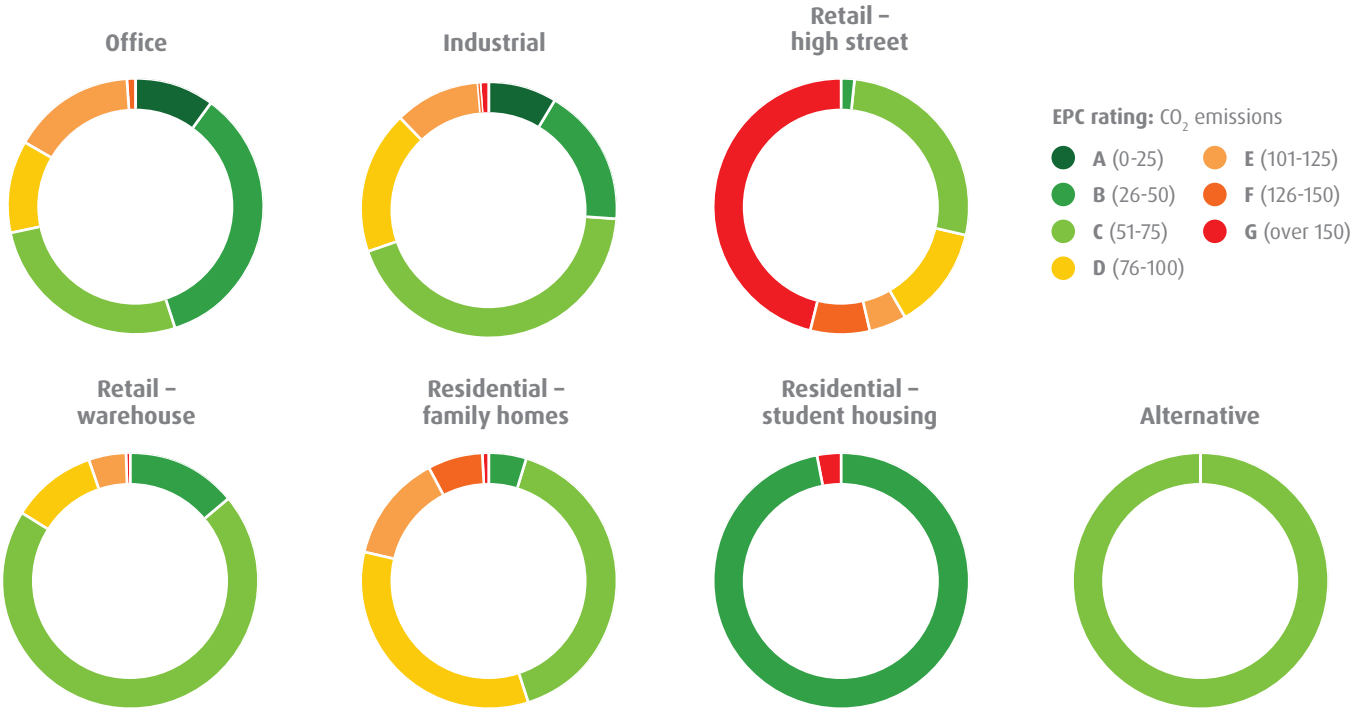
EPC ratings by net lettable area
Whole portfolio – including assets in Scotland



Over the reporting period 22 replacement EPCs were obtained. In terms of rental value, a significant number of demise-level certificates upgraded from E rating to B rating following the refurbishment at Cassini House, London. One of the retail warehouses at Newbury obtained a single grade improvement to a B rating following refurbishment. The most material change was to a unit in Colchester, where the draft F rating achieved a B rating on renewal. In terms of floor area, the largest variation was attributable to a distribution warehouse in Liverpool, where the original B-rated EPC from 2008 achieved a C rating on renewal.

Figure 4 (continued): 2018 Profile of EPC ratings

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.

2 The consolidated CRV data for Property PQ0001 has been pro-rated on a floor area (NLA) basis across the individual demised units to provide an estimate of the distribution of relevant EPC ratings by value.

3 A notional ERV of £50/sq ft has been applied to all short term residential let units at St Christopher's Place in the absence of precise rental data.

4 St Christopher's Place, noted elsewhere in this report as a Mixed Use asset of 40 properties, has been dividied into its individual leased demises for the purpose of the EPC analysis, accounting for the fact that the MEES Regulations are separate for domestic and non-domestic properties.

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 is 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.
- We have in place comprehensive information to support sales when we choose to bring properties to the market.

These measures enable us to take timely and cost-effective action to address energy ratings ahead of a legislative restriction on transactions, as well as ensuring we future-proof our assets to changing regulations and standards – 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 6, below. This indicates that the exposure of FCPT 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

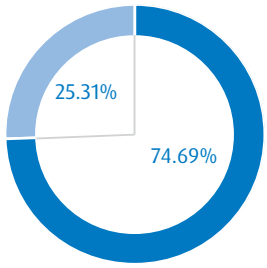
With reference to capital value, the majority (75%) of the portfolio is at low risk of contamination, whilst the reminder is at the modestly elevated level of Moderate-Low risk. The slight variation in elevated risk compared with the previous report (85%) is on account of changes to capital valuations. 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

Six assets within the portfolio have air-conditioning equipment that utilise hydrochlorofluorocarbons coolant which are subject to the European F-Gas Regulations for the phasing out of ozone depleting substances. This number has increased since the last report on account of further data capture. 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 the asset business plan.

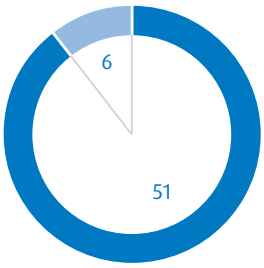
Figure 5: Other RPI risk metrics

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



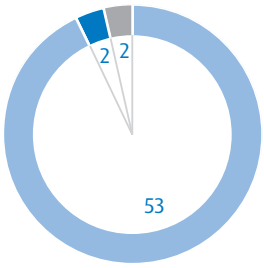
What is the current level of risk?
Low · Moderate-Low

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



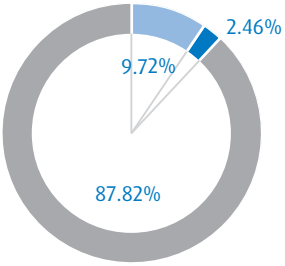
Are HCFCs (eg. R22) used in cooling systems?
No · Yes

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



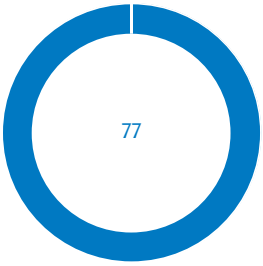
Level of training received
Advanced · Foundation · None

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



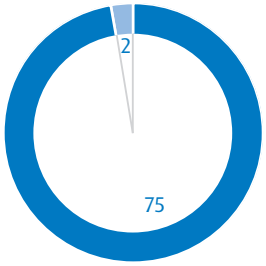
Green building certification scheme & rating
BREEAM Excellent · BREEAM V. Good · None

Statutory wildlife designations
Assets to which statutory nature conservation designations apply



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

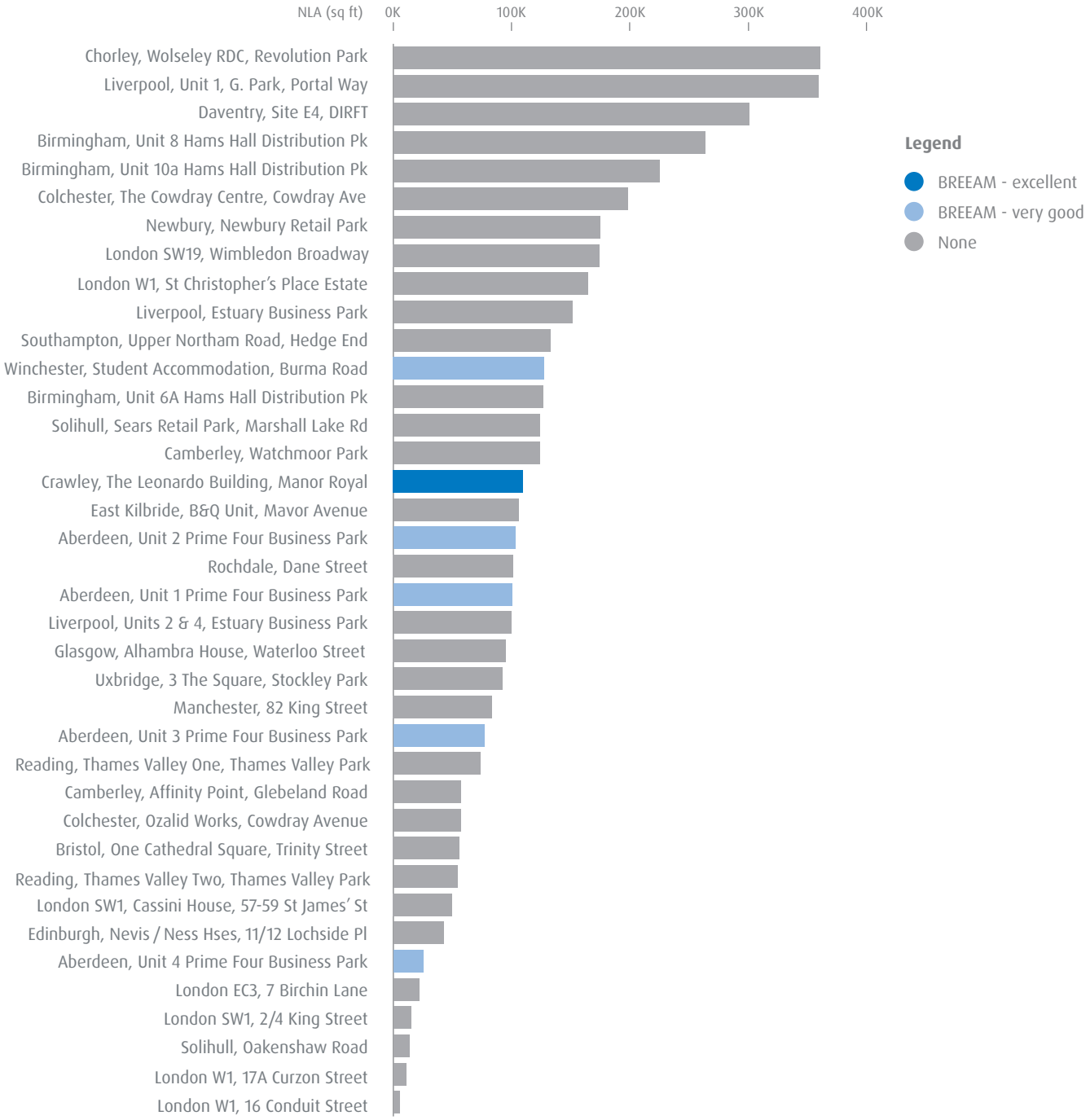
Aquifer protection zones
No. of assets which are situated in Acquifer/ Groundwater Protection Zones



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

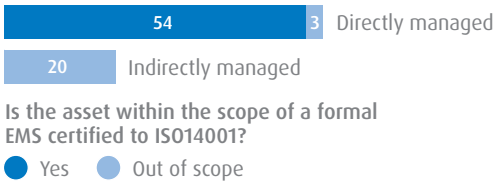
Figure 5 (continued): Green building certification by asset

Distribution of green building ratings with reference to net lettable area



Building user guides
Management

Environmental management systems
Management



Groundwater source protection zones

Two properties – Newbury Retail Park and Portal Way, Liverpool (Logistics) – fall within Groundwater Source Protection Zones. 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

Since the previous report, the majority of building managers have received foundation training on relevant ESG matters. We are committed to providing such training to our external managing agents over the course of the next six months.

Green building certification

Six properties have attained a formal BREEAM rating, all of which pertain to new construction or major refurbishment projects. Collectively, these account for around 12% of the total Net Lettable Area of the portfolio.

Building user guides

Building User Guides, which provide information on the safe and efficient running of properties, are in place at 41 assets. These cover aspects including:

- The principles of the building design and how these influence its operation.
- Procedures for operating heating, lighting and cooling systems.
- Means of access and transport information, including in relation to cycling provision, local public transport, car sharing schemes etc.
- Security and safety systems.
- Channels available for reporting problems or concerns, and how these should be dealt with by the building manager.

Environmental management system

An Environmental Management System (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 some limited exceptions. These exceptions are:

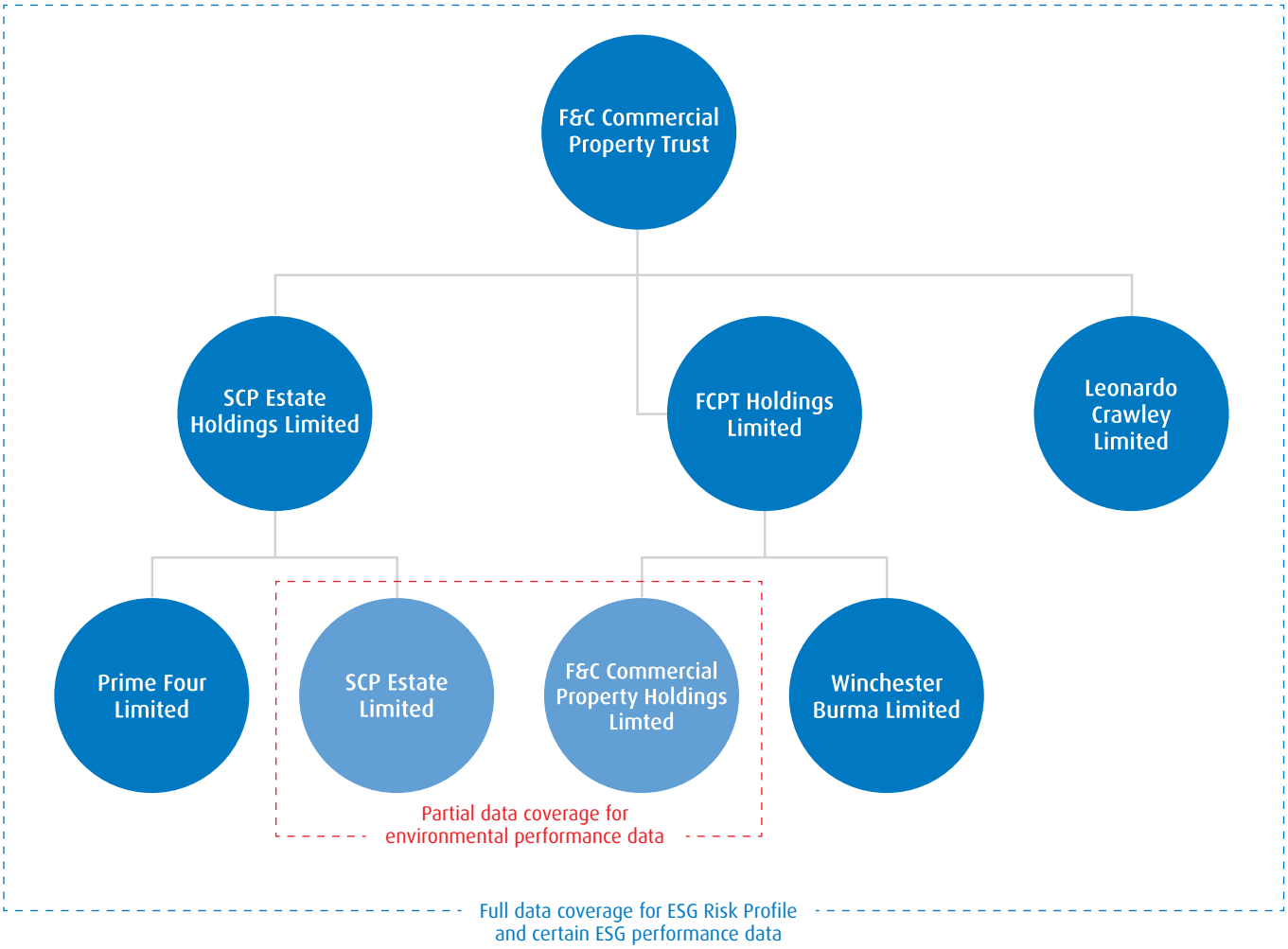
- 16 Conduit Street, London (Retail – High Street), Thames Valley Park, Reading (Office) and The Cowdray Centre, Colchester (Industrial), all of which are considered de minimis in terms of the landlord's environmental impact. The only landlord services relate to lighting a stairwell, void consumption of a vacant FRI property, and landscape maintenance respectively.

Appendix 1: Notes on environmental data

Scope

The assets of the Group are held by a number of subsidiary companies, as illustrated in Figure A below.

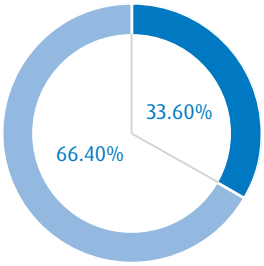
Figure A: Group structure and data scope



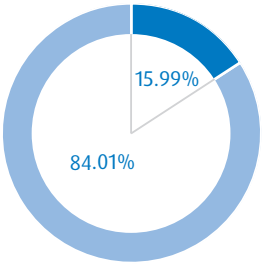
The results of these entities are consolidated within the Group financial statements (separately published). Similarly, the ESG Risk Profile set out in Section 5 of this RPI Report relates to the consolidated portfolio for the Group as a whole, as do some elements of the ESG Performance Data for 2018 provided in Section 4. However, 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. As such, these exclude the assets held by Prime Four Limited, Winchester Burma Limited and Leonardo Crawley Limited, and some of those held by SCP Estate Limited and F&C Commercial Property Holdings Limited. The precise scope of the ESG Performance Data held for each entity and asset are listed in Figures B and C respectively.

Figure B: ESG data coverage by entity

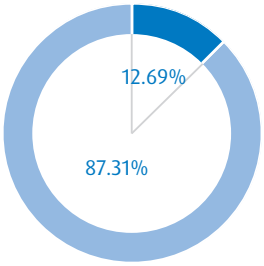
Group data coverage
Energy & GHG emissions
as a percentage of floor area (NLA)



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

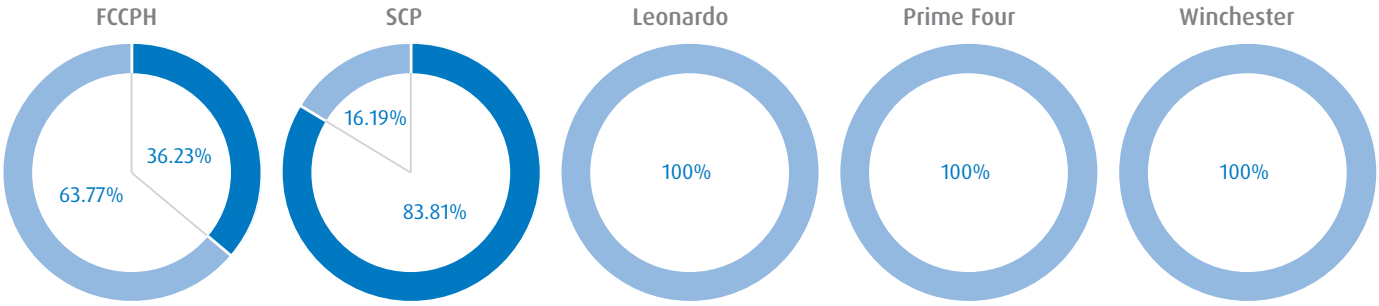


Group data coverage
Waste management
as a percentage of floor area (NLA)

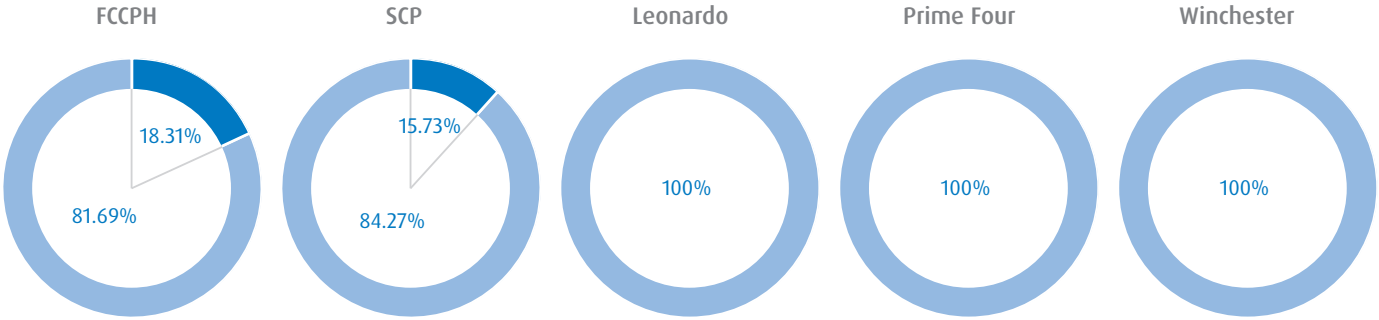


Included
Out of scope

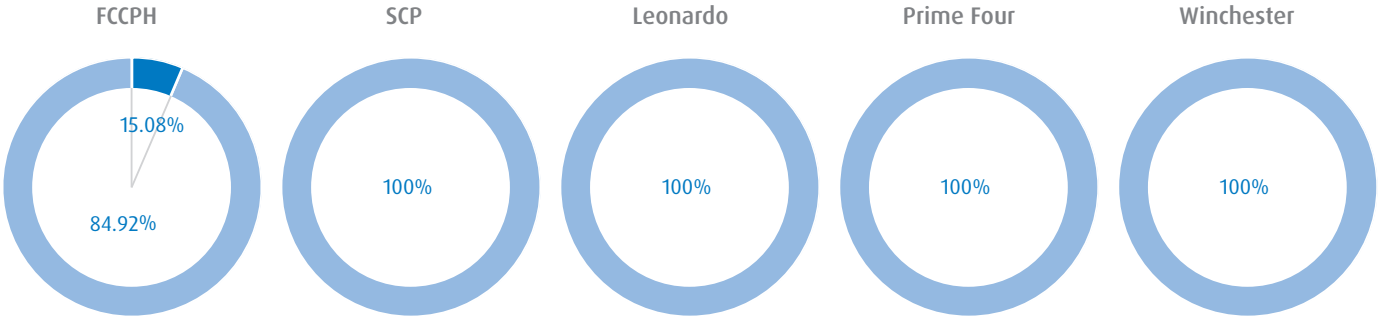
Energy & GHG emissions
as a percentage of floor area (NLA)



Water consumption
as a percentage of floor area (NLA)



Waste management
as a percentage of floor area (NLA)

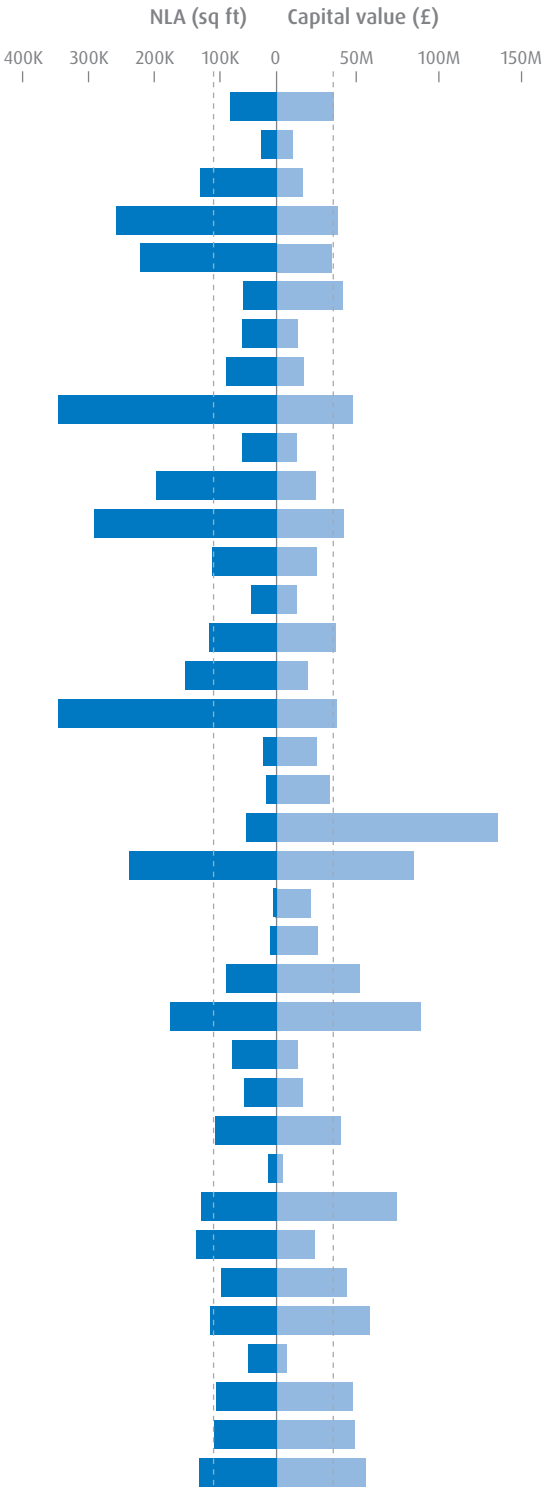


The change in the above figures from prior year is linked to a more realistic assessment of the areas to which the energy and water procured by the landlord relate. There is ongoing work to establish real metering provision to refine the reporting process year on year.

Note: The significant majority of water consumption and waste management control occurring at SCP is under the jurisdiction of tenant occupiers and the local authority, however a small residual element falls to the landlord for which data is to be collected but is not currently available.

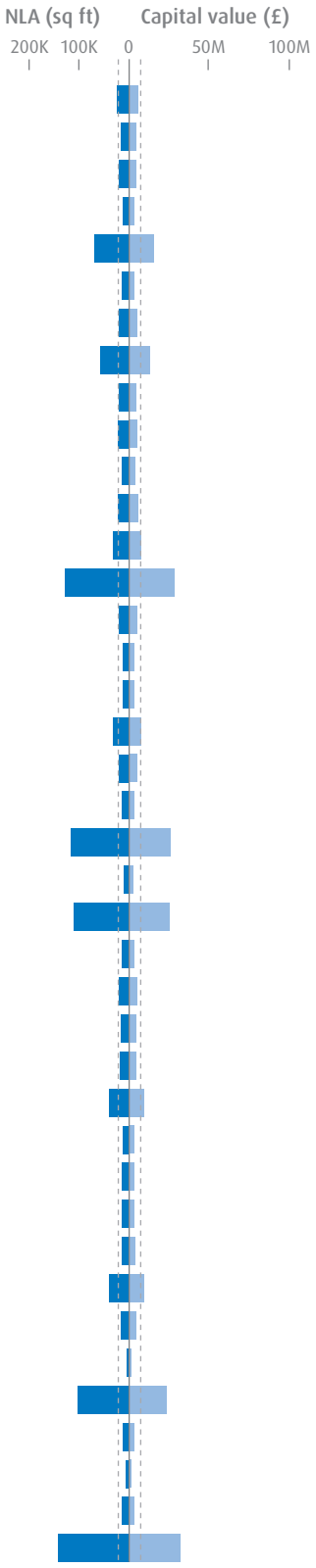
Figure C: ESG data coverage by asset

Subsidiary	Property name	ESG data (energy & GHG)	ESG data (water)	ESG data (waste)	ESG data (other)
FCCPH	Aberdeen, Unit 3 Prime Four Business Pk	Out of scope	Out of scope	Out of scope	Included
	Aberdeen, Unit 4 Prime Four Business Pk	Out of scope	Out of scope	Out of scope	Included
	Birmingham, Unit 6A Hams Hall Distribution Pk	Out of scope	Out of scope	Out of scope	Included
	Birmingham, Unit 8 Hams Hall Distribution Pk	Out of scope	Out of scope	Out of scope	Included
	Birmingham, Unit 10A Hams Hall Distribution Pk	Out of scope	Out of scope	Out of scope	Included
	Bristol, One Cathedral Square, Trinity St	Included	Included	Out of scope	Included
	Camberley, Affinity Point, Glebeland Rd	Out of scope	Out of scope	Out of scope	Included
	Camberely, Watchmoor Pk	Included	Included	Included	Included
	Chorley, Wolseley RDC, Revolution Pk	Out of scope	Out of scope	Out of scope	Included
	Colchester, Ozalid Works, Cowdray Ave	Included	Included	Included	Included
	Colchester, The Cowdray Centre, Cowdray Ave	Included	Out of scope	Out of scope	Included
	Daventry, Site E4, DIRFT	Out of scope	Out of scope	Out of scope	Included
	East Kilbride, B&Q Unit, Mavor Ave	Out of scope	Out of scope	Out of scope	Included
	Edinburgh, Nevis/Ness Hses, 11/12 Lochside Pl	Included	Out of scope	Out of scope	Included
	Glasgow, Alhambra House, Waterloo St	Included	Included	Included	Included
	Liverpool, Estuary Business Pk	Out of scope	Out of scope	Out of scope	Included
	Liverpool, Unit 1, G. Park, Portal Way	Out of scope	Out of scope	Out of scope	Included
	London EC3, 7 Birchin Lane	Included	Included	Included	Included
	London SW1, 2/4 King St	Included	Included	Out of scope	Included
	London SW1, Cassini House, 57-59 James' St	Included	Included	Included	Included
	London SW19, Wimbledon Broadway	Included	Included	Out of scope	Included
	London W1, 16 Conduit St	Included	Out of scope	Out of scope	Included
	London W1, 17A Curzon St	Included	Included	Included	Included
	Manchester, 82 King St	Included	Included	Included	Included
	Newbury, Newbury Retail Pk	Included	Out of scope	Out of scope	Included
	Reading, Thames Valley One, Thames Valley Pk	Included	Out of scope	Out of scope	Included
	Reading, Thames Valley Two, Thames Valley Pk	Included	Out of scope	Out of scope	Included
	Rochdale, Dane St	Out of scope	Out of scope	Out of scope	Included
	Solihull, Oakenshaw Rd	Out of scope	Out of scope	Out of scope	Included
	Solihull, Sears Retail Park, Marshall Lake Rd	Included	Out of scope	Included	Included
	Southampton, Upper Northam Rd, Hedge End	Out of scope	Out of scope	Out of scope	Included
	Uxbridge, 3 The Square, Stockley Pk	Out of scope	Out of scope	Out of scope	Included
Leonardo	Crawley, The Leonardo Building, Manor Royal	Out of scope	Out of scope	Out of scope	Included
	Liverpool, Units 2 & 4, Estuary Business Park	Out of scope	Out of scope	Out of scope	Included
Prime Four	Aberdeen, Unit 1 Prime Four Business Pk	Out of scope	Out of scope	Out of scope	Included
	Aberdeen, Unit 2 Prime Four Business Pk	Out of scope	Out of scope	Out of scope	Included
Winchester	Winchester, Student Accommodation, Burma Rd	Out of scope	Out of scope	Out of scope	Included



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

Subsidiary	Property name	ESG data (energy & GHG)	ESG data (water)	ESG data (waste)	ESG data (other)
SCP	London W1, 1 Barrett St	Included	Out of scope	Out of scope	Included
	London W1, 1-5 St Christopher's Place	Out of scope	Out of scope	Out of scope	Included
	London W1, 2 Barrett St	Out of scope	Out of scope	Out of scope	Included
	London W1, 3-5 Barrett St	Included	Out of scope	Out of scope	Included
	London W1, 6-8 St Christopher's Place	Included	Out of scope	Out of scope	Included
	London W1, 7 Gees Court	Out of scope	Out of scope	Out of scope	Included
	London W1, 8 Gees Court	Out of scope	Out of scope	Out of scope	Included
	London W1, 9 Gees Court	Out of scope	Out of scope	Out of scope	Included
	London W1, 9 St Christopher's Place	Included	Out of scope	Out of scope	Included
	London W1, 10 Gees Court	Included	Included	Out of scope	Included
	London W1, 10 St Christopher's Place	Out of scope	Out of scope	Out of scope	Included
	London W1, 10/12 James St	Included	Out of scope	Out of scope	Included
	London W1, 11 St Christopher's Place	Out of scope	Out of scope	Out of scope	Included
	London W1, 11/12 Gees Court	Included	Out of scope	Out of scope	Included
	London W1, 12-14 St Christopher's Place	Included	Out of scope	Out of scope	Included
	London W1, 14 James St	Included	Out of scope	Out of scope	Included
	London W1, 20 James St	Included	Out of scope	Out of scope	Included
	London W1, 21 Barrett St	Out of scope	Out of scope	Out of scope	Included
	London W1, 22 Barrett St	Included	Out of scope	Out of scope	Included
	London W1, 23-32 St Christopher's Place	Included	Out of scope	Out of scope	Included
	London W1, 23 Barrett St	Included	Out of scope	Out of scope	Included
	London W1, 24 James St	Out of scope	Out of scope	Out of scope	Included
	London W1, 26 James St	Out of scope	Out of scope	Out of scope	Included
	London W1, 28/30 James St	Included	Out of scope	Out of scope	Included
	London W1, 32 James St	Included	Included	Out of scope	Included
	London W1, 34 James St	Included	Included	Out of scope	Included
	London W1, 36 James St	Included	Included	Out of scope	Included
	London W1, 38 James St	Included	Included	Out of scope	Included
	London W1, 40 James St	Included	Included	Out of scope	Included
	London W1, 42 James St	Included	Included	Out of scope	Included
	London W1, 44 James St	Out of scope	Out of scope	Out of scope	Included
	London W1, 46/48 James St	Included	Included	Out of scope	Included
	London W1, 50 James St	Out of scope	Included	Out of scope	Included
	London W1, 54 James St	Included	Included	Out of scope	Included
	London W1, 56 James St	Out of scope	Out of scope	Out of scope	Included
	London W1, 67 Wigmore St	Included	Included	Out of scope	Included
	London W1, 69 Wigmore St	Included	Out of scope	Out of scope	Included
	London W1, 71/73/75 & 77 Wigmore St	Included	Out of scope	Out of scope	Included
	London W1, 372/374 Oxford St	Included	Out of scope	Out of scope	Included
	London W1, Greengarden House	Included	Out of scope	Out of 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.

For waste data, not shown in the table, the only estimates required were for 32% of office recyclate. This was largely due to one waste carrier who could only provide estimates as they do not weigh the waste but do assure that what they remove is all recycled.

Estimation of data

	2017			2018		
	Electricity	Gas	Water	Electricity	Gas	Water
Offices	0%	0%	0%	0%	0%	22%
Industrial	0%	0%	0%	0%	0%	13%
Retail – High Street	0%	0%	0%	0%	0%	0%
Retail Warehouse	0%	0%	N/A	0%	0%	N/A
Alternative	0%	0%	0%	0%	0%	0%
Mixed Use	1.4%	0.2%	5%	3.8%	0.2%	14%

Conversion Factors

Emissions were calculated in kg CO_2 equivalent using the DEFRA GHG Conversion Factor Guidelines for 2017 and 2018. In line with DEFRA recommendations, the 2017 figures have not been restated using the 2018 conversion factors. The conversion factors from DEFRA for 2017 and 2018 are presented in the following table.

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.

DEFRA conversion factors (kg CO_2e 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.

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 from floor plans where possible or 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 fund 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 29% of the Company's total £1.43 billion investment in real estate.
- In some instances, waste data was not gathered from these properties as responsibility for waste removal is with the occupier. Coverage of waste data by gross asset value (GAV) gathered within the organisational boundary therefore represents disclosure of 21% of the Company's total £1.43 billion investment in real estate.

Coverage of data

	Industrial	Offices	Retail – High Street	Retail – Warehouse	Alternative	MIxed Use
Elec-Abs	100%	100%	100%	100%	100%	100%
Elec-Lfl	100%	82%	100%	100%	100%	96%
Fuel-Abs	100%	100%	100%	100%	100%	100%
Fuel-Lfl	100%	100%	100%	100%	100%	100%
Energy-Int	100%	100%	100%	100%	100%	100%
GHG-Dir-Abs	100%	100%	100%	100%	100%	100%
GHG-Indir-Abs	100%	100%	100%	100%	100%	100%
GHG-Int	100%	100%	100%	100%	100%	100%
Water-Abs	50%	73%	0%	0%	100%	39%
Water-Lfl	50%	64%	0%	0%	100%	36%
Water-Int	50%	73%	0%	0%	100%	39%
Waste-Abs	50%	55%	0%	50%	0%	0%
Cert-Tot	100%	100%	100%	100%	100%	100%

Clarification

Between release of the inaugural RPI report in 2018 and this report in 2019, work was undertaken to ensure all landlord electricity supplies were purchased from renewable sources. During this exercise the scope of landlord-procured energy was clarified which has led to a change in 2017 figures that were published in the last report. For the 2018 data held in this report, BMO REP contracted the services of Lucideon to provide a verification statement of limited assurance on energy and emissions data to avoid inconsistencies of this nature going forward.

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.

All of the assets in the portfolio were analysed for flood risk at the end of the reporting period.

Data limitations

The data and information which GeoSmart interprets in reports is obtained 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. On occasion, typically twice annually, the Board will invite the Company's retained ESG Advisor, Hillbreak, to provide a report and presentation on topical matters and their potential impact on the Company's activities. 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. 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. 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. 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. This will allow for a comprehensive scenario-based analysis to be reported to shareholders and other stakeholders in and alongside our next Annual Report & Accounts.

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. 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 are documented in the Responsible Property Investment Report. 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 2ºC 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 2.7% for FCCPH and 4.0% for SCP.	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: • Identify and address environmental and social risks through effective asset planning and property management. • Deliver operational efficiencies and strengthen the appeal of assets under management through smart and efficient use of resources. • Understand and respond to the changing (and in most respects, strengthening) expectations of occupiers, regulators and investors. 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. We continue to monitor changes in the extent of asset and portfolio-level flood risk on an annual basis. This year, the level of risk has increased in some cases, particularly in the case of surface water flooding. This will be shown and explained in more detail in the Responsible Property Investment Report 2018. Our judgement continues to be that the overall level of risk is comfortable, albeit that more detailed analysis will be undertaken for those limited number of assets at which the level of risk has risen to high. 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 our most recent Responsible Property Investment Report, and in the relevant ESG Commitments described in this Annual. 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 completed in 2019 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. It is our intention to make our first disclosure under this Recommended Disclosure in our 2019 Annual Report.
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: • Enhanced due diligence assessments when looking at potential real estate acquisitions, including consideration of multiple flood risk factors, energy efficiency, metering and ratings. • Regular (annual) reappraisal of the ESG (including climate-related) characteristics of assets heldby 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: • Sensitivity to potential changes in the cost and availability of insurance cover. • Potential effects of physical climate risks including in relation to overheating and cooling demand, storm damage, soil shrinkage and heightened flood risk. 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: **For all assets:** • 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. • 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. • Targeting optimal performance and resilience outcomes when undertaking development or refurbishment work. 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: • 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. • 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. • 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)** • Total electricity consumption (kWh) • Like-for-like total electricity consumption (kWh/%) • Total fuel consumption (kWh) • Like-for-like total fuel consumption (kWh/%) • Building energy intensity (kWh/m2 NLA) Financial category: **Expenditures (GHG emissions)** • Emissions from Scope 1 consumption (kg CO_2e) • Change in emissions from Scope 1 consumption (%) • Emissions from Scope 2 consumption (kg CO_2e) • Change in emissions from Scope 2 consumption (%) • Emissions intensity for Scope 1 & 2 (kg CO_2e/m^2 NLA) • Change in emissions intensity from Scope 1 & 2 consumption (%) Financial category: **Expenditures (Water)** • Water consumption (m^3) • Change in water consumption (m^3/%) • Water intensity (m^3/m^2 NLA) • Change in water intensity (%) Financial category: **Assets (Location)** • Flood risk distribution of portfolio for fluvial flooding, pluvial flooding, groundwater flood risk (% capital value, # assets) • Historic flooding (% capital value, # assets) Financial category: **Assets (Risk Adaptation & Mitigation)** • Proportion of assets that are BREEAM rated (% NLA) • Distribution of EPC ratings (% rental value, % NLA) • Number of assets in which HVAC systems use HCFC coolants (# assets) Data associated with these metrics will 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.	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:** • 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. • 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. **Medium-term:** • 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 F&C Commercial Property Trust Limited's 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 January 2018 to 31 December 2018. The verification was carried out against the requirements of the CDP based on ISO 14064-3.

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 Company 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 F&C Commercial Property Trust Limited consistent with the requirements of ISO 14064-3 and provides limited assurance that the CO_2 emissions for the 2018 reporting year are verifiable.

Sorcha Anderson Lead Verifier

For and on behalf of Lucideon CICS Limited
24 April 2019

VERIFIED
LUCIDEON
CARBON FOOTPRINT

F&C Commercial Property Trust Limited

Responsible Property Investment Report 2018

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