

Fiera Real Estate
Long Income Fund UK

Net Zero Carbon PATHWAY

2022





The built environment has commonly been cited to be responsible for approximately 40% of the UK's national greenhouse gas emissions.¹ This statistic highlights both the need we have as an industry to reduce the emissions relating to our operations, as well as the opportunity we have to affect meaningful change by doing so.

At Fiera Real Estate ("FRE") we recognise the impact that we, and our managed funds, have on our planet, people and communities and believe that as a global real estate firm we are in a unique position to drive real change across our sector. For this reason, over the past few years we have been considering how we can effectively deliver a Net Zero Carbon ("NZC") pathway for Fiera Real Estate Long Income Fund (UK) ("FRELIF UK").

As a long income fund, the challenge with this portfolio is that we have limited direct control over the operation of the buildings, and therefore, the emissions associated with them. As such, in order for our targets to meaningfully contribute to a low carbon economy we have included our scope 3 emissions, those resulting from tenant emissions, within our target boundary as they make up the majority of emissions associated with the portfolio.

Given the challenges we face and in order to deliver this pathway, we have worked closely with our occupiers, managing agents, and with our external NZC partner, Carbon Intelligence. The following pages detail how we plan to achieve this goal.

We understand that our pathway to NZC will evolve as the industry's understanding of the topic matures and as technology advances. However as far as possible we have included specific details about our approach to decarbonisation to provide an example of how such a target can be achieved for a long income fund.

¹ <https://www.ukgbc.org/climate-change-2>

What does Net Zero Carbon mean?

The journey to NZC for any fund is about identifying and delivering on ambitious but realistic and economically viable goals. In setting our target for 2035 we are building on a strong and established base and are proud to be 15 years ahead of the Paris Agreement and UK Government targets. We will continue to work tirelessly to advance our transition to a low-carbon world.



Rupert Sheldon,
FRELIF UK
Fund Manager

We are aware that there are multiple definitions for the term 'Net Zero Carbon' in relation to commercial real estate, and that whilst there are strong similarities across them all, there are also some key differences. These differences make comparing progress difficult and understanding the impact of NZC targets challenging.

Due to this issue, we have chosen to align with the UK Green Building Council's² definition of Net Zero Carbon:

NET ZERO CARBON

› CONSTRUCTION

When the amount of carbon emissions associated with a building's product and construction stages up to practical completion is zero or negative, through the use of offsets or the net export of on-site renewable energy.

NET ZERO CARBON

› OPERATIONAL ENERGY

When the amount of carbon emissions associated with the building's operation energy on an annual basis is zero or negative. A net zero carbon building is highly energy efficient and powered from on-site and/or off-site renewable energy sources, with any remaining carbon balance offset.

² <https://ukgbc.s3.eu-west-2.amazonaws.com/wp-content/uploads/2019/04/05150856/Net-Zero-Carbon-Buildings-A-framework-definition.pdf>

The Scope of Our Net Zero Carbon Commitment

Carbon emissions are often spoken about in terms of scopes

FRELIF UK's carbon footprint comprises very few scope 1 and 2 emissions. The majority of the portfolio emissions fall into scope 3 as they are related to tenant operations within the buildings, and the landlord has no direct control of them.



SCOPE 1

Direct emissions from owned or controlled sources

FUEL COMBUSTION, COMPANY VEHICLES, FUGITIVE EMISSIONS



SCOPE 2

Electricity indirect emissions consumed by the reporting company³

PURCHASED ELECTRICITY, HEAT AND STEAM



SCOPE 3

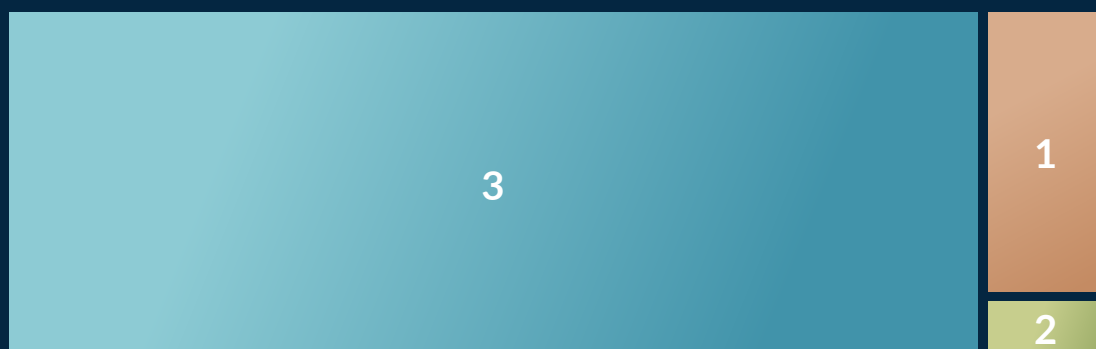
All other indirect emissions that occur in a company's value chain. These activities are a consequence of the activities of the company but occur from sources not controlled by the company

OCCUPIER EMISSIONS

FRELIF UK

SCOPE 1, 2 & 3 Emissions

This graph includes only operational and not embodied carbon emissions

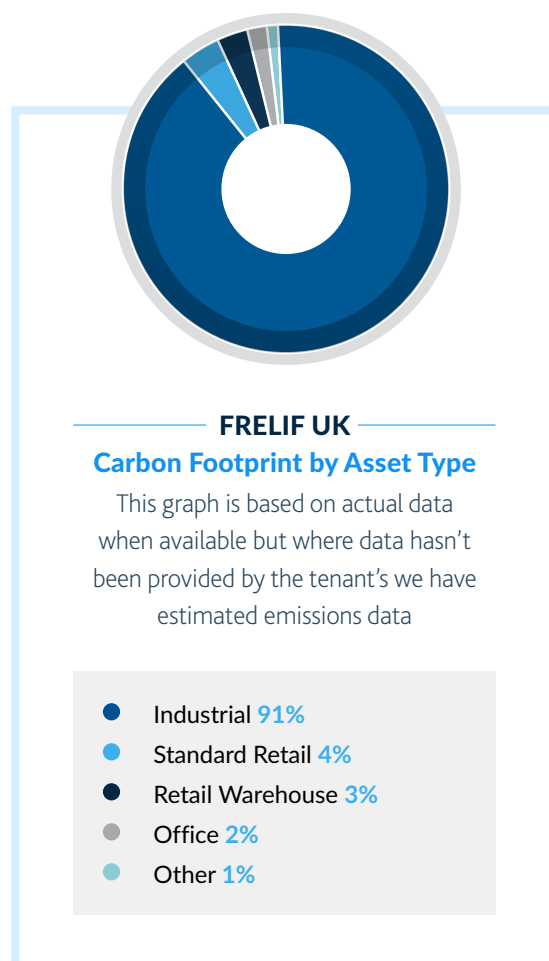


³ <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

To understand the overall emissions related to the portfolio we have been engaging with our occupiers over the past few years to collect energy and emissions data for the buildings. For the year end 2020, we successfully collected 85% of occupier utility data, providing us with reliable insight into the portfolio's performance. To achieve this level of data collection we have been working with Etainabl to automatically collect the data directly from occupier utility suppliers, using a Letter of Authority ("LOA"), as well as continuing to manually request data for those tenants who preferred not to use an LOA. We are continually looking at opportunities to further improve the data collection process, and our overall understanding of the portfolio's performance.

From the data collected to date we can see the split between scope 1, 2 and 3 emissions within the portfolio's carbon footprint, and we also have a good understanding of the impact that the various asset types have on the overall carbon footprint.

As is demonstrated in the chart below, the industrial assets make up the majority of the portfolio's carbon footprint at 86% of the overall emissions, despite only making up 37% of the portfolio by number.



Although the Scope 3 emissions are not within our direct control, these have been included within the Fund's decarbonisation pathway to ensure the target is meaningful. The target thus includes Scopes 1, 2 and 3 emissions.

The boundary of our NZC commitment includes all properties within our portfolio, with the exception of those held on ground leases. These assets have been excluded due to the even lesser degree of influence that we have over their operation.

GHG EMISSIONS SOURCE ACTIVITIES	Activities Controlled & Managed by Landlords	Activities Controlled & Managed by Occupiers
Energy to operate buildings (electricity, fuels and heat networks)	✓	✓
Water to operate buildings	✓	
Waste generated during operation	✓	
Refrigerants (fugitive emissions)	✓	✓
Purchase of goods and services (M&E and property management services)	✓	
New development works	✓	✓
Refurbishment works	✓	✓
Fit-out works	✓	

UN Sustainable Development Goals

Our NZC pathway supports the UN Sustainable Development Goals by:



AFFORDABLE AND CLEAN ENERGY

- ▶ Installing on site solar PV systems where feasible across the portfolio.
- ▶ Moving all landlord controlled energy supplies to 100% renewable providers.
- ▶ Encouraging occupiers to move their energy supplies to 100% renewable providers
Removing fossil fuels from the portfolio.



SUSTAINABLE CITIES AND COMMUNITIES

- ▶ Improving the energy efficiency and reducing the carbon emissions of the buildings within the portfolio.



RESPONSIBLE CONSUMPTION AND PRODUCTION

- ▶ Measuring and actively reducing the embodied carbon impact of any new developments and refurbishments.
- ▶ Embedding circular economy principles into our design and construction practice to reduce the embodied carbon impact.



INDUSTRY, INNOVATION AND INFRASTRUCTURE

- ▶ Installing charging infrastructure for electric vehicles.
- ▶ Improving cycling facilities to encourage low carbon active transport.



CLIMATE ACTION

- ▶ Transitioning the portfolio to NZC.



Our Net Zero Carbon strategy

MINIMISE ENERGY DEMAND	<ul style="list-style-type: none">> The first step towards NZC is to reduce the current energy demand at our assets.> In order to do this we are engaging closely with our occupiers and consultants to understand what interventions are required at each site, and the extent of the energy reduction that can be achieved.> These interventions are projects such as improving insulation, retro-fitting energy efficient equipment and optimising equipment run time.
REMOVE RELIANCE ON FOSSIL FUELS	<ul style="list-style-type: none">> In order to transition to NZC we need to move away from using fossil fuels such as natural gas as a fuel source, and instead use a renewable source of energy.> Where gas is currently being used for heating we are looking at technologies such as ground and air source heat pumps and solar water heating.> Where gas is used as part of manufacturing processes we will engage with tenants to understand what alternative opportunities might be appropriate.
SOURCE ENERGY FROM RENEWABLE SOURCES	<ul style="list-style-type: none">> We will source all landlord procured energy from 100% renewable energy (using the UKGBC definition of a higher green tariff).> Where feasible we will invest in on-site renewable energy systems to increase the amount of renewable electricity generated in the UK. The energy generated will be sold to occupiers through a PPA, and any electricity generated surplus to the tenant's requirements will be supplied to the grid.
EMBODIED CARBON	<ul style="list-style-type: none">> In order to understand the amount of embodied carbon associated with refurbishment and development activity we will require embodied carbon assessments on all new projects.> To minimise the impact of embodied carbon we will prioritise refurbishments where possible, select recycled or re-used material and encourage the use of low carbon material.
OFFSET REMAINING CARBON EMISSIONS	<ul style="list-style-type: none">> Only once carbon emissions have been reduced as much as possible will we consider offsetting the remaining emissions.> We will work with an established and certified carbon offset project developer, however we have not decided on our offsetting partner as yet.> Any credits purchased will be independently verified, transparent and traceable.

Our Journey to Net Zero



FRE has committed to achieve net zero carbon by 2035 across its FRELIF UK portfolio.



2019

- > Started collecting and monitoring portfolio data including scope 3 emissions



September 2020

- > Established a standard green lease to be used for all new lettings
- > Hosted ESG occupier focus groups



June 2021

- > Instructed Carbon Intelligence ("CI") to compile roadmap to NZC for FRELIF UK and identify a target date



May 2021

- > Instructed Push Energy to undertake a review of the Solar PV opportunities across the portfolio



August 2021

- > Started work with Etainabl to automate the data collection process and ensure we receive regular and accurate utility data



October 2021

- > Introduced our ESG score card into the acquisitions process to establish minimum standards for new acquisitions



January 2022

- > Completed asset level action plans for the whole portfolio



April 2022

- > Set NZC target and begin drafting NZC pathway



February 2022

- > Instructed CI to conduct NZC audits for industrial manufacturing sites
- > Established a timeline for PV installations

ONGOING IMPLEMENTATION OF NZC PATHWAY

If we are to limit the worst effects of climate change we must achieve decarbonisation of our built environment, which accounts for 40% of global carbon emissions. Achieving this will only be possible with material changes in behaviour, as well as investment.



Jessica Pilz,
FRE Global
Head of ESG

Understanding the Costs

Whilst the journey to achieving NZC will involve many unknowns, we recognise the value in understanding the likely financial commitment involved in achieving our target and believe it important to share any indicative costs with our investors.

As part of our NZC journey, we developed a model that looks at the potential costs of transitioning to NZC using several different scenarios to achieve this. The costs included in this model were based on figures provided by Push Energy for the PV programme, high level estimates provided by Carbon Intelligence, and the findings from the NZC audits that have been completed to date. We will continue to refine the model as we execute our plan and as more information becomes available.

Tenant Engagement

On a portfolio of primarily single let assets, engagement and collaboration with our occupiers will be key to successfully achieving our NZC target. As such our tenant engagement programme is outlined below, we will continue to develop this programme based on experience and feedback from occupiers.

▶ Focus Groups

Annual ESG focus groups to discuss progress against our target show we can support occupiers with their own ESG goals and how we can work more closely to achieve NZC.

▶ Individual Occupier Meetings

Managing Agents will conduct annual tenant sustainability meetings to discuss the operation of the buildings, occupier ESG ambitions and how FRELIF UK can support them further.

FRELIF UK team to hold tenant meetings regarding specific projects such as solar PV installations.

▶ Occupier Surveys

Annual occupier ESG survey, the results of which will be used to inform the on-going pathway.

▶ Sharing Information and Findings

Our standard green lease contains a provision for both parties to share sustainability data. This lease is used for all new lettings on the portfolio, however as this is a long income fund there are limited opportunities to introduce this, so this effectiveness of this initiative is likely to remain limited.

To regularly and accurately collect utility data (electricity, gas and water consumption) we have been working with occupiers to establish LoAs that allow our data partner to collect the data directly from the utility providers to avoid occupiers having to manually collate the data.

To provide feedback on how the utility data is used we have created a bespoke tenant report which provides benchmarking information, specific insights based on the data provided and an update on the progress towards NZC.

Sharing the findings from landlord funded projects such as Net Zero audits, feasibility studies and benchmarking exercises to enable occupiers to also make use of the information.

Asset Plans

As part of formulating our strategy to achieve NZC we have compiled individual asset plans for each site. These asset plans considered factors such as carbon emissions, energy efficiency, transport, biodiversity, health and wellbeing and social value, and compiled a list of recommendations for each category. A shortlist of 'top recommendations' has been derived from the main plan. These top recommendations are aimed to be implemented this year, and our progress against each will be tracked on the cover sheet of each asset plan.



Third Party Verification

We recognise the need for transparency and accuracy in regards to reporting on our progress towards our NZC target.

We have instructed a third party to conduct a verification, to the ISO 14064-3 guidance, of FRELIF UK's GHG assertion. The aim of this exercise is to provide an assurance statement, to the intended users of FRELIF UK's GHG assertion, that it is complete, accurate, consistent, transparent

The recommendations were drawn from a number of different sources which included:

- > The analysis completed by Carbon Intelligence as part of their NZC roadmap;
- > Recent EPC recommendation reports (where appropriate);
- > Information gathered by our managing agents in their annual ESG information request;
- > Direct feedback from occupiers; and
- > Our own knowledge of the buildings.

Whilst we plan to implement all of the 'top recommendations' within 2022 we have also ranked the assets in terms of priority to create a more detailed implementation strategy. This was done by analysing the overall carbon footprint for each building, the floor area, the EPC rating, and the asset management plan to understand the relative contribution to the portfolio's carbon emissions. This approach was approved by the fund management team, and we are currently in discussions with the occupiers and managing agents in order to proceed.

Delivery Strategy

Topic	Outcome / Aims	Development / Management Strategy	Reporting Metric
Operational performance (Energy, carbon, water, waste)	Reduce operational energy use in our portfolio in support of our net zero carbon target	<p>Deliver carbon reduction against our baseline on an annual basis. This target includes scope 1, 2 and 3</p> <p>Engage with our occupiers to collaboratively reduce carbon emissions across the portfolio</p> <p>Continue to work with occupiers to establish a data sharing programme for occupier procured utilities and waste</p> <p>Include green lease clauses within any new leases to allow for better engagement and collaboration with our occupiers in relation to sustainability</p> <p>Undertake site assessments across the portfolio to understand the works required to transition the buildings to being Net Zero Carbon in operation</p>	<p>Operational carbon emissions (tCO₂e) including scope 1, 2 and 3</p> <p>% reduction in operational carbon emissions (tCO₂e) compared with baseline year</p> <p>Portfolio energy intensity (kWh/m²)</p> <p>% reduction in energy intensity compared to the baseline</p> <p>% of tenant consumption based on metered data</p>
Compliance	Ensure compliance with MEES	Equipment upgrade and replacement strategy to improve energy efficiency ratings of buildings	100% compliance with MEES
On-site renewable energy generation	Support the UK grid decarbonisation	<p>Install solar PVs across our portfolio, increasing our on-site renewable electricity capacity whilst reducing our grid dependence</p> <p>Install two PV systems in 2022</p>	<p>% of energy from on-site generation</p> <p>Number of PV systems installed</p>
Renewable energy procurement	Support the UK grid decarbonisation	<p>Continue to purchase 100% renewable energy</p> <p>Encourage occupiers to purchase 100% renewable energy</p> <p>Investigate alternatives to natural gas procurement</p>	<p>% of landlord electricity from renewable sources</p> <p>% of tenant electricity from renewable sources</p> <p>% of assets on gas alternatives</p>
Embodied carbon	Reduce embodied carbon associated with maintenance, refurbishment and new development	<p>Measure the embodied carbon of materials used in refurbishment and construction projects as per the Sustainable Design Brief</p> <p>Reduce embodied carbon by 30% by 2025 and 50% by 2030</p>	<p>Embodied carbon intensity for new developments (kgCO₂e/m²)</p> <p>Total embodied carbon (tCO₂e) for each development</p> <p>% Reduction in embodied carbon compared with design stage baseline and compared with current industry standard baselines</p>
Offsetting	Offset remaining emissions using a certified standard	<p>Develop carbon offsetting strategy for remaining emissions from our operations from 2030</p> <p>Select credible carbon offsetting schemes such as those verified by VCS and Gold Standard</p> <p>Select carbon avoidance/reduction projects where possible</p>	<p>Carbon emissions offset (tCO₂e)</p> <p>Number and type of offsetting schemes</p>
Third party verification	Ensure transparency and credibility of our net zero strategy	Undertake 3rd party verification of our progress towards NZC to provide comfort and transparency around our ESG disclosures	Number of 3rd party verified disclosures

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