

2021



Sustainable Refurbishment Guide

Fidelity International Real Estate



1. Objective

A sustainable refurbishment guide for works to Fidelity real estate

Fidelity is an experienced, active and engaged real estate investor. We seek to deliver strong long-term returns for our investors in a sustainable way.

Sustainability encompasses a broad range of issues that have a material impact on the risk and return characteristics of our investments. The active management of our property portfolios allows us to promote a positive impact on the environment, for both our occupiers and the local communities around our buildings, which in turn, we believe leads to superior financial returns.

We are pleased to present Fidelity's sustainable refurbishment guidelines for the real estate we hold in our Funds. These are designed to be flexible and not overly prescriptive, however set out the principles we use in ensuring that sustainability is considered in all aspects of the development and refurbishment work we carry out.

The overarching objective of our approach to refurbishment or development is to create enhanced investment returns by considering the impact on the environment of our activities. At Fidelity, we believe that sustainable buildings contribute to delivering long-term returns by ensuring that high sustainability standards are integrated into our projects. This is achieved through assessing, identifying and setting objectives to improve the sustainability profile of any project over and above that of any statutory requirement, where economically viable in the context of property investment.

We seek to improve the sustainability profile of any project over and above any statutory requirement, minimum best practice or accreditation e.g. EPCs, DECs, BREEAM, DGNB, LEED.

A Glossary of terms used can be found at the end of this Guide.



2. Fidelity Real Estate Sustainability Principles

Our real estate sustainable principles

As an owner and operator of real estate, we understand the impacts of our built environment and the importance of addressing these in a sustainable manner. We are continuously exploring and, where feasible, implementing solutions designed to mitigate climate change risk, reduce our carbon emissions and limit the overall impact on the environment.

Our ESG strategy identifies opportunities for efficiencies in energy and water consumption and strengthening climate resilience across the portfolio. Any efficiency projects undertaken are assessed based on return on investment for both the environment and our investors. We acknowledge that our operations have both a direct and indirect impact upon the environment. We are committed to pollution prevention, protection of the environment, compliance with all relevant legal obligations and integrating sustainability and climate risks into all processes and stages of the investment life cycle.

“Sustainability is at the heart of our approach to custodianship of Real Estate assets. As we move towards a Net Zero Carbon future, reducing environmental impact must be at the centre of all our decisions when refurbishing our assets.”



Ewan Montgomery
Portfolio Manager,
UK Real Estate

Our key principles set out in Fidelity’s Sustainable Property Investing Policy are as follows:

- 1** Deliver risk-adjusted investment performance by integrating ESG considerations into our investment processes - and document this at each stage of the investment process.
- 2** Implement sustainable practices through innovation and the sharing of best practices across our portfolios.
- 3** Act responsibly as a steward for the natural environment by addressing environmental impacts whilst also enhancing operational efficiency and values.
- 4** Recognise social impact and have consideration for the local communities in which our assets reside.

3. Development and refurbishment minimum requirements

Fidelity are stewards of assets across a number of territories in continental Europe and the United Kingdom. Our principles and aims are consistent throughout, however where specific targets are identified by reference to a specific country standard, equivalent regional standards should be adopted.

As a minimum, all refurbishment and development projects should include

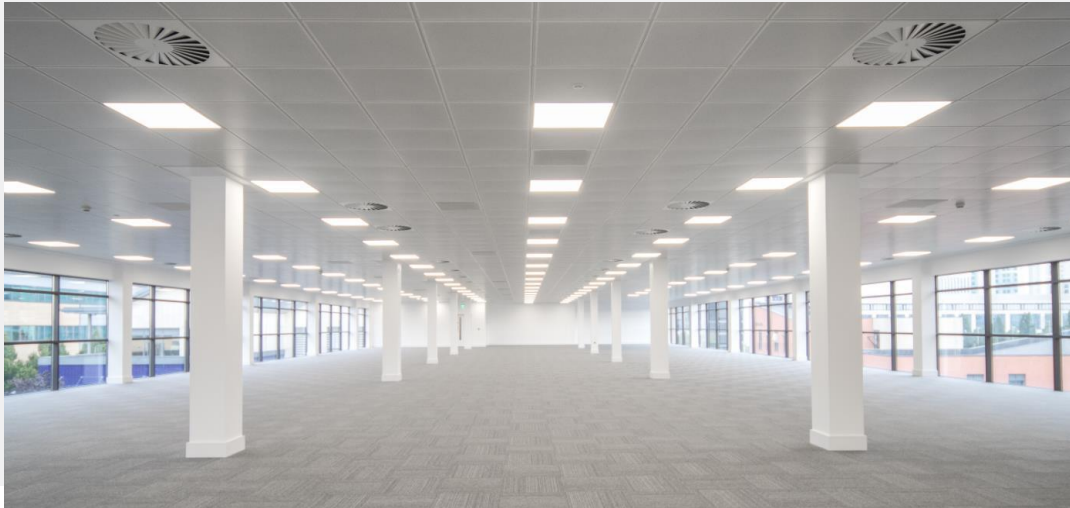
General Principles

- A commitment from the project team, from the outset, to keep sustainability, wellness and social value at the forefront of design and feasibility planning. Designs are to avoid specialisation likely to make them obsolete and encourage future proofing, including to services and systems.
- A commitment from the project team, throughout the project to strive to wherever possible ensure that sustainability, wellness and social value improvements are made to our assets, where economically viable in the context of property investment. The project team is to use design and construction techniques to maximise the sustainability benefits that are inherent in the existing structure and maximise reuse where possible.
- A commitment from the project team to communicate our sustainability policy to our consultants, contractors, suppliers and agents, and give consideration only to those who can demonstrate that they share and will implement sustainability standards consistent with our own where the project allows.
- A commitment from the project team, throughout the project to report on feasibility, analysis and progress in such improvements.
- Consideration should be given to the attainment of a 'Well-Standard'.
- The BREEAM assessor shall provide a file with the final BREEAM assessment submitted and all evidence to the client at project completion.
- The required information is to be set out in the building contract documents and delivered by the contractor or the design team and should include:
 - Building management documents
 - Asset register
 - Building user guide
 - Operation and maintenance manuals
 - BREEAM certificate, file and underlying evidence
 - EPC certificate, underlying data and evidence
 - Building drawings
 - Geotechnical surveys
 - Asbestos register
 - Any required action plans from the responsible refurbishment process
 - Building Regulations approval/certification and any warranties
 - All information required for a tenant fit out guide.

- The aim is to ensure every asset has a comprehensive manual with all technical information describing the building that would be necessary for future asset and investment management.
- A commitment from the project team, at the end of the project to provide evidence of all improvements made incorporating detailed data on quantifiable improvements wherever possible. This information shall be used for investor reporting and published case studies and must be capable of future audit. Relevant measures such as thermal/energy performance, waste volumes, energy paybacks and costs (initial and operational) shall be collated to demonstrate implementation of the initiatives. Reports should cover where relevant to the project; Energy, BREEAM, EPC, Water usage, Waste, Building fabric, Building services (M&E, controls & lifts), Renewable energy sources, Occupier welfare, Transport, Site management, Community activity, Procurement.

Specific Targets

- Particular consideration should be given to maximising use of natural ventilation, natural lighting, and preventing energy loss or leakage through the structure via improved insulating properties of materials or products specified in the development of any design solution.
- All new-build and major refurbishment projects shall incorporate best achievable approaches to issues such as access and connectivity, comfort, health and well-being, crime and security, employment, equal opportunities and diversity, health and safety, public realm, community engagement, and response to climate change.
- The design team shall specify materials with good sustainability criteria with attention to renewable sources, high energy efficiency in use, high energy efficiency in manufacture and delivery to site and longevity/adaptability throughout the life of the building. Relevant guidance and standards at the time should be considered and criteria specified to prevent substitution with less sustainable materials.
- Project design should use energy modelling where practical to optimise for energy efficiency, including:
 - Design for efficient energy use and energy management, including the use of BMS systems to intelligently use energy
 - Limit heat loss through fabric design, thermal transmission and reduction in uncontrolled ventilation to exceed U-values required by Part L of the Building Regulations (UK)
 - Maximise passive and active energy efficiency in the design
 - Consider the specification of alternative energy sources or energy efficient systems, such as renewable power, natural ventilation strategy etc.
 - Consider assessing and minimising embedded carbon
 - Specify energy efficient lighting, plant, and mechanical and electrical systems
 - Incorporate appropriately zoned lighting systems that can be controlled locally and incorporate movement sensors and timers for electrical equipment.



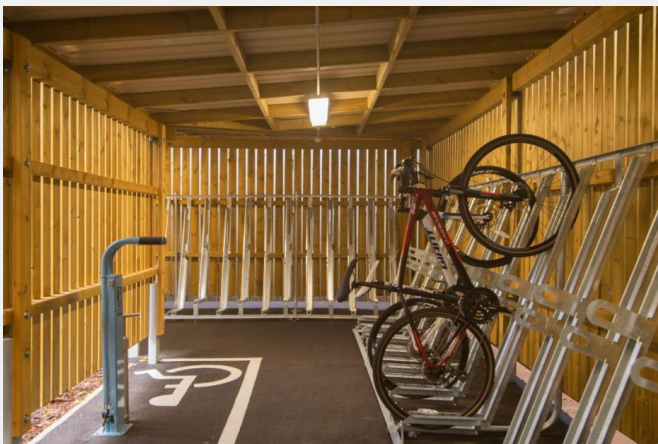
- All new-build and major refurbishment projects shall incorporate water efficiency measures and/or water recycling to reduce mains water use and incorporate water meters in the building design including:
 - Incorporate water efficient plant controls including automatic shut-off systems such as PIRs
 - Introduce water consumption monitors and water leak detection devices through Building Management Systems (BMS)
 - Identify potential wasteful water usage and minimise, e.g. excessive cleaning regime
 - Seek to implement grey water recycling
 - Procuring flood-proofed materials and developing emergency flood plans
 - Consider incorporation of porous paving/filter systems or the adoption of fully integrated Sustainable Urban Drainage (SUD) system.
- A minimum EPC rating of A is targeted for any new-build development projects, and a minimum EPC rating of B is targeted for all major refurbishment projects. On all other projects the team shall feedback and advise Fidelity on the best EPC rating that can be achieved and agree the target. The project team shall have regard to the legislation pipeline and escalation of standards for energy performance when reporting. The balance between uplift expenditure now vs future performance and asset liquidity should be considered. Where possible and economically viable, energy performance should be targeted at 10% better (or more) than currently required under Part L of the Building Regulations.
- The project team will target a minimum BREEAM rating of 'Excellent' (or such other equivalent standard) on all new build development projects, with a minimum BREEAM 'Very Good' rating sought on all major refurbishment projects. Major refurbishment is defined as a construction project that results in the fundamental remodelling or adaptation of existing elements of the building envelope, structure and renewal of key building services. And where, on completion of the works, such remodelling/renewal will materially impact on the performance of the building. The project team shall work with the BREEAM assessor to collate all evidence required to achieve timely credits.
- The project manager shall procure the BREEAM assessor at an early stage in the project to achieve credits for initial advice at feasibility, pre-assessment early in design and timely specialist reporting.
- All timber and timber products used in construction (including site timber) shall be from sustainable sources accredited by the Forest Stewardship Council (FSC) or the Pan European Forestry Council

(PEFC). All timber products used in the end-product are to be from FSC certified sources; with full chain of custody documentation issued within project documentation complied at project completion.

- All new-build and major refurbishment projects shall incorporate materials from good practice responsible sourcing routes.
- All new-build and major refurbishment projects shall incorporate materials with lower levels of harmful emissions (e.g. low VOC content) specified.
- Design for waste reduction initiatives shall be implemented in all new-build and major refurbishment projects.
- Within the overall specification for any project we will aim to identify a minimum of 20% (weight/volume) of materials and products used are from recycled or reclaimed sources.
- The design team shall follow a site waste management plan for all projects and consider waste generation during the design process to minimise unnecessary waste from demolition or from new materials on site. Recycling, reuse and restoration shall be incorporated in the design. The Contractor shall optimise best practices on site for waste recycling (reuse, etc), reduction of new materials wastage, avoidance of pollution, reduction of transport impact, and reduction of energy and water usage/wastage on site. All reasonable efforts should be made to sort and recycle construction waste on site.
- For major projects, all contractors and construction projects shall be Considerate Constructors Scheme (CCS) (UK) registered.
- The project team shall vet suppliers and contractors (or delegate this through the contract chain) to select suppliers utilising ethical and environmentally friendly sources, with fair employment terms and co-operation with sustainability best practices. Specifications shall include requirements to collect data to support the sustainability targets such as evidence for BREEAM points and minimum standards under the CCS.
- The Contractor shall be required to commit to achieving zero reportable health and safety incidents as part of the works.
- All new-build and major refurbishment projects shall incorporate adequate sustainable transport features where possible e.g. cycle storage facilities, electric car charging.
- The design should consider incorporating the facility for occupiers to control glare, such as space for the installation of blind boxes and consider the use of solar shading to reduce solar gain into the building.
- The project team shall design and install utility metering and monitoring for each demise wherever possible, incorporating sub metering to large demises.
- Where possible, the design should promote the use of external break-out meeting or leisure spaces.
- The project team shall determine a pathway to delivering a strong Wiredscore certification / Ewave connectivity report or equivalent demonstrating the facilities available at the asset.

Fidelity are keen to give something back to the community they are to be impacting through construction works and who they are ultimately to be long term neighbours with where economically viable in the context of property investment. We aim to only contract with consultants and contractors who share our outlook.

- Assets should have a positive impact on the local community. Where possible, refurbishments should:
 - Employ local labour
 - Support apprenticeships and assist local employment
 - Appreciate the social impact of developments and be sensitive to local noise pollution and traffic disturbances



4. Further aspirational targets

Where it is appropriate to incorporate, development and refurbishment should include

- Employing a strategy to promote, maintain and improve sustainable transport and travel options. All new-build and refurbishment projects should have a tailored travel plan.
- Encouraging biodiversity control and improvement plans such as improved landscaping or roofscapes, and where possible prepare a biodiversity action plan to minimise the loss of the ecology on the site, identify methods of protection, improvement, replacement or relocation required.
- A feasibility study of low and zero carbon technologies, including district heating networks, CHP and renewables shall be undertaken for new-build projects, and shall be considered for major refurbishment projects.
- The delivery team is to consider the wellbeing of future building occupants and design to achieve good solutions for human health and wellbeing.
- Consider adopting measurement criteria early in design and where appropriate incorporate external auditing to better inform prospective occupiers such as FITWEL or Well-Standard. This will aid a focus on air, water, nourishment, light, fitness comfort and may be appropriate in larger projects. This provides an incoming tenant with the data for the shell to which they can add their fit out and operations.
- Where possible, an assessment should be made using a whole life carbon assessment for the built environment in line with RICS principles. Such an assessment will provide an understanding of a build project's total carbon impact including both the operational emissions considered under BREEAM or LEED, as well as the embodied emissions emitted throughout the operational life of the asset. In the design stage of a major project, assessment and comparison of different whole life carbon scenarios are expected to be completed and reviewed in the format of the RICS Professional Statement on Whole Life Carbon Assessment.

“In designing this guide, we have not tried to dictate the approach in every possible scenario. We have instead created a set of overall principles to demonstrate to the teams we work with on refurbishments that all refurbishment decisions should seek to incorporate sustainability improvements wherever possible.”



Mirjam Raschka
Head of European
Asset Management

5. Glossary

- BREEAM - Building Research Establishment Environmental Assessment Method
- BMS - Building Management System
- CHP - Combined Heat & Power
- DEC - Display Energy Certificate
- DGNB - Deutsche Gesellschaft für Nachhaltiges Bauen (German Sustainable Building Council)
- EPC - Energy Performance Certificate
- ESG - Environmental Social & Governance
- Ewave - Building connectivity rating - Ewave Consulting Ltd
- Fitwel - Building health rating - Fitwel & Design U.S. Department of Health & Human Services
- FSC - Forest Stewardship Council
- LEED - Leadership in Energy and Environmental Design
- M&E - Mechanical and Electrical
- PIR - Passive Infrared Sensor
- RICS - Royal Institution of Chartered Surveyors
- U-Value - Measurement of thermal transmittance
- VOC - Volatile Organic Compounds
- Well Standard - Building health and wellbeing rating - International Well Building Institute
- WiredScore - Digital connectivity rating - WiredScore





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