

July 2020



# Sustainable Property Investing

---

Fidelity Real Estate

Last update: [Month Year]



# Sustainable Property Investing

## Introduction

Fidelity Real Estate<sup>1</sup> 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 see investment performance and sustainability considerations as being inexorably linked. In order to deliver attractive risk-adjusted returns, sustainability must be embedded in our investment approach. The majority of investors and tenants alike make long term commitments to buildings and it is thus essential that we research, analyse and integrate sustainability considerations through the entire life-cycle of ownership, from acquisition, ongoing management, refurbishment, development and ultimately disposal.

<sup>1</sup> Fidelity Real Estate is referring to the business unit of Fidelity International executing direct real estate investments on behalf of institutional clients.



## Our principles

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 apply best practices across our real estate 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 properties are located.



# Applying our sustainability principles to Real Estate Investments

Application of these ESG principles increases the appeal of a property to both tenants and investors, and reduces operational costs and risks, resulting in improved risk-adjusted returns. The long-term value of a property investment is strengthened by increasing climate change resilience, limiting the risk of regulatory non-compliance or and improving its competitive position in the market.

Our aim is to incorporate the management of ESG risks and opportunities into our day-to-day business operations, whether we are looking to acquire, develop or hold the asset.

The below chart details the steps we may take at each stage of the process:

## Sustainability throughout the life cycle of ownership



# Applying our sustainability principles to data analysis and governance

Fidelity International Real Estate's sustainability strategy is underpinned by hard data, clear governance and disciplined targets.

## Quantitative analysis

To ensure sustainability principles are met, an environmental management system (EMS) has been established, aligned to the internationally recognised standard, ISO 14001. This framework enables the structured recoding of our sustainability objectives and targets. It will assist in the assessment, the development and continual improvement of environmental performance - to the benefit of the real estate business, stakeholders and, ultimately, society at large.

We measure the sustainability performance of both our funds and individual properties with a recognised external benchmark: the internationally adopted Global Real Estate Sustainability Benchmark (GRESB) scheme. We also use third-party certification schemes for appropriate local property markets (e.g. BREEAM, LEED, DGNB, HQE etc.).



## Strong Governance Structure

To ensure that the ethos of our sustainability policy is reflected in practical day-to-day activities, the Real Estate Management Committee requires the Policy to be monitored. To put this into practice:

- Investment Committee papers to include an assessment of sustainability issues
- Annual asset business plans will likewise address sustainability factors
- Independent external benchmark (e.g. GRESB) is used to measure our progress
- Individual and team goals are aligned to sustainability targets

In addition, we have created a Sustainability Steering Committee, consisting of our most senior asset managers, real estate operations professionals, and sustainability experts from Fidelity outside of the real estate team. This committee is tasked with setting sustainability strategies for our portfolios, assessing practicalities in delivering on the Policy, and setting ambitious targets for improvement.



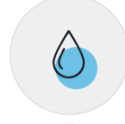




For its ESG efforts, Fidelity's Real Estate Team also draws on external sustainability consultants that support our due diligence efforts pre-acquisition, highlight potential ESG improvement projects, carry out data collection for external ESG reporting and keep us up to date on market and regulatory changes.

## Our Sustainability Goals

Embedding sustainability across our whole investment approach, serves as a foundation upon which we can achieve measurable 'ESG' impacts in our property portfolios. By adopting a disciplined approach of actively managing ESG factors throughout the property life cycle, we aim to achieve more resilient, sustainable property portfolios which we believe will ultimately enhance value and deliver better performance for our clients.

We have clearly defined goals and targets which will be measured and reported on annually. Some of these include:

-  Increase coverage of BREEAM / LEED certification across our portfolios for each of the next five years
-  Reducing energy consumption by 3% per year and carbon emission by 25%, from 2018 baseline, by 2023 at managed buildings
-  Reduce water consumption by 10%, from 2018 baseline, by 2023
-  Increase overall on-site recycling to an average of 50%, from 2018 baseline, by 2023 at managed buildings
-  Achieve a score of 80 in GRESB by 2023

Note: Energy, water and waste targets relate to performance that is under Fidelity's operational control. In practical terms this is where we are directly responsible for controlling consumption in our buildings.

In summary, our focus and commitment are on embedding sustainable investing across every aspect of our Real Estate activities and across the entire life cycle of every property. We have set ambitious, but pragmatic targets to continually improve our ESG performance and to ensure independent measurement of our progress and these targets will continue to be reviewed.

*A copy of our full policy document can be made available on request.*

## Contact Information:

If you have any questions, or would like further information, please contact:



**Adrian Benedict**  
Head of Real Estate Solutions  
[adrian.benedict@fil.com](mailto:adrian.benedict@fil.com)



**Isabella Nicoll**  
Investment Specialist  
[isabella.nicoll@fil.com](mailto:isabella.nicoll@fil.com)

## Important information

This information must not be reproduced or circulated without prior permission.

Fidelity only offers information on products and services and does not provide investment advice based on individual circumstances, other than when specifically stipulated by an appropriately authorised firm, in a formal communication with the client.

Fidelity International refers to the group of companies which form the global investment management organisation that provides information on products and services in designated jurisdictions outside of North America. This communication is not directed at, and must not be acted upon by persons inside the United States and is otherwise only directed at persons residing in jurisdictions where the relevant funds are authorised for distribution or where no such authorisation is required.

Unless otherwise stated all products and services are provided by Fidelity International, and all views expressed are those of Fidelity International. Fidelity, Fidelity International, the Fidelity International logo and F symbol are registered trademarks of FIL Limited.

Issued by: FIL Pensions Management. Authorised and regulated by the Financial Conduct Authority / FIL (Luxembourg) S.A., authorised and supervised by the CSSF (Commission de Surveillance du Secteur Financier) / FIL Investment Switzerland AG / FIL Gestion, authorised and supervised by the AMF (Autorité des Marchés Financiers) N°GP03-004, 21 Avenue Kléber, 75016 Paris. For German Wholesale clients issued by FIL Investments Services GmbH, Kastanienhöhe 1, 61476 Kronberg im Taunus. For German Institutional clients issued by FIL (Luxembourg) S.A., 2a, rue Albert Borschette BP 2174 L-1021 Luxembourg. For German Pension clients issued by FIL Finance Services GmbH, Kastanienhöhe 1, 61476 Kronberg im Taunus.