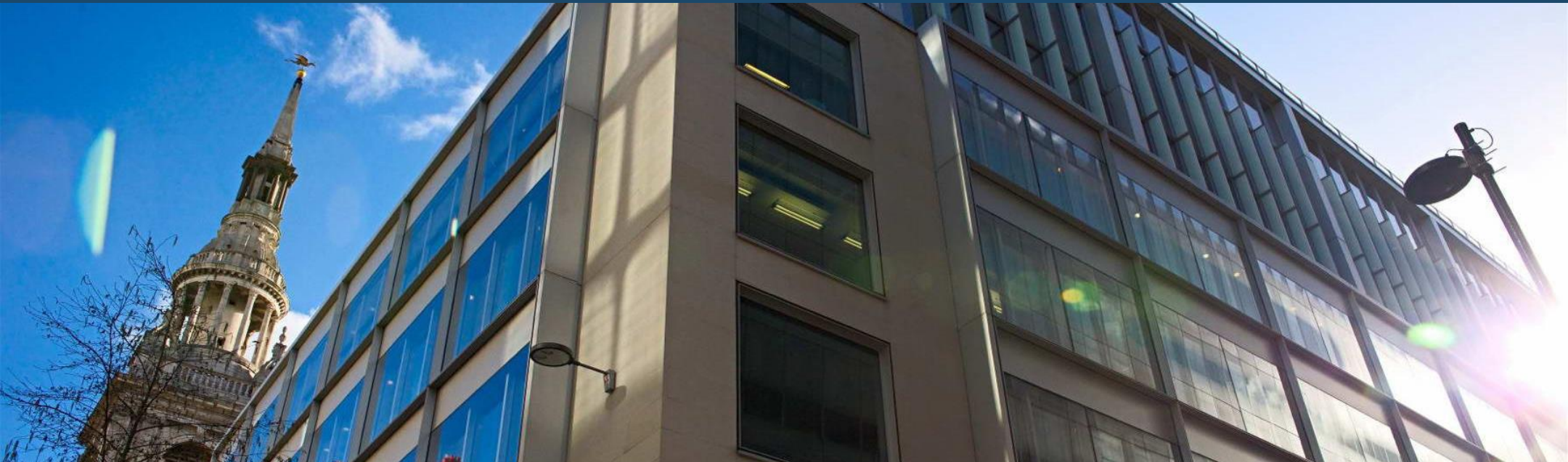


ACQUISITIONS SUSTAINABILITY TOOLKIT LAUNCH

11TH JULY 2017



Agenda for the morning

- 08:30 Welcome
Andrew Creighton, Head of Europe, Aberdeen Asset Management
- 08:40 Launch of BBP Acquisitions Sustainability Toolkit
Sarah Ratcliffe, Programme Director, BBP
- 09:00 Panel Discussion and Q&A
Robert Cass, Head of UK Property Transactions, Aberdeen Asset Management
Dan Grandage, Head of Responsible Property Investment, Aberdeen Asset Management and Chair of the BBP Investor Engagement Working Group
Neil Loescher, Senior Managing Consultant, Ramboll Environ.
Abigail Dean, Head of Sustainability, TH Real Estate

The BBP is...

A collaboration of the UK's leading property owners who work together to improve the sustainability of the UK's existing commercial buildings.

Our aim is to...

Enable market transformation through sustainability leadership and knowledge sharing across the property industry.

Members

Aberdeen

AVIVA INVESTORS

Blackstone

British Land

bruntwood

CADOGAN

CANARY WHARF GROUP PLC

Capital & Regional

CLS Holdings plc

CORDING REAL ESTATE GROUP

THE CROWN ESTATE

Deutsche Asset Management

GREAT PORTLAND ESTATES

GROSVENOR

Hammerson

HERMES INVESTMENT MANAGEMENT

intu

LandSecurities

LaSalle INVESTMENT MANAGEMENT

Legal & General Investment Management

LOW CARBON WORKPLACE Partnership

M&G REAL ESTATE

Schroders

SEGRO WHERE BUSINESS WORKS

Shaftesbury

TH Real Estate

Transport for London

WORKSPACE

28

Members

+£180bn

Assets Under Management

450m

sq ft

BBP | BETTER BUILDINGS PARTNERSHIP

Managing Agents Partnership



11
agents



+26,000
properties



~1 billion
sq ft

Our Objectives

SHARE KNOWLEDGE

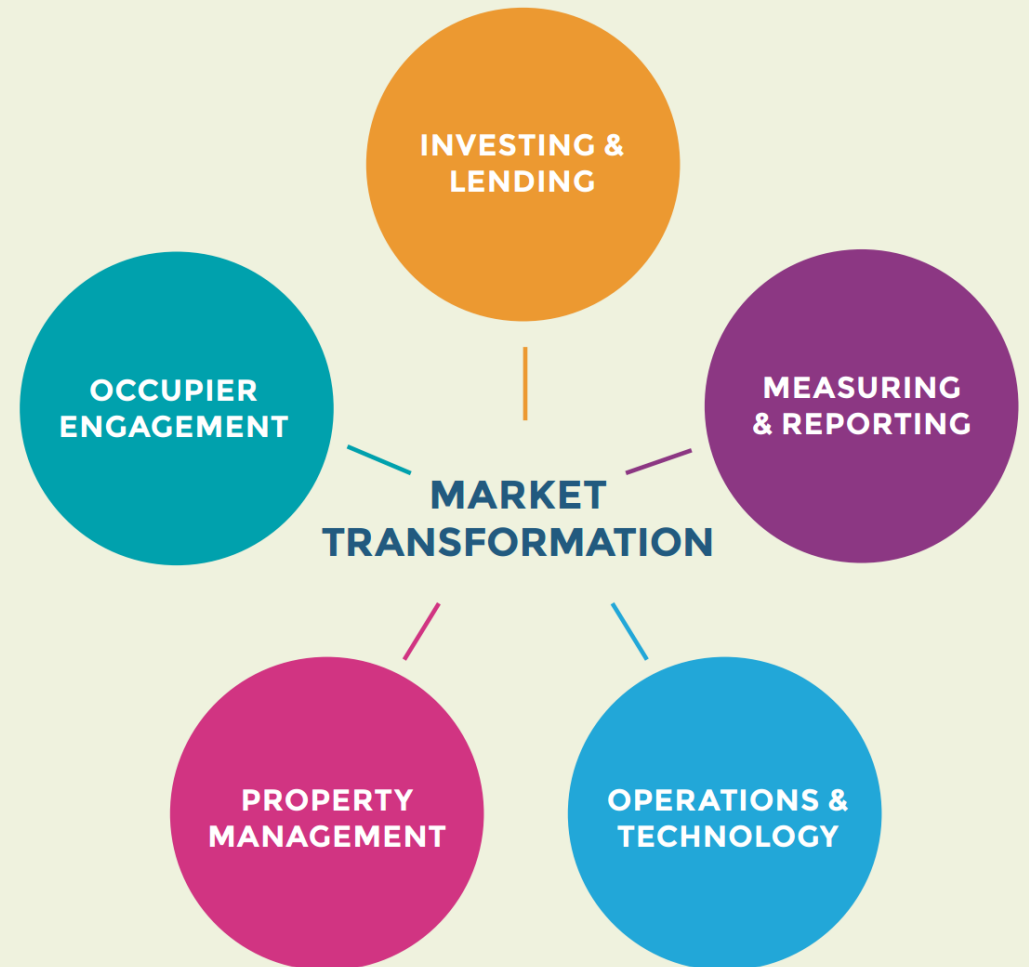
DEMONSTRATE
LEADERSHIP

PROMOTE
INNOVATION

INFLUENCE THE
SECTOR

SUPPORT
COLLABORATION

Our Priorities



Acquisitions Sustainability Toolkit



What was the challenge?

- Growing sustainability risks and opportunities
- Property owners increasingly developing comprehensive sustainability / ESG strategies – all about taking prudent action to deliver long-term performance.
- But how to embed into acquisitions?
 - Identifying investment critical items
 - Impact on pricing and value retention
 - Integration into property portfolio
- Members felt there was a lack of a standardised approach regarding to what information should be requested and how that information should be used.

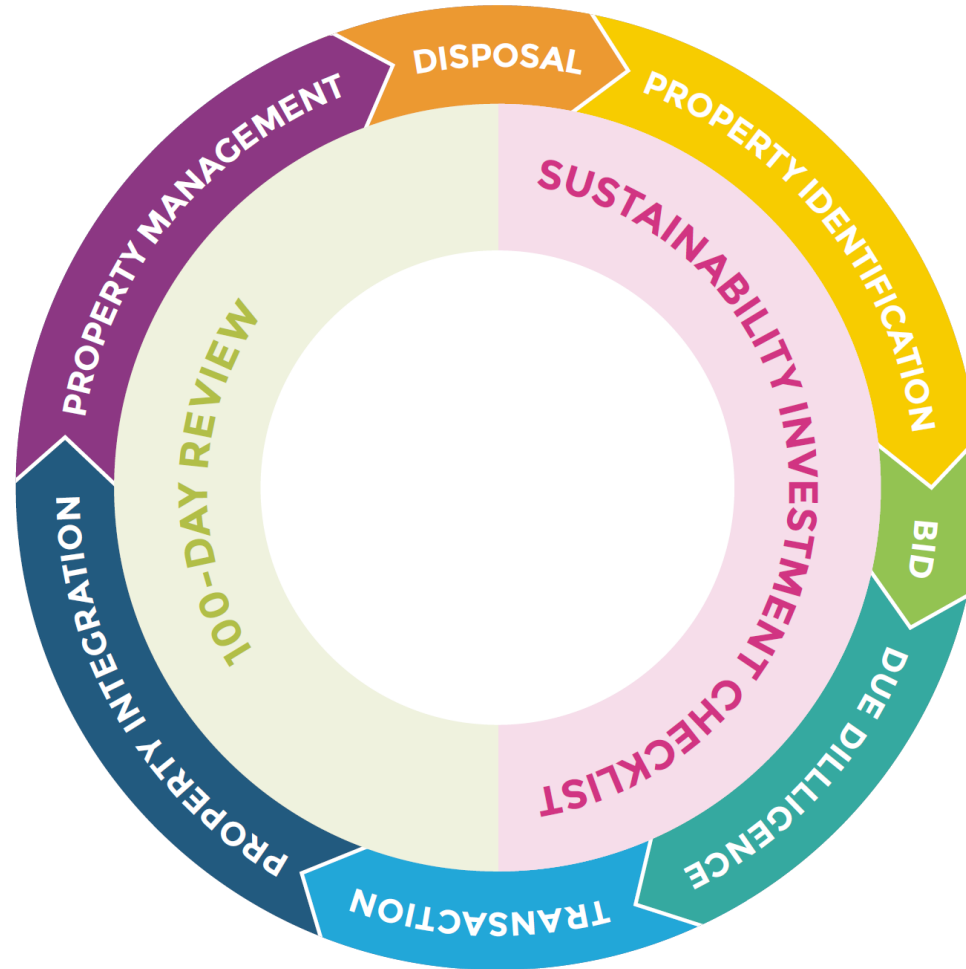
Who is it for?



What does it provide?

Topics

1. Information integration
2. Outstanding information requests
3. Information quality
4. Management of risks and opportunities identified
5. Roll-out into property management and asset management plans



Topics

1. Environmental Certification & Ratings
2. Building Fabric & Material
3. Building Services
4. Utility arrangements & Metering
5. Environmental & Climate Change Risk
6. Socio-economic risks
7. Property Management
8. Energy Efficiency
9. Water efficiency
10. Waste management
11. Health, Wellbeing & Occupier engagement
12. Biodiversity
13. Transport

How should it be used?

- Designed to be *practical* and *flexible*.
- To be *reviewed* by investment and acquisitions teams to determine what information is *material* to their business & what should be *incorporated* within their own process.
- Supports the development of processes to *review* and *integrate* information into *property and asset management plans*, as well as how to record and store information

Investment Checklist

Investment Critical	Items that could have a material impact on an investment decision from a regulatory or financial aspect, and where a negative appraisal may preclude investment. It is likely such items will be considered as part of any pre-bid decision making, prior to entering into the post-bid due-diligence phase.
CAPEX implication	Items which may require capital expenditure.
Required information	Information relating to legal compliance or that should be required as a minimum.
Supports 100-Day Review	Information that is considered best-practice. This information is particularly useful post-acquisition as part of a 100-Day Review to ensure a smooth transition of ownership for the occupiers and integration onto the new property owner's relevant management systems. Requesting such information during due-diligence will also reduce future costs of commissioning any survey/reviews which historically may have been undertaken by the previous owner.

Investment Checklist

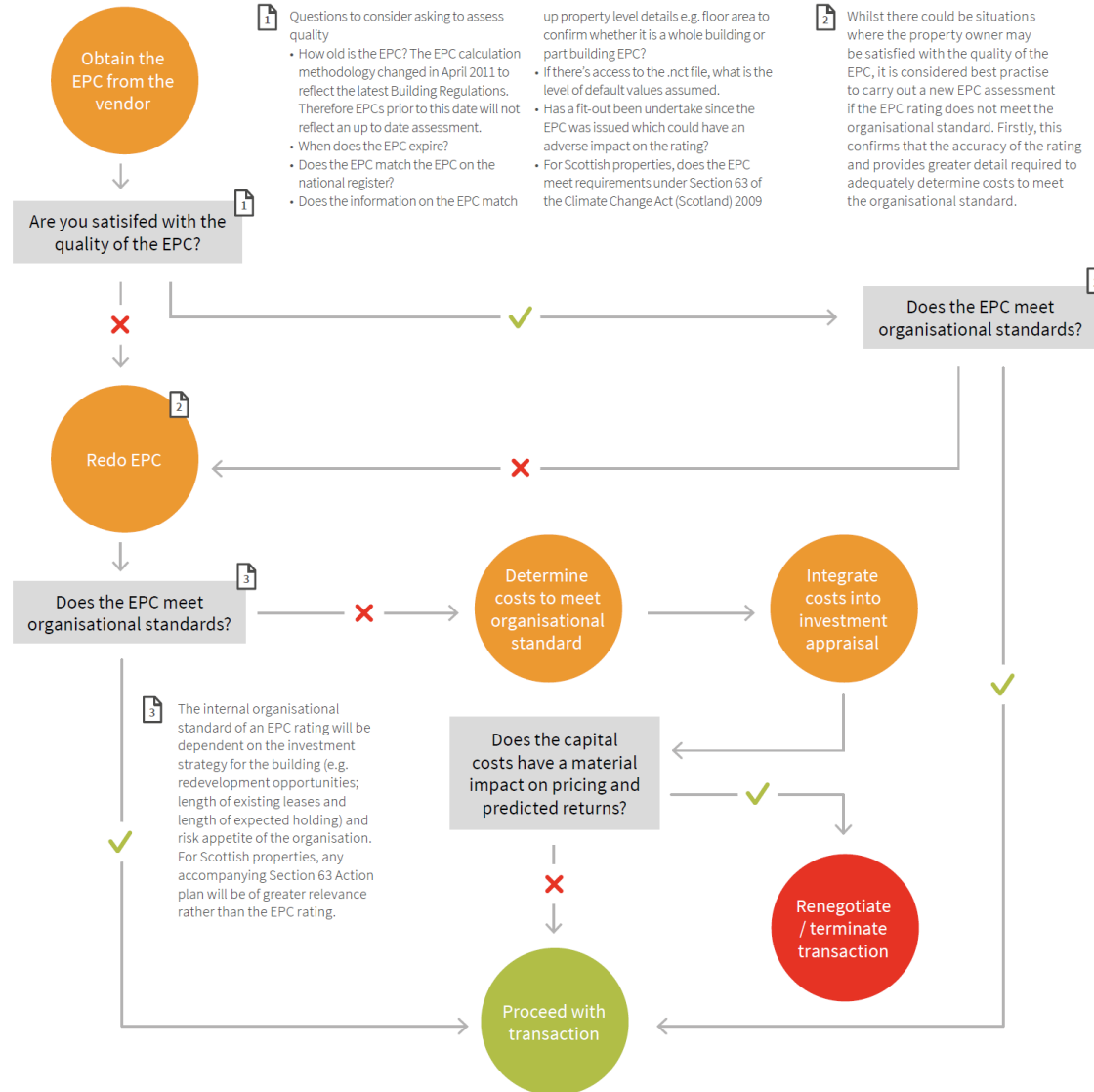
Environmental Certification and Ratings

	How information should be requested / sourced	Response	Additional Requirements	Supplementary Information	Nature of Impact
1 What is the EPC rating?	Within CPSE, Marketing Brochure & National EPC Register	Rating	<p>Request the certificate, the recommendation report, .nct files, and any supplementary information available.</p> <p>Confirm whether the provided information matches what is listed on the National EPC Register.</p> <p>For any F or G rated building check whether the property is listed on the exemptions register.</p> <p>In Scotland, action plans should be requested for properties and/ or units over 1,000m2.</p>	<p>Energy Performance Certificates (EPCs) advise on the potential energy efficiency of a building and are required by law when a building is built, sold or let. The EPC displays a grade from A (best) to G (worst) and a numerical score and is valid for a period of 10 years.</p> <p>An EPC is used to determine whether there is a material risk in relation to The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 or The Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016.</p>	Required information
2 Is there a material Minimum Energy Efficiency Standards risk in relation to The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 or The Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016?	<p>Internal review based on EPC.</p> <p>See Assessing MEES Risk Decision Tree to support decision making.</p>	Yes / No	<p>As outlined in the Decision Tree, depending on the initial review of the EPC and how this compares to organisational standards, a new EPC assessment may be deemed necessary.</p> <p>If works are required to bring the property up to the organisational standard then these costs should be factored into the investment decision making.</p>	<p>For properties in England & Wales, Minimum Energy Efficiency Standards make it unlawful to rent out residential or business premises that do not reach a minimum energy performance standard, with that standard currently set at Energy Performance Certificate (EPC) rating "E". This applies to all new leases from 1 April 2018 and all privately rented property (existing leases) within the scope of the regulations by 1 April 2023.</p> <p>For properties in Scotland, from October 2016 all lease and lease renewals over 1,000m2 are required to meet 2002 Building Regulations. EPC assessments post October 2016 confirm if this is the case or not. Any building not meeting these standards is required to have a Section 63 Action Plan which sets out the measures needed to be implemented within a 3.5-year timescale.</p> <p>The internal organisational standard of an EPC rating will be dependent on the investment strategy for the building (e.g. redevelopment opportunities; length of existing leases and length of expected holding) and risk appetite of the organisation. For Scottish properties, any accompanying Section 63 Action plan will be of greater relevance rather than the EPC rating.</p> <p>For further information see The non-domestic Private Rented Property minimum standard – landlord guidance (for properties in England & Wales) and S63-001 – Improving Energy Performance and Emissions in existing Non-Domestic Buildings – a guide for owners (for properties in Scotland)</p>	Investment Critical

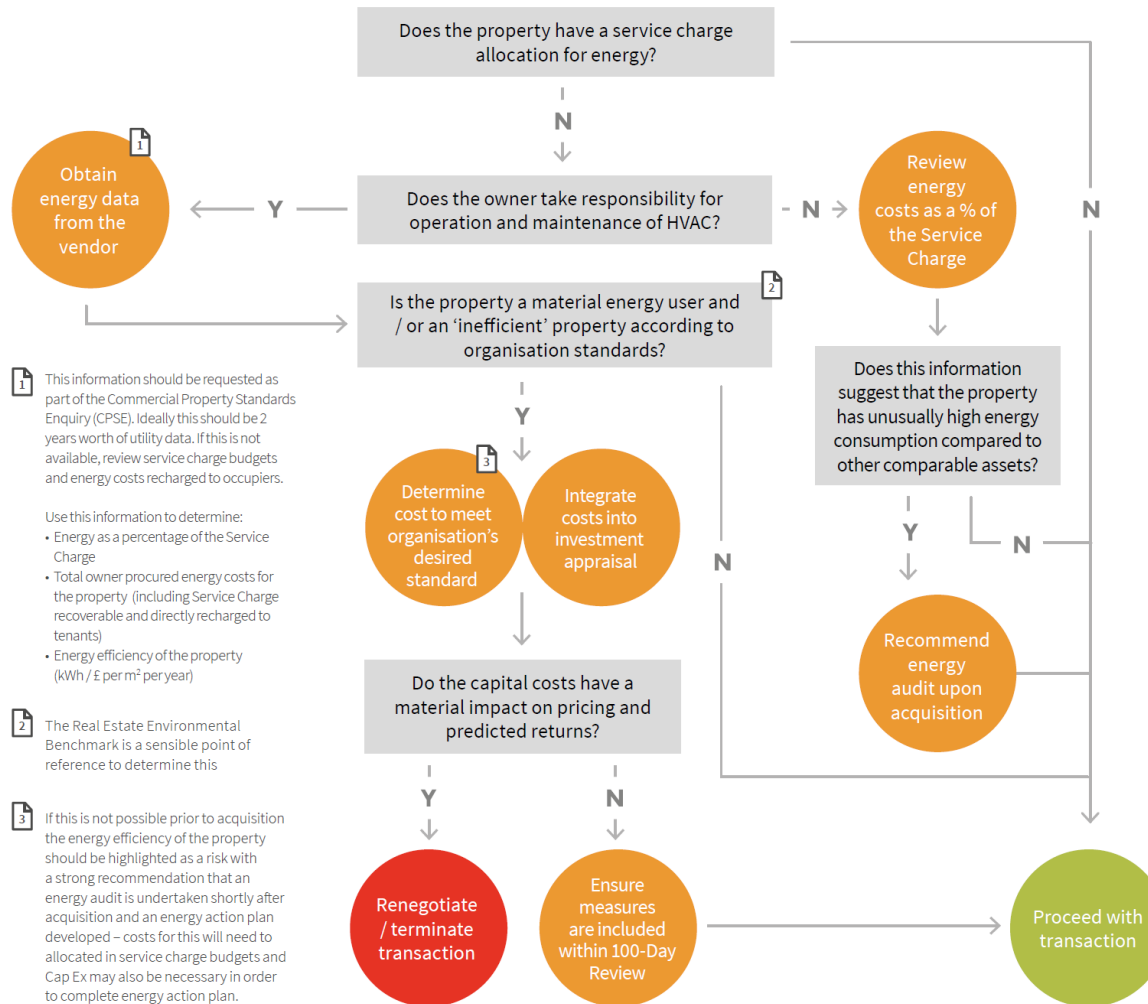
Investment Critical Decision Trees

- a. **Minimum Energy Efficiency Standards (MEES) Risk (and equivalent for Scotland).**
- b. **Flood risk**
- c. **Land contamination**
- d. **Impact on portfolio operational performance**

Minimum Energy Efficiency Standards

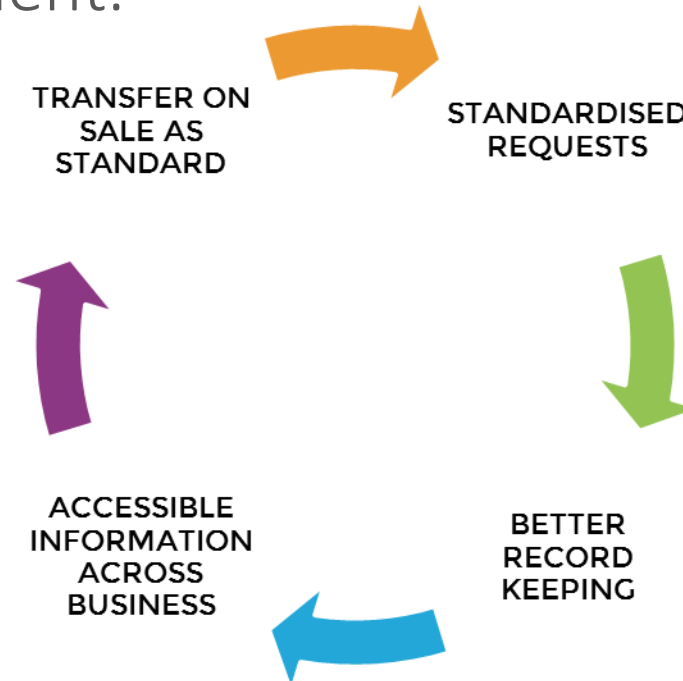


Impact on portfolio operational performance



100-Day Plan

- Equally important to asking the right questions is how you use it post-acquisition.
- Suggests a process to ensure smooth transition into on-going management.



Member endorsements

Aberdeen

 AVIVA
INVESTORS

Capital &
Regional

 CLS Holdings plc


GROSVENOR

 Hammerson


Landsec

 LaSalle
INVESTMENT MANAGEMENT®


Legal &
General
INVESTMENT MANAGEMENT


M&G
REAL ESTATE

 TH Real Estate

THE CROWN
 ESTATE


WORKSPACE®

 BBP | BETTER
BUILDINGS
PARTNERSHIP

Next steps



Thank you!

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Head of Sustainability
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Keeping in touch with the BBP

