

A low-angle photograph of several modern glass skyscrapers reaching towards a blue sky with scattered white clouds. The buildings are reflected in each other's glass facades.

Climate Risk and Opportunity Management Approach Disclosure

Fiera Real Estate TCFD Report



INTRODUCTION

Climate change is an existential threat to businesses and society. The scientific consensus is clear: global emissions must be cut in half by 2030 and reach net-zero by 2050 to limit global average temperature rise to 1.5 degrees Celsius. The United Nations Framework Convention on Climate Change ("UNFCCC") COP26 stressed the urgency of greater climate ambition, specifically mobilizing private capital to transition the world to net-zero.

As the world charts its path to net-zero, the effects of climate change are already being felt. The increased frequency and severity of extreme weather events – including extreme heat, fires, droughts and flooding – underscore the importance of ambitious, immediate action.

Fiera Real Estate ("FRE") understands that we have a role to play in both mitigating and adapting to climate change. In our ESG strategy, 'Resilient' is one of our core pillars and climate is a key focus area for our business (encompassing the transition to a low-carbon economy and resilience building).

As part of FRE's responsibility to contribute to climate solutions, we are disclosing our climate management approach in accordance with the Financial Stability Board's Taskforce on Climate-Related Financial Disclosure ("TCFD") framework. The TCFD framework is a globally recognized initiative for managing and disclosing climate risks and opportunities. The TCFD framework aims to provide reliable climate-related financial information so financial markets can accurately appraise and price climate-related risks and opportunities. We are committed to continuously disclosing and strengthening our approach to climate risks management and identifying opportunities.

This document is structured according to the TCFD framework's four categories:



Governance



Risk Management



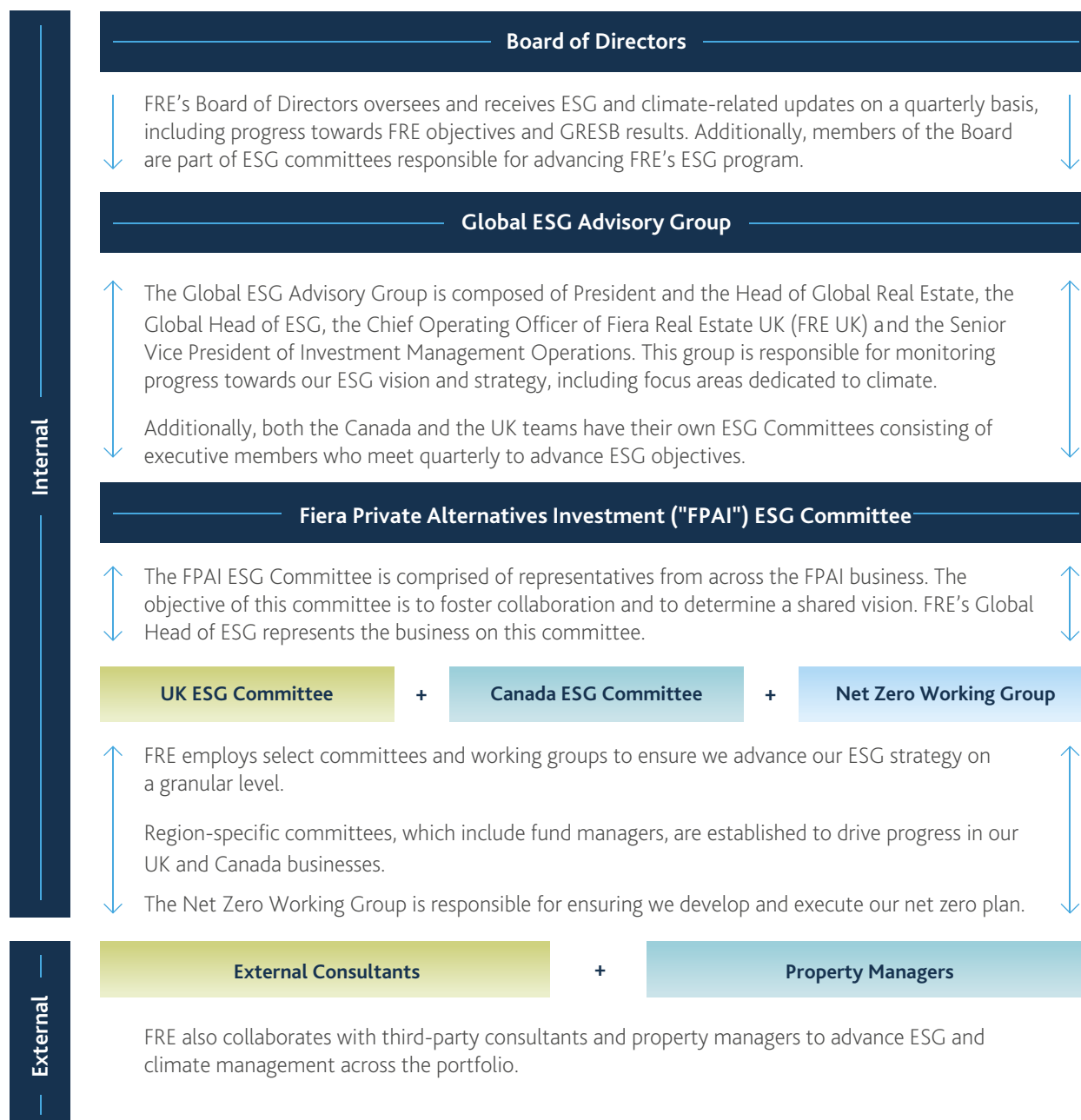
Strategy



Metrics and Targets

Governance

Climate change is governed through existing ESG management structures at FRE, which facilitate the oversight and integration across our business.



Moving forward

- Standardize climate updates to the Board of Directors
- Expand climate risk into due diligence assessments in Canadian business

Strategy

Our business strategy faces significant risks and opportunities related to climate change. To address these risks and opportunities, we have integrated climate considerations into our business strategy and processes. “Resilient” is a key pillar of FRE’s ESG strategy, with climate being a key focus area. For FRE, climate management encompasses adaptation (i.e. protect our portfolio from climate risks) and mitigation (i.e. reduce our greenhouse gas footprint).

On the next page, we outline short-term (1-5 years) and long-term (5+ years) physical and transition risks, as well as key opportunities and how they impact our business. In the “Risk Management” section, we summarize how we manage these impacts across our business functions.



Risk identification process

In 2021, FRE initiated a working group that included our SVP Investment Management Operations, COO of FRE UK, and Global Head of ESG as well as external ESG consultants. This working group reviewed key risks and opportunities and validated their potential impacts on our organization. Through this process, we also identified opportunities to strengthen climate risk management. See 'Moving forward' section for more details.





Physical risks

Climate-related physical risks come in two forms¹:

- Acute (event-driven) physical risks include more frequent and severe extreme weather events such as forest fires and floods
- Chronic (long-term shifts) physical risks include gradual changes in conditions and weather patterns such as sea level rise

FRE has identified a list of short- and long-term risks with associated impacts on our business.

Table 1: Physical climate risks and business impacts

RISKS		BUSINESS IMPACTS
SHORT TERM	• Extreme storms • Extreme winds • Extreme heat • Fluvial flooding • Coastal flooding • Wildfire • Extreme cold	• Damaged assets from extreme weather events • Reduction in value of high-risk assets, potential for stranding • Increased cost to invest in specialized material and equipment at high-risk assets • Changes in weather impact investment decisions • Operational disruptions and lower renewals in high-risk assets • Increased insurance rates

RISKS		BUSINESS IMPACTS
LONG TERM	• Rising sea levels • More frequent extreme events • Higher average temperatures	• Higher operational costs including increases in energy and water prices and maintenance costs • Increased development costs and delays including development premiums for resilient assets • Supply chain disruption • Increased risk to tenant safety

¹ "Advancing TCFD Guidance on Physical Climate Risks and Opportunities," European Bank, Global Centre of Excellence on Climate Adaptation, 2018

Transition risks

Transition risks and opportunities arise from the transition to a low carbon economy. Transition risks include the policy, legal, technology and market changes required to mitigate and adapt to climate change.²

Table 2: Transition risks and business impacts

RISKS		BUSINESS IMPACTS
SHORT TERM	• Increased pressure from investors to strengthen asset resilience and target net-zero • Increased tenant demand for sustainable, low carbon assets • Changing public perception around management of climate crisis • Evolving regulations for disclosure and building operations, new net-zero codes • Affordability of renewable energy and energy storage technology • Supply chain advances net-zero initiatives	• Increased resources and compliance costs required to address emerging regulations • Limited access to capital if unfulfilling investor expectations • Cost to upgrade existing assets in-line with net-zero • Marginal cost to align developments with net-zero • Lower rent and risk of stranding if not meeting regulatory or market standards • Higher operational costs from increase in carbon tax and grid decarbonization • Incorporation of renewable energy lowers operational costs and GHG footprint • Increase cost of materials • Change in public perception and reputation
LONG TERM	• Increased carbon pricing • Displacement of old heating systems (e.g. fuel-based) • Minimum efficiency requirements • Further electricity grid decarbonization	

² "Recommendations of the Taskforce on Climate-Related Financial Disclosures," Financial Stability Board, 2017.



Opportunities

Managing our physical and transition risks is required to avoid the worst consequences of climate change, but also presents opportunities for our business. We have identified key opportunities that will allow us to capitalize on global progress towards climate mitigation and adaptation.

Our focus on innovation and collaboration will help us address challenges and take advantage of opportunities within our business and supply chain. Key opportunities include:

- ▶ **Protect value:** assess portfolio exposure to climate change and implement resilience features and processes; incorporate climate data into development and investment processes
- ▶ **Reduce insurance costs:** demonstrate strong climate management practices in negotiations
- ▶ **Generate revenue and reduce operational costs:** integrate renewable energy where possible and strengthen energy efficiency of assets
- ▶ **Strengthen risk management practices:** develop board oversight of climate risk
- ▶ **Maintain access to capital:** develop net-zero plan and strengthen resilience of our portfolio to meet evolving investor expectations
- ▶ **Stay ahead of regulations:** ensure disclosures and management practices exceed regulations
- ▶ **Modernize portfolio and meet tenant demand:** maintain a portfolio of efficient and resilient assets to meet evolving demand
- ▶ **Strengthen collaboration:** engage our partners to achieve mutual climate objectives
- ▶ **Differentiate ourselves as leaders:** demonstrate our commitment to a low carbon economy and reduce our impact on climate change through effective management and reporting of our impact and climate-related risks



Moving forward

- ▶ Apply scenario analysis to better understand our risks and impacts to better inform financial and risk planning



Risk management

Corporate risk and opportunity management

In 2021, our parent company, Fiera Capital Corporation, signed on to the Net Zero Asset Manager's ("NZAM") Initiative. NZAM is a leading group of asset managers supporting the goal of net-zero greenhouse gas ("GHG") emissions by 2050 to limit warming to 1.5 degrees Celsius³. Joining NZAM is an opportunity to align our business with global net-zero targets and we are currently undertaking analysis to determine FRE's contribution to this initiative.

Our Sustainability Technology Working Group is a multi-disciplinary group tasked with identifying, assessing and deploying sustainability related technologies. To date, technologies have focused on greenhouse gas reduction (e.g. renewable energy assessment, smart metering, net-zero carbon assessments) and strengthening portfolio resilience (e.g. climate risk data analysis). We also conducted climate risk training for all employees and will continue to do so as our internal practices evolve.

Table 3: Climate risk and opportunity management by business unit

BUSINESS UNIT	APPROACH
ASSET MANAGEMENT	• Procured third-party physical climate risk data to assess intrinsic portfolio risk • Collaborated with risk specialists to develop a proprietary tool and process to identify resilience practices (e.g. emergency response plans, sump pumps for flooding) and evaluate risk assets • Deployed the risk tool to Canadian assets and incorporated the results into our internal data management system • Developed ESG resilience scorecard in the UK to adequately assess ESG risk exposure, pricing and long-term resilience of potential and existing assets • Incorporate ESG criteria into asset budgeting • Certify majority of assets to BOMA BEST to standardize strong ESG operations across our Canadian portfolio • Quantify and report GHG emissions annually • Conducted net-zero studies assets to determine pathways to reduce GHG emissions • Created an ambitious roadmap for our Fiera Real Estate Long Income Fund (UK) on how to achieve net-zero carbon • Our Fiera Real Estate CORE Fund (CAN) is currently building a net-zero carbon pathway with Purpose Buildings and Quinn & Partners
INVESTMENT	• Conduct review of ad hoc climate risks (e.g. flooding) based on location of asset • Insurance underwriting includes review of select physical climate risks • Utilize the ESG resilience scorecard to assess and score ESG risk exposure during due diligence for all investments
DEVELOPMENT	• Engaging in preliminary talks with stakeholders on net-zero requirements • Align with certifications where appropriate • Incorporate ad hoc climate risks in design and site selection • Established minimum ESG and climate-related requirements for new developments in our Sustainable Design Brief ("SDB")

³ "Net Zero Asset Managers Initiative," accessed December 3, 2021 <https://www.netzeroassetmanagers.org/>

Moving forward



Corporate

- Integrate ESG considerations, including climate risk management, into supply chain to prevent disruptions
- Maintain knowledge of existing and new climate-related regulations
- Set short-term GHG reduction and long-term net-zero targets for our global portfolio to create accountability for our own commitments



Asset management

- Use third-party data and risk tool outputs to assess portfolio climate risk and develop asset-specific plans to strengthen resilience (e.g. integrate resilience strategies into budget)
- Collaborate with property managers to ensure tenant safety, emergency management and business continuity plans are up-to-date
- Develop net-zero plan and budget for long-hold assets
- Leverage existing management practices in insurance rate negotiations



Development

- Integrate climate risk data into development and design plans to ensure we develop long-term marketable assets
- Begin to design net-zero developments and ensure FRE is meeting local requirements (e.g. new builds net-zero by 2030 in Toronto)
- Develop process to measure embodied carbon



Investment

- Integrate climate risk data into acquisitions/disposition decisions and due diligence
- Integrate GHG and energy performance and net-zero criteria into investment/disposition decisions

Metrics and targets

Metrics to assess climate risks and opportunities

We use metrics to assess and manage relevant climate-related risks and opportunities. We track climate data and associated metrics (e.g. value-at-risk) from third-party service providers. These metrics are also complemented with the results from our proprietary risk assessment tool that we deployed to assets in 2021. The tool collects property-level risk data and summarises largest opportunities to strengthen resilience.

FRE also participates in the GRESB assessment on an annual basis. The assessment includes climate management criteria and enables us to benchmark our performance.



Portfolio GHG emissions

FRE measures portfolio GHG emissions annually to help us understand our current performance and identify opportunities for improvement. While FRE has been measuring and reporting GHG emissions for over five years, in 2021, we conducted a complete quantification exercise. In this process, we quantified the operational emissions of our portfolio and estimated emissions where data gaps existed. In real estate, full data coverage remains a challenge as tenants (scope 3 emissions) largely control the energy consumption of the assets.

Table 4: GHG emissions by region⁴

REGION	2019 EMISSIONS (TCO ₂ E)	2020 EMISSIONS (TCO ₂ E)	% CHANGE
Canada	62,272	60,046	-3.6%
United Kingdom	11,389	11,617	2.0%
TOTAL	73,661	71,663	-2.7%

Table 5: GHG emissions by scope⁴

REGION	2019 EMISSIONS (TCO ₂ E)	2020 EMISSIONS (TCO ₂ E)	% CHANGE
Scope 1	4,790	4,308	-10.1%
Scope 2	5,770	5,401	-6.4%
Scope 3	63,101	61,954	-1.8%
TOTAL	73,661	71,663	-2.7%

⁴ 2020 data represents 66% actual and 34% estimated

Past performance is not an indicator of future results.

Company GHG emissions

FRE measures corporate GHG emissions associated with our operations, business travel, waste, water and procurement practices. In 2021, we achieved the Planet Mark Year 2020 Business Certification, an internationally recognised sustainability certification for businesses demonstrating our continuous progress and action on carbon. For our UK business, we were recognized as Finalists for Newcomer of the Year Award. Additionally, in 2020, we offset 110% of our UK corporate footprint through an investment in the Kasigau Corridor project.

Table 6: GHG emissions by scope

REGION	2020 EMISSIONS (TCO ₂ E)
Canada	113.0
United Kingdom	15.8
TOTAL	128.8

Targets

Our emissions profile has helped inform our targets. For the Fiera Real Estate CORE Fund (CAN), assets have five-year energy targets that translate to greenhouse gas reductions. Our Fiera Real Estate Long Income Fund (UK) set data coverage targets to collect and measure 75% or more of energy data per year. In 2021, this target was exceeded by 75%.

As we advance our net-zero strategy, we aim to codify global greenhouse gas reduction targets to ensure our entire organization shares a robust approach to – and responsibility for – emissions reduction. Fiera Capital Corporation's decision to become a NZAM signatory will also help guide our target setting.

Moving forward

- Conduct a GHG scan to determine material emission sources outside of the emissions we already measure
- Set short-term GHG reduction and long-term net-zero targets for our portfolio
- Verify GHG data to establish accountability and increase confidence in data

Past performance is not an indicator of future results.

Fiera Real Estate

TORONTO

200 Bay Street
Suite 3800, South Tower
Toronto, Ontario,
Canada
M5J 2J1

+1 844 431-7684

MONTREAL

1981 McGill College Avenue
Suite 1500
Montreal, Quebec,
Canada
H3A 0H5

+1 844 431-7684

HALIFAX

1969 Upper Water Street
Suite 1710
Halifax, Nova Scotia,
Canada
B3J 3R7

+1 844 431-7684

LONDON

Queensberry House, 3rd floor
3 Old Burlington Street
London,
United Kingdom
W1S 3AE

+44 207 409 550

property@fierarealestate.com

This material is for the use of intended recipients only and neither the whole nor any part of this material may be duplicated in any form or by any means. Neither should any of this material be redistributed or disclosed to anyone without the prior consent of Fiera Real Estate Investments Limited or Fiera Real Estate UK Limited ("FRE"). This document has been issued by FRE for information purposes only and is not to be construed as a solicitation or an offer to purchase or sell any security or other financial instrument. Where FRE provides information in the document, it is provided exclusively for information purposes. The information does not constitute any form of recommendation related to the personal circumstances of investors or otherwise, nor does it constitute any specific or general recommendation to buy, hold, or sell financial instruments and does not thus create any relationship between FRE and any investor. The document may not include all the up-to-date information required to make investment decisions. Other more accurate and relevant sources of information may exist. Investors should thus diligently inform themselves about the chances and risks of the investments prior to taking investment decisions. In addition to the financial aspects, this should include, in particular, the legal and tax aspects of the investments. It is strongly recommended that any potential investor should contact a financial adviser and, where required, a lawyer or tax adviser. The purchase of financial instruments constitutes a high-risk investment and investors may lose a substantial portion or even all of the money they invest. The value of any investments and any income generated may go down as well as up and is not guaranteed. Investors should note that past performance should not be seen as an indication of future performance.

Although the material in this document is based on information that FRE considers reliable, FRE does not make any warranty or representation (express or implied) in relation to the accuracy, completeness or reliability of the information contained herein. Any opinions expressed herein reflect a judgment at the date of publication and are subject to change. FRE accepts no liability whatsoever for any direct, indirect or consequential loss or damage of any kind arising out of the use of all or any of this material. Neither FRE nor any third-party content provider shall be liable for any errors, inaccuracy, delay or updating of the published content of the provided document. FRE expressly disclaims all warranties as to the accuracy of the content provided, or as to the use of the information for any purpose, as far as legally possible.

This document may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They may appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of Fiera concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, prospects, and dividend policy of the Company and the markets in which it, and its portfolio of investments, invest and/or operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

This document is issued by Fiera Real Estate Investments Limited and Fiera Real Estate UK Limited.

Fiera Real Estate Investments Limited registered number Ontario Corporation No. 2306319. Registered address 200 Bay Street, Suite 3800, South Tower, Toronto, Ontario, Canada, M5J 2J1. Fiera Real Estate UK Limited is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales. Registered number 04916155. Registered office Queensberry House, 3 Old Burlington Street, London, England, W1S 3AE.