

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant AEW Invest GmbH - 52990009CORGPBES2M16

Summary

AEW Invest GmbH- 52990009CORGPBES2M16 ("AEW") considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of AEW.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2023 to 31 December 2023.

AEW is an Alternative Investment Fund Manager ("AIFM") registered in Germany with fewer than 500 employees, specializing in the management of real estate investment funds ("AIFs") on behalf of professional investors. It is part of the AEW Europe Group ("AEW Group") comprising of four (4) fully regulated AIFMs, all specializing in the management of real estate investment funds, and other entities.

AEW considers principal adverse impacts on entity level by measuring and monitoring the aggregated negative impact on sustainability factors of our funds' investments. In our funds, we consider the two mandatory principal adverse impact indicators and one voluntary indicator defined by the Sustainable Finance Disclosure Regulation (SFDR)¹, subject to data availability and quality. The principal adverse impact indicators considered by AEW are:

- Fossil fuels, Exposure to fossil fuels (Table 1, #17)
- Energy efficiency, Exposure to energy-inefficient real estate assets (Table 1, #18)
- Biodiversity, Land artificialization (Table 2, #22)

The results for the reporting period 2023 and measures are presented in the table below:

Typ	Indicator	Result	Measures
Mandatory	Fossil fuels, Exposure to fossil fuels (Table 1, #17): Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0% - No principle adverse impact	AEW will continue to monitor new investments and leases for exposure to fossil fuels related on-site activities and consider potential adverse impacts in their investment decisions.

¹ REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector

Mandatory	Energy efficiency, exposure to real estate with poor energy efficiency (Table 1, #18): Share of investments in real estate with poor energy efficiency	70% - Principal adverse impact likely	AEW has been implementing an array of measures, including but not limited to assessments, more rigorous due diligence, more considerate investment decisions, topical investor engagement on strategy and capital expenditure plans and data gathering to stabilize and reduce its impact from Principal adverse impact energy inefficient real estate assets.
Voluntary	Biodiversity, Shoring (Table 2, #22): Proportion of non-grassed areas (non-grassed areas on the ground and on roofs, terraces and walls) compared to the total area of all plants.	77% - Principal adverse impact possible	Following on the initial data gathering, AEW will further analyze its potentially adverse impact and review the effectiveness of its due diligence guidelines. In response to this analysis, AEW will consider an appropriate management approach towards the reduction of adverse impacts on biodiversity. Due to new acquisitions and changes in the value ratios of existing properties, this indicator deteriorated in 2023 compared to the previous year.

Measures are being implemented by both a top-down and bottom-up management approach. Measures that are (potentially) advantageous for the entire portfolio are being set on a strategic management level, whereas measures being predominantly advantageous for a single asset are being implemented on an operative level.

During the reference period, no AIFs under SFDR Article 8 or 9 were managed by AEW.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year 2023]	Impact [year 2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions			AEW has no reportable investments in investee companies. Accordingly, this section is left blank.	
		Scope 2 GHG emissions				
		Scope 3 GHG emissions				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of	GHG intensity of investee companies				

	investee companies					
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector				
	5. Share of non-renewable energy consumption and production	'Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources				
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector				
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas				
Water	8. Emissions to water	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR				

		invested, expressed as a weighted average				
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average				
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises				AEW has no reportable investments in investee companies. Accordingly, this section is left blank.	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises					
	12. Unadjusted gender pay gap					

	13. Board gender diversity					
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)					
Indicators applicable to investments in sovereigns and supranationals						
Environmental	15. GHG intensity	GHG intensity of investee countries			AEW has no reportable investments in sovereigns and supranationals. Accordingly, this section is left blank.	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law				
Indicators applicable to investments in real estate assets						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0%	0%.	100% of the investments are eligible under this KPI with a data coverage of 100%.	AEW will continue to monitor new investments and leases for exposure to fossil fuels related on-site activities and consider potential adverse impacts

					Based on the assessment, a principle adverse impact due to involvement in the extraction, storage, transport or manufacture of fossil fuels in the reporting period 2023 is very unlikely.	<p>in their investment decision.</p> <p>For 2024, AEW aims at maintaining the level of this PAI indicator.</p>
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	70%	71%.	<p>100 % of the investments are eligible under this KPI with a data coverage of 94% of the market values.</p> <p>Based on the assessment, a principle adverse impact due to low energy efficiency is likely. Low energy efficiency of real estate assets contributes to climate change by consuming</p>	<p>AEW recognizes its responsibility as AIFM and in most cases landlord in front of environment, society, and investors.</p> <p>Therefore, in 2023, an assessment was conducted for a significant portion of the portfolio against the climate pathway in order to be able to draw up and implement an action plan. After an initial assessment of the path of the Paris Agreement, focusing on energy consumption, energy inefficiency, energy mix and greenhouse gas emissions. The development of an investment strategy was</p>

					<p>more energy and, depending on the mix of primary energy sources, emitting more GHG than other properties of the same age.</p>	<p>initiated to improve these characteristics.</p> <p>AEW has been implementing smart metering and tool-based data gathering on energy consumption and GHG emissions in several markets and will continue its effort to improve the data base for analysis, operations and investment decisions.</p> <p>Building on these activities, AEW has continued to engage with the Funds' key investors to raise awareness of further analysis through energy audits, the creation of action plans and the revision of Fund strategies. AEW is confident that its institutional investors will give an appropriate mandate that will allow active measures such as energy refurbishments or reallocations to energy-performing properties in the coming years.</p> <p>As a target for 2024, AEW aims for a further reduction or at least</p>
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						stabilization of the impact measured by this indicator (70 %).
Other indicators for principal adverse impacts on sustainability factors						
Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets	77%	75%	<p>100% of the investments are eligible under this KPI with a data coverage of 100% based on estimates</p> <p>Based on the assessment, a principle adverse impact due to land artificialization is possible. Limited greening of premises and building surfaces contributes to lower biodiversity, but also to urban heating and a reduced retention of rainwater.</p> <p>The potential adverse impact of AEW investment</p>	<p>For the reporting period 2022, AEW made a first measurement of this indicator.</p> <p>From 2023, new investments have been subject to a stricter environmental due diligence, covering adverse impacts on biodiversity, urban heat islands and rainwater retention.</p> <p>For selected properties, AEW already works with climatologists or environmentalists in order to improve the greenery as well as to align the greenery with the expected future climate. In addition, in 2023 AEW and its institutional investors addressed this goal and is confident to receive a corresponding mandate for further measures. AEW will continue this initiative.</p>

					<p>decisions on biodiversity is highest in case of the acquisition of green field developments, that mainly occur in the logistic business.</p> <p>However, AEW's investment strategy focuses on investments in urbanized areas with a high density and typically low presence of greening of building surfaces and free plots. Here, the investment decisions of AEW usually do not have an additional adverse impact. In contrast, AEW can make a positive (!) impact on land artificialization.</p>	<p>In 2024, AEW will continue to collect and analyse information on the construction of its plots, identify best practice approaches and pilot projects for improvements and exchange information with its investors on this topic.</p> <p>Due to the nature of the measures planned for 2024 and the current feedback from its investors, AEW has decided not to set a specific target yet.</p>
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In its SRI Policy AEW follows a responsible investment approach whereby ESG (environmental, social and governance) issues are integrated into investment decisions, asset management and development decisions. The key environmental and social criteria in AEW's SRI Policy are as follows

- Energy consumption from non-renewable sources
- Emissions of greenhouse gases
- Water consumption
- Impacts on biodiversity and biodiversity
- Production of waste and non-recovered waste
- Predicted climatic risks
- Natural risks, particularly flooding
- Respect for human rights
- Respect for diversity and equality

The Principal adverse impacts are identified and prioritized according to our experience of a real estate fund manager by the management board. AEW evaluates the location of the buildings, their uses and technical specifications based on expert knowledge, science and according to the preferences of investors and their commitments to sustainability. They are reviewed regularly according to the evolution of the above criteria.

Considering physical and transitory risks, AEW has assessed by way of expert judgement the occurrence, intensity, the time horizon and frequency of its principal adverse impacts. The data relating to the principal adverse impacts is produced by AEW itself, property managers, tenants, and suppliers, or in some cases by specialist third-party experts depending on the issues, energy, climate, etc. These specialists carry out studies and specific measurements for buildings in order to assess these impactsPrincipal adverse impact and make recommendations to reduce them supporting investment decisionsPrincipal adverse impact.

Adhering to the regulatory technical standards and its assessment, AEW considers the following indicators:

- Fossil fuels, Exposure to fossil fuels (Table 1, #17)
- Energy efficiency, Exposure to energy-inefficient real estate assets (Table 1, #18)
- Biodiversity, Land artificialization (Table 2, #22)

These indicators have been chosen for the following reasons:

- Fossil fuels: This mandatory indicator measures the possible involvement of real estate assets as part of the infrastructure of the industrial value chain of fossil fuels extraction, storage, transport, or manufacture. The exploitation of fossil fuels has by definition a massive adverse impact on climate change.
- Energy efficiency: As buildings account for about 40% of Europe's energy consumption according to European Public Real Estate Association (EPRA), a continuous optimization of energy demand is essential in order to be "Paris-aligned" and thus help investors seeking to build resilient portfolios aligned with limiting global temperature rise to 1.5°C of the Paris Agreement as they transition to a net-zero economy.² Low energy efficiency of real estate assets have an adverse impact on the efforts of the society towards the transition to a sustainable energy mix and the reduction of greenhouse gas emissions by consuming more energy and, depending on the mix of primary energy sources, emitting more GHG than other properties of the same age. The indicator may also serve as proxy for energy consumption and greenhouse gas emissions of real estate assets as long as data availability for determining these other indicators from Table 2 is not assured.
- Biodiversity: Preserving biodiversity is crucial for the continuation of human society and for combating climate change. For the high transitory risk attached to adverse impacts on biodiversity, AEW have decided to select this indicator. Real estate activities can have an adverse impact on biodiversity, for instance by new land artificialization, i.e. converting diverse or natural ecosystems into artificial spaces with less diversity of species or lower number of live forms. Artificialized real estate may also contribute to the building of urban heat islands and reduced retention of rainwater. In urban spaces with already low biodiversity and high degree of artificialization, real estate firms can have a positive, remedial impact.³

To determine principal adverse impacts AEW follows the definitions and calculation rules defined by the Delegated Regulation. The exposure to fossil fuels and the exposure to energy inefficient real estate assets are evaluated using actual property data. The degree of land artificialization is derived based on estimates, where the applied methodology may tend to underestimate the ratio of the non-vegetated surfaces. AEW uses its best effort to minimize the margin of error, however, the remaining margin of error related to data extraction and calculations cannot be estimated safely.

Engagement policies

The AIFs managed by AEW are real estate investment funds and do not hold shares in listed companies. Due to the nature of its business activities, AEW is not subject to the scope of Article 3g of Directive 2007/36/EC. Therefore, shareholder engagement policies or other engagement policies have not been implemented.

² <https://www.msci.com/our-solutions/esg-investing/esg-indexes/climate-paris-aligned-indexes>

³ <https://beeodiversity.com/en/biodiversity-at-the-service-of-the-real-estate-sector/>

References to international standards

There is no reference made to international standards. However, AEW participates through AEW Group in several industry initiatives, whose working groups are (and will be) required to develop a harmonized industry approach to due diligence, disclosure and/or alignment with the objectives of the Paris Accord as follow

- AEW Group is a signatory to the United Nations Principles for Responsible Investment (PRI), the first of which is to incorporate sustainability risks and principal adverse sustainability impacts into investment decisions.
- GRESB (Global Real Estate Sustainability Benchmark), which evaluates and compares the extra-financial performance of real estate management companies through the publication of an annual benchmark;
- IIGCC (Institutional Investors Group on Climate Change) which aims to define the investment practices, policies and behaviors of companies required to address climate change;
- OID (Observatoire de l'Immobilier Durable or Green Building Observatory), which aims to promote the environmental, social and societal performance of real estate in France and to promote all the approaches that contribute to it;
- Circolab, which aims to develop the circular economy in the real estate and construction sector;
- The Climate Company, which uses the RCP8.5 scenario from the Intergovernmental Panel on Climate Change ("IPCC") and models the climate situation with a fine-meshed scale and for the next 20 years. The RCP8.5 scenario from the IPCC was developed for the 5th IPCC Assessment Report 2013. The Climate Company conducted climate risk analyses for the majority of the portfolio using the Global UCIX (=Urban Climate Index) they developed to identify potential risks and define possible climate remediation measures in the real estate portfolio.

With regard to the requirements of international standards, AEW integrates the guidelines of the AEW Group into its SRI Directive.

Historical comparison

The following table shows the historical comparison for AEW's sustainability indicators for Principal adverse impact. The first-time negative effects were taken into account in the reporting year 2022.

Indicators on investments in real estate			
Sustainability indicator for Principal adverse impact	Measurand	Effects Reporting year 2022	Impact year 2023
Fossil fuels	Exposure to fossil fuels through investment in real estate	0%	0%
Energy efficiency	Engagement in properties with poor energy efficiency	71%	70%

Biodiversity	22nd Installation	75%	77%