

**Statement on the Consideration of the
Principal Adverse Impacts of Investment Decisions on
Sustainability Factors – AEW SARL**

March 2021 updated on December 2022

Principal Adverse Impact statement of investment decisions on sustainability factors

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector provides that (Article 4) financial market participants must explicitly disclose how they consider adverse sustainability impacts in their investment decisions.

- **Summary**

AEW SARL is an asset management company registered in Luxembourg with fewer than 500 employees, specializing in the management of real estate investment funds (Real estate AIFs, Real estate debt funds) (“AEW”). The following paragraphs describe the due diligence policies followed by AEW for all of its funds, with the exception of the debt fund activity (the information required for this due diligence is not yet available).

AEW voluntarily considers the principal adverse impact of its investment decisions on sustainability factors. This document is AEW's consolidated statement of material adverse impacts on sustainability factors. This statement of major adverse impacts on sustainability factors covers a reporting period from January 1, 2022 through December 31, 2022.

The principal adverse impacts are:

1. Greenhouse gas emissions of the buildings calculated from the energy consumption of the common and private areas (kgeqCO₂/m²)
2. Energy consumption of the building, common and private areas (kWh/m²)
3. Water pollution
4. Air pollution
5. Waste generation, amount of waste generated in the common areas of buildings (t)
6. Consumption of raw materials during major construction sites
7. Use of natural land for new buildings, land area developed

- **Description of principal adverse impacts on sustainability factors**
 - *Indicators applicable to investments in real estate assets.*

Negative Sustainability Impact Indicator		Measuring element	Impact [year-n]	Impact [Year n-1]	Explanation	Actions taken, actions planned and targets set for the next reporting period
Fossil fuels	17. Exposure to fossil fuels via real estate assets	Share of investment in real estate assets used for the extraction, storage, transportation or production of fossil fuels	X	X	X	NA
Energy Efficiency	18. Exposure to energy inefficient real estate assets	Share of investment in energy inefficient real estate assets	X	X	X	For existing buildings, implementation of energy efficiency plans, optimization of operations to reduce energy consumption. For new buildings and major renovations, construction of low energy buildings

- *Other indicators for key negative impacts on sustainability factors*
Additional climate and other environment-related indicators applicable to investments in real estate assets.

Negative impact on sustainability	Negative impact on sustainability factors (qualitative or quantitative)	Measuring element	Measure
Greenhouse gas emissions	18. GHG emissions	Tier 1 GHG emissions generated by real estate assets	
		Tier 2 GHG emissions generated by real estate assets	
		Tier 3 GHG emissions generated by real estate assets	
		Total GHG emissions generated by real estate assets	
Energy consumption	19. Energy consumption intensity	Energy consumption of real estate assets held, in kWh per square meter	
Waste	20. Generation of operational waste	Percentage of real estate assets not equipped with waste separation facilities or covered by a valuation contract or waste recycling	
Resource consumption	21. Consumption of raw materials for new buildings and major renovations	Share of raw materials (excluding recovered, recycled or bio-based materials) in the total weight of building materials used for new construction or major renovations	
Biodiversity	22. Artificialization of soils	Share of non-vegetated surface (ground surfaces without vegetation, as well as non-vegetated roofs, terraces and facades) in the total surface of the parcels of all assets	X

These are the indicators standardized according to the regulations in force.

- **Description of policies for identifying and prioritizing the principal adverse sustainability impacts and related indicators** [Information as per Article 7¹]

AEW follows a **responsible investment policy since 2018** 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 policy are as follows

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

In terms of governance, AEW invests mainly in real estate assets through funds that it manages directly. In its management, AEW integrates high principles of governance based on the best international standards, in particular PRI since 2009 and the governance and ethical policies of the NATIXIS group.

AEW is evaluated every year by PRI and GRESB on its compliance with these policies, in addition to the controls carried out from time to time by the internal compliance departments and the internal audit of Natixis IM. AEW ensures when selecting key service providers that they comply with all of its ESG commitments through its internal controls.

Thus, the main negative impacts are identified and prioritized, based on scientific knowledge. They are also prioritized according to our experience of impacts as a real estate manager, according to the context of the funds, their typologies, the location of the buildings, their uses, and according to the preferences of investors and their commitments to sustainability.

They are updated regularly according to the evolution of the above criteria. In environmental and social matters, AEW pays particular attention to reducing non-renewable energy consumption and to tenant health, safety and well-being.

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

- **Description of the principal adverse sustainability impacts and related measures taken**

The table below categorizes the principal adverse impacts AEW takes into consideration:

Category	Risk	Characteristics				Occurrence	Intensity	Time horizon	Review frequency
		Current	Emerging	External	Internal				
Physical risks	Pollution			X		occasional	low to average	10 years	Quarterly
	Climate	X	X	X	X	variable	low to high	20 years	Real Time
Transition risks	ICPE*	X		X	X	continuous	low	10 years	Quarterly
	Energy	X			X	continuous	high	10 years	Quarterly
	CO2	X	X		X	continuous	high	10 years	Quarterly
	Biodiversity		X		X	continuous	average	10 years	Quarterly
	Transportation		X	X		continuous	low	10 years	Quarterly
	Well being	X			X	continuous	low	10 years	Quarterly
	Health	X			X	continuous	low	10 years	Quarterly
	Climate	X	X		X	continuous	low to high	30 years	real time
Litigation risks	Asbestos	X				continuous	average	10 years	Yearly
	Lead	X				occasional	average	10 years	Yearly
	Noise	X				continuous	low	10 years	Yearly
	ICPE*	X				occasional	low	10 years	Yearly
	Waste	X	X			continuous	low	10 years	Yearly
	Water	X	X			continuous	average	10 years	Yearly
	Energy	X	X			continuous	average	10 years	Yearly
	CO2	X	X			continuous	high	10 years	Quarterly
	Biodiversity	X	X			continuous	average	10 years	Yearly
	Transportation	X	X			continuous	low	10 years	Yearly
	Well being	X	X			continuous	average	10 years	Yearly
	Health	X	X			continuous	average	10 years	Yearly
	Climate	X	X			continuous	high	30 years	Quarterly

AEW specializes in real estate investment and the specific characteristics of these assets have been recognized in the regulatory technical standards established by the European supervisory authorities. In line with these standards, AEW considers the principal adverse impacts of its investments to be related to:

- the **energy consumption** of the assets financed,
- the **greenhouse gas (GHG) emissions** caused by their use, and
- their impact on biodiversity and soil artificialization
- water consumption by building occupants

- the consumption of materials necessary for the construction and renovation of buildings
- air, water and soil pollution.

All investments opportunities analyzed include an ESG dimension to assess negative environmental impacts through technical and environmental audits, and in some cases ESG audits and climate resilience audits

Adhering to these technical standards, AEW undertakes to monitor at a minimum the following indicators:

- Exposure to fossil fuels: share of the investments in real estate assets exposed to the extraction, storage, transportation and manufacturing of fossil fuels;
- Exposure to energy-efficient real estate assets: share of the investments in energy-efficient real estate assets;
- soil artificialization: share of non-vegetated areas in the total surface area of the assets.

For certain Funds and after validation by investors, other indicators can be monitored. These include water consumption and the rational use of materials through the circular economy. Investors may, if they so wish, have their SRI policy taken into consideration in their management mandates. In this case, this policy (including objectives and/or reporting indicators) is translated into a management strategy and applied to the acquisition and management of the properties. Responsibility for the implementation of the SRI policy and ESG strategies of the funds lies at the level of :

- the vision and coordination at the European level, the AEW SRI Committee in Europe
- supervision at the level of AEW and the funds under management, by the management bodies
- Supervision at the level of each fund, fund manager and SRI team
- implementation, the investment team and the asset management team
- controls, compliance and risk management

Data on the main negative impacts are produced by third-party experts specialized depending on the thematic such as energy, climate change, etc. These experts carry out studies and measures specific to the buildings to evaluate these impacts and make recommendations to reduce them.

- **Engagement Policy** [information as per Article 8²]

AEW invests in buildings and as such deploys a strategy of engagement not with the issuers but with the stakeholders involved in the buildings under management.

The main stakeholders are Property Managers (hereinafter “PM”), tenants, and construction companies. AEW directly manages the buildings with outsourced property management. The company has developed an SRI policy that considers all the pillars of SRI, the environment, social and governance. For each mandate or fund managed by AEW, a manager is appointed within the management company. He or she is responsible for ensuring that the ESG strategy is respected at all times, and for coordinating the various internal and external stakeholders.

² 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

The manager's decisions, based on the analyses of the operational departments and research, are validated at the acquisition and arbitrage stages by multidisciplinary internal committees that include the SRI dimension. A formalized process for the preparation and validation of business plans (BP) is in place and updated annually. These BPs make it possible to monitor the execution of the defined ESG strategy.

AEW has put in place a structured and robust process to ensure professional quality management with the objective of maximizing client value creation, transparency of information and risk control. ESG factors are integrated into the strategy throughout the portfolio management process, both at the investment and management stages.

The PM's contracts include ESG clauses and they must contribute to the achievement of the funds' ESG objectives, in particular the reduction of energy consumption and therefore of greenhouse gas emissions and water consumption. They are also responsible for raising tenant awareness and producing periodic reports on ESG action plans. Regular reviews are conducted with the PMs to ensure that ESG objectives are being met. The PMs provides information on the assets' ESG performance. The ESG objectives of the PMs include compliance with health, safety and environmental regulations, regardless of the type of building, monitoring and reducing energy consumption, leading environmental committees for commercial buildings of more than 2,000 square meters, raising tenant awareness and implementing improvement plans.

With regard to tenants, ESG clauses are integrated into the standard leases that AEW uses. For service sector assets of more than 2,000m², environmental annexes are signed, with an annual environmental committee to discuss the objectives of reducing energy consumption, water consumption and the objectives of reducing the quantity of waste produced. Similarly, ESG objectives are set for construction projects:

- obtaining environmental certifications
- obtaining energy, low-carbon, biodiversity, connectivity, circular economy, etc. labels
- limiting nuisance for local residents
- limiting the use of water and materials resources...

Real estate investment funds (real estate AIFs, etc.) do not permit the exercise of voting rights.

- **References to International Standard** [Information as per article 9³]

AEW is a signatory to the United Nations Principles for Responsible Investment (PRI), of which the first principle is to incorporate sustainability risks and principal adverse sustainability impacts into investment decisions.

Through its SRI policy, AEW is committed to implementing the sustainable development objectives applicable to its business, whenever possible, within the scope of the portfolio and the assets under its control.

AEW also participates 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.

³ 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

AEW takes part in the following initiatives:

- **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.

Where appropriate, AEW may consider joining new initiatives to strengthen the integration of adverse sustainability impacts into its investment decisions.

- *Evaluation Methodology*

In terms of assessment methodologies, the calculation of greenhouse gas emissions uses the Green House Gas Protocol ("GHG Protocol") approach launched in 2001 by the World Business Council for Sustainable Development ("WBCSD") and the World Resources Institute ("WRI"), and the climate change resilience audit is based on the Intergovernmental Panel on Climate Change ("IPCC") scenarios.

The assessments carried out by the PRIs at the level of the management company and by GRESB at the level of the participating funds are analyzed by AEW and, if necessary, lead to corrective measures in terms of the methods and organization of the company and the teams in charge of the funds. These various international standards include the following impacts:

- climate risks
- biodiversity

For the PAIs selected, the means of evaluation are as follows:

- Exposure to fossil fuels: proportion of investments in real estate assets exposed to the extraction, storage, transport or manufacture of fossil fuels; depending on the activity of the buildings' tenants
- Exposure to low-energy performing real estate assets: share of investments in low-energy performing real estate assets; by building's DPE label
- Soil artificiality: share of non-vegetated surfaces in the total surface area of assets, calculated on the basis of the surface areas of plots and buildings

- **Historical comparison** [As per article 10⁴]
See Table 1

- Additional climate and other environment-related indicators applicable to investments in real estate assets

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