



Transparency Obligations by Disclosure Regulation

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HIH Invest Real Estate GmbH

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1 Adverse effects of investment decisions on sustainability factors

HIH Invest Real Estate GmbH (HIH Invest) takes into account the main adverse impacts on sustainability factors in investment decisions as well as relevant adverse impacts of investment decisions on environmental factors and has established internal strategies for this purpose. In accordance with the Disclosure Regulation, sustainability factors include environmental, social and labour issues, respect for human rights and the fight against corruption and bribery. The ability to consider the most important adverse sustainability impacts depends largely on the availability of relevant information.

Further information can be found in the explanation of the adverse impact of investment decisions on sustainability factors:

[HIH Invest Real Estate GmbH PAI Statement](#)

2 Sustainability risks in investment decisions

As part of its investment process, HIH Invest includes sustainability risks in its investment decisions and evaluates them on an ongoing basis. Sustainability risks are events or conditions in the environmental, social or corporate governance areas whose occurrence could have an actual or potential material negative impact on the value of the investment. Sustainability risks in the areas of climate and environment are divided into physical risks and transitional risks. Reputational risks are also a key aspect of sustainability risks. Overall, the aforementioned risks can have a negative impact on the fund's return. One reason for this may be the non-fulfilment of services by tenants, service providers and other business partners with whom the company concludes contracts for the account of the fund. It is also possible that tenants, service providers and other business partners will no longer be considered as contractual partners in the future and new contracts will therefore have to be concluded on less favorable terms. Secondly, there may be increased maintenance expenses in connection with ESG measures during the holding phase of the property or a lower-than-calculated sale price during the divestment phase.

The main sustainability risks and negative effects of the respective investment are determined as part of the due diligence process at the time of purchase and continuously reviewed throughout the life cycle of the property.

For each property type (retail, office, etc.), the sustainability risks of the property are assessed in addition to various areas such as the market and property level. The due diligence checks include criteria such as resource efficiency, location and physical risks.



In the area of environmental risks, transitory risks are derived depending on the available data, either on the basis of the specific energy consumption of the property or via the final demand stated in the energy performance certificate and on the basis of the building characteristics and construction method. The final energy demand or the modelled energy demand of the respective building type and characteristics is compared with the decarbonisation pathway of the respective type of use at the location. The result of the assessment is used to derive investments in the energy resource efficiency of the property. Taking into account possible dependencies, physical sustainability risks, for example from extreme weather events, are also

assessed using insurance loss databases and geodata. This makes it possible to quantify an individual risk value from environmental sustainability risks for each property, which is taken into account in the purchase decision.

If an ESG due diligence was commissioned, the assessment of the necessary investment costs to avoid transition risks and the examination of the building envelope may be part of it.

The results of a due diligence as well as the valuation of transitory and physical risks are reported in the decision papers. When investment decisions are made, the fund management and the members of the investment teams make their recommendation to the investment committee, the management and, as a rule, the investors. The final decision on each purchase is made by the management. Furthermore, a managing director is assigned to each product as fund director, so that a managing director is also directly involved in ongoing portfolio management. The decision is based on a template in which the material risks e.g. ESG risks are presented.

As part of the investment decision, the influence of risk indicators, including sustainability risks, is therefore taken into account in addition to the investment strategy. By quantifying the risks, the sustainability risks are also assessed and set in relation to other purchase factors, such as the purchase price and the expected return. An investment decision is made in consideration of all the above-mentioned aspects. Depending on the result, this may also lead to an investment not being realised.

The risks associated with insufficient consideration of adverse sustainability impacts also exist on the economic side. If sustainability factors only play a subordinate role in investment decisions, this can lead to an increased risk in the event of a sale, as the attractiveness and future viability of the property may not meet the requirements of the legislator or the property market at the relevant time.

It can be assumed that the legal requirements will become stricter over time. HIH Invest simulates the adverse effects using the decarbonisation pathway (which follows the European Union's 1.5-degree target by 2050) to assess whether the properties are on the pathway of the Paris Climate Agreement at the intended time of sale. When making investment decisions in connection with modernisations and project developments, HIH Invest ensures that the opportunities for energy-efficient refurbishment are exploited in an economically viable manner.

The material sustainability risks of the properties are mapped using sustainability scores.

As with investment decisions, the transitory and physical risks of the properties are also regularly assessed and reported over the holding period of the property.

At company level, there are also guidelines for adhering to compliance requirements and for dealing with corruption and money laundering. Further information in this can be found in HIH Invest's Code of Conduct.

The material sustainability risks of the properties are mapped using a sustainability score. This is divided into five clusters and covers the following topics:

- Resource efficiency
- Social performance
- User comfort & safety
- Economic performance
- Certification & Governance

The results are discussed with the fund management and asset management in order to revise any adverse effects identified. As with investment decisions, the transitory and physical risks of the properties are also regularly assessed and reported over the holding period of the property.

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3 **Our commitment to national and international standards for responsible investment**

HIH Invest is committed to supporting sustainable investments. To this end, its employees are involved in associations and organisations to share their expertise and actively contribute to the development of sustainability in the real estate industry.

In its cooperation with investors and partners, HIH Invest works in accordance with the BVI Code of Conduct to ensure that the capital entrusted to it and the rights of investors are handled responsibly.

HIH Invest is a signatory to the UN Global Compact and supports its ten principles

- Protection of internationally proclaimed human rights
- No complicity in human rights violations
- Respect for freedom of association and the right to collective bargaining
- Commitment to the elimination of forced labour
- Effective abolition of child labour
- Elimination of discrimination in respect of employment and occupation
- Precautionary approach to environmental challenges
- Initiatives to promote greater environmental responsibility
- Development and diffusion of environmentally friendly technologies
- Working against corruption in all its forms

HIH Invest is also a signatory to the UN Principles for Responsible Investment (UNPRI), to which we are committed. These six principles include:

- We will integrate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our investment policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote the acceptance and implementation of the 4 Principles in the investment industry.
- We will work together to increase our effectiveness in implementing the Principles.
- We will report on our activities and progress in implementing the Principles.

As an active member of the industry association BVI and other commitments, HIH Invest continues to promote these principles.

4 **Consideration of sustainability risks in remuneration policy**

The agreed remuneration and the basic system are reviewed on an annual basis in the first quarter of each calendar year. The aim of the review is to compare the salary structure of comparable employee positions, to scrutinise whether remuneration is in line with the market and thus to analyse the optimum effect of the remuneration system on employee satisfaction and thus on employee retention.

Employee satisfaction is not only to be achieved through monetary incentives. HIH Invest also strongly emphasises a well-developed health and pension system and the promotion of social interaction. As part of our commitment to four UN sustainability goals, in particular the goal of "gender equality", we are in favour of gender-neutral remuneration.

Our remuneration policy is in line with our corporate mission statement and our ESG strategy, which is why we have defined criteria that are used when adjusting salaries or paying out discretionary bonuses.

Variable remuneration is not paid out in the event of grossly unethical or immoral behaviour or breaches of compliance or governance regulations.

Senior executives are not rewarded with severance pay for mismanagement. Short-term profits and taking disproportionately high risks are not rewarded.

Another aspect is dealing with risks whose materialisation could have an actual or potential significant negative impact on the net assets, financial position and results of operations as well as on the reputation of a company and fund; this includes climate-related risks in the form of physical risks and transition risks.

As described, the remuneration policy is compatible with sound and effective risk management and does not encourage risk-taking.

The remuneration policy practised is discussed once a year in connection with the employee appraisals in March of each year as part of the managing directors' meetings and the contents are documented in the minutes.



5 Disclaimer

This document does not contain any recommendations for action and does not constitute a financial analysis, investment advice or a contractual offer. For detailed information and notes on the opportunities and risks of the products and services offered by HIH Invest Real Estate GmbH, please refer to the respective contractual documents and the annual reports.

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6 Impressum

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