



Statement on principal adverse impacts of investment decisions on sustainability factors

HIH Invest Real Estate GmbH

HIH

Statement on principal adverse impacts of investment decisions on sustainability factors

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Pursuant to Article 4 of Regulation (EU) 2019/2088 (Disclosure Regulation) and Articles 4 to 10 of Delegated Regulation (EU) 2022/1288 (Regulatory Technical Standards).

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1 Summary

HIH Invest Real Estate GmbH (HIH Invest) considers the principal adverse impacts of its investment decisions on sustainability.

This statement on the principal adverse impacts on sustainability factors refers to the reference period from January 1 to December 31, 2022.

The subject of this document is mandatory information on the principal adverse impacts investment decisions have on sustainability factors

HIH Invest takes into account the principal adverse impacts on sustainability factors in investment decisions on directly held real estate, as well as relevant adverse impacts of investment decisions on environmental factors and has established internal policies for this purpose. According to the Disclosure Regulation, sustainability factors include environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery. These adverse impacts are made measurable through sustainability indicators. The ability to consider the most significant adverse sustainability impacts depends largely on the availability of relevant information. With respect to real estate investments, examples of sustainability factors include energy efficiency or resource consumption of real estate, as well as fossil fuel investments that are supported by real estate.

The following outlines the principal adverse impacts of investment decisions on sustainability factors, the strategies used to identify and weight them, and how these sustainability factors relate to international standards that HIH Invest recognizes.

For this statement, the principal adverse impacts of investment decisions of the direct investment vehicles managed directly by HIH Invest are considered. Investment decisions related to the investment of the KVG's own funds are not covered by the scope. In the selection of sustainability indicators, on the one hand the mandatory indicators "fossil fuels" and "energy efficiency" were taken into account, and on the other hand an additional optional indicator "energy consumption" was selected, which was considered in the course of this declaration.

For the three indicators mentioned, this statement reports the impacts in the reference period, as well as explanations on these in terms of data quality, estimates made and extrapolations in the case of non-existent data, the method used to determine the impacts.

Fossil Fuels	Energy efficiency	Energy consumption
0,05 %	44,99 %	0,00014 GWh/m ²

In addition, the statement includes measures taken in the reference period and planned measures for the coming reference period to mitigate and avoid the adverse effects.

HIH Invest has established processes to continuously measure and evaluate adverse impacts, e.g. by adding requirements to the purchasing process or establishing the sustainability strategy in fund management. HIH Real Estate has regulated clear guidelines for dealing with sustainability risks in its sustainability strategy. HIH Real Estate includes sustainability risks in its investment

decisions as part of its investment process and evaluates them on an ongoing basis. Sustainability risks are risks that can have a negative impact on the return of an investment. The main sustainability risks and negative impacts of the respective investment are identified as part of the due diligence process at the time of purchase and continuously reviewed throughout the lifecycle of the property.

In addition, methods have been developed to estimate or extrapolate as best as possible data that is not yet available in accordance with a best-effort approach. These approaches are also reviewed on an ongoing basis, at least annually, and adjusted if necessary.

Due to the nature of its business activities, HIH Invest has not implemented any participation arrangements pursuant to Article 3g of Directive 2007/36/EC. HIH Invest is committed to supporting sustainable investments. To this end, its employees are involved in associations and organizations to share their expertise and actively participate in the development of sustainability in the real estate industry. Among other things, HIH Invest is committed to the UN Principles for Responsible Investments and is a signatory to the UN Global Compact.

In the context of capital commitment and investment decisions in the area of multi-manager business and investments in external managed funds, HIH Invest reviews the overall ESG concept of the external fund manager and the investment approach of the fund with regard to sustainability aspects and risks when making capital commitments to institutional target funds. As the funds are generally externally managed portfolios, the possibility of including sustainability risks in the selection of target fund investments is limited to the conclusiveness of the overall concept provided by the fund manager. In this context, HIH Invest also checks whether environmental or social features are advertised in the pre-contractual information and whether a sustainable investment is intended. In particular, once HIH Invest has committed capital to a target fund, there is no possibility for HIH Invest to influence the selection of individual properties by the target fund manager, even if they do not meet HIH Invest's vision with regard to sustainability risks.

HIH Invest demonstrates ESG reference in selection of external managers by considering sustainable investment decisions. The development of a questionnaire is one of the first steps in selecting a manager. This is to determine whether potential external managers can act within the framework of our sustainable strategy. The background is that neglect of ESG issues by the investment manager can lead to suboptimal investment decisions being made. Target funds are aligned with responsible investment strategies and policies. This helps ensure that our fiduciary duties to investors are met. The corporate culture, investment philosophy and policies of the external manager, governance and investment strategy, and skills of the investment team are important aspects of the organization in implementing a responsible investment strategy. Therefore, as part of the selection process, we will evaluate ESG criteria to gain a comprehensive understanding of the external manager's competencies and resources

This approach will be reviewed on a regular basis.

The German language version is available here:

2 Description of the principal adverse impacts of investment decisions on sustainability factors

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets				
Fossil fuels	1. 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	<p>0,05%</p> <p>100 % of the investments of HIH Invest were applicable for the indicator "fossil fuels" (eligibility).</p> <p>In order to determine the share of investments in real estate related to the extraction, storage, transport or production of fossil fuels, there was a data coverage of 100 %.</p> <p>The fossil fuel ratio is calculated as the market value-weighted share via the rental shares:</p> $(\text{rent share in €}/\text{property interest})/(\sum \text{market values in €})$ <p>Here, the rental shares of properties whose main type of use is actively designed for the extraction, storage, transport or production of fossil energy sources for consumption or consumption by third parties were considered. These are in particular petrol stations in the sense of fuel transfer</p>	In order to reduce the adverse impacts, processes were initially implemented in the reference period to be able to measure and evaluate the adverse impacts in the purchase and inventory. In the risk assessment, the indicators are considered and evaluated for the next reference period.

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Indicators applicable to investments in real estate assets					
				<p>stations or storage facilities for resale. Buildings with heating oil or gas tanks for the direct operation of heating systems in the property or diesel containers for emergency power generators were not taken into account, for example.</p> <p>To determine the ratio, the activities carried out by the tenants in the property were taken into account, regardless of which industry the tenant belonged to.</p>	
Energy efficiency	2. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	44,99%	<p>94,52% of HIH Invest's investments in direct real estate were applicable for the "energy efficiency" indicator (eligibility).</p> <p>In order to determine the share of investments in properties with poor energy efficiency, there was a data coverage of 91,45% (data coverage). %. In addition to real data, estimated data was also taken into account according to a best-effort approach.</p> <p>The energy inefficiency of buildings is calculated according to the formula from the Commission</p>	<p>In order to reduce the adverse effects, processes were initially implemented in the reference period to measure and evaluate the adverse effects in the acquisition and portfolio.</p> <p>HIH Invest is convinced that measures to optimise resources and user comfort, sustainable rental spaces, green leases and the implementation of social sustainability aspects have a</p>

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets				
			<p>Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing the Disclosure Regulation (so-called regulatory technical standards (RTS)):</p> <p><small>((Wert der vor dem 31.12.2020 errichteten Immobilien mit EPC von höchstens C) + Wert der nach dem 31.12.2020 errichteten Immobilien mit PED unter NZEB in Richtlinie 2010/31/EU)) Wert der Immobilien, die EPC – und NZEB – Vorschriften unterliegen</small></p> <p>The terms Lowest Energy Building (NZEB), Primary Energy Demand (PED) and Energy Performance Certificate (EPC) shall have the meaning given to them in Article 2(2), (5) and (12) of Directive 2010/31/EU of the European Parliament and of the Council.</p> <p>The following assumptions were made in determining the ratio, as it was not possible to implement the determination of efficiency for all properties:</p> <p>Properties that are not subject to the EPC and NZEB regulations (non-eligible assets) (e.g. from non-EU countries) were not taken into account if no (voluntarily issued) energy certificate was available. Exceptions to the regulations applied to properties invested in Germany, e.g. for listed</p>	<p>positive impact on rental behaviour, tenant satisfaction, tenant demand and tenant retention. The topic of ESG is becoming more relevant every day and companies are already looking for modern, sustainable space, which HIH Invest can offer by implementing its ESG strategy.</p> <p>Consideration of the energy classes in the properties and the energy certificates. Implement targeted measures as part of the life cycle assessment of the properties.</p> <ul style="list-style-type: none"> ▪ Increase resource efficiency by reducing (primary) energy. ▪ Creation of a decarbonisation pathway ▪ Anchoring ESG in the operational business / location

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets				
			<p>buildings, non-heated areas (multi-storey car parks, parts of logistics halls), buildings under construction</p> <p>and for which no preliminary energy certificate was yet available.</p> <p>In order to comply with the "best effort" approach, certain assumptions were made if the data were not complete:</p> <ul style="list-style-type: none"> ▪ Energy certificates without a signature were currently taken into account in full in the calculation. ▪ Energy performance certificates that were no longer valid were taken into account if no new energy performance certificates were available. ▪ If the reference area of the energy performance certificates is 20% less than the available rental area and this deviation is not confirmed as correct, this was chosen as an indication that further energy performance certificates are missing. For this reason, the market values for these buildings were only 	<ul style="list-style-type: none"> ▪ Promoting digitalisation

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets				
			<p>taken into account proportionally in the quotas.</p> <ul style="list-style-type: none"> ▪ If the reference area of the energy certificates is 20 % larger than the available rental space, the market 	
Energy consumption	3. Energy consumption intensity	Energy consumption in GWh of owned	<p>0,00014 GWh/m²</p> <p>95,02% of HIH Invest's investments were applicable to the "energy consumption" indicator (eligibility). In determining the energy consumption of the properties in GWh per square metre, there was a data coverage of 91,96%. In addition to real data, estimated data was also taken into account according to a best-effort approach.</p> <p>Properties that were under construction during the reference period and were not heated or cooled using energy (e.g. warehouses, multi-storey and underground car parks) were not taken into account when determining the indicator (non-eligible assets).</p> <p>It should be noted that due to the current state of data collection, a significant proportion of extrapolations and benchmark</p>	<p>In order to reduce the adverse impacts, processes were initially implemented in the reference period to be able to measure and evaluate the adverse impacts in purchasing and inventory.</p> <p>To further expand and improve sustainability projects in the future, we are working on possible measures to reduce emissions and increase efficiency. We have developed an internal ESG scoring to screen our entire portfolio and to conduct an inventory and stock analysis, so to speak.</p> <p>As part of the ESG inventory, our actively managed properties</p>

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets				
			<p>information is taken into account for data on energy consumption. Accordingly, the informative value of this data for the properties is limited.</p> <p>To determine the indicator, the final energy consumption and final energy requirements from the existing energy performance certificates were used, provided that this data was given in the energy performance certificates. The values given here therefore do not indicate the actual energy consumption of the properties from the reference year.</p> <p>Energy certificates without a signature were currently taken into account in full in the calculation.</p> <p>Energy performance certificates that were no longer valid were taken into account if no new energy performance certificates were available.</p> <p>"Non-eligible assets were not included in the numerator of the data coverage ratio. Furthermore, estimation based on the Deepki benchmark was used, performed by Deepki.</p>	<p>are assessed according to environmental and social criteria. This provides a measure of ESG performance for each individual property. With our newly developed scoring model, we now have a benchmark for ESG performance at property and fund level for the first time. The next step is to carefully evaluate the scoring results. Our goal is to identify ESG potential and develop improvement strategies.</p> <p>We determine ESG performance based on five ESG characteristics. These include energy efficiency, social performance, user comfort and safety, economic performance and certification/governance. For each ESG criterion, various test points are examined for each property and assigned scores according to the degree of achievement</p>

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets				
			<p>The model forecasts the annual consumption of an asset based on more than "just an average". Multiple inputs are used to create a more realistic benchmark for estimation: Asset characteristics: Area, Floor area, Building type, Climate: Heat degree day, Location, Country Cold degree day Average annual consumption at plant level for estimation. The analyses, potential calculations and interpretations reflect the work of HIH Invest. These values are based on data and methodologies from the Deepki Ready platform. The methodology behind the estimation calculations includes extrapolating existing consumption data where available or providing a benchmark consumption value based on building data such as location, typology and year of construction. The estimated data is based on a database of more than 30,000 buildings.</p>	<p>determined. Depending on their importance, the test points are weighted. The findings are used at asset level to develop action plans and are also used to develop the fund strategy and property strategy.</p>

3 **Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors**

Strategies for identifying and evaluating, weighting and margins of error are explained for the respective key figures in Table 1 of the most significant adverse impacts.

The strategies for identifying and weighting the most significant adverse impacts on sustainability factors were adopted by the Executive Board on 10 March 2021. This provides that data availability and data quality must first be increased for a valid evaluation of the indicators.

In the first step, the organisational unit "Environmental, Social, Governance" selected an optional indicator ("energy consumption"). The following criteria were decisive for the selection:

- Actual negative impacts in the business area of HIH Invest
- Availability of data
- Coordination with the leading industry associations (BVI and ZIA))

The consideration of further indicators is assessed on an ongoing basis, at least annually.

In the purchase, the indicators for the assessment of adverse effects were included in the Process of the risk assessment. Data is updated quarterly, annually or as required by the indicator (e.g. energy performance certificates are requested after expiry date, consumption data will probably only be available annually in the first step, where available). The PAI indicators are calculated on a quarterly basis, the value given here describes the average value of the impact on 31 March, 30 June, 30 September and 31 December of the respective period.

The specific methods and best-effort approaches applied are described for each indicator in the "Explanation" section

Due to the current state of data collection (especially for energy consumption, but also for energy performance certificates), methods were adopted to estimate or extrapolate these data as best as possible. These approaches are also reviewed continuously, at least annually, and adjusted if necessary, for example if a standard for normalising consumption data or for converting energy performance certificates without a letter scale becomes established in the market.

It should be noted that due to inadequacies in data availability (energy consumption) and quality (energy performance certificates), only an initial classification of the actual negative effects on sustainability factors could be made. HIH Invest therefore strives to continuously improve data availability and quality. Examples of this are the process being implemented to record the actual consumption data of the buildings directly managed by investment vehicles through HIH Invest. An important part of this is the digitalisation of data collection and the retrofitting of buildings with e.g. digital meters.

4 Engagement policies

Due to the nature of its business, HIH Invest has not implemented any participation arrangements pursuant to Article 3g of Directive 2007/36/EC.

5 References to international standards

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 participate in the development of sustainability in the real estate industry.

In its cooperation with investors and partners, HIH Invest is aligned with the BVI Code of Conduct and Guidelines for Sustainable Portfolio Management for responsible handling of the capital entrusted to it and the rights of investors.

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

- Respecting the protection of internationally proclaimed human rights
- Not being complicit in human rights abuses
- Upholding the freedom of association and the right to collective bargaining
- Elimination of all forms of forced and compulsory 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

We have committed to complying with the Principles for Responsible Investment (PRI). These six principles are as follows:

- We integrate ESG into our investment decisions and analyses.
- We integrate ESG into our active portfolio management
- We seek appropriate disclosure on ESG issues by the entities in which we invest
- We promote acceptance and implementation of the principles in the real estate industry
- We work with other market participants to implement the principles
- We will report on our activities and progress towards implementing the principles.

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

HIH Invest's compliance with international standards is not directly linked to individual PAI indicators. Therefore, there is no measurement of compliance with international standards on the basis of individual PAI indicators, nor can methods or data for measuring or aligning with these standards be disclosed.

HIH Invest does not currently use a future-oriented climate scenario. For all investments in real estate, however, the transitory risks and thus also the effects of the investment on the Paris climate protection targets are determined and taken into account both during the purchase process and on an ongoing basis.

6 Historical comparison

Reporting as at 30.06.2023 for the reporting period 01.01.2022 to 31.12.2022 prepared for the first time.

7 Disclaimer

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8 Impressum

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