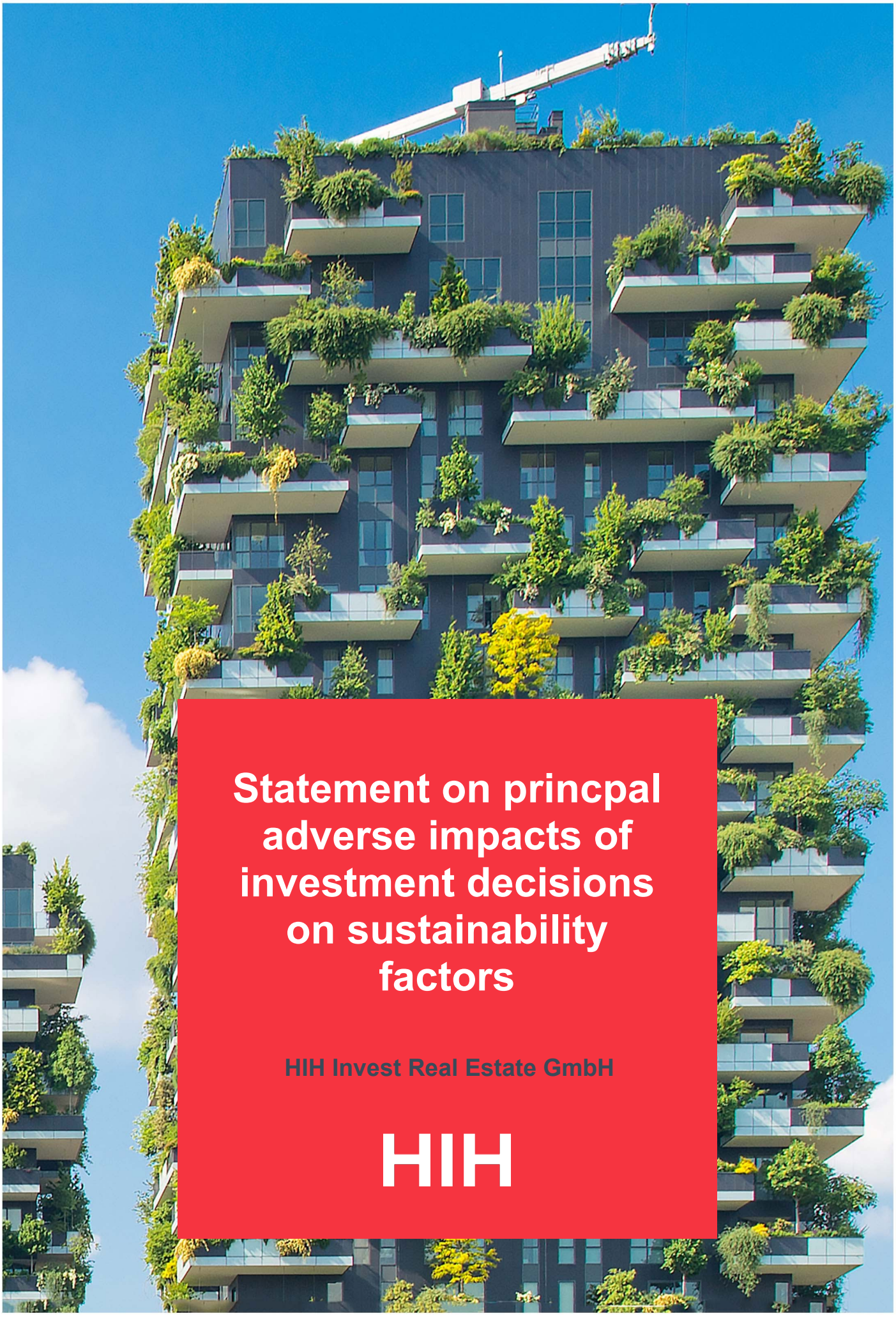

Statement on princpal adverse impacts of investment decisions on sustainability factors

HIH Invest Real Estate GmbH

HIH

HIH

Statement on principal adverse impacts of investment decisions on sustainability factors

June 28, 2024

Version 1.0.

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).

HIH

Inhaltsverzeichnis

1 Summary

HIH Invest Real Estate GmbH (HIH Invest) considers the principal adverse impacts of its investment decisions on sustainability. This statement is the consolidated statement on the main adverse impacts on the sustainability factors of HIH Invest.

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

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

HIH Invest considers the principal adverse impacts on sustainability factors in investment decisions on directly and indirectly held real estate, as well as principal 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.

Fossile Fuels	Energy efficiency (share energy inefficient assets)	Energy consumption
003%	38,60%	0,000013 GWh/m²

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 and therefore no statement can currently be made about the principal adverse indicators of its investment decisions on sustainability factors HIH Invest 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.

This approach will be reviewed on a regular basis.

The German language version is available here:

https://hih-invest.de/wp-content/uploads/sites/2/2024/06/Erklaerung-der-nachteiligen-Auswirkungen-von-Investitionsentscheidungen-auf-Nachhaltigkeitsfaktoren_HIH-Invest_20240628_V1.0.pdf

HIH

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

Adverse sustainability indicator		Metric	Impact 2023	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	**0,03%**	**0,05%**	100 % of the investments of HIH Invest were applicable for the indicator "fossil fuels" (eligibility). 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 %. The fossil fuel ratio is calculated as the market value-weighted share via the rental shares: (rent share in €/property interest)/(∑market values in €) Here, the rental shares of properties whose main type of use is actively designed for the extraction, storage,	To reduce the adverse effects, processes have been implemented to measure and evaluate the adverse effects in the purchase and portfolio. The indicators are considered and evaluated in the risk assessment.

Adverse sustainability indicator		**Metric**	**Impact 2023**	**Impact 2022**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in real estate assets						
					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 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. 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.	
Energy efficiency	2. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient	**38,60%**	**44,99%**	96,73% of HIH Invest's investments in direct real estate were applicable for the "energy efficiency" indicator (eligibility).	To reduce the principal advers idicator, processes were implemented to measure and evaluate the adverse effects in

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets						
		real estate assets			In order to determine the share of investments in properties with poor energy efficiency, there was a data coverage of 91,93% (data coverage). %. In addition to real data, estimated data was also taken into account according to a best-effort approach. The values were determined proportionately on the basis of all market values of the properties The energy inefficiency of buildings is calculated according to the formula from the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing the Disclosure Regulation (so-called regulatory technical standards (RTS)): $\frac{\text{((Wert der vor dem 31.12.2020 errichteten Immobilien mit EPC von höchstens C) + Wert der nach dem 31.12.2020 errichteten Immobilien mit PED unter NZEB in Richtlinie 2010/31/EU))}}{\textit{Wert der Immobilien, die EPC – und NZEB – Vorschriften unterliegen}}$ The terms Lowest Energy Building (NZEB), Primary Energy Demand	the purchase and portfolio. In the period under review HIH Invest views ESG as active risk management, as risks such as climate change can affect the value of real estate. By using data, HIH Invest identifies potential risks and develops strategies to mitigate them. HIH Invest continued to comprehensively process data during the period under review, including energy data and qualitative information on the building envelope and technical building equipment (TBE). This combination makes it possible to draw conclusions about the building quality and make comparisons with other buildings. And to implement optimization measures.

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets						
					(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. The following assumptions were made in determining the ratio, as it was not possible to implement the determination of efficiency for all properties: 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 buildings, non-heated areas (multi-storey car parks, parts of logistics halls), buildings under construction and for which no	▪ Consideration of the energy classes in the properties and the energy performance certificates. Implementation of targeted measures as part of the life cycle assessment of properties ▪ Increasing resource efficiency by reducing (primary) energy Targeted measures reduce energy consumption. ▪ Creation of a decarbonization pathway ▪ Anchoring ESG in operations / location ▪ Promoting digitalization - Digital solutions enable better monitoring and control of energy consumption, which leads to a further reduction in CO_2 emissions.

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets						
					preliminary energy certificate was yet available. In order to comply with the "best effort" approach, certain assumptions were made if the data were not complete: ▪ Assets without an energy performance certificate (EPC) are no longer automatically classified as energy inefficient. In order to present data availability more precisely and on the basis of actual data, the data coverage rate was improved last year. This rate is now higher than in the previous year, as missing energy performance certificates were previously included in the data coverage rate as energy inefficient. Although the rate therefore does not take into account all non-existent energy performance certificates, the rate	

Adverse sustainability indicator		**Metric**	**Impact 2023**	**Impact 2022**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in real estate assets						
					has improved slightly compared to the previous year (last year 91.45%, currently 91.93%). This now reflects a more realistic and unadulterated data situation. ▪ 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 30% 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 taken into account proportionally in the quotas. ▪ If the reference area of the energy certificates is larger than the	

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets						
					available rental space, the market ▪ Energy performance certificates without letter classification (this applies in Germany and Poland) were converted into a letter classification based on the energy information contained in the energy performance certificate using the so-called "BVI method"). The method follows the procedure in German energy performance certificates for residential buildings, in which the efficiency class classification in the color scales is based on the final energy demand or the final energy consumption. The classification into efficiency classes for non-residential buildings is therefore based on the primary energy demand (for energy demand certificates) or on the final energy consumption shown in the energy	

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets						
					performance certificate (for energy consumption certificates) in the same way as for residential buildings. The classification is made on a percentage basis in accordance with the efficiency class limits for residential buildings specified in Annex 10 of the Building Energy Act (GEG) and on the basis of the maximum values for primary energy demand or final energy consumption shown on the energy performance certificates. A building is classified as energy efficient if its primary energy demand or final energy consumption is within the first 30% of the specified maximum values.	
Energy consumption	3. Energy consumption intensity	Energy consumption in GWh of owned	**0,00013 GWh/m²**	**0,00014 GWh/m²**	97,59% of HIH Invest's investments were applicable to the "energy consumption" indicator (eligibility).	To reduce the principal advers idicator, processes have been implemented to measure and

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets						
					In determining the energy consumption of the properties in GWh per square metre, there was a data coverage of 87,15%. In addition to real data, estimated data was also taken into account according to a best-effort approach. The values were determined proportionately on the basis of all market values of the properties 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). It should be noted that due to the current state of data collection of consumption data, a significant proportion of extrapolations and	evaluate the adverse effects in purchasing and inventory. We are working on possible measures to reduce emissions and increase efficiency in order to further expand and improve our sustainability measures in the future. We have developed an internal ESG scoring system to screen our entire portfolio and carry out an inventory and status analysis. As part of the ESG inventory, our actively managed properties are assessed according to environmental and social criteria. In this way, an ESG performance score is determined for each individual property. With our newly developed scoring model, we now have a

Adverse sustainability indicator		**Metric**	**Impact 2023**	**Impact 2022**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in real estate assets						
					benchmark information is taken into account for data on energy consumption. Accordingly, the informative value of this data for the properties is limited. 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. 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.	comparative benchmark for ESG performance at property and fund level for the first time. In the next step, the scoring results are then carefully evaluated. Our aim is to identify ESG potential and develop improvement strategies. We determine ESG performance on the basis of five ESG characteristics. These include energy efficiency, social performance, user comfort and safety, economic performance and certification/governance. As a technical assessment, the resource efficiency cluster in particular offers the opportunity to evaluate the technical systems and the building envelope, taking into account the life cycle analysis, and to

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in real estate assets						
					For residential buildings, a surcharge of 25% was applied to the final energy demand stated in the energy performance certificate in order to take into account electricity consumption, which is not (sufficiently) taken into account in the energy performance certificate. This was based on a survey by the Working Group on Energy Balances, which examined the development of final energy consumption in private households from 1990 to 2023. Here, a median of 19% of final energy consumption was attributable to electricity consumption	identify potential for reducing energy consumption. The knowledge gained is used at asset level to develop action plans and is also used to develop the fund strategy and property strategy.

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 Prozesse 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

The reporting period 01.01.2023 to 31.12.2023 represents the second reporting year.

This allows initial comparisons to be made

Reporting period	Fossile fuels	Energy efficiency (share of iefficient assets)	Energy consumption
01.01.2022-31.12.2022	**0,05%**	**44,99%**	**0,00014 GWh/m²**
01.01.2023-31.12.2023	**0,03%**	**38,60%**	**0,00013 GWh/m²**

The share of fossil fuels has decreased slightly. This is due in particular to fluctuations in the rents and market values of properties associated with the extraction, storage, transportation or production of fossil fuels. As the proportion is still very low, no further explicit measures are planned here.

The proportion of energy-inefficient properties has fallen. Data coverage has also increased slightly, as great efforts were made in the reporting period to compile and check the plausibility of the available data. Measures to optimize the buildings were also implemented during the period under review. Further details on this can be found in the explanation of the indicator.

In the previous reporting period, missing energy performance certificates were classified as inefficient. In order to present more precise data coverage, missing energy performance certificates were not included in the efficiency rate in this reporting period and were instead deducted from the data coverage rate.

Energy consumption has decreased slightly overall due to improvements to properties and new acquisitions. At the same time, the calculation methods were refined, resulting in a more accurate representation of energy consumption.

Coverage of the energy consumption indicator fell from 91.96% in the previous year to 87.15%, primarily due to acquisitions for which no energy consumption data was available for the reference period or no energy consumption data or energy demand data is contained in the energy performance certificate.

Additional data was estimated. For residential buildings for which the energy performance certificate served as the data basis, 25% of the consumption was added in order to estimate the missing electricity consumption. These adjustments result in a more precise recording of energy consumption, but lead to an increase in certain areas, which is offset against the improvements to optimization measures. Further details can be found in the explanation of the indicator.

7 Explanations

* Eligibility:

Eligibility shows what proportion of HIH Invest's total portfolio is applicable for an indicator. For all indicators, the sum of the market values is in the denominator. Depending on the indicator, these are added in the numerator:

- Fossil fuels: this indicator is applicable to all properties
- Energy efficiency: this indicator is applicable to all properties that are subject to EPC and NZEB regulations or for which an energy performance certificate has been voluntarily issued
- Energy consumption: only properties that were under construction or were not heated or cooled using energy (e.g. warehouses, parking garages and underground garages) were excluded here.

** Data Coverage:

Data coverage shows the proportion of HIH Invest's total portfolio for which data could be collected or estimated. For all indicators, the sum of the market values is in the denominator. The data that was estimated and therefore included in the numerator can be found in the "Explanations" section of the respective indicator.

Date: June 28, 2024

8 Disclaimer

This concept document does not contain any recommendations for action and does not constitute 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 (HIH Invest), please refer to the relevant contractual documents and the annual reports. The content of this concept document is based both on public data and documents and on information made available to HIH Invest separately by third parties.

All statements, opinions and judgements contained in this document correspond to current, sometimes subjective assessments and evaluations and are not to be regarded as a constant, unchangeable or absolute statement. HIH Invest or its individual companies, as well as their executive bodies, management boards, employees or other parties acting on behalf of HIH Invest therefore assume no liability whatsoever for the statements made in this concept document, their completeness, accuracy or usability for the purposes of the reader.

This document and all information contained herein must be treated as confidential and must not be passed on to third parties without the express written consent of HIH Invest.

9 Impressum

Responsible for the content:

HIH Invest Real Estate GmbH
Ericusspitze 1
20457 Hamburg

Tel. +49 40 3282-30
Fax +49 40 3282-3260
E-Mail: info@hih.de

Managing Directors: Carsten Demmler, Alexander Eggert, Felix Meyen

Commercial register: Amtsgericht Hamburg HRB-Nr. 82406
USt.-Identifikationsnr.: DE215858737