



Sustainability Strategy HIH Invest

HIH Invest Real Estate GmbH

HIH

Introduction

Hamburg, 2023/24

Responsible investing and sustainable management of all real estate, and the application of this approach in all business divisions, represent integral components of the corporate philosophy of HIH Invest Real Estate GmbH. The company attaches particular importance to a sustainable and efficient management of its properties, as well as to showing consideration for other people and the environment. Complying with the ESG¹ criteria and taking advantage of structuring options are key aspects within the value systems, strategies, and structures of HIH Invest.

HIH Invest's commitment to future-proof, sustainable buildings has always been deeply rooted in the company. Today, we believe that investors and developers must capitalise on post-pandemic opportunities by creating more liveable environments and contributing to better living experiences through new standards of flexibility for workplaces, homes and communities of the future.

We at HIH Invest Real Estate GmbH ("HIH Invest") recognised the growing significance of environmental and social issues as important factors early on and have been making an intense effort to implement sustainability criteria to live up to our responsibility towards investors, employees, the environment and society at large. Accordingly, ESG will be a key criterion for investment decisions, in addition to yield and risk criteria.

¹ ESG E=Environmental; S=Social; G=Governance

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1 Basis of our actions

The European Union has set itself ambitious climate and energy policy targets.

The key targets for 2030 are

- Reduce greenhouse gas emissions by at least 55% (compared to 1990),
- increasing the proportion of energy from renewable sources to at least 32% and
- increasing energy efficiency by at least 32.5 %.

In addition to these targets, the EU heads of state and government committed to the goal of climate neutrality by 2045 in December 2019. By this date, all greenhouse gas emissions in the European Union are to be avoided as far as possible.

Sustainability has now found a firm place on the political agenda. The 'EU Action Plan for Sustainable Finance' makes it clear that capital flows should increasingly be channelled into sustainable investments.

In future, this will also entail higher transparency requirements regarding the actual measures implemented.

In addition to ecological goals, social factors and demands on corporate governance also go hand in hand with social change.



2 Sustainability Strategy

We at HIH Invest Real Estate GmbH (“HIH Invest”) recognised the growing significance of environmental and social issues as important factors early on and have been making an intense effort to implement sustainability criteria to live up to our responsibility towards investors, employees, the environment and society at large. Accordingly, ESG will be a key criterion for investment decisions, in addition to yield and risk criteria.

For the further development and implementation of the sustainability strategy, the senior management of the HIH Group set up an ESG team. The ESG team members are recruited from different units and companies of the HIH Group, which means that the competencies from the various corporate units are effectively bundled in a single team. At HIH Invest, the ESG team under Iris Hagdorn, Head of Sustainability, collaborates closely with the senior management.

In this context, HIH Invest pursues a sustainability strategy that takes the relevant EU regulations into account on the product and company level. Accordingly, ESG criteria are considered throughout the entire investment process.

The sustainability approaches of HIH Invest aim to

- Reduce resource consumption,
- Optimise resource efficiency and
- Contribute to a positive social environment

On this basis, the team developed and implemented the company’s ESG mission statement – along with a sustainable investment strategy adapted for the fund products. Many requirements have yet to be specified by the German legislature, and successive adjustments are sure to follow in future.

Central aspects are the promotion of economic growth, the reduction of disparities in living standards, the creation of equal opportunities and the sustainable management of natural resources, which ensures the preservation of ecosystems and strengthens their resilience.



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To support our strategy and as a framework, we look at the United Nations' Sustainable Development Goals (SDGs). These 17 goals are political objectives of the United Nations (UN) that are intended to ensure sustainable development at an economic, social and ecological level worldwide.

At company level, we have also based our strategy on these principles. Employee well-being, equal rights and the reduction of inequalities are anchored in our corporate strategy. At HIH Invest, we also endeavour to make our contribution to climate protection by using resources sparingly, promoting green energy and using our natural resources responsibly.

Governance and sustainability at HIH Invest

The sustainability strategy is composed of the ESG mission statement and the four central sustainability issues:

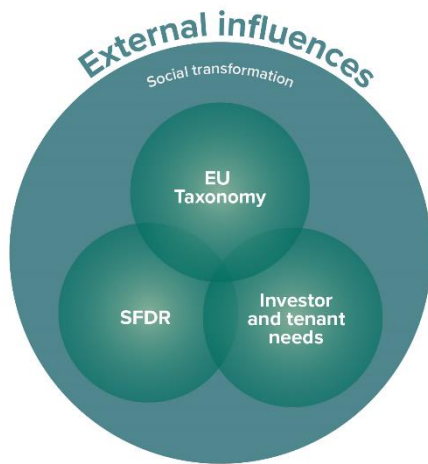
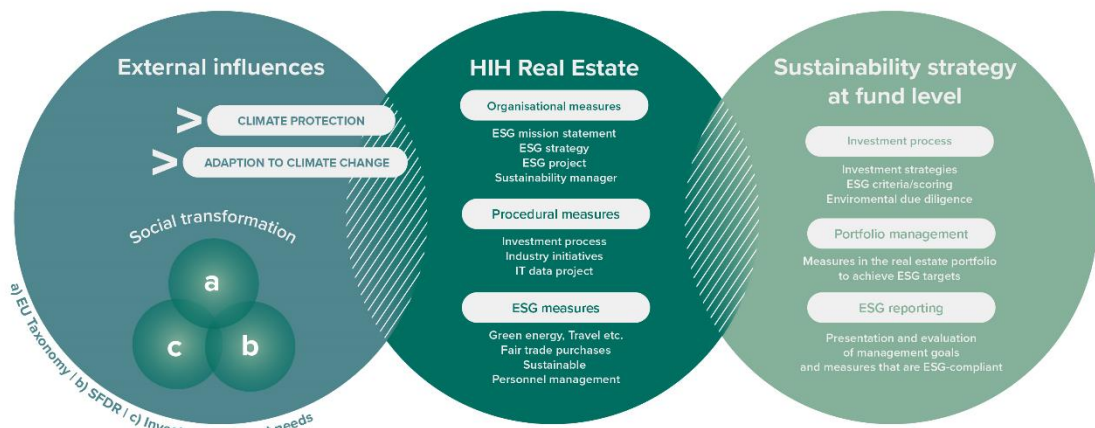


DATA and IT:
Ability to collect, process and report ESG data at each level

In the implementation of our sustainability approach, we strive for a high product and service quality in the interest of our clients, for a stable goodwill, the long-term ability to pay dividends and a balanced risk profile in the interest of our shareholders, as well as for a pleasant working environment and a sound work-life balance in the interest of our employees.

In addition, we offer our investors the option to jointly develop bespoke sustainability strategies that are tailored to their specific requirements and portfolio parameters. To this end, the overall portfolio strategy may be expanded to include ESG strategies and characteristics on different levels.

We at HIH Invest pursue holistic sustainability activities on the management, process and portfolio levels, always taking EU regulations into account.



We are moving in an environment in which sustainability goals, especially climate change mitigation, are given the highest priority by society and the body politic, along with prosperity, health, liberty and peace objectives, and in which the negative effects of the climate crisis are directly felt – massively increasing the social acceptance for control measures.

Since 10 March 2021, transparency obligations at company and product level have been made mandatory by the European Union (EU). The first stage of the information obligations, the EU Disclosure Regulation of 10 March 2021, sets out binding rules for all financial market participants and products - including real estate funds (AIFs) - as to which aspects must be presented transparently with regard to sustainability. In future, the Disclosure Regulation will regulate transparency obligations at company and product level. This includes the most important adverse effects.²

² See Art. 4 Nr. 1 Sustainable Finance Disclosure Regulation // Regulation (EU) 2019/2088

According to the Sustainable Finance Disclosure Regulation, the ESG integration on the product level will be subject to different categories.

Product Level
Basic products pursuant to Art. 6 Sustainability risks in the investment process
ESG Strategies pursuant to Art. 8 Implementation of environmental and social characteristics in the investment strategy
ESG – Impact pursuant to Art. 9 Implementation of sustainable targets in the investment strategy

As a next step, the Taxonomy Regulation became effective on 01/01/2022. While the SFDR specifies our transparency obligations, the Taxonomy sets out a uniform definition of sustainability.

This environment presents innovations, challenges, and opportunities that we live up to with our sustainability efforts.

We will continue to expand our ESG knowledge and capabilities by reviewing and improving the way in which we integrate responsibly investment decisions into our investment life cycles.

We will ensure compliance with the disclosure requirements for sustainable finance for our funds. In addition, we will closely monitor and participate in the political consultations on finalising the criteria for the taxonomy for real estate.

To this end, we set up processes to fulfil our regulatory obligations. This includes:

- 1) Identification of the required data
- 2) Development/definition of the calculation bases/logic
- 3) Development of an automated report
- 4) Setting up a strategy report on the performance of the sustainability indicators
- 5) Data procurement

Sustainability at company level

The sustainability strategy of HIH Invest starts on the company level. The company therefore actively raises employee awareness about environmental and social sustainability to make a conscious effort to reduce emissions and to proactively integrate sustainability into its day-to-day business. HIH Invest has integrated ESG aspects into all of its decision-making levels, from the company level to the product level, and all the way to the property level.

Integrating ESG aspects into our decisions is considered part of an active risk management.

The effort of sensitising employees is masterminded by our Sustainability Manager who implements the sustainability strategy and serves as contact person for sustainability issues. Employees who are motivated and sensitised to sustainability will expedite and facilitate the implementation of our sustainability strategy.

HIH Invest is an attractive and responsible employer who recruits high-skilled employees with the objective of retaining them long-term in the company. We are committed to safeguarding and promoting employee interests and employee well-being.

In order to retain its employees in the company long-term, HIH Invest makes an effort to create a permanently attractive work environment that is both secure and rich in opportunity. HIH Invest advocates non-discriminatory interaction and offers its employees a variety of opportunities for their continued professional and personal training and development. Employees of HIH Invest benefit from a well-developed company health management and a caring human resources department, both of which contribute to a positive work environment.

We strictly reject corruption and bribery, and any violation of our anti-corruption policy will have consequences under labour law and criminal law.

HIH Invest picks up on new influences and perspectives through its active involvement in associations and interest groups.

Diversity and inclusion as well as our understanding of diversity cover a range of aspects, including gender, ethnicity, LGBTQ identity, disability, mental health and governance. Every employee is entitled to a work environment free of discrimination and reprisals. This is why we interact openly and respectfully with each other, minding our language and conduct.

There is a commitment to promote social interaction and social justice, as well as to ensure fair payment and equal treatment regardless of gender. Initiatives to hire, promote and retain more women on all levels of the organisation are being supported.



Environmental, social and governance components

<p>Renewable energy</p> <p>Green electricity for office units</p>	<p>Green-certified facility cleaning</p> <p>Absence of harmful substances</p>	<p>Promoting the use of public transportation</p> <p>Lowering emissions</p>
<p>Employee wellbeing</p> <p>Community & work-life balance</p>	<p>Employee health</p> <p>Company sports & nutrition</p>	<p>Family-friendliness</p> <p>Sick leave</p>
<p>UN Global Compact UN PRI</p> <p>Voluntary commitments</p>	<p>Compliance & Governance</p> <p>Periodic training classes</p>	<p>Charity (donations, sponsorships)</p> <p>Annual selection of beneficiaries</p>

Governance

HIH Invest undertakes to uphold the ethical standards that derive from universal human rights and civil rights. Accordingly, our actions follow the guiding principles of integrity, fairness, reliability, respect, and trust. To this end, we developed our code of conduct and ethics, which is based on our sustainability strategy, our corporate mission statement, our governance principles and our ESG mission statement. The objective is to create a responsible corporate culture that supports the sustainable activities of each employee³ and of the company as a whole.

Showing fairness and consideration to our environment and society is an integral part of our corporate identity, and we are aware of our responsibility to contribute to the collective effort. We think and act in a future-oriented and resource-conserving way, striving for a far-sighted economic outlook and for steady improvement. Here, we actively advocate equality and diversity, engage with others, use our power of influence, and form our own opinions. Out of this corporate sense of self, we live up to our accountability under established external standards and to external associations, and we have from the start of this process been committed to compliance with the guidelines of the UN Global Compact in addition to upholding effective national labour rights,

³ Generic mention of the individual employee may use male pronouns for the sake of simplicity when actually referring to employees of any gender (m/f/d)

complying with the eight core labour standards of the International Labour Organization (“ILO Core Labour Standards”), and having adopted the Principles of Responsible Investment (PRI).

Policies in accordance with the principles of the UN Global Compact

1. Protecting internationally proclaimed human rights
2. Avoiding complicity in human rights abuses
3. Recognising the freedom of association and the right to collective bargaining
4. Advocating the elimination of forced labour
5. Advocating the abolition of child labour
6. Advocating the elimination of discrimination in regard to employment and occupation
7. Taking a precautionary approach to environmental challenges
8. Promoting deepening environmental awareness
9. Developing and disseminating environmentally friendly technologies
10. Fighting corruption in any form

We have pledged to uphold the Principles for Responsible Investment (PRI).

Specifically, the six principles require:

- integrating ESG aspects in our investment decisions and analyses
- integrating ESG aspects in our active portfolio management
- asking companies, we intend to invest in, to present reasonable disclosures concerning ESG issues
- promoting the acceptance and implementation of these principles in the investment industry
- We collaborate with other market players to implement the principles.
- We will report on our activities and any progress made in implementing the principles.

Memberships, Initiatives & Partners

We deliberately opted for a far-reaching sustainability commitment, and make our know-how available to a variety of organisations.

- UN Global Compact / UN PRI
- BVI:
- Sustainability Committee (“Ausschuss Nachhaltigkeit”)
- Working Group on Sustainability in Property Funds (“Arbeitskreis Nachhaltigkeit bei Immobilienfonds“)
- Working Group on Responsible Investing (“Arbeitskreis Verantwortliches Investieren“)

In-house policies include, in addition to care for employee health, a commitment to engage our partners, service providers, clients and our immediate surroundings in dialogue. Our service providers are expected to implement our principles along their entire supply chains. With this in mind, there is a regular exchange of information.



3 Measures and their implementation in Fund and Portfolio management

HIH-Invest integrated key elements of a sustainable investment approach into its investment process. This includes a ESG due diligence during the acquisition process as well as the early identification of measures that will become necessary in downstream portfolio management.

Every asset class (retail, office, etc.) is evaluated based on specific criteria at market and property level. ESG and sustainability risks are identified and evaluated with considering their impact on returns. ESG related criteria, such as occupier amenities, safety or infrastructure access, are reviewed within the framework of the ESG due diligence while the building shell is examined during the technical due diligence. The ESG due diligence covers the following sustainability aspects:

- resource efficiency,
- occupier amenities and safety,
- location and
- physical risks.



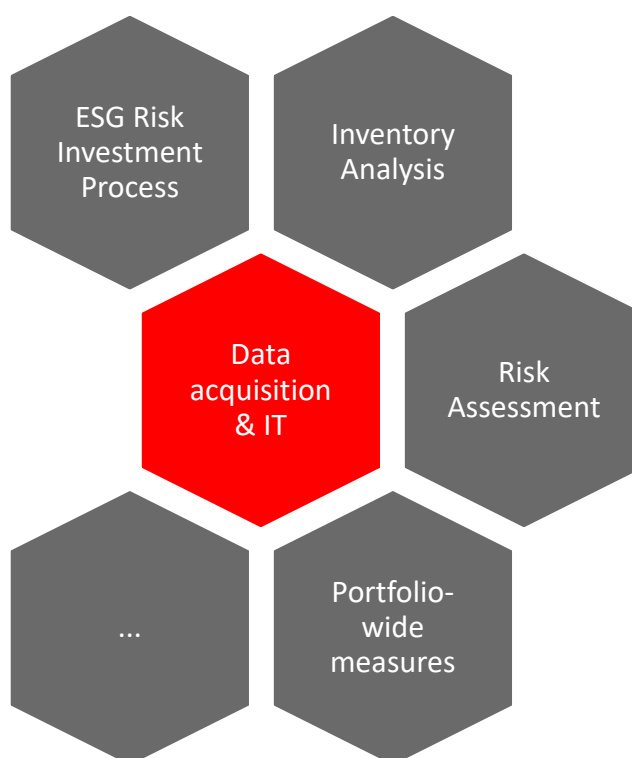
The respective decision papers report on the findings of the ESG due diligence. When making investment decisions, the fund management, the members of the investment team and the investment committee make their recommendations to the senior management, and usually, also to the investors. The final decision regarding a given acquisition is made by the senior management, which is therefore responsible for implementing the ESG strategy. Moreover, each product is assigned to a fund director, ensuring that a managing director is involved even in the current portfolio management.

Sustainable portfolio strategies

To enhance the sustainability process and potential beyond the corporate level, HIH Invest increasingly integrates sustainability aspects into its product landscape, thereby giving its investors the chance to make permanently sustainable investments. This takes the form of creating new sustainable fund solutions and products, of supplementing the transaction process with ESG aspects, and of structuring the management of our real estate to conserve more energy and resources.

For its overall portfolio, HIH Invest pursues a sustainability strategy that comprises both process-related and explicit sustainability measures. On top of that, HIH Invest gives its investors the opportunity to structure bespoke sustainability strategies that satisfy individual needs and suit specific portfolios. For this purpose, the overall portfolio strategy may be expanded to include various ESG modules.

At HIH Invest, we pursue a sustainability approach across the entire portfolio that encompasses both procedural and explicit sustainability measures. This Comprehensive ESG strategy with regard to regulatory and investor needs:



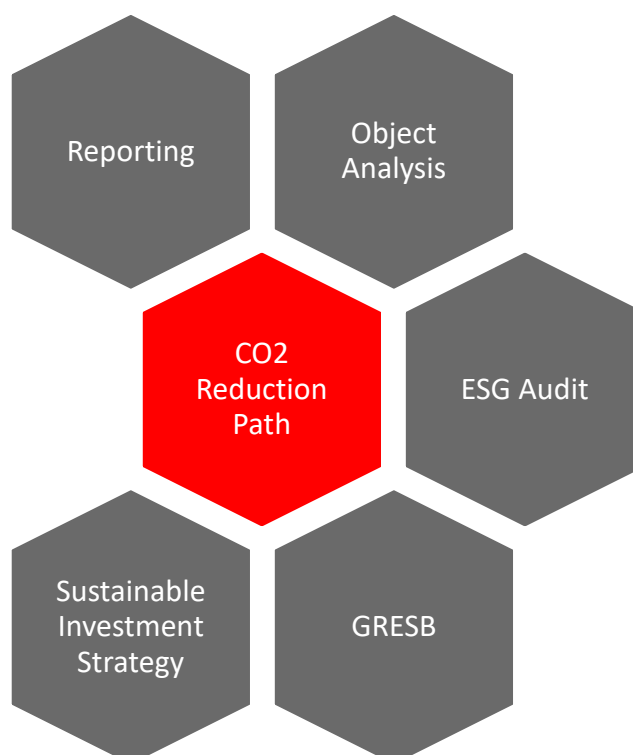
In addition, HIH Invest offers to work with its investors to design customised sustainability approaches that are tailored to their needs and specific to their portfolios. To this end, various ESG modules can be added to the overall portfolio strategy.

Options for sustainable product design

Non-ESG	
Characteristics	<ul style="list-style-type: none"> ▪ Sustainability risks and adverse impacts not taken into account ▪ Not or only partially included in the ESG overall portfolio strategy of HIH Invest
Reporting	<ul style="list-style-type: none"> ▪ No ESG elements
Attributes	<ul style="list-style-type: none"> ▪ Statement that no ESG risks / criteria are taken into account = investor should specify exact reasons
Basis	
Characteristics	<ul style="list-style-type: none"> ▪ Data collection ▪ Scoring (optional) ▪ Sustainability within the scope of the ESG overall portfolio strategy
Reporting	<ul style="list-style-type: none"> ▪ Basic key figures ▪ (consumption / CO2 emissions) ▪ Scoring (optional)
Attributes	<ul style="list-style-type: none"> ▪ Statements that investment decisions take ESG criteria into account ▪ Consideration of ESG risks ▪ ESG as active management component
Characteristics	<ul style="list-style-type: none"> ▪ Pursuit of a selected ESG strategy using specific ESG characteristics

Reporting	<ul style="list-style-type: none"> ▪ Basic key figures ▪ Defined ESG characteristics ▪ Scoring
Attributes	<ul style="list-style-type: none"> ▪ No explicit target definitions ▪ Reporting on binding and measurable characteristics ▪ Knock-out criteria ▪ Development off und strategy including ESG characteristics ▪ Binding ESG characteristics / knock-out criteria / minimum criteria
Impact	
Characteristics	<ul style="list-style-type: none"> ▪ Achieving a measurable and verifiably positive contribution to environmental and social objectives
Reporting	<ul style="list-style-type: none"> ▪ Basic key figures ▪ Defined impact targets ▪ Scoring
Attributes	<ul style="list-style-type: none"> ▪ Explicitly formulated targets ▪ Development fund strategy / definition of dedicated targets (e.g. reducing CO2 emissions) ▪ Binding ESG targets

The modules are based on the requirements of the Disclosure Regulation and offer optional modules for external benchmarking or scoring models.



Sustainability assessment

We are working on possible measures to reduce emissions and increase efficiency in order to further expand and improve our sustainability projects in the future. We have developed an internal ESG scoring system to screen our entire portfolio and carry out an inventory and inventory analysis, so to speak.

As part of the ESG inventory, our actively managed properties are assessed according to environmental and social criteria. A measurement value for ESG performance is determined 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 analyse the scoring results. 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. For each ESG characteristic, various checkpoints are analysed for each property and scored according to the degree of achievement. The checkpoints are weighted according to their importance. The findings are used at asset level to develop action plans and are also used to develop the fund strategy. The information obtained is also valuable for the classification of

fund products in accordance with Article 8 of the Disclosure Regulation (SFDR). The data is also relevant for ESG reporting.

With our scoring model, we have developed a flexible method that we can adapt to growing requirements. The maximum scoring value aggregated at fund level is set as the target value to be achieved. Improvement tracking is designed for target/actual comparisons. An ESG roadmap will be drawn up successively and prospectively for each property and each fund.

At the same time, a general catalogue of measures is being developed. This helps to find the appropriate measures for the identified potential, divided into E and S measures, in order to further develop the properties and make them more sustainable in the long term.

ESG Strategy in Multi Manager Business

HIH Invest demonstrates ESG relevance in the selection of external managers by taking sustainable investment decisions into account. The development of a questionnaire is one of the first steps in the selection of a manager. This is intended to determine whether potential external managers can act within the framework of our sustainable strategy. The reason for this is that neglecting ESG issues by the investment manager can lead to sub-optimal investment decisions being made. Target funds are aligned with responsible investment strategies and guidelines. This helps us to ensure that our fiduciary duty to investors is fulfilled. The corporate culture, the investment philosophy and policy of the external manager, the governance and investment strategy and the competencies of the investment team are important aspects of the organisation when implementing a responsible investment strategy. We will therefore assess ESG criteria as part of the selection process in order to gain a comprehensive understanding of the external managers' competences and resources.

For capital commitments to institutional target funds, we will review the overall ESG concept of the target fund manager and the investment approach of the target fund with regard to sustainability aspects and risks.

As part of HIH Invest's ESG strategy, sustainable criteria are evaluated. For this purpose, an ESG inventory is carried out for the respective target fund managers. An ESG performance score is determined for each individual target fund manager or target fund.

ESG performance is calculated on the basis of four ESG characteristics. These include general strategy at company level, data management, reporting and sustainable investment strategy.

For each ESG characteristic, various checkpoints are analysed for each target fund and scored according to the degree of achievement. The checkpoints are weighted according to their importance.

The aggregated results and the results of the individual target funds are presented as part of our optional reporting.

In the next step, these results will be used to track the further integration of ESG in target fund management.

4 Sustainable property management

HIH Invest is convinced that steps taken to optimise resources and occupier amenities, sustainable rental spaces, green leases and the implementation of social sustainability aspects have a positive impact on tenant behaviour, tenant satisfaction, tenant demand and tenant loyalty. The ESG context is gaining relevance on a daily basis, and businesses are hunting for sustainable modern accommodation even now, which is where HIH Invest comes in with the implementation of its ESG strategy.

Sustainable property management means above all:

- Re-appraising properties with respect to sustainability and derivation of pinpoint measures on a regular basis
- Convincing tenants of the merits of sustainably building occupancy via so-called green leases: A “green lease” includes provisions concerning the sustainable occupancy and management of the leased property during active operation, the reduction of waste, consumption rates and emissions, and the environmentally harmless implementation of maintenance, modernisation and other construction measures.
- Maintaining constant communication on sustainability issues during the lease term in order to exploit the property’s full potential in regard to its sustainable use and management through a partnership-like collaboration. Conducting periodic tenant surveys is one element in this context.
- Using sustainable materials, particularly for maintenance and other construction measures: e. g. regulations governing their environmentally harmless implementation, for instance by prohibiting the use of certain environmentally damaging building materials and by mandating the adherence to certain construction-ecology specifications during expansion and modernisation measures.
- Use of environmentally harmless cleaning agents
- Optimal integration of the rental property into the local infrastructure
- Development of community engagement programs
- Promoting environmentally friendly mobility among occupiers (e. g. through structural alterations such as the installation of bicycle parking spaces)
- Ensuring compliance with current and future regulations
- Service providers (e. g. property managers and/or facility managers) and other contractual partners who play a key role in the use and management of the property are advised to take sustainable occupancy and management aspects into account
- Procurement of electricity from environmental sustainable sources

We see future potential in digitisation and technological innovation, especially in the area of facility management. We will therefore continue to identify efficient pinpoint measures to improve the performance of its sustainability factors.



5 Disclaimer

This concept paper includes no recommendation for action and does not represent a financial analysis, investment advice, or contract offer. For detailed information and notes on the opportunities and risks of the products and services offered by the HIH Invest Real Estate (HIH Invest), please refer to the respective contractual documents and the annual reports.

The content of this conceptual document is based on public data and documents as well as on information made available to HIH Invest separately by third parties. All statements, opinions and evaluations contained in this document correspond to current, partly subjective assessments and valuations and should not be construed as a permanent, unchangeable or absolute statement.

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6 Legal notice

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