



ART INVEST
— REAL ESTATE —

Art-Invest Real Estate Funds GmbH

Responsible Investment Policy

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Document History

The Responsible Investment Policy is subject to resolution by the Management Board of Art-Invest Real Estate Funds GmbH, Cologne (hereinafter referred to as Art-Invest Real Estate). Amendments and additions require the explicit written consent of the Management Board.

The Management Board holds the responsibility for regular and extraordinary revisions and updates of this policy, which are executed by the Sustainability Management and Risk Management teams. In line with the sustainability strategy of Art-Invest Real Estate, these reviews are conducted at least annually. This process guarantees the policy's perpetual alignment with current developments and strategic objectives, thereby maintaining its relevance and effectiveness.

Version	Date	Remarks	Author
1.0	01.12.2023	Initial Version	Bäuerle, Braxator
1.1	01.04.2024	Revision of the ESG Committee's Membership	Bäuerle, Braxator

The Responsible Investment Policy applies to all employees of Art-Invest Real Estate and is set to come into effect from April 1, 2024. This policy has been approved by the entire Management Board.

Cologne, 01/04/2024

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A. Preliminary remarks

Art-Invest Real Estate perceives sustainability not merely as a corporate responsibility, but as the cornerstone of enduring economic prosperity.

The Responsible Investment Policy embodies Art-Invest Real Estate's dedication to incorporating sustainability in the environmental, social, and governance (ESG) aspects as the fundamental principle of its business operations and decision-making process. The objective is to create enduring value for investors, enhance the resilience and performance of portfolios, while concurrently advancing global sustainability objectives.

It is based on the objectives and principles of the United Nations for sustainable development and responsible investment (UN PRI), ensuring a consistent integration of ESG criteria into the assessment, selection, and administration of property investments. In addition to the applicable BVI Code of Conduct ("BVI Wohlverhaltensregeln"), which Art-Invest Real Estate already adheres to, the Responsible Investment Policy is enforced across all domains where Art-Invest Real Estate assumes accountability for the entire value chain. In the process of granting mandates, Art-Invest Real Estate ensures the integration of these guideline principles into managerial activities.

B. Art-Invest Real Estate’s Approach to Sustainability

In the year 2019, the organization’s internal understanding of sustainability, as it pertains to all phases of the real estate value creation process (acquisition, project development, fund management, asset management), was formally documented in the form of a sustainability strategy for the first time. This strategy was then consolidated within the guidelines of Economy, Ecology, Social, and Society:

Economy

Art-Invest Real Estate aims for sustainable growth and long-term economic success in the development and management of its products and services. As an owner-managed company, Art-Invest Real Estate acts as a fair, transparent and responsible partner.

- Art-Invest Real Estate develops attractive, modern and efficient properties to the latest standards tailored to the needs of its stakeholders.
- Art-Invest Real Estate acts in the interests of its investors when managing the capital entrusted to it.
- Art-Invest Real Estate prioritises compliance-compliant action within the framework of effective corporate governance.

Ecology

Art-Invest Real Estate assumes responsibility in its thoughts and actions by endeavouring to reduce and compensate for the negative impact of its business activities on the environment.

- With its project developments, Art-Invest Real Estate contributes actively to improving the ecological and CO₂ balance of its portfolios.
- As part of active asset management, Art-Invest Real Estate is enhancing the efficiency of its portfolio properties.
- Art-Invest Real Estate fosters digital technologies and innovative business models with the aim of conserving resources and enhancing the value of its properties.

Social

Art-Invest Real Estate conducts its internal interactions in a manner that is characterized by responsibility and mutual respect.

- For its employees, Art-Invest Real Estate creates an inspiring and modern work environment, placing a high value on a culture of appreciation within the company.
- Art-Invest Real Estate actively promotes personal development and individual health and supports the work-life balance.

Society

Art-Invest Real Estate is aware of its societal responsibilities and considers the needs and demands of society as a crucial component in its operations.

- Art-Invest Real Estate aspires to positively shape urban districts and creates vibrant spaces for living, working, culture, and leisure through its properties.
- Art-Invest Real Estate encourages the social activities of its employees and actively supports charitable purposes.
- Art-Invest Real Estate actively contributes at local and national levels to the establishment and further development of trends and standards through work in associations, committees, and stakeholders' organisations.

The sustainability guidelines have been communicated internally to the employees as well as published on the website (www.art-invest.de).

C. Embedding ESG Principles in Corporate Structure

The implementation of the company's internal understanding of sustainability represents a common goal of Art-Invest Real Estate, which is actively pursued by every team member, from the management to the operational team. Art-Invest Real Estate recognises each employee as an integral part of its commitment to responsible investment. Our policies and commitments, which apply to all employees, strengthen this philosophy.

In this context, the **management** takes a guiding role and leads by example. Their responsibilities include the establishment, implementation, and monitoring of the sustainability strategy, the integration of sustainability aspects into business practices, and the promotion of a culture of responsible action. In this regard, the management maintains close communication with the supervisory board, the ESG committee, and the Sustainability Management team.

The **Supervisory Board** is responsible for monitoring the ESG components within the organisational structure. The information provided by the Management Board is analysed by the Supervisory Board regarding its sustainability compatibility and potential for improvement is identified.

The **Sustainability Management team** serves as the primary internal contact point for all other departments regarding ESG issues. The team's operational tasks include managing the implementation of the organization's sustainability goals. In addition, the team is responsible for analysing and evaluating ESG aspects and fulfilling regulatory sustainability requirements at the level of the capital management company ("KVG" Kapitalverwaltungsgesellschaft) and the investment funds.

The **Risk Management team** works closely with the Sustainability Management team and analyses potential ESG or regulatory risks that could affect the long-term financial performance of the investment assets managed by Art-Invest Real Estate. Continuous monitoring and reporting of ESG risks and performance indicators enable proactive responses to changes and ensure compliance with current guidelines.

To ensure the company-wide management and monitoring of ESG issues of major importance to the Group, the **ESG Committee** was established.

The ESG Committee comprises three members from AIREF as well as three members from AIREM. The ESG Committee consists of a Managing Director, the Head of Risk Management & Team Lead ESG Regulatory Risk & Reporting and a Sustainability Manager of Art-Invest Real Estate Funds as well as two of the Managing Directors and the Senior ESG Manager of Art-Invest Real Estate Management. The ESG Committee can make decisions on all ESG-relevant issues, provided they are not covered by another policy and/or there is no group-wide impact. It reports to the management board of Art-Invest Real Estate and provides decision templates regarding ESG issues of significant group-wide importance.

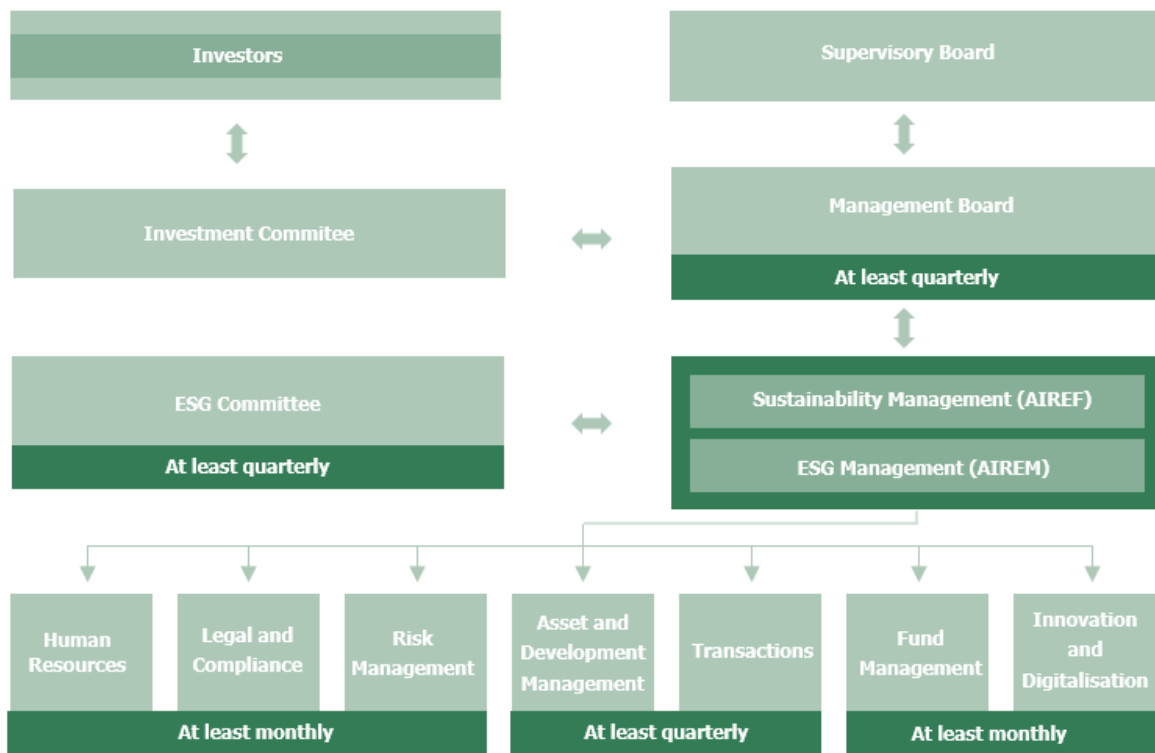


Figure 1 Organizational Chart Anchoring ESG

D. Incorporation of ESG factors in the investment procedure

As a reliable partner to all stakeholders, responsible investing is fundamental to Art-Invest Real Estate and is a central part of fiduciary duty and corporate responsibility. The real estate industry plays a crucial role in the transition to a low-carbon, circular economy. In consideration of increasingly stringent regulatory requirements, potential price discounts for non-ESG compliant properties, and changing stakeholder expectations, it is crucial to focus on sustainable investments at an early stage and to integrate ESG factors into all steps of the investment process. Thus, Art-Invest Real Estate not only recognizes the potentials arising from responsible investments, but also the challenges and risks associated with them.

To implement the policy for responsible investing, Art-Invest Real Estate has established common minimum standards that extend across various business functions. These principles ensure a uniform approach at both corporate and product level in our endeavours towards sustainability and responsibility.

Corporate Level

Minimum requirements

- Implementation of a governance framework under management leadership, including the establishment of an ESG committee.
- UN PRI signatory with commitment to its principles in corporate and investment processes.
- A culture of inclusion, diversity, and equality, actively promoted among stakeholders and fostered by a leading person.
- Code of Conduct of the Zech Group and Compliance Manual, binding for all employees and based on shared core values.
- ESG requirements in the Supplier Code of Conduct, promoting responsible investment principles in the supply chain (Zech Group Procurement and Environmental Policy).
- Compliance with international and local labour laws, support for workers' rights.

- Support for the UN Sustainable Development Goals (SDGs), alignment of corporate practices with these goals (Goal 11 Sustainable Cities and Communities and Goal 13 Climate Action).
- Remuneration framework that rewards sustainable business practices while ensuring unsustainable business practices are not incentivised.
- Regular ESG training to promote awareness and understanding.

Additional Endeavours

- Continuous measurement of the environmental impact (in particular emissions, energy consumption) of the internal business operations and compensation through financial contributions to selected, certified environmental protection projects.
- Definition of reduction targets from 2025 - accompanied by an increase in the efficient use of buildings and promotion of environmentally conscious behaviour.
- Art-Invest Real Estate's travel policy favours more environmentally friendly modes of transport to minimise the ecological footprint.
- Art-Invest Real Estate is committed to charitable projects and promotes the social engagement of its employees in the communities.
- Best practices for sustainability are incorporated into the workplace culture to serve as a role model for employees and the industry.

Product level

- I. **Product development** and strategies aimed at incorporating **sustainability risks** in investment decision-making processes

Minimum requirements

- Art-Invest Real Estate adheres to the New Product Process regulations as per KAMaRisk, ensuring all necessary requirements are met for a product to be launched in compliance with the Sustainable Finance Disclosure Regulation (SFDR).
- Art-Invest Real Estate aims to focus on the launch of products complying with Article 8 (financial products emphasizing ecological and/or social aspects in addition to others) and Article 9 (financial products targeting sustainable investment).
- Furthermore, it is ensured that sustainability risks (particularly physical environmental risks, transition risks) are considered in every product launched, as well as the strategy chosen by the company to take account of the Principal Adverse Impact is applied.

- II. The following approaches are available to Art-Invest Real Estate as part of the **acquisition process**

Minimum requirements

- Integration of ESG factors into the underwriting model and business plan.
- ESG Quick Check of all investments according to defined criteria to identify possible "red flags" at an early stage and avoid unnecessary costs.
- Fundamentally, the company does not invest in properties that are used for the extraction, storage, transport or production of fossil fuels. An exception is made when the property is part of a comprehensive portfolio investment and assumes a subordinate role in this context.
- Mandatory execution of a Technical Due Diligence (including environmental section: investigation of contaminated sites and pollutants, etc. and TBS section: assessment of heat supply, facade, insulation, etc.).

- Mandatory legal due diligence (incl. review of green lease clauses).
- Mandatory execution of ESG due diligence (unless there are significant reasons to the contrary, e.g. if investors of the investment fund explicitly request this).
- Adherence to minimum requirements for regulatory compliance and reporting.
- Mandatory issue of a comprehensive acquisition proposal detailing the building's quality and location as well as the results of the aforementioned due diligence, thereby maximising transparency in the acquisition process (e.g. with regarding potential conflicts of interest or risks).
- Investment selection with consideration of environmental and social attributes as well as sustainable investment objectives.

Additional aspirations

- Development of a decarbonisation pathway (e.g. predicated on CRREM) incorporating optimisation strategies to construct a compelling investment business case.
- Prioritisation of property acquisitions that either possess or have the potential to attain a commendable standard of green building certification or energy efficiency
- Emphasising the utilisation of actual performance data over approximations for robust materiality evaluations, particularly in the context of energy consumption and climate-related risk assessments.
- Executing climate risk assessments for all property acquisitions, according to recognised standards and methods.
- Employment of a taxonomy compliance review to evaluate and categorise investment sustainability aspects. Based on investor's preferences, properties not adhering to the taxonomy are excluded.

III. Art-Invest Real Estate undertakes all **project developments and core refurbishments**, aligning with the most recent standards when feasible and economically viable.

Minimum requirements

- Reduction of resource consumption in the use of heat, water and electricity can be achieved through smart technologies like smart meters.
- Minimisation of operating emissions at the company site to reduce the ecological footprint.
- Evaluation the use of sustainable and environmentally friendly construction materials including the contemplation of greenhouse gas emissions throughout their life cycle.
- Consideration of the use of renewable energy sources for a sustainable energy supply.
- Creation of workplaces and building spaces meeting current and future user requirements in every aspect.
- Evaluation of green building certifications such as LEED, BREEAM or DGNB Gold.

Additional aspirations (New building)

- Definition of lifecycle objectives for embodied carbon and examination of lifecycle greenhouse gas emissions. Strategizing for the development of edifices with net-zero operational emissions by the year 2045 (carbon-neutral by 2045).
- The implementation of a taxonomy-compliant planning and construction process is aimed for in every new construction project.
- Review of digital solution implementation (incl. category B building automation systems and the use of smart meters).
- Conducting a climate risk and vulnerability assessment.
- Implementation of water-efficient fixtures, subject to tenant agreement.
- Digital documentation of building materials with a focus on resource-saving construction.

- Preventing new construction on ecologically valuable areas, including farmland with high soil fertility and habitats of endangered species and, if possible, integrating green roofs or facades.
- Development of a project-specific mobility concept.

IV. Within the scope of its **portfolio management**, Art-Invest Real Estate applies the following strategies to mitigate potential adverse impacts.

Minimum requirements

- Application of the Art-Invest Real Estate "Manage-to-Sustainability" approach accompanied by ensuring continuous maintenance and refurbishment through active asset management and detailed consideration in the business plan.
- Identification of synergy and savings potential for consumption-related ancillary costs.
- Portfolio-management based on the ESG/decarbonisation roadmaps developed by CRREM.
- Examination and evaluation of the implementation of a digital energy management system in accordance with ISO 50 0001, e.g. through platforms such as aedifion.
- Analysing the application of sensor technology and intelligent building solutions (smart building technologies) with systematic documentation of consumption metrics.
- Increase in tenant satisfaction through initiatives aimed at enhancing the utility value.
- Incorporation of Green Lease clauses at the closing of each new lease, subject to tenant agreement.
- Enhanced documentation and analysis of ESG metrics via data management infrastructures to ensure transparency in the ESG performance of the portfolio.
- Continuous establishment of transparency regarding ESG performance measurement at portfolio and individual property level as part of investor reporting.

Additional aspirations

- Participation in recognised industry benchmarks (e.g. GRESB), dependent on product and investor requirements.
- Use of climate scenarios and well-founded climate risk assessment, as well as ESG DDs within the operating phase, depending on product or investor requirements.
- Fostering transparency and comparability among buildings, facilitated by the implementation of an analysis tool.
- Evaluation of green building certifications such as LEED, BREEAM or DGNB Gold in existing buildings.

Evaluation of Sustainability Risks in Investment Decisions

The required due diligence obligations in context of investment decisions consider the management of sustainability risks to an appropriate extent. As part of its investment process, Art-Invest Real Estate not only integrates relevant financial risks into its investment decisions and continuously evaluates them, but duly considers sustainability risks which could have a significant negative impact on the performance of an investment. In the process, the stranding asset point in time is also determined and taken into account with the help of CRREM.

The extend to which sustainability elements are incorporated within the corresponding investment process is considered in close consultation with the investors of the respective investment fund. These elements are then defined and implemented in line with their individual comprehension of sustainability and individual sustainability requirements.

E. Active Participations

Memberships and Initiatives

Art-Invest Real Estate considers the development process of the real estate industry towards greater sustainability to be a key objective that requires industry-wide action. The company is therefore actively engaged in numerous organisations and associations with the aim of promoting the inclusion and implementation of ESG criteria in the investment and business activities. Art-Invest Real Estate thus makes a significant contribution to sector transformation, anticipates sustainable investment trends and utilises their full potential, while staying informed of regulatory developments.

At **company level**, Art-Invest Real Estate's involvement includes:

- The signing of the **UN PRI** in the "Investment Manager" category.
- Compliance with **BVI** (Bundesverband deutscher Investmentgesellschaften und Asset Management e. V.) code of conduct.
- Active engagement in committees and organisations of the **BVI** and **ZIA** (Zentraler Immobilienausschuss e. V.).
- The active contribution to the SDGs (UN Sustainable Development Goals) (in particular SDG 11 "Sustainable cities and communities" and SDG 13 "Climate action").
- Membership of **INREV** (Investors in Non Listed Real Estate Vehicles).
- Participation in IMMO2.Zero working groups of **DENEFF** (Deutsche Unternehmensinitiative Energieeffizienz e. V.).
- Active engagement in **ULI** (Urban Land Institute).
- Furthermore, Art-Invest Real Estate participates in **ECORE** (ESG Circle of Real Estate) and collaborates with various stakeholders to develop an innovative ESG portfolio management tool with potential to establish itself as the industry standard for the European property market.

At **property level**, the commitment includes:

- The application of **GRESB** (Global Real Estate Sustainability Benchmark) reporting for selected funds.
- The aspiration to obtain building certifications such as **LEED** (Leadership in Energy and Environmental Design), **BREEAM** (Building Research Establishment Environmental Assessment Methodology) or **DGNB** (German Sustainable Building Council), as well as **WELL** certification focussing on the health and well-being of building users and **WiredScore** regarding the connectivity and technical infrastructure of buildings.

Company investment

The obligation to present the shareholding policy in accordance with Article 3g of Directive 2007/36/EC (also known as the ‘Shareholders’ Rights Directive’) is not applicable to the Art-Invest Real Estate Funds. The KVG or its investment funds do not invest in publicly listed companies as part of their business model and consequently do not participate in any annual general meetings and cannot delegate the exercise of voting rights.

Employees Involvement

Art-Invest Real Estate places significant emphasis on the active participation of employees in the realisation of ESG (Environmental, Social, and Governance) initiatives and practices. This engagement extends through various aspects of corporate life and is reflected in a multitude of activities.

- Implementation of a comprehensive sustainability strategy to ensure a consistent approach and awareness of sustainability in all company divisions.
- Display of versatility in the execution of sustainable practices through best practices.
- Intensifying sustainability awareness among employees through advisory events, workshops in the branches and company-wide academy formats.
- Providing regular and comprehensive information on current ESG topics, developments and objectives via the intranet and regular newsletters.

- Promoting the utilisation of environmentally friendly transport such as trains for business trips and reduction of air travel through corresponding adjustments to the travel policy.
- Encouraging employees to be environmentally conscious in their everyday behaviour, e.g. through waste avoidance initiatives.
- Creating a supportive working environment by offering family-compatible and flexible working time and conditions.
- Fostering and actively encouraging employee participation in social projects and charity activities, such as Social Day, with the aim of strengthening social responsibility.

F. Reporting

Art-Invest Real Estate firmly believes responsible behaviour requires transparency in its actions and decision-making processes, both internally and in relation to its stakeholders. Consequently, the organization therefore has established distinct reporting structures.

Art-Invest Real Estate's internal reporting ensures that elements of sustainability are inherently incorporated within the investment strategy. The impact of ESG factors on the investment strategies is continuously analysed in the quarterly report. Furthermore, a monthly infringement of statutory investment limit is conducted to recognise and mitigate potential adverse impacts.

External reporting at Art-Invest Real Estate ensures the transparent communication of sustainability factors and results to investors, and to the public where required by legislation. The preparation of client reports such as annual reports is partially outsourced by Art-Invest Real Estate, ensuring compliance with all mandatory disclosures in accordance with the SFDR (Sustainable Finance Disclosure Regulation) and taxonomy. Depending on the specific ESG product in accordance with Article 8 or 9 of the SFDR, the extent of the required information varies.

Art-Invest Real Estate discloses on their website - as part of their mandatory publication according to the SFDR - whether they consider significant sustainability risks at both the company and product level. Additionally, it is disclosed if investment decisions involve the consideration of substantial adverse impacts on sustainability factors, a process referred to as Principal Adverse Impact (PAI).

In its regularly published sustainability report, Art-Invest Real Estate provides transparency of its comprehension and initiatives pertaining to sustainability. The organization not only reveals the emissions resulting from its business operations, but also a large number of environmental, social and governance (ESG) instruments that are actively used. By publishing information on the company website, Art-Invest Real Estate ensures permanent access to up-to-date information for all stakeholders.

G. Structuring and Execution of Operations

Responsibilities

The Management Board holds the responsibility for the direction, communication, and execution of the Responsible Investment Policy, with a special emphasis on risk culture integration at Art-Invest Real Estate. This responsibility extends to the institutional embedding of the directive through established process structures.

Internal review

The Responsible Investment Policy is reviewed by the Sustainability Management team and the Risk Management team both on initial implementation and following adjustments. Any substantial adjustments require the approval of the Management Board. The policy must be reviewed at least once a year or promptly approved by the Management Board following any significant changes.

Distinction from Other Guidelines and Policies

With the ESG framework, Art-Invest Real Estate has brought together all the relevant aspects of sustainability that are of importance to its business activities and explained how strategies and guidelines are interlinked. Art-Invest Real Estate has consolidated all aspects of sustainability relevant to its business activities in the ESG framework and outlined the interconnections among various strategies and guidelines. The Responsible Investment Policy and the Net Zero Policy operate in line with Art-Invest Real Estate's sustainability strategy, which is regularly updated. In addition, the Management Board has implemented further sustainability guidelines that oblige Art-Invest Real Estate to respect human rights and to maintain clear principles for interacting with employees, which also include the values of diversity, equal rights and equal opportunities. These guidelines include the “Human Right Policy”, the “Social Policy” and “Diversity, Equity and Inclusion Policy”.