

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: ECE Real Estate Partners S.à r.l., LEI: 984500D2HC0D4JF02B49

1. Summary

The EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) requires that financial market participants that consider principal adverse impacts on their investment decisions on sustainability factors publish a periodic statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and types of financial products they make available.

ECE Real Estate Partners S.à r.l. (LEI: 984500D2HC0D4JF02B49) considers Principal Adverse Impacts (PAIs) of its real estate assets investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of ECE Real Estate Partners S.à r.l. (ECE REP).

This PAI statement outlines how sustainability factors are central to the investment decisions taken by ECE REP. PAI on sustainability factors are the negative impacts, whether they are negative, material, or likely to be material, caused by a firm or an asset on the environment and society, resulting from or directly related to investment decisions and advice provided by the legal entity.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022. ECE REP measures the environmental impact of its assets under management and this statement describes ECE REP's methods and rationale behind the disclosed figures. The statement also summarizes the significant actions taken in the reference period to mitigate these impacts and/or outlines the plans for the upcoming period.

ECE REP manages funds where the investments focus primarily lies on shopping centers complemented by other assets classes (together "real estate assets"). ECE REP follows a holistic sustainability approach wherein Sustainability and Responsibility are the key focus areas, and these focus areas are an integral part of ECE REP's corporate strategy. ECE REP, considers several sustainability indicators during the acquisition and operation process which are over and above the PAI indicators. ECE REP considers the following mandatory indicators for investments in real estate assets in its investment strategy according to EU Regulation (EU) 2022/1288 Table 1 of Annex I:

- Fossil fuels: Exposure to fossil fuels through real estate assets
- Energy efficiency: Exposure to energy-inefficient real estate assets

Additionally, ECE REP considers three additional climate and other environment-related indicators for investments in real estate assets according to EU Regulation (EU) 2022/1288 Table 2 of Annex I:

- Greenhouse gas emissions: GHG emissions
- Energy consumption: Energy consumption intensity
- Waste: Waste production in operations

ECE REP has utilized this initial reference period for quantitative disclosure by focusing on activities related to PAI, including data gathering, investment analysis, and strategy development. ECE REP is committed to enhance its ESG integration approach and would consider incorporating additional indicators in future disclosures, subject the indicator being material to ECE REP's investment activities and availability of robust data.

In cases relevant to the ECE REP's investment efforts, the following information outlines the metrics, impacts, explanations as well as actions taken, and actions planned, and targets set for the next reference period concerning adverse impacts. Overall, the reporting covers all assets owned by ECE REP's real estate funds throughout the whole reporting period 2022. The assets, which were acquired during the reporting year or were under major refurbishment at the time of reporting, are not included in this report. These assets will be subject to the following reporting.

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

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Fossil fuels	17. 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	0,22%	N/A	<p>This indicator is used to determine the number of the real estate assets that are directly associated with extraction, storage, transport, or manufacture of fossil fuels. As per our assessment, ECE REP has a few shopping centers within the portfolio which house gas station operator as tenant(s). However, the total rental income gained from gas station operator corresponds to less than 1% of the total real estate assets portfolio of ECE REP.</p> <p>ECE has all the available data to evaluate the share of the shopping centers regarding fossil fuels for all assets in the portfolio. Therefore, the data coverage for the underlying indicator is 100%. The displayed data coverage is calculated based on the assets market value and the respective ownership structure.</p> <p>Exclusions: ECE REP has not considered real estate assets that use heating oil or gas tanks to power their heating system.</p>	<p>ECE REP does not exclude investments in real estate assets with exposure to fossil fuels as petrol stations are often part of the investment class shopping centers. However, the possible exposure of the real estate assets is part of the due diligence during the acquisition phase. If this PAI is applicable for a fund managed by ECE REP the exposure of the portfolio will be kept to a minimum. Furthermore, ECE REP takes action to reduce the negative impact of storing fossil fuels by promoting alternative mobility concepts and infrastructure such as electric charging stations.</p>
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	69,21%	N/A	<p>ECE REP uses this indicator to determine the share of inefficient real estate assets in the portfolio. The calculation is based on the formula according to EU Regulation (EU) 2022/1288 formula (5) of Annex I where the market value of real estate assets with an EPC rating of C or below and/or for real estate assets built after 31/12/2020 with Primary Energy Demand below NZEB are put into ratio with the market value of all real estate assets that are subject to EPC ratings. In addition, the respective ownership of each asset is considered. Where no EPC rating is available, a</p>	<p>ECE REP assesses the energy efficiency of their real estate assets during the due diligence of the acquisition phase. Furthermore, ECE REP improves the energy efficiency of its real estate assets by implementing several measures, such as a LED concept in context with major refurbishments. The energy efficiency of the real estate assets is regularly analyzed regarding potential for improvement.</p>

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned, and targets set for the next reference period
					market standard to assign the energy efficiency to an EPC Rating is used, for example for commercial assets in Germany. The data coverage of the displayed KPI is 100%. The portfolio of ECE REP includes shopping centers located in Poland. As of now there are no EPC ratings for the polish assets and no market standard of assignment available. Considering only assets with an available EPC rating, excl. assets without an EPC rating in the calculation, the share of energy-inefficient assets in the portfolio is 84,52%. In this case the data coverage is 81.88% The displayed data coverage is calculated based on the assets market value and the respective ownership structure.	
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets	2.405 t CO2e	N/A	ECE REP has referred to EU Regulation (EU) 2022/1288 formula (1) of Annex I to determine the total GHG emissions generated by their real estate assets. In addition, the location-based approach is used to determine the underlying GHG emissions of the portfolio. Therefore, the total energy consumption is multiplied by an emission factor that reflects the average emission intensity of the energy source in the originating country. ECE REP has currently limited consumption data of their tenants and therefore the emission data is based on the landlord-controlled areas energy consumption of the real estate assets. It should be noted that all available tenant consumption, over which ECE REP has the operational control, are included in the reported landlord-controlled consumption. Furthermore, a subdivision of GHG emissions into Scope 1 and Scope 2 is outlined. Scope 3 emissions are not being reported, as there is still a lack of reliable data.	ECE REP assesses the energy consumption and the resulting GHG emissions of their real estate assets in the due diligence process during the acquisition phase. ECE REP has ambitious targets to reduce both operational energy consumption and operational GHG emissions of their real estate assets. In order to continuously improve their operational performance ECE REP carries out energy audits to optimize energy efficiency and identify new opportunities for improving their energy performance. To improve transparency and reliability of data, ECE REP intends to implement a Green Lease Standard for all new and extended
		Scope 2 GHG emissions generated by real estate assets	15.744t CO2e	N/A		
		Scope 3 GHG emissions generated by real estate assets	N/A	N/A		
		Total GHG emissions generated by real estate assets	18.149t CO2e	N/A		

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned, and targets set for the next reference period
					ECE REP considers all assets of the portfolio for this indicator, therefore the overall data coverage is 100%. However, as described, consumption data gaps, especially for tenant's data are present. The displayed data coverage is calculated based on the assets market value and the respective ownership structure.	lease contracts. ECE REP's Green lease program also sensitizes tenants to implement energy efficiency measures in their operations to reduce their individual GHG emissions footprint. In addition, the Green Lease Standard is equipped with contractual clauses that foster the tenant-data (e.g. energy consumption) collection.
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	0,00001 GWh/m ²	N/A	This indicator is used to determine the annual energy consumption in GWh per sqm based on the respective ownership structure. The energy consumption includes consumption for electricity, heating and cooling. The indicator covers the total energy consumption of the landlord-controlled areas. This covers the common, vacant and partially tenant areas. The displayed energy consumption data includes all areas ECE REP has the authority to collect the data. Therefore, the data coverage for the underlying indicator is 100%. As mentioned above consumption data gaps, especially for tenant's data are present. The displayed data coverage is calculated based on the assets market value and the respective ownership structure.	ECE REP is actively looking at decarbonizing their Scope 2 emissions i.e. Purchased electricity. ECE REP procures 'Green Power' from the utilities to power their common area operations of their real estate assets in Germany. ECE REP also intends to explore Power Purchase Agreements (PPAs) and Green Power Purchase in other countries as well and ECE REP's sustainability team performs continuous assessments in this front.
Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	0%	N/A	This indicator is used to determine the number of the real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract. As per our assessment, all real estate assets are equipped with the required facilities and contract. All assets of the portfolio are considered for this indicator, therefore the overall data coverage is 100%. The displayed data coverage is calculated based on the assets market value and the respective ownership structure.	Although the ECE REP meets the required reporting standards, it is always striving to minimize waste generation in their real estate assets and increase the proportion of recycled and reused materials. For this reason, for example the ECE REP is currently promoting the development of a central waste monitoring system in all shopping centers.

3. Description of policies to identify and prioritize principal adverse impacts of investment decisions on sustainability factors

Sustainability and responsibility are crucial for ECE REP. Accordingly, ECE REP pursues a holistic sustainability strategy approach at the corporate level. Individual investment strategies have been developed for each fund, depending on the country and asset class, which, in any case, incorporate consideration of PAIs for investing in real estate assets. For some funds, additional environmental and social characteristics, and if applicable, criteria for sustainable investments have also been defined.

To implement the respective investment strategy, a process has been established which ensures that PAI plays a vital part in every investment decision. This means that every potential investment is analyzed for PAI right from the acquisition phase. This is done as part of the due diligence process using ECE REP's ESG checklist, which includes selected indicators for investments in real estate asset as well as other sustainability-related factors. Based on these findings, necessary measures are defined to enhance the sustainability performance of the real estate asset. These measures are subsequently integrated as a fixed component into the fund's business planning.

Additionally, this process is repeated at regular intervals during the management phase to monitor and verify the impact of the measures and adjust actions.

To meet the sustainable objectives, the consideration of adverse impacts on sustainability factors is firmly anchored in investment decisions and governance processes. For this reason, a Responsible Investment Committee ("RI Committee) was established by ECE REP, which focuses on the topic of ESG and reports regularly and directly to the management. The RI Committee forms a link between investors, ECE REP employees and other stakeholders regarding ESG issues. This enables a direct and effective exchange between all parties involved.

Data Quality and limitations

The data collection of the underlying reporting refers to the above defined reporting year which includes all data from 1 January to 31 December 2022. The reporting of the PAIs depends on the available data. In general, the necessary data is collected by the technical staff who work on-site together with external service providers. ECE REP always makes the greatest effort to establish a complete and reliable data foundation for reporting. Nevertheless, ECE REP as well as many participants of the real estate market must contend with common limitations, such as limited access to tenant data. To continually enhance the data foundation, ECE REP is currently introducing Green Lease Clauses as well as technical measures step by step, with the target to improve the transparency of tenant data. However, the data is currently not available in the necessary quality and quantity for all real estate assets within the funds managed by ECE REP. Regarding the mentioned data gap concerning consumption data for tenant spaces, ECE REP discloses consumption data that primarily pertains to the areas under their control (landlord-controlled areas). Landlord-controlled areas include common, vacant, and partially tenant areas.

4. Engagement policies

Due to its investment focus on real estate, ECE REP does not have an engagement policy referring to 2007/36/EG article 3g. Nevertheless, ECE REP is aware of its obligations to its investors and other key stakeholders and regularly engages in dialogues. Whilst no specific engagement policies have been designated there are ongoing interactions of the ECE REP and its ECE advisors with property and facility managers of each asset under management, with regards to collection of data, monitoring and development of ESG related matters. In case that no reduction of the principal adverse impacts over several periods is recognizable, the engagement policies will be reviewed and the ESG measures will be adjusted. In addition, ECE REP has established a complaints and conflict of interest policy. The complaints policy discloses the processes on how ECE REP deals with investors' issues in a prompt, efficient, appropriate, and satisfying manner. Furthermore, the conflict of interest policy ensures rules and procedures that aim to minimize the risk of investors' interests being prejudiced and that investors' interests are safeguarded. To secure that the ECE REP's business operations comply with prevailing standards in the areas of environment, equality, human rights, and labor rights, adherence to the ECE Code of Conduct is mandatory to all employees. Furthermore, ECE REP expects adherence to the applicable standards and laws regarding human rights and labor rights from its external service providers and their employees.

Therefore, ECE REP uses a Code of Conduct for business partners that must be strictly respected by all service providers engaged by ECE REP.

5. References to international standards

ECE REP became a signatory to the UN Principles for Responsible Investment (UN PRI) on the 16th of June 2020. Since then, ECE REP has committed to taking the following principles into consideration in its investment decisions:

- ECE REP will incorporate ESG issues into investment analysis and decision-making processes.
- ECE REP will be active owners and incorporate ESG issues into our ownership policies and practices.
- ECE REP will seek appropriate disclosure on ESG issues by the entities in which ECE REP invests.
- ECE REP will promote acceptance and implementation of the Principles within the investment industry.
- ECE REP will work together to enhance our effectiveness in implementing the Principles.
- ECE REP will each report on our activities and progress towards implementing the Principles.

Furthermore, ECE REP's due diligence and reporting procedures are guided by global standards and industry-specific recommendations, which encompass the European Association for Investors in Non-Listed Real Estate Vehicles (INREV). Additionally, selected funds participate in the global industry specific ESG benchmark of GRESB.

Forward-looking climate scenarios are part of the annual analysis of the EU Taxonomy alignment (referring to Regulation (EU) 2021/2139 Appendix A). The analysis is based on market standards but not conducted by an external service provider.

6. Historical comparison

The data was collected the first time for the underlying reporting year 2022. Therefore, a historical comparison is not applicable for this year.