



## Statement on the Consideration of the Principal Adverse Impacts of Investment Decisions on Sustainability Factors - AEW CILOGER

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Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector provides that (Article 4) financial market participants must explicitly disclose how they take into account adverse sustainability impacts in their investment decisions.

**AEW CILOGER** (“**AEW**“) is an asset management company with fewer than 500 employees, specializing in the management of real estate investment funds (SCPI, OPCI, real estate AIFs, etc.). The following paragraphs describe the due diligence policies followed by AEW for all of its funds, with the exception of the debt fund activity (the information required for this due diligence is not yet available).

### 1. Policies for identifying and prioritizing the principal adverse sustainability impacts and related indicators

AEW follows a **responsible investment policy** whereby ESG (environmental, social and governance) issues are integrated into investment decisions, asset management and development decisions.

In terms of governance, AEW invests mainly in real estate assets through funds that it manages directly. AEW integrates high-reaching governance principles in its management, based on the highest international standards, including the Principles for Responsible Investment (PRI) since 2009 and the governance and, notably, ethics policies of the Natixis group. AEW is evaluated every year according to the PRI and the Global Real Estate Sustainability Benchmark (GRESB) on the compliance of these policies, in addition to the controls carried out from time to time by the internal and group compliance departments. AEW selects its key service providers and monitors their management to ensure that they comply with all its ESG commitments.

In environmental and social matters, AEW pays particular attention to reducing non-renewable energy consumption and to tenant health, safety and well-being.

AEW specializes in real estate investment. The specific characteristics of these assets have been recognized in the regulatory technical standards established by the European supervisory authorities. In line with these standards, AEW considers the principal adverse impacts of its investments to be related to the **energy consumption** of the assets financed, the **greenhouse gas (GHG) emissions** caused by their use, and their impact on **biodiversity**.

Adhering to these technical standards, AEW undertakes to monitor at a minimum the following indicators:

- Exposure to fossil fuels: share of the investments in real estate assets exposed to the extraction, storage, transportation and manufacturing of fossil fuels;



- Exposure to energy-efficient real estate assets: share of the investments in energy-efficient real estate assets;
- Urban vs. greenspace exposure: share of non-vegetated areas in the total surface area of the assets.

Investors may, if they so wish, have their SRI policy taken into consideration in their management mandates. In this case, this policy (including objectives and/or reporting indicators) is translated into a management strategy and applied to the acquisition and management of the properties.

## 2. Description of the principal adverse sustainability impacts and related measures taken

The table below categorizes the principal adverse impacts AEW takes into consideration:

Category	Risk	Characteristics				Occurrence	Intensity	Time horizon	Review frequency
		Current	Emerging	External	Internal				
Physical risks	Pollution			X		occasional	low to average	10 years	2 years
	Climate	X	X	X	X	variable	low to high	30 years	2 years
Transition risks	ICPE*	X		X	X	continuous	low	10 years	2 years
	Energy	X			X	continuous	high	10 years	2 years
	CO2	X	X		X	continuous	high	10 years	2 years
	Biodiversity		X		X	continuous	average	10 years	2 years
	Transportation		X	X		continuous	low	10 years	2 years
	Well being	X			X	continuous	low	10 years	2 years
	Health	X			X	continuous	low	10 years	2 years
	Climate	X	X		X	continuous	low to high	30 years	2 years
Litigation risks	Asbestos	X				continuous	average	10 years	2 years
	Lead	X				occasional	average	10 years	2 years
	Noise	X				continuous	low	10 years	2 years
	ICPE*	X				occasional	low	10 years	2 years
	Waste	X	X			continuous	low	10 years	2 years
	Water	X	X			continuous	average	10 years	2 years
	Energy	X	X			continuous	average	10 years	2 years
	CO2	X	X			continuous	high	10 years	2 years
	Biodiversity	X	X			continuous	average	10 years	2 years
	Transportation	X	X			continuous	low	10 years	2 years
	Well being	X	X			continuous	average	10 years	2 years
	Health	X	X			continuous	average	10 years	2 years
	Climate	X	X			continuous	high	30 years	2 years

\*IPCE: facilities classified for environmental protection

All acquisition studies include an ESG dimension and help to assess adverse sustainability impacts:

- In the pre-due diligence phase, an ESG grid is incorporated into the investment memorandum sent to investors and is used to identify adverse impacts on 14 ESG criteria;<sup>1</sup>
- The ESG grid is refined and finalized in the due diligence phase: a technical audit provides a more in-depth examination of certain aspects such as regulatory compliance and safety. For certain assets, an environmental and/or energy audit is performed in addition to the technical audit.
- Finally, for specific products, due diligence can be completed through a more advanced ESG audit<sup>2</sup> and/or a climate change resilience audit. Where appropriate, an ESG action plan may be defined, implemented and monitored by the management teams.

### 3. Engagement policies

Real estate investment funds (SCPI, OPCI, real estate AIFs, etc.) do not permit the exercise of voting rights. Nevertheless, AEW can engage in dialogue with real estate managers to encourage them to improve their environmental footprint (see above).

The financial pockets of OPCIs are managed exclusively by financial delegates (such as NIMI/DNCA & TOCQUEVILLE) that have voting and engagement policies.

### 4. Compliance with recognized codes and standards

AEW is a signatory to the United Nations Principles for Responsible Investment (PRI), the first of which is to incorporate sustainability risks and principal adverse sustainability impacts into investment decisions.

AEW also participates in several industry initiatives, whose working groups are (and will be) required to develop a harmonized industry approach to due diligence, disclosure and/or alignment with the objectives of the Paris Accord.

AEW takes part in the following initiatives:

- **GRESB** (Global Real Estate Sustainability Benchmark), which evaluates and compares the extra-financial performance of real estate management companies through the publication of an annual benchmark;
- **IIGCC** (Institutional Investors Group on Climate Change) which aims to define the investment practices, policies and behaviors of companies required to address climate change;
- **OID** (Observatoire de l'Immobilier Durable or Green Building Observatory), which aims to promote the environmental, social and societal performance of real estate in France and to promote all the approaches that contribute to it;
- **Circolab**, which aims to develop the circular economy in the real estate and construction sector.
- **ECore** (ESG Circle of Real Estate), which develops a scoring system which, when communicated to stakeholders (tenants/investors/etc.), shows where the property and portfolio are on the path to CO2 neutrality/ESG compliance. This is then the basis

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<sup>1</sup> Energy, carbon, environmental certification, soil pollution and asbestos for the Environment; transportation, accessibility, use and well being for Social; tenant activities, conflict of interest, tenant satisfaction and green leases for Governance.

<sup>2</sup> The ESG audit covers nine indicators (Energy, CO2, Water, Waste, Biodiversity, Transportation, Well-being, Health, and Use Value) and assesses four aspects of the asset's performance: current, intrinsic, current potential, and intrinsic potential.



for benchmarking in the sector and a starting point for optimisation, best practice and risk measurement/risk assessment as part of the climate path measurement.

Where appropriate, AEW may consider joining new initiatives to strengthen the integration of adverse sustainability impacts into its investment decisions.

In terms of assessment methodologies, the calculation of greenhouse gas emissions uses the Green House Gas Protocol ("GHG Protocol") approach launched in 2001 by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), and the climate change resilience audit is based on the Intergovernmental Panel on Climate Change (IPCC) scenarios.