

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, LEI: 391200JCQXQMLWBTTU19

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 do so transparently by publishing a periodic statement.

PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, LEI: 391200JCQXQMLWBTTU19 considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of PATRIZIA GrundInvest KVG mbH (hereafter “the Company”). This statement sets out how the Company’s investment decisions impact sustainability factors, including quantification of impact with respect to its assets under management, an explanation of the methodologies and reasoning for arriving at the figures disclosed, and a summary of the key actions taken during the reference period to address the impacts, or planned for the subsequent period. This statement covers the reference period from 1 January to 31 December 2022.

The Company considers principal adverse impacts in line with its overarching Responsible Investment Policy, which establishes that material sustainability factors are considered in investment analysis and decision-making processes, including the selection of investments and management during the hold period of assets. The information provided herein relates primarily to group-level policies, processes, and initiatives, which apply to the Company. Consideration of principal adverse impacts is not binding for individual funds unless such commitments constitute the investment strategy, which is subject to investor preferences. A subset of funds managed by the Company with a focus on sustainability may include binding commitments regarding sustainability factors, whereas other funds monitor adverse impacts from a risk-oriented perspective.

Principal adverse impacts of investment decisions on sustainability factors (“PAI”) are those that result in the most significant negative effects, whether material or likely to be material. For investments in real estate, mandatory indicators include:

- PAI 17: Exposure to fossil fuels through real estate assets, defined as the share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels; and
- PAI 18: Exposure to energy-inefficient real estate assets, defined as the value of real estate assets built before 31/12/2020 with Energy Performance Certificate (EPC) rating of C or below, and the value of real estate built after 31/12/2020 with primary energy demand (PED) below Nearly Zero Energy Building Standards (NZEB), in relation to the total value of real estate assets required to abide by EPC and NZEB rules.

Optional indicators that the Company determines to be material and chooses to disclose for investments in real estate include:

- Greenhouse gas emissions; and
- Energy consumption intensity

During this first reference period for quantitative disclosure, the Company’s main activity regarding consideration of PAI related to data collection, investment analysis, and strategy development. The Company strives to continuously improve its approach to ESG integration and may include further indicators in subsequent disclosures if sufficiently robust data is available for integration into the investment process or where the indicator is determined to be material to the investment activity.

Zusammenfassung

PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, LEI: 391200JCQXQMLWBTTU19 berücksichtigt die wichtigsten nachteiligen Auswirkungen seiner Investitionsentscheidungen auf Nachhaltigkeitsfaktoren. Bei der vorliegenden Erklärung handelt es sich um die konsolidierte Erklärung zu den wichtigsten nachteiligen Auswirkungen auf die Nachhaltigkeitsfaktoren von der PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH (nachfolgend „Gesellschaft“). Diese Erklärung zu den wichtigsten nachteiligen Auswirkungen auf die Nachhaltigkeitsfaktoren bezieht sich auf den Bezugszeitraum vom 1. Januar bis zum 31. Dezember 2022.

Die Gesellschaft berücksichtigt die wichtigsten nachteiligen Auswirkungen im Einklang mit ihrer übergreifenden Responsible Investment Policy, die vorsieht, dass wesentliche Nachhaltigkeitsfaktoren im Rahmen des Investitions- und Entscheidungsprozesses sowie während der Haltephase der Immobilien berücksichtigt werden. Die hier bereitgestellten Informationen beziehen sich in erster Linie gruppenweite Richtlinien, Initiativen und Prozesse, die für die Gesellschaft gelten. Die Berücksichtigung der wichtigsten nachteiligen Auswirkungen ist für die einzelnen Fonds nicht verbindlich, es sei denn, entsprechende Verpflichtungen sind Bestandteil der Anlagestrategie, die von den Präferenzen der Anleger abhängig ist. Einzelne von der Gesellschaft verwaltete Fonds mit einem Schwerpunkt auf Nachhaltigkeit können spezifische verbindliche Verpflichtungen in Bezug auf Nachhaltigkeitsfaktoren enthalten, während andere Fonds ohne solche Verpflichtungen negative Auswirkungen aus einer risikoorientierten Perspektive berücksichtigen können.

Die wichtigsten nachteiligen Auswirkungen von Anlageentscheidungen auf Nachhaltigkeitsfaktoren ("PAI") sind diejenigen, die zu den bedeutendsten negativen Auswirkungen führen, unabhängig davon, ob sie wesentlich sind oder wahrscheinlich wesentlich sein werden. Für Investitionen in Immobilien gehören zu den obligatorischen Indikatoren:

- PAI 17: Engagement in fossilen Brennstoffen durch die Investition in Immobilien, definiert als der Anteil der Investitionen in Immobilienanlagen, die im Zusammenhang mit der Gewinnung, der Lagerung, dem Transport oder der Herstellung von fossilen Brennstoffen stehen; und
- PAI 18: Engagement in Immobilien mit schlechter Energieeffizienz, definiert als der Wert von Immobilien, die vor dem 31.12.2020 errichtet wurden und einen Energieausweis (EPC) der Stufe C oder darunter aufweisen, und der Wert von Immobilien, die nach dem 31.12.2020 gebaut wurden und einen Primärenergiebedarf (PED) aufweisen, der unter dem Niedrigstenergiegebäude-Standard (NZEB) liegt, im Verhältnis zum Gesamtwert der Immobilien, die die EPC- und NZEB-Vorschriften einhalten müssen.

Zu den optionalen Indikatoren, die das Unternehmen als wesentlich erachtet und für Investitionen in Immobilien offenlegt, gehören:

- Treibhausgasemissionen; und
- Intensität des Energieverbrauchs

Während dieses ersten Berichtszeitraums für die quantitative Offenlegung der wichtigsten nachteiligen Auswirkungen lag der Schwerpunkt der Gesellschaft auf der Datensammlung, der Investmentanalyse und der Strategieentwicklung. Die Gesellschaft ist bestrebt, ihren Ansatz zur ESG-Integration kontinuierlich zu verbessern und kann in späteren Veröffentlichungen weitere Indikatoren einbeziehen, wenn ausreichend belastbare Daten für die Integration in den Investitionsprozess zur Verfügung stehen oder wenn der Indikator als wesentlich für die Investitionstätigkeit eingestuft wird.

Description of the principal adverse impacts on sustainability factors

Where relevant to the Company's investment activities, the following information summarizes the metrics, impacts, and associated remedial actions undertaken and planned, related to adverse impacts, whether material or likely to be material, to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (for investments in real estate, these pertain to environmental factors).

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A	This section is not applicable, as the Company does not manage investments in investee companies.
		Scope 2 GHG emissions	N/A	N/A	
		Scope 3 GHG emissions	N/A	N/A	
		Total GHG emissions	N/A	N/A	
	2. Carbon footprint	Carbon footprint	N/A	N/A	
	3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A		
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	N/A		
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR	N/A	N/A	

		invested, expressed as a weighted average				
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	<p>This section is not applicable, as the Company does not manage investments in investee companies.</p> <p>The information disclosed voluntarily in this section under ‘actions taken, and actions planned, and targets set for the next reference period’ refers to the Company’s wider activities regarding the adverse sustainability indicator.</p>	<p>The Company’s policies insist on behaviours that are consistent with international guidelines on the respect of fundamental human rights, including OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and the International Bill of Human Rights.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A		
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A		
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A		
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	N/A	N/A		
Indicators applicable to investments in sovereigns and supranationals						

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	This section is not applicable, as the Company does not manage investments in sovereigns and supranationals.	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	N/A	N/A		

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	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%	N/A	Data coverage is 100%. This indicator is interpreted to include real estate that is used directly for the purposes of extraction, storage, transport, or manufacture of fossil fuels. This therefore excludes real estate with <i>de minimis</i> storage of fuel (e.g., for an emergency generator), or real estate leased to a corporate occupier with downstream involvement in the fossil fuel industry. Exposure within the portfolio typically relates to investment in real estate that includes a unit leased as a refueling station, which is often a minor component of the asset and not the primary use. In this case, the whole	While the Company does not exclude investments in real estate with exposure to fossil fuels, it includes an assessment of fossil fuel exposure as part of its due diligence process. Where there is exposure, this is typically not material and a minor component of the asset. There is currently no exposure within the portfolio. Exposure will be continually monitored to determine if further action is required.

					asset is considered to be involved in the extraction, storage, transport or manufacture of fossil fuels. 2022 was the first year of data collection, so the prior comparison is not available.	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	40.6%	N/A	<p>By this definition, a significant majority of the wider real estate sector across Europe is inefficient, and the low carbon transition is an industry-wide challenge.</p> <p>The Company invests in a range of underlying assets, a minority of which have an EPC rating that is equivalent to C or higher. The Company does not restrict investments in energy inefficient assets, as performance can be improved through intervention during the hold period, which is in line with the Company's decarbonisation commitments.</p> <p>Figures are based on data coverage of 100%. Prior comparison is not available, as 2022 was the first year of data collection.</p>	<p>For all acquisitions, energy efficiency is assessed from the deal introduction stage through to due diligence, which informs asset business plans.</p> <p>During 2022, a number of building-specific Energy Audits were undertaken to identify technical interventions and Capex requirements to improve energy efficiency and energy-related carbon emissions, in line with the Company's Net Zero Carbon Strategy. Further Energy Audits are planned during the following reference period.</p>

Other indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets	N/A	N/A	Based on data coverage of 81%, with a maximum coverage of 100%. Up to 100% of the figure is estimated due to limited data availability (data source: CRREM v2).	In 2022, the Company published its Net Zero Carbon Strategy, which sets out the decarbonisation roadmap, goals, scope, baseline, and targets for the Company's corporate operations and assets under management, including real estate. For real estate funds, a corresponding fund-level strategy template has been derived, which outlines the journey to net zero carbon. The fund-level strategy is not yet adopted, and actions planned include engagement with investors to determine next steps.
		Scope 2 GHG emissions generated by real estate assets	N/A	N/A		
		Scope 3 GHG emissions generated by real estate assets	N/A	N/A		
		Total GHG emissions generated by real estate assets	9,837.7 tCO2e	N/A		
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	0.00018 GWh/sqm	N/A	Based on data coverage of 81%, with a maximum coverage of 100%. Up to 100% of the figure is estimated due to limited data availability (data source: CRREM v2).	<p>The Company undertook an assessment of asset level decarbonisation requirements and associated climate change transition risk across all prioritized real estate funds, leveraging the Carbon Risk Real Estate Monitor (CRREM), with the intention to achieve 100% coverage during 2023. This informs investment decision making, such as the prioritization of assets for undertaking Energy Audits or planning interventions for addressing inefficient assets.</p> <p>The Company revised its Real Estate Development Matrix, which establishes targets for operational carbon and</p>

						<p>embodied carbon, as well as minimum sustainability requirements for development assets and major refurbishments, including life cycle carbon assessments.</p> <p>Further targets and activities planned for the next reference period include increasing data coverage for energy consumption intensity and developing further decarbonisation resources, such as a robust carbon accounting policy, and creation of an inhouse decarbonisation manual for identifying the most effective asset decarbonisation measures.</p>
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Description of policies to identify and prioritize principal adverse impacts on sustainability factors

The identification and prioritization of principal adverse impacts on sustainability factors is shaped by the Company’s Responsible Investment Policy, which establishes that material ESG factors are considered at key stages in the investment decision making process. The policy defines responsibilities for respective teams to incorporate minimum requirements and suggested best practices within organizational strategies and procedures. This is supported by the Group ESG Committee and a central Sustainability Team. The Responsible Investment Policy is reviewed annually, in light of best practices, and governed by the Group’s Executive Committee and adopted by the Company’s Management Board (last approved Q1 2023).

Principal adverse impacts are identified and prioritized from a macro and micro perspective. At the macro-level, our Investment Strategy & Research identifies thematic priorities, such as decarbonisation, and our Sustainability team identifies collaborative initiatives, such as the Net Zero Asset Managers Initiative. This shapes the Company’s overarching sustainability goals and targets and the development of tools, resources, and processes. This is supplemented by engagement with stakeholders, and portfolio-wide analysis, based on data collection and external data sources. At the micro-level, adverse impacts are identified and prioritized through the use of proprietary tools, such as the Company’s due diligence process, which assesses a wide range of ESG criteria to determine material issues to be addressed by asset business plans. Prioritization may also be informed by other factors, such as the investment strategy of products, the determination of risks or opportunities, data availability, our ability to influence the impact. In 2023, the Company plans to initiate a double materiality assessment to further address adverse impacts, considering the likelihood and severity.

Data quality and limitations

While best efforts are made to collect data from underlying investments to assess and report on adverse impact indicators, there are factors, including industry-wide challenges, that limit data availability, particularly where data owners, such as building occupiers, are not obligated to share data. In such cases, the Company leverages suitable proxies, based on granular benchmarks, as highlighted in the relevant sections of this disclosure. For the disclosure of greenhouse gas emissions and energy consumption intensity, data is sourced from CRREM (version 2).

SFDR is subject to ongoing clarification and does not currently provide specific definitions for certain indicators, such as fossil fuel exposure, nor a prescribed approach for carbon accounting. The definition of energy inefficient asset exposure is based on an EPC rating of 'C', whereas EPC ratings are not harmonized across jurisdictions, and several do not currently use a letter-grade rating system. There is no industry standard approach for converting EPC ratings, so the Company has engaged with industry groups to determine a suitable methodology.

As this is the first disclosure of this kind, there are limitations to its accuracy, but it is intended that the quality will be improved over time. The Company is making best efforts to increase data availability, such as through asset-level measures, including installation of smart meters and implementation of green leases, and Company-wide measures, including a review of ESG data management platforms, engagement with service providers, and allocation of dedicated resources for data processing.

Engagement policies

The Company maintains regular dialogue with key stakeholders, including investors, service providers, building occupiers, and industry groups, and encourages engagement with local communities. Collaboration with stakeholders is fundamental to the delivery of the Company's sustainability strategy, and, where appropriate, engagements are structured through contractual agreements, such as Property Management Agreements and Green Lease Clauses. The Company engages service providers with similar values concerning environmental, social, and governance factors, and requires that preferred partners align with its Supplier Code of Conduct. This sets out principles and safeguards regarding ethics, compliance, community involvement, protection of people and the environment.

References to international standards

The Company is committed to abiding by the highest standards of responsible business conduct and is a signatory of the United Nations Principles for Responsible Investment (UN PRI). The Company's policies insist on behaviours that are consistent with international guidelines on the respect of fundamental human rights, including OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and the International Bill of Human Rights.

The Company commits to acting in support of the UN Sustainable Development Goals (UN SDGs), including – but not limited to – Climate Action. This includes a commitment to achieving net-zero carbon by 2040 or sooner, exceeding the ambition of the Paris Agreement, as marked by its signatory to the Net Zero Asset Managers Initiative.

The Company's due diligence and reporting processes are informed by international standards and sector-specific guidelines, including the European Association for Investors in Non-Listed Real Estate Vehicles (INREV), GRESB, and the Task Force on Climate-Related Financial Disclosures (TCFD).

Historical comparison

Not applicable in the first year of reporting.