PATRIZIA

Disclosure in Alignment with Regulation (EU) 2019/2088

Regulation (EU) 2019/2088 (the Sustainable Finance Disclosure Regulation, or "SFDR") is a component of the EU Action Plan on Sustainable Finance, which aims to reorient investment towards a more sustainable economy. SFDR lays down harmonised rules to reduce asymmetries in sustainability related disclosures, including with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, and the provision of sustainability information for financial products. As a responsible investor, PATRIZIA supports the aims of the SFDR and is committed to transparent disclosure regarding the diligent integration of sustainability factors in the investment decision making process.

1. Integration of Sustainability Risks

Sustainability risk encompasses a myriad of environmental, social, and corporate governance events or conditions that can actually or potentially have a material adverse impact on other risk types, including – but not limited to – climate change, natural resource depletion, environmental degradation, abuse of human rights, bribery, corruption, and social & employee matters. The integration of sustainability risk factors in the investment decision making process leads to a broader understanding of risks and opportunities than traditional risk management alone. Investing on behalf of our clients carries the responsibility to understand and manage sustainability related risks in order to deliver resilient returns.

Examples of sustainability risk factors with the potential to cause a material negative impact on the value of an investment, should those risks occur, include climate-related physical and transition risks. Physical risk factors include coastal or fluvial flooding, heat waves, extreme cold, wild-fire, or tropical cyclones. Transition risk factors relate to policy and regulatory drivers regarding the transition to a low-carbon economy, such as minimum energy efficiency standards, and changes in market behavior.

The company integrates sustainability risks throughout the investment decision-making process, in line with its Responsible Investment Policy and further specified in internal procedures. This starts with the analysis of each investment opportunity, where sustainability factors are first considered by the Investment Committee and then further analyzed through a comprehensive ESG due diligence to inform asset business plans. Implementation follows throughout the asset hold period, where a governance framework is applied and sustainability factors are considered during periodic reviews. The Company ensures adequate knowledge, training, and resources for management of sustainability risks, such as through employing ESG specialists, including a dedicated sustainability team. Sustainability factors are considered as part of the Company's overall risk management approach in the determination of known risk types, which is supplemented with internal reporting.

2. Adverse Sustainability Impacts

The SFDR defines principal adverse impacts of investment decisions on sustainability factors ("PAI") as those that result in the most significant negative effects, whether material or likely to be material. Financial market participants are required to confirm whether and how they consider PAI (comply or explain), including a statement on due diligence with respect to those impacts as it relates to the financial products they make available.

The SFDR defines which PAI are the most relevant for differing investment types. For investments in real estate, these are:

- 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
- Exposure to energy-inefficient real estate assets.

As a responsible investor, the Company's Responsible Investment Policy establishes that sustainability factors are considered in the investment decision making process. The Company considers the PAI defined under SFDR as a key facet of the sustainability risk landscape, warranting due consideration. Accordingly, the Company incorporates analysis of PAI, along with other sustainability factors, in its due diligence process for all investments.

By nature, real assets have an impact on society and the environment. They serve basic human needs, shape business and urban life, and will play a critical role in the transition to a low carbon economy. The company has committed to the long-term goal of achieving net zero carbon through implementation of a net zero carbon strategy, which is complimentary to the avoidance of PAI, as defined under SFDR, particularly regarding exposure to energy-inefficient real estate assets.

3. Engagement

PATRIZIA 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.

4. Responsible Business Conduct

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).

5. Remuneration Policy

The Company's Remuneration Policy aims to support its business strategy, corporate values, and long-term interests, including the long-term sustainability goals that underpin its sustainability strategy. Its remuneration philosophy focusses on rewarding behaviours that generate sustained value, while reinforcing personal accountability to promote a strong risk and control environment. The key principles of the remuneration philosophy are strongly aligned with the Company’s responsible investment targets and its principles, including fostering appropriate risk culture as well as compliance with applicable law and regulation. It establishes collective and individual goals, including a performance orientation that reflects business performance, resulting from investment decisions that integrate sustainability factors. In some cases, sustainability factors are established explicitly in personal performance goals, or are otherwise a component of remuneration decisions.

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