2023
ESG report

Europe

AVISON YOUNG | INVESTMENT MANAGEMENT

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Green shoots: a global perspective

How have we progressed in 2023? We continue to refine our focus from “scores” to decarbonization including beginning to look at asset CapEx plans to identify pathways and priorities toward net zero. With the addition of smart metering in Germany and increased tenant energy disclosures, we can work with our tenants to prioritize those items to achieve greater asset performance.

What are some of the challenges we ran into over the course of the year? Despite a few years of tough inflation numbers and rising cap rates in most, if not all markets, our assets are well positioned. For the most part our tenants are adapting to more challenging business conditions, and in those situations where our tenants are moving, have failed or need to downsize, we are taking the opportunity to build in greener tenant improvements and upgraded base building systems. The key challenge is of course making all the math work. But retrofits of vacant space are much easier than completing the same work on occupied space.

What opportunities did we come across in 2023? We have seen some promising introduction of renewable energy sources and onsite renewable opportunities for some of our properties. We have been strong driving social value in our U.S. apartment portfolio, in particular and are starting to carry those initiatives over into other property types and tenant operations.

> “Green is not dead, quite the contrary, the greenest projects are leasing faster for much higher rents and are enjoying financing premia as well as slightly stronger appraisal support.”

I was recently at ULI’s European meeting in Milan and was uplifted by days long case studies, testimonials and inspirational speeches about advanced climate activism, building better places for people and the world we live in and an overall energy level that has largely recovered it’s pre-pandemic enthusiasm. Green is not dead, quite the contrary, the greenest projects are leasing faster for much higher rents and are enjoying financing premia as well as slightly stronger appraisal support. Green shoots, indeed.

Amy Erixon
Principal, President,
Global Investment Management

"Challenging financial conditions have resulted in significant political headwinds for advancing the green agenda."

What were our clients' priorities in 2023? They are focusing on greater granularity in their risk screens and data harmonization. Both are projects that we are well versed in and are happy to help. These issues are common in the industry, especially among plan sponsors with multiple managers.

What are we expecting for the year ahead? Insurance cost increases are a steeply increasing issue and require more lead time and assistance to ensure adequate coverage and explain cost increases to tenants. These increases have been far higher than other operating expense items. Concerted focus in required. We will also be completing the Carbon Risk Real Estate Monitor (CRREM) modelling for our European portfolio and looking to increase data coverage for our U.S. assets. We expect to add additional assets in Canada this year and are selecting state-of-the-art green new developments for our Canadian programs.

What is the level of optimism for the months to come? Challenging financial conditions have resulted in significant political headwinds for advancing the green agenda. We, along with most real estate professionals recognize this is political expediency and we must engage our employees, contractors, tenants, and financial partners in understanding that doing he right thing is less expensive in the long run and prevents functional obsolescence risks that could aggravate already difficult tenant, financing, and insurance markets. Industry leaders are stepping up political pressure and are speaking out to resist backsliding.

European perspective

Investor initiatives

Cooperation between landlords, service providers, and occupiers is essential to achieving our ESG goals. Since 2022, we've incorporated a "sustainable operations" clause in all new leases, continually raising awareness among our tenants.

When tendering new service contracts, such as those for facility and property management, we ensure that ESG considerations are integrated to the scope of services. This includes monitoring and reporting consumption, assisting with the execution and implementation of new initiatives, replacing, and upgrading building technologies, and advancing digitalization.

ESG has become an integral part of any due diligence conducted by investors. It is no longer viewed as an added value but as a key component of any negotiation.

Occupier requirements

The focus on sustainable fit-out requirements from our occupiers has significantly increased in recent years across various property types. These requirements include energy-efficient building upgrades, flexible spaces, and social components. This shift is driven both by the tenants' growing ESG commitments and regulatory mandates. For example, in Germany, companies of a certain size are legally required to conduct an energy audit every two years. Consequently, most tenants must incorporate these requirements into their leases. As a landlord, we are dedicated to collaborating with our tenants and aligning our targets, not just collecting data. This approach ensures our buildings remain attractive in the broader market.

Challenges

There is no uniform market practice for ESG standards yet, so investors and lenders are developing their own scoring models to set their targets. Challenges often arise due to federal rules and regulations, which tend to be very tenant-protective. For example, data and privacy laws, particularly those affecting consumers, make it difficult for building owners and managers to track consumption in both residential and commercial units. Most utility contracts are directly between the tenant and provider, leaving little leverage for owners or managers to obtain data. To address this, we have started implementing a "sustainable acknowledgment" in our leases, where tenants commit to providing this information once a year.

Progress towards our goals

Explore our global priorities and goals alongside how we're doing and some of the highlights of our journey so far.

Carbon emissions

Our goal	Our progress	Our journey
Continuous reduction in energy and water consumption of 3-5% per year.	Gaining momentum	– We are replacing light fixtures with LEDs to improve energy efficiency. – Measuring water usage has been challenging, so we are beginning to install digital water meters throughout our portfolio to enable real-time leak detection.
Implement minimum water efficiency standards for all fixtures by 2025.	Working on it	– Our buildings, which are 30-40 years old, require significant capital expenditures. As we refurbish and renovate these assets, we instruct our project teams to incorporate efficient solutions to enhance sustainability and performance.
Continuous reduction in waste generation and improvement in recycling rates.	Working on it	– We are exploring waste management options with external service providers. – In most municipalities, we are bound by the city's disposal regulations, and waste is not measured at pickup time. Although recycling rates are improving, it remains challenging to monitor the recycling practices of occupiers and tenants.
All assets to achieve 30-50% diversion from landfill by 2030.	Working on it	– See above
Regular e-waste collections at every asset by 2025.	Working on it	– Our property management teams have been instructed to study ways to improve e-waste disposal, particularly in light of anticipated large tenant departures in the near future. – After the insolvency of one of our larger tenants, we conducted an auction for the remaining inventory rather than sending it all to waste.
Grey water recycling program for 100% of assets by 2035.	Incubating	

Renewables

Our goal	Our progress	Our journey
Achieve net zero carbon (scopes 1-3) by 2040.	Gaining momentum	– Net Zero pathway study will commence in 2024 to focus on upcoming longer term life cycle replacements and how to replace with renewable ready electric systems.
25% of energy consumption across the portfolio must come from renewable sources by 2030; 50% by 2040; 100% renewable energy consumption by 2050.	Gaining momentum	– Out of our five buildings: – Two have a gas provider supplying 100% renewable energy. – Four have 100% renewable power for common areas. – Two are on district heating, with no control over the energy source. – One is a single-tenant building, with no control over the contracts. – While we cannot dictate the energy contracts our tenants choose, we actively raise awareness and encourage the use of green energy during lease negotiations whenever available.
Complete solar PV and wind turbine rollout on all viable rooftops or other useable site areas by 2030.	Working on it	– We are currently assessing various operating models for photovoltaic (PV) systems, including whether the landlord or tenant will operate the PV system, or if we will seek a third-party provider and lease the roof space. – Legal and tax considerations will define the chosen model, and we are also taking into account additional maintenance and contractual obligations. – Discussions have started for two buildings
Full electrification of facilities by 2040 through the elimination of all carbon-based fuel consumption on-site.	Planning	– As above
Transition to climate friendly refrigerants by phasing out HFC refrigerants by 2040.	Planning	– As above

Measurement

Our goal	Our progress	Our journey
Obtain or estimate tenant energy consumption for 100% of portfolio tenancies by 2025.	Gaining momentum	– In the process of optimizing service contracts with facility management and project management to improve energy consumption reporting across the portfolio. This includes implementation of digital solutions.
Install smart metering across the portfolio by 2025.	Gaining momentum	– By the end of 2024, smart meters for electricity will be installed in all common areas of our buildings. Additionally, we are commencing the installation of digital water meters in two out of five buildings this year, with plans for the remaining buildings currently in the planning stages.
Improve tracking and data consistency by standardizing GHG emission calculations by 2025.	Gaining momentum	– We are in the process of establishing our property-level dashboard to streamline reporting procedures. Moreover, we are collaborating with our property manager to integrate digital solutions for data collection and analysis.

Biodiversity and habitat

Our goal	Our progress	Our journey
Survey of all assets by 2025 to identify opportunities to create habitats that promote biodiversity.	Working on it	– Beehives have been installed in 2 out of our 5 buildings. We are actively exploring additional initiatives across our portfolio.
Implement drought-tolerant landscaping plan for all assets by 2027.	Working on it	– Included in full refurbishment scope for selected properties occurring over the next few years.

GRESB commentary

How has our overall GRESB score changed/improved this year?

Our score has remained stable from the previous year. We are satisfied with the progress we've made over the last three years and remain committed to further improving our score in the future.

What were the key factors that contributed to our result?

Our company wide politics and leadership promote strong ESG fundamentals which was well received by GRESB. We also scored highly in data monitoring and stakeholder engagement.

What are some of the biggest challenges that we are facing as an industry?

The push to implement ESG strategies is progressing faster than federal regulations can keep up with, and often focuses on new constructions. Applying these measures to an existing portfolio, especially with buildings over 30 years old, while also adapting to increased weather extremes, can be complex and expensive. Achieving energy and building certifications is challenging without significant capital expenditure. Consequently, only one of our buildings has attained DGNB Gold certification.

“Collaboration between tenants and landlords has never been stronger.”

How do you think this will evolve in the short/medium term?

We must adapt to the evolving market conditions. What is considered “extraordinary” or “extreme” today will become the new “normal” tomorrow. It is our responsibility to adjust our strategies accordingly. We need to collaborate with all parties involved in the lifecycle of our properties, including landlords, tenants, property managers, and facility managers.

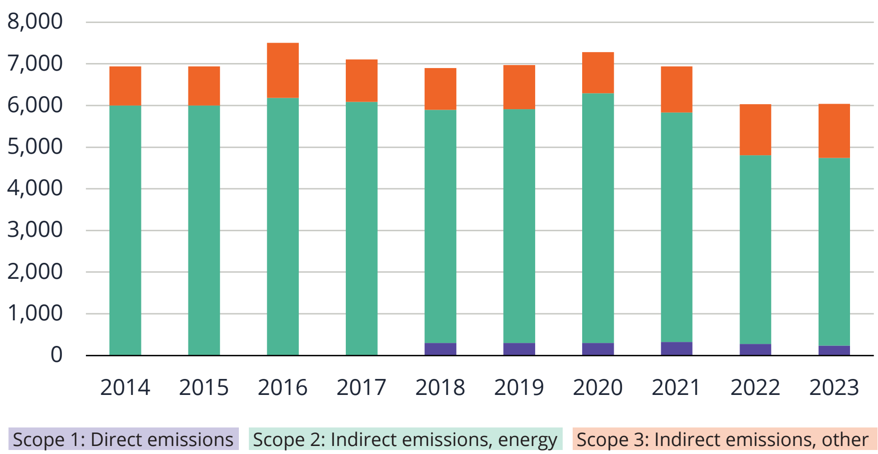
What was the highlight for you, or most impactful initiative or action across the portfolio?

Collaboration between tenants and landlords has never been stronger when it comes to ESG initiatives. This enhanced cooperation has enabled us to actively promote new initiatives across our portfolio that may not have been feasible a few years ago. We take pride in continuing to act as an ESG-conscious investor, always considering our tenants’ demands and our ESG efforts.

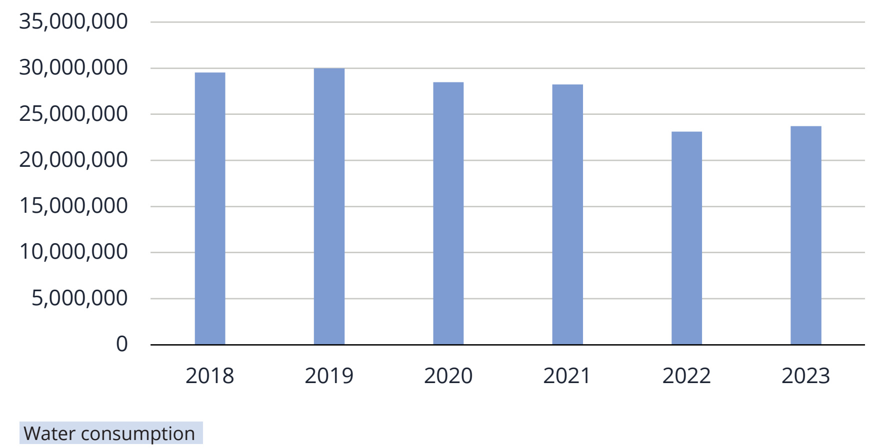
Simone Knopf
Director, Investment Management

Consumption data report

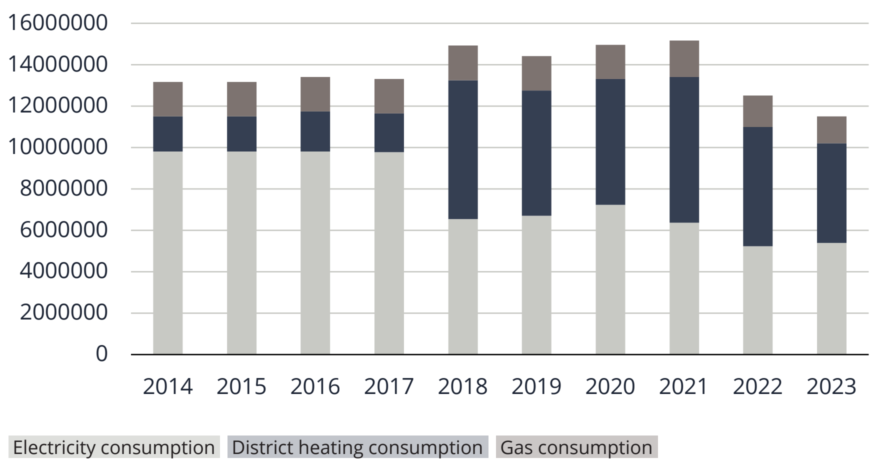
Summary of emissions (tCO2e)



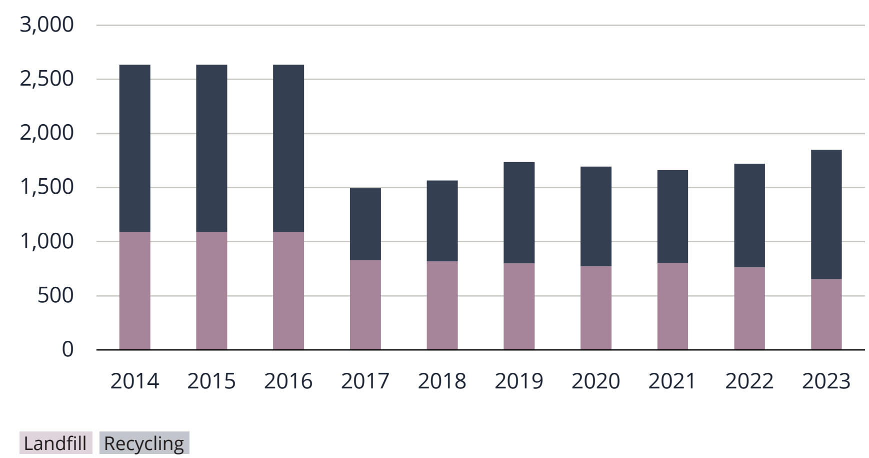
Water consumption (litres)



Energy consumption (kWh)



Total waste (tonnes)



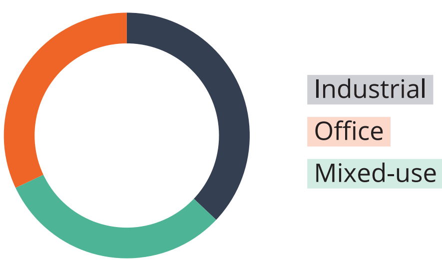
Portfolio consumption tables

Natural gas, oil, propane (scope 1 direct)	Total emissions (tCO2e)	
Property	**2022**	**2023**
Cologne 1	-	-
Cologne 1	-	-
Cologne 2	-	-
Berlin	-	-
München	133.32	118.89
Stuttgart	143.50	115.58
Germany	**277**	**234**

Electricity, steam, chilled water (scope 2)	Total emissions (tCO2e)	
Property	**2022**	**2023**
Cologne 1	747.31	770.95
Cologne 1	191.94	144.34
Cologne 2	1,138.37	1,347.99
Berlin	1,553.21	1,070.05
München	330.72	564.82
Stuttgart	565.55	606.49
Germany	**4,527**	**4,505**

Water, landfill waste (scope 3)	Total emissions (tCO2e)	
Property	**2022**	**2023**
Cologne 1	63.65	106.93
Cologne 1	27.83	34.26
Cologne 2	329.65	406.03
Berlin	67.57	83.04
München	57.44	307.68
Stuttgart	681.31	361.86
Germany	**1227**	**1300**

GHG emissions (tCO2e) by use



Total GHG emissions	Total emissions (tCO2e)	
Property	**2022**	**2023**
Cologne 1	811.0	877.9
Cologne 1	219.8	178.6
Cologne 2	1,468.0	1,754.0
Berlin	1,620.8	1,153.1
München	521.5	991.4
Stuttgart	1,390.4	1,083.9
Germany	**6,031**	**6,039**

Energy use intensity (kWh psf)	Intensity (kWh psf)	
Property	**2022**	**2023**
Cologne 1	8.3	8.4
Cologne 1	15.4	10.0
Cologne 2	4.9	5.3
Berlin	8.4	6.4
München	12.7	15.4
Stuttgart	8.71	8.18
Germany	**7.83**	**7.20**

Water use intensity (kWh psf)	Intensity (kWh psf)	
Property	**2022**	**2023**
Cologne 1	11.2	12.0
Cologne 1	26.9	28.2
Cologne 2	25.2	26.0
Berlin	6.3	5.8
München	5.8	8.1
Stuttgart	16.0	16.0
Germany	**14.5**	**14.8**

Waste intensity	Total waste (tonnes psf)	
Property	**2022**	**2023**
Cologne 1	0.35	0.52
Cologne 1	0.57	0.57
Cologne 2	1.23	1.23
Berlin	0.91	0.91
München	0.55	1.89
Stuttgart	2.48	2.26
Germany	**1.08**	**1.16**

Portfolio consumption tables

Total energy (kWh)

Property	2022	2023
Cologne 1	1,919,424	1,939,714
Cologne 1	745,572	484,305
Cologne 2	2,399,596	2,558,449
Berlin	4,655,292	3,571,475
München	1,204,073	1,456,031
Stuttgart	1,592,876	1,496,787
Germany	**12,516,833**	**11,506,761**

Electricity (kWh)

Property	2022	2023
Cologne 1	836,012	872,910
Cologne 1	149,448	132,117
Cologne 2	1,408,988	1,741,580
Berlin	1,565,477	984,348
München	468,447	800,029
Stuttgart	801,062	859,048
Germany	**5,229,434**	**5,390,032**

Heating (kWh)

Property	2022	2023
Cologne 1	1,083,412	1,066,804
Cologne 1	596,124	352,188
Cologne 2	990,608	816,869
Berlin	3,089,815	2,587,127
München	-	-
Stuttgart	-	-
Germany	**5,759,959**	**4,822,988**

Water (L)

Property	2022	2023
Cologne 1	2,579,400	2,767,500
Cologne 1	1,300,900	1,360,200
Cologne 2	12,272,000	12,633,000
Berlin	3,492,000	3,244,320
München	553,000	769,240
Stuttgart	2,932,000	2,932,000
Germany	**23,129,300**	**23,706,260**

Total waste (tonnes)

Property	2022	2023
Cologne 1	81.29	120.72
Cologne 1	27.46	27.46
Cologne 2	599.55	599.55
Berlin	507.90	507.90
München	52.38	179.26
Stuttgart	453.24	413.96
Germany	**1,722**	**1,849**

Landfill (tonnes)

Property	2022	2023
Cologne 1	39.34	53.82
Cologne 1	17.16	17.16
Cologne 2	203.97	203.97
Berlin	41.60	41.60
München	35.88	156.10
Stuttgart	426.39	183.23
Germany	**764**	**656**

Recycling (tonnes)

Property	2022	2023
Cologne 1	41.96	66.90
Cologne 1	10.30	10.30
Cologne 2	395.58	395.58
Berlin	466.30	466.30
München	16.50	23.16
Stuttgart	26.85	230.73
Germany	**957**	**1,193**

Annex A

GRESB real estate benchmark report

2023 scorecard

GRESB REAL ESTATE

2023 GRESB Standing Investments Benchmark Report

PSS/TPP Investments AY Europe Cooperatief U.A. | Avison Young Investments

GRESB Rating ★★☆☆☆

Participation & Score

2020	2021	2022	2023
51	68	67	72

Peer Comparison

7th — Western Europe | Diversified - Office/Industrial | Core — Out of 7

Status:	Strategy:	Location:	Property Type:
Non-listed	Core	Germany	Diversified - Office/Industrial

Rankings

Rank	Ranking	Out of
32nd	GRESB Score within Diversified - Office/Industrial / Europe	Out of 48
36th	GRESB Score within Diversified - Office/Industrial / Non-listed / Core	Out of 44
96th	GRESB Score within Europe / Non-listed / Core / Closed end	Out of 154
695th	Management Score within Europe	Out of 1013
480th	Management Score within Europe / Non-listed / Core	Out of 616
103rd	Management Score within Europe / Non-listed / Core / Closed end	Out of 160
30th	Performance Score within Diversified - Office/Industrial / Europe	Out of 48
36th	Performance Score within Diversified - Office/Industrial / Non-listed / Core	Out of 44
95th	Performance Score within Europe / Non-listed / Core / Closed end	Out of 154

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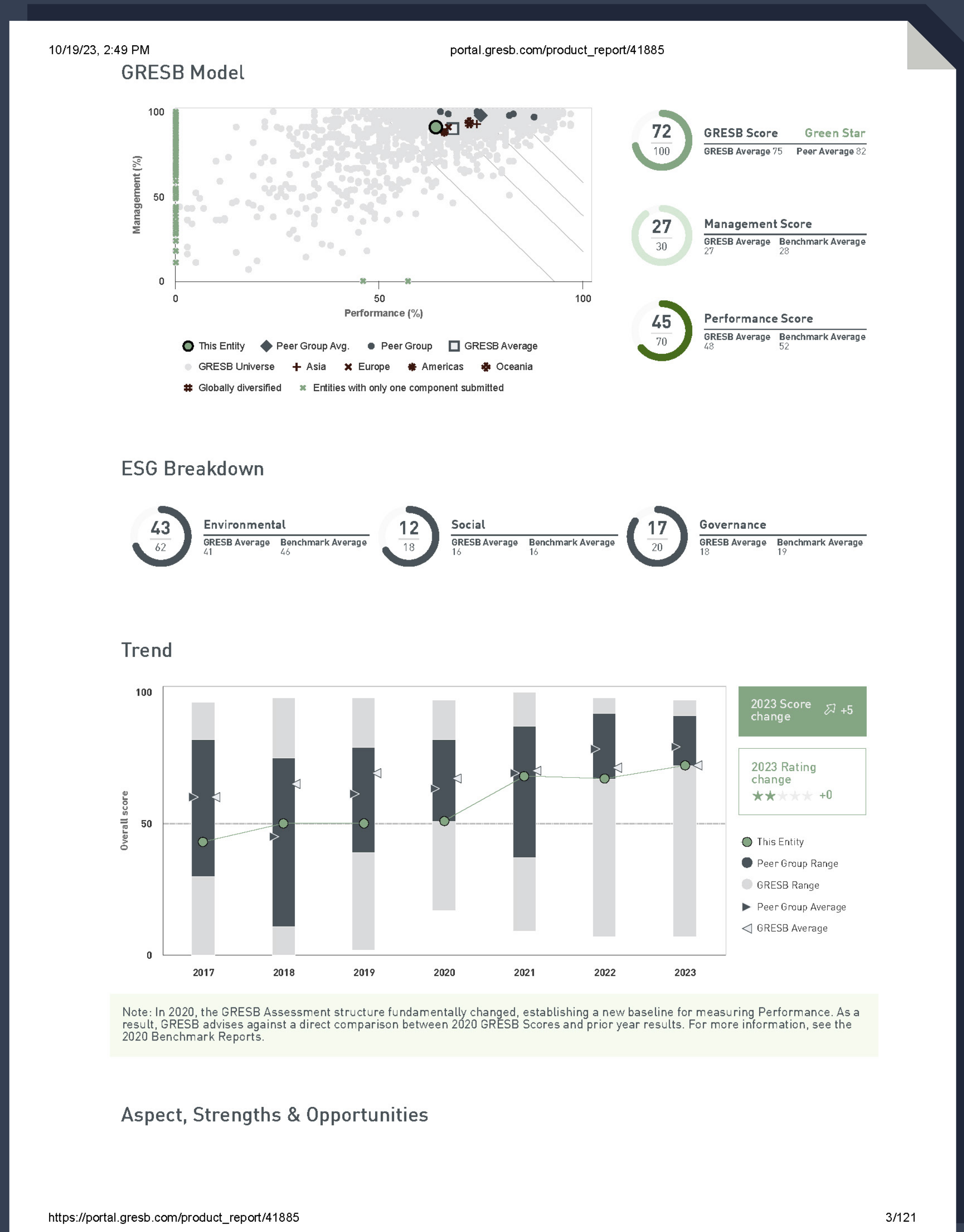
Annex A

GRESB real estate benchmark report

2023 scorecard



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GRESB real estate benchmark report

2023 scorecard

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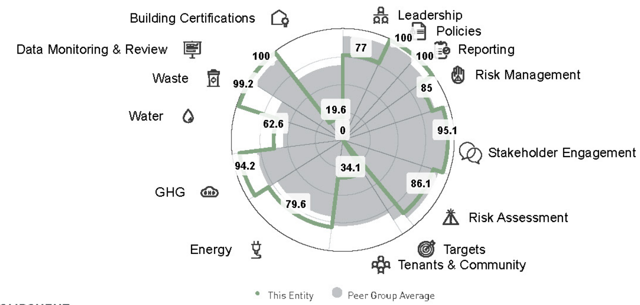
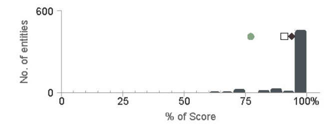
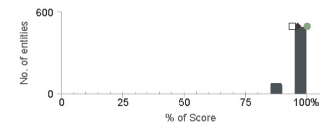
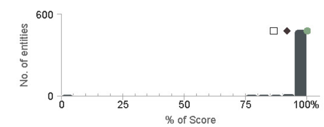
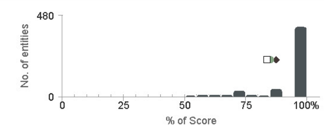


MANAGEMENT COMPONENT

Europe | Core (616 entities)

ASPECT Number of points	Weight in Component	Weight in GRESB Score	Points Obtained	Benchmark Average	Benchmark Distribution
Leadership 7 points	23.3%	7%	5.39	6.56	
Policies 4.5 points	15%	4.5%	4.5	4.34	
Reporting 3.5 points	11.7%	3.5%	3.5	3.21	
Risk Management 5 points	16.7%	5%	4.25	4.38	

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GRESB real estate benchmark report

2023 scorecard

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ASPECT Number of points	Weight in Component	Weight in GRESB Score	Points Obtained	Benchmark Average	Benchmark Distribution
Stakeholder Engagement 10 points	33.3%	10%	9.51	9.41	

◆ Benchmark ● This Entity □ GRESB Universe

PERFORMANCE COMPONENT

Western Europe | Diversified - Office/Industrial | Core (7 entities)

ASPECT Number of points	Weight in Component	Weight in GRESB Score	Points Obtained	Benchmark Average	Benchmark Distribution
Risk Assessment 9 points	12.9%	9%	7.75	8.2	
Targets 2 points	2.9%	2%	0	1.71	
Tenants & Community 11 points	15.7%	11%	3.75	8.55	
Energy 14 points	20%	14%	11.14	9.77	
GHG 7 points	10%	7%	6.59	5.49	

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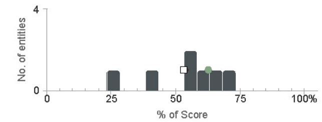
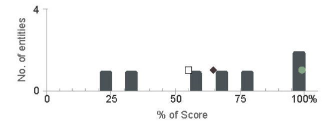
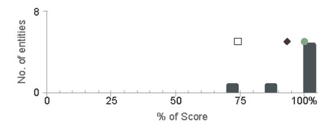
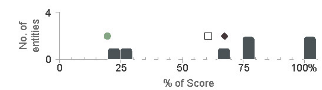
Annex A

GRESB real estate benchmark report

2023 scorecard

ASPECT Number of points	Weight in Component	Weight in GRESB Score	Points Obtained	Benchmark Average	Benchmark Distribution
Water 7 points	10%	7%	4.38	3.77	
Waste 4 points	5.7%	4%	3.97	2.58	
Data Monitoring & Review 5.5 points	7.9%	5.5%	5.5	5.14	
Building Certifications 10.5 points	15%	10.5%	2.06	7.09	

◆ Benchmark ● This Entity □ GRESB Universe

Entity & Peer Group Characteristics

This entity		Peer Group (7 entities)	
Primary Geography:	Germany	**Primary Geography:**	Western Europe
Primary Sector:	Diversified - Office/Industrial	**Primary Sector:**	Diversified - Office/Industrial
Nature of the Entity:	Private (non-listed) entity	**Nature of the Entity:**	Core
Total GAV:	$295 Million	**Average GAV:**	$588 Million
Reporting Period:	Calendar year		

Regional allocation of assets	This entity	Peer Group
Regional allocation of assets	**100% Germany**	**41% Germany 14% Netherlands 14% France 9% Belgium 6% Italy 4% United Kingdom of Great Britain and Northern Ireland 3% Austria 3% Spain 3% Denmark 2% Finland 2% Luxembourg < 1% Portugal**

2023

ESG report

Europe

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