

ESG factors considered in asset management and transactions

The Manager of CEREIT considers the following ESG-related indicators as part of its asset management and transaction process.

Indicator	Commitment	Inclusion in due diligence
<p>Exposure to fossil fuels through real estate assets</p>	<p>CEREIT is not targeting investments in real estate assets primarily involved in extracting, storing, transporting or manufacturing fossil fuels. However, storage of fossil fuels -current or past -could be present to support the operations of tenant-customer(s). Although generally a tenant-customer responsibility, potential pollution could cause an environmental issue and impact the financial performance due to remediation costs.</p>	<p>As part of its due diligence process, the Manager will always contract the expertise of dedicated external technical, environmental and legal experts to advise on the risks associated with the real estate.</p> <p>As part of the environmental due diligence (EDD), the external EDD provider will review the presence and storage of hazardous materials (incl. fossil fuels) and conduct a (historical) soil survey to determine the potential presence of hazardous materials (incl. storage tanks).</p> <p>As part of the legal due diligence, the external legal DD provider will advise the Manager and the Trustee, acting in its capacity as trustee of CEREIT, on the contractual responsibilities and regulatory requirements of the storage of hazardous materials (including fossil fuels) if presence in the real estate asset during the hold period.</p>
<p>Exposure to energy-inefficient real estate assets</p>	<p>The Manager recognises the impact of energy inefficiency on the financial performance of real estate investments. In the transition to a low-carbon economy, EU regulators are developing legislation that requires the energy consumption of real estate assets to be reduced/improved. This impacts capital expenditure and the medium to long-term lease ability and liquidity of the real estate asset.</p> <p>The Manager, therefore, targets energy-efficient acquisitions based on the EPC certification -where EPC ratings are not defined (e.g. in the case of Poland, Malta and the Belgian region of Flanders), acceptable thresholds for operational energy will be established if required.</p>	<p>As part of the technical due diligence (TDD), the external TDD provider will assess the energy consumption, intensity and efficiency of the real estate asset(s). When the required energy data isn't available during the due diligence process, the external provider will provide an estimate based on globally recognised standards to provide the assessment.</p> <p>For each real estate asset, a valid Energy Performance Certificate (EPC) and the underlying calculations must be provided for the Tdd provider to assess the EPC.</p> <p>To assess the impact on a portfolio level, the Fund will use the Global Real Estate Benchmark (GRESB) and Carbon Pathway to evaluate the impact of energy intensity on the portfolio performance.</p>

<p>GHG direct emissions</p>	<p>The Manager recognises the impact of GHG emissions on the financial performance of real estate investments. In the transition to a low-carbon economy, EU regulators are developing legislation that requires the GHG emissions of real estate assets to be reduced/improved. This impacts capital expenditure and the medium to long-term lease ability and liquidity of the real estate asset.</p>	<p>As part of our due diligence process, The Fund will always contract the expertise of dedicated external technical, environmental and legal experts to advise The Fund on the risks associated with the real estate.</p> <p>For the technical due diligence (Tdd), the external Tdd provider will assess the GHG emissions that physically occur in the asset(s) to be acquired that the Fund will control following the purchase. When the required GHG emissions data isn't available during the due diligence process, the external provider will provide an estimate based on globally recognised standards to provide the assessment. To assess the impact on a portfolio level, The Fund will assess its GHG exposure in line with its Carbon- Reduction Pathway aligned with the Paris Agreement. The external Tdd provider will highlight opportunities to reduce/improve GHG emissions as part of the capital expenditure forecast.</p> <p>The external Legal Dd provider will advise the Fund on the impact of applicable regulation that targets GHG emissions (by way of example but not limited to the Décret Tertiaire regulation applicable to the French market) on CEREIT's reduction targets and the Carbon Pathway.</p>
<p>GHG indirect emissions</p>	<p>The Manager recognises the impact of GHG emissions on the financial performance of real estate investments. In the transition to a low-carbon economy, EU regulators are developing legislation that requires the GHG emissions of real estate assets to be reduced/improved. This impacts capital expenditure and the medium to long-term lease ability and liquidity of the real estate asset.</p>	<p>As part of our due diligence process, the Fund will always contract the expertise of dedicated external technical, environmental and legal experts to advise on the risks associated with the real estate.</p> <p>For the technical due diligence (Tdd), the external Tdd provider will assess the GHG emissions that physically occur in the asset(s) to be acquired that the Fund will control following the purchase. When the required GHG emissions data isn't available during the due diligence process, the external provider will provide an estimate based on globally recognised standards to provide the assessment. To assess the impact on a portfolio level, The Fund will assess its GHG exposure in line with the Carbon- Reduction Pathways aligned to the Paris Agreement. The external Tdd provider will highlight opportunities to reduce/improve GHG emissions as part of the CAPEX forecast.</p>

		<p>The external Legal Dd provider will advise The Fund on the impact of applicable regulation that targets GHG emissions (by way of example but not limited to the DécretTertiaire regulation applicable to the French market) on CEREIT's reduction targets and the Carbon Pathway.</p>
<p>GHG indirect emissions from tenants</p>	<p>The Manager recognises the future impact of GHG emissions from its tenants. The Fund will implement green clauses in its lease contracts where tenants commit to joint sustainability initiatives such as the increase/switch to renewable energy procurement and provide their data consumption for monitoring during the hold period.</p>	<p>As part of the legal DD, the external legal adviser will review liabilities in the lease template and assess the GHG indirect emissions from tenants. When the required GHG data isn't available during the due diligence process, the external provider will provide an estimate based on globally recognised standards to provide such an assessment.</p> <p>The Fund will maintain GHG indirect emissions assessments to ensure assets comply with the investment objective.</p>
<p>Energy consumption intensity</p>	<p>The Manager recognises the impact of GHG emissions on the financial performance of real estate investments. In the transition to a low-carbon economy, EU regulators are developing legislation that requires the GHG emissions of real estate assets to be reduced/improved. This impacts capital expenditure and the medium to long-term lease ability and liquidity of the real estate asset.</p>	<p>As part of the technical due diligence (TDD), the external TDD provider will assess the energy consumption, intensity and efficiency of the real estate asset(s). When the required energy data isn't available during the due diligence process, the external provider will provide an estimate based on globally recognised standards to provide the assessment.</p> <p>Energy assessments will be maintained to monitor and ensure assets comply with the investment objective.</p>

<p>Water usage and recycling</p>	<p>The Manager recognises the impact of water on the financial performance of real estate investments. In transitioning to a low-carbon economy, EU regulators are developing legislation requiring the water to be recycled and reused. This impacts capital expenditure and the medium to long-term lease ability and liquidity of the real estate asset.</p> <p>The Manager aims to optimise all ESG efforts during any renovation/extension phase to minimise water usage by working with specialised consultants. Each design approach will also consider water reduction measures. Contractors, suppliers, construction methods and equipment will be carefully selected for the individual site regarding their impact on water pollution and usage during site operations.</p> <p>The Fund will only implement sanitary equipment with EU labels and reuse rainwater. The Fund will advise its tenants to adopt the same approach during their fit-out phase.</p>	<p>As part of our due diligence process, the Manager will always contract the expertise of dedicated external technical, environmental and legal experts to advise The Fund on the risks associated with the real estate.</p> <p>As part of the environmental due diligence (EDD), the external EDD provider will review the water usage and compliance.</p>
<p>Waste production in operations</p>	<p>The Manager recognises waste's impact on real estate investments financial performance. In the transition to a low-carbon economy, EU regulators are developing legislation that requires the waste to be recycled. This impacts capital expenditure and the medium to long-term lease ability and liquidity of the real estate asset.</p>	<p>As part of our due diligence process, The Manager will always contract the expertise of dedicated external technical, environmental and legal experts to advise on the risks associated with the real estate.</p> <p>As part of the environmental due diligence (EDD), the external EDD provider will review the type of waste, including hazardous materials.</p> <p>The Fund will use the Global Real Estate Benchmark (GRESB) to assess the impact on a portfolio level.</p>
<p>Raw materials consumption for new construction and major renovations</p>	<p>The Manager aims to optimise all ESG efforts during the planning process, optimising the use of space and resources.</p> <p>Contractors, suppliers, construction methods and materials are carefully selected for the individual site considering their impact on traffic, noise, contamination and the carbon footprint of the building. These efforts will manifest in obtaining the highest possible</p>	<p>DDs for soil, air, water and noise contamination are being carried out before any development work. If it is an extension of an existing building, refurbishment or if the project involves demolition works, the Manager will investigate for any hazardous building materials, such as asbestos, heavy metals, carbon-based products and chemicals in the existing structure and below-ground. We also consider all measures to dispose of these most sustainably and safely.</p>

	certificates by the respective institutes (LEED/BREEAM) where economically feasible.	
Land artificialisation	The Manager recognises the importance of biodiversity and actively promotes the improvement of the biodiversity of its real estate assets where an opportunity arises.	<p>As part of the technical due diligence (TDD), the external TDD provider will assess the share of the targeted real estate assets' non-vegetated surface area (as % of the land plot).</p> <p>The Manager is working towards the implementation of monitoring of the share of non-vegetated surface area during the hold period, should there be any changes to the plot</p>

On behalf of CEREIT, the Manager promotes ESG and continuous ESG improvement in the following ways.

Topic	Commitment	Measurement and contribution to promoting ESG characteristics
Building certifications	CEREIT is committed to obtaining a green building certification, e.g. BREEAM or LEED, for all real estate investments where it is commercially feasible or reasonable and will actively seek opportunities to improve certifications during its ownership period	Information about the asset's building certification will be collected on purchase, and certification improvement will be tracked annually, contributing to decreasing CEREIT's energy consumption.
Benchmark participation	CEREIT will annually participate in the GRESB. Based on each year of participation, annual improvement targets will be promoted further to mature the performance of CEREIT within the benchmark.	GRESB score will be disclosed in the relevant reporting period and tracked annually. This will help ensure that a broad set of ESG characteristics are monitored, measured, and promoted throughout CEREIT's operations.

Transitional climate change impacts	CEREIT will complete energy audits on all assets to manage transitional climate change impacts and actively promote actions to improve CEREIT's risk profile.	Energy audits will be performed within two years from acquisition or before the end of 2023 for existing assets, excluding those held for sale or redevelopment. Identified improvements will be assessed and implemented on a case-by-case basis based on the impact on CEREIT's risk profile, ultimately aiming to decrease CEREIT's carbon footprint.
ESG data management	For all its assets where it is commercially feasible or reasonable, CEREIT will directly or indirectly (through a service provider) invest in a data management tool to monitor ESG data (i.e., Energy, GHG emissions, water, and waste) within operational and financial control and actively encourage tenant-customers to share their ESG data to ensure a complete overview of the ESG performance of its real estate assets.	Energy, GHG emissions, water and waste information, which is within the Manager's control, will be collected, maintained and reported regularly. Any targets set to minimise CEREIT's controllable impact on the environment will be disclosed in relevant public disclosure documents and on CEREIT's website.
Energy procurement	<p>For all electric energy procurement, the Manager will promote renewable energy, where applicable, on behalf of CEREIT and in conjunction with CEREIT's tenant - customers.</p> <p>Where and when it is commercially feasible or reasonable, the areas within the operational and financial control of the Manager will use renewable or low-carbon electricity supplies.</p>	<p>To decrease CEREIT's controllable carbon footprint, CEREIT's property managing agents will report on the source of electric energy supply to the areas within the Manager's control. Where and when it is commercially feasible or reasonable, these areas will only be supplied by renewable or low-carbon supplies. This information will be verified and reported annually.</p> <p>The Manager, on behalf of CEREIT, will promote the use of a renewable or low-carbon electricity supply, where available, to all tenant-customers within 12 months of acquisition.</p>
Energy efficiency	Energy Performance Certificates (EPCs) will be used as a lead indicator to assess energy efficiency. The Manager, on behalf of CEREIT, will promote operating the real estate investments as energy efficient as possible where sensible, given the asset business plan, hold period and return target. Improvement opportunities will be considered.	In order to help decrease CEREIT's carbon footprint, information on EPC ratings will be collected as part of Technical DD and regularly maintained within Cromwell (acting as property and asset manager for CEREIT)'s in-house property management system. EPC certification improvement will be tracked annually.

Refurbishment	On refurbishment, the Manager, on behalf of CEREIT, is committed to continually modernising and replacing outdated and damaged building sections with a transparent design approach towards improving the embodied and operational carbon footprint, reducing energy intensity and improving waste recycling in the asset.	Building materials will be assessed based on the amount of embodied CO2e (equivalent) and the insulation K and C factor of facades, roofs and windows. The Manager, on behalf of CEREIT, will constantly review the possibilities to introduce active alternative energy sources (wind, solar, thermal, H2O2, etc.) and recycling processes. Improvements will be tracked, monitored, and certified after each intervention.
Procurement	CEREIT will endeavour to ensure that all contracts with third-party suppliers to CEREIT assets include an obligation to comply with the Supplier Code of Conduct and the Global Procurement Policy, which are currently in the process of full implementation in the European operations	CEREIT will endeavour to ensure that all contracts with third-party suppliers to CEREIT assets include an obligation to comply with the Supplier Code of Conduct once it is fully implemented in the European operations
Tenant Customer engagement	The Manager, on behalf of CEREIT, is committed to annually conducting an externally verified tenant-customer engagement survey and actively seeks opportunities to improve tenant customer engagement through its hands-on asset management.	The relevant periodic reporting will provide the outcome of the annual tenant-customer engagement survey and action programs.