ESG REPORT

NO. 1

CORESTATE
Capital Group
Dear Ladies and Gentlemen,

Corporate actions are not taking place in isolation. Every one of us is a part of a community in which we interact and leave behind an ecological, social and economic footprint. We at CORESTATE proactively monitor this diverse impact of our activities, and here we are committed to creating a long-term positive impact on the communities in which we operate and own assets. The efforts we are undertaking on this path, we outline in our first ESG Report.

As a leading European real estate investment manager, we see our purpose in helping to address today’s shortage of residential space in German and European cities. The German government has committed securing until 2021 up to 1.5 million new flats and homes. However, the city’s demand is simply not met through capital to implement this ambitious aim. Here CORESTATE comes in – we can help bridge the gap with our innovative financing solutions. What is more, as the German micro-living market leader we are creating new ecological and social living space for a diverse group of people ranging from students, young professionals to mobile best agers.

For us sustainability has three dimensions: an environmental, social and governance (ESG) dimension. All three we intend to manage effectively in our business:

• We combat climate change with energy-efficient buildings.
• We carefully manage the social impact of our operations, and
• We are reliable partners for all our stakeholders.

In daily business, this means utilising intelligent tools to monitor and improve the ecological footprint of our investments. It continues with creating innovative and environmentally conscious living concepts that address today’s societal challenges. And last, but not least, we safeguard trust through sharing comprehensive and transparent information about our operations with all our stakeholders. By doing this, we facilitate faster success and value for our employees, tenants and investors.

In 2019 we signed the United Nations Principles for Responsible Investment (UNPRI). Based on these we have defined an ESG strategy laying out a structured process to ensure that sustainability is deeply embedded in our business. As a first step we are installing a dedicated Group Sustainability Office to incorporate ESG into our investment decision, reporting and asset management. Since then we have already accomplished three goals:

• We accelerated ESG asset management.
• We enhanced our employee wellbeing plan.
• We developed market standard investor reporting.

Please see this report for more details on our activities so far. We thank you for your interest in our work and look forward to engaging with you on ESG matters in the near future.

Lars Schnittka, Chief Executive Officer
CORESTATE Capital Group

Cover Photo: Woodie, Hamburg | Wooden construction | MIPIM Award 2019 | Investment & Managed by CORESTATE
At CORESTATE, we are committed to creating a long-term positive impact on the communities in which we operate and own assets. For us, this begins with effectively managing environmental, social and governance (ESG) aspects across all businesses. On our way to become the most attractive platform for real estate investments in Europe, we include ESG in our investment decisions, reporting and asset management. Thus, we ensure that good corporate citizenship is deeply embedded within our business.

**Our ESG Principles**

- **Combat Climate Change**
- **Strengthen Social Communities**
- **Maintain Reliable Partnerships**

**Group**
- Travel reduction
- Digitalisation
- Support climate protection projects

**Fund**
- Employee benefit program
- Employee networks
- Solidarity days

**Asset**
- ESG asset management
- Social design
- Mobility concepts
- Tenant partnerships

**Corestate is the leading European real estate investment manager that manages and administers assets with a volume of more than 26 billion euros.**

**Our Principles**

- **About CORESTATE**
- CORESTATE is the leading European real estate investment manager that manages and administers assets with a volume of more than 26 billion euros.

- **ESG Measures on Group, Fund and Asset Levels**
- Support a range of local social and environmental causes and projects.
We consider real estate management and development as opportunities to directly address environmental factors within the assets we manage. For each sustainable investment, choosing the right assets is a prerequisite. Environmental, social and governance concerns are embedded in our investment process from the acquisition to the management and disposal of assets. Our approach to integrating these aspects in our core business is outlined on page 7.

As a company of over 700 employees operating in 42 offices we consider sustainable operation and efficient resource usage as a necessary step toward ESG incorporation. How we manage the ecological footprint of our daily business is detailed on page 5.

CORESTATE is committed to enhancing sustainable performance of all managed assets. Gathering reliable and comparable data to effect and measure continuous improvement is at the core of this process. More insight on how we strive to reach this goal is outlined on page 9.

Monitoring and improving the environmental impact of our operations, investments and assets is at the core of our strategy.

"... if we do not care about the climate crisis and if we do not act now then almost no other question is going to matter in the future"

Greta Thunberg, Nobel Price Candidate
We act on Efficient Processes

We thoroughly manage the ecological footprint of our daily operations

Managing and developing real estate assets in respect of their environmental impact is at the core of our principles. We also acknowledge the importance of integrating sustainable criteria in our own corporate dealings. This is why we promote enhancing green consciousness within our daily operations.

We increasingly focus on selecting office spaces that comply with ESG standards. Our main German office in Frankfurt has been awarded with a LEED Gold certificate. We also are alive to the fact that flight travel is a large contributor to global warming. From 2017 to 2019 domestic flights constituted 26% of all our travels. With an overhaul of our travel policy and respective processes we aim to decrease this number to 15% by 2021. We want to rely more on digital solutions such as video conferences between our domestic offices. For all remaining flights we will compensate for the produced CO2 by supporting climate protection projects through the CORESTATE foundation from 2020.

Increased train travel to flight travel ratio by 13% (from 2018 to 2019)

Decrease of colour prints by 42% per month (since January 2018)

In addition, we are constantly striving to further improve environmental efficiency. We have for instance minimised monthly colour prints by 42% and have installed water fountains in our office kitchens to avoid plastic waste since 2017. This ongoing effort is undertaken in close exchange between CORESTATE’s Operations and Group Sustainability Office.

GERMAN OFFICE
German Office in Frankfurt – LEED Gold standard

We act on Efficient Processes
During the holding period of the asset, ESG assessments are conducted periodically. We take into account perspectives of all involved stakeholders, such as investors, tenants and service providers. Further, a dedicated ESG investment committee consisting of at least one member of the Managing Board, the Investment Committee and Group Sustainability Officer addresses the current state of ESG progress to design specific measures and enhance focus if and when necessary.

In order to quantify value created, CORESTATE will produce a final assessment outlining ESG progress made during the holding period upon the sale of the asset.

We have established an ESG Investment Policy which outlines scope, responsibilities and processes in detail. This document can be downloaded from our ESG website section.

**We consider ESG along the entire Investment Cycle**

**Before Acquisition**

ESG Due Diligence of all targets, allowing to identify ESG risks and opportunities

**Pre Acquisition**

Phase 1

**Exit Phase**

ESG Vendor Due Diligence to highlight progress over holding period & value created

**Phase 3**

At EXIT

**Holding Period**

- Asset-level ESG roadmaps for value creation
- Asset internal benchmarking & ESG ranking system

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**Holding Period**

- Asset-level ESG roadmaps for value creation
- Asset internal benchmarking & ESG ranking system

**Holistic incorporation of ESG criteria along the life cycle of our investments**

When developing new investment opportunities, CORESTATE incorporates ESG aspects during the investment life-cycle. Here we apply both quantitative and qualitative due diligence including potential risks, opportunities and impact of respective issues in our analysis. From 2020 onwards, each new fund will be equipped with an ESG strategy and action plan reviewed and accepted by the Group Sustainability Officer in consultation with both the Investment and Asset Management teams.

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Case Study: Award-winning Micro Apartments

The sustainable micro apartments project received the MIPIM award 2019

In 2017 CORESTATE acquired project Woodie in Hamburg, a 7-storey hybrid construction of steel-reinforced concrete and wood inspired by the local “Speicherstadt”. 373 ready-built micro apartment units were constructed using 3,800 m³ of European softwood. The modules were then transported to the site where they were assembled. The building facade consists of fast-growing easily replaceable larch wood paneling. Each of the 20 m² apartments has been equipped with a bed, wash room, fitted wardrobe and a small kitchen. The overall level of prefabrication could be increased to 80 % which enabled a construction period of only 9 months significantly reducing noise pollution and construction waste.

2,500 seedlings handed out by developer to reproduce the 13,000 sqm. of wood used

World’s largest residential project constructed in a wooden modular design

MIPIM Award 2019
Best Residential Development

COMBAT CLIMATE CHANGE
CORESTATE is in the process of initiating its own foundation. From September 2019 the CORESTATE Foundation will support a range of local environmental and social projects. We know that social impact needs to be driven by people, for this we will enable our employees to engage in these causes.

At the heart of our success as a company are our employees. As a responsible employer we take on the duty to provide all members of CORESTATE Capital Group with a safe, diverse and engaging working environment. How we intend to meet the needs of our workforce is outlined on page 13.

Safety, diversity, wellbeing and engagement are the four pillars of CORESTATE’s employee assistant program.

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We acknowledge that the assets we invest in, develop and manage provide living and working spaces in a society of shifting demands. For us it has become paramount to address today’s demographic issues with innovative products. More on this on page 15.

STRENGTHEN SOCIAL COMMUNITIES

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Loneliness and weak social connections are associated with a reduction in lifespan to that caused by smoking 15 cigarettes a day.

68%

of the global population expected to live in urban areas by 2050.

12.1%

Germany last place worldwide with 12.1% share of women in executive management.

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UN | 2

Harvard | AllBright

Increase female employee ratio at management levels ratio by 5% annually and at least 30% by 2025.

Integrate an employee wellbeing policy by 2020.

Develop at least five ESG partnerships with tenants by 2025.

Support one new long-term philanthropic initiative each year including Employee Solidarity Days from 2019.

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STRENGTHEN SOCIAL COMMUNITIES

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We include our Employees

At CORESTATE, we recognise that successful business depends on the health and safety of our employees. We adhere to all applicable labour laws in all jurisdictions we conduct business in. We acknowledge the importance of a diverse workforce and know that a group-wide non-discriminative hiring policy is only the first building block for a culture of diversity and inclusion. We all have different experiences, values and strengths which can only be harnessed by trust and encouragement.

Networks

In 2019 we have established a dedicated Women’s Network to enhance corporate diversity on all seniority levels through expert presentations and get-togethers. A Working Parents Network will provide the employees the chance to connect and exchange advise on how to balance family life and career on a daily basis. Activities will commence in the second half of 2019. In addition, a LGBTQ Network is set out to be initiated this year.

Employee Wellbeing

We will intensify our focus on employee wellbeing from 2019. This includes measures such as an ergonomics audit for our offices and the facilitation of in-house services, for example office massages and partnerships with local restaurants that provide healthy lunch options.

For us, providing a safe and healthy work place is the first step towards becoming a preferred employer in the real estate sector. By 2020 we will formalise our wider efforts with an employee wellbeing policy. This document will lay the foundation for a comprehensive long-term employee assistant program.

Societal engagement

CORESTATE is in the process of establishing a charitable organisation. We will support one new good cause on a long-term basis – meaning a minimum duration of two years – every year from 2020. CORESTATE employees will be granted a specific amount of solidarity days by the company, on which we locally support these very causes.
We create and provide products that serve as working and living spaces for our tenants. A building has the potential to create meaningful social connections or it can amplify stressors, for example a lack of personal space and increased noise. For this reason we seek to address challenges of today’s society with intelligent architecture and design.

In the development phase our managed Micro, Student and Serviced Apartments are therefore equipped with communal spaces such as learning lounges, shared kitchens, gyms and co-working areas. We also care about appropriate lighting and noise management. These architectural measures are designed to facilitate everyday interactions between residents, which can contribute to decreasing social isolation.

For 2019 and 2020, we strive to enhance tenant engagement and implement a direct feedback loop via a digital platform. Dedicated remarks can then be converted into improvement measures that create social value. This measure will support our decision-making during the holding periods of assets.

For us, social qualities of our managed buildings are as important as environmental efficiency. This is why we will incorporate both within our investment cycle for all new vehicles starting from 2020. For more information, please see our ESG Investment Policy.
Based on the United Nations Principles for Responsible Investment (UNPRI) we have implemented a holistic framework with the goal to ensure that we achieve all our environmental, social and governance goals within this report. How we will operationalise ESG is summarised on page 19.

A successful business relies on trust and good corporate citizenship. We recognise that only solid and transparent governance and compliance structures can build and retain stakeholder trust. — a listed company, a business partner, a landlord and neighbour — and all our stakeholders. In short, we need to ensure we keep our promises to the public and all our clients.

Market best-practice investor reporting capabilities are an essential part of our overall ESG approach, as we account for all our activities at fund and asset levels to our clients in the reporting documentation. We have decided to incorporate the INREV standards. Please see page 21 for more details.

We make sure to achieve our ESG commitment through extensive operationalisation and accountability.

**MAINTAIN RELIABLE PARTNERSHIPS**

We make sure to achieve our ESG commitment through extensive operationalisation and accountability.
Our Leadership commits to ESG

Continuous ESG integration is a top management matter at CORESTATE

CORESTATE is steered by our Managing Board – comprised of the Chief Executive Officer (CEO) Lars Schnidrig and the Chief Investment Officer (CIO) Thomas Landschreiber – who are dedicated to serving the best interests of all our stakeholders. The Group Sustainability Officer (GSO), Justus Wiedemann, reports to the CEO who is the senior decision maker on issues related to ESG. The ESG strategy which comprises CORESTATE’s ESG objectives and their operationalisation plan are reviewed formally by the CEO every 12 months.

The Managing Board supports the ESG Strategy developed by the GSO through monthly ESG committees. An ESG committee comprises at least one member of the Managing Board, the GSO and various Directors, such as the Head of Group Sales, Douglas Edwards. Within these committees, the current state of achievement relevant to the twelve ESG goals is evaluated and specific implementation measures are determined.

ESG Committee Tasks

- Ensure the achievement of set ESG objectives laid out in the ESG Objectives
- Reinforce ESG operationalisation within the Investment Cycle according to the ESG Investment Policy
- Support group-wide communication of ESG-relevant case studies, news and best practices
- Discuss the incorporation of new ESG-related fiduciary and regulatory requirements as well as ESG partnerships with corporate tenants

Accountability and deliverables along the investment life cycle are clearly defined in the ESG Investment Policy.
As a leading European real estate investment manager, we are entrusted with capital from our investors. We periodically report on the performance of investment vehicles and funds. Ensuring transparency, comparability and reliability in these investor reports is paramount for CORESTATE. We see best practice reporting as a vehicle to deliver a solid governance to our investors. Hence, we include this topic into our ESG Framework.

In 2018 the Managing Board acknowledged the importance of continuously enhancing CORESTATE’s investor reporting capabilities within the Group. A dedicated 9-month development plan was approved - also including a commitment to the INREV standards. These standards define a calculation basis for returns, performance and fees, as well as ESG data and risk assessments.

The INREV development plan is executed by the GSO in collaboration with Controlling, Compliance and Risk and Fund Management to deliver INREV reporting by September 2019 for chosen funds.
Our Convictions

In our first annual ESG Report we have outlined our comprehensive ESG framework and our respective objectives for CORESTATE’s performance on environmental, social and governance issues. From the beginning of this journey our Managing Board has recognised the importance of three principles within our ESG framework – engagement, long-term thinking and authenticity.

- Firstly, CORESTATE can only reach its ESG objectives as a company if its employees are part of the integration. This applies to ESG asset management as much as it does for employee solidarity days.
- Secondly, long-lasting ESG success is more important to us than reactive certification-chasing. For this reason, we focus on setting realistic targets and focus on their implementation in this first report.
- And thirdly, this report shows our company's dedication to enhancing a defined range of topics in a quantified and transparent manner.

We account for our set goals within CORESTATE as well as to all our external stakeholders. Thank you for your trust.

Justus Wiedemann
Group Sustainability Officer (GSO)
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We combat climate change
Lessen the environmental impact of our operations
Invest in and develop energy-efficient buildings
Actively engage in ESG asset management measures

We strengthen social communities
Meet all jurisdictional labour laws
Strengthen diversity and employee well-being
Address social challenges in property development
Engage with tenant and neighbourhoods to continuously improve living and working spaces at our assets

We are reliable partners for all our stakeholders
Conduct mandatory compliance and governance training for all employees and management
Deliver high level of investor transparency and ongoing monitoring through decision rights (INREV) reporting
Hold monthly ESG committees

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