

ESG REPORT

NO. 1



CORESTATE

Capital Group

“We embed ESG across in our operations from investment decisions and asset management to reporting.”

“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 there is simply not enough capital to implement this ambitious aim. Here CORESTATE comes in – we can help bridge the gap with our mezzanine 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 lasting 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 installed a dedicated Group Sustainability Office to incorporate ESG in 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 Schnidrig, Chief Executive Officer
CORESTATE Capital Group

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About CORESTATE

CORESTATE is a leading European real estate investment manager. We manage and administer assets with a volume of more than 26 billion euros.

CORESTATE is the “one-stop-shop” for sustainably attractive real estate investments. We offer our customers products with strong growth and earnings potential, for example in the areas of micro living, mezzanine financing and retail in medium-sized German cities.

CORESTATE is the market leader for mezzanine financing and micro living projects in Germany. This gives us a broad range of products beyond the established asset classes such as residential and office.

CORESTATE is the only leading real estate investment manager in Germany that offers its clients all services relating to the acquisition, structuring, management and sale of their real estate assets from a single source.

CORESTATE buys, structures, develops and manages real estate assets for third parties. Our clients are institutional investors, family offices and private investors.

CORESTATE offers local access to the most attractive European real estate markets through 42 offices in seven countries.

Whilst the focus is on our home market of Germany, we are also active in Austria, Switzerland, Great Britain, Spain and the Benelux countries and are continuously expanding into other European markets.

CORESTATE has its registered office in Luxembourg and is listed on the regulated market (SDAX) of the Frankfurt Stock Exchange.

Our ESG Principles

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.

	GROUP	FUND	ASSET
COMBAT CLIMATE CHANGE	<ul style="list-style-type: none"> Travel reduction Digitalisation Support climate protection projects 	<ul style="list-style-type: none"> Acquisition ESG due diligence ESG action plan ESG investment committee 	<ul style="list-style-type: none"> ESG asset management Continuous benchmarking ESG roadmap
STRENGTHEN SOCIAL COMMUNITIES	<ul style="list-style-type: none"> Employee benefit program Employee networks Solidarity days 	<ul style="list-style-type: none"> ESG product development Themed investments 	<ul style="list-style-type: none"> Social design Mobility concepts Tenant partnerships
MAINTAIN RELIABLE PARTNERSHIPS	<ul style="list-style-type: none"> Corporate governance Compliance framework ESG governance 	<ul style="list-style-type: none"> Investor transparency INREV-aligned KPIs 	<ul style="list-style-type: none"> Tenant partnerships

ESG measures on group, fund and asset levels. Support a range of local social and environmental causes and projects

"... 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



SEA LEVEL
has risen over 20 cm since 1880¹

30%

BUILDINGS
cause 30% of total CO₂ emissions in Germany²

89%

of our Micro Living assets as efficient as single-family homes³

COMBAT CLIMATE CHANGE

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

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

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 summarised on [page 7](#).

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](#).

¹ NASA

² German Environment Agency

³ Energy efficiency <60 according to German EnEV



Reduce CO₂ emissions per square metre by

2% annually

and by at least 20% by 2025



Improve energy efficiency per square metre by

5% annually

and by at least 30% by 2025



Reduce water consumption per square metre by

2% annually

and by at least 20% by 2025



Reduce the amount of waste sent to landfill (not recycled or reused) per square metre by

2% annually

and by at least 20% by 2025

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.

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.



+13%

Travel

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



-42%

PRINT

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



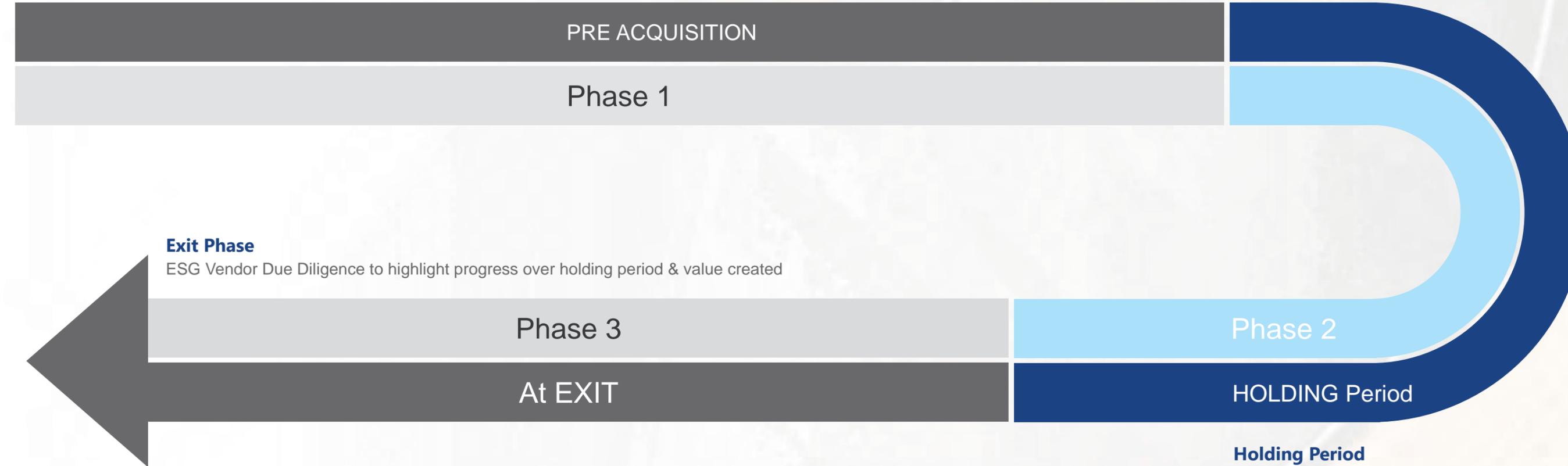
GERMAN OFFICE

German Office in Frankfurt – LEED Gold standard

We consider ESG along the entire Investment Cycle

Before Acquisition

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



Exit Phase

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

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.

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.

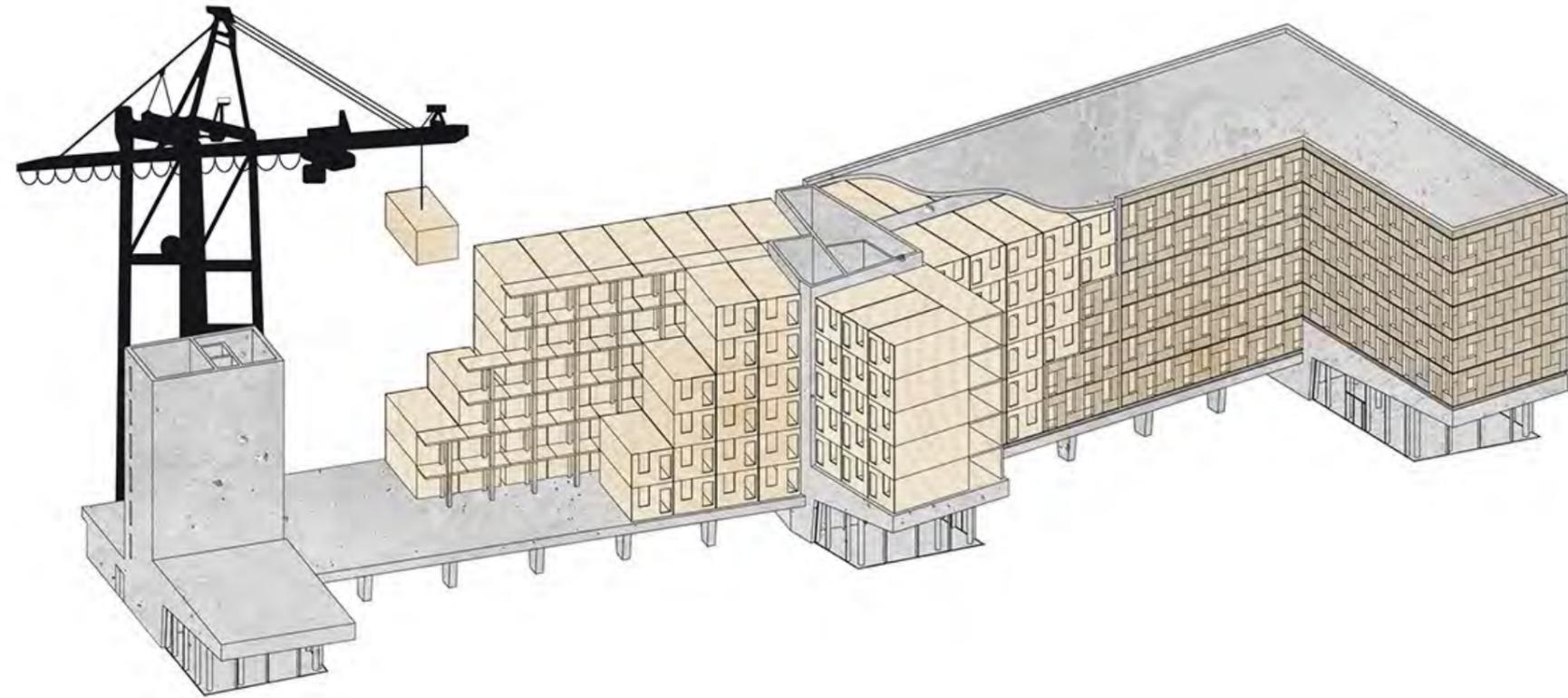
In order to quantify value created, CORESTATE will produce a final assessment outlining ESG progress made during the holding period upon the sale of the asset.

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.

Holding Period

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

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-enforced 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 panelling.

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

15 

Loneliness and weak social connections are associated with a reduction in lifespan similar to that caused by smoking 15 cigarettes a day²

68%

of the global population expected to live in urban areas by 2050¹

12.1%

Germany last place worldwide with 12.1% share of women in executive management³

STRENGTHEN SOCIAL COMMUNITIES

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

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](#).

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.

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](#).

¹ UN | ² Harvard | ³ 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

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 advice 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

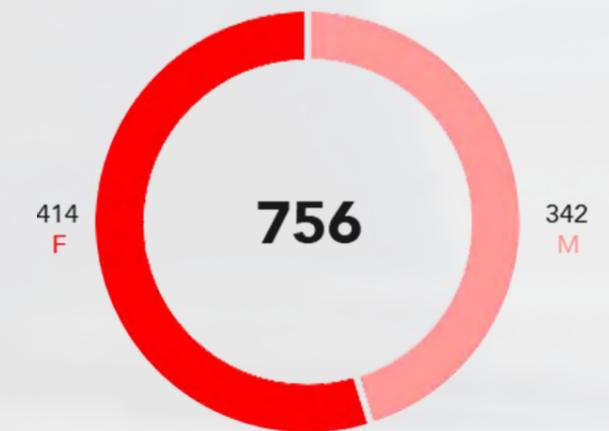
We will intensify our focus on employee wellbeing from 2019. This includes measures such as an ergonomics audit for our offices and the facilitation of in-house services, for example office massages and partnerships with local restaurants that provide healthy lunch options.

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.

TOTAL EMPLOYMENT



We create Spaces for Social Interactions

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 is 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.



Linked Living Apartments
Vienna

All three



largest Credit Rating Agencies consider ESG in their assessments

2020



ESG goals will be part of our employee performance reviews from 2020

INREV



Group-wide INREV reporting capabilities by 2020

MAINTAIN RELIABLE PARTNERSHIPS

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

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 trust between us – 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.

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](#).

Market best-practice investor reporting capabilities are an essential part of our overall ESG approach, as we account for all our activities on fund and asset levels to our clients in the reporting documentation. We have decided to incorporate the INREV (Investors in Non-listed Real Estate Vehicles) standards. Please see [page 21](#) for more details.



Conduct annual mandatory

compliance and governance training

for all employees and management representatives from 2019



Ensure that all employees and management annually sign

an ethics declaration

from 2020



Hold

twelve ESG committees

annually to achieve set ESG commitments, including executive board and management from 2019



Provide continuously

a high level of transparency

on investors and decision rights (INREV)

Our Leadership commits to ESG

Continuous ESG integration is a top management matter at CORESTATE

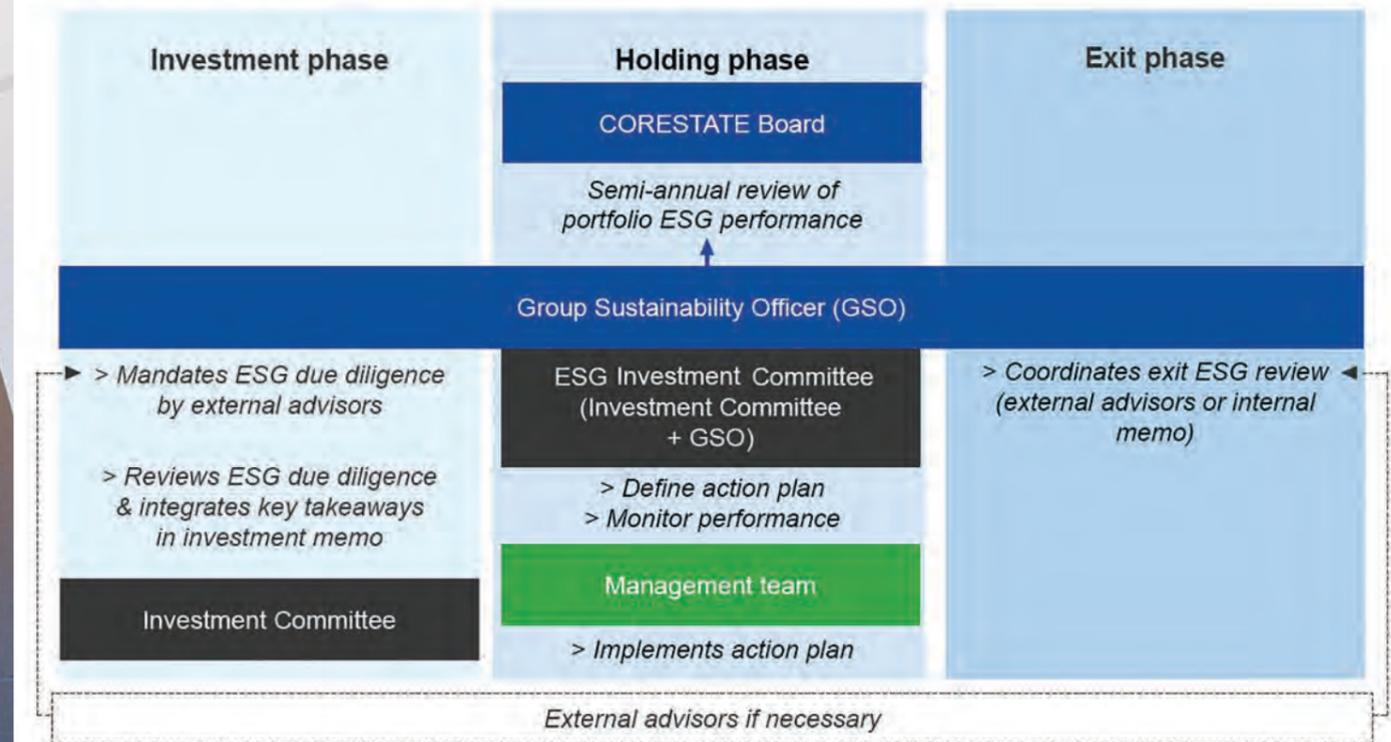
CORESTATE is steered by our Managing Board – comprised of the Chief Executive Officer (CEO) Lars Schnidrig and the Chief Investment Officer (CIO) Thomas Landschreiber – who are dedicated to serving the best interests of all our stakeholders. The Group Sustainability Officer (GSO), Justus Wiedemann, reports 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

Organisational Chart



Accountability and deliverables along the investment life cycle are clearly defined in the ESG Investment Policy.

We opt for best Practice Investor Reporting

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.

Comprehensive INREV Fund Reporting from Q4/2019

We combat climate change

Lessen the environmental impact of our operations

Invest in and developing energy-efficient buildings

Actively engage in ESG asset management measures



Reduce CO₂ emissions per square metre by

2% annually

and by at least 20% by 2025



Improve energy efficiency per square metre by

5% annually

and by at least 30% by 2025



Reduce water consumption per square metre by

2% annually

and by at least 20% by 2025



Reduce the amount of waste sent to landfill (not recycled or reused) per square metre by

2% annually

and by at least 20% by 2025

We strengthen social communities

Meet all jurisdictional labour laws

Strengthen diversity and employee wellbeing

Address societal challenges in property development

Engage with tenant and neighbourhoods to continuously improve living and working spaces at our assets



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

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



Conduct annual mandatory

compliance and governance training

for all employees and management representatives from 2019



Ensure that all employees and management annually sign

an ethics declaration

from 2020



Hold

twelve ESG committees

annually to achieve set ESG commitments, including executive board and management from 2019



Provide continuously

a high level of transparency

on investors and decision rights (INREV)

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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