

# ESG REPORT 2020

## **Our progress in sustainability**

In our first ESG report published in 2019, we set ourselves ambitious environmental, social and corporate governance (ESG) targets. We would now like to share with you for the first time what we have achieved since then. Authenticity is particularly important to us. Therefore, we would like to give you a holistic view of the progress we have made, share the challenges we face, and present an outlook on what is yet to come. As a company, we operate in a highly complex environment with a fluctuating financial market, and with a political and regulatory framework that is perpetually changing. We, however, adapt to the changes and look ahead with confidence as our ESG journey has only just begun.

# CONTENT

ESG – our attitude	3	<b>Governance:</b>	22
<b>Environmental:</b>	6	<b>We are a reliable business partner</b>	
<b>We fight climate change</b>		Our progress	23
Our progress	7	Explanation Governance KPIs	24
Explanation Environmental KPIs	8	Our initiatives	26
Our initiatives	10	Information on the GRI standards	29
<b>Social:</b>	14	Information on data collection	31
<b>We strengthen social communities</b>			
Our progress	15		
Explanation Social KPIs	16		
Our initiatives	18		

Key

Additional Information



Back to Table of contents



Videos





## ESG – Our attitude



- | CO<sub>2</sub> emissions reduced by 12 %
- | Portfolio digitisation initiated
- | Sustainable asset management driven forward



- | First foundation project completed
- | Diversity strengthened
- | Corporate values established



- | Monthly ESG committees held
- | Transparency further increased
- | Industry exchange intensified

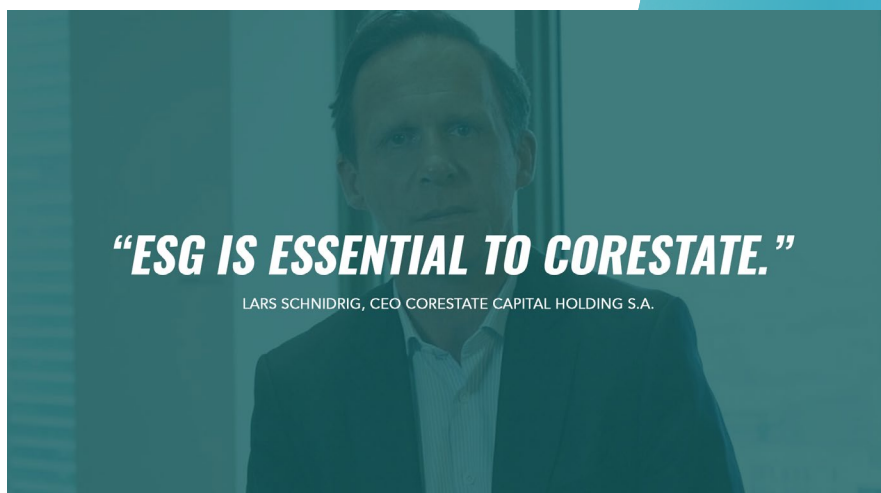






**Lars Schnidrig, CEO CORESTATE Capital Holding S.A., on CORESTATE's ESG strategy**

- | Given the increasing importance of ESG in COVID-19 times, I am particularly proud of the progressive integration of ESG in daily business and the achievement of the first ESG milestones.
- | I welcome the EU Green Deal for a climate-neutral Europe and see the real estate industry as having a responsibility to make its contribution to reducing CO<sub>2</sub> emissions.
- | I also support the new ESG regulations, as capital flows can only be channelled into sustainable economic activities through a common understanding and set of rules.
- | For us, this is just the beginning. Please continue to accompany us on this path!



Dear Ladies and Gentlemen,

Last year, I referred to the fact that corporate activities never take place isolated from society, nature and business environment. We have seen in a previously unimaginable dimension what this means in the first half of the year. COVID-19 has been confronting us with entirely new challenges and forced us to rethink the status quo at all levels of the company, to adapt traditional mechanisms and to break new ground - be it through more flexible working concepts or the increased digitalisation of our processes.

The pandemic has at times drown out the discussion about climate change. But ESG is not a "nice-to-have" that can simply be pared-down to save money. Instead, environment, social and governance is a continuously relevant and integral part of the Company DNA.

We will hopefully be able to combat the COVID-19 in the foreseeable future with a vaccine. If only because of the complexity of the problem, such a solution will not be possible when it comes to global warming. Hence, it is all the more important to act today rather than tomorrow and to do anything feasible to prevent the consequences of climate change. Countries, companies and private households must work in concert to achieve this.

At CORESTATE, we fully support the EU's plans to become carbon neutral by 2050. And we recognise the part we play to contributing to this plan: Because in achieving the CO<sub>2</sub> reduction targets, real estate emissions play an important role.

We have set ourselves the goal of reducing CO<sub>2</sub> emissions of the properties we manage per square meter by 20 % by 2025. In 2025 we will set ourselves new targets to meet the EU climate targets for 2030 and in the long term for 2050. Thus, we will contribute our share to build a more sustainable real estate industry.

We also welcome the new ESG regulations. Because only through a uniform understanding and a common set of rules, capital flows can be effectively redirected towards sustainable economic activities.

We stay true to the three ESG pillars from which we have derived our quantifiable objectives:

- | We fight climate change with energy-efficient buildings.
- | We carefully manage the social impact of our business activities.
- | We are reliable partners for all our stakeholders.

For these three pillars, we have cast a solid foundation. Now we report on our second ESG report on what we have achieved:

- | We enhanced the integration of ESG into our daily business.
- | We have reached the first milestones.
- | We have, through an active exchange within the industry, played a role to develop ESG in the real estate sector further.

We deliberately keep our report short. Instead, we let colleagues and partners who support us significantly in the implementation of our ESG strategy have their say. And: We publish this year's ESG Report only digitally. Again, sustainability means walking the talk.

For us, this is just the beginning. Please continue to accompany us on this path!

**Lars Schnidrig**



**Nils Hübener, CIO CORESTATE Capital Holding S.A.**, on ESG in the investment process

- | To identify energy efficiency measures right at the beginning of the investment life cycle, ESG criteria are applied in the purchase and development of buildings.
- | By quantifying risks, new potentials arise: we can discover and eliminate previously hidden cost drivers. Here we rely on digital competence and a uniform guideline.
- | Sustainable financial products are increasingly in demand: We are working on a concept for a sustainable financial product that will be in line with the EU Green Deal.




**“FOR US, ESG AND PROFITABILITY ARE NOT MUTUALLY EXCLUSIVE, BUT GO HAND IN HAND.”**

NILS HÜBENER, CIO CORESTATE CAPITAL HOLDING S.A.

**Justus Wiedemann, Group Sustainability Officer (GSO)**, on group-wide ESG integration

- | We have a clear strategy to minimise the emissions and inefficiency costs of the properties we manage.
- | We let you look over our shoulder as we implement ESG, including the challenges along the way.
- | The central initiatives within the CORESTATE Group include digitisation, diversity and social commitment.



**“WE’RE PROUD OF THE PROGRESS WE’VE MADE AND KNOW WE STILL HAVE A LONG WAY TO GO.”**

JUSTUS WIEDEMANN, GROUP SUSTAINABILITY OFFICER CORESTATE





# WE FIGHT CLIMATE CHANGE

**"Climate change and environmental degradation are existential threats to Europe and the world."**

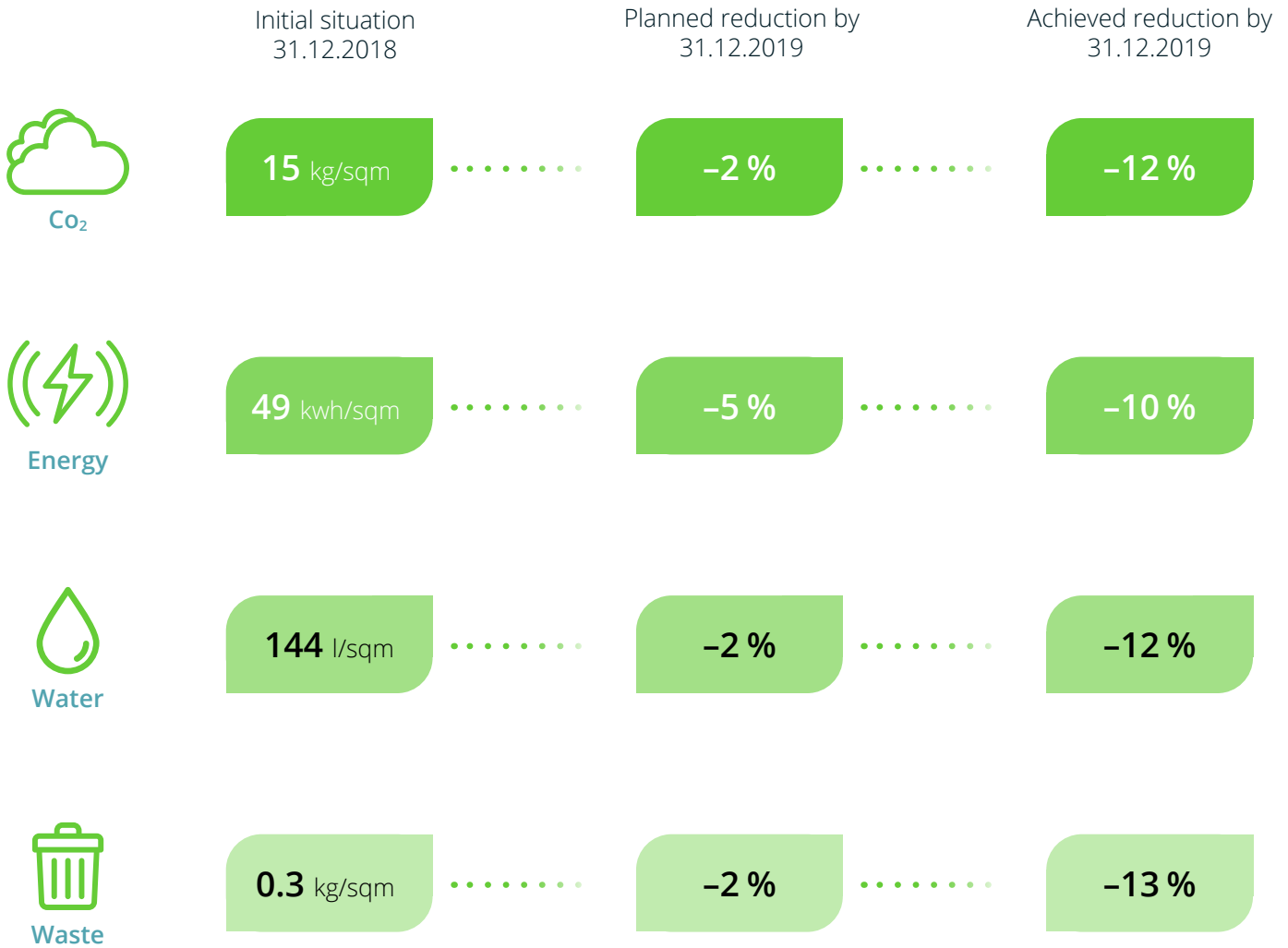
**(European Commission)**

In the European Union, 40 % of energy consumption is accounted for by the building stock - of which around 85 % is for heating and hot water and 15 % for electricity. In Germany, more than a third of all CO<sub>2</sub> emissions are attributable to buildings. Accordingly, the real estate industry can contribute to significantly higher energy efficiency and thus to greater sustainability.

We want to face up to this corporate and social responsibility! To do so, we have to bring our managed buildings up to the highest energy standards. We achieve this by making the ecological footprint of our buildings measurable. For this reason, we initiated the digitalisation of our building stock last year.



# Our progress





## Target context



### Reduce CO<sub>2</sub> emissions per square metre by 2 % annually and by at least 20 % by 2025 <sup>1)</sup>

**Relevance:** Houses, offices, schools or other public buildings are the largest energy consumers in the European Union and responsible for more than one-third of CO<sub>2</sub> emissions.

**Management:** Digital energy management systems are the central lever for reducing energy consumption in a building. Last year, we initiated the digitalisation of our building stock and began transferring consumption data to a central data platform. Besides, we pay attention to the CO<sub>2</sub> balance in selected projects as early as the construction phase, for example, in our Echo real estate project in Munich.

**Progress:** We do not have electricity data for rented space such as shops or offices, as we as a landlord do not yet have access to their electricity consumption. But we have transferred the consumption data for common areas in our managed portfolio to a central data platform.

**Outlook:** In 2020, our asset management activities will focus on analysing consumption data for common areas. In accordance with our ESG investment policy, we include the consumption and emissions of a property in the purchasing process.

From as early as mid-2020, the general electricity meters in all properties managed by us in Germany will be gradually replaced by so-called smart meters. These smart metering systems will allow us to obtain the total consumption of all building areas from 2021 onwards and, in addition to the full carbon footprint, will also enable us to identify much more effective savings potential. **Infobox Smart Meter**



### Improve energy efficiency per square metre by 5 % annually and by at least 30 % by 2025 <sup>1)</sup>

**Relevance:** Around 75 % of buildings in the EU are not energy efficient.

**Management:** Since the CO<sub>2</sub> balance is based on the energy consumption of the respective property, energy efficiency is directly linked to its CO<sub>2</sub> emissions. In short: More energy efficiency leads to reduced CO<sub>2</sub> emissions.

**Progress:** Robust data is a prerequisite for reducing energy waste. We are currently digitising the consumption data of the properties we manage. However, the data at the property level, and in particular the cumulative electricity consumption, cannot be entirely determined because we only have access to the common areas.

**Outlook:** From 2020 onwards, we will use the recorded consumption data to analyse and integrate restructuring plans in asset management. From 2021, we will include electricity consumption for the entire area. Until now, the focus in determining the energy requirements of buildings has been on their utilisation phase. However, a holistic energy consideration not only takes into account the energy requirements during operation but also includes the so-called "grey energy" - i.e. the energy required for the manufacture, maintenance and end of life of the building structure. This criterion is increasingly incorporated into the work of our development team.

1) Based on sqm and year of CORESTATE asset management portfolio





## Target context



### Reduce water consumption per square metre by 2 % annually and by at least 20 % by 2025 <sup>1)</sup>

**Relevance:** The European Environment Agency estimates that about one-third of the EU territory is permanently or temporarily exposed to water scarcity.

**Management:** At present, we collect consumption data from invoices and feed them into a data platform. If there is increased water consumption compared to other buildings, we will examine possible reasons together with the tenants.

**Progress:** We are in the process of digitising the consumption of the properties we manage.

**Outlook:** In the future, we will also continue to examine possible reasons for increased water consumption together with the tenants. Further examinations may result in evaluating sanitary facilities and equipping them with water-saving devices.



### Reduce residual waste (not recycled or reused) by 2 % per square metre per year and by at least 20 % by 2025 <sup>1)</sup>

**Relevance:** Everything that cannot be recycled or reused consumes resources. So the less residual waste we generate and burn, the better for our climate balance.

**Management:** We record the volume of waste based on invoices and feed the data into a digital platform. If the consumption is comparatively high, we contact the tenants.

**Progress:** We are in the process of tracking the amount of waste generated by the properties we manage. This is done using volume or mass data. However, so far, we only know how often the residual waste bins are emptied. Still, when they are emptied, we know neither the filling level nor the weight. We want to change this through further digitalisation.

**Outlook:** We want to create integrated and scalable solutions to capture the volume of waste more effectively. Based on comparative results, we will seek dialogue with tenants who deviate significantly from the benchmark and discuss measures for reducing residual waste with them.

1) Based on sqm and year of CORESTATE asset management portfolio



## Our initiatives

### We digitalise our real estate and building management.

Digitisation is essential for the sustainability of real estate. Critical components are intelligent building management systems and intelligent measuring systems, so-called smart meters. They are the basis for digital data measurement, consumption control and remote monitoring of buildings. In this way, climate and weather data can also be automatically included, or deviations from regular consumption patterns can be analysed. The further development of such digital solutions is at the very top of our agenda.

What makes a Smart Meter stand out?

- | It provides a more precise overview of power consumption and thus enables more efficient use.
- | It enables the use of daytime-dependent tariffs and more efficient network utilisation.
- | It replaces the annual reading at the meter.



#### Smart Meters

For us, sustainable investments and the protection of the environment are at the forefront - and not just from 2032 onwards, when the law to digitalise the energy turnaround takes effect. We want to use available technologies today. To this end, we launched a call for tenders in spring 2020 to determine a nationwide metering point operator. The implementation of smart meters requires the standardisation of metering point operation, as this will ensure the necessary information security and uniformity of the technical infrastructure. Since then, general electricity meters have been gradually replaced by smart meters in all the properties we manage in Germany.

Explanations on the next page



## Explanations

### Energy supplier

**Old way:** Until now, consumers have received an opaque page-long paper by mail once a year: the electricity bill. Even though most utilities send out the invoices at the beginning of the year, it can take several months for all bills to be sent, especially for larger suppliers and municipal utilities.



**New way:** Smart meters use the communication module to transmit measurement data to a server of the metering point operator. The server forwards the data to the energy supplier. It makes it available to the customer via a web portal or an app. It is no longer necessary to enter the meter rooms for reading, and the risk of incorrect data is minimised.



### Smart Meter Gateway

Suppose a digital meter is connected to a communication unit or a "gateway". In that case, it is referred to as an intelligent metering system - a so-called smart meter. A smart meter not only measures electricity consumption but also transmits data. As early as H2 2020, it is expected that households with electricity consumption of over 6,000 kWh per year and electricity producers with a nominal output of more than seven kilowatts will be obliged to install a smart meter.

### Consumption data platform

**Old way:** To measure the electricity consumption of our portfolio, we have so far referred to electricity bills in paper form. We have only incomplete information on electricity bills for the common areas of the properties we manage.



**New way:** Thanks to intelligent measuring systems, from 2021 we will receive cumulative data on the total consumption of all building space, including rented space, and will be able to measure in real-time exactly where and when energy is used. The more our properties are equipped with smart meters, the more accurately we will be able to record the ecological footprint of our portfolio and uncover hidden efficiency and savings potential.







**Ashley Wester, ESG-Analyst,**  
on automated data collection

- | The fundamental prerequisite for sustainable building management is robust data on consumption usage.
- | The more precisely we know what is going on in the buildings we manage, the more successfully we can optimise consumption.
- | Utilising automated data collection, structured analysis and benchmarking, we can identify the need for action at an early stage and leverage savings potential.




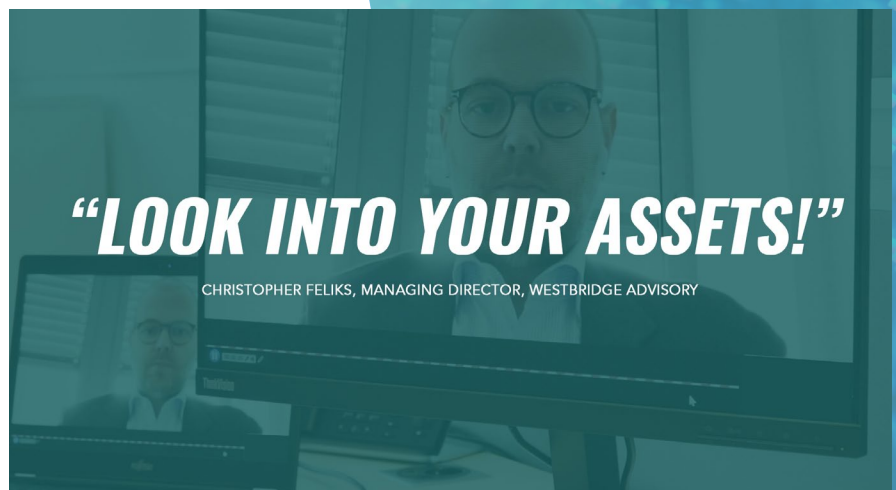
**Matt Ellis, CEO Measurabl,**  
on ESG data management

- | The value of a property can be increased by ESG strategies – whether through lower energy consumption and falling operating costs or social projects such as inclusive neighbourhood development.
- | CORESTATE is one of the first players in the German real estate industry to implement targeted ESG data management.
- | The real estate industry is far from having exhausted its digital potential.



**Christopher Feliks,**  
**CEO Westbridge Advisory,**  
on smart metering

-  | **Smart Metering** creates transparency by providing building owners and managers with data on the total consumption of a property.
- | The CO<sub>2</sub>-neutrality of a property's entire energy supply improves its climate balance.
- | The decisive factor is: How is the object energetically positioned?





## Our initiatives

### We implement sustainability in asset management.

The potential of a building in terms of its economic, environmental and social compatibility can only be fully exploited if management, operation and use are interlinked over the entire life cycle. The basis for this is centrally collected and processed building data in digital form. On this basis, we put together specific ESG packages for individual properties and types of use. One example of ecologically sustainable and economically sensible measures is the optimisation of heating, cooling, ventilation or lighting, which pays for itself over the investment period.

**Dr. Ralf Klann and Guido Beddig,**  
on sustainable asset management  
at CORESTATE

- | Through modular timber construction in selected projects, we not only save significant amounts of time, cost and energy during the construction phase, but also minimise dirt and noise pollution for the environment and residents.
- | We are approached by local authorities and public authorities and always find open ears when we talk to educational institutions, but also to institutions such as daycare operators.
- | Digital solutions help us to manage our properties and to make significant optimisations in the interest of our investors, which are reflected in both the financial and ecological areas.



***“THE AM STRUCTURE IN OUR COMPANY  
WILL INCREASINGLY BE CHARACTERISED  
BY SUSTAINABILITY.”***

GUIDO BEDDIG, MANAGING DIRECTOR COMMERCIAL ASSET MANAGEMENT CORESTATE





# WE STRENGTHEN SOCIAL COMMUNITIES

**"You are not just a  
single person; you  
belong to a whole."**

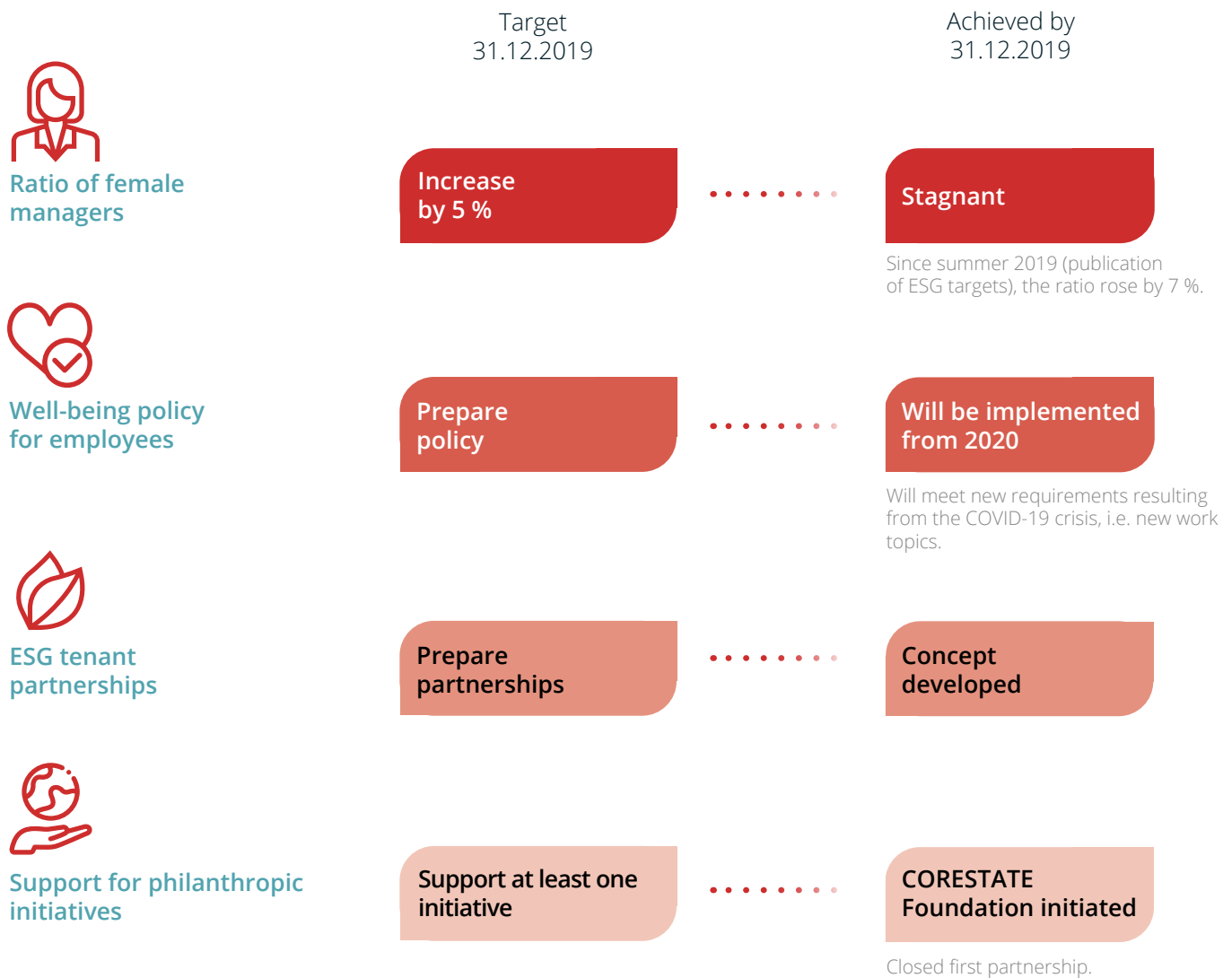
**(Theodor Fontane)**

Social communities arise wherever people come together. We want our tenants and employees to feel comfortable with us. We will, therefore, intensify the exchange with our tenants and obtain their feedback on the perceived quality and safety in the buildings we manage. We promote diversity in our company and plan to adopt a well-being policy for employees. Last but not least, we support charitable initiatives through the CORESTATE Foundation.





# Our progress





## Target context



### Increase the ratio of female managers by 5 % per year and by at least 30 % by 2025

**Relevance:** This year's Prequin Impact Report "Women in Alternative Assets" shows that the proportion of women in leading positions in the real estate sector is the lowest compared to other asset classes. However, numerous other studies prove that women in strategically essential positions increase long-term company value and earnings - see, for example, "Women in Business and Management" of the International Labour Organisation ILO from 2019. In addition, employers with a balanced composition of men and women in management are often valued more highly.

**Management:** We create internal structures and processes to promote the advancement of women to management positions.

**Progress:** Between December 2019 and the previous year's reporting date, the proportion of women at CORESTATE stagnated at the first and second management levels. However, it was not until summer 2019 that we defined our ESG targets and launched an initiative for more women in management positions. From that time until the end of 2019, the proportion of women in management positions rose from 26 % to 27 %, an increase of almost 7 %. In addition, CORESTATE has implemented a mechanism that will gradually lead organically to a more diverse management level. In the CORESTATE management structure, the Senior Leadership Team (SLT) was created at the end of 2019 and the Advanced Leadership Team (ALT) one level below at the beginning of 2020. Together with the Managing Directors, the members of the SLT have since formed the first management level; Department Leaders and ALT have since formed the second management level. Offering ALT members advancement to the SLT within three years. At the end of 2019, the proportion of women in the SLT was 3.5 %. The ALT, on the other hand, already had a female share of 50 % in July 2020. The promotion of women in ALT prepares them for their possible role in SLT. CORESTATE has also founded the women's network- CORESTATE Women which aims to recruit, promote and retain talented women through networking events and mentoring programs. CORESTATE Women is a supporting member of the Fondsfrauen, a leading German diversity initiative in the financial sector.

**Outlook:** The aim is to promote female talent on the ALT level to achieve a higher proportion of women in the SLT in the medium to long term. We will continue on this path in 2020. We will also discuss selected management indicators in the monthly ESG committee. In addition to the current proportion of women, these include, for example, figures on employee retention.



### Introduce a well-being policy for employees by 2020

**Relevance:** Our employees are at the heart of the company. They usually spend eight to nine hours a day on their work. Therefore, CORESTATE attaches great importance to the social security and the physical and mental health of its employees.

**Management:** Our Human Resources department pays attention to the well-being of the employees and thus helps to attract, promote and retain the right talents in the long term.

**Progress:** In 2020, the ALT is developing a concept on the topic of "work-life balance". Due to significant aspects of the current COVID-19 crisis - such as flexible working - the process will probably not be completed until the end of 2020.

**Outlook:** As soon as the guideline for the well-being of employees is adopted, it will be presented internally, and concrete measures will be initiated.



## Target context



### Develop at least five ESG tenant partnerships by 2025

**Relevance:** Most people spend on average 90 % of their time indoors. We want to seek an open dialogue with our tenants to create spaces worth living in for communities, new forms of work, changing consumer behaviour and modern family and living models.

**Management:** We strive for a regular exchange with our tenants to identify their individual needs at an early stage and to gear our asset management to them.

**Progress:** We cannot yet record any progress in this area for the reporting period, as we have so far concentrated on the measurability of the fuel consumption and emissions of our properties.

**Outlook:** In the future, we want to obtain feedback from our tenants via a digital platform. Their suggestions should create social values and thus lead to improvements. We are also seeking partnerships with commercial tenants to jointly identify and implement measures with added value for nature and society.



### Support at least one new philanthropic initiative per year for at least two years, including staff solidarity days from 2019

**Relevance:** Many areas of society would not function without voluntary work. Therefore, we would like to support associations and activities in the interest of the common good and especially the welfare of children.

**Management:** With the establishment of the CORESTATE Capital Foundation gGmbH (CORESTATE-Foundation) in November 2019, we are supporting local projects, associations and organisations that work for children and young people. Our employees will have the opportunity to become actively involved in future social projects within the framework of solidarity days. We have also committed ourselves to support a new social project every year for the protection and strengthening of children's well-being for a minimum period of two years. Project proposals from our employees are reviewed by the Group Sustainability Office and approved by the ESG Committee, including the Board of Management

**Progress:** Through the CORESTATE Foundation, we supported the Kinderschutzbund Frankfurt e.V. in the Frankfurt area with the Babytse project in spring 2020. **Kinderschutzbund Bundesverband e.V.**



**Outlook:** Since the summer of 2020, we have been supporting the initiative **brotZeit e.V.** Projects in which employees can help out will follow.







# Our initiatives

## We strengthen diversity.

We attach great importance to increasing the proportion of women in management positions. However, diversity encompasses much more than gender. For this reason, we want to pay more attention

to dimensions such as ethnicity, sexual orientation and age and promote their diversity. To this end, we have established a mechanism at CORESTATE that will gradually lead to more diversity.

### Diversity in management

CORESTATE has set up a mechanism to lead organically to more diverse management gradually. Thus, a new management structure with a Senior Leadership Team (SLT) and an Advanced Leadership Team (ALT) was created at the end of 2019. The SLT currently consists of 28 members in management positions and covers all operationally essential areas of the Group. In March 2020, the SLT had one female member. The members of the ALT were appointed in the first quarter of 2020. This management circle is intended to promote top talents, experts and performers from the entire Group.

The ALT comprises a maximum of 30 persons, with a female share of at least 40 %. In July 2020, the proportion was 50 %. Together with the Human Resources department, SLT mentors review the promotion potential of the ALT members to a higher management position every year. In the medium to long term, this process should help to increase the proportion of female managers in the CORESTATE Group. But it can also be used to promote other dimensions of diversity in management in a targeted manner.

2020

ALT



In July 2020, the proportion of women in ALT was 50 %.

SLT



In July 2020, the proportion of women in the SLT was 3.5%.

2021/2022



Natural fluctuation



SLT mentors, together with the HR department, review the potential for the advancement of the ALT members to a higher management position every year. In the medium to long term, this process should help to increase the proportion of female managers in the CORESTATE Group. But it can also be used to promote other dimensions of diversity in management in a targeted manner.



## Our initiatives

**Sandra Burrows, Head of Client Services** on the CORESTATE women's network

- | Female managers are largely underrepresented in the real estate industry - especially in Germany, Switzerland and the United Kingdom.
- | As an organiser of our women's network, I am committed to recruiting, promoting and retaining talented women at CORESTATE.
- | We want to promote the exchange of experience, inspiration, cooperation and the fair participation of women, to foster personal potential and careers through professional development and to form an integrative community.





## Our initiatives

### We promote a sustainable corporate culture.

Integrity, respect, team spirit, sustainability and professionalism are the values that guide us in our cooperation and daily business. These values are the basis for our sustainable success and our reputation in the market. They are an integral part of our corporate culture. Accordingly, the values are also part of our performance reviews, which will be held twice a year throughout the CORESTATE Group from the 2020 financial year onwards and are mandatory for all employees. These are open discussions with a constructive exchange of views on the past and the future, focusing on strengths and areas for development.

Our Group-wide uniform and binding guidelines ensure compliance with occupational safety and health protection in accordance with the Occupational Safety and Health Act. All German activities are analysed and recorded through risk assessments and inspections.

A management system for occupational safety and health protection is being developed for other countries. Measures are taken if any deficiencies are found in the working environment. This applies, for example, to workplace inspections in the office area (correct table height, correct sitting, G37 examination for computer workstations), as well as to the activities on the construction site and in the technical professions of our employees. The continuous improvement of the management system is ensured by central control from within the Group with our external service provider through inspections, analyses, regular reporting and training, e-learning and the expertise of external safety specialists and the external company physician.

#### Sabine Beelich, Team Assistant in the CORESTATE Development Team on participation

- | Flexible working should be possible for all colleagues in their daily work - there are valid reasons for this.
- | The advantages have convinced the Group Sustainability Office and the ESG Committee.
- | By November 2020, we will develop a work-life balance concept.





## Our initiatives

### We support social projects.

In November 2019, we established the CORESTATE Capital Foundation gGmbH. Through this foundation, we support local projects, associations and organisations that work for children and young people. Our employees will have the opportunity to become actively involved in these projects within the framework of solidarity days. Furthermore, we have committed ourselves to support a new project for the protection and strengthening of the well-being of children every year for a minimum period of two years. Of course, employees can also propose initiatives themselves. After being reviewed by the Group Sustainability Office, they are approved by the ESG Committee, which includes the CORESTATE Board of Management.

Together with the Kinderschutzbund Frankfurt e.V., the CORESTATE Foundation carried out the first project in the Frankfurt area in March 2020. From summer 2020, we will support the initiative [brotZeit e.V.](#)



#### Nicola Ernst, Head of Fundraising at Kinderschutzbund Frankfurt e.V. about the Babytote Program

- | Qualified "Babytotsinnen" advise parents in the maternity wards of the Frankfurt clinics, help with administrative questions and accompany the social and emotional challenges of young parents.
- | If necessary, the Babytotsinnen will organise an initial care package, including diapers, rompers and socks.
- | Thanks to a donation from the CORESTATE Foundation, the Kinderschutzbund Frankfurt e.V., was able to provide 50 Frankfurt families with an initial care package for their newborn child.







# WE ARE A RELIABLE BUSINESS PARTNER

**“Whoever does  
not take the truth  
seriously in small  
things cannot be  
trusted in big  
things either.”**

**(Albert Einstein)**

We are aware that only clear and transparent governance can strengthen and maintain trust in the long term. In addition to compliance, it is essential for a good relationship with our shareholders, investors, business partners, employees, tenants and neighbours.

After all, what we promise our stakeholders is something we must keep.



# Our progress

Target  
31.12.2019

Achieved by  
31.12.2019



Compliance and  
Governance Trainings

Conduct  
trainings



Trainings  
conducted



Ethics  
Declaration

Prepare  
declaration



Declaration imple-  
mented from 2020



Monthly  
ESG Committees

Conduct monthly  
committees



Monthly committees  
conducted



Investor  
Transparency

Provide high level of  
transparency



Continuously  
provided





## Target context



### Conduct annual compliance and governance training for all employees and managers from 2019

**Relevance:** Compliance training conveys relevant legal provisions and internal rules. They are essential for a safe and ethical working environment.

**Management:** Compliance training must be sustainable and comprehensible. This is the only way to sensitise employees to the risks and sanctions in the event of non-compliance.

**Progress:** An e-learning tool ensures that all employees receive comprehensive training on topics such as corruption and information security.

**Outlook:** The series of regular compliance training courses will continue in the future.



### Ensure that all employees and managers sign a declaration of ethics every year from 2020 onwards

**Relevance:** Responsible and lawful conduct is a central prerequisite for a sustainable business model and economic success.

**Management:** We expect all employees to comply with applicable laws, respect ethical principles and act sustainably. CORESTATE has also adopted a Code of Conduct. From 2020, all employees are required to confirm annually that they will comply with the Code of Conduct.

**Progress:** CORESTATE's Code of Conduct has been updated and has been in force in its current version since June 1, 2020, providing the framework for CORESTATE's legal and ethical requirements. At the same time, it is intended to create the necessary awareness for legally compliant and ethical conduct. The updated ethics statement was legally reviewed and approved in spring 2020.

**Outlook:** By the end of September 2020, all employees are expected to have signed the Declaration of Ethics and completed an e-learning compliance program. The Declaration of Ethics and the e-learning compliance program will be completed annually.



## Target context



### Organise twelve ESG committees per year with board and management participation from 2019 onwards to achieve the ESG targets set

**Relevance:** Anyone who wants to implement and maintain ESG in a company needs an organisational framework.

**Management:** The ESG Committee of CORESTATE consists of at least one member of the Management Board, the Group Sustainability Officer and various divisional heads, for example from Human Resources, Asset Management and Equity Raising. During the meetings, the committee evaluates the progress of the twelve ESG goals and defines concrete measures to achieve them.

**Progress:** Since June 2019, the ESG Committee has met every month in the presence of the CEO, discussing current issues and deciding on next steps.

**Outlook:** We will maintain the monthly cycle of meetings.



### Ensure a continuously high level of investor transparency

**Relevance:** Investors on the stock and product side expect meaningful company reports for a needs-based investment strategy.

**Management:** We use best-practice standards to achieve reliable governance for our investors. On this basis, we report transparently and regularly on the performance of the investment instruments and funds.

**Progress:** Since September 2019, we have been offering reporting for selected funds following the so-called "Investors in Non-listed Real Estate Vehicles" standards, or INREV standards for short. Accordingly, we calculate and report the returns, performance and fees of certain funds according to internationally recognised high standards. This allows clients to compare our funds with other INREV-certified funds.

**Outlook:** As part of the European Commission's action plan to finance sustainable growth, transparency and disclosure requirements for investments will increase. We are continuously examining these framework conditions to be prepared for higher standards. We will pay particular attention to transitory and physical climate risks, energy efficiency and the emissions of the managed portfolios.





## Our initiatives

### We report transparently on our business.

To ensure transparency towards our stakeholders, we disclose, among other things, in our annual ESG report how far we have come with our ESG strategy. This year, it complies with the standards of the Global Reporting Initiative (GRI) for the first time. In addition, we have begun to offer our clients reporting by the ESG standard GRESB and industry-standard INREV reporting.

As part of the European Commission's action plan for financing sustainable growth, transparency and disclosure requirements for investments will increase. We continually review the new framework conditions to be prepared for the growing demands and are in contact with the relevant organisations and institutions to this end.

#### Lars Schnidrig, CEO CORESTATE Capital Holding S.A., on core issues at CORESTATE

- | We stand for state-of-the-art corporate management.
- | We defined our five corporate values last year, and sustainability is one of these values.
- | We want all stakeholders to be able to identify with our company.

**“OUR CORE ISSUES ARE INTEGRATION, DIGITISATION AND SUSTAINABILITY.”**

LARS SCHNIDRIG, CEO CORESTATE CAPITAL HOLDING S.A.

#### Daniel Löhken, Chief Legal Officer (CLO), on sustainability in our value chain

- | We must understand sustainability as a holistic concept and implement it throughout the entire value chain.
- | Physical and transitory climate risks and their financial impact on managed capital are integrated into the Group-wide risk matrix.
- | Return and sustainability are not mutually exclusive, and our ESG integration will significantly improve return and risk profiles.

**“SUSTAINABLE ACTION IS AN INVESTMENT IN OUR SUCCESSFUL AND VIABLE FUTURE - AS A COMPANY AND AS A SOCIETY.”**

DANIEL LÖHKEN, CLO CORESTATE CAPITAL HOLDING S.A.



## Our initiatives

### We engage in industry ESG initiatives.

We are convinced that we need to network closely both within and outside the industry to achieve clarity regarding ESG criteria and to drive ESG integration forward. A shared understanding of the concrete implementation of ESG in our core business plays a vital role in this.

#### ESG Circle of Real Estate

Along with more than 30 asset and property managers, CORESTATE is currently developing an industry standard for measuring the sustainability performance of properties and portfolios. Jointly, we are working on a concept that is to develop into a global sustainability standard with the support of the Bundesverband Investment und Asset Management (BVI) and the Zentraler Immobilien Ausschuss (ZIA). Bell Management Consultants launched the "ESG Circle of Real Estate" initiative.

#### EU Taxonomy Practitioners Group

We have not only signed the Principles for Responsible Investment (PRI) but are also an active member of the EU Taxonomy Practitioners Group. The members of this group examine how the EU taxonomy can be applied in practice. In particular, implications for the investment process are highlighted. We share our experiences and discuss approaches to understand and overcome obstacles in the implementation of the taxonomy. Specifically, in summer 2020, we prepared and submitted a case study for the development of a taxonomy-compliant financial product to share knowledge and experience with other investors.





The background features a teal gradient with wavy, organic shapes. Faintly visible are several business charts: a bar chart on the left with values like 600, 480, 320, and 120; a grouped bar chart in the center with values like 60000, 40000, and 20000; and a line graph on the right with values like 0.3. The text 'Business activity' and 'Data and performance' is also faintly visible.

# ADDITIONAL INFORMATION



## Information on the GRI standards

### Reporting practice

The ESG Report 2020 refers to the calendar year 2019. The developments in the areas E, S and G illustrate the annual comparison of 2018 to 2019. If certain events and information are relevant for reporting, they are also presented up to the editorial deadline of 31 July 2020. We report in accordance with the GRI standards ("core" option) and have prepared a corresponding materiality analysis. It ensures that all topics that are important to our stakeholders are addressed in this report.

Our key stakeholder groups include our customers, employees, investors and tenants. To integrate their assessments in a meaningful way, our Group Sustainability Office listed potentially important sustainability topics in spring 2020 and asked the responsible persons for the respective stakeholder group to prioritise the topics.

Our sustainability report is digital - and with good reason. More than two kilos of wood are needed for one kilo of paper, and we wish to reduce our environmental impact this year. In addition, we can provide you with broad information on our ESG topics through numerous video interviews and animated graphics. We are offering an accompanying brochure that summarises the developments, challenges and outlook on ESG at CORESTATE.

### Materiality analysis

In the materiality analysis, companies not only ascertain the relevance of a sustainability topic from the perspective of the stakeholders but also evaluate the effects of their activities.

#### Determination of the relevance of a sustainability topic from a stakeholder perspective:

The Group Sustainability Office has listed all relevant sustainability issues in detail and presented them to senior staff from the Human Resources, Asset Management, Client Relations and Investor Relations departments. These employees have selected and prioritised the most important topics for their respective target groups - employees, tenants, customers and investors. The resulting cluster of topics represents what is considered critical to stakeholders.

#### Effects of entrepreneurial activity (impact assessment):

Less direct is the so-called impact assessment. It measures the effects of entrepreneurial activity. To date, there are no standardised, manageable methods for this. Studies on the impact of the real estate sector on the environment and society were used to find out which corporate activities have a significant effect on the economic, social and ecological environment.

The resulting materiality matrix was presented to and approved by the ESG Committee, including the CEO and CIO, in May 2020. The ESG report 2020 systematically covers the topics identified.







# Information on the GRI standards



## List of key issues

### Issues

- Energy for new construction, conversion, existing buildings
- Emissions from new construction, conversion, existing buildings
- Waste management for new construction, conversion, existing buildings
- Climate strategy for new construction, conversion, existing buildings

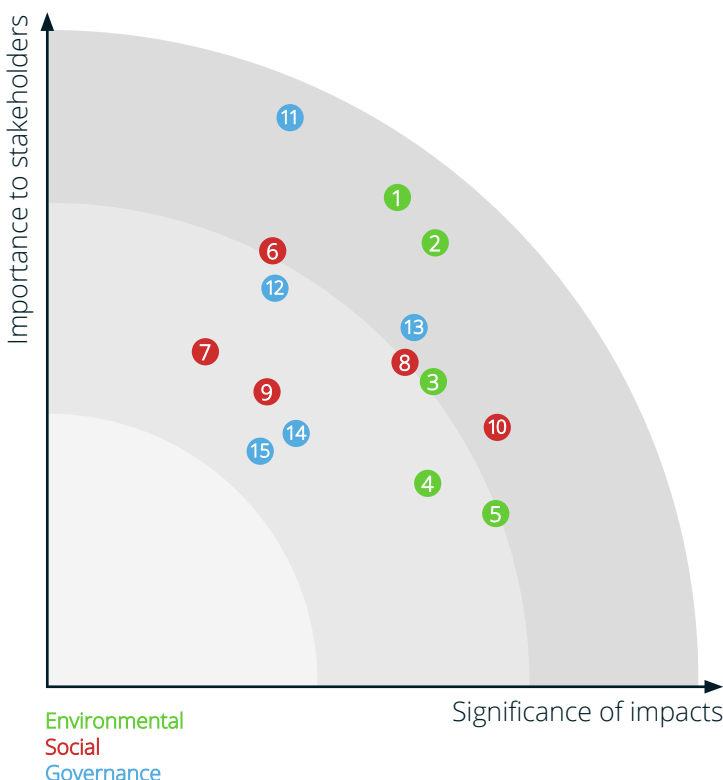
- Corporate culture and work-life balance
- Training and further education of employees
- Diversity within the company
- Impact on local communities
- Tenant satisfaction, safety & health

- Long-term economic stability
- Transparency & Stakeholder Dialogue
- ESG reporting
- Compliance

### GRI standards

- GRI 302 Energy
- GRI 305 Emissions
- GRI 306 Waste
- GRI 403 Occupational Health and Safety
- GRI 404 Training and Education
- GRI 405 Diversity and equal opportunities
- GRI 413 Local communities
- GRI 201 Economic performance
- GRI 102-40 - 102-43 Stakeholder engagement
- GRI 102-45 - 102-56 Reporting Practice

## Materiality matrix



- 1 Energy efficiency
- 2 Climate strategy
- 3 GHG Emissions
- 4 Waste management
- 5 Smart metering/Digitalisation
- 6 Tenant health & safety
- 7 Diversity & Inclusion
- 8 Employee well-being
- 9 Career development
- 10 Local communities
- 11 Economic performance
- 12 Stakeholder dialogue
- 13 ESG Reporting
- 14 Compliance
- 15 Transparency



## Information on data collection

### Data collection of the environmental indicators

#### a) Floor space

The ESG Report 2020 covers the period from 1 January 2018 to 31 December 2019. It looks at the development in a year-on-year comparison. Data was available for the following subareas of around 3 million square metres of total building space under management:

**2018: 1,999,719.41 sqm**

**2019: 2,319,974.28 sqm**

Hence, in 2019, we have recorded and taken into account consumption and emission data from around 16 % more space than in the previous year.

#### b) Meters

In total, data on 1,488 meters were available. After adjustment for meters without allocated consumptions (see section d), 927 meters remained. The waste volumes for the years 2018 and 2019 were available for 30 % of the total area managed.

#### c) Consumption and emission data

Consumption usage of water, district heating, and natural gas/oil is tracked on all areas covered by data as well as the volume of waste.

Any data gaps at a monthly level are systematically extrapolated. Electricity consumption trends are only available for common areas. Here too, data gaps are extrapolated for the missing months. The general electricity consumption of the buildings is not extrapolated to the total electricity consumption, as the results would not have been valid. Since the inclusion of data for the entire building and common areas results in inaccurate environmental indicators, these are adjusted on an ongoing basis (see section e).

#### d) Extrapolation of environmental indicators

The missing monthly data is determined by the following exclusion and approximation procedure:

1. Exclusion of meters without allocated consumptions: meters that do not show monthly quantities between January 2018 and December 2019 are excluded from the extrapolation.

2. Exclusion of meters with monthly data availability of fewer than six months within the 24 months: meters showing consumption volumes of less than six months are excluded.

3. Excluding meters with a standard deviation of more than 20 % per month within the two years: In the first step, we determined the percentage monthly developments of the consumption quantities from January 2018 to December 2019 for each meter. In the next step, we calculated the standard deviation of all determined consumption quantities per month for each meter. Finally, we excluded all meters whose consumption development exceeds the standard deviation of 20 % in at least one of the months.

4. Non-existent monthly data approximated by random numbers within a tolerance range based on the standard deviation around the present 24-month maximum value per meter: In the first step, we determined the maximum value per meter from the 24 existing monthly consumption quantities. We then replaced all missing monthly data for each meter with this maximum value. Finally, we added a value to each of these monthly values. This value is calculated as follows: (random number between negative standard deviation in %, 0 % and positive standard deviation %) \* 24-month maximum value.

Example calculation for a meter:

24-month maximum value = 1,000 kWh

Standard deviation of all monthly developments from January 2018 to December 2019 = 10 %

Approximated monthly value minimum =  
1,000 kWh + (-0.1 \* 1,000 kWh) = 900 kWh

Approximated monthly value maximum =  
1,000 kWh + (+0.1 \* 1,000 kWh) = 1,100 kWh



## Information on data collection

### Data collection of the environmental indicators

#### e) Ongoing adjustment of the bases of calculation

The consumption and emission values per square meter that we publish in the ESG Report 2020 refer to the total building areas of the properties covered by our data management. Accordingly, the rented areas are also considered, although the electricity consumption figures for these are not yet available. The cumulative consumption and emission figures for 2018 serve as the basis for calculating the environmental targets up to the end of 2025, which we have published in the ESG Report 2019.

In the future, we aim to continuously record, analyse and optimise all consumption data of the managed portfolio. As part of the digitisation of the building stock, we will also take into account the electricity consumption of the rented space. This will increase the consumption and emission data of the space. To consistently determine the environmental indicators and the exact status on the way to our target values, we will take this increase into account retroactively to the relevant starting point of our period analysis in January 2018.

### Explanation of the environmental indicators

1. Reduce CO<sub>2</sub> emissions per square metre by 2 % annually and by at least 20 % by 2025

Calculation of CO<sub>2</sub> emissions:

CO<sub>2</sub> emissions are calculated in two steps. First, the total energy consumption at the building level is determined. Missing monthly values are approximated. In the second step, the energy consumption of the buildings is multiplied by the CO<sub>2</sub> emission factors associated with the type of consumption.

Emission factors:

Since the buildings whose consumption and emissions are determined are located in Germany, the emission factors [g/kWh] of the German Federal Environment Agency are applied:

**Electricity: 401 [g/kWh]**

This is an estimated value for 2019.

**Natural gas: 201 [g/kWh]**

**District heating: 214 [g/kWh]**

**Oil: 266.47 [g/kWh]**

Data basis for energy consumption and CO<sub>2</sub> emissions:

At the time of publication of the ESG Report 2020, not all accounting periods could be derived from the accounting system. For this reason, not all monthly consumption data was stored in the system for the existing consumption meters. We have been introducing new processes internally since 2020 to close these information gaps. In the meantime, monthly consumption gaps are systematically extrapolated. [LINK to "Information on data collection" on the main page]

CORESTATE has developed a strategy for the digitisation of buildings and has been implementing it since 2019. This will enable the data quality of the available energy consumption to be increased in the future and the total energy usage per building, including total rental space electricity, to be collected, analysed and optimised more efficiently.

**Digitalisation of meters**




## Information on data collection

### Explanation of the environmental indicators

2. Improve energy efficiency per square metre by 5 % per year and by at least 30 % by 2025

The energy demand of buildings consists of heating energy, general electricity and tenant electricity. For the period from 1 January 2018 to 31 December 2019, no information was available on the electricity consumption of tenant premises.

CORESTATE has developed a strategy for the digitisation of buildings and has been implementing it since 2019. This will enable the data quality of the available energy consumption to be increased in the future and the total energy usage per building, including total rental space electricity, to be collected, analysed and optimised more efficiently. **Digitisation of meters** 

At the time of publication of the ESG Report 2020, not all accounting periods could be derived from the accounting systems. For this reason, not all monthly consumption data was stored in the system for the existing consumption meters. We have been introducing new processes internally since 2020 to close these information gaps. In the meantime, monthly consumption gaps are systematically extrapolated.

In order to correctly reflect the actual status on the way to our targets, the calculation bases for the annual achievement of targets for CO<sub>2</sub> emissions and electricity consumption are updated and adjusted accordingly.

3. Reduce water consumption per square metre by 2 % annually and by at least 20 % by 2025

Data on water consumption for the period from 1 January 2018 to 31 December 2019 was partly available.

At the time of the publication of the ESG Report 2020, however, not all accounting periods could be derived from the accounting systems. For this reason, not all monthly consumption data was stored in the system for the existing consumption meters. We have been introducing new processes internally since 2020 to close these information gaps. In the meantime, monthly consumption gaps are systematically extrapolated.

4. Reduce non-recycled or reused residual waste by 2% per square metre per year and by at least 20 % by 2025

The volume of residual waste is to be reduced. To this end, we have reduced locally accepted waste separation systems for each postcode to two areas: recyclable waste in the paper, plastic and compost categories and non-recyclable waste, i.e. residual waste.

At the time of publication of the ESG Report 2020, not all accounting periods could be derived from the accounting systems. For this reason, not all monthly waste data was stored in the system for the buildings in question. We have been introducing new processes internally since 2020 to close these information gaps. In the meantime, monthly consumption gaps are systematically extrapolated.





## Information on data collection

### Explanation of the social indicators

1. Increase the quota of female managers by 5 % annually and by at least 30 % by 2025

Members of the first and second management levels are considered to be managers. The following table illustrates the development of the proportion of women at the respective levels from December 2018 to December 2019.

Career level	Percentage of women on 31.12.2018	Percentage of women on 04.07.2019	Percentage of women on 31.12.2019
Board of Directors	0 %	0 %	0 %
1. Management level (Managing Directors and SLT members)	5 %	10 %	4 %
2. Management level (Department Leader and ALT members)	35 %	42 %	36 %
1st + 2nd level of management (Department Leader and above)	27.5 %	25.7 %	27.4 %
3. Management level (team leader)	64 %	60 %	57 %
Workforce	59 %	55 %	54 %

At the end of 2019, 50 % of the members of the Management Board were under 50 years of age and 50 % over 50 years of age. The average age of the workforce was 42.15 years.



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This presentation has been compiled by Corestate Capital Group GmbH a company of the CORESTATE Capital Group, August 2020.

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