PATRIZIA Sustainability Report 2020
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SECTION 1

Continual improvement for a sustainable future: a letter from our Co-CEO
Dear reader,

At PATRIZIA, our commitment to Building Communities & Sustainable Futures is at the very foundation of our business. Our core aim extends from creating long-lasting value for our stakeholders by:

- Securing reliable investment returns;
- Taking responsibility for our neighbourhoods and environment;
- ‘Giving back’ to society through our work with the PATRIZIA Foundation (PF) – which has been running for over 20 years and has already set up 17 educational facilities worldwide;
- Building an attractive and inclusive workplace for our employees.

More than half of the world’s population lives in urban areas, and virtually all countries are becoming increasingly urbanised. By 2050, the United Nations estimates that 68% of the global population will live in cities and their outskirts. So we need to ensure that our investments and assets support sustainable urban life through affordable housing, energy efficiency and smart mobility. These concepts will be crucial for building a globally sustainable future.

Why do we do this? It’s simple: because we know that buildings contribute as much to our well-being as they do to global energy consumption. According to the UNEP (United Nations Environment Programme) Finance Initiative, the buildings sector is responsible for about 40% of energy consumption and about 30% of greenhouse gas emissions. As a result, acting to create more energy-efficient properties can have a significant, positive impact on global warming and climate change. This responsibility falls to every individual, but to us more than most. And at PATRIZIA, we want to be part of the positive movement towards a happier, healthier world.

Our Sustainability Strategy exemplifies how we systematically consider these global challenges in our business via three pillars: Sustainable Futures, Building Communities and Industry Benchmarks.

With Sustainable Futures, we operationalise our commitment to reduce our carbon footprint, measure and digitise our non-financial impact and integrate ESG KPIs into our decision-making processes.

Building Communities describes our stakeholder engagement, our employee development, and our support for the PF.

Industry Benchmarks details our high standards of governance and risk management, including compliance with advancing regulation, transparent reporting and corporate governance.

Sustainability is championed at the most senior levels of business, led by the ESG Committee that I chair as PATRIZIA’s Co-CEO. We have defined ESG targets and fully embedded them in our business. More than 40 professionals from across PATRIZIA are part of our ESG initiative, and they will ensure that we continue to implement sustainability in all aspects of our business.

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We’ve proven that our commitment to ESG and our strategic approach pay off – for us, for our stakeholders, for our communities and, ultimately, for society at large. As a result of our initiatives, we have improved our average Global Real Estate Sustainability Benchmark (GRESB) score for the past six years. All funds completing the full real estate assessment were awarded green stars in 2020. These continuous improvements testify to our long-term commitment to sustainability.

Faced with the tremendous impact of climate change and the challenges it presents to humankind, there should be no question about why it is important to integrate ESG into any business. At PATRIZIA, Building Communities & Sustainable Futures is more than just our tagline: it is our essence. Over the next few chapters, you will find a comprehensive overview of the impact we make and how we challenge ourselves to continue improving for a sustainable future.

I hope you enjoy reading it.

Thomas Wels, Co-CEO and Chair of ESG Committee
SECTION 2

Sustainability @PATRIZIA
Sustainability isn’t simply a goal for PATRIZIA; it’s a fundamental part of our culture, our operations and the way we do business. Actions speak louder than words, however – here are a few case studies that illustrate our sustainability efforts:

**What we said**
- **WE’RE REDUCING OUR CARBON FOOTPRINT**

**What we did**
- **REDUCED CO₂ EMISSIONS BY 50,000 TONS EACH YEAR**
  - By running a major share of PATRIZIA’s real estate portfolio on 100% renewable energy
  - In 2018, PATRIZIA converted the entire real estate portfolio in Germany to renewable energy sources. The Dutch real estate portfolio has run on green energy since 2015
  - This measure also reduces energy costs for tenants by about EUR 1m a year
  - In 2020 we added our France and Sweden portfolios to our ‘green energy portfolio’; Denmark will follow swiftly in 2022 when its current contract expires
  - We are looking into the opportunity to convert our remaining European portfolio to renewable energies and create additional savings in CO₂ emissions

**PLANED TO CREATE THE UK’S FIRST CARBON-NEGATIVE BUSINESS PARK**
  - By expanding a solar park to produce more energy than is consumed
  - Plan to transform a standing asset – Westcott Venture Park – into the first carbon-negative business park in the UK, producing 1,475m kWh and thus saving 286 tons of CO₂ annually
  - The expansion of a solar park and the installation of a waste utilisation plant are intended to generate more clean energy on site than the users consume

**IMPROVED ENERGY EFFICIENCY**
  - By implementing energy-saving measures in apartments in the Netherlands
  - We improved the energy efficiency of 180 apartments in the Netherlands by installing improved insulation, new heating systems and new windows
  - The measures cut heating costs for tenants and increased living comfort
  - They achieve savings of 83.4 tons of carbon emissions and 18,000 m³ of gas per year
  - We are actively managing our properties and co-operate with our property management partners to identify opportunities to make our real estate portfolio more sustainable and prepare for the energy transition
Sustainability is ingrained in the business

What we said

- WE'RE BUILDING COMMUNITIES AND SUPPORTING THE PATRIZIA FOUNDATION

What we did

LAUNCHED PAT ART LAB’S ‘SCALE’ TO REVITALISE REAL ESTATE AND RAISE FUNDS

- PAT ART LAB launched an extraordinary ‘art space’ event called SCALE in Summer 2017
- Some of the world’s best-known graffiti artists painted their works on office and residential buildings combining the promotion of art in public space with the revitalisation of real estate
- Unique combination of promoting street art and making a social impact
- 100% of revenues generated by selling prints of the murals went towards the PATRIZIA Foundation, supporting its mission of providing education, shelter and health care to children in need
- Residential and office locations were revitalised by improving the outside appearance of the properties
Our competitive edge

Excellent market access and local knowledge underpin strong investment performance for investors

At PATRIZIA we believe performance is driven by innovative minds. We are determined to be the industry benchmark: always ahead, and always delivering a positive impact. This is the foundation of the operational excellence in which our stakeholders trust.

Local in Europe & connected globally

With > 800 professionals and 24 global offices (19 of which in Europe) we offer our clients in-depth knowledge – global multi-manager opportunities and direct real estate solutions.

Platform of scale & scope

More than EUR 46bn assets under management across all key sectors and markets: a testament to our excellent market access and ability to execute on behalf of our clients.

Research-founded convictions

Product roster and day-to-day investing reflect diligent research-aided decision making and strong convictions about future market trends.

Entrepreneurial DNA & capital

Our culture, ownership structure and capital base enable us to grow into new business areas and to recognise and embrace trends in the market place; e.g. technology and innovation in property.

Transparent

As a listed company PATRIZIA adheres to the highest governance standards.

In numbers

PATRIZIA: A leading partner for global real assets

36 years experience in real estate investment

EUR >46 bn real estate assets under management

EUR >8 bn average real estate transactions volume p.a. 2015-2019

TOP 10 Investment manager for European real estate

>400 Institutional investment partners from 5 continents

24 offices globally, including 19 across Europe

>800 experienced, motivated and aligned professionals

20 European countries with real estate operating activities

1 According to leading industry ranking by PropertyEU and Institutional Real Estate, both issued in 2019.

2 Europe, North & South America, Asia, Australia.
Local in Europe & connected globally

PATRIZIA offers investment solutions with global reach and opportunity

- PATRIZIA offices globally
- Operating partner offices
- Markets with PATRIZIA operations & clients
- Markets with PATRIZIA Foundation projects

24 PATRIZIA offices globally to service clients & manage real assets locally

40+ boutique operating partners worldwide managed by PGP
Assets under management

Our pan-European investment strategies are designed to achieve the objectives of our institutional clients

EUR

46.2 bn

17.1m sqm

77%

assets under management
assets under management
resilient core/core+ strategies

All information on this page correct as of 30 September 2020. AuM allocations based on forecast financials. Figures may not add up due to rounding. AuM based on total real estate under management and administration. AuM by risk style based on vehicle level breakdown.
Real estate plays a pivotal role in society. Across residential, commercial and logistics, it serves basic human needs such as housing, workspaces, infrastructure for healthcare and transportation of goods.

The impact it has – both on the natural environment and the people that live within it – cannot be downplayed or ignored. The aim of the PATRIZIA Sustainability Strategy is to cement our commitment to:

1. We’re committed to energy efficiency

The buildings sector has one of the highest carbon footprints of any industry, currently contributing 30% of global annual greenhouse gas emissions and consuming around 40% of the world’s energy.

We understand our responsibility as real estate managers and closely monitor the efficiency of the assets we manage for our clients. Where possible, we define ways to reduce the primary energy demand of those assets. Decreasing energy consumption not only saves valuable resources, but also future-proofs our portfolio, and secures sustainable performance returns for our clients.5

Our ESG Strategy Statement is available to download permanently from our website.4

3.1 What sustainability means to us

What sustainability means to us is exemplified by the following five commitments:

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2. We’re committed to green energy
Our ongoing commitment to switch large parts of our portfolio to green energy is already bearing positive results. Wherever possible, we also aim to generate renewable energy on-site, by investing in solar panels for our assets.

3. We’re committed to carbon management
On the pathway to a net-zero carbon economy by 2050, as per the Paris Agreement, we’ve started measuring our CO₂ footprint in order to develop a strategy to reduce our impact on the environment in the long-term, and to prepare for the transition to a low-carbon economy.

4. We’re committed to ESG KPIs
We regularly review and update our internal governance policy to ensure it reflects topical ESG (Environmental, Social and Governance) issues which affect the corporate oversight of our business and funds. As part of this commitment, we are developing ESG KPIs to quantify our sustainability performance and align our reporting with internationally established industry standards, namely UN PRI, GRESB and INREV. In alignment with the recommendations by TCFD, we also consider climate change-related risks in investment decisions.

5. We’re committed to CSR
We commit to fair human resource policies and procedures, and leading labour standards towards health, well-being and safety policies. We aim for a diverse workforce, fair remuneration and hiring and promoting without any discrimination.

Building sustainable communities
Communities are not built in siloes. Global environmental, climate and social challenges can only be addressed with cooperation and a universal drive for innovation and change. We believe that only through engaging and including all stakeholder groups, and addressing mutual interests, can we hope to build robust communities for the future.
Sustainability is most successful when implemented at both corporate level and investment level. Sustainable investment management requires that ESG responsibilities are integrated across all business functions and are part of the day-to-day operations of the company. This is why PATRIZIA employs over 40 sustainability specialists globally, across the entire scope of our operations: assets under management, fund and asset management, development management and transactions, capital markets and client services.

Aaron Scott, Head of Strategic Planning and Sustainability
At PATRIZIA, sustainability is incorporated into day-to-day business across all functions. We have several dedicated professionals and teams to drive ESG progress across the organisation:

- An ESG Committee to plan sustainability implementation
- A Head of Strategic Planning and Sustainability to direct business strategy and systematically implement the Sustainability Strategy and business strategy
- A dedicated Sustainability Manager to coordinate and initiate ESG activities throughout the business functions
- A specialised Asset Management ESG Team to ensure environmental and social diligence in operational management

"Our ESG Committee takes responsibility for implementing and managing the Sustainability Strategy, in partnership with a central Sustainability Management function. We have a dedicated committee member for each of the various core business functions of PATRIZIA, ensuring that sustainability remains a management board responsibility.

Thomas Wels, Co-CEO and Chair of the ESG Committee"

Sustainability is embedded at both group and investment level

To ensure strong alignment between sustainability implementation at the strategic group level and the operational investment level, we involve team leaders from Asset and Development Management, Fund Management, Transactions, Investor Relations and Capital Markets in both the ESG Committee and dedicated working groups. Corporate functions such as Human Resources, Digitalisation, Technology & Innovation and Legal and Compliance are also included in the process, linking risk management, corporate governance, employee engagement and PATRIZIA's role as an employer.
Technology plays a critical role in our Sustainability Strategy. Through our global innovation ecosystem and partnerships with start-ups, we are always seeking new ways to help realise efficiencies and save resources.

At PATRIZIA, we were one of the first to invest in a dedicated Technology & Innovation team. We are constantly expanding our global innovation ecosystem with like-minded partners including start-ups, think tanks, universities and innovative talents. And we foster collaboration with leading innovative companies and solutions providers – for example, with PropTech businesses – to create additional value for our clients and the industry.

Manuel Käsbauer, CTIO and Member of the Management Board

Identifying the right partners and leveraging the potential of new technologies is critical to shaping the future of real estate. This industry has historically been slow to embrace innovation and new technologies, but is not immune to being disrupted by competitive forces in the long run.

Our global innovation ecosystem enables us to access a large pool of prospective solutions across industries ranging from PropTech to FinTech and beyond. As an experienced partner for start-ups, we aim to collaborate closely with evolving companies, following a strict screening process to identify the most relevant solutions by considering product offering, vision, team and partners in detail.
PATRIZIA’S start-up screening process

We shortlist companies that we believe have potential and a relevant use case. We then invite them to one of the 50 workshops we run each year.

This is potentially followed by a pilot project or proof of concept.

If we believe a company is strategically relevant to our business, after carefully reviewing the proof of concept, we also consider investing.

“Our investments allow us to expand the global technology ecosystem of our company and the entire industry and provide additional value to our investors, partners and tenants.”

Manuel Käsbauer, CTO and Member of the Management Board
Technology drives our sustainability agenda

Our Technology & Innovation department is committed to improving our ESG footprint and testing solutions to identify the best options for us and our clients.

The team is in close contact with the central Sustainability Management function, cross-departmental ESG specialists and PATRIZIA’s ESG Committee, enabling knowledge-sharing and strategic alignment across the company.

“Technology is one of the main enablers for sustainable and environmentally-friendly solutions for the real estate industry. Through innovation, we believe that firms will have the chance to disrupt established practices by fundamentally rethinking current methods rather than making marginal improvements.”

Thomas Wels, Co-CEO and Chair of the ESG Committee

Data-driven
We are actively exploring how to consolidate ESG data to further support the development of ESG KPIs. Data is crucial for making environmentally and socially conscious decisions. Software which collects, aggregates and analyses data via artificial intelligence provides important insights into ESG performance metrics. Leveraging data helps us not only to track current performance but also to identify risks early, avoiding potentially costly escalations.

Technology-led
We’re always investigating new technologies that have the potential to use and reuse resources more efficiently, or replace them with a more sustainable alternative. We also focus on Smart Buildings, which incorporate digital technologies such as sensors and other Internet of Things (IoT) tools to optimise building operations, enabling demand-driven decisions on the usage of devices such as heating and cooling. This ultimately has the potential to save energy and water, and reduces repairs through predictive maintenance.

In several pilot projects with PropTechs, we monitored indoor air quality through IoT sensors to ensure adherence to the most robust standards. Measuring and improving air quality is one of the most important steps we take to actively preventing illnesses and increasing the productivity, energy and health of our employees and the users of our assets. It also gives crucial insights into the operational performance of a building, which can be used as a basis for decision-making.

A better solution for you, and for us

We also use technology to improve the well-being of our employees. Relevant insights from projects we have conducted (such as those pertaining to air quality, room occupancy and space usage) are used to inform the development of sustainable solutions for our office spaces, promoting collaboration and physical and mental health.
We are always striving for greater transparency in how we assess our performance across non-financial ESG metrics, and we aim to link this performance to our financial bottom line.

A strong data foundation is critical to this process. That’s why we continuously explore new technology solutions and improve our systems to gather and assess ever deeper and richer environmental and social performance data, working closely with our management partners.

We align our interpretation of ESG data points with the GRESB definition. In 2019 we integrated the GRESB asset data file into our reporting framework, with the roll-out taking place through 2020. We use our own analysis, along with information from third parties, to improve our understanding of company performance and develop relevant ESG reporting.

On a corporate level, we work with service providers to measure our operations’ CO₂ footprint and define a relevant reduction plan. At an investment level, we work with consultants to collect relevant ESG metrics, helping us to improve the quality of our GRESB submissions. Additionally, we promote the placement of smart meters in properties to facilitate digital data collection and get a better grip of consumption data.

The information gathered from our corporate and investment activities is used to produce transparent ESG reporting and communications for our shareholders. One channel we use is the PATRIZIA Annual Report, which shares information on our progress towards the recommendations of TCFD, the corporate ESG Report and the UN PRI Report.

Investment-level ESG performance and information is shared and discussed in annual fund advisory committee and fund advisory meetings. Where applicable, we create designated fund-level ESG reports in alignment with the INREV Sustainability Reporting Guidelines and GRESB reports.
When launching new real estate investment programmes (‘products’), we carefully consider their marketability and sustainability in the marketplace. We strive to develop sustainable products that follow three principles:

1. **Future-proofed investment case**
   Our real estate investment programmes are based on strong convictions about what we deduce to be long-term market trends and strong socio-economic fundamentals. We base our conviction on in-depth market analysis and big data-aided research. Every investment programme that PATRIZIA manages has a dedicated product-specific ESG strategy.

2. **Execution capability**
   A vital part in any product development process is bringing the right people together to form an experienced, interdisciplinary team. This team is embedded in and can leverage the wider PATRIZIA platform, which provides services at scale and is able to advise on matters that may not be core to the operations of the respective product, e.g. in-house development or specialist sector expertise.

3. **Alignment of interest**
   We align governance and reporting practices and disclosures with best-practice recommendations for the specific product structure and client base, e.g. INREV, PREA or AREF. Alignment of interest with investors is also carefully considered. Both aspects allow us to build sustainable partnerships with investors.
ESG integration: PanEuropean Property LP

PanEuropean is Continental Europe’s longest running open-ended fund, applying a dynamic core approach to evergreen investment. The Fund specialises in the acquisition and management of commercial property located in major cities and large conurbations in Western Europe and Scandinavia. PanEuropean is the winner of both the 2019 and 2018 MSCI Property Investment Award for the Best Performing Balanced Fund.

PanEuropean commits to becoming an ESG leader and is devising a Net Zero Carbon strategy with its environmental consultant that will guide asset level plans. Several of its assets have a green certification, such as the Coca-Cola building in Berlin (rated LEED Gold) and the FOZ in Amsterdam (rated BREEAM In-Use Excellent). The Fund has participated in the GRESB survey since 2011 and was ranked number one in its peer group in 2019 and 2020.
Impact Investments

Our Impact Investment programmes pursue both impact and financial return. The first fund we managed with the explicit aim to support environmental impact was the Premium Green Fund, launched in 2010. In 2020, we brought three programmes to market that have explicit impact strategies and will transparently report on the execution of their impact agenda. While Gewerbe-Immobilien Deutschland IV, the impact successor of an eight-year mainstream fund series, focuses on environmental impact, the Sustainable Communities programme focuses on social impact, addressing issues such as the affordable housing crisis.
SECTION 4

Goals and standards
Our investors entrust us with significant capital. To provide the utmost transparency around how we manage it, we give periodical reports on the performance of our investments.

For us, the transparency of our sustainability performance is just as important as the transparency of the financial performance of our products. That's why we closely align with established industry standards to give direction to and monitor the overall progress of the PATRIZIA Sustainability Strategy as we strive for best-practice investor sustainability reporting.

We’re a signatory of the UN Principles of Responsible Investment (UN PRI) and officially support the Task Force on Climate-related Financial Disclosures (TCFD). Chosen funds participate in the annual Global Real Estate Sustainability Benchmark (GRESB) and prepare an annual ESG report in compliance with the INREV Sustainability Reporting Guidelines.

4.1 PATRIZIA and UN SDGs

The UN Sustainable Development Goals (SDGs) serve as important guidelines for PATRIZIA’s Sustainability Strategy and our understanding of what responsible practices look like.

What are the UN SDGs?

A universal call to action to end poverty, protect the planet and ensure that all enjoy peace and prosperity by 2030.

While supporting the SDGs in their entirety, we’ve identified the following as the closest and most relevant to our values:

- **SDG 11 Sustainable Cities and Communities** reflects the core of real estate investment management.
- **SDG 7 Affordable and Clean Energy** and **SDG 13 Climate Action** are fundamental to creating sustainable cities and communities.
- **SDG 3 Good Health and Well-Being** and **SDG 4 Quality Education** are primary values of corporate social responsibility.

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1UN Sustainable Development Goals, Knowledge Platform: https://sustainabledevelopment.un.org/
We invest in cities and developments to create inclusive, safe, resilient and sustainable communities. Having started off with ground-up development and management of residential real estate, we’ve focused on healthy communities since the very beginning. When we invest or develop, we aim to fulfil this human need for community and maintain it for the long-term.

Sustainable developments

Building developments impact every facet of community living, from the look and feel to the inclusion and isolation of the people that live and work there. Our mission is to maximise the reach and value of people, connection, inclusion, safety and prosperity.

Sustainable commercial funds

PATRIZIA closely watches how values shift in politics and society, acting accordingly. Changing social priorities, increasing climate legislation and the growing demands of tenants underpin our commitment to responsible investment in sustainable real estate. This enables us to stabilise value.

CASE STUDY

Our developments: Hamburg’s HafenCity, Germany

Baakenhafen is a diverse city, and the HafenCity building design mirrors this in its suitability for students and seniors alike. It combines residential and co-working spaces to give a broad appeal to a mixed range of users, with public areas including a restaurant and a piano bar to bring residents’ social lives to their doorstep. The building also houses cultural programmes such as an exhibition of the Loki Schmidt Foundation, which works on the preservation of rare plants and animals. The exhibition reminds visitors that there is nature in such densely populated areas as HafenCity, and its conservation is essential.

CASE STUDY

Gewerbe-Immobilien Deutschland IV

Gewerbe-Immobilien Deutschland IV is the latest in a successful series of funds with more than €1bn invested equity to date. Throughout the entire investment and asset management process, this GRESB-certified fund and its underlying properties have been examined using a comprehensive catalogue of criteria that consider economic, ecological and social factors. The fund focuses on generating stable cash flow through diversified leases, strong tenants and high-quality properties.

Supporting future communities: the PATRIZIA Foundation

Creating sustainable future communities is part of our DNA. Twenty years ago, our founder Wolfgang Egger started the PATRIZIA Foundation. Its mission is to improve children’s prospects across the globe, which it achieves by collaborating with local communities to ensure access to education, better-quality healthcare and security for vulnerable youngsters. Up to 1% of PATRIZIA’s operating income is used to cover the Foundation’s administrative costs, enabling 100% of donations to go to the Foundation’s projects. Overall, it forms an important part of our corporate culture; employees are encouraged to pay it forward by volunteering for the Foundation or another charity that’s close to their hearts. For more information on the Foundation’s work, read section 6.3 of this publication.
Reducing dependence of fossil fuels is as vital for the environment as it is for society. As such, SDG 7 Renewable Energy is pivotal to our mission of building communities and sustainable futures. In alignment with the sub-targets of SDG 7, we aim to increase the percentage of renewable energy used in our portfolio (target 7.2 Increase Global Percentage of Renewable Energy), by both purchasing green energy and by generating renewable energy on-site. We’ve made major progress in both areas over the years, as the below case studies illustrate.

**CASE STUDY**

**Transitioning to green energy**

Following in-depth analysis of energy supply contracts across Europe, we’ve made significant headway in increasing our use of renewable energy sources. In 2017, we decided to convert our entire real estate portfolio in Germany to run on renewables, and from early 2020 we switched over to green electricity and a CO$_2$-neutral supply in France. Our energy will be sourced from a single utility, with one contract set at a fixed price until 2023. As gas and electricity prices have increased significantly in recent years and the move enables us to secure attractive long-term prices, our overall costs won’t increase.

In total, 70% of our managed portfolio now uses renewable energy sources. With our portfolio in the Netherlands having run on green energy since 2015, and our initiatives in Germany, Sweden and France, we’ve cut CO$_2$ emissions by 50,000 tons annually – equivalent to 10,802 cars driven for one year. Next on the list is Denmark, where we will switch to green energy in 2022, as soon as the existing contract expires.

“This is an important part of our shift to green energy to reduce CO$_2$ levels. In France, we saw that we had many contracts and none of them used green energy. It made sense to bundle all existing energy contracts, thereby saving money for our tenants.”

**Jörg Müller,** Director, Head of Asset Management ESG
CASE STUDY

Transitioning to solar energy

Where viable, we implement solar as an on-site source of renewable energy in our investment portfolio.

Our Investments: Logchain Portfolio
For this portfolio, which covers 131,000 sqm of prime logistics space across three key locations in the Netherlands, we plan to deploy rooftop solar panels to generate clean energy on-site.

Our Developments: Westcott Venture Park, UK
The 6,102 solar panels we installed in 2011 produce yearly energy equivalent to that consumed by 600 households. Half of this energy is used directly by the tenants of the business parks, and the remainder is fed into the local grid. Both the sale of electricity to tenants and the feed-in tariff for the surplus energy generate additional annual revenue for our clients.
Climate Action

As a corporate citizen of the world, we recognise our impact on the environment and commit to integrate climate change measures into our policies and processes. We understand the implications of climate change on our company, communities, customers and employees and so we continuously develop our strategy to strengthen the resilience of our business.

Climate change could increase the frequency and severity of natural disasters, impacting reinsurers and affecting the value of real estate investments. That’s why we evaluate potential impacts over time as part of our ongoing risk-informed decision-making process. We are focused on instilling environmental stewardship and building resilience throughout our global businesses, as we believe doing so benefits our clients, employees, shareholders and future generations, while at the same time increasing the potential for higher investment returns.

Carbon management

As part of the real estate sector, we must meet the European climate target to realise net-zero emissions in building stock by 2050. This will require a substantial decrease in energy consumption and a move away from using fossil fuels for heating and cooling. To reach the target we will not only have to optimise building operations but also reduce carbon emissions from building construction and the processing of building materials.

In 2019 we initiated a corporate carbon footprint project, and we are currently collecting data to calculate our corporate carbon emissions. We’re working with an experienced advisor to define a strategy to reduce emissions, and we’ll adjust our behaviour accordingly. Long-term, we aim to capture our assets under management in this measurement of our CO2 footprint. To kick-off the corporate carbon footprint project and increase awareness within the company, we collaborated with an advisor to neutralise the CO2 emissions of our 2019 annual company party. We’ve neutralised 145 tons of CO2 emissions by supporting carbon reduction projects in India and Africa.

Our offices

Over the next few years, the role of our company offices will need to evolve to respond to employees’ needs to meet, collaborate and feel safe and inspired at work. As part of this, we are investigating how we can use technology to reduce our emissions and design our offices to be more energy efficient. We believe that every little step and every individual endeavour, no matter how small, helps to inspire collaborative action for a more sustainable future.

Here is a selection of the measures we’re taking to reduce the environmental footprint of our offices:

- Diminish plastic bottled water in PATRIZIA offices and replace them with glass bottles or water dispensers
- Encourage the use of virtual conference technology and avoidance of unnecessary travel
- Select greener travel methods, such as public transport and shared vehicles whenever possible
- Provide electric charging stations and the option to lease electric or hybrid cars where possible
- In certain office locations, install room sensors to reduce energy consumption for heating and light
At PATRIZIA, we have always prioritised health and well-being for both clients and employees, as well as society at large. Our aspiration to link our business to a wider social purpose has been deeply carved into our roots for 36 years, and health is a key part of this. Internally, we have several initiatives aimed at improving and maintaining our staff’s health. Meanwhile, our diversified portfolio includes affordable residential real estate and alternative asset classes that are directly linked to the health sector, such as care homes.

"Over the last few years, we have looked to increase our exposure to social and healthcare real estate across Germany where demand has been steadily rising. While the current COVID-19 pandemic has created some economic uncertainty, the investment market for healthcare real estate has remained resilient. We are confident this sector will continue to play a central role in the future."

Daniel Dreyer, Head of Transactions DACH, PATRIZIA

We’ve launched our third healthcare fund with a focus on senior living and care properties in Germany and other European countries. The PATRIZIA Social Care Fund III has an initial target volume of EUR 300m and a long-term target of EUR 700m. Overall, we manage more than EUR 1.3 billion in the healthcare sector.

CASE STUDY

Our investments:
Care homes, Germany

We acquired seven high-quality care homes in Germany in the first half of 2020. These healthcare investments create the social infrastructure to answer the needs of an ageing society and provide an environment for living and care. Once construction work is completed by 2023, the total portfolio will comprise 38,100 sq m of leasable space, providing 329 units for assisted living, 240 day-care units and 146 units for dementia and intensive care facilities. One of the leading nursing service operators in Germany will occupy the properties on individual 20-year leases.
Local and Global Circles: our commitment to our staff
Local and Global Circles is our in-house initiative to promote happiness, health and well-being among our people. PATRIZIA teams regularly participate in various local company runs and can join complimentary sport activities, encouraging fit and healthy lifestyles and fostering cross-functional team building. Our employees are also offered burnout prevention and mindfulness training, “active breaks”, yoga and mobile massages to help them balance their health with the demands of office life.

Healthy offices
To promote good posture and movement in our staff, we provide workstation checks and safety assessments, as well as modern office equipment. We have also initiated a project to understand and manage indoor air quality in our offices, running pilot projects in London and Augsburg. The projects were initiated in 2019 to measure and assess air pollution and identify ways to regulate fresh air supply, helping to ensure a healthy work environment.
Quality Education

Education is of primary importance at PATRIZIA. We support the career development of our employees by continuously offering internal and external education. Training is available for employees of all ages, apprentices and trainees, and we offer entry-level opportunities for university graduates.

Training and education

Professional development and continued learning are fundamental parts of PATRIZIA’s People Deal. At least 1% of our budget is dedicated to external training and professional development. Our in-house academy offers a wide range of training opportunities globally, and organises induction days for every new employee to get to know the company and meet colleagues. In 2019 we offered approximately 14,000 hours of professional development and training across more than 70 seminars to our employees. Additionally, we’re scaling up our e-learning programme on LinkedIn Learn, which provides additional access to relevant skills and knowledge.

Out of our employees:

• Nearly 50% have already taken advantage of the course programme
• 100% received compliance training in 2019 to ensure ethical behaviour promoting positive impact

We’ve also run three “PATRIZIA Talks” to share knowledge, introduce innovative ideas and above all inspire our staff. We’re especially proud of the trainee and training professions programme we offer to young professionals to kick-start their career.

As of the end of 2019, we employed 22 dual students and trainees in the following training professions:

• Office management assistant (11)
• Real estate agent (4)
• Dual study course in business administration – real estate industry (6)
• Dual study course in accounting and controlling (1)

In 2019, approximately 14,000 hours of professional development and training across more than 70 seminars were offered to our employees.

Induction Training

New joiners are invited to join induction days at headquarters, lately the format’s exercised as a Virtual Induction Day with 60 new joiners that attended on 4 May.

E-Learning

Training on data protection, IT security, ESG matters etc. numerous Academy classroom courses have been converted to a virtual learning experiences.
Industry engagement
Not only do we engage widely with other organisations in our industry, but our employees actively participate in numerous committees and expert groups, to offer both support and training. For example, we were the main sponsor of the 2019 ULI Europe Conference in London. We also committed to support ULI’s Urban Plan Project in 2019 and the years following across the UK, Germany and the Netherlands.

CASE STUDY

ULI’s Urban Plan Project

Urban Plan is a unique opportunity to introduce all facets of the real estate industry to students. It takes the form of workshops where real estate professionals guide students through a development scenario.

The objective for students is to draft a business plan by considering financial aspects, urban planning, integration of the surrounding communities, sustainability and building rights. In 2019, 10 PATRIZIA employees from different departments in London participated in two interactive workshops for students aged between 14-18, one at the Langley Academy in Slough and the other at The Priory School in Southsea, Southampton – both towns where PATRIZIA owns assets.
4.2 Global Real Estate Sustainability Benchmark (GRESB)

Transparent and comparable disclosure of information to our shareholders and investors about our ESG performance are a key commitment of PATRIZIA’s Sustainability Strategy. At a corporate level we disclose and benchmark our approach to responsible investment by reporting to UN PRI.

The Global Real Estate Sustainability Benchmark (GRESB) is our primary tool for assessing fund-level ESG performance and providing quantifiable and comparable information to our investors.

The direct and independent comparison with our peers provided by GRESB helps us to develop our Sustainability Strategy to encompass emerging trends. Following the latest developments of the GRESB survey, for example, we’ve used 2020 to look further into integrating climate change risks and opportunities, in alignment with TCFD recommendations. At the same time, we’re working towards becoming Net-Zero. Here GRESB, and in particular its alignment with the CRREM tool, provides us with valuable guidance.

What is GRESB?

GRESB is a mission-driven and investor-led organisation providing standardised and validated ESG data to the capital markets. Established in 2009, GRESB has become the leading ESG benchmark for real estate and infrastructure investments across the world. In 2020 alone, more than 1,200 real estate portfolios reported to GRESB covering more than 96,000 assets. Its coverage for infrastructure includes more than 540 infrastructure portfolios and assets. Combined, the reported assets represent US $5.3 trillion AUM. The data is used by more than 100 institutional and financial investors to monitor investments across portfolios and navigate the strategic choices needed for the industry to transition to a more sustainable future.

Learn more at GRESB.com.

With the support of leading GRESB consultants, we’ve developed an Environmental Management System (EMS) aligned with ISO 14001, established a data collection programme using EVORA’s purpose-built software SIERA, and worked with property managers to implement ESG strategies and action plans to improve performance at asset- and entity-level. These initiatives have helped us to improve PATRIZIA’s GRESB performance in the past and we are grateful to continue this trend for the 7th year in a row in 2020.

The 2020 GRESB Assessment structure fundamentally changed, establishing a new baseline for measuring the ‘Performance’ component. The split between ‘Management’ and ‘Performance’ provides a stronger focus on consistent data collection and reporting. Indeed, GRESB advises against a direct comparison between 2020 GRESB Scores and results from previous years.

Changes to the 2020 Assessment produced inconsistent impacts to scoring regardless of geographic region, property type or investment strategy. Compounding the structural changes, Covid-19 negatively impacted data collection efforts across the industry, with a disproportionate impact on certain regions and property types. Objective comparison between absolute GRESB scores from this year and previous years is therefore not meaningful.8

PanEuropean: PATRIZIA’s 5-star GRESB performer

The PATRIZIA PanEuropean Fund has been recognised as the most sustainable fund in Western Europe of all diversified portfolios with a core strategy by GRESB for the second consecutive year. It was accredited with 5 Green Stars. The award demonstrates PanEuropean’s ongoing commitment to incorporating the highest sustainability standards across the portfolio. The results also provide evidence of the strong quality of the assets and organisational structure enabling the fund to achieve its objectives.

"We are absolutely delighted for PATRIZIA PanEuropean to have been awarded a 5-star GRESB rating for 2020, having consistently ranked #1 in our peer group for the past several years. This award is testament to our company-wide intention to be the industry leader in all ESG matters, and a direct reflection of the efforts and innovation of our on-the-ground asset managers stationed across Europe. Having also outperformed every fund in MSCI’s Pan-European Property Fund Index on a 5-year annualised basis9, PanEuropean is perfectly suited for global institutional investors seeking to practice corporate social responsibility (CSR) while accessing superior performance from core real estate across Europe.

Flavio Casero, PanEuropean Fund Director

PATRIZIA’s PanEuropean Fund specialises in the acquisition and management of commercial property located in major cities and large conurbations in Western Europe and Scandinavia. Its lower-risk core income and growth investment style is characterised by a stable running yield enhanced by active management and capital appreciation through asset improvement, re-positioning, and timely sales.

The portfolio is actively managed and largely comprises core assets, supplemented by more management-intensive projects which have a higher risk profile but are intended to provide enhanced returns. The PanEuropean management team is committed to the identification of all possible areas that can enhance positive environmental and social impact.
More standout funds

Following the course of PanEuropean, PATRIZIA’s Hanover Property Unit Trust showed great results in the 2020 GRESB assessment and ended up first in its peer group. Both the PanEuropean and Hanover funds have set ambitious targets to continue reducing energy and water consumption, waste and greenhouse gas (GHG) emissions and will adopt a Net Zero Carbon strategy in 2021. While PATRIZIA’s TransEuropean VI and UK Value 2 were able to build on years of GRESB experience, the Living Cities Fund made its debut in the 2020 assessment and was awarded its first Green Star.

“...

As a firm with an entrepreneurial spirit and a wealth of expertise and experience, we are well positioned to integrate sustainability and innovations in our portfolios to drive the transition towards a low carbon future, future proof our assets and increase tenant health and well-being.

— Allen Chilten, Head of Funds (Capital Markets) Managing Director

Our GRESB results: the highlights

Over the course of 2019/2020 we focused on several areas of our existing ESG policies which were in part responsible for our success in this year’s GRESB assessment. These included the following:

• Improved public disclosure of PATRIZIA’s ESG policy
• Improved reporting of ESG performance and activities
• Enhanced stakeholder engagement through frequent discussion of ESG issues in investor meetings and meetings with managing partners and commercial tenants
• Employee training on ESG and corporate governance matters
• ESG-specific workshops with the fund management teams across Europe

We continued with our implementation of smart meters across our portfolio with the aim of easing data collection related to energy consumption and worked on the improvement of our assets. The results below show the 2018 to 2019 year-on-year environmental performance aggregated to the PATRIZIA GRESB portfolio, including five participating funds.

Portfolio improvements

<table>
<thead>
<tr>
<th>4% saved on energy</th>
<th>We saved 4% energy compared to 2018 on a like-for-like basis, equivalent to 2,464 MWh and 259 homes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% saved on GHG emissions</td>
<td>We saved 5% GHG emissions compared to 2018 on a like-for-like basis, equivalent to 1,031 tonnes CO2 and 231 automobiles.</td>
</tr>
<tr>
<td>+3% increase in water consumption</td>
<td>Water consumption increased by 3% compared to 2018 on a like-for-like basis, equivalent to 7,852 cubic meters and 4 Olympic swimming pools.</td>
</tr>
<tr>
<td>90% waste diverted from landfill</td>
<td>On average 90% of portfolio waste was diverted from landfill, equivalent to 339 truckloads.</td>
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</table>
We take our social responsibility very seriously. Our sustainability efforts are founded on our corporate governance framework, which includes a commitment to conducting business in a manner that goes beyond compliance with the law, and is consistent with high ethical standards, positively impacting society and the environment.

We strive to ensure our activities are based on transparent and, above all, moral actions, made along universally human parameters such as integrity, decency, dignity and respect.

Finding that our mission is broadly supported by the UN Principles of Responsible Investment (UN PRI), we became a signatory at the beginning of 2019. Our Sustainability Strategy is based on the UN PRI and in alignment with the UN Global Compact Principles.

We pledge to:

- Incorporate ESG issues into investment analysis and decision-making processes
- Be an active owner and to incorporate ESG issues into ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which PATRIZIA invests
- Promote acceptance and implementation of the UN Global Compact Principles within the investment industry
- Work with the PRI Secretariat and other signatories to enhance effectiveness in implementing the Principles
- Report on activities and progress towards implementing the Principles

The annual UN PRI report supports us in assessing the strategic and operational implementation of our Sustainability Strategy. In 2020 we achieved an A for the Strategy and Governance module, an A for the Indirect Management, Property module and a B for the Direct & Active Ownership, Property module. PATRIZIA could retain the UN PRI scores and is in line with the Median Score in all modules.

The PATRIZIA UN PRI Report is publicly available on the UN PRI website at https://www.unpri.org.

10Through PPIM, PATRIZIA has been UN PRI Signatory since 2012.
Alongside other ESG issues including health and safety and diversity, climate change is generating risks and opportunities for companies which financial markets may not price appropriately.

Understanding these material ESG considerations is fundamental to making well-informed investment decisions. We believe it is our fiduciary duty to review the climate resilience of investments and contribute towards financing the transition to a low-carbon economy. Following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we assess the transition risks and physical risks of climate change that, due to the long-term nature of the real estate industry, are inherent to our investment decisions.

PATRIZIA is subject to increasing regulation as part of the transition to a low-carbon future. We have categorised the transition risk related to climate change into three major categories:
1. Regulatory changes
The regulatory landscape across Europe is very fragmented. As such, we count on our local expert teams to closely monitor any regulatory changes, requirements and trends. We also actively engage with business partners, especially property managers, to help them comply with new requirements and ensure assets don’t become obsolete due to changes in policy. In particular, we ensure our property portfolio meets required EPC (Energy Performance Certificate) levels, among other regulations.

2. New products
We closely monitor changing market behaviour caused by a shift of demand towards sustainable investment opportunities. As part of this, we are working to develop new products and adopt climate-relevant strategies. We have, for example, started to investigate new routes to carbon-neutral portfolios through a trial in two of our investment vehicles, and we hope to be able to draw conclusions that will inform a wider implementation across our portfolio.

3. Enhanced reporting obligations
To fulfil increasing disclosure requirements and provide transparency for investors, we’ve initiated a Corporate Carbon Footprint project.

As part of the due diligence process for each asset in the group’s managed portfolio, we analyse physical risks from severe weather conditions, insure against the risk of possible structural damage and plan for higher maintenance and CapEx costs that may result from damage and inadequate technical facilities (such as those with air conditioning units unable to cope with longer periods of heat). However, up to today no increased insurance costs attributable to environmental or climate change risks have been recorded. The German government is considering making reporting in alignment with TCFD recommendations mandatory for listed companies from 2022 onwards. With this in mind, we’re working to implement company-wide tools and targets. In 2019 we mapped the physical climate risks on our German portfolio to understand the implications of extreme weather events and make projections for the future, based on changes the climate has undergone in past decades. The map includes:

- Climate change scenario analysis
- Analysis on asset level, aggregated to fund level
- Hazard score (likelihood of event) and risk score (level of damage if event happens)
- Earthquake, storm, hail, heat stress, flood

Such analysis can be used bottom-up to understand risks when making specific investment decisions and top-down to assess one strategy over another.
Measurement is everything. At every step of the investment process, the PATRIZIA ESG Committee supervises and ensures our actions confer responsible decision-making and conscientious consideration of environmental and social impact, while aligning with investors’ interests.

Stable, market-leading and performance-oriented investment vehicles require sustainability to be embedded in the philosophy and process from the start. The PATRIZIA ESG Committee has instituted a systematic approach to ensuring just that. We’ve formulated Responsible Investment Guidelines and consideration checklists to be followed throughout the investment process, from acquisition to sale.

Our Responsible Investment Guidelines, as defined by the PATRIZIA ESG Committee, are the foundation for integrating ESG considerations into investment decision-making and real estate operations.

They describe the principles and minimum standards for all our employees, regarding environmental and social engagement, in each phase of the real estate investment lifecycle. The purpose of these guidelines is to create and protect long-term shareholder and asset value. For every investment vehicle, we define a dedicated sustainability strategy in alignment with investor interests, and we set relevant targets. Progress is disclosed in regular reporting and, if required by investors, we assess fund-level ESG performance by reporting to GRESB.

We believe that the implementation of the guidelines will help us continue to make a positive contribution to the environment and society, and to further enhance our active pursuit of sustainability policies. The guidelines emphasise the climate of accountability within PATRIZIA and highlight the need for the real estate sector to contribute to environmental and social health, alongside creating sustainable financial returns.
At PATRIZIA, we’ve implemented an EMS in line with the international DIN ISO 14000 to ensure the implementation of our Sustainability Strategy. The EMS includes the planning of activities, considerations of ESG-related risks and opportunities, allocation of responsibilities and resources, and the development of practices and processes, on corporate as well as fund level.

The EMS organises the approval progression between the ESG Committee and internal fund reviews. This allows our discretionary funds, which report to GRESB, to continuously review their sustainability strategies, targets and progress. It also improves the level and quality of information flow by establishing and monitoring KPIs, and supporting effective accountability mechanisms by setting relevant employee targets.
The PATRIZIA ESG Screening and Exclusion policy ensures our clients and shareholders’ money is aligned with our broader beliefs in order to mitigate reputational risk.

As a signatory to the United Nations’ Principles of Responsible Investment (UN PRI), we respect the UN Global Compact principles on human rights, labour conditions, the environment and anti-corruption. As a result, we do not enter into any kind of business relationship or transaction with corporate entities, governments, joint ventures or individuals with clear, direct links to controversial weapons, nor with countries that we deem to have serious violations on political stability and peace, human rights and religious freedoms.
5.4 Sustainability during deal-sourcing and acquisition

Our goal is to bring together the economic interests of our clients with wider environmental and social prosperity.

We therefore analyse how our investments can contribute to the creation of a sustainable future and strong communities, as well as how future trends will impact the real estate sector. Integrating ESG aspects into our acquisition process allows us to build stakeholder trust, increase real estate efficiency, reduce operational risks and future-proof our clients’ investments.

**Environmental**
- Biodiversity & habitat
- Climate change risk (physical and transition risk)
- Land contamination
- Energy consumption
- Greenhouse gas emissions
- Indoor environment
- Location & connectivity
- Access to public transport for investments in urban areas
- Materials
- Pollution
- Resilience to catastrophe/disaster
- Renewable energy
- Sustainable procurement
- Waste management
- Water consumption

**Social**
- Community engagement
- Health and safety
- Human rights
- Inclusion & diversity
- Labour standards & working conditions
- Social enterprise partnering
- Stakeholder relations
- Occupier amenities – showers, changing rooms
- Controversial tenants

**Governance**
- Regulatory compliance to ensure properties conform to local and national laws, including sustainability standards
- Governance concerns including background checks to ensure any potential conflicts of interest are identified
- Anti-bribery & money laundering
- Cybersecurity
- Data protection & privacy
- Legal & regulatory fines
- ESG clauses in existing leases
Our Fund and Asset Management teams work closely together to manage our properties in a sustainable way.

We appoint property managers who are responsible for managing the compliance of operational assets, and management teams meet regularly to review the relevant sustainability strategy and process and compliance requirements. Quantifiable ESG criteria are put in place to support property managers in finding sustainable solutions, and data from the properties concerning CO₂ emissions, energy efficiency, electricity/heat consumption, water consumption and waste management are periodically checked against them.

Our 4-step approach to active ownership:

1. **Active management**
   We consider environmental performance indicators such as energy, water, waste and greenhouse gas emissions to improve sustainability results for the benefit of investors, tenants and all other stakeholders.

2. **Active assessment**
   We regularly evaluate our portfolios to identify sustainability measures and reduce operating expenses to increase efficiency and long-term asset value.

3. **Active diligence**
   We integrate our environmental indicators into fund strategies to enhance the position of assets in their markets, reduce obsolescence and promote resilience.

4. **Active co-operation**
   We consider the benefit of third-party green building and health and well-being certifications such as LEED, BREEAM, HQE, WELL and Fitwel.

We define our ESG policies and the targets for their implementation in line with investor requirements. Such policies describe the implementation of ESG elements during the operational stages of the asset lifecycle, including individual strategies to enhance environmental performance through asset-specific sustainability CapEx measures, refurbishment and development.

The annual GRESB results of participating funds are reviewed in quarterly meetings as part of the Environmental Management System (EMS according to ISO14001). Strong emphasis is put on stakeholder engagement and investigating new ways to cooperate with tenants to stimulate the adoption of environmentally sound practices and to positively contribute to social aspects and local communities.
Our impact is highest when we commit to sustainability from the ground up. That’s why we consider sustainable building practices beyond regulatory requirements and beyond the timeline of the business plan.

Buildings may stand for hundreds of years, so we incorporate sustainability from the very beginning: into building development strategies, design and construction, with a view on lifecycle and operation. We employ architects and engineering consultants with a proven track record on ESG, and integrate ESG requirements in the sourcing and appointing of general contractors in alignment with our Supplier Code of Conduct. This reflects our commitment to:

- Protection of the environment
- Protection of employees
- Community involvement
- Compliance and ethics

Every development project defines its individual ESG charter from conception, in alignment with investor requirements, corporate Sustainability Strategy and Responsible Investment Guidelines.
Stakeholder engagement
Our success as a business comes down to our values. From the quality of service we give to our clients and our focus on social responsibilities, to our investment into our employees’ skills and experience, our strength comes from our consistency in promoting our values, and our ability to retain and promote an engaged, diverse and capable workforce as a result.

6.1 Dialogue with investors, tenants and communities

Investing in real estate means investing in communities, which is why social responsibility has always been one of our key focuses.

We collaborate with our stakeholders to find solutions that create a positive social impact, staying in constant dialogue with investors, tenants, service providers and surrounding communities to identify their common needs. We also encourage engagement with local communities through building and tenant outreach and local cooperation. The importance of ESG matters is communicated to property managers and tenants through green clauses in property management agreements and green leases. Our presence in all major European countries allows us to support and encourage supplier responsibilities and sustainable best practices locally.

How we engage external stakeholders

Investors
• Discuss sustainability strategies and mutual interests
• Define requirements and responsible investment focus
• Sustainability reporting, GRESB benchmark

Tenants
• Responsible and environmentally friendly use of buildings
• Green lease clauses
• ‘Sustainability Partnerships’ with larger commercial tenants

Property Manager
• Sustainable management of AuM
• Energy-efficient improvements on-site
• Green clauses and ESG data collection

Local Communities
• Public communication & social media
• Local teams for on-site presence and personal dialogue
• One-on-one dialogue with neighborhoods before and during (re)development

Industry Dialogue
• Membership in (inter)national industry associations
• Active participation in working groups to promote best practice & standardisation
• PATRIZIA’s CIO Anne Kavanagh is on the global board of directors of the Urban Land Institute (ULI)
• PATRIZIA was the main sponsor of the ULI Europe Conference 2019 and supports ULI Urban Plan
• INREV Committees representation

How we engage internal stakeholders

Employees
• Appraisal and benefits
• Internal media and open culture
• Education

Shareholders
• Roadshows, conferences, site visits
• Direct dialogue
• Annual General Meeting
6.2 Our people: The PATRIZIA People Deal

PATRIZIA’s People Deal endeavours to create an environment in which employees – PATRIZIAns – can fulfil their entire potential, and in which differences are respected and acknowledged.

We are proud to run a partnership-based corporate culture, delegating a high degree of decision-making authority and responsibility to our people. This helps give them the scope to evolve and enhance their knowledge and experience. It also fosters a deeper identification with corporate objectives and commitment to clients.

This is what we mean by “the PATRIZIA spirit”. We also help employees with their professional development, working hard to assist staff in finding the right place in one of our business units and global locations. By creating exciting career and development opportunities for employees, we nurture the resourceful, talented teams that make PATRIZIA successful now and will continue to do so into the future.

An open culture of discussion is a priority for PATRIZIA, as is the regular exchange between employees that enhances the working experience for everyone.

In 2019 we established employee network groups called the Global and Local Circles to drive a number of cultural and work-related initiatives, so all employees can feel comfortable at work.

Our network groups:
- Promote a culture of inclusion and diversity
- Support a culture of parents and carers in the workplace
- Provide health and well-being opportunities
- Provide opportunities for networking, education and development

We also promote a close, social working culture in a highly targeted manner through various events, such as:
- Employee orientation day for all new PATRIZIA staff
- “PATRIZIA Talks” events (knowledge-sharing)
- Annual Employee Day
- Insights (seeing how other teams work)
At PATRIZIA we understand the importance of voluntary corporate social benefits for improving employee retention and fostering a positive working atmosphere.

Team-building is an essential part of our culture and we are eager to facilitate social bonding across the organisation. We run a variety of activities that combine team bonding with positive social impact, such as fundraising to support the communities who live near our offices and properties.
Diversity and inclusion

Diversity is a key value for PATRIZIA, and the diverse perspectives enabled by our incredibly international and multicultural business are key to our long-term success.

We pursue a strong diversity and inclusion strategy as part of the PATRIZIA People Deal to ensure that we continue to attract, develop and retain the best talent, regardless of background. We have started to examine our workforce demographics, using quantitative and qualitative measures to track progress in our D&I initiatives.

Diversity of cultures and languages is a major strategic advantage for PATRIZIA. As of 31 December 2019, our 807-strong workforce included a total of 34 different nationalities. While our share of women in the workforce is improving, we have set ambitious targets to reach further gender parity by the 30 June 2024:

- The share of women in the workforce is 46%.
- The share of women on the Management Board is 14%.
- 17% of the managers in the top management team (the level below the Management Board) are female.
- Over 27% are female managers in the total number of managers within the group.
- We've set a target of 25% for the share of women on our Supervisory Board, and a respective target of 25% for the Management Board, both to be achieved by 30 June 2024.

There is a balanced age structure: just under 6% of employees are under 25 years old, approximately 25% are aged between 25 and 34, 37% are aged between 35 and 44, little over 24% are aged between 45 and 54, and 8% are aged 55 or above.

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We’re proud to offer an equal opportunity workplace. We are committed to equal employment opportunity regardless of race, colour, ancestry, religion, sex, national origin, sexual orientation, age, citizenship, marital status, disability, gender identity or Veteran status. We also consider qualified applicants regardless of criminal histories, consistent with legal requirements.
Flexible work and family leave

To improve employees’ work-life balance, we offer various forms of part-time work at all locations, which around 14.2% of our staff make use of.

We also have a comprehensive Family Leave policy that covers:

- Maternity
- Paternity
- Adoption
- Shared parental leave
- Time off for dependents
- Flexible working
- Compassionate leave
- Jury service
- Additional paid leave
- Unpaid leave circumstances

Employees’ personal development

We promote targeted, systematic employee development through:

1. Regular feedback and employee development meetings
2. Target agreements
3. Cross-departmental interdisciplinary project work
4. An attractive internal job market and transfer opportunities
5. Targeted succession planning
6. Management programme
7. Targeted individual career planning with appropriate training options
8. A wide range of in-house training options in the PATRIZIA Academy
In 2019, we expanded the options offered by the PATRIZIA Academy to include extensive international training options, available through classroom-based training and flexible online language courses. We also offer various subject-specific, methodical and soft skills training programmes to staff.

In addition to in-house coaching, we help our staff to obtain external training in the form of seminars and part-time studies. As part of this, we also introduced LinkedIn Learn to provide staff access to a broad offer of online training courses for personal and professional development.

2019 was a year of change for us, as we continued to integrate companies newly acquired in 2018. To ease this integration process we implemented various measures such as intact team workshops, as well as personal coaching and development on topics such as progressive management and dealing professionally with leadership challenges.

**Sustainability training**

We have held several training sessions on ESG ratings and broader sustainability integration with our investment and fund management teams over the past year. These workshops were supported by experienced sustainability consultancies and included updates regarding evolving regulatory frameworks, disclosure guidelines, benchmarks, best practices and new technologies. In particular, we held masterclasses with management teams covering GRESB, with the pathway to carbon neutrality by 2050 as an overarching goal.

We have received very positive feedback on these classes and aim to increase the offer and scope of future ESG-focused training sessions to enhance understanding of responsible investing across the business.

57.57% of all PATRIZIA staff have received training via the PATRIZIA Academy in 2019

49.47% of PATRIZIA staff have received ESG-specific training (internally organised workshops and training or external ESG courses)
In order to reinforce our excellent marketing position and ensure that we are optimally positioned for the future, it’s important that we remain an attractive employer, offering interesting and varied challenges for young talent and experienced specialists alike.

To reach the best people possible, we advertise jobs on our own website and in a targeted manner on various job portals. Alongside this, we maintain a presence at trade fairs (such as EXPO REAL and the IZ Careers Forum), universities and schools in Augsburg and the surrounding area.

We’ve broadened our employment pipeline with the provision of numerous internships, student employee positions and thesis sponsorships as additional ways to raise our profile as an employer and attract talent from new places.

Management Trainee Programme

Our management trainee programme gives real estate graduates the ideal preparation for future roles at PATRIZIA, with an in-depth, comprehensive insight into the workings of our business. It also forms a key part of our efforts to attract the best people to work for us. During the 18-month course, the management trainees pass through three real estate departments and one non-real estate department, a process that always includes international experience at one of PATRIZIA’s European locations. In terms of content, the trainees can expect both strategic and operational tasks in which they assume responsibility for entire projects.

One notable fact is that PATRIZIA only trains people with a view to giving them a job at the end of the programme. To date, and where it was desired by both parties, all trainees and students have been employed following their training. This kind of job certainty can’t be taken for granted in many other industries or companies, and it reflects the seriousness with which we strive to ensure sustainable staff retention.
6.3 The PATRIZIA Foundation

A fundamental part of our corporate culture comes from the understanding that success is better when it’s shared. We started the PATRIZIA Foundation (PF) 20 years ago as a legally independent organisation supported by our work. The PF provides education, shelter and health care to children in need through the construction of schools, accommodation and medical facilities, building on the core mission of PATRIZIA: the creation of sustainable real estate. Up to 1% of PATRIZIA’s operating income is spent on social projects like the PF. In addition to this financial support, our employees have the option to dedicate 1% of their work time to charitable causes. This means up to two days per person per year can be used to support the PF’s goal of improving prospects for more children, and many employees are already involved in fundraising campaigns such as Sweet Greets and PAT Pie.

“Education is the key to a better future

We believe that education can help break the cycle of poverty for generations. Education is a human right that enables people to lead a self-determined and independent life. Since it was established in 1999, the PATRIZIA Foundation has set out to provide education infrastructure where it is most needed to as many children as possible.

Wolfgang Egger, Chairman of the Management Board, CEO

CASE STUDY

An award-winning extension for a Nepalese school

PATRIZIA school Dhoksan in Nepal, developed with Supertecture, is an example of resource-conserving construction with local building materials. Opened by the PATRIZIA Foundation in 2012, the school was initially only built for primary school classes 1 to 5. It survived the severe earthquake in 2015 almost unscathed and even served some families as an emergency shelter for four months.

In 2019 the PATRIZIA Foundation and Supertecture expanded the school to teach children up to the eighth grade. Four new buildings were created, also housing a library and a reading room. The materials used were partly donations from houses destroyed by the earthquake and thus symbolised reconstruction.

A key focus was put on making the buildings earthquake-proof using local construction methods. Each classroom is an individually constructed building made of various local, traditional and natural methods such as rammed earth, bamboo, brick and natural stone. Each structure tells its own story of creativity and building with local, sustainable materials.

Supertecture won the 2020 Hans-Sauer Award for “Designing Circularity in the Built Environment” for the construction of the PATRIZIA School Dhoksan, and it’s already been nominated for further architecture, sustainability and social awards.
**Strong local partners**
The PATRIZIA Foundation works closely with local partners to transparently finance and manage the development of educational infrastructure. These partners are carefully selected based on their successful and sustainable work. A prerequisite for collaborating on projects is that both the PF and the local partner commit to run the children’s homes for the long term.

The PF pursues a cooperative approach with its partners, allowing them to lead with their local expertise. Working together with a local institution and the respective local community, it develops a concept based on regional conditions and specific community needs in order to support children in the best possible way. By securing the active involvement of partners, the PF creates broad networks of like-minded people who can initiate new projects where the need is greatest.

**Sustainable building**
The PF’s projects combine responsible architecture with local needs, employing sustainable materials and craftsmanship. It prioritises the development of CO₂-neutral, functional architecture that meets the requirements of the local population.

**Investment for the long-term**
In 2019, PATRIZIA supported the PATRIZIA Foundation with a €1.2 million donation. This was enough to cover not only its running costs, but to provide additional capital to invest in projects and build up reserves, and it meant 100% of all other donations received could go straight into its projects.

The foundation uses these resources to oversee each project end-to-end, from the planning stage to the opening day. It monitors the development of the projects and visits them regularly to ensure that they are operated as originally planned. In each project, the PF secures a mutual 25-year support agreement, ensuring the foundation is there to help local organisations to continue the project in the long-term.

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**CASE STUDY**

**Supporting girls in need in India**

Children need a safe environment to support their learning. That’s exactly what PATRIZIA Child Care Porayar – a girls’ dormitory in southern India that opened in summer 2019 – provides. It currently houses 240 girls between the ages of five and 17. With a school directly adjacent, it helps girls safely access an education.

The children and young women at PATRIZIA Child Care Porayar all come from poor and difficult family backgrounds. Many of them are orphaned. The dorm gives the girls a safe home with a family environment, alongside solid structures and responsibilities.

The PF built a new two-storey building with modern sanitary facilities for PATRIZIA Child Care Porayar. Our partner in the project is the Evangelical Lutheran Mission in Lower Saxony (ELM), whose partner church in Porayar, the Tamil Evangelical Lutheran Church (TELC), operates the children’s home on site.
20 years of success

More than 220,000 children and young adults have already benefited from the PATRIZIA Foundation. In more than 20 years of pioneering work, 17 facilities have been set up in 11 countries across Africa, Asia, Europe and Latin America, and all are still successfully operated today. Further projects are currently in the planning and construction phase, including kindergartens in Govindpur, India, and Kipili, Tanzania and the expansion of an existing school in Sondoveni, Peru.

CASE STUDY

PAT ART LAB

We’re always looking for new ways to link our real estate business more directly to our charitable mission, and to generate new sources of revenue for the charity.

One such initiative is the PAT ART LAB, which collects and displays contemporary art from around the world for our employees and our business partners, as well as for national and international investors. This provides a platform for talented but previously unknown artists, as well as raising additional funds for the PF.

In 2017 the ART LAB launched an extraordinary ‘art space’ event called the SCALE, where some of the world’s best-known graffiti artists painted their works on office and residential buildings. This cleverly combined the promotion of art in public space with the revitalisation of real estate. All profits from selling prints of the murals went directly to the PF.
SECTION 7

Business ethics
Corporate governance

As a company, we have established three key principles for:

- Our business activities and associated objectives
- Our general values beyond daily events

1. **Think long-term**: to equip PATRIZIA to thrive now and in the future, our actions must ensure sustainable development for the company.

2. **Make clear decisions**: to ensure our strategic decisions are implemented consistently throughout the business, we must focus on optimising processes and pursuing need-based solutions.

3. **Be constructive**: to foster a collaborative environment, we must reflect on our own actions and give respectful and direct feedback, leading by example.

As required by law, PATRIZIA AG operates a dual management system based on a clear separation of duties between the Management Board (the executive body) and the Supervisory Board (the supervisory body). As a listed German stock corporation, the management of PATRIZIA is primarily governed by the German Stock Corporation Act, Aktiengesetz (AktG). The Management Board and the Supervisory Board cooperate closely in a spirit of trust and confidence for the good of the company, in accordance with the principles of the German Corporate Governance Code.

All relevant information about the company’s corporate governance, including a description of the structure and function of the Supervisory and Management Boards and details about the roles, powers, limitations, activities and remuneration is available online as part of our Annual Report.\(^{11}\) PATRIZIA complies with the German Corporate Governance Code (Article 289f HGB) and the German Commercial Code (Article 315d HGB). The annual declaration of compliance pursuant to Article 161 AktG is permanently available to shareholders to download\(^{12}\) and on our website.\(^{13}\)

Governance related to sustainability

The highest level of responsibility for progress on sustainability matters resides with the Co-Chief Executive Officer (Co-CEO) as Chair of the ESG Committee. The Head of Strategic Planning and Sustainability is responsible for both the overarching corporate strategy of PATRIZIA and the implementation of a comprehensive ESG framework across the firm. The role directly reports to the Co-CEO, Chair of ESG Committee. The ESG Committee, which consists of the Heads of each core business function, aligns the Sustainability Strategy with our everyday management and ensures that it is implemented correctly. The Committee meets at least quarterly and the Sustainability Manager reports biannually to the Management Board.

Beyond the Committee, PATRIZIA’s Sustainability Strategy is integrated into the Company’s management practices across the organisation, through a variety of team responsibilities and voluntary initiatives:

- The Management Board is responsible for risk management, including the ways in which this pertains to climate change.
- PATRIZIA’s staff are increasingly involved in sustainable practices depending on function and level of expertise.
- In 2018 PATRIZIA established a central Sustainability Management function to coordinate and expand the Company’s Sustainability Strategy and activities.

Anti-Corruption and Anti-Fraud

PATRIZIA is committed to high ethical standards and expects the same from its employees and third-party service providers. We use a Code of Values and a Compliance Manual with extensive regulations, standards and guidelines relating to anti-bribery and corruption. We held compliance training sessions focusing on these two issues globally for all employees in 2018 and 2019. We have a strong system in place to ensure correct documentation, compliance and enforcement of anti-corruption and anti-fraud rules. Relevant training is provided to all employees via the PATRIZIA Academy.

PATRIZIA also expects that business partners will comply with statutory prohibitions regarding bribery and corruption, as well as competition law. In this respect, we will in no way tolerate attempts by business partners to inappropriately influence PATRIZIA employees in business dealings through gifts or other benefits. We will also not provide any incentives that could give business partners the impression that PATRIZIA staff are receptive to such advances.


\(^{13}\)Shareholder area on PATRIZIA’s website: https://www.patrizia.ag/en/shareholders/
Human Rights

PATRIZIA is committed to respecting fundamental human rights as defined by the United Nations (UN) Universal Declaration of Human Rights, and international standards of labour rights as defined by the International Labour Organisation.

We examine our implementation of human rights law at corporate level in relation to the German federal government’s National Action Plan on Human Rights.

We have enhanced our corporate governance framework with a commitment to the UK Modern Slavery Act. PATRIZIA’s commitment to human rights is included in the Group’s Compliance Handbook as well as the UK Modern Slavery Statement and is in line with the UN Global Compact Principles.

Due to our European regional focus, we do not see a strong risk with regards to human rights. Nevertheless, we expect that business partners will respect internationally recognised human rights. These include, for example, strict compliance with the prohibition on forced and child labour, as well as observation of the statutory minimum working age.

Supplier Code of Conduct

We are aware that a significant amount of our environmental and social impact comes from processes that are overseen and carried out by our business partners. PATRIZIA’s Supplier Code of Conduct therefore reflects our commitment to:

- Protect the environment
- Protect employees
- Community involvement
- Compliance and ethics

We wish to only engage with suppliers and contractors who are committed to similar standards. PATRIZIA requires third-party suppliers and contractors to confirm – on their own behalf and on behalf of their subsidiaries, employees, authorised representatives and subcontractors – that they will comply with the requirements set out in this code.

Modern Slavery Act Statement

PATRIZIA’s Modern Slavery Act Statement is in alignment with the provisions of the UK Modern Slavery Act and the disclosures are on top of the high standards by which PATRIZIA operates. PATRIZIA is committed to respecting fundamental human rights as defined by the United Nations Universal Declaration of Human Rights and international standards of labour rights as defined by the International Labour Organisation (ILO). As a German business PATRIZIA is also examining its implementation of human rights due diligence at corporate level in relation to the German federal government’s National Action Plan on Human Rights. PATRIZIA’s commitment to human rights is included in the Group’s Compliance Handbook, the PATRIZIA Supplier Code of Conduct as well as the Modern Slavery Statement and is in line with the UN Global Compact Principles.

https://www.patrizia.ag/fileadmin/user_upload/Modern_Slavery_Act_Statement.pdf
SECTION 8

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