

# **PATRIZIA Screening and Ethical Exclusion Policy**

**For Internal and External Use**

19-12-2022

# Document information

## Scope of application

This Responsible Investment Policy applies to PATRIZIA SE and all legal entities in which PATRIZIA SE directly or indirectly holds more than 50 % of the shares or voting rights (each hereinafter referred to as a “Company”). This applies also to the extent the Company is held or acting for the account of a special fund or other third parties (and, hence, in particular applies to fund vehicles and real estate special purpose vehicles).

## Policy owner

Central Sustainability Team

## Entry into force

December 2022

## Document history

Version	Date	Author	Changes / Comment	Approved by
1	Dec 2019	Anne Böker	First Implementation	
2	Nov 2020	Anne Böker	Editorial and formatting changes	
3	Sept 2021	Aaron Scott, Bernhard Magg	Various minor amendments and clarifications, new escalation process (clause 6)	
4	Dec 2022	Edward Pugh, Aaron Scott	Incorporation of prior Whitehelm Blacklist and Positive Screen elements, plus other minor adjustments to support a merged ESG policy framework	Executive Committee

# 0. Scope of Application

Table 1: Scope of application

Policy Section	Business Unit			
	Real Estate	Infrastructure Equity	Infrastructure Debt	Infrastructure Listed
<ul style="list-style-type: none"> <li>Exclusions / Blacklist</li> </ul>	✓	✓	Product Specific	Product Specific
<ul style="list-style-type: none"> <li>PATRIZIA´s Positive Screen</li> </ul>		✓	Product Specific	Product Specific
<ul style="list-style-type: none"> <li>Controversial Weapons</li> </ul>	✓	✓	Product Specific	Product Specific
<ul style="list-style-type: none"> <li>Monitoring and escalation</li> </ul>	✓	✓	✓	✓

## 1. Introduction

At PATRIZIA, we believe that consideration of ESG issues in the investment process is integral to responsible investment. PATRIZIA will only invest in companies, countries, and sectors that meet our requirements on specific environmental, social and governance (ESG) issues.

PATRIZIA is a signatory to the United Nations’ Principles of Responsible Investment (UN PRI) and respects the UN Global Compact principles<sup>1</sup> on human rights, the International Labour Organisation (ILO) Core Conventions<sup>2</sup>, and the Organisation for Economic Co-operation and OECD Development Guidelines for Multinational Enterprises<sup>3</sup>, particularly with regard to human rights, employee protection, and the prevention of corruption and bribery.

Accordingly, we avoid investments or commercial dealings with entities that are directly involved in activities that are harmful to people, particularly:

- If our influence through engagement cannot remedy the negative impact; or
- If a worldwide treaty exists for the purpose of eliminating the activity or product.

In addition, PATRIZIA maintains and applies an anti-money laundering and countering the financing of terrorism (AML/CTF) risk rating of locations where PATRIZIA will not invest, or where investment is subject to enhanced due diligence in line with regulatory requirements.

‘Exclusions’ in this policy refers to the removal of specific entities, sectors, or individuals from the investment universe of PATRIZIA.

1 <https://www.unglobalcompact.org/what-is-gc/our-work/social/human-rights>

2 <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>

3 <http://mneguidelines.oecd.org/guidelines/>

In our drive to achieve best practice when seeking sustainable investment opportunities, PATRIZIA applies a positive screen to guide its investment process when selecting investee companies.

## 2. Exclusions / Blacklist

PATRIZIA is committed to complying with sanction laws and regulations to the extent that this is in line with local applicable law.

To that end, PATRIZIA will not enter into a commercial dealing with tenants, service providers, investors, or investee companies under sanction by the UN or EU (ex-US)<sup>4,5</sup>, United Kingdom, Australia, and/or any other local applicable sanctions list.

PATRIZIA will not invest in assets or investee companies located<sup>6</sup> in, and restrict business with the governments of jurisdictions on the Financial Action Task Force's list of High-Risk Jurisdictions subject to a Call for Action<sup>7</sup> due to significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation.

Subject to any stricter statutory sanctions, PATRIZIA will apply an enhanced standard of due diligence before investing in assets that are located in jurisdictions with high risk of money laundering and terrorism financing.

In the event that said institutions update their country lists to include a country in which existing PATRIZIA managed investments have either physical presence or a material trading exposure, a positioning-paper may be prepared, addressing any suggested measures or responses to be taken to mitigate such violation, at the discretion of the PATRIZIA Investment Committee.

PATRIZIA will not knowingly invest in any asset deriving a majority of its revenues from the manufacture, production or stockpiling of controversial weapons.

When investing in companies, PATRIZIA will not knowingly:

- Invest in a company that does not comply with international, national, state, and local labour laws in the countries in which it is active;
- Invest in a company that does not uphold human rights, utilizes child or forced labour, or that maintains discriminatory policies or practices;
- Invest in a company that is involved with bribery, money laundering, or corruption;

4 <https://www.sanctionsmap.eu/#/main>

5 On 22 November 1996, the Council of the EU decided to respond to the extraterritorial measures taken by the US which purport to affect EU Member States or natural and legal persons, their activities or interests. The Council expressed the view that such laws with extra-territorial application violate international law. There are no EU restrictive measures with respect to the US per se, rather the EU introduced legislation that allows each Member State to take the measure it deems necessary to protect the interests of the natural or legal persons affected by the extra-territorial application of a third country's laws.

6 [https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc\(fatf\\_releasedate\)](https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc(fatf_releasedate))

7 Company is headquartered in, or earns more than 20% of EBITDA from that location

- Invest in a company that does not uphold good corporate governance principles and apply effective self-regulatory practices and risk-based due diligence, particularly with respect to sound management structures, employee relations, remuneration of staff, and tax compliance;
- Invest in a company active in the production of trading or goods or services that PATRIZIA considers likely to have a material negative impact on society (including but not limited to tobacco, gambling, illegal drugs, sex-related industries and armaments);
- Invest in a company that PATRIZIA considers likely to have a material negative impact on the environment, unless PATRIZIA assesses the company can reasonably transition away from such negative impacts.

### 3. Controversial Weapons

Controversial weapons are weapon systems that are deemed unacceptable to the international community because of their indiscriminate effects, the undue suffering they cause, and the disproportionate humanitarian impact they have on civilian populations. Many have been prohibited by international organisations such as the United Nations and European Union and are also prohibited under many countries' national laws. Cluster munitions, anti-personnel mines (APMs) and nuclear weapons are considered as controversial weapons in this policy.

PATRIZIA supports the following international conventions on controversial weapons:

- The Treaty on the Non-Proliferation of Nuclear Weapons (1968);
- The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972);
- The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993);
- Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997);
- Convention on Cluster Munitions (CCM) (2008).

Although many governments have ratified the Treaty on the Non-proliferation of nuclear weapons, this does not render their production and use illegal under the law of some countries, including many where PATRIZIA operates.

As such, there is scope for, and this policy does permit, pre-existing investments or commercial agreements with nuclear weapons related assets or counterparties to remain in PATRIZIA's standing portfolio.

## 4. Positive Screen

PATRIZIA's positive screen guides its investment process when making equity investments into operating companies (as distinct from real estate assets or debt investments). This Positive Screen is not exhaustive, binding, or retroactive, but includes ESG themes for preferential consideration.

PATRIZIA will seek to invest in companies that actively address environmental challenges:

- Energy transition
- Avoidance of climate change
- Mitigation of the impacts of climate change
- Sustainable economic development

PATRIZIA will seek to invest in companies that actively address social challenges:

- Workforce diversity and reduced inequalities
- Voluntary unionization of labour
- Development of deprived areas
- Positive engagement with and support of local communities
- Prevention of modern slavery or the use of child labour
- Good health and wellbeing

PATRIZIA will seek to invest in companies that actively promote and can demonstrate best practice governance principles:

- Corporate governance and risk management
- Financial governance, reporting and transparency
- ESG implementation
- Board representation and diversity
- Anti-money laundering
- Anti-bribery and corruption

## 5. Monitoring & Escalation

- In application of the Exclusion list, PATRIZIA applies screening of tenants, service providers, and investors, and applies enhanced due diligence on a risk-based approach.
- This policy is maintained and owned by PATRIZIA's Corporate Sustainability Team.
- It is the responsibility of the core investment functions of the business to be aware of the contents of this policy and apply it in a professionally sound manner.
- In the event that any aspect of the policy is unclear in application, the Head of Sustainability is authorized to make a determination with due regard to commercial impacts on PATRIZIA.
- In the event of any escalations to the Head of Sustainability, a report will be provided to the PATRIZIA Risk Committee for information. The Head of Sustainability may also request a session within the PATRIZIA Risk Committee for guidance and endorsement of any interpretation of the application of this policy.
- For the PATRIZIA Screening and Ethical Exclusion Policy, a comply or explain principle applies (provided that strict compliance will be observed to the extend statutory required). In addition, further restrictions may be applied if agreed with a client.

The Head of Sustainability will annually review and update the provisions of this policy (in particular the Restricted Countries list) and may request guidance from the Risk Committee before such annual update.