



Generali Real Estate S.p.A. SGR



ADVERSE SUSTAINABILITY IMPACTS STATEMENT

Implementation of Regulation (EU) 2019/2088 Art. 4

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Document summary

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Glossary and Definitions

Term	Definition
GRE SPA/SERVICE PROVIDER	Generali Real Estate S.p.A. as Real Estate service provider of GRE SGR
GRE SGR	Generali Real Estate S.p.A. Società di Gestione del Risparmio

1. Adverse Sustainability Impacts Statement

The Statement on due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors, hereinafter also referred to as the “Principal Adverse Impacts (PAI) Statement” or the “Statement”, aims to describe (a) the policies on the identification and prioritisation of principal adverse sustainability impacts and indicators; (b) the principal adverse sustainability impacts and any action taken in relation thereto or, where relevant, planned (c) a reference to GRE SGR adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of GRE SGR alignment with the objectives of the Paris Agreement.

In this regard, monitoring activities and planned actions to mitigate the potential damage caused by climate change, waste or misuse of natural resources (such as water and fossil fuels), as well as the exclusion of companies pursuing not ethical behaviours from all business related activities, are expected to lighten the principal adverse sustainability impacts identified in 1.1.

Ensuring we have an effective and market-leading fund strategy is essential for GRE SGR to attract and retain investors. As the ESG requirements within the real estate sector increase, we want to take a proactive approach to establish the ESG credentials of our funds, ensure we have a multi-year outlook and advocate our sustainability management to reflect the market’s needs and requirements. We aim to continuously improve the sustainability credentials of our funds and assets through integration of the activities outlined in the precedent sections.

GRE SGR, complies with art. 4 of the SFDR, in order to give a contribution to the real estate investment management industry in standardizing best-practice and transparent disclosure. Pursuant to the mentioned provision the PAI Statement takes into due account the size, the nature and scale of the activities of GRE SGR and the types of financial products rendered available.

In consideration of the activities governed by this Internal Regulation and its potential impacts, it is also relevant for the purposes of Legislative Decree 231/2001.

Therefore, the breach of its provisions will constitute a breach of the Organization and Management Model and penalties may be imposed in accordance with the provisions of the Model itself.

Anyone who becomes aware of a potential breach of the Organization and Management Model is required to promptly inform the Supervisory Body established pursuant to Legislative Decree 231/2001.

1.1 IDENTIFICATION AND PRIORITISATION OF PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS AND RELEVANT INDICATORS

Misguided investment choices can have a potential adverse impact on stakeholders, environment and society.

GRE SGR, as part of Generali Group, considers the Group sustainability materiality matrix, available online, as an important reference in order to identify and prioritize external adverse impacts.

GRE SGR believes that the climate change, also given the peculiarities of the real estate asset class, is one of the most relevant topics in regard to the impacts of its activities. GRE SGR can have an important impact on the environment through its investment choices. As an investment manager, GRE SGR can influence the tenants behaviors as ultimate users of the assets and thus responsible for the daily energy and waste emissions and water consumptions, can further reduce the investments in underlying real estate assets not reaching certain environmental labels/ consumptions thresholds and can further increase the capital expenditure and refurbishment efforts towards initiative and projects aimed to increase the environmental performance of the buildings.

Based on the above, GRE SGR has decided to assess its impacts on sustainability factors through different criteria, namely: Sustainable Due Diligence for new investments, counterparties screening, data analytics also through Green leases, and Physical – Transitional Risk assessment.

Following the list of PAIs used to assess GRE SGR’s impact and their underlying methodology:

- Exposure to fossil fuels through real estate assets (share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels)
- Exposure to energy-inefficient real estate assets (share of investments in energy-inefficient real estate assets)
- GHG Emissions
- Energy consumption intensity

1.2 DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS AND ACTIONS TO ADDRESS PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

Although being GRE SGR first disclose period, GRE SGR is already involved in initiatives that aim at limiting/eliminating the potential adverse impact of investments. GRE SGR will also monitor interim achievements in the future.

Specifically referring to the impacts disclosed above, GRE SGR is supporting its clients in the implementation of mitigation strategies.

Counterparties screening

GRE SGR, through its service provider GRE SPA, considers the following controversies and/or business sectors as relevant in the ESG assessment:

- involvement in controversies which potentially infringe the principles of United Nation Global Compact:
 - companies involved in serious or systematic human rights and/or labour rights violations;
 - companies involved in severe environmental damages;
 - companies implicated in cases of gross corruption and bribery.
- involvement in controversial business sectors:
 - armament and weapons that violate fundamental humanitarian principles through their normal use (cluster bombs, antipersonnel landmines, nuclear weapons, biological and chemical weapons);
 - coal.

The screening take place on counterparties defined as buyer, seller of co-investors.

GRE SPA performs control and check for each counterparty identified by GRE SPA pursuant to outsourcing agreement in place with GRE SGR and refers the output to GRE SGR. Control and check are based on the analysis of a number of dimensions such as involvement in controversies which potentially infringe the principles of United Nation Global Compact and/ or involvement in controversial business sectors. In case the counterparty is deemed, according to GRE SPA analysis, to be characterized by poor ESG practices on the above-mentioned dimensions, the business opportunity is aborted.

Sustainable due diligence

Acquisitions, undergo environmental/ sustainable due diligence (SDD) that is performed by GRE SPA. Our proprietary Sustainable Assessment tool measures the weighted performance of each building according to the following categories:

- Energy
- Water
- Waste
- Materials
- Land Use & Ecology
- Pollution
- Transport
- Health & Wellbeing
- Management

The outputs of these checks are embedded in the due diligence for informational purposes and for consideration alongside other factors in the investment decision making process.

The same tool for sustainability assessments is also used on the majority of GRE SGR's existing portfolio assets, also to identify any energy-inefficient assets, with an aim to continuous improvement. Whenever possible, a sustainable certification is targeted.

Data analytics

GRE SGR through GRE SPA is implementing a Data Analytics project covering across 11 European countries. Existing utilities consumption data are collected and centralized in a digital platform, which automatically calculates CO₂ emissions and monitors their evolution, also supported by an innovative prop-tech, green-tech SaaS¹ solution.

¹ Software as a service.

Green Leases

GRE SGR through GRE SPA is proposing a new “Standard Green Lease Clause”, each time a lease with a tenant is (re)negotiated. This clause will allow GRE, on behalf of GRE SGR, to obtain at minimum the tenants’ utility consumptions on a regular basis, so that GRE, on behalf of GRE SGR, can measure and take action to improve its management, its buildings and the CO₂ footprint, in close collaboration with the tenants. Besides, other selected ESG aspects can be integrated in the lease contracts.

Physical risk analysis

GRE SGR, through GRE SPA, carried out the first impact analysis for its full portfolio in 2020. Thanks to the methodology developed by a specialized and market leader service provider, GRE SGR has been able to geo-localize all its assets and to map out the physical risks related to global warming, in line with the TCFD Recommendations.

Seven key hazard types have been assessed under three climate change IPCC² scenarios (high, moderate and low) and three future reference years (2020, 2030 and 2050):

- Water stress
- Wildfire
- Flood
- Heatwave
- Coldwave
- Hurricane
- Sea level rise

The outputs of this analysis are used by the fund management to fulfill their oversight duty on investments.

Transition to a low-carbon economy

GRE SGR voluntarily pledges the reduction of portfolios’ emissions and - more broadly, the low-carbon transition. GRE SGR developed a proprietary methodology to assess and improve portfolios climate sensitivity by (i) identifying climate leaders and laggards and (ii) optimizing portfolios according to various climate strategies, as recommended by best practice (NZAOA³, TCFD⁴, etc.).

1.3 ADHERENCE TO RESPONSIBLE BUSINESS CONDUCT CODES AND INTERNATIONALLY RECOGNISED STANDARDS FOR DUE DILIGENCE AND REPORTING

GRE SGR aims at incorporating ESG topics into the investment decision making and ownership practices. GRE SGR is committed in the fulfilment of the following six principles adopted from UN PRI⁵:

- “We will incorporate ESG issues into investment analysis and decision-making processes.”
- “We will be active owners and incorporate ESG issues into our ownership policies and practices.”
- “We will seek appropriate disclosure on ESG issues by the entities in which we invest.”
- “We will promote acceptance and implementation of the Principles within the investment industry.”
- “We will work together to enhance our effectiveness in implementing the Principles.”
- “We will each report on our activities and progress towards implementing the Principles.”

Furthermore, as the real estate business is specifically concerned, GRE SGR takes inspiration from the Environmental Sustainability Principles for the Real Estate Industry, promoted by the World Economic Forum⁶:

1. “Embed adherence to best-in-class sustainability standards in all aspects of our real estate operations, with board level responsibility for monitoring and disclosing our sustainability performance. “

² Intergovernmental Panel on Climate Change

³ NetZero Asset Owner Alliance

⁴ Task Force on Climate-related Financial Disclosures

⁵ <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-are-the-principles-for-responsible-investment>

⁶ <https://www.weforum.org/whitepapers/environmental-sustainability-principles-for-the-real-estate-industry>

2. "Ensure that our decisions contribute to improvements in environmental sustainability at the local and urban levels, working cooperatively with tenants, city governments, planners and other stakeholders in achieving our targets. "
3. "Commit to continuous improvement in the environmental performance of construction and development activities, our real estate operations and our asset management policies."
4. "Track the environmental performance of our real estate assets and operations on a continuous basis, to assess our ecological footprint, and our exposure to risk from natural shocks, environmental regulation and the economic impacts of climate change."
5. "Identify explicit targets for improving our environmental sustainability performance including specifically in our commitment to minimize emissions of greenhouse gases and to increasing our use of renewable resources."

The principles apply to all GRE SGR's funds. In addition, each single fund might adopt more stringent/ selective rules and guideline to further enhance its ESG performance.