



CATELLA

Catella Residential Investment Management GmbH

CER III



“Decarbonising our economy is a formidable challenge. Our contribution is only limited and in its earlier phase of development. At the same time, it is the best way to spend our time and investor capital.”

Xavier Jongen, Managing Director

“SFDR is all about increasing transparency on how we as investment managers deal with sustainability. Whilst regulation is still evolving and asset-level data is patchy at times, this report is a bit of a moving target for us and very much subject to evolution. That said, we believe that with this first-ever report the Catella European Residential Fund III makes an important first step in showing it is not just talking the talk, but also walking the walk.”

Paul van Stiphout, Fund Manager CER III



“Having elected to qualify as a ‘dark-green’ fund only last year, our efforts were very much focused on ensuring that we put in place the right business plans for each of our assets in order to meet our long term fund objectives. Progress however has been good and we are hopeful that we will be able to report more tangible results next year.”

Glenn Gelissen, Co-Fund Manager CER III



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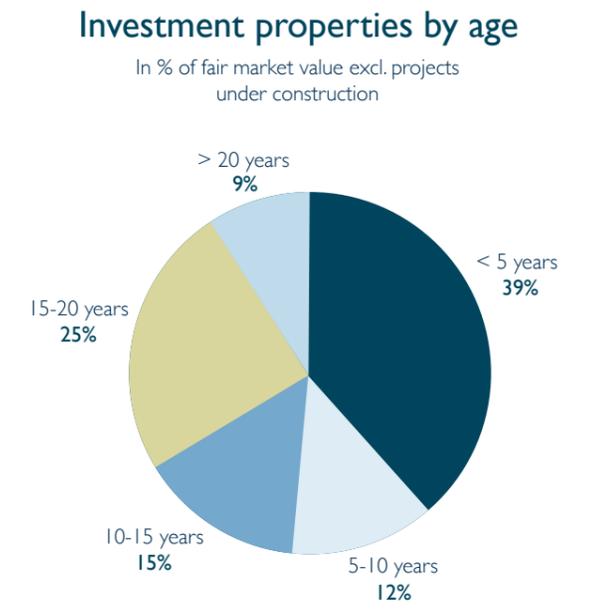
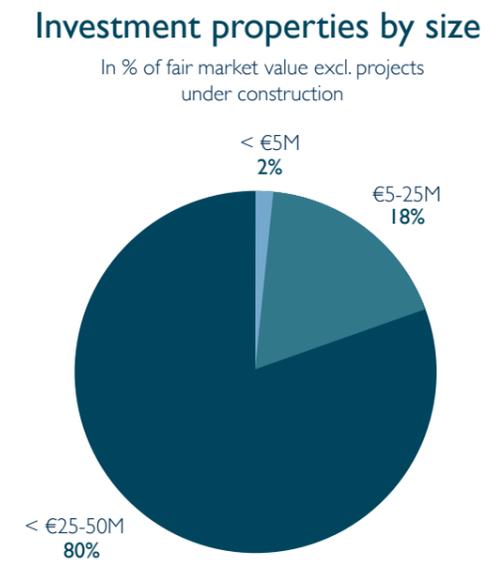
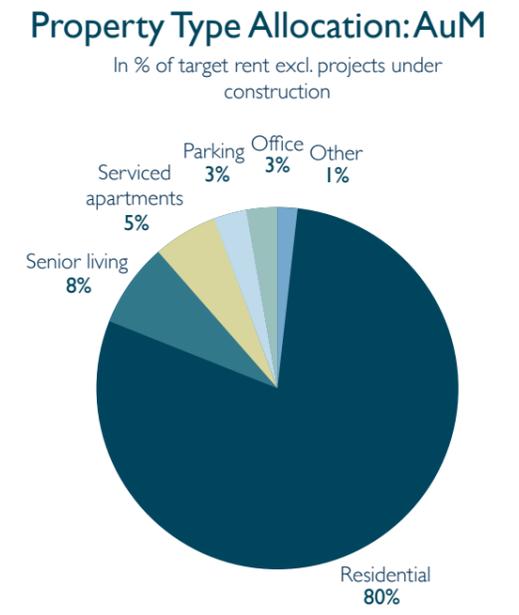
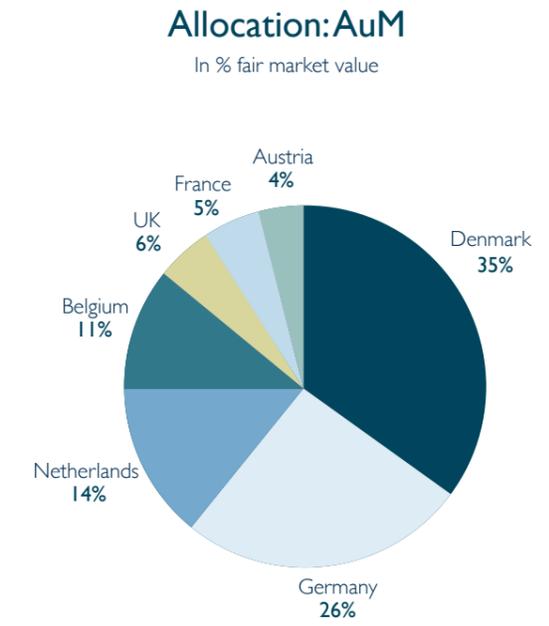
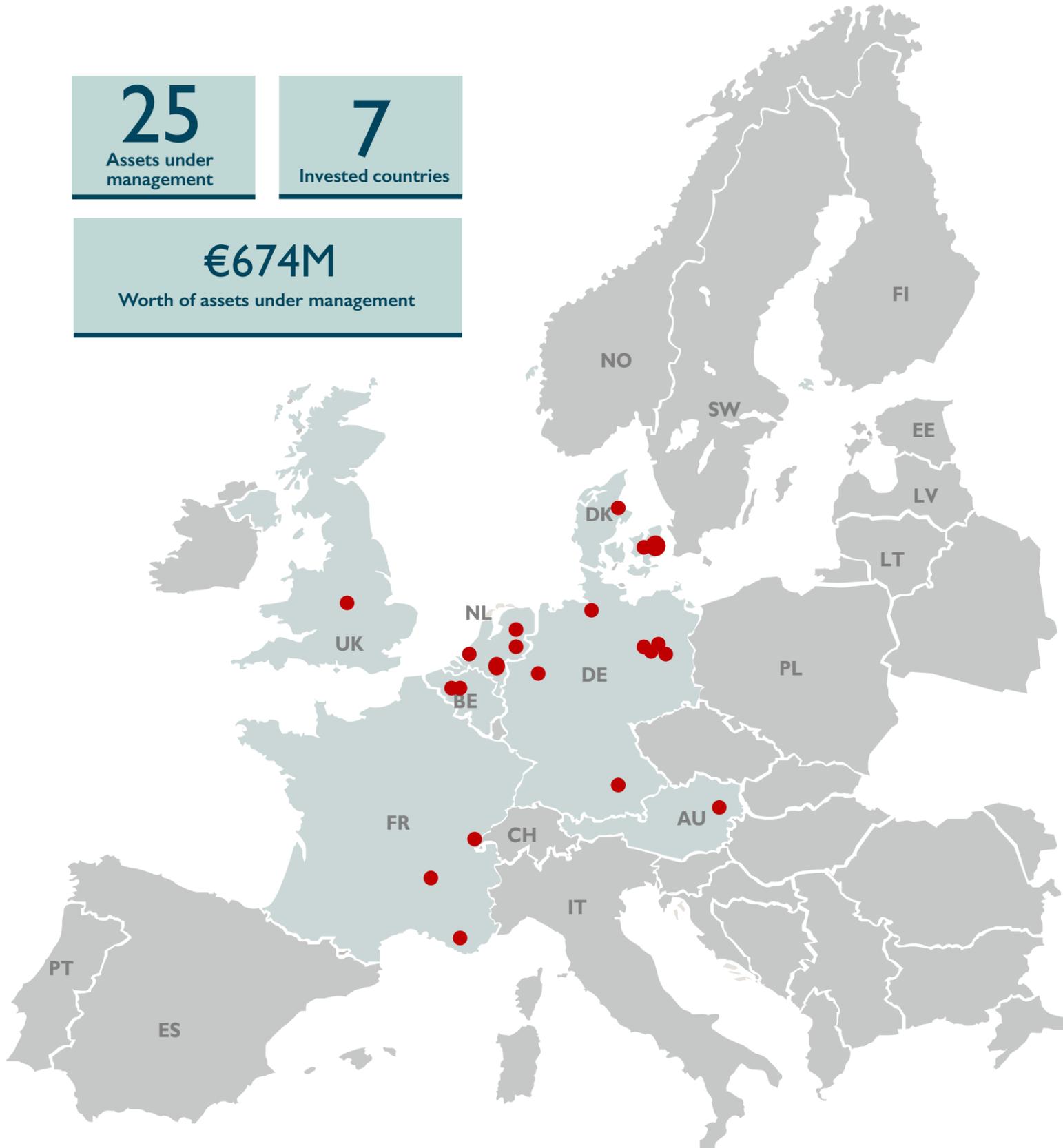
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Portfolio overview

25
Assets under management

7
Invested countries

€674M
Worth of assets under management



ESG strategy for CER III

Catella European Residential Fund III (CER III) is committed to meeting its financial objectives whilst simultaneously striving for environmental and social goals. It has aligned its fee structure with those objectives, meaning there is a 5% discount on asset/fund management fee if these objectives are not met. The Fund is classified as an Article 9 fund (a so-called Impact Fund) under the Sustainable Financing Disclosure Regulation (SFDR), as it has defined sustainable, social and governance objectives as binding elements of its investment strategy. Additionally, the Fund considers ESG features at all project stages of acquisition, refurbishment/development if applicable, and operation. CER III acknowledges the responsibility of the real estate industry towards climate change risks and we have committed to identifying potential negative impacts and other principal adverse impacts (PAIS).



CER III has acquired the first energy positive residential tower, located in Saint Etienne. Once in operation, the tower will produce more clean energy than it consumes in carbon-based energy, eradicating the total energy bill for about 7 out of 10 tenants.

TARGET	WHAT	WHO BENEFITS	IMPACT	SDG GOAL
Carbon neutral	Build "energy-positive" buildings and reduce carbon emissions by 100% by 2030 as defined by national decarbonisation pathways	<ul style="list-style-type: none"> Mid-market income tenants Earth 	Carbon reduction	
Affordable housing	>80% of all units are invested in affordable housing for the mid-market	<ul style="list-style-type: none"> Mid-market group who have limited access to affordable housing 	Affordability for the median income segment	
Financial return	Target return 5-6% IRR	<ul style="list-style-type: none"> Investors of CER III 	<ul style="list-style-type: none"> Stable return Downside protection through impact strategy 	

Furthermore, the Fund will use a combination of external and internal measurement techniques and will be monitored, including the Carbon Risk Monitor, CRREM. Moreover, it will be report via an Impact Dashboard to be included in our Investor Reporting. By implementing an Impact Dashboard, we can assess whether potential acquisitions are in alignment with the impact strategy and can be acquired. This dashboard describes the targets of the impact strategy, measures the current impact score of the assets, and monitors the progress of the assets' environmental and social long-term targets. The use of green certificates would only be considered as "bridge" investment towards a real change of the asset.

ESG Achievements on corporate and fund level

CATELLA GROUP:

✓ UN PRI: signed



CRIM CORPORATE:

- Definition and ambition of ESG Strategy & Policies
- JV Elithis: world's first 100 energy-positive towers
- GIIN member: Global Impact Investing Network



STRATEGY LEVEL:

- Landlord energy in CRIM funds: CO₂ neutral
 - CRIM is the only German manager that puts all funds in GRESB
 - Data collection: bottleneck identification and increase of data coverage with stakeholder engagement strategy
- ✓ CER3 one of the first impact funds with skin in the game

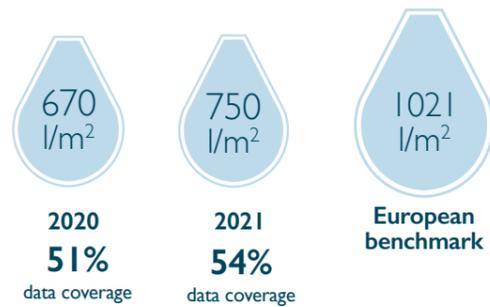


The UN Sustainable Development Goals

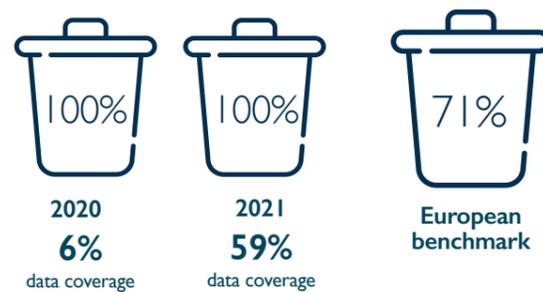
The 2030 Agenda for Sustainable Development, was adopted by the member states of the United Nations in 2015 and comprises 17 Sustainable Development Goals (SDGs) covering social, economic, and ecological development. These goals provide the framework for achieving a globally sustainable society and act as a future contract for the global community in the 21st Century. The topics range from ending world hunger and poverty, to clean energy, access to clean drinking water and gender equality.

Portfolio KPIs

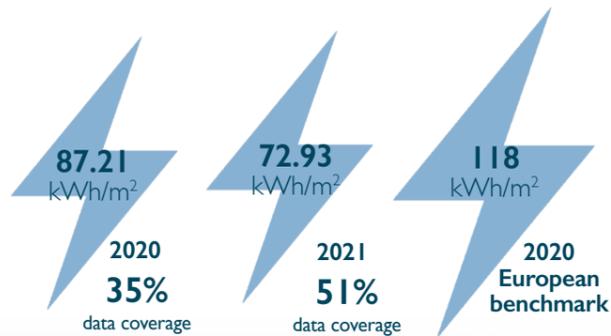
Portfolio total water intensity



Portfolio total waste diverted



Portfolio energy intensity



Portfolio total GHG intensity



GRESB results and next steps

For the second time in 2021, CER III participated in the Global Real Estate Sustainability Benchmark (GRESB). With a score of 46/100 points, the Fund achieved a better result than the year before (36/100 points). An increase of 10 points in the overall GRESB score was mainly achieved by significantly increasing the data coverage. Looking at the results from 2021 on a more detailed level, the Fund's main strengths currently lie in the area of management. In the

area of performance, a satisfactory result is yet to be achieved. The reason for this is that the consumption data for the individual properties has not yet been available in full. In the coming years, the collection of consumption data will therefore be a top priority for the Fund in order to achieve better results. The next sub-goal in 2022 is to become a Green Star.

2021

GRESB Real Estate Assessment

CER III: Catella Residential Investment Management GmbH

36 → 46

2020 2021

21st

Out of 23

★ ★ ★ ★ ★

2021

Status: Non-listed
Strategy: Core
Location: Western Europe
Property type: Residential (multi-family)

Western Europe | Residential: Multi-family | Core



GRESB score
GRESB average 73
Peer average 68



Management score
GRESB average 26
Peer average 27



Performance score
GRESB average 46
Peer average 42

In conclusion, and in view of the general GRESB results of the industry, further action needs to be implemented in order to progress. CER III conducted a comprehensive analysis of the GRESB results together with experts on sustainability in the real estate industry. The results were incorporated into the the Fund's action plan for the coming year.



What lies ahead: ESG action plan

Organisation (Catella)

- Expansion of personnel ESG performance targets
- Expansion of ESG reporting
- Expansion of ESG incident monitoring
- Expansion of the employee health and well-being program to include needs assessment, goal setting and monitoring
- Expansion of supply chain engagement program

Entity (Fund Management)

- Conduct tenant satisfaction survey
- Consider further ESG-specific guidance and workshops with tenants
- Improve reporting procedures and standards of ESG-specific requirements in lease contracts
- Consider developing a comprehensive tenant health and wellbeing program based on needs assessment as part of tenant survey; set goals and monitor outcome
- Consider more comprehensive community engagement program
- Social experiments will be carried out to see if we can make additional social and environmental impact, ranging from positive discrimination to nudging of tenants to consume less energy

Assets (Asset Management)

- Increase data coverage for energy, carbon, water and waste, with full coverage of energy and carbon data needed by December 2022
- Conduct decarbonisation studies on fund and asset-level to align with the Fund's ESG strategy
- Set-up a climate protection roadmap for the Fund
- Align CAPEX planning with ESG performance targets of the Fund
- Add efficiency measures as an item to the standard property management reporting
- Evaluate further improvement opportunities, especially with respect to resource efficiency, by conducting ESG audits for all assets
- Develop a tenant sustainability guide
- Have all EPCs available
- Consider further assets for BREEAM certification to align with the Fund's ESG strategy
- Develop a tenant satisfaction program
- Provide tenants with a fit-out guide

Case study: decarbonisation

We have commissioned decarbonisation studies for the assets in CER III. These are carried out in order to identify concrete opportunities for increasing energy efficiency and reducing carbon emissions through renewable energies, and consequently, to develop a climate protection roadmap towards climate neutral operation.

The asset which belongs to the Fund is classified as an Article 9 impact fund. Therefore, special requirements apply to these assets, additionally the Fund has set an objective to reach climate neutrality by 2030. The assessed apartment building is located in Berlin and was originally

built in 1911. It underwent a major refurbishment in 2018 and currently contains 11 residential units (total 2,054m² GFA). To successfully counteract the increasing stranding risk of the property, a continuous improvement process (CIP) must be initiated. As part of the CIP, the current energy performance of the building is analysed in an annual cycle and, on this basis, risks will be reassessed and necessary actions derived.

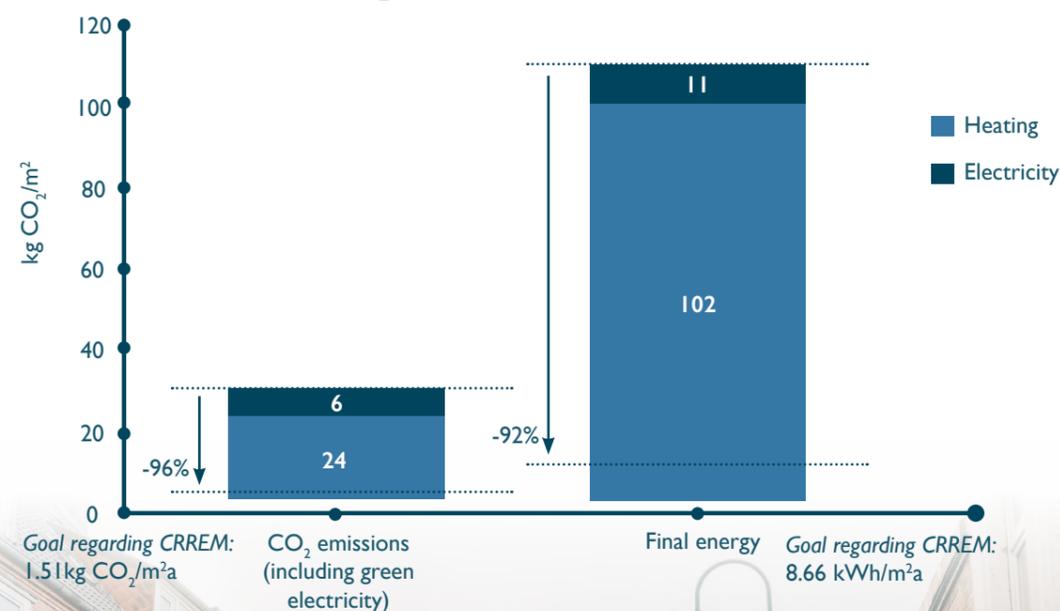
The following figure shows the current emissions and energy characteristics of the asset, as well as the target values according to CRREM (1.5°C target):

As part of the decarbonisation audit, optimisation potentials for increasing energy efficiency were developed. A climate protection roadmap was drawn up for the property, including further emission reduction measures, showing how the 1.5°C target can be achieved already by 2030 in terms of CO₂ emissions.

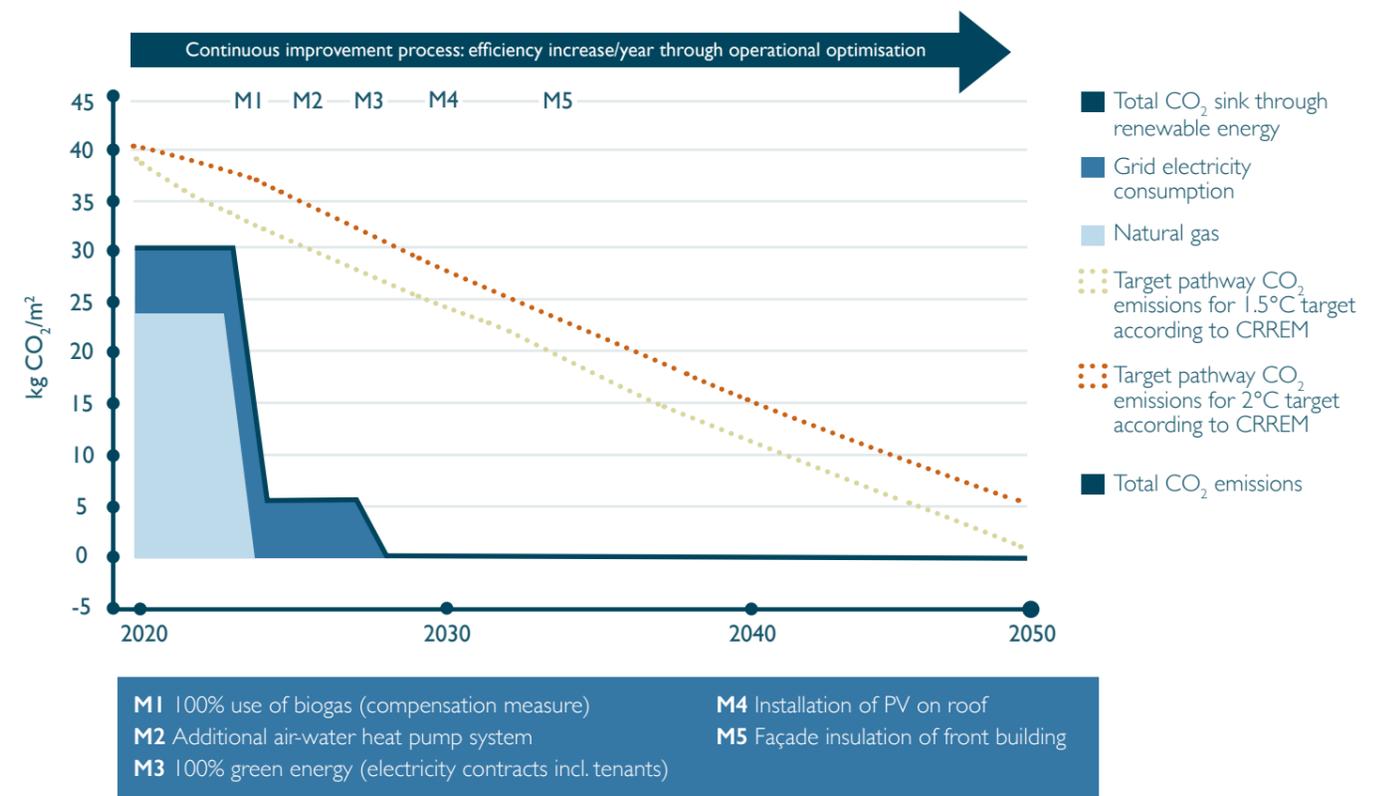
measures and recommended actions for the building, along with respective proposed implementation dates and an expected development of CO₂ emissions over time. A comparison of the development paths of the 1.5°C and 2°C targets according to CRREM is also presented.

The following diagram shows the possible development of CO₂ emissions in the climate protection roadmap. It lists the optimisation

CO₂ footprint and energy intensity

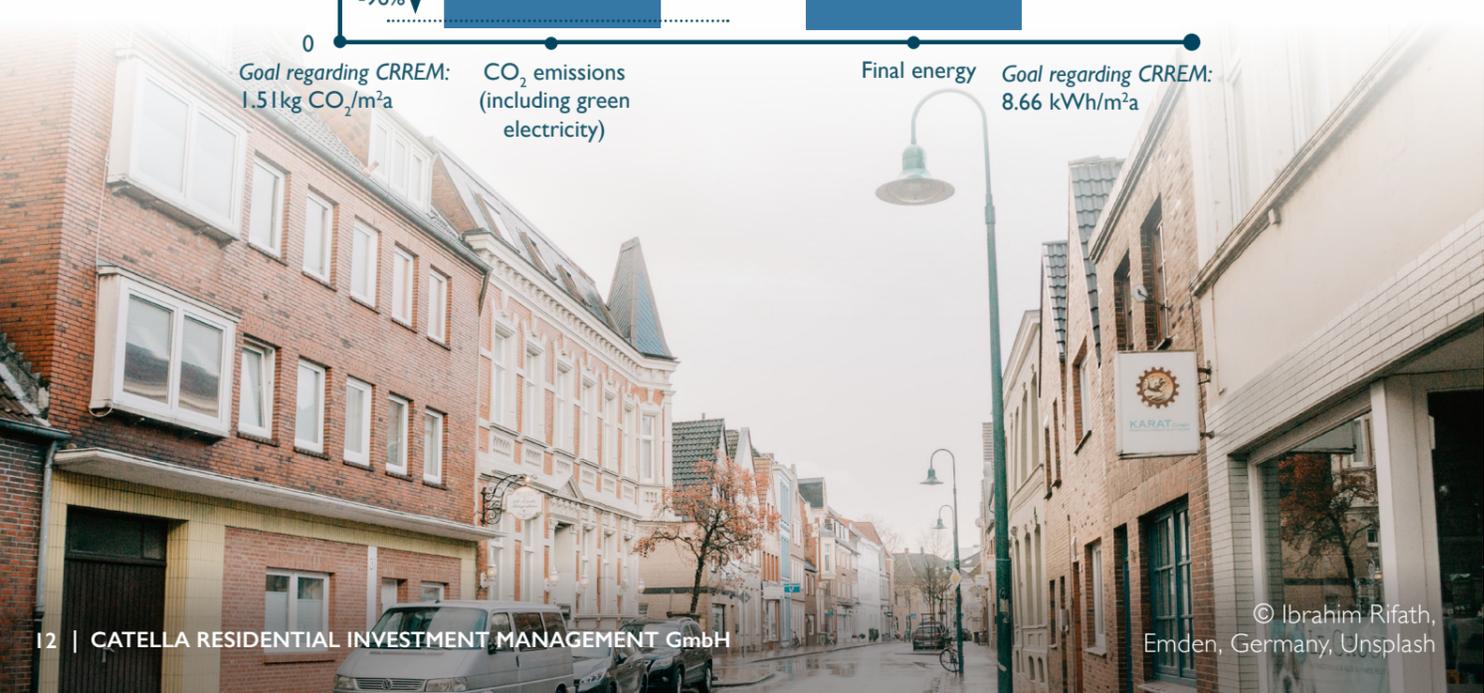


CO₂ development path including optimisation measures



As a result, we will use the climate protection roadmap to ensure the building is climate-neutral by 2030. We immediately included the recommended measures in our Capex planning and will start the implementation as soon as possible.

These climate protection roadmaps exist for all assets in the portfolio and are updated annually. This allows us to monitor the results of the implemented measures.



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