

# Statement on principal adverse impacts of investment decisions on sustainability factors

**Entity name:** GENERALI REAL ESTATE S.P.A. SOCIETA' DI GESTIONE DEL RISPARMIO - G.R.E. SGR S.P.A.

**LEI code:** 8156006D61AB65BBC492

## 1. Summary

Generali Real Estate SGR (hereinafter "GRE SGR") considers the principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of GRE SGR. This document explains GRE SGR approach on the "Principal Adverse Impacts of investment decisions on sustainability factors".

This statement on principal adverse impacts on sustainability factors covers the reference period from 1<sup>st</sup> January to 31<sup>st</sup> December 2023.

Monitoring activities and planned actions to mitigate the potential damage caused by climate change, waste or misuse of natural resources (such as fossil fuels), as well as the active engagement with the stakeholders involved in various aspects of all business-related activities and the exclusion of companies / counterparties pursuing not ethical behaviors are expected to decrease the principal adverse sustainability impacts identified by GRE SGR.

Since GRE SGR focuses its business on managing Real Estate investments, the principal adverse sustainability impacts (hereinafter "PAIs") that are identified are the most critical and relevant for the management of physical assets i.e., climate change and natural disasters, pollution, water and waste, risk of involvement in ethical violations (e.g., human rights, corruption, compliance with laws).

GRE SGR considers PAIs as part of the business-as-usual and running operations, as GRE SGR has committed to embedding ESG throughout daily work through the implementation of tangible actions aimed to (i) improve the environmental impact created by underlying real estate assets (ii) further enhance the impact of social welfare of our stakeholders through a long-term investment management strategy of our real estate underlying assets, also through a transparent and efficient governance system.

It is essential for GRE SGR to adopt an effective and market-leading long-term fund strategy to attract and retain investors. As the demand for sustainable products and sustainable work ethic within the real estate sector is increasing, GRE SGR takes a proactive approach to establish the ESG credentials of its funds, ensure to have a multi-year outlook and advocate our sustainability management to reflect our beliefs, market's needs and regulatory requirements. GRE SGR ambition is to continuously improve its sustainability framework and of the funds / assets managed through integrating a series of tangible actions.

GRE SGR complies with art. 4 of the SFDR since March 2021 (please refer to [www.generalirealestate.com](http://www.generalirealestate.com) for further details), in order to provide investors and stakeholders in general a transparent disclosure on the way PAIs are identified, measured, monitored and reduced / minimized over time within our portfolio under management.

For the final purpose of ensuring its investors the maximum level of commitment in transparency, GRE SGR drafted this PAI Statement according to the requirements of the Regulatory Technical Standards ("RTS") adopted by the Delegated Regulation (EU) 2022/1288, including quantitative indicators respect to the PAIs for the reporting period 2023.

Pursuant to the mentioned provisions, this PAI Statement takes into due account the specificity of the Real Estate investment management business, the nature and scale of the activities of GRE SGR and the types of financial products / assets under management.

Consistently with the above, the list of PAIs used to assess GRE SGR’s portfolio impact includes the following PAIs:

- 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) (Table 1);
- Exposure to energy-inefficient real estate assets (share of investments in energy-inefficient real estate assets) (Table 1);
- GHG Emissions (Table 2);
- Energy consumption intensity (Table 2);
- Certified Buildings (additional proprietary indicator).

There are no applicable indicators for Real Estate investments provided in Annex I, Table 3 as referred to in Article 6(1), point (b), in the format in Table 3 of Annex I Delegated Regulation adopting the RTS. Furthermore, GRE SGR assessed the Table 3 indicators as not relevant for its investments.

The PAI statement refers to the GRE SGR portfolio, considering funds set-up and directly managed by GRE SGR, including the direct investments (funds managed by GRE SGR) for which GRE SGR has operational control at real estate asset level, the indirect investments (funds of funds managed by GRE SGR) and real estate debt investments (i.e., CRE debt funds).

The methodological approach for the purpose of KPI calculation follows the references cited in the Annex I of the RTS adopted by the Delegated Regulation (EU) 2022/1288 and any methodological assumption and estimation adopted has been appropriately disclosed in the “Explanation” column of the table below and explained in the Section “Description of policies to identify and prioritize principal adverse impacts on sustainability factors”. In the context of the direct portfolio, external data providers serve GRE SGR by collecting and/or estimating data /information on the underlying real estate assets. For the indirect and commercial real estate debt portfolios (CRE Debt), the operational management of the properties is delegated to third-party managers, thereby resulting in distinct methodologies being employed.

By voluntarily measuring and disclosing Principal Adverse Impacts (PAIs), GRE SGR has set a data collection baseline to reduce negative impacts. The key actions implemented during the reference period include in-house ESG due diligence, energy efficiency improvements, decarbonizing assets, and increasing certified buildings. The monitored PAIs trend indicates the effectiveness of the comprehensive ESG strategies and actions. GRE SGR aims to enhance data accuracy through green leases and data monitoring technologies. Despite data limitations, methodologies align with market practices and includes reasonable assumptions and support from third-party experts and service providers.

## 2. Description of the principal adverse impacts on sustainability factors

Based on the impact figures also the actions planned could be updated. The adverse sustainability indicators in Table 1 of Annex I that are not listed in the table below are considered “Not Applicable” to investments in real estate assets.

### Indicators applicable to investments in real estate assets

Adverse sustainability indicator	Metric	Impact 2023**	Impact 2022*	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil Fuels	17. Exposure	Share of investments in 0,01%***	< 0,01%***	The involvement in the fossil fuels sector	

	to fossil fuels through real estate assets	real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels			is assessed based on the primary intended use of the real estate asset.	GRE SGR chose to voluntarily measure and disclose the PAIs, a strategic choice so that GRE SGR will have the opportunity to develop in the future a more detailed baseline to run data collection / estimation for negative impacts reduction.
Energy Efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	61%****	66%****	The 2023 figure consists of 75% actual data from Energy Performance Certificates ("EPC") and 25% from estimates (please refer to the proprietary estimation methodology section).	<p>For KPI 17, the actions put in place by GRE SGR include the application of an ESG due diligence process to make sure that potential findings on fossil fuel related exposure are taken into consideration during the investment decision making process. The objective is to maintain a very residual share of investments with exposure to fossil fuel in the next reporting period.</p> <p>For KPI 18, the actions put in place by GRE SGR include a wide range of ESG strategies carried out through GRE SPA or other real estate service provider based on AIFs' rules / prospectus, such as the application of actions aimed to increase the share of investments in energy efficient assets. Those actions are embedded during the overall asset life cycle as during the investments / divestments decision making process, capex / development / repositioning / refurbishment (if needed) and, ordinary / recurring asset management process involving tenants and counterparties. The objective for the next reporting periods, consistently with budget and technical issues is to progressively increase the efficiency of the</p>

						assets subject to reposition.
<p>* The PAIs are considered as the observation of the overall year values of all available figures from 01.01.2022 to 31.12.2022.  ** The PAIs are considered as the observation of the overall year values of all available figures from 01.01.2023 to 31.12.2023.  *** The figure consists of a non-significant exposure related to fossil fuel retail activity within shopping center assets. The scope of applicability of the PAI 17 covers 100% of GRE SGR portfolio.  **** As required by the Regulatory Technical Standards, the computation of the figure does include all buildings required to abide by EPC and NZEB rules defined by EPBD (Energy Performance of Buildings Directives). The scope of applicability of the PAI 18 covers 96% of GRE SGR portfolio.</p>						
<b>Other indicators for principal adverse impacts on sustainability factors</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets	6.395 tonCO <sub>2</sub>	15.397 tonCO <sub>2</sub>	<p>The direct emission sources considered refer to energy consumption for space heating.</p> <p>The distribution of GHG emissions across scopes may vary between different reporting periods for real estate asset occupancy settlements, availability and accuracy of the information and data about technical equipment and energy consumption and the subsequent definition of the operational control of GHG emission sources.</p>	<p>GRE SGR chose to voluntarily measure and disclose the PAIs, a strategic choice so that GRE SGR will have the opportunity to develop a more detailed baseline to run data collection / estimation for negative impacts reduction.</p> <p>The actions put in place by GRE SGR include a wide range of ESG strategies carried out through GRE SPA or other real estate service provider based on AIFs' rules / prospectus such as the application of actions aimed to increase the penetration and accuracy of data. Those actions are mostly implemented during the ordinary / recurring management of the real estate assets involving tenants (i.e., through "green leases") and counterparties (i.e., adopting adequate vendors / systems / technologies).</p> <p>The objective for the next reporting period, consistently with budget, and tenant's collaborations, is to further increase the quality and penetration of data.</p>
		Scope 2 GHG emissions generated by real estate assets	33.604 tonCO <sub>2</sub>	43.235 tonCO <sub>2</sub>	<p>The indirect emission sources considered, in accordance with the GHG Protocol, refer to energy consumption of purchased electricity, district heating and cooling. Scope 2 GHG emissions are based on the Market-based calculation method.</p> <p>The distribution of GHG emissions across scopes may vary between different reporting periods for real estate asset occupancy settlements, availability and</p>	

					accuracy of the information and data about technical equipment and energy consumption and the subsequent definition of the operational control of GHG emission sources.	Moreover, GRE SGR implements actions that leverage different factors across the overall real value chain with the aim of reducing the environmental footprint of its real estate portfolio.
		Scope 3 GHG emissions generated by real estate assets	51.023 tonCO <sub>2</sub>	44.430 tonCO <sub>2</sub>	<p>The indirect emission sources considered, in accordance with the GHG Protocol, refer to the downstream leased assets categories related to tenants' energy consumption.</p> <p>The distribution of GHG emissions across scopes may vary between different reporting periods for real estate asset occupancy settlements, availability and accuracy of the information and data about technical equipment and energy consumption and the subsequent definition of the operational control of GHG emission sources.</p>	Consistently with budget and technical issues, the objective for the next reporting periods is to progressively increase the efficiency of the assets subject to reposition, potentially reducing energy consumption and GHG emissions.
		Total GHG emissions generated by real estate assets	91.022 tonCO <sub>2</sub>	103.062 tonCO <sub>2</sub>	<p>Scope 1, Scope 2 and Scope 3 GHG emissions.</p> <p>The scope of applicability of the PAI covers 100% of GRE SGR portfolio. The 2023 data refer to the operating assets representing 96% of the total investment portfolio since the remaining part, the 4% of the investment portfolio, is composed of assets under development or refurbishment, considered as having no GHG emissions</p>	

					(please refer to the following section for details on the methodological approach).
Energy consumption	19. Energy consumption intensity	Energy consumption in kWh of owned real estate assets per square meter	149 kWh/m <sup>2</sup> year	187 kWh/m <sup>2</sup> year	The scope of applicability of the PAI covers 100% of GRE SGR portfolio. The 2023 data refer to the operating assets representing 96% of the total investment portfolio since the remaining part, the 4% of the investment portfolio, is composed of assets under development or refurbishment considered as having no energy consumption (please refer to the following section for details on the methodological approach).

Please note: the scope of applicability of PAI 18 and PAI 19 covers 100% of GRE SGR portfolio.

\* The PAIs are considered is the observation of the overall year values of all available figures from 01.01.2022 to 31.12.2022. In order to further increase data quality and consistently with the methodology that accounts GHG emission and energy consumption, in case an asset has been purchased during the year, its GHG emission and energy consumption has been weighted by the related holding period during 2022.

\*\* The PAIs are considered is the observation of the overall year values of all available figures from 01.01.2023 to 31.12.2023. In order to further increase data quality and consistently with the methodology that accounts GHG emission and energy consumption, in case an asset has been purchased during the year, its GHG emission and energy consumption has been weighted by the related holding period during 2023.

### Other voluntary indicators for principal adverse impacts on sustainability factors

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Certified Buildings ( <i>Proprietary indicator</i> )	Exposure to real estate assets that do meet adequate green certification standards	Share of investments in real estate assets that do achieve adequate green certification standards	69%*	60%**	As appropriate certification standards for green buildings, are considered the main international references <sup>1</sup> and the local green building certifications <sup>2</sup> . The indicator calculation includes funds directly managed by GRE SGR.	GRE focused on buying and/or developing certified buildings to increase the share of certified buildings in the portfolio.  Moreover, all new investments must undergo a sustainability in-house assessment, to ensure the acquisition of assets with high sustainability certifications.  The objective is to increase the portfolio credentials through

						certification and/or assessment.
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\* Please note: the scope of applicability of the KPI covers 100% of GRE SGR portfolio.  
 \*\* Please note: the scope of applicability of the KPI covers 91% of GRE SGR portfolio since excluded indirect investments and assets under development.  
<sup>1</sup> The Leadership in Energy and Environmental Design (“LEED”) certification and Building Research Establishment Environmental Assessment Method (“BREEAM”) certification are international recognized certification aligned with Generali Green Bond Framework and the market best practices  
<sup>2</sup> France: Haute Qualité Environnementale (“HQE”)  
 Germany: Deutsche Gesellschaft für Nachhaltiges Bauen (“DGNB”)

### 3. Description of policies to identify and prioritize principal adverse impacts on sustainability factors

Investment choices can have a potential adverse impact on stakeholders, environment and society. GRE SGR believes that climate change, also given the peculiarities of the real estate asset class, is one of the most relevant topics regarding the impacts of its investment choices.

As an investment manager, GRE SGR can mainly have a significant effect by:

- further reducing the investments in underlying real estate assets not reaching certain environmental labels or consumptions thresholds;
- further increasing the fund and asset management efforts towards initiatives and projects aimed at increasing the environmental performance of the buildings;
- sensitizing the tenants’ behaviors as ultimate users of the assets and, thus, responsible for the daily energy.

On the 27th of April 2023, the Board of Directors of GRE SGR approved the “Sustainability Policy” and “Adverse Sustainability Impact Statement”.

The Board of Directors is responsible of the approval and review of the Sustainability Policy and the “Adverse Sustainability Impact Statement” upon proposal of the CEO. The CEO is involved, inter alia, in presenting to the Board of Directors the Sustainability Policy to be approved and is also in charge of the implementation of such Policy with the support of the GRE SGR ESG function directly reporting to the GRE SGR CEO. On an annual basis, the Board assesses and reviews the underlying methodology and the outcomes of the implementation of the Policy.

The Board of Directors on June 27<sup>th</sup>, 2024 approved this PAI Statement.

Based on the above, GRE SGR has decided to assess its impacts on sustainability factors through different methodologies, criteria and tools, described below.

#### Sustainable due diligence

Acquisitions<sup>1</sup> undergo a sustainable due diligence (namely “ESG Check Tool”) that is performed by GRE SPA with regards to the equity funds set-up and the directly managed funds by GRE SGR. It includes a preliminary analysis about the EU Taxonomy alignment and the decarbonization path based on the CRREM model. Moreover, a proprietary Sustainable Assessment tool measures the weighted performance of each building according to a series of dimensions such<sup>2</sup> as:

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

<sup>1</sup> Without prejudice to the commitment to carry out sustainable due diligence for all potential investments, there may be reasons in case it is not possible to run the sustainable due diligence (e.g., unavailability of information in relation to the timing of the property subject to investment, inability to receive certain information on the property). In the event of the impossibility of carrying out sustainable due diligence, a reasoned information will be provided.

## ○ Management

The ESG Check Tool for acquisitions allows to collect and analyse data about the main sustainability aspects of an asset such as energy performance and technical equipment, and to check the compliance with EU regulation and decarbonization strategy.

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 Sustainable Due Diligence for Debt investments is subject to an ESG Scorecard, which provides an overall ESG score for each Loan, based on indicators weighted on materiality and contribution to the SDGs. The ESG Scorecard is also used to assess the ESG profile of the project Sponsor. ESG Scorecard uses a number of indicators at asset and Sponsor level which may evolve over time and be adapted to industry developments (e.g. availability of a Sustainable Building Certification, eco-efficiency and refurbishment, tenant health and safety, and well-being, labor rights and working conditions, controversy assessment and governance processes).

## **Data analytics**

GRE SGR through GRE SPA is implementing a Data Analytics project covering most of European countries. Existing utilities consumption data are collected and centralized in a digital platform, which automatically calculates /estimates CO<sub>2</sub> emissions and monitors their evolution, also supported by an innovative prop-tech, green-tech software as a service solution.

## **Green Leases**

GRE SGR through GRE SPA is proposing a new “Standard Green Lease Clause”, each time a lease with a tenant is negotiated or renegotiated. This clause will allow 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 CO<sub>2</sub> footprint, in close collaboration with the tenants. Through Green Lease, GRE SGR considers other selected ESG aspects by:

- Framing the relations of the parties to achieve compliance with the obligations prescribed by the regulations in force but also to embark the two parties on common and voluntary ESG commitments;
- Support the occupants of rented premises so that their use maintains or improves environmental quality by promoting productivity, the health and well-being, saving energy and natural resources and respecting the environment;
- Dialogue between the landlord and the tenant for a common environmental management of assets that create transparent exchanges about energy optimization and environmental actions.

## **Physical and transitional 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 for the potential estimation of climate risk using a model - the "Climate VaR"<sup>3</sup>, GRE SGR has been able to geo-localize all its assets and to map out the physical risks related to global warming.

A list of key hazard types has been assessed under climate change IPCC (Intergovernmental Panel on Climate Change) scenarios. As of today, the list of key hazards is the following:

- Water stress
- Wildfire
- Flood
- Heatwave
- Cold wave
- Hurricane

<sup>3</sup> The Climate Value-at-Risk (“Climate VaR”) is a model, made available by an international data provider, which provides an estimate of climate physical and transition risk. The tool makes it possible to measure climate-related risks and define any opportunities for an investment portfolio. Given the complexity of the model, the results of the implementation of the Climate VaR will be taken into consideration as a rough and preliminary estimate to be refined over the next years, together with the development of more reliable models.



- Sea level rise

The outputs of this analysis are used to fulfil oversight duty on investments and related investment decision making considerations.

### **Transition to a low-carbon economy**

GRE SGR voluntarily pledges the reduction of portfolios' emissions and - more broadly, the low-carbon transition. GRE 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 market best practice. As a tangible expression of this commitment, the Generali Group joined the Net-Zero Asset Owner Alliance, a coalition of some of the world's leading asset owners, convened by the United Nations, delivering on a bold commitment to make their investment portfolios – including real estate - climate-neutral by 2050.

Moreover, GRE is currently using a tool aimed to estimate the impact of transition risk. The tool, developed by a leader in the data provider's industry, represents one of the few tools currently available on the market for measuring / quantifying / estimating climate-related risks and defining any opportunities for an investment portfolio. It is expected that, given the complexity of a climate risk quantification process / model, the results that will come from the implementation of the tool itself will be taken into consideration as indicative and preliminary estimates to be refined over the next few years as the market will develop more reliable models.

### **Minimum Safeguards**

GRE SGR is committed to following internationally recognized codes of responsible business conduct and standards aimed at incorporating ESG characteristics.

Specifically, the Entity applies its own internal policies and procedures to ensure alignment with minimum safeguards. In particular:

- a. the parent company of the SGR's group has signed the UN Global Compact and is committed to aligning all group policies and practices with the UN Guiding Principles on Business and Human Rights;
- b. the SGR has established rules on anti-corruption for all employees as part of its Code of Ethics and Employee Conflict of Interest Procedure;
- c. the SGR ensures tax governance and tax compliance through its procedure on tax compliance; the SGR promotes fair competition and market integrity and protects the interests of investors through its policies and procedures on inducements, personal transactions and market abuse and through its Code of Ethics.

### **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 takes place on counterparties defined as buyer, seller of co-investors.

Control and check are based on the analysis of several dimensions 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.

The methodological approach adopted for the selection and prioritization of PAIs considers the specificity of the Real Estate investment management business, the nature and scale of the activities of GRE SGR and the types of financial products / assets under management.

In accordance with Tables 1 and 2 of Annex 1 of the Delegated Regulation (EU) 2022/1288 and consistent with the availability and relevance of the required data, the following PAIs were selected:

- KPI 17 - 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) (Table 1);
- KPI 18 - Exposure to energy-inefficient real estate assets (share of investments in energy-inefficient real estate assets) (Table 1);
- KPI 18 - GHG Emissions (Table 2);
- KPI 19 - Energy consumption intensity (Table 2);
- Certified Buildings (additional proprietary indicator).

GRE SGR takes into consideration the probability, the severity, and the potentially irremediable character of the PAIs considered through a proprietary methodology based on a qualitative scale.

The prioritization of PAIs has been established through a matrix that takes into account the probability and severity of these major negative effects, including their potentially irreparable nature, as required by Article 7 "RTS." The prioritization of each PAI is determined by the value (ranging from 1 to 3) calculated through the arithmetic mean of the scores assigned to each of the aforementioned characteristics (severity, probability, and irreparability) in accordance with the professional judgment of GRE SGR.

Specifically, the evaluations concerning the characteristics of the negative effects have taken into consideration the potential magnitude of the adverse impact in the specific case of GRE SGR as well as the commitment demonstrated in adhering to international standards and initiatives. For this reason, the considered PAIs have a homogeneous priority.

### **Methodology & approach for the PAIs calculation**

#### **General approach**

The approach implemented by GRE SGR, in relation to the disclosed KPIs, has included the following considerations and assumptions:

#### TABLE 1 – KPI 17: Exposure to fossil fuels through real estate assets

- Assets under construction, under refurbishment or vacant are considered as “non-exposure to the fossil fuels sector”.
- The observation of the assets’ underlying activities led to the identification of shopping center assets including a petrol station. However, the total exposure to fossil fuels of the portfolio (computed on the underlying activities rent rate over the total rent of the assets) represents a non-significant exposure.
- For direct investments, the exposure is observed based on the primary intended use of the assets, while for indirect equity/CRE debt information is requested from Fund Managers/Project Sponsor.

#### TABLE 1 – KPI 18: Exposure to energy-inefficient real estate assets

- Buildings that fall under other jurisdictions than the European Union are not required to abide by EPC and NZEB rules defined by EPBD (Energy Performance of Buildings Directives). This approach mainly concerns the indirect equity portfolio located in Asia and Oceania.
- For direct investments, actual information is directly collected and, when not available, estimated using GRE proprietary methodology based on national regulatory frameworks, statistics and scenario analysis. For indirect investment / CRE debt information is requested from Fund Managers / Project Sponsor.
- GRE SGR and GRE SPA, for the purpose of “TABLE 1 – KPI 18: Exposure to energy-inefficient real estate assets” calculation, developed a proprietary methodology to estimate the energy efficiency of assets for which actual Energy Performance Certificate (“EPC”) data is not available. The methodology is based on national regulatory frameworks, statistics and scenario analysis and is built on the estimation of the EPC Letter of the building, fundamentals from which it is determined whether the asset is energy inefficient by applying the criteria set by the RTS. Buildings for which

the project has been authorized after 31<sup>st</sup> December 2020 for construction and for which no energy efficiency classification information is available, will be verified to be located in Member States that have implemented from 2021 minimum energy performance requirements for new buildings aligned with NZEB rules, as reported by BPIE – Building Performance Institute Europe in its document “Nearly Zero: a review of EU Member State implementation of new build requirements”. Therefore, assets satisfying the requirements are assumed to be energy efficient according to the RTS. GRE SGR buildings constructed before 31<sup>st</sup> December 2020, for which EPC information is not always available are located in Italy, France, Germany, Poland, Czech Republic, Spain and Portugal. For these assets, the EPC Letter corresponding to the energy efficiency class is attributed starting from the Primary Energy Demand<sup>4</sup> value through criteria established or assumed by external references at national level, in particular:

- Italy – the energy-inefficiency threshold has been determined through a simulation on comparable buildings on the SIAPE database (*Sistema Informativo sugli Attestati di Prestazione Energetica*), the Italian national tool to collect the Energy Performance Certificates of buildings and real estate units as established by Interministerial Decree 26/06/2015.
- France – the energy-inefficiency threshold has been determined through a simulation on comparable buildings on the Observatoire DPE (Diagnostic de Performance Énergétique) Analyses Statistiques, the French national tool performing the database managed by the Agence De la Transition Écologique (ADEME) to collect the Energy Performance Certificates of buildings and real estate units.
- Germany, Poland, Czech Republic, Spain and Portugal – the energy-inefficiency threshold has been determined as the PED belonging to the Top 15% (for each building’s intended use type) in terms of energy efficiency of the national real estate stock defined by the Real Estate ESG Index developed by Deepki.
- Where the actual data on the Primary Energy Demand of the asset in the portfolio is not available, the actual energy consumption intensity figure is adopted, assuming it as being comparable.

TABLE 2 – KPI 18: GHG emissions and KPI 19: Energy consumption intensity

- KPI 18 - Table 2 is calculated by applying to GHG emissions of the entire real estate asset an attribution factor based on the percentage of ownership of the building, in accordance with what defined for different asset classes by PCAF (Partnership for Carbon Accounting Financials) in the document PCAF Global GHG Standard<sup>5</sup>.
- KPI 19 - Table 2 is calculated by dividing the real estate assets total energy consumption attributable to GRE SGR by the sum of the Net Leasable Area attributable to GRE SGR. The attribution factor, according to the same methodology as described previously, is based on the percentage of ownership of the building, in accordance with what defined for different asset classes by PCAF (Partnership for Carbon Accounting Financials) in the “Global GHG Accounting & Reporting Standard for the Financial Industry”.
- Assets under construction, under refurbishment or vacant are considered as having no GHG emissions and no energy consumption and therefore the adverse impact does not materialize.
- For direct investments, data are extracted from a data analytics tool. The model inputs values from the same month of the previous year or the next closest month. If the coverage rate is insufficient to achieve an observation rate deemed appropriate, the missing energy consumption is estimated by extracting data from a benchmarking tool based on a model that considers asset characteristics such as area, country, primary use, and annual heating and cooling degree days. For CRE debt and indirect equity, data are estimated through extrapolation of a sample of directly collected data from the Fund Managers and Project Sponsors.

<sup>4</sup> The ‘Primary Energy Demand’ (PED) of a real estate asset is the amount of energy that must be generated originally in order to meet the total energy demand of the building or real estate unit, equivalent to heating and cooling to maintain the desired temperature of the building and the coverage of hot water demand. The calculation of the Primary Energy Demand takes place through a technical assessment whose methodology is defined by the national regulatory framework transposing the EPBD (Energy Performance of Buildings Directives).

<sup>5</sup> Document available at [webcarbonaccountingfinancials.com](http://webcarbonaccountingfinancials.com)

- For assets for which the breakdown of Scope 1, Scope 2 and Scope 3 emissions is not available and only the total GHG emissions data are available, the breakdown figures are estimated through an internal portfolio benchmark.
- GHG emissions and energy consumption of the assets in GRE SGR portfolio are accounted only for the period related to the days of detention during 2023.

#### Data source

In general, data sources and information for direct funds consist of direct observations, and reasonable estimations/assumptions based on market practices currently available. For indirect funds and CRE debt funds, the sources consist of the evidence from third-party Fund Managers and Sponsors. Further information is available in the *Methodology & approach for the PAIs calculation* sub-paragraph “General approach”.

#### Limitation to methodology

GRE SGR is aware of the margins of error that may arise due to the utilization of estimates in calculating the PAIs.

## 4. Engagement policies

GRE SGR is proactive in reducing the environmental impact of the asset portfolio as well as integrating environmental, social and governance (ESG) metrics and monitoring into the business operations.

The buildings sector consumes around 40% of the world’s energy and contributes up to 30% of global annual greenhouse gas emissions. There is a high internal awareness and understanding that the real estate sector is a key contributor to global trends such as climate change and that there is an opportunity for GRE to drive large impact and demonstrate leadership within the market.

GRE SGR implemented and updated the “Sustainability Policy” and “Adverse Sustainability Impact Statement”, publicly available on GRE’s website, that aims to describe the policies on the identification and prioritisation of principal adverse sustainability impacts and indicators, the principal adverse sustainability impacts and any action taken in relation thereto, the reference to GRE SGR adherence to responsible business conduct codes and internationally recognized standards for due diligence and reporting and, where relevant, the degree of GRE SGR alignment with the objectives of the Paris Agreement<sup>6</sup>.

GRE SGR, through GRE SPA, implements a wide range of ESG engagement actions to mitigate the PAIs considered in the previous section, in particular regarding tenants and counterparties:

- *Tenants*: with *Green Lease*, GRE SGR undertakes the integration of the most important ESG topics into commercial leases in order to engage with tenants for a win-win sustainable collaboration, and to meet demand for data analytics and disclosure.

- *Investors*: most of GRE SGR funds have implemented an ESG framework aimed at granting a sustainable allocation of capital into certified assets, in conjunction with a strong governance process, enhanced by a set of policies and processes able to further increase transparency, fairness and productivity. For example, the implementation of multiple risk management layers is granting sound monitoring capabilities, the development of cutting-edge data driven research adds objective and up-to-date ground to the underwriting phase, the robustness of a lean investment process ensures safe and fast execution. Social aspects are embedded in the asset management activities and typically depend on the peculiarities of the assets and of the communities in which it is located.

Among others, the implemented actions are also aiming at mitigating the “Exposure to fossil fuels through real estate assets” and “Exposure to energy-inefficient real estate assets” PAIs.

In the long term, if engagement activities are not deemed adequate in relation to PAIs, corrective measures will be provided on a case-by-case basis.

<sup>6</sup> The Paris Agreement is a legally binding international treaty on climate change to limit global warming to 1.5°C. It was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016. Further information available at [www.unfccc.int](http://www.unfccc.int)

In carrying out the engagement activities with the tenants, GRE collects and monitors periodically all the data required to compute the indicators for representing the impacts. This allows us to act purposefully in the case of observation of no reduction of the principal adverse impacts over more than one period reported on.

With specific reference to the real estate sector, it should be noted that the effectiveness of data monitoring is subject to limited capacity in terms of resources and data systems dedicated to the sustainability information management.

Furthermore, it is proper to mention that, due to the peculiarity of the real estate sector, GHG emissions and energy consumption annual data are strictly related to building occupancy, tenants' habits and climate-atmospheric patterns and temperature trends by geographical area, and this may lead to a limitation of time series comparability.

## 5. References to international standards

The Generali Group Strategy on Climate Change is a key reference point for GRE SGR, and it provides an overview of the decisions taken to promote a fair and socially just transition to a net-zero emission economy, in line with the objectives of the Paris Agreement, the Net-Zero Asset Owner Alliance and the Net-Zero Insurance Alliance.

GRE SGR commitment to continuous improvement in both real estate transactions and within the industry is highlighted in the support, as part of the Generali Group, of the following international initiatives:

International Regulation	Description	Reconnection to PAIs
UN Sustainable Development Goals	The Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.	The nature of the international initiative allows it to be linked to all the considered PAIs
UN Global Compact	The United Nations Global Compact is a voluntary initiative for global corporations to commit to responsible business practices in the areas of human rights, labor, the environment, and corruption.	The nature of the international initiative allows it to be linked to all the considered PAIs
UN PRI	<p>The Principles for Responsible Investment (or PRIs) were launched by the United Nations in 2006 with the intention of promoting the spread of sustainable and responsible investing among institutional investors; adherence to the PRIs entails compliance with and application of the following principles:</p> <ul style="list-style-type: none"> <li>- incorporate environmental, social and governance (ESG) parameters in financial analysis and decision-making processes regarding investments;</li> <li>- being active shareholders and incorporating ESG parameters into shareholder policies and practices;</li> <li>- require reporting on ESG parameters by companies under investment;</li> <li>- promote acceptance and implementation of the Principles in the financial industry;</li> <li>- collaborate to improve the implementation of the Principles;</li> </ul>	The nature of the international initiative allows it to be linked to all the considered PAIs.

	- report periodically on activities and progress in implementing the Principles.	
Net-Zero Asset Owner Alliance (NZAOA)	An initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C. The Alliance members are the finance industry's first to set intermediate targets, which include CO <sub>2</sub> reduction ranges for 2025 (22 – 32%) and for 2030 (40% – 60%).	KPI 18: GHG emissions
WEF Environmental Sustainability Principles for the Real Estate Industry	The World Economic Forum aims to develop a common set of environmental principles in partnership with the real estate industry. The goal of this effort is to ensure that the decision-making and operations of real estate firms place a high priority on becoming environmentally sustainable.	KPI 17: Exposure to fossil fuels through real estate assets KPI 18: Exposure to energy-inefficient real estate assets KPI 18: GHG Emissions KPI 19: Energy consumption intensity

In carrying out its analyses, GRE SGR applies the scenario methodology developed by the Carbon Risk Real Estate Monitor (“CRREM”) providing the real estate industry with transparent, science-based decarbonization pathways that are aligned with the Paris Climate Goals of limiting global temperature increase to 2°C, with an ambition to reach 1.5°C. CRREM offers a comprehensive framework focused on carbon risk exposure and potential strategies to reduce this risk, and includes the elements needed to undertake scenario analysis. For more details on the physical and transitional risk analysis, please refer to the section “Description of policies to identify and prioritize principal adverse impacts on sustainability factors”.

## 6. Historical comparison

By voluntarily measuring and disclosing its Principal Adverse Impacts (PAIs), GRE SGR has established a baseline for data collection and estimation, aiming to reduce negative impacts effectively.

The key actions implemented during the reference period, include in-house ESG due diligence, enhancing energy efficiency and decarbonization of assets through refurbishment actions, and increasing certified buildings in the portfolio. Additionally, GRE SGR aims to improve data accuracy through green leases and data monitoring technologies.

The monitored PAIs trend indicates the effectiveness of the comprehensive ESG strategies and actions. Please note that limitations such as data gaps, inaccuracies in technological tools and models, and the lack of consolidated standards may affect data. However, the methodologies and data processes follow the market practices currently available, including reasonable assumptions and support from third-party experts and service providers.

For further information, please refer to paragraph “2. Description of the principal adverse impacts on sustainability factors” for further information about the historical comparison concerning PAIs indicators.