

Environmental, Social, Governance & Resilience (ESG+R) Update

December 2024

INVESTMENT OBJECTIVE AND STRATEGY

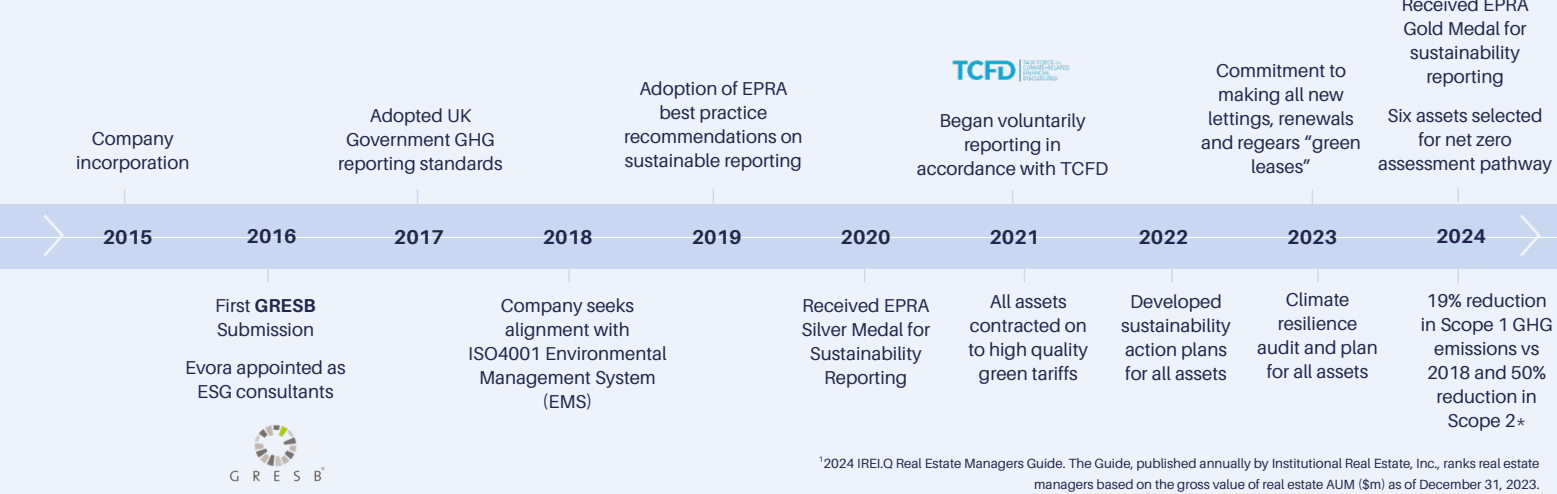
AEW UK REIT plc (“AEWU” or the “Company”) invests in and intensively asset manages a value-focused, diversified portfolio of high-yielding commercial properties across the UK. The Company seeks to exploit value opportunities offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases in strong commercial locations.

The Company’s investment manager, AEW UK Investment Management LLP (“AEW”) is committed to developing an ESG+R strategy aimed at making future-focused investment decisions that benefit the environment, tenants and local communities. As part of the due diligence process for all acquisitions, a detailed review of the environmental and technical risks associated with the transaction is undertaken.

Throughout the ownership of an asset, AEW will seek to implement a sustainability action plan to be carried out in order to improve the energy efficiency of the asset and to address any ESG opportunities identified during the due diligence. The relatively short WAULT (to break & expiry) of properties is also an opportunity for AEW to proactively engage with existing tenants at lease events to improve the energy performance of its assets as well as in the event of a vacancy.

AEW, is one of the world’s largest real estate asset managers¹ and offers a wide range of real estate investment products. Further details on the investment manager’s global sustainability policy, which is reviewed annually, can be found here: [AEW Global Resiliency Report](#).

ESG + R JOURNEY: KEY MILESTONES



AEW UK REIT (“AEWU”) Initiatives

🟢 Achieved 🔵 Continuous

Environment



OBJECTIVES AND UPDATES

- 🔵 Scope 1 GHG emissions: 40% target reduction by 2030 based on 2018 baseline (currently 19%).
- 🔵 Scope 2 GHG emissions: 40% target reduction by 2030 based on 2018 baseline (currently 50%).
- 🟢 Waste: 100% of waste diverted from landfill (achieved since 2020).
- 🔵 EPCs: 100% EPCs to C or above by 2027 and B or above by 2030 (currently 63% at C or above).
- 🔵 The Company had no assets with a certified EPC ‘F’ or ‘G’ rating, with 63% of assets rated C or above.
- 🔵 To mitigate future MEES risk, the Company will continue to undertake its gap analysis, identifying assets that fall below the MEES regulations.
- 🔵 Initial assessment of the pathway to net zero using Carbon Risk Real Estate Monitor (CRREM) to formulate an action plan and next steps including improved data collection from tenants.

- 🟢 Enhanced investment process incorporating climate resilience into existing ESG due diligence.
- 🔵 Seek opportunities to utilise low carbon renewable energy sources.
- 🔵 The Company has participated in GRESB since 2016 and seeks to continually improve its scoring. The 2023 results are detailed below:

HIGHLIGHTS

GRESB



FUND	RESULTS				GRESB RATING	GREEN STAR
	2021	2022	2023	2024		
AEW UK REIT	65	67	68	67	Two Stars	Yes

INDUSTRIAL REFURBISHMENT ENHANCING ENVIRONMENTAL PERFORMANCE



- Recently completed refurbishment of two industrial units comprising c.30,000 sq.ft.
- Refurbishment works have comprised:
 - Removing the gas supply.
 - Installing new LED lighting controlled by PIR sensors.
 - Installing split system air-conditioning units.
 - Installing electric panel heaters.
- The EPC scores for the two units prior to the refurbishment works being undertaken were C58 and D83.
- Following completion of the refurbishments, the units have been reassessed with the EPC ratings improving to B34 and B47 respectively.
- Completion of the works also led to a rental increase from £6.50 p/sq.ft. to a current ERV of £8.50 p/sq.ft.

Social



The Company is a REIT, externally managed with an independent Board and has no direct employees. The management of the portfolio has been delegated to the Investment Manager (AEW) who provides the employees that support the Company. AEW's social initiatives include:

OBJECTIVES

- ∞ Create healthy work environments for AEW's employees and tenants at our buildings, where possible, that stimulate productivity and promote sustainable communities.
- ∞ Communicate ESG+R best practices to our property managers, leasing agents and tenants including promotion of green leases.
- ∞ Support and encourage supplier responsibilities and sustainable best practices.
- ∞ Encourage engagement with local communities and volunteering amongst our property managers, tenants and employees.
- ∞ Monitor and improve employee and tenant engagement through the deployment of regular surveys and made provisions to subsequently respond to tenant requirements, improving overall engagement.

HIGHLIGHTS

- ✓ AEW has established a Diversity & Inclusion Committee and sub-committees to implement actions and foster a more diverse and inclusive corporate culture.
- ✓ AEW supported KidsOut during 2023, a charity which supports children living in temporary accommodation
- ✓ In 2024 employees of AEW also volunteered at a local city farm which aims to educate the local community about food, nature and the environment, runs free courses for schools and provides education facilities for children who cannot be in mainstream education.
- ✓ AEW awarded a scholarship to the Worshipful Company of Chartered Surveyors' student bursary scheme:
 - The bursary supports a student from an economically disadvantaged background with no family connections within the property industry to study a real estate degree course for three years.
 - The selected student is currently undertaking their degree in Land Economy studies at Cambridge and is mentored during her studies by one of AEW's investment team, including offering work experience placements during the summer breaks.

* AEW UK Investment Management LLP. AEW UK data as at December 2023.

The gender pay gap is the difference in average compensation between females and males.

Gender pay gap of manager employees

Female Male *AEW UK data.

Pay ratio	2022	46%	54%
	2023	47%	53%
Senior management	2022	47%	53%
	2023	41%	59%
Total employees	2022	48%	52%
	2023	39%	61%

Performance appraisals of manager employees

Yes No *AEW UK data.

2022	93%	7%
2023	100%	

EMPLOYEES OF THE MANAGER	2019	2020	2021	2022	2023
Number of joiners	5	1	6	5	12
Number of leavers	4	1	2	4	14
Hiring rate	21%	4%	24%	19%	16%
Turnover rate	17%	4%	8%	15%	18%
Absenteeism rate	1%	1%	2%	1%	1%

M&E AND TENANT WELFARE IMPROVEMENTS THROUGH REFURBISHMENT



- Replacement of gas fired heating with electric alternative.
- Replacement of fluorescent lights with modern LED.
- Improvement to end of journey facilities, with addition of 'vanity area' to supplement existing showers and cycle store.
- Modernisation of remaining showers.
- Introduction of biophilia for the reception area to improve air quality and overall environment.
- Refurbishment has led to property being fully occupied having previously had c.12,000 sq ft of vacancy.

Governance



OBJECTIVES

- Identify specific sustainability issues and establish goals for assets under management.
- Conduct annual portfolio-level assessment of environmental and energy issues.
- Monitor and ensure compliance with government benchmarking requirements and any additional policy or regulatory changes.
- Continue to provide and improve training to employees on governance topics including Compliance Program and Code of Ethics.
- Demonstrate transparency and accountability to our investors through regular disclosure of ESG+R practices and performance in reporting frameworks such as GRESB, TCFD and EPRA.
- All of AEW's employees have an ESG-focused annual objective.

HIGHLIGHTS

- AEWU reported against TCFD in 2024 annual accounts.
- AEWU participates in the GRESB benchmark and reports against EPRA frameworks for best practice.
- Training programs were delivered throughout 2023 for AEW's employees covering ESG topics, including governance training on topics such as money laundering.

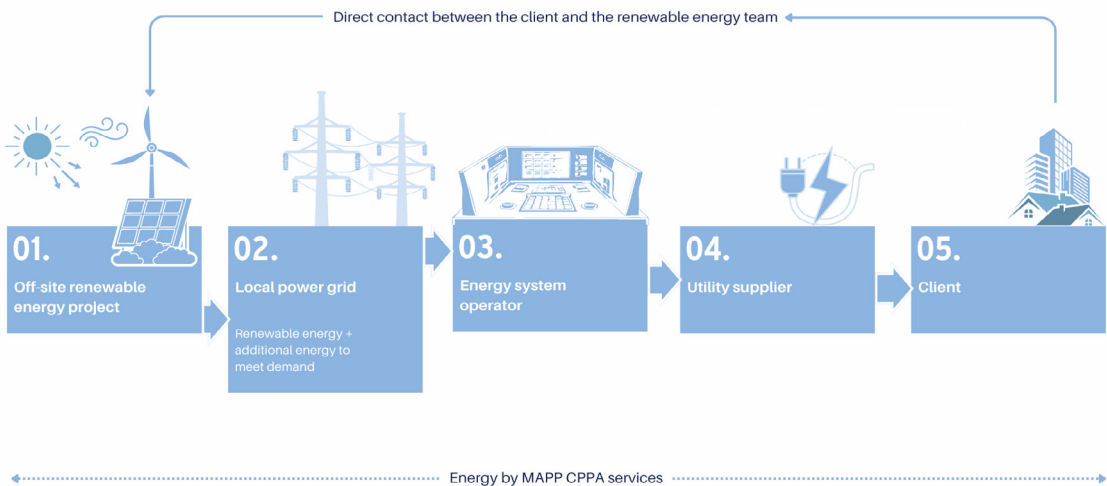
Resilience



OBJECTIVES

- Identify climate-related physical and transition risk from the time of acquisition, through the duration of the holding period, and at disposition
- Integrate identified risks with asset-level considerations that may affect our risk level, such as hold period, existing mitigations, improvements and efficiency levels
- If needed, engage third-party consultant to evaluate property preparedness and mitigation costs
- Undertaking climate resilience audits of selected assets where potential material risks are present. The resilience audit findings are used to assess the potential impact of the risk and cost to reduce the vulnerabilities of the building.

- The Company has high-quality green tariffs, but is taking further steps to secure its energy transition responsibilities and will enter into an off-site Corporate Power Purchase Agreement (CPPA) with a solar farm generator and supplier
 - This agreement will establish a direct contractual connection to dedicated PV power through the grid for all it's landlord electricity supplies managed by the company. The deal will take full effect by the third quarter of 2025 when the new allocated solar farm becomes operational, allowing the Company to achieve 'additionality' in its Scope 2 emissions reporting.



CASE STUDY

IMPROVING BIODIVERSITY IN URBAN DEVELOPMENTS

- AEW identified and implemented several biodiversity improvements for existing habitats at Dewsbury Railway Centre
- Installation of 10 bird boxes, strategically placed to provide safe nesting for various species
- Installation of 10 insect towers and insect hotels to attract beneficial species to act as pollinators and decomposers
- Installation of hedgehog hotels to provide the declining species with safe hibernating space
- Planting of a wildflower meadow to attract pollinators and provide a diverse habitat for various species



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