

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

August 2023

## The Manager's Strategy

AEW is one of the world's largest real estate asset managers and offers a wide range of real estate investment products. AEW is committed to developing an ambitious ESG+R strategy aimed at making future-focused investment decisions that benefit our clients, our people and our global communities. AEW UK Investment Management LLP (AEW UK IM) has adopted a systematic approach to improve the operating metrics of its investments by incorporating ESG+R elements into our asset analysis, including due diligence and asset management.

[Our 2021 AEW Global Sustainability Report](#)

## AEW UK REIT PLC: INVESTMENT OBJECTIVE AND STRATEGY

AEW UK REIT plc invests in and intensively asset manages a value-focused portfolio of high yielding commercial properties across the UK.

The Company exploits what it believes to be the compelling relative value opportunities offered by pricing inefficiencies in smaller commercial properties let on shorter occupational leases in strong commercial locations. The Company supplements this core strategy with active asset management initiatives to improve the quality of income streams and maximise value.

## AEW'S ESG JOURNEY: KEY MILESTONES IN EUROPE OVER LAST 10/11 YEARS



\* AEW signed up to the Principles of Responsible Investing (PRI) in 2009

## AEW UK REIT ("AEWU") Initiatives

 Achieved
  Continuous

## Environment



### OBJECTIVES AND UPDATES

- Energy consumption: 15% reduction in absolute energy by 2030 based on 2018 baseline. Target increased to 40%.
- GHG emissions: 15% reduction in absolute energy by 2030 based on the 2018 baseline. Target increased to 40%.
- Waste: Maintain 100% waste diversion from landfill (achieved since 2020).
- 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. Ongoing climate resilience.
- Enhanced investment process incorporating climate resilience into existing ESG due diligence.
- Asset Sustainability Action Plans (ASAPs) developed for all Fund assets to identify and implement sustainability measures.
- Seek opportunities to utilise low carbon and renewable energy sources.
- Seek improvement of GRESB scores.

- As at the end of the period, the Company had no assets with a certified EPC 'F' or 'G' rating, with the majority of the Company's assets (approximately 93% based on the portfolio's ERV) being MEES compliant. There are 12 units across three assets with no valid EPC at the end of reporting period (due to recent expiries). Action plans are in place to update these EPCs.

### HIGHLIGHTS

#### GRESB



FUND	RESULTS			GRESB RATING	GREEN STAR AWARDED
	2022	2021	2020		
AEW UK REIT	67	65	65	Two Stars	Green Star



## Gender pay gap of manager employees

Female Male \* AEW UK data.

### 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.
- ✓ The manager has established a Diversity & Inclusion Committee and sub-committees to implement actions and foster a more diverse and inclusive corporate culture.

### HIGHLIGHTS

- ✓ The manager supported KidsOut during December 2022 with employees donating Christmas presents. KidsOut is a charity which provides positive experiences to children who have fled domestic abuse.
- ✓ The manager supported HandsOn London's WrapUp campaign with employees donating and collecting coats for those in need over the winter.
- ✓ AEW UK has sponsored the Worshipful Company of Chartered Surveyors (WCCS) student bursary scheme. The bursary will support a student from an economically disadvantaged background to study a real estate degree course.

EMPLOYEES OF THE MANAGER	2018	2019	2020	2021	2022
Number of joiners	0	5	1	6	5
Number of leavers	1	4	1	2	4
Hiring rate	0%	21%	4%	24%	19%
Turnover rate	4%	17%	4%	8%	15%
Absenteeism rate	1%	1%	1%	2%	1%

\* AEW UK Investment Management LLP. AEW UK data as at December 2022.

### Performance appraisals of manager employees

Yes No \* AEW UK data.

2021	92%	8%
2022	93%	7%

### CASE STUDY INDUSTRIAL

#### MANGHAM ROAD, ROTHERHAM LEASE RENEWAL AND MEES IMPROVEMENT

##### Asset Management in Action

- New 10 year lease to Senior Architectural Systems
- Rent of £410,000 per annum, equating to £5 per sq ft, 49% increase
- Landlord completed refurbishment and roof/insulation works
- EPC score improved from C67 to B44 – 2030 MEES requirement achieved and building's energy performance enhanced
- Green covenants in lease – AMR (automatic meter reader) installed
- Purchase price of £2.175m (April 2007)
- Valuation after letting of £5.4m (Dec 2022)



## 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 our employees on governance topics including our 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.

### HIGHLIGHTS

- ✓ AEWU participates in the GRESB benchmark and reports against EPRA frameworks for best practice.
- ✓ Reported progress against TCFD in 2023 annual accounts.
- ✓ Training program throughout 2022 on ESG for the manager's employees and regular governance training on topics such as money laundering.
- ✓ All of the manager's employees have ESG objectives.

## Resilience



### OBJECTIVES

- ∞ Identify climate-related physical and transition risk from the time of acquisition, through the duration of the holding period, and at disposition.
- ∞ Evaluate and mitigate potential future risk due to climate change.
- ∞ 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 & mitigation costs.

### KEY CONTACT

#### Investor Relations

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