

## EU Sustainable Finance Disclosure Regulation (SFDR) Articles 3, 4 and 5

### No consideration of adverse impacts of investment decisions on sustainability factors

This disclosure is made by AEW Capital Management, L.P., including its subsidiaries AEW Global Advisors (Europe) Ltd., AEW Asia PTE Ltd., AEW Asia Limited, AEW Japan Corporation, AEW Korea, and AEW Australia Pty Ltd (collectively, "AEW"), in accordance with Article 4(b) of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector ("SFDR").<sup>1</sup> SFDR defines "sustainability factors" in Article 2(24) of SFDR as "environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters." There is no clear definition of "principal adverse impacts" under SFDR; however, this is understood to mean impacts that result in adverse impacts on sustainability factors as a result of investment decisions.

With the limitations on the ability to obtain reliable data related to certain impacts, AEW has elected not to voluntarily comply with the requirements under Article 4(1)(a) of the SFDR. AEW has chosen not to do so for the present time, since AEW considers its existing due diligence processes to be appropriate and proportional to the investment strategies of its funds. AEW will continue to keep this decision under review, considering the quality, reliability, and availability of relevant data, as well as the expectations of regulatory authorities.

Notwithstanding the above, AEW assesses and manages the impact of its investment decisions to seek to optimize risk mitigation (including with respect to sustainability risks, as defined below), and to seek to enhance the long-term financial and operational resiliency of its real estate assets.

### Integration of sustainability risks in investment-decision making process

In accordance with Article 3 of the SFDR, this disclosure provides information on how AEW integrates sustainability risks into investment decision-making processes.

AEW integrates real estate investment risk and risk management factors (including, but not limited to, sustainability risks) into our processes to the extent that the factors are consistent with our business purpose and our fiduciary duties to our funds and all investors.

A sustainability risk is defined under the SFDR as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

#### *Direct Real Estate Investment Activities*

As an integrated part of its investment management activities, AEW reviews sustainability performance indicators at least annually, carries out an annual sustainability risk review of the investments, and considers the implementation of improvements with property operators in key areas of sustainability risk with respect to each individual investment.

AEW has instituted a systematic approach which seeks to improve operating metrics of portfolio investments by incorporating appropriate sustainability risk factors into its asset analyses, inclusive of underwriting, due diligence and asset management.

---

<sup>1</sup> Additional information on SFDR may be found at [https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector\\_en](https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en).

AEW assesses sustainability risks and opportunities on an individual investment basis and the assessments are integrated into the investment analysis. Investment decisions are made and managed in accordance with client guidelines and requirements and in furtherance of the firm's fiduciary duties to its funds and investors.

AEW carries out its acquisition due diligence to assess, among other things, sustainability risks and opportunities, including, but not limited to, relevant regulation scope and compliance, existing strategy, known and potential environmental risks, alternative energy and energy efficiency programs and opportunities, tenant and community health, wellness, and additional social factors. The results of this due diligence provide a risk and opportunity profile for a potential investment.

Where appropriate, AEW obtains assurance reports with respect to environmental performance data, which includes, but is not limited to, energy consumption and greenhouse gas (GHG) emissions from energy consumption for each investment on an annual basis. This action is intended to validate the reliability of performance data, which may then be used to drive planning for management of sustainability risks related to the portfolio's assets.

Based on the results of due diligence, assurance reports, and GRESB Real Estate Assessments,<sup>2</sup> AEW works with property operators to consider and improve their performance.

Further information on integration of sustainability risks, please see [AEW's Socially Responsible Investment Policy Statement](#) available on the website.

### **Transparency of remuneration policies in relation to the integration of sustainability risk**

In accordance with Article 5 of the SFDR, this disclosure summarizes AEW's remuneration policy and practices.

AEW follows a pay-for-performance framework that encompasses total compensation (base salary and bonus) such that pay is commensurate with the overall performance of AEW and individual performance. This framework includes a balanced assessment of the employee's annual performance against AEW's core values and corporate and fund-level goals.

AEW's performance management cycle includes annual goal setting, manager-employee check-ins, a midyear review, and an annual review. To track performance, an online talent management system is utilized. AEW's intends that its performance management process provides transparency to all employees with respect to job performance.

For select employees with responsibilities related to sustainability risk, the attainment of sustainability objectives is tied to these professionals' annual goals during the year and is one of the factors that is considered as part of the employee's annual performance review. An employee's performance review will ultimately impact their total compensation package. Sustainability objectives tied to professionals' annual goals may have specific KPIs that are identified and measured as appropriate to the position of the professional.

---

<sup>2</sup> Additional information regarding the GRESB Real Estate Assessment may be found at <https://www.gresb.com/nl-en/real-estate-assessment/>.