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Sustainability Strategy

February 2022

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Aflons & alfreda's Claim

The True, the Beautiful, the Good for Better Real Estate.

The classic ideal from German Romanticism serves as a guiding principle for our actions. We must ask ourselves critically what the long-term *raison d'être* of the project is. Buildings shape our society over generations, and their use shapes their social and ecological environment. Successful project development must therefore be aware of the interplay of the various factors. It has to responsibly assess the short- and long-term effects of the construction of a property on people and the environment, in order to add value to all stakeholders.

This objective has always been shaping our company culture. The following sustainability strategy starts to codify our company DNA.

Sustainability is a given and impact has to be benchmarked.

Introduction

Alfons & alfreda (Aa) is an impact-driven company with ecological sustainability and impact investing as its core objectives.

This is an ambitious route in an old-fashioned industry but our strong collaboration with the architecture bureau **Phase 5** makes progress possible. Everyone is permitted to share bold ideas and fuel the discussion around the goal of sustainability. With the growing maturity of the company, there is increasing collaboration with institutional partners and therefore a need to codify this sustainable culture and set some guidelines to ensure that the company's DNA is maintained over the coming years.

Several steps to achieve sustainability have already been taken. These include incorporation into a public limited company (AG) to better the governance structure, the company commitment to carbon neutrality, the anchoring of the EU Taxonomy standards in our projects and the initiating of the development of several social standards for our projects.

Our direction is summarised in our company vision:

**To the true, the beautiful, the good
for better real estate.**



I believe the Aa team has the chance to have a profound impact on the industry in the coming years and is right at the European Zeitgeist.

Laurenc Hofmann
Head of Sustainability

Mindset and attitude

Alfons & alfreda's Commitments

ESG commitments

Dear friends of the company,

we are now seeing a major shift in the industry, as a new mindset of sustainability is steadily taking over the old structures. We believe that this shift is needed and we will fully embrace it. Our commitments need to translate into actions quickly in order to generate lasting and impactful positive change. This is a time for courage and experimentation.

The objective is clear: Become climate neutral!

This commitment starts with us as a company, how we operate and what we do. It then goes further and becomes about how our real estate is constructed and how much carbon our buildings emit. This requires us to build a strong network of companies with the same mindset.

We need construction companies that build increasingly sustainably or compensate for their emissions, and engineers who know how to use the latest technology to only allow minimal emissions in the building's life-cycle.



We are responsible for our share of work to become climate neutral and will achieve this goal within the next few years.

A handwritten signature in blue ink, appearing to read 'F. Weil'.

Friedrich Weil
CEO of Alfons & alfreda AG



Volker Busse (l) and Friedrich Weil (r)

Making things right

Environmental Sustainability Strategy

Environmental goals

Alfons & alfreda is committed to setting ambitious sustainability targets.

Aa uses the EU Taxonomy as a framework for their environmental sustainability strategy and has set their current key goal as substantially following all six objectives of the act. However, as the EU Taxonomy only came into force in 2020, it is still developing and there are gaps in the regulation. In contrast, Aa has a **“hands-on”** working culture and has therefore decided to move one step ahead and develop specific company guidelines for all areas.



Climate change mitigation

The EU Taxonomy regulation has clearly defined standards which all new project developments must comply with. Additionally, Aa has decided that none of its new future developments started in or after 2022 should strand before 2042 on the CRREM decarbonisation pathway. Further, Aa is committed to always exploring the possibilities and costs of avoiding the stranding of its developments overall with respect to carbon footprint per sqm.

Climate change adaptation

An analysis of the climate risks based on the GSI platform provided by the Ministry of Environment must be completed at an early stage of the project. Where applicable further research is undertaken to ensure maximum transparency with respect to the project's exposure to climate change risk. The project's respective architect is responsible for implementing measures to reduce these risks.

Sustainable use and protection of water and marine resources

There are clearly defined standards in the EU Taxonomy regulation which all new project developments must comply with. These standards include following management plans for water usage during construction and defined flow-through rates for showers, toilets, and taps.

Making things right

Environmental Sustainability Strategy

Environmental goals

4

Transition to a circular economy

The goal of re-using, recycling and/or recovering 70% of construction and demolition waste by 2020 according to the Waste Framework Directive is part of the EU's overall goal to reduce its material footprint to achieve carbon neutrality. Aa complies with this regulation but aims to go one step further. Instead of simply recycling its demolition waste, Aa wants to design its buildings in a way that allows the disassembly at the end of the building's life-cycle.

25%
cradle-to-cradle
In every project

Therefore, Aa's future projects need to have a cradle-to-cradle quota of **25%** (by weight) which needs to be steadily increased every year and if feasible be registered in a digital library of materials. Additionally, a material policy will be developed in 2022 to reduce use of materials that are difficult to recycle.

5

Pollution prevention and control

There are clearly defined standards about pollution prevention in the EU Taxonomy regulation which all new project developments must comply with. These standards include waste management plans and concepts to reduce all types of emissions.

6

Protection and restoration of biodiversity and ecosystems

Every project development has to complete biodiversity due diligence. This includes on the one hand an analysis of the site and the impact a new building or a refurbishment would have.

On the other hand, the architects need to develop a catalogue of measures that help local animal and plant species to thrive in the newly created environment. These measures will be chosen to fit the local ecosystem and might range from green walls to habitats for bees.

Nice to know

To implement these changes Aa has created an **ESG task force** together with the architecture office **Phase 5**.

The task force is made up of CEO Friedrich Weil, Project Developer Laurenz Hofmann and two architects, Benjamin Ernst and Carina Heider.

So far, the task force has worked on solar and green facades and analysed the cost and benefits of their implantation and helped to initiate the redesign for redesigns for two projects – **TESTA** and **Fürstenbrunner Weg**.

Additionally, the task force has organised several workshops with external partners and the Aa and Phase 5 staff to strengthen the focus on the topic of sustainability and transfer knowledge into the daily operations.

Aa and Phase 5 are yet to develop clear ESG project KPIs that would allow a comparison between all building developments. In 2022, KPIs for the carbon emissions in construction (grey energy), energy concept, environmental and social footprint will be developed. Further, the participation in the ECORE association will permit a comparison to other project developers.

Making things right

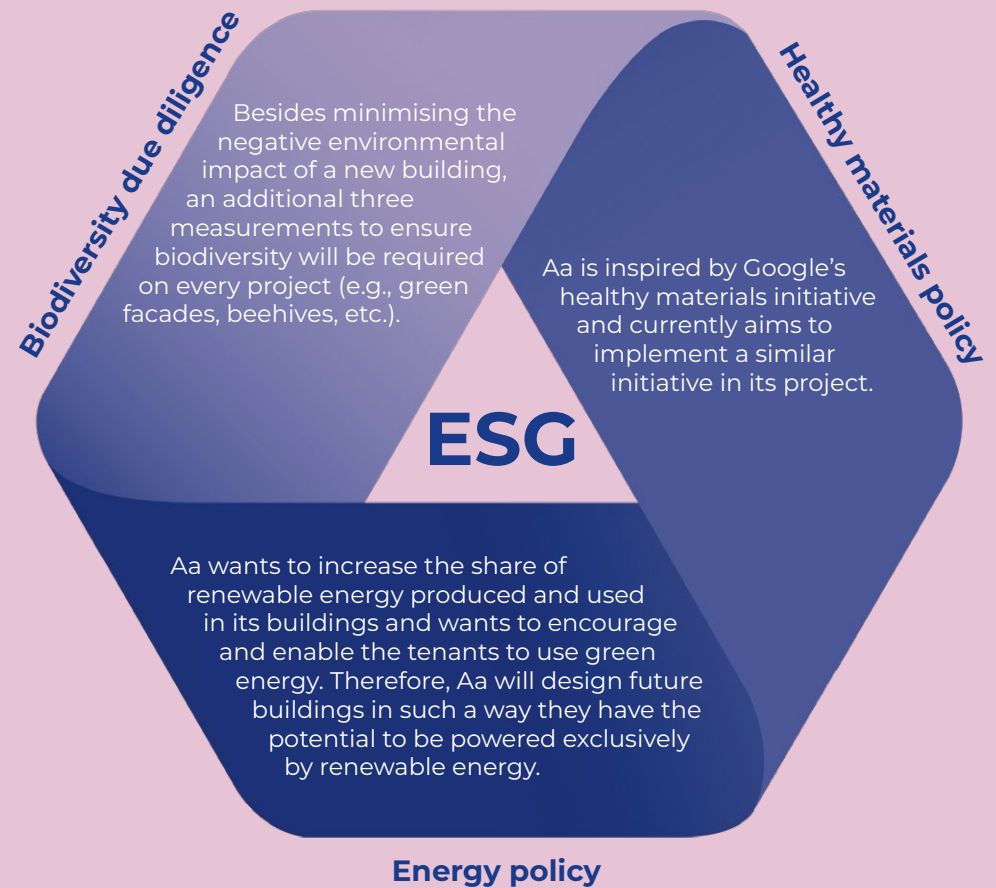
Environmental Sustainability Strategy

Policies

To achieve these goals Aa has set in place several policies. It thereby relies on internal as well as external standards.

For the environmental goals, Aa has developed **ESG project guidelines**, which every project participant has to sign. These guidelines ensure the classification of the project as environmental sustainable according to **EU Taxonomy**¹.

Furthermore, Aa has implemented some of its own policies on issues considered relevant for the future:



¹**EU-Taxonomie:** Contribute substantially to one or more of the environmental objectives (in Article 9); Not significantly harm any other Article 9 objective (in accordance with Article 17); Be carried out in compliance with minimum safeguards (laid down in Article 18); Comply with technical screening criteria (established under Articles 10-15 and 19).



Ovum, Cologne (January 2022)

Living together

Alfons & alfreda's Social Impact and Engagement

Social Goals

Aa wants to improve social conditions in the construction of its buildings. Therefore, every project participant has to sign **social guidelines** which focus primarily on transparency, so that Aa can prevent exploitative situations on its construction sites. Further, certain minimum safeguards must be met along the entire supply chain.

The **minimum safeguards** ensure the alignment of project participants with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This includes the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Aa will also focus on the social impact of its buildings. “Impact Investing” has therefore become one of Aa’s core objectives.

Currently Aa is developing a social sustainability standard, including offering a proportion of the total GFA to social impact organisations at a reduced rent as well as donating to different social projects. Additionally, Aa wants to ensure that a large share (roughly one-third) of its tenants are organisations with a social impact at the core of their operations. Aa considers this key to ensuring that its office developments remain thriving communities, which host the innovators and backbone-companies of the future.



Living together

Alfons & alfreda's Social Impact and Engagement

Impact

Alfons & alfreda believes that it is central for every company to consider the full impact of its projects on the stakeholder it engages with.

Aa recognises that real estate developers have a diverse group of stakeholders, as they impact the well-being of individuals, community life and the social structure of the environment that they are building in. Aa wants to use its sustainability project to reverse the effects of two negative trends that our modern society increasingly experiences:

1 The growing separation of different social groups in a city is driven by the increasing gap between rich and poor.

Aa wants to address this trend by allocating a pre-determined share of its rentable space to non-profit, non-governmental and social impact organisations at a discounted rent. This initiative is still under development and will be **launched in 2022**.

2 Another concerning trend is the increasing isolation of people within big cities as typical community structures change.

Aa wants to adapt to these changes and combat isolation by intentionally planning for meeting points and community spaces in its developments. A diverse range of tenants, restaurants and greenery will create a framework in which a thriving community can develop.

Living together

Alfons & alfreda's Social Impact and Engagement

Memberships and Contribution

Alfons & alfreda believes that sustainability needs to become a common industry effort.

Many different creative solutions need to be developed and courageous ventures collaboratively achieved. Aa therefore maintains several memberships in associations which it considers inspiring:



These include **DGNB**, a German association that pioneered a green building standard in Germany and has added further ESG requirements to its certification.



ECORE, a collective of several members of the German real estate and construction industry, who seek to develop an industry wide ESG Standards, that rates companies' operations on their ecological, social and governance sustainability. This allows Aa to verify its ESG efforts via a third party.



Aa is a corporate member of the **International Living Future Institute**. The ILFI is a global community of architecture and construction companies that seek to build the greenest buildings. The ILFI received global attention for the introduction of the Living Building Challenge with which exceptionally sustainable developments are certified.



Aa supported the **Neurooncology of the German Cancer Research Center Heidelberg** financially last year, as it values its work and impact.

Initiatives in the making

GRI

The Global Reporting Initiative is a global initiative that develops standards, by which companies across all sectors and countries can report their ESG efforts. These cover topics ranging from biodiversity to tax, waste to emissions - thus being the world's most widely used sustainability reporting system. Aa will report in the future based on these standards and is considering membership in the GRI.

Aa's initiative

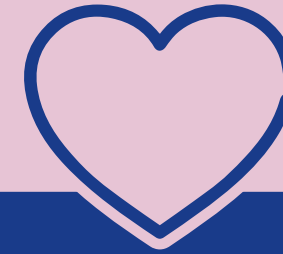
The initiative is still under development but Aa will launch 2022 its own social impact initiative. The aim is to enhance the quality of its developments, by enabling social and impact organisations to access high-quality rental spaces at a reduced rent.

Material Policy

Our living- and workspaces affect fundamentally how we live, feel and work. Aa wants to build environments that foster health and well-being and is determined to develop buildings that promote a healthy interior environment and good air quality. Thus the next step in 2022 is the development of a design and material policy, that promotes these goals.

New name, same heart

Governance action - Incorporation as a stock company



To institutionalise the spirit of the Aa team, the management board of **Alfons & alfreda Management GmbH** and **Alfons & alfreda Holding GmbH** decided to rename and reshape the corporate vessel to an incorporated company (public limited company – German: Aktiengesellschaft) which is now called **Alfons & alfreda AG**.

This step has some immediate effects that help to better the compliance and governance structure of the company. A supervisory board was installed to oversee the management. The members of the supervisory board are industry professionals such as Professor **Nico B. Rottke** (PhD, founder of aam2core Holding AG, Managing Director aam2cred Debt Investment GmbH) (Chair of the supervisory board of Alfons & alfreda AG) and **Jürgen Fenk** (Group CEO of Primonial REIM), who bring a lot of industry knowledge to boardroom discussions. The board is completed by **Andreas Rickert** (PhD), who is CEO of Phineo and Co-CEO of Nixdorf Kapital and an expert in the broader field of impact investing. He adds a valuable long-term perspective to the company, aiding in the evaluation of developments based on their long-term overall impact.

In addition to the board of advisors, **Susanne Eickermann-Riepe** was installed as a council to the management board. As Chair of the RICS Germany and Chair of the RICS European World Regional Board she is well connected in the industry and is well aware of both the small and large trends that the industry experiences.

As Aa's current CEO and CDO have founded the company, they will always be incentivized to make decisions that benefit the company in the long term. Further, to ensure and codify the compliance with this long-term approach, Aa published its Ethics Code to describe the clear guidelines by which it operates to its partners, employees and investors. Aa is yet to put mechanisms in place, if it continues to grow in size, that ensure the compliance of its employees and partners to the Ethics Code.

Doing it right from start

ESG Status of Development Projects

Alfons & alfreda is committed to developing sustainable real estate. Right from the beginning, Aa has focused on the impact of its buildings.

One of Aa's first developments is based in Hilden and was designed with the aim of creating affordable housing. The project was sold last year to an investor and will not be in the 2022 sustainability report. With the growth of the last few years, Aa has realised that further certifications and reporting will be beneficial to communicating Aa's efforts in a standardised way. Some of its earlier projects were conceptualised without these certifications in mind. Further, Aa is focusing increasingly on the ecological performance of its projects.

As a result, a few projects have returned to the design phase to increase the project's sustainability. To report transparently its progress and commitments towards sustainability, **Aa will present a list of its projects every year** showing the **ESG status** and **targeted standards** of its projects.

We set the following standards for our projects



WiredScore
PLATINUM



Platin



ESG Status of Development Projects

Project [Start - Completion Date] (Location)	ESG Strategy (w/ social policy)	EU Taxonomy Strategy / SDFR	Energy Concept	Certification
Von-den-Berken-Straße [2018 - 2022] (Dortmund)	<ul style="list-style-type: none"> Housing development to reduce pressure on rental market 	None	EnEV 2016 With District heating	None
Ovum [2019 - 2023] (Köln)	<ul style="list-style-type: none"> Aa impact investing strategy (currently in evaluation of feasibility) 	Fulfilment of all Do-no-significant-harm-criteria (DNSH) *	District heating (Stranding in 2040*)	DGNB Gold WiredScore Gold
Mo26 [2018 - 2022] (Stuttgart)	<ul style="list-style-type: none"> Biodiversity check before the beginning of the construction and creation of a lizard habitat 	Fulfilment of DNSH-Criteria*	Natural gas (might be replaced with bio-gas by the tenant) Stranding in 2040*)	DGNB Gold WiredScore Gold
Testa [2019 - 2024] (Berlin)	<ul style="list-style-type: none"> Aa impact investing strategy* Energy concept is replanned to achieve a less carbon intensive footprint 	Classification of the project as environmentally sustainable according to EU Taxonomy ^[1] *	Energy concept is reconsidered to achieve a higher sustainability, and a later stranding	DGNB Platin* WiredScore Platin* WELL Platin*
LaBo [2019 - 2023] (Sindelfingen)	<ul style="list-style-type: none"> Biodiversity check before the beginning of the construction 	Fulfilment of DNSH-Criteria*	EnEv 2016 District heating	BREAM*
Eckhaus [2018 - 2022] (Düsseldorf)	None	Fulfilment of DNSH-Criteria*	EnEv 2016 District heating	None
The Wid [2019 - 2028] (Köln)	<ul style="list-style-type: none"> Aa impact investing strategy* Built as a hybrid timber construction 	Classification of the project as environmentally sustainable according to EU Taxonomy ^[1] *	Project still in conceptualisation phase	DGNB Platin* WiredScore Platin*
The Two [2019 - 2028] (Köln)	<ul style="list-style-type: none"> Aa impact investing strategy* Built as a hybrid timber construction 	Classification of the project as environmentally sustainable according to EU Taxonomy ^[1] *	Project still in conceptualisation phase	DGNB Platin* WiredScore Platin*
Fürstenbrunner Weg [2021 - 2024] (Berlin)	<ul style="list-style-type: none"> Aa impact investing strategy* Built as a full timber construction 	Classification of the project as environmentally sustainable according to EU Taxonomy ^[1] *	Project still in conceptualisation phase	DGNB Platin* WiredScore Platin* WELL Platin*
Beethoven Straße [2018 - 2021] (Hilden) [SOLD]	Housing development to reduce pressure on local rental market	None	EnEv 2016 CHP (cogeneration unit)	None

* targeted and intended sustainability standard as the project is still under development
^[1] EU-Taxonomy: Contribute substantially to one or more of the environmental objectives (in Article 9); Not significantly harm any other Article 9 objective (in accordance with Article 17); Be carried out in compliance with minimum safeguards (laid down in Article 18); Comply with technical screening criteria (established under Articles 10-15 and 19).



Friedrich Weil (l) and Laurenz Hofmann (r)



Alfons & alfreda AG

www.Alfons-alfreda.com

Erkrather Str. 230, 40233 Düsseldorf
Germany +49 211 9763 4190
Aa@Alfons-alfreda.com

Seat of the company: Düsseldorf
Registry Court: Düsseldorf District Court HRB 94625
Board Members: Friedrich Weil, Volker Busse