

SFDR disclosure Gateway Fund – sustainability-related disclosures

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Introduction

Real Estate Fund Management B.V. (the **Fund Manager**) manages Real Estate Gateway Fund FGR (the **Fund** or **Gateway**). The Fund Manager is a 100% subsidiary of Schroders Capital Real Estate Netherlands B.V. (**SCREN**). SCREN is part of the Schroders group that is headed by Schroders plc that is premium listed on the London Stock Exchange (**Schroders Group**).

The Fund Manager is subject to the disclosure requirements following from the EU Sustainable Finance Disclosure Regulation (**SFDR**). Under the SFDR specific disclosure obligations apply in respect of financial products with sustainable ambitions. The Fund intends to qualify as a financial product promoting certain environmental or social characteristics. This document sets out the sustainability-related disclosures that specifically apply for the Fund under SFDR as financial product promoting environmental or social characteristics (Article 10 SFDR).

Summary

- **No sustainable investment objective:** This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.
- **Investment strategy:** the Fund aims to invest in newly developed and existing income producing logistics & (light-) industrial property and income-generating land positions, with a focus on the main transport corridors in The Netherlands & Germany.
- **Environmental & social characteristics of the financial product:** the Fund has environmental & social commitments in relation to (i) energy label A properties, (ii) utilities consumption metering, (iii) installation of solar panels, (iv) the reduction of greenhouse gas emissions and (v) maintenance of the properties using circular materials.
- **Proportion of investments:** the Fund has a planned allocation for its real estate portfolio meeting environmental and social characteristics. The planned asset allocation is that no more than 35% of the Fund's asset value may comprise properties not aligned to the environmental and social characteristics of the Fund.
- **Monitoring, methodologies and data:** the Fund has established sustainability indicators to enable monitoring of whether the Fund meets its environmental and social characteristics. These sustainability indicators are monitored through certain ESG methodologies and data sourcing methods. Limitations to these methods may apply.
- **Due diligence:** the Fund takes certain ESG related measures as part of its due diligence prior and during the property acquisition process.
- **Engagement policies:** there are no engagement policies implemented.

Each of the above summarised topics is further detailed in this website disclosure.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

In order to deliver on the sustainability ambitions of the Fund, the Fund has environmental & social commitments in relation to (i) energy label A properties, (ii) utilities consumption metering, (iii) installation of solar panels, (iv) the reduction of greenhouse gas emissions and (v) maintenance of the properties using circular materials (as further detailed below).

Investment Strategy

Investment strategy

The Fund aims to invest in, acquire, hold, lease out and divest newly developed and existing income producing logistics & (light-) industrial property and income generating land positions, with a focus on locations along the main transport corridors in the Netherlands and Germany (inter alia, as set forth in the investment policy of the Fund in the Investment Memorandum paragraph 6). The Fund focuses on medium-sized properties in the logistics and (light-) industrial market, amongst others conventional logistics and (light-) industrial properties, distribution buildings, parcel delivery centres or cross-docking warehouses, including last-mile distribution facilities and urban parcel delivery centres. Additionally, the Fund may enter into borrowings, grant guarantees and engage in such other activities as the Fund Manager considers necessary, advisable, convenient or incidental to the foregoing.

Sustainability commitments

In order to deliver the Fund's sustainability commitments, the Investment Manager is committed to fulfilling the following criteria:

Energy labels: (i) a minimum of 80% of the Fund's portfolio held in office assets in the Dutch portfolio shall have an EPC Label A; and (ii) where the percentage of assets with an EPC Label A* in limb (i) drops below 80%, the Fund shall have two (2) years to remediate this.

*The EPC label only refers to office space of the buildings (see information memorandum) and the German portfolio is out of scope (given its small size compared to the Dutch portfolio and using a different label (not comparable)).

Consumption/utilities metering: Where applicable and approved by the tenant, the fund shall install water, gas, heating and electricity meters to all properties within a period of one (1) year from acquisition in order to measure and share consumption information with tenants.

Solar panels: where technically possible and commercially feasible (resulting in a cooperative tenant and at least a break-even result to the target Fund return plus relevant amortisation of the solar panels) the Fund will seek to have over 75% of the technically and commercially feasible roofs in the portfolio installed with solar panels. (In the case of new acquisitions, feasibility to be assessed within a period of 3 years).

Decarbonisation strategy: regarding the asset class of logistics and industrial property (in which operational greenhouse gas emissions correlate highly to the occupant's operation) the Fund pursues a decarbonisation strategy with the ambition to reduce greenhouse gas emissions of the Fund to net zero carbon by 2050.

Circular maintenance: to the extent the Fund is responsible for maintenance activities, i.e. in relation to the structural integrity of the building comprising key building elements including the roof, frame, walls and windows, it aims to achieve a minimum of 50% of all maintenance materials to be repaired, re-used, recycled or recovered.

Good governance practices policy

While the Fund does not invest in investee companies, it does still assess the governance practices of the special purpose vehicles (SPV) and real estate assets that it acquires. Each SPV shall be assessed to ensure that they have sound management structures and tax compliance. The underlying physical assets will be assessed to the extent possible against certain good governance criteria such as compliance with tenant screening criteria and appropriate procurement, valuation and asset management policies.

Monitoring of environmental or social characteristics

In order to monitor Gateway's sustainability indicators and to ensure sufficient external control mechanisms, the following guidelines have been adopted for each sustainability indicator:

Energy labels: measured through externally conducted energy labelling of Gateway's assets. Under (current) Dutch law, advisors eligible to issue such energy labels should be certified through BRL 9500 guidelines and use specific testes software for their calculations. The Dutch government has appointed four organisations to be allowed to issue BRL 9500 certificates to advisors.

Consumption/utilities metering: automated (API-)connections are connected to the same electricity- and gas-meters used by grid operators to measure consumption. Where possible, similar connections are made to water-meters. Alternatively, automated webcam monitoring may be installed if earlier mentioned options appear to be unavailable.

Solar panels: the asset- and property-manager are in charge of solar panels installations, monitoring existing and new installations is an asset-by-asset effort including verification through dedicated (and mandatory) Scope12 inspections.

Decarbonisation strategy: decarbonisation is measured by software company Propri, by adopting carbon emission monitoring offered by CREMM (Carbon Risk Real Estate Monitor) which is backed by the European Union, GRESB and several European universities.

Circular maintenance: a 10-year forecast usage of circular maintenance materials measured through their weight (kilograms) offset against the total amount of kilograms of maintenance materials projected to be used over that same period. External advice is engaged to ensure the right assumptions on weight & required amounts.

Methodologies

In line with the commitments of the Fund Manager to deliver on the sustainability ambitions of the Fund, the following sustainability indicators are used to measure whether the promoted environmental and social characteristics are met:

Energy labels: (i) a minimum of 80% of the Fund's portfolio held in office assets in the Dutch portfolio shall have an EPC Label A¹; and (ii) where the percentage of assets with an EPC Label A in limb (i) drops below 80%, the Fund shall have two (2) years to remediate this.

Consumption/utilities metering: Where applicable and approved by the tenant, the Fund shall install water, gas, heating and electricity meters to all properties within a period of one (1) year from acquisition in order to measure and share consumption information with tenants.

Solar panels: where technically possible and commercially feasible (resulting in a cooperative tenant and at least a break-even result to the target Fund return plus relevant amortisation of the solar panels) the Fund will seek to have over 75% of the technically and commercially feasible roofs in the portfolio installed with solar panels. (In the case of new acquisitions, feasibility to be assessed within a period of 3 years).

Decarbonisation strategy: regarding the asset class of logistics and industrial property (in which operational greenhouse gas emissions correlate highly to the occupant's operation) the Fund pursues a decarbonisation strategy with the ambition to reduce greenhouse gas emissions of the Fund to net zero carbon by 2050.

Circular maintenance: to the extent the Fund is responsible for maintenance activities, i.e. in relation to the structural integrity of the building comprising key building elements including the roof, frame, walls and windows, it aims to achieve a minimum of 50% of all maintenance materials to be repaired, re-used, recycled or recovered.

Data sourcing and processing

Energy labels:

- (a) Data source(s): externally conducted energy labelling of Gateway's assets.
- (b) Data quality: under (current) Dutch law, advisors eligible to issue such energy labels should be certified through BRL 9500 guidelines and use specific testes software for their calculations. The Dutch government has appointed four organisations to be allowed to issue BRL 9500 certificates to advisors.
- (c) Data processed: Schroders has adopted a data processing policy which is available at the relevant Schroders office.
- (d) Proportion of data that is estimated: 0%, as all data is either available or unavailable (in which case the specific asset has been excluded, thus not estimated).

¹ The EPC label only refers to office space of the buildings (see information memorandum) and the German portfolio is currently out of scope (given its small size compared to the Dutch portfolio and using a different label (not comparable)).

Consumption/utilities metering:

- (a) Data source(s): automated (API-)connections are connected to the same electricity- and gas-meters used by grid operators.
- (b) Data quality: where possible identical to grid operators, otherwise based on automated webcam meters.
- (c) Data processed: Schroders has adopted a data processing policy which is available at the relevant Schroders office.
- (d) Proportion of data that is estimated: 0%, as all data is either available or unavailable (in which case the specific asset has been excluded, thus not estimated).

Solar panels:

- (a) Data source(s): asset- & property manager.
- (b) Data quality: asset-by-asset effort, validated by (mandatory) Scope12 inspections.
- (c) Data processed: Schroders has adopted a data processing policy which is available at the relevant Schroders office.
- (d) Proportion of data that is estimated: 0%, as all data is either available or unavailable (in which case the specific asset has been excluded, thus not estimated).

Decarbonisation strategy:

- (a) Data source(s): data from consumption/utilities metering + processing by Propri based on CREMM tool.
- (b) Data quality: CREMM tool and Propri to filter outlying / odd data.
- (c) Data processed: Schroders has adopted a data processing policy which is available at the relevant Schroders office.
- (d) Proportion of data that is estimated: for the data part that has not been covered by the collection of consumption data (such as electricity and gas), estimated carbon emissions are adopted based on CREMM (following their methodology).

Circular maintenance:

- (e) Data source(s): external advisor.
- (f) Data quality: based on knowledge from external advisor, verified by the fund's property manager.
- (g) Data processed: Schroders has adopted a data processing policy which is available at the relevant Schroders office.
- (h) Proportion of data that is estimated: 100%, all data is estimated as it entails a forward looking estimate of total maintenance materials (in kg's) which is estimated and not measured in absolute terms.

Limitations to methodologies and data

There are certain limitations to the methodologies used to measure whether the promoted environmental and social characteristics are met, mostly relating to the commercial and technical feasibility of the commitments. Such limitations are described in the Methodology section itself.

A set of signalled limitations to the data is listed below.

Energy labels: the Fund is limited to the current framework of energy labels. If the certification regime for energy labels changes, this may impact the current data sourcing of the Fund, e.g. the Fund may then be required to adopt alternative certification, measurables or parameters that fit within energy efficiency characteristic of the Fund.

Consumption/utilities metering: the Fund may be limited in its ability to gather consumption data by its tenants from a legal perspective, as the fund may only collect this data after written authorisation by the tenant. It may therefore occur that some properties have limited data for consumption/utilities metering. This is (largely) mitigated through adopting lease agreements which contain a clause in which authorisation is given to the Fund to collect the relevant data.

Solar Panels: the Fund Manager shall only install solar panels where technically possible and commercially feasible (resulting in a cooperative tenant and at least a break-even result to the target Fund return plus relevant amortisation of the solar panels).

Decarbonisation strategy: limited by (i) coverage levels of consumption/utilities data and (ii) the Fund relies on calculation of external tools and advisors.

Circular maintenance: the Fund is limited to estimations of kilograms material used to maintain the properties. As it includes (largely) forward looking estimations based on the relevant maintenance plans, it is highly likely that the results remain an estimation.

Due diligence

Acquisitions and disposals above the threshold will be discussed at the Real Estate Direct Investment Committee, including relevant ESG-related information (such as energy labels, climate risks, etc.) as well as associated sustainability indicators.

Energy labels: assessed during acquisition (mandatory).

Consumption/utilities metering: to the extent possible, the fund manager will gather as much data as possible, but is limited to the cooperation of both the seller and occupier.

The Fund Manager applies internal due diligence procedures and guidelines to all potential investments of the Fund to assess the impact of the decision on the considered environmental and social characteristics and to implement the investment strategy accordingly. In addition to the expertise of Schroders Group, the Fund Manager will also engage external service providers, such as for sustainability due diligence in the acquisition process, to support the assessment of relevant environmental and/or social characteristics and the evaluation of adverse sustainability impacts related to the assets to be acquired or acquired on behalf of the Fund.

Every transaction goes to the Real Estate Direct Investment Committee, which has a two-stage process for acquisition or investment approvals.

Initial due diligence: focus on investment rationale and underwriting, sensitivity analysis, initial Impact and Sustainability Review and due diligence budget requests.

In-depth due diligence: focus on due diligence findings and risk mitigants, underwriting variances from Stage 1, portfolio impact analysis and pricing confirmation. It will cover legal, tax, structure, technical, sustainability (including the ESG Scorecard), financing (if applicable), commercial and valuation and outcomes will determine continued involvement in the transaction, revised asset business plan, underwriting and risk management. Final transaction approval requires sign-off from Head of Real Estate Risk ensuring that all Real Estate Direct Investment Committee conditions have been met and the relevant country head (providing no material deviations from the final approval). Risk management controls are embedded in each step of the process from origination to closing.

Engagement policies

There are no engagement policies implemented as engagement is not part of the environmental or social investment strategy.

Designated reference benchmark

There is no external reference benchmark designated for the purpose of attaining the promoted environmental or social characteristics.

Where can I find more specific information?

More product-specific information relating to Article 8 SFDR is available in the fund documentation listed below:

- Prospectus of the Fund (IM)
- Annual + Half year reports of the Fund

Important Information:

The information in this publication is derived from sources and assumptions considered by us to be reliable, but we accept no liability in this respect. In particular, all the expected returns cited in this report are without exception intended only as examples. The ultimate investment results cannot be predicted. It is therefore probable that the actual return will not equate to the expected returns stated in this report. No right of any kind may therefore be derived from these stated expected returns. All the results stated are without exception historical, and past results give no reliable indication of results in the future. This publication must not be considered to be an offer to sell securities or an invitation to purchase securities or to constitute advice, and is also not intended to create any right or obligation. Investment of monies is highly dependent on (personal) circumstances. The use of this information is therefore entirely at your own risk. Before taking a decision, consult your investment advisor. The opinions expressed in this publication may be changed without further notice. All forms of investment involve risk. The value of your investment may fluctuate. Results obtained in the past are no guarantee for the future.