

AT A GLANCE – TRENDS IN LOGISTICS

TRANSFORMATION / POTENTIAL / SUSTAINABILITY NR. 1

Ecology – sustainability as a goal, the investor in focus

The fifth Assessment Report of the UN Intergovernmental Panel on Climate Change (IPCC) states that buildings are responsible for almost one third of global final energy consumption and about one fifth of all greenhouse gas emissions.¹ Accordingly, the potential to reduce the climate-damaging effects of the sector and to generate positive effects is enormous. The Aquila Group's long-term commitment to sustainable investment criteria, combined with its expertise in real estate development, provides the ideal framework for the implementation of our green logistics strategy. In addition to the social and environmental aspects, the focus is on the economic requirements and the related interests of our investors. However, our long-standing commitment to the renewable energy sector and our activities in infrastructure projects and areas relating to climate change in general show that these are not contradictory but closely related objectives.

The social, political and, not least, economic rethinking of climate change was initially gradual, but is gaining momentum. The resulting changes influence public perception and lead to further development of the regulatory framework at the political level.

“Only when emissions have a price our behaviour will change.”

(Ursula von der Leyen; Speech opening the plenary session of the European Parliament; 16.07.2019)

Trade-off between tenants and investors?

In the subjective perception, positive effects on society, working conditions and environmental pollution are initially associated with higher costs. Original considerations therefore focused on the competing goals between investors and tenants, whose respective success is nevertheless directly dependent on each other. In the analysis, the needs of the investors – characterized by constantly increasing sustainability criteria and the future performance of the facilities within the long-term investment horizon – were therefore set against the requirements of logistics service providers, since their competitive market environment is characterized by very low margins. This contrast, however, can only withstand very short-term consideration. In line with the dynamic change in the general conditions, the

over fulfilment of current regulations, which are sometimes associated with higher initial investments, can be regarded as an insurance against future (medium-term) regulatory changes. From this perspective, the investment and use of a sustainable building in the medium term, e.g. by introducing an EU-wide CO2 tax, represents a competitive advantage. In this case, investors benefit from stable value development and tenants from stable service charges. Beyond this central point, it should be noted that comparatively higher investment costs in the energy efficiency of buildings generate positive financial effects in the long term through the resulting savings potential.

The reputation of companies is increasingly measured by their responsible actions. By covering the entire depth of value creation, Aquila is in direct contact with all the players involved as a project developer, lessor and investment manager and offers flexible solutions to meet a variety of specific requirements effectively and in the long term.

BOX 1²

„APG Asset Management NV, the Netherlands' biggest pension investor, and the Church of England are cutting their holdings in state-backed utility Korea Electric Power Co. over its lack of action on carbon emissions, the Financial Times reported, citing people it didn't identify.

APG has sold most of its 60 million euro (\$65 million) stake, while the Church of England is considering a divestment at the end of the year, according to the FT. APG managed 529 billion euros in pension assets as of August, according to its website.

Coal and natural gas-reliant companies such as the South Korean utility, known as Kepco, are coming under increasing pressure from investors seeking to get out of sectors linked to climate change. In a high-profile push last month, BlackRock Inc., one of the world's biggest asset managers, unveiled a set of climate-related changes to its investment processes, a topic that dominated the agenda at this year's World Economic Forum in Davos.”

¹ Klimawandel: Was er für das Bauen bedeutet, und was der Bausektor darüber wissen muss (2014)

² BNEF (2020)

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BOX 2³

Group-wide environmental protection program GoGreen with new global goal: zero emissions by 2050

Sustainability has long been one of the most important issues of our time. Our contribution to a more sustainable world is green logistics. To shape a sustainable future, we think in big dimensions: With our new climate protection target we want to reduce all logistics-related emissions to zero by 2050.

The path to sustainable real estate

Steps to achieve a sustainable building

1. Selection construction company

- Company requirements:
- expertise in sustainable Construction
- ESG policy
- innovative (digital) technologies



2. Monitoring and minimisation of environmental impacts

- whole life carbon assessment
- sustainable materials (eg. Wood)
- Consideration and compensation flora and fauna impacts



3. Reduction of ongoing energy consumption in the operational phase

- Energy efficiency



4. Use of renewable energy

- Roof top photovoltaic installation



5. Neutralization of remaining emissions

- Using certificates to compensate for emissions



The figure illustrates the comprehensive and multi-layered approach of the Aquila Group to achieve climate-neutral logistics properties.

Step 1 (Selection/identification of valuable partners):

Using the extensive network of the Aquila Group, with local presence in each case, the selection of the construction company is firstly made, taking into account relevant criteria. This company must have expertise in sustainable construction, have implemented its own ESG criteria (especially with regard to occupational health and safety and environmental standards) and offer the use of innovative (digital) technologies for efficient achievement of objectives.

Stage 2 (monitoring and minimisation of environmental impact):

The calculation of emissions over the entire life cycle of the property provides the basis for the selection of the ideal materials. Regional resources are used wherever possible. The use of building elements made of wood is preferred, taking into account regional availability from sustainable forestry. As a natural carbon store, wood elements have a correspondingly positive effect on emissions and also make a positive contribution to the fire resistance of the building. Furthermore, the respective flora and fauna are examined under consideration of the natural conditions in order to compensate for negative effects caused by the sealing of surfaces elsewhere. This process is accompanied by Aquila's team for forest investments, which is characterized by high expertise in wood procurement and in dealing with natural habitats.⁴

Stage 3 (reduction of ongoing energy consumption in the operational phase):

"The cleanest energy is the energy that is not consumed at all."⁵ The implementation of energy-efficient measures has high priority. With regard to the entire technical interior, the most modern standards are implemented in the buildings. In addition to energy-saving measures, e.g. with regard to lighting with LEDs, intelligent planning and design of windows and ventilation systems will create a positive working atmosphere for employees in addition to significant cost savings. The Aquila Energy-Efficiency-Team supervises the optimal implementation of these measures with a high degree of experience and technical know-how. For continuous monitoring and the identification of further saving potentials, measuring systems are implemented, which also provide exact information about the energy actually consumed.

³ <https://www.dpdhl.com/de/nachhaltigkeit/umweltschutz.html>

⁴ Cf. <https://www.aquila-capital.de/sachwertanlagen/forstwirtschaft> and https://www.aquila-capital.de/fileadmin/user_upload/PDF-Dokumente/2020-02-21_ACTIF_IMPACT_Report.pdf

⁵ Brigitte Zypries on the occasion of Energy Efficiency Market Report (2017)

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Stage 4 (use of renewable energy):

Renewable energies represent a core competence of the Aquila Group. The aim is to equip all roof areas of the logistics properties with photovoltaic systems to make the energy consumption as self-sufficient as possible. This process is also accompanied by Aquila's Energy Efficiency Team, which has successfully implemented similar projects many times before. If the energy consumption of the building exceeds the potential of the own production, we offer the tenants attractive possibilities to purchase additional renewable energy. Aquila's Merchant Market Desk makes a valuable contribution in this field.

Level 5: (Neutralization of remaining climate-damaging emissions):

Aquila has already confirmed that it will neutralize remaining carbon emissions to achieve complete carbon neutrality of its logistics properties. This is being done with Aquila's subsidiary KlimalInvest. KlimalInvest generates recognised certificates for the respective emission savings by participating in global climate protection projects. By acquiring these certificates we can offset remaining emissions

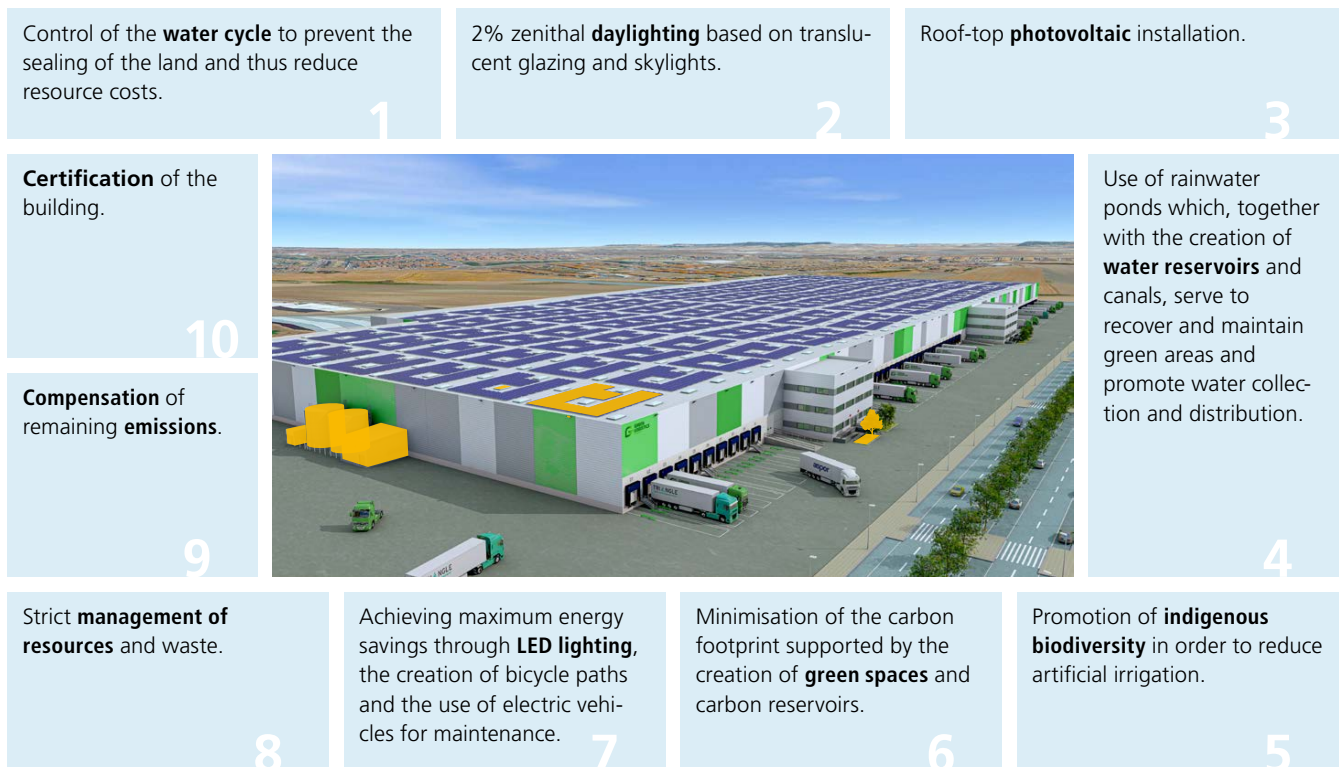
with savings elsewhere and thus make our contribution to the global reduction of emissions of climate-damaging substances.

Example development: Illescas Green Logistics Park

Illescas Green Logistics Park is to be located within the Plataforma Central Iberum, Spain's first eco-industrial park, integrated with its environment and designed for energy saving, research and the application of new technologies to achieve maximum sustainability.

It will form part of the second stage of the Plataforma Central Iberum development, already fully operational, which is planned to become the first industrial logistics park to adopt carbon footprint compensation measures with the aim of achieving Zero Emission status following the elimination of its carbon footprint.

The installations of the Illescas Green Logistics Park will be equipped with the latest technology so that it can become one of the most efficient companies of the future:



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