

DECEMBER 2023

**SUSTAINABILITY REPORT
2023**

Streng vertraulich



Lenwood  Capital

Introduction



Introduction

About this report

The 2023 Lenwood Sustainability Report demonstrates how we are integrating ESG principles throughout our company and investment platform. It details our engagement with our processes, financings, and the broader industry. Furthermore, it outlines our efforts to develop an evidence-based assessment of our investments to enhance value for our stakeholders.

Table of Contents

01	Introduction	03	Responsible investment
	About this report		ESG integration in investment process
	About Lenwood		Benchmarking
	A message from our founders		Case studies
	2023 highlights	04	Further information
02	Corporate sustainability		Disclaimer
	Climate change		Contact
	Corporate social responsibility		
	Ethical governance		
	ESG affiliations and partnerships		

“We take responsibility for future generations seriously and make our contribution with our ESG commitment.”

Burkhard Schlickerrieder,
Founder & Managing Partner

Introduction

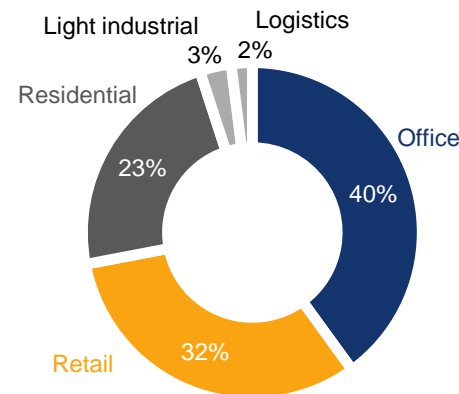
About Lenwood

Our portfolio

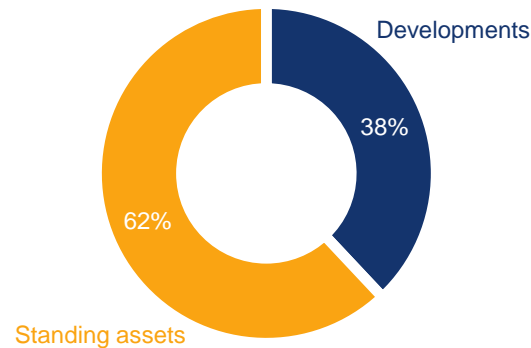
Lenwood Capital is a leading alternative investment manager specialized in real estate debt regulated by BaFin and Deutsche Bundesbank. We invest in loans secured by real estate of all traditional asset classes in Germany and the European market. By the end of 2023, Lenwood raised more than € 1 billion and invested € 931 million in over 42 transactions.



Sector



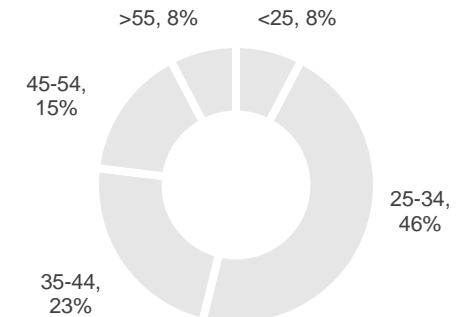
Project type



Our employees

Lenwood Capital is home to a team of highly skilled professionals, each bringing a wealth of experience in real estate finance. Our primary aim is to provide sustainable solutions tailored to the needs of our commercial real estate clients. As of 2023, our team was composed of an average 13 employees, with part-time roles accounting for 8%. We are committed to enhancing work-life balance by offering various part-time work arrangements to our employees. Moreover, we cultivate an environment that values trust, respect, inclusivity, and diversity. For instance, a balanced age structure is a defining characteristic of our organization.

Age structure in years



Introduction

A message from our founders

Lenwood Capital is proud to unveil its first Sustainability Report, which offers a comprehensive review of our accomplishments throughout 2023 and sets strategic priorities for our journey into 2024 and beyond.

We believe that the most effective and scalable ESG programs must deliberately and strategically engage employees across various functions and levels of seniority. Beginning in 2022, volunteers from different departments came forward to aid in the conception and implementation of ESG integration plans for our company (chapter “Corporate Sustainability”) and our investment process (chapter “Responsible Investment”).

We recognize that systemic economic and social challenges necessitate systemic solutions. Such solutions require collaboration

with a broad array of partners beyond our own platform. While the impact at Lenwood is propelled by its employees and us as managing partners, it is essential to interact with our wider network. Whether that entails being a signatory to the UN Principles for Responsible Investment (UNPRI) and accessing pertinent information to stay abreast of rapidly evolving ESG standards or maintaining close communication with GRESB to define a vetting process for potential investments, we strategically consider our avenues of influence and how we can utilize them to generate increasingly significant and measurable impacts.

We are aware that the forthcoming years will see a substantial increase in the relevance of ESG factors, and we are intent on leveraging Lenwood's influence to contribute to and

facilitate this progression.

We are grateful for your partnership in continuing to build out our impact at Lenwood. We've chartered an ambitious course and are proud of the progress we could establish this year and we continue to make. We hope you enjoy learning more about the milestones achieved in the last year as you continue to read through our 2023 Sustainability Report.



Ulrich Kastner and Burkhard Schlickenrieder
Founding Partners

Introduction

2023 highlights

Corporate sustainability

Climate Change

Lenwood partnered with ClimatePartner to reduce CO2 emissions and earned a certification for their efforts to lessen their environmental impact.

Corporate Social Responsibility

They implemented remote work options and part-time work models, in addition to an educational program that merges academic and practical training, bolstered by compulsory ESG training.

Ethical Governance

Sustainability was woven into Lenwood's corporate and operational fabric through the formation of an ESG committee with cross-departmental executive involvement.

ESG Affiliations and Partnerships

Lenwood committed to global ESG standards by endorsing the Principles for Responsible Investment, joining GRESB, and signing the Charta der Vielfalt.

Responsible investment

ESG integration into our investment process

In 2023, we integrated ESG into Lenwood's investment process, achieving a milestone by conducting rigorous ESG analyses and adopting GRESB-guided criteria for portfolio management.

This strategic move excludes investments in non-compliant industries and requires a minimum ESG score for deal approval. Our dedicated oversight ensures continuous ESG adherence and performance monitoring.

GRESB as major framework

Since joining GRESB in 2023, Lenwood mandates the GRESB Real Assessment for all investments, directly informing our strategy and analysis. Past investments have been updated to align with GRESB benchmarks.

Our ESG champions



Phillip Epping
ESG Champion Corporate



Laura Scholl
ESG Champion Corporate



Nils Denn
ESG Champion Investment



Tatjana Schmidt
ESG Champion Investment

Corporate sustainability



Corporate sustainability

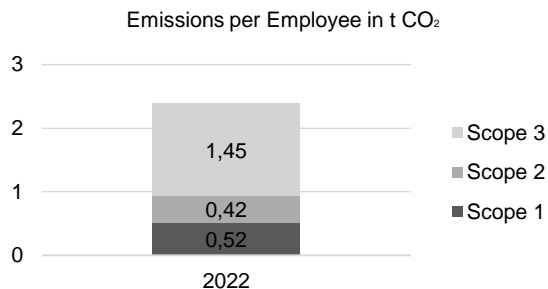
Climate change

What we do

Lenwood Capital maintained climate as a top priority in 2023. A cross-functional sustainability working group was formed, comprising 3 professionals across different departments. In 2023, this group focused on creating a clear roadmap for Lenwood’s climate action.

Operational emissions

2023 was also the first year where we took climate action on an operational level. With the guidance of ClimatePartner we were able to measure our carbon footprint from 2022 and define a roadmap to continually reduce our emissions. As a first step we incorporated certain travel regulations. Within national travels, we take advantage of the railroad network instead of using planes or cars.



Furthermore, we supported a climate project ‘emPOWERing Africa’, which has the aim to increase access to renewable energy for various countries in Africa as African people have been disproportionately affected by the impacts of climate change.

The project contributes to achieving the Sustainable Development Goals 7, 8 and 13.



Sustainable workplaces

To create our workplaces more sustainable, we launched environmentally conscious initiatives. We eliminated plastic water bottles, significantly reduced single-use consumables, and enhanced recycling programs.

We incorporated sustainability into our office through several initiatives like implementing LED lighting or switching to energy-saving devices.

Next steps

Moving forward, Lenwood is steadfastly committed to continuing its foundational work to bolster climate action within our corporate operations. In the following years, our ambition is to persistently reduce our corporate emissions on a per headcount basis. This goal will be realized through a series of initiatives like switching to a utility provider that utilizes renewable energy or using more sustainable products and services, such as a sparkling water machine, eco-friendly printing paper or natural cleaning products. In our quest to foster a healthier work environment, we plan to provide our employees with organic food. This will include locally and seasonally sourced fruits and vegetables, as well as fair-trade tea and coffee. We also aspire to enhance our outdoor area by incorporating a variety of plants and creating habitats for insects.

Moreover, we intend to invest in another innovative project aimed at reducing greenhouse emissions. As we believe in transparency and accountability, our climate progress in climate action should be demonstrated through our future ClimatePartner reports.

Corporate sustainability

Corporate social responsibility

What we do

At Lenwood Capital, we are committed to integrate ESG practices and procedures into our own corporate operations, with a focus on aspects that matter to our employees and communities. Our aim is to enhance the health, satisfaction, and wellbeing of our employees by providing competitive remuneration, superior benefits package and opportunities for growth and development. As we aspire to expand our role as a trusted partner in Real Estate Investments across Europe, we are continually investing in the growth of our firm while steadfastly fostering an environment that values diversity and inclusivity. Our culture of trust, teamwork, and mutual respect will always be the key to our current and future success.

In 2023, we developed a range of initiatives to support staff at all levels to advance in their careers and feel comfortable in the workplace.

New work

We continue to evolve our approach to workplace flexibility. Since the onset of the Corona pandemic, our employees have been allowed to work from home for two days a week, a practice we intend to maintain in the long term. Additionally, we offer flexible part-time work models for all our employees to better accommodate the balance between their professional and personal lives. As of 2023, all our employees have been using the opportunity to work from home occasionally, and a significant proportion of 8% have opted for part-time work schedules.

Education

Lenwood offers a program to integrate academic studies with workplace training. We are proud to participate in a cooperative education program with the IU International University of Applied Sciences. By the end of 2023 one employee was enrolled in such a program. We also conducted our first mandatory ESG training for all employees to foster an increased awareness of ESG issues within the team.

Next steps

We will continue to invest in our people. In 2024, we aim to:

- Grow our headcount with strategic positions, helping us to foster our investment, asset management and investor relationship teams to increase long term value for our stakeholders.
- Expand our junior talent development efforts. This will include the extension of our internship program, by offering positions for either working students or internships. We always focus on organic growth. Therefore, we're interested in interns becoming full time employees.
- Continue to create a better workplace to ensure that our employees enjoy working in our offices as well as growing the flexibility with initiatives like work from anywhere. For 2024 a working group consisting of four employees and one executive has been established to start our better workplace initiative.

Corporate sustainability

Ethical governance

What we do

Sustainability is most successful when implemented at both the corporate level and the investment level. Sustainable investment management requires integrating ESG responsibilities into all business functions and making them part of Lenwood's daily operations. To ensure close alignment between sustainability implementation at the strategic corporate level and the operational investment level, our ESG committee consists of executives from different departments such as asset management, investment management and corporate functions. The ESG committee assigns operational tasks to specialized ESG working groups, which are comprised of cross-functional teams within the organization and collaborate intensively with external ESG specialists.

Notably, all members of the ESG committee also serve on Lenwood's internal investment committee, allowing them to contribute their knowledge and expertise in ESG matters, including climate risks, to investment decisions.

We foster a strong culture of transparency, accountability, and integrity. Our governance framework ensures robust decision-making processes, compliance with laws and regulations, and adherence to industry best practices. We integrate ethical conduct, anti-corruption measures, and environmental protection into our operations. Comprehensive due diligence on business partners prevents conflict of interest and we aim to treat all business partners fairly and collaboratively.

To us, the disclosure of our sustainability performance is as important as the financial performance of our products. Therefore, we closely follow established industry standards to guide and monitor the overall progress of Lenwood's sustainability strategy, while we strive for the best practice in investor sustainability reporting. We seek to share relevant data about our ESG initiatives on our website and through investor meetings, as appropriate.

Our ESG committee



Ulrich Kastner
Managing Partner & ESG
Representative



Burkhard Schlickerrieder
Managing Partner



Nico Schreyer
Head of Investment Management



Christian Uschold
Head of Asset Management

Corporate sustainability

ESG affiliations and partnerships

The following are some of the frameworks and organizations with which we are affiliated:

Signatory of:



We became a signatory to the Principles for Responsible Investment (PRI) in 2023, which reinforces our longstanding commitment to responsible investment and ESG best practices. The PRI are one of the world's leading proponents of responsible investing, with an emphasis on understanding the investment implications of ESG factors and supporting an international network of investor signatories incorporating these factors into their investment and ownership decisions.



Lenwood became a GRESB member in 2023, a global ESG benchmark for real assets, to improve transparency and benchmarking of ESG performance. In 2023, we evaluated the Governance of Lenwood and will continuously participate with our ongoing funds and any future funds from which we invest.



In 2023 we have begun to measure our corporate carbon footprint together with ClimatePartner with the goal to become carbon neutral. ClimatePartner has been supporting ~ 6,000 customers in their climate action for almost 20 years.



charta der vielfalt

As diversity in the workplace is very important to us, we have decided to become a signatory of the Charta der Vielfalt. The Charta der Vielfalt e.V. promotes the recognition, appreciation and integration of diversity in business culture. Already 5,000 companies and organizations have thus far signed the Charta so far.

Responsible investment



Responsible investment

ESG integration in investment process

Implemented processes to stay ahead

Our investment strategy includes a thorough analysis of ESG risks and opportunities, assessing their potential impact on investment value. We integrate credit-relevant ESG factors into the management of all prospective client portfolios.

Deal selection

Our investment team evaluates opportunities using an integrated approach that combines credit and ESG analyses. Credit analysis considers factors like property quality and market conditions, while ESG analysis is guided by the annual GRESB real estate assessment. Investments that meet a minimum GRESB score proceed to due diligence after preliminary approval by our investment committee.

Exclusions

Financing is denied to companies involved in specified controversial industries, based on the business activities of the financing companies, their tenants, and their related entities.

Exclusions cover real estate financing and leasing to companies with revenue shares in the following sectors:

- Environmental: Coal, oil and gas production, fossil fuels, nuclear power, oil sands, and oil shale.
- Social: Armaments, tobacco production, gambling (casinos, bookmakers), and adult entertainment (brothels).

Due diligence and documentation

Lenwood conducts thorough due diligence, focusing on ESG factors in line with GRESB real estate assessment guidelines.

The process evaluates a spectrum of ESG sources to determine an investment's attractiveness, favoring those with higher GRESB scores.

The financing documentation secures ESG compliance through detailed plans and requirements.

Additionally, Lenwood's proprietary ESG credit scoring model for real estate credits includes GRESB scores, use of proceeds, loan documentation, reporting obligations, and loan terms, each weighted to compute a cumulative ESG credit score.

Investment committee approval

Investments that pass due diligence are presented to our investment committee with a memorandum including a full ESG analysis. To be considered for approval, each investment must meet a minimum score on the Lenwood ESG credit scoring system.

Monitoring and reporting

We monitor each investment's ESG compliance through agreed covenants and reporting obligations, including annual GRESB evaluations.

Updated ESG data from borrowers informs GRESB scores, which feature in our quarterly and annual investment reports.

Responsible investment

Benchmarking

Benchmark framework

In early 2023, we endorsed the Global Real Estate Sustainability Benchmark (GRESB) as one of our main frameworks to assess the ESG impact of our investments.

Whats GRESB?

GRESB is a leading ESG benchmark for real estate and infrastructure investments, providing a standardized framework for measuring and reporting on the ESG performance of real estate assets and portfolios.

The GRESB assessment offers real estate managers essential ESG information, tools, and opportunities for investor engagement.

Reflecting its global impact, in 2023, GRESB engaged over 2,000 property companies, REITs, funds, and developers, representing USD 7.2 trillion in assets across more than 170,000 properties in 75 countries

What we do

Since joining GRESB in early 2023, we've incorporated the GRESB framework into our investment decision-making and due diligence processes, which are essential to our operations.

The GRESB framework evaluates ESG factors, significantly influencing our investment choices and documentation. Each investment undergoes the [GRESB Real Estate Assessment](#), which requires detailed ESG performance data and impacts our investment memorandums through the GRESB score.

We also strive to include clauses in our investment contracts to participate in GRESB benchmarking, ensuring continuous commitment to sustainability standards. This integration not only enhances investor attractiveness by aligning with global sustainability standards but also helps mitigate risks associated with regulatory changes and environmental challenges, securing long-term profitable and responsible investment returns.

Next steps

We are set to publish our inaugural GRESB score by the end of 2024, a reflection of our commitment to ESG standards. This score, indicative of our sustainability practices, will be featured in our annual ESG report available on our website for all stakeholders. Our ESG Representative will be available for any inquiries or feedback to ensure transparency and engagement.

In addition to reporting, we are committed to integrating ESG clauses into all new investments and, where possible, into existing ones to enhance compliance with ESG criteria. This proactive approach not only aligns our entire portfolio with contemporary ESG standards but also mitigates potential risks and enhances investment performance. Our ongoing efforts to embed ESG principles in our operations aim to set industry benchmarks in sustainable and responsible investment.

Responsible investment

Case studies

Logistic project, Central Germany

Business plan

The sponsor requested Lenwood's financial participation in a logistic asset project, with funds allocated to ensure the asset's completion during construction.

Over two years, this initiative transformed the site into one of Germany's largest logistic assets.

ESG implications

In line with ESG commitments, Lenwood's funding supported the construction phase, adhering to the highest insulation standards and sustainable practices.

The completed construction has achieved DGNB Gold certification and fulfills the KfW 55 criteria for energy efficiency. Currently, an ESG score is not applicable.

Lenwood ESG score

The ESG scoring hasn't been applied yet because the model was implemented after these were established. The ESG scoring will be integrated into these transactions as soon as practical.

Office project, BeNeLux

Business plan

Lenwood has been approached to provide financial backing for an office construction project, ensuring the seamless progress and eventual finalization of the property.

Within a two-year span, this venture has produced a state-of-the-art office building, offering occupants access to the utmost standards in workplace environments.

ESG implications

Consistent with ESG objectives, Lenwood's contribution is facilitating the construction phase, which prioritizes construction with superior energy performance.

The project secures a trio of top-tier sustainability accreditations: DGNB-Gold, BREEAM-Excellent, and WELL-Gold.

Lenwood ESG score

The Lenwood ESG score, rated the project at 6/10, reflecting a positive alignment with our sustainability values.

Next steps

Over the past year, Lenwood has expanded its ESG monitoring to include more projects. Recently, a Core+ portfolio of high street retail projects received an ESG score of 6/10, and another project was added after its extension last year, which will be evaluated in the next ESG scoring cycle.

Lenwood aims to increase the number of ESG-monitored projects, including those previously financed, to ensure ongoing sustainability compliance.

Lenwood is actively seeking partnerships with sponsors committed to implementing ESG measures, aiming to merge financial expertise with sustainable practices effectively.

To maintain leadership in the dynamic ESG landscape, Lenwood is collaborating with top consultancies to refine investment processes and broaden its portfolio with eco-conscious financial products like green bonds and loans.

Further information



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