PRINCIPLE ADVERSE IMPACT- SFDR

ESACF
European Student Accommodation Core Fund

PAI Disclosure Statement
2024

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Summary

The European Student Accommodation Core Fund SCA SICAV RAIF ("ESACF" or the "Fund") is a differentiated investment vehicle with a focus in real estate assets, with a distinct focus in Europe.

European Student Accommodation Core Fund SCA SICAV-RAIF, hereinafter "the Fund" or "ESACF", considers responsible ownership a key priority of the Firm. As a medium to long-term investor, the Fund is optimally positioned to make an impact on corporate behaviour.

SPI General Partner S.a.r.l. (hereinafter "The General Partner" or the "GP"), TMF Management Company S.A (the "AIFM") and Stoneshield Investment Fund Ltd (the "Investment Adviser") believe that material environmental, social and governance ("ESG") factors are an important driver of long-term investment returns from both an opportunity and a risk-mitigation perspective. As such, the AIFM and the Investment Adviser consider sustainability risks and opportunities in their assessment of each investment of the Fund. The AIFM and the Investment Adviser consider such analysis as crucial given that the Fund promotes ESG and is classified as Article 8 under the SFDR.

ESACF thoroughly evaluates the principal adverse impacts (PAIs) of its investment decisions on sustainability factors. This document serves as a comprehensive overview of ESACF's assessment of those PAIs.

The reporting period spans from January 1st to December 31st 2023.

Executive compensation at ESACF is structured to align the interests of management with the long-term interests of the Fund. This long-term approach ensures that executives understand and enact sustainable, productive initiatives that best serve all its stakeholders.

Following to the above, the Fund values its people and their long-term success. Its human capital strategy is designed to support its people in working toward their potential. Key aspects of this strategy include attracting and retaining people with the capability and the drive to continue to grow and develop, aligning their interests with those of its shareholders and investors through carefully developed compensation programs, providing stretch opportunities which fast track development where appropriate, and creating a positive, diverse, and inclusive workplace that encourages and supports stepping outside one's comfort zone and enables strong relationships.

Climate-related commitment:

The Fund believes that the world will transition toward a net zero-carbon economy in the future. The Fund is actively contributing and making the relevant decisions to this transition by incorporating the implications of climate change into its underwriting, focusing on assets that are essential for the economies in which it invests and will continue to be so in a net zero-carbon future, and driving operational and other efficiencies which contribute to a reduced impact on the environment.

Description of the Principal Adverse Impact on sustainability factors

By regulatory obligation, the Fund has considered all Principle Adverse Impacts, as listed in Annex I, supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council.

The European Union has introduced a series of legal measures (the primary one being the Sustainable Finance Disclosures Regulation (Regulation (EU) 2019/2088)) requiring firms that manage investment funds or provide investment advice to provide transparency on how they integrate sustainability considerations into the investment process with respect to the investment funds they manage or the investment advice they provide.

SFDR requires financial market participants to describe the policies to identify and prioritize principal adverse sustainability impacts on sustainability factors.
The European Supervisory Authorities (ESAs) have identified a list of principal adverse impact indicators that financial market participants have to annually report on. The list includes 64 principal adverse impact indicators, of which 18 are mandatory and 46 are optional.

However, as depicted in the following table, ESACF, due to its investment focus exclusively within the real estate sector, discloses the necessary information regarding the following PAIs:

- **17. Exposure to fossil fuels through real estate assets**
- **18. Exposure to energy-inefficient real estate assets**

Moreover, the Fund deemed it pertinent, both as indicative of its commitment to principles of responsible and sustainable investment and for the purpose of evaluating its performance and demonstrating its strategic trajectories, to disclose data on two additional PAIs:

- **18. GHG Emissions**
- **19. Energy consumption intensity**

The ensuing table delineates the measurement metric employed for each PAI indicator, alongside the corresponding outcomes observed during the reference period. Additionally, it outlines any pertinent commitments endorsed by ESACF, where applicable. The document also details all actions, strategies, and objectives that the Fund fixes to itself, in order to keep developing its activities while following a more sustainable path in its investments, promoting transparency and ESG measures. The tables also present the various strategies and trajectories set by the asset operator (MiCampus Living) to comply with ESACF policies and strategies and participate to the objectives framework defined by the Fund.

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A	N/A	N/A
		Scope 2 GHG emissions	N/A	N/A	N/A	N/A
		Scope 3 GHG emissions				
		Total GHG emissions	N/A	N/A	N/A	N/A
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	N/A	N/A
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	N/A	N/A

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	N/A	N/A	N/A
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A	N/A	N/A
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	N/A	N/A
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	N/A
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	N/A

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	N/A	N/A
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	N/A	N/A
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies				
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A	N/A	N/A

	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons				

Indicators applicable to investments in sovereigns and supranational

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	N/A	N/A
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	N/A	N/A	N/A	N/A

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [year 2023]	Impact [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels	Negligible exposure	N/A	ESACF never did and does not invest in fossil fuel related real estate assets. However, we recognize that some indirect exposure might be possible.	In the absence of data, ESACF can't fix any plan of actions to reduce its exposure. Although, the Fund will keep on with its decision to exclude any fossil-fuels related real estate assets.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	0,0471	N/A	The calculation conducted involves summing the fair market value of assets deemed energy inefficient according to the methodology detailed in Annex 1 of the SFDR. This sum is then compared to the total real estate assets value, subjects to an energy performance evaluation, also following the methodology in the Annex 1 of the SFDR. The elements considered include	Aware of the importance of energy efficiency and in order to increase its compliance regarding the PAIs reporting, the Fund, along with the entity responsible for managing the real estate assets, has implemented an energy renovation strategy. This strategy aims to improve the energy performance of the portfolio's assets by carrying out targeted renovations, such as enhancing compliance with certification standards. By strengthening the energy certification of all assets, this strategy helps to reduce GHG emissions and energy costs while increasing the value of real estate assets. Energy-efficient buildings are increasingly sought after, which can result in higher asset valuation. Plans of actions in order to: - Comply with GRESB certification at a 5-star level for assessing for the efficiency of actions implemented in the Fund's assets.

					the Energy Performance Certificate (EPC), particularly those rated C or below. The energy performance of these assets con be attributed to the construction dates of the buildings. Older buildings were often constructed under less stringent energy standards, leading to the to higher energy consumption and lower energy efficiency.	- Commitment to certify 100% managed assets under the BREAM In-Use certification for both Part 1 and 2. - All asset appliances are required to have a minimum energy classification of EPC rating of C, with plans to gradually replace them with more efficient appliances. All Fund assets must possess an energy label rating, with plans to improve rating: - By 2026: buildings rated as C/D will improve performance to reach a B rating. - By 2027: buildings rated E/F/G will improve performance, with at least 80% reaching a B rating and 20% reaching a C rating.

Additional adverse sustainability indicator

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [year 2023]	Impact [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets	1 271 676.01	N/A	Scope 1: Direct greenhouse gas emissions from stationary combustion sources only: diesel and natural gas.	The Fund has focused its efforts on acquiring spaces that incorporate sustainable criteria in their design, as well as implementing measures to reduce the carbon footprint of its operational assets. These actions include: - Promoting circular economy models - Purchasing clean energy - Installing photovoltaic panels - Replacing conventional gas boilers with aerothermal systems Additionally, the Fund is committed to: - Identifying and measuring the most intensive Scope 3 categories - Increasing visibility and transparency across the value chain - Aligning its decarbonization plan with the SBTi - Presenting its plan for assessment by 2025 - Report the carbon footprint associated to the financial product annually, along with its own carbon footprint, as part of its transparency and responsibility to stakeholders
		Scope 2 GHG emissions generated by real estate assets	2 853 240.45	N/A	Scope 2: Indirect greenhouse gas emissions associated with the generation of electricity purchased and consumed by the organisation. Calculated with the “Location-based” Methodology.	
		Scope 3 GHG emissions generated by real estate assets	703 747.83	N/A	Scope 3: Indirect greenhouse gas emissions from the company's value chain: business travel (hotel stay	

					and transport by plane, train, car and bus), water consumption, treatment of waste generated and energy consumption of tenants.	For property investments that are not yet Net Zero, the Fund aims to achieve NZC Emissions by 2040 by achieving the below-listed milestones: - Between 2024 and 2027, the Fund will apply a carbon reduction target of 20% with respect to Scope 1 and 2 Emissions. - Between 2027 and 2032, the Fund will apply a carbon reduction target of: (i) 50% of Scope 1 and 2 Emissions; and (ii) 30% of Scope 3 Emissions. The Fund aims to reduce at least 42% of its Scope 1 and 2 emissions by 2030, following which a compensation plan for residual emissions shall be put in place. - Between 2032 and 2037, the Fund will apply a carbon reduction target of 70% with respect to Scope 1, 2 and 3 Emissions. For property investments that achieve Net Zero, the Fund will seek to maintain NZC Emissions for the duration of the lifecycle of the relevant real estate asset. It should also be noted that the Investee company has a carbon emissions reduction strategy. This strategy has been based on a thorough analysis of the energy consumption of the operations. To achieve this, a significant investment was made in the implementation of sustainable technologies, including the installation of photovoltaic panels, with an estimated annual savings potential of 1.5 billion kWh, and the adoption of aerothermal systems. In addition, as a central part of the strategy, strict criteria have been established for the acquisition of new assets. Priority is given to
		Total GHG emissions generated by real estate assets	4 828 663.84	N/A	The calculation of the total GHG emissions is the sum of all Scopes 1, 2 and 3. Disclosure of GHG emissions is crucial to understand the exposure to climate-related risks and opportunities. Disclosure of both absolute emissions across the Fund´s activity organization and relevant emissions intensity provides insight into how a given organization may be affected by policy, regulatory, market, and technology responses to limit climate change.	

					The calculation methodology used in the Investee company's carbon footprint is compatible with the international standard UNE EN ISO 14064- 1:19 and the GHG Protocol Corporate Accounting and Reporting Standard.	the purchase of assets that meet minimum energy efficiency standards, in line with internal white paper guidelines that detail the required specifications, such as the type of wall materials and other relevant features applied to each new construction. As a result of this policy, the use of diesel fuel was eliminated in 23 units, marking an important milestone towards operational sustainability. The intention is to progressively continue this path, gradually reducing dependence on natural gas in line with the long-term vision of sustainability.
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	0,0000742	N/A	The energy consumption includes various sources of energy: gasoil, natural gas, and electricity. The energy consumption data for each asset is collected from the various energy bills, given by the energy operators to ensure that the data is as accurate and complete as possible.	ESACF pledges to: - Comply with GRESB certification at a 5-star level for assessing for the efficiency of actions implemented in the Fund's assets. - Implementing Building Management System in all assets top optimize consumption. - Installing LED lighting systems with presence detection in communal areas. - Follow the energy efficiency plan (cf. PAI "18. Exposure to energy-inefficient real estate assets" actions taken, and actions planned) The Fund will use the following sustainability indicators to measure the attainment of this environmental characteristic promoted by the Fund: 1. Energy performance certificates; and 2. Energy consumption / intensity

Margin of error to such processes

ESACF recognizes that sustainability-related data and methodologies are still in a developmental phase compared to traditional financial metrics. Therefore, the Funds approaches this task with a thorough understanding of the inherent challenges and limitations. These challenges include the lack of standardized measurement methodologies, inconsistent data quality, and limited availability and comparability of sustainability data.

In light of those challenges, ESACF employs a meticulous approach to obtain and analyse sustainability data. For assessing our exposure to energy-inefficient real estate assets, apart from SFDR methodology, we utilize a utilize a multifaceted approach that enables us to comprehensively evaluate the energy efficiency performance of our portfolio holdings.

It is important to note that while our data collection and analyse methodologies strive for comprehensiveness, they are not without limitations. We recognize that gaps in data coverage and inconsistencies in reporting may impact, at a very low level, the accuracy of our assessments. However, we are committed to continuous improvement and refinement of those methodologies to address these challenges over time. ESACF remains steadfast in its commitment to transparency, accountability, and sustainability in all aspects of its operations. By diligently documenting our methodologies for sustainability data extraction, processing, and analysis, we aim to provide stakeholders with a clear understanding of our approach to responsible investment in the real estate sector.

ESACF’s data collection process for SFDR and sustainability more generally relies on both quantitative and qualitative data sources. Quantitative / financial data is sourced from each underlying property’s accountant (typically service providers in the jurisdiction of the property), summarised into aggregated and consolidated metrics by MiCampus Living in its role as property manager. The sub-consolidation process is supported by KPMG Spain, providing an element of external oversight over the process. Qualitative data on sustainability matters are collected by each underlying asset’s property manager, under the direction of the MiCampus Living sustainability team, and reported to ESACF on a quarterly basis. ESACF performs its own gap analysis of all information, providing feedback on weekly calls with MiCampus Living and its sustainability advisers.

ESACF recognises the somewhat manual collection of qualitative data, which can be prone to human error, and is in process of establishing a sustainability database in preparation for the digitalisation of such data collection processes.

These limitations are somewhat mitigated by the rigorous oversight of e.g. KPMG on financial data, and the Fund’s sustainability adviser on qualitative data. Timing of data collection may impact disclosures, as e.g. certification confirmation may take several months to obtain. ESACF takes all measures within its control to collect and disclose all data as timely and accurately as possible.

Engagement policies

ESACF makes use of a variety of policies and approaches to identify and prioritize principal adverse impacts. Following the requirements of SFDR, here is a description of ESACF commitment through its policies. These are tailored to the different investment strategies, trajectories, and objectives.

Commitments and principles of action

Anti-Bribery and Corruption Program

The Anti-Bribery and Corruption Program implemented by ESACF exemplifies a robust commitment to ethical conduct and integrity, squarely aligning with the principles articulated by SFDR. This policy extends itself across all echelons of the organization, encapsulating not only employees but also officers and temporary workers affiliated with ESACF and its subsidiaries entities. By mandating adherence to legal and regulatory mandates, this program serves as a cornerstone in fostering transparency and accountability, vital tenets underpinning the SFDR framework.

ESACF's unequivocal stance against bribery, corruption, as outlined in this policy, epitomizes the essence of SFDR's objectives, emphasizing integrity and honesty in financial dealings. By instituting a stringent zero-tolerance policy towards such malpractices, ESACF endeavors to uphold the highest standards of ethical conduct, a pivotal facet of sustainable finance. Furthermore, the delineation of disciplinary measures for non-compliance underscores the fund's unwavering dedication to maintaining integrity and probity in all its operational endeavors.

Whistle-blower policy

The Whistleblowing Policy instituted by ESACF exemplifies a proactive approach towards promoting transparency, accountability, and ethical governance, thus harmonizing seamlessly with the overarching principles enshrined within the SFDR. This policy serves as a conduit through which employees within the organization can flag instances of suspected misconducts or hazards pertaining to ESACF's operational landscape, thereby fortifying the fabric of responsible investing.

In consonance with the SFDR's ethos of fostering a culture of openness and integrity, ESACF's Whistleblowing Policy places paramount importance on confidentiality and protection from reprisals for individuals raising genuine concerns. By providing clear channels for reporting ethical or legal transgressions, the policy not only reinforces ESACF's commitment to ethical conduct but also bolsters risk management protocols, an indispensable facet of sustainable finance frameworks.

The delineation of mechanisms for handling whistleblowing concerns, coupled with assurances of confidentiality and non-retaliation, underscores ESACF's unwavering commitment to upholding the highest standards of ethical conduct, a cornerstone of sustainable finance paradigms. Through this policy, ESACF underscores its resolve to adhere to the tenets of responsible governance and ethical stewardship, thereby aligning with the core objectives articulated within the SFDR framework.

Code of Conduct & Ethics (for employees and suppliers)

ESACF's values, intricately interwoven into the fabric of the organization, serve as guiding beacons illuminating the path towards ethical conduct and responsible stewardship. These values, enshrined within the Code of Conduct, encapsulate the essence of integrity, accountability, and respect, aligning seamlessly with the tenets outlined within the SFDR framework.

Making a positive impact:
ESACF endeavors to catalyze economic growth and foster societal well-being by leveraging its human capital and adaptable financial resources. This commitment to driving positive change extends beyond mere profitability to encompass active engagement with local communities, thereby exemplifying ESACF's dedication to sustainable finance practices.

High Performance and Responsibility:
At the heart of the ESACF's ethos lies a culture of excellence, wherein individuals are entrusted with autonomy and accountability commensurate with their performance. Evaluation criteria are anchored in meritocracy, fostering a dynamic environment conducive to innovation and growth.

Respectful and Transparent Engagement:
Integrity serves as the cornerstone of ESACF's interactions, both within the organization and with external stakeholders. Transparency and honesty permeate every facet of ESACF's operations, underscoring its commitment to ethical governance and fostering trust in financial markets.

Entrepreneurial and Innovative Spirit:
ESACF embraces an entrepreneurial mindset characterized by agility, innovation, and a relentless pursuit of change. This proactive approach enables ESACF to navigate evolving market dynamics with a sense of urgency, driving sustainable value creation for all stakeholders.

Compliance with Laws and Regulations:
ESACF’s commitment to regulatory compliance is unwavering, extending to adherence to local laws and practices across all jurisdictions of operation. This dedication encompasses fair competition practices and stringent anti-corruption measures, aligning with SFDR’s mandate of promoting integrity and accountability within financial markets.

Conflicts of Interest Management:
Safeguarding in the interest of investors and mitigating conflicts of interest constitute fundamental responsibilities within ESACF’s governance framework. Robust systems and controls are in place to identify, prevent, and manage potential conflicts, ensuring alignment with SFDR’s principles.

Anti- bribery and Corruption Measures:
ESACF maintains strict adherence to anti-corruption laws and practices, eschewing any form of bribery or corrupt conduct in its business dealings. This commitment extends to all transactions conducted by ESACF and its managed, funds, reinforcing SFDR’s mandate of promoting ethical conduct and transparency.

Gifts and Business Entertainment Policies:
ESACF’s policies on gifts and business entertainment reflects its commitment to ethical conduct and integrity. Comprehensive guidelines govern the acceptance and provision of gifts and entertainment, ensuring compliance with anti-bribery protocols and safeguarding ESACF’s reputation.

Employee Responsibilities and Accountability:
All employees are entrusted with upholding ESACF’s values and adhering to the policies within the Code of Conduct. Compliance with these policies is non- negotiable, with managers tasked with ensuring awareness and adherence among their teams. Violations are subject to disciplinary action, underscoring ESACF’s commitment to accountability and ethical governance.

The Supplier Code of Conduct outlines the ethical standards and expectations for suppliers when conducting business with the Fund. It emphasizes the principles of integrity, transparency, and compliance with relevant laws and regulations, aligning with ESACF’s commitment to ESG principles. Suppliers must adhere to strict competition principles based on the merits of their products and services, in line with SFDR guidelines. They are prohibited from offering anything of value with the intent to induce unfair business advantages. Suppliers must comply with all laws to anti-corruption, anti-money laundering, and fraud prevention across all countries where they operate, reflecting ESAC’s dedication to ethical business practices.

Suppliers must protect confidential and personal information through appropriate security measures, ensuring data privacy and security, in accordance with ESACF’s commitment to ESG policies. They are required to quickly notify the Fund of any data breaches and cooperate in investigations, reflecting ESACF’s dedication to data transparency and security. Additionally, suppliers must maintain accurate records in accordance with applicable laws, promoting accountability and transparency.
Furthermore, suppliers most avoid conflicts of interest and promptly report any actual or apparent conflicts involving their interest and those of the Fund, fostering cores principles of ESACF’s ESG framework. They must also refrain from entering into business relationships that may create conflicts with the Fund, ensuring integrity and impartiality in business dealings.

Conflict of interest

The Conflict of Interest policy is a fundamental document crafted by the Fund to address the complexities inherent in managing conflicts of interest within its business operations. It recognizes the potential risks these conflicts pose to ESACF’s interests. Upholding principles of fairness and equity is central to the Fund’s values. In practical terms, this policy aims to either eradicate conflicts of interest entirely or effectively identify, manage, monitor, and disclose them where complete elimination is not feasible. It applies broadly to all relevant persons within the Fund, ensuring alignment with applicable laws, regulations and CSSF circulars while tailoring its provisions to accommodate the Fund’s size, structure and operational intricacies.
Moreover, this policy empowers ESACF to refuse new clients, management opportunities or investments prospects if existing organizational arrangements proved inadequate to prevent potential harm to the Fund or its investors. By embedding these measures into its operational framework, the Group demonstrates its commitment to transparency, fairness and ethical conduct in managing conflicts of interest. Through robust organizational and administrative arrangements, the Fund seeks to uphold regulatory standards and industry best practices while mitigating the inherent risks associated with conflicts of interest.

Remuneration policy

The Fund´s Remuneration Policy specifically addresses Article 5 of the Regulation:
“Financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and shall publish that information on their websites”.
The purpose of the policy is:

- To determine remuneration based on the Investment Adviser’s business outlook, financial position, growth and trends and practices on remuneration prevailing in competitive compensation.
- To align the reward and recognition mechanism directly to the effort, performance, dedication, and achievement relating to the Investment Adviser’s operations.

- To attract, retain, motivate, and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To ‘Pay for Performance’ i.e. the remuneration shall be linked to the performance and to strike the right balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the goals of the company; and
- To ensure compliances and maintain high standards to governance.

The Remuneration Policy aims to ensure the payment of equitable, competitive remuneration to Key Managerial Personnel (“KMP”) and certain other employees having a material impact on the risk profile of the Investment Adviser which is based on individual performance, performance of the Investment Adviser and industry practices.
The European Union has introduced a series of legal measures (the primary one being the Sustainable Finance Disclosures Regulation (Regulation (EU) 2019/2088), the “Regulation”) requiring firms that manage investment funds or provide investment advice to provide transparency on how they integrate sustainability considerations into the investment process with respect to the investment funds they manage or the investment advice they provide.
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- To align the reward and recognition mechanism directly to the effort, performance, dedication, and achievement relating to the Investment Adviser’s operations.
- To attract, retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To ‘Pay for Performance’ i.e. the remuneration shall be linked to the performance and to strike the right balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the goals of the company; and
- To ensure compliances and maintain high standards to governance.

Integration of Sustainability Risk in Remuneration Policy:
The Investments Adviser’s remuneration policy is designed to align with sustainability principles, aiming for long-term value creation and superior performance. Fixed remuneration consists of competitive base salaries and benefits, irrespective of individual performance. This approach helps attract and retain top talent while minimizing the risk associated with high individual performance-based compensation.

Variable remuneration is tied to individual, fund, and company performance, incorporating Environmental, Social and Governance (ESG) factors. Performance evaluation includes compliance with sustainability policies, ensuring adherence to responsible investment practices. This assessment is conducted by senior management, promoting fairness and transparency.

ESACF believes in aligning remuneration with its core principle of sustainability which itself contributes to long-term value creation and superior performance for all stakeholders. Sustainability risks are incorporated in the design and management of ESACF's compensation model in a way that discourages unnecessary risk-taking and promotes a sustainable risk management approach to investing.

As such, it has established a compensation structure for its employees comprised of fixed (salary and benefits) and variable (bonus and, for some selected employees, carried interest) components. Sustainability risks are integrated into both components as detailed below.

Fixed Remuneration: The Investment Adviser offers employees a competitive annual base salary plus benefits without consideration of any performance criteria. The base salaries are benchmarked against European industry standards and reviewed annually to adjust against inflation and market changes if necessary. This is to ensure Investment Adviser attracts and retains industry-best talent to achieve superior fund performance and long-term, sustainable value creation. This approach also avoids having too large a proportion of the compensation tied to individual performance as this often leads to high-risk tolerance in investment decision making.

Variable Remuneration: The annual bonus of each KMP and certain other employees having a material impact on the risk profile of the Investment Adviser is dependent on the performance of the individual KMP or employee, the performance of the Fund, and the performance of Investment Adviser generally. The Investment Adviser considers ESG and sustainability risks and opportunity management when setting targets and evaluating performance in our variable remuneration schemes. For fairness and transparency, performance is measured against clear key performance indicators (KPIs) considered suitable for each position, including whether the relevant individual KMP or employee has complied with the Investment Adviser's sustainability policies, including the Investment Adviser's responsible investment policy. This assessment of compliance with the responsible investment policy as well as other quantitative criteria and qualitative criteria will be carried out by senior management.

Key principles guiding the remuneration policy include aligning with the long-term interests of the Investment Adviser and its shareholders, promoting transparency, linking to business performance, fostering a culture of meritocracy, ensuring market competitiveness, and considering the embodiment of ESG principles and adherence to responsible investment policies.

Responsible investment policy

The Responsible Investment Policy exemplifies the Fund's unwavering dedication to integrating ESG factors in its investments strategies, reflecting its commitment to fostering positive impact across all facets of our operations.

From the initial due diligence phase to the eventual exit process, ESACF meticulously incorporate ESG factors in its investment decisions. It ensures that each potential investment undergoes comprehensive scrutiny, with internal experts and diverse ESG frameworks guiding assessments. ESACF also leverages external consultants when necessary to augment its analysis, encompassing environmental, legal, regulatory compliance, and opportunities for value addition or risk mitigation within its portfolio.

The Fund's investment teams adhere to a robust ESG due diligence guideline, meticulously evaluating material ESG risks and opportunities. Subsequently, they furnish the Investment Committee with detailed memoranda outlining transaction merits, including comprehensive disclosure on risks – particularly material ESG issues – and potential mitigation strategies. All investments must secure the approval of the Investment Committee, mandating integration of ESG considerations into their evaluation processes, spanning anti-bribery, corruption, health, safety, and other pertinent ESG factors.

Upon acquisition, ESACF orchestrates bespoke integration plans to address all material aspects, including ESG criteria, ensuring active management by portfolio companies under the guidance of our in-house teams. Through board representation and oversight bodies, the Fund facilitates comprehensive oversight encompassing financial, operational, and strategic dimensions, thereby leveraging local expertise across diverse asset types and geographies. Key performance indicators, such as safety incidents, undergo regular reporting to relevant oversight bodies, fostering transparency and accountability.

ESG integration pervades every facet of ESACF's investment decision-making and ongoing portfolio management endeavours. From portfolio construction to financial modelling, investment valuations, and performance monitoring, ESG considerations are embedded within the Fund's operational framework. Complementing its efforts, the risk management practices overseen by ESACF's third-party AIFM are cautiously monitored by ESACF's General Partner and Investment Adviser, explicitly upholding ESG-related matters to fortify the Fund's risk management framework.

Moreover, ESACF's steadfast commitment to its people underscores its human capital strategy, prioritizing their long-term success. Embracing diversity and inclusion as fundamental pillars, ESACF fosters an inclusive workplace culture, propelled by the Code of Business Conduct and Ethics policy.

ESG Integration

The Investment Adviser integrates ESG principles across its operations, reflecting a commitment to responsible and sustainable investing. ESG considerations are embedded throughout the investment process, from due diligence to portfolio management.

Tailored ESG due diligence is conducted for each investment opportunity, identifying material ESG risks and opportunities. Post-investment, remediation plans are developed to address significant ESG issues, ensuring active management by portfolio companies with guidance from in-house investments teams.
The firm values its people and emphasizes talent management strategies to support their long-term success. Diversity and inclusion are integral to the workplace culture, fostered through inclusive recruiting and talent management processes.
Strong corporate governance practices are upheld, starting from the board level and senior executive leadership. This commitment to ethical and responsible conduct is reinforced through the firm's values, Code of Conduct, and related policies.
In addressing, environmental challenges, the firm prioritizes investments that contribute to a net-zero carbon economy. Climate change mitigation measures include measuring greenhouse gas emissions, accelerating the transition to clean energy, and prioritizing the development of green buildings. By integrating ESG principles into its investments approach and operational practices, the Investment Adviser aims to deliver enhanced risk-adjusted returns while promoting positive environmental and social outcomes.

Energy policy

ESACF's Energy policy is intricately woven into its broader ESG commitment and complies with the SFDR exigences. Spearheaded by the Board of Managers of ESACF, this policy serves as a cornerstone for all assets within the Fund's purview. Recognizing the substantial environmental impact inherent in the real estate factor, the Fund pledges to mitigate these risks and foster a positive environmental footprint. In that way, ESACF adopts measures to reduce exposure to energy inefficient real estate assets and endorse responsible energy practices across its portfolio.

Specific initiatives are implemented to curtail energy consumption and bolster efficiency, encompassing deployment of photovoltaic panels for electric energy generation, replacement of conventional gas boiler systems with aerothermal systems, and procurement of energy from certified renewable sources with Guarantee of Origin Certification. Additionally, acquisition of turnkey assets boasting energy efficiency certification of A, or formulation of investment plans for non-energy efficient assets to synchronize with the Fund's ESG strategy, is mandated.

This Energy policy embodies seamless integration with ESACF's overarching ESG commitment and adheres to SFDR guidelines, underscoring its steadfast commitment to responsible investment practices.

ESG Positive work of environment

ESACF's commitment to fostering a Positive Work Environment extends beyond mere rhetoric, as evidenced by its unequivocal stance against workplace discrimination, and harassment. Rooted in the ethos of inclusivity and respect, this policy underscores ESACF's dedication to providing safe and conducive workplace for all employees, ensuring adherence to legal mandates and ethical standards.
In respond to reported incidents, the Fund pledges to conduct thorough investigations, respecting confidentiality and privacy while ensuring timely resolution and appropriate corrective actions. Reprisal or retaliation against individuals reporting violations is strictly prohibited, with mechanisms in place to safeguard whistleblowers from adverse consequences.
Regular review and monitoring of this policy by senior executives underscores ESACF's commitment top upholding the highest standards of workplace conduct and fostering a culture of respect and accountability. Amendments or updates to the policy are subject to rigorous evaluation and approval, ensuring alignment with legal requirements and organizational values. Through these concerted efforts, the Fund reaffirms its dedication to nurturing a positive work environment characterized by equity, safety, and mutual respect.

Charter of expectations for managers

The Charter of Expectations for Manager establishes the fundamental principles and guidelines governing the conduct of managers within the Fund. It underscores the importance of integrity, transparency, and accountability in all aspects of managers' responsibilities and decision-making processes.

Managers are expected to proactively identify and disclose any potential conflicts of interest regarding matters brought the Board or its committees. They should abstain from voting on such matters. In cases where a manager is uncertain about nature or extent of a conflict, they should seek guidance from the Chair of the meeting in advance or at the time of the meeting.
They are responsible for notifying the Chair of the Board of any changes in their personal or professional circumstances that may affect their ability to effectively serve ESACF. The Governance and nominating Committee will review such changes and asses their impact on the manager's continued membership on the Board and its committee.

Modern slavery statement

This Modern Slavery Statement is in alignment with ESACF's commitment to ESG principles and the Principles for Responsible Investment (PRI) endorsed by the United Nations. ESACF, along with its subsidiary entities, acknowledges the importance of integrating responsible investment practices into its operations, as demonstrated by its adherence to the United Nations-supported PRI.
Moreover, ESACF's commitment to ESG principles extend to compliance with the SFDR, reflecting its dedication to transparency and sustainability in financial markets. The Fund recognizes the significance of addressing ESG risks, including modern slavery, across its investment portfolio and supply chains.
By incorporating modern slavery prevention measures into its ESG framework and adhering to SFDR requirements, ESACF aims to promote ethical and responsible business practices, safeguarding human rights and fostering long-term value creation. This Modern Slavery Statement underscores ESACF's commitment to promote high standards of corporate social responsibility and contributing to a more sustainable and equitable global economy.

Paris Alignment statement

The Group underscores the significance of Paris Agreement alignment for three primary reasons. Firstly, as signatories to the "pledge of Paris", they perceive a moral obligation to contribute constructively to financing the low-carbon energy transition. Their capital allocation decisions and stewardship activities are thus oriented towards fulfilling this commitment. Secondly, they recognize that successful investing necessitates integrating the risks and opportunities associated with the energy transition and climate change into their decision-making processes. Finally, they aim to meet the evolving needs of clients, many of whom are increasingly seeking to align their portfolios with the ambitious goals of the Paris Agreement. Consequently, ESACF endeavors to offer solutions that facilitate this transition towards a low-carbon future.
However, Paris-aligned investing poses several challenges. One significant challenge stems from the diverse pathways available to achieve the objectives of the Paris climate accord. With a wide range of potential country and sector allocations, policy choices, and technology options compatible with the agreement's goals, establishing a consistent approach across investors becomes inherently complex. Furthermore, the misalignment of global government policies with objectives of the Paris Agreement complicates efforts to realize fully aligned capital deployment. This misalignment limits investors' ability to effect comprehensive Paris-aligned changes without potentially affecting financial returns. Additionally, assessing the credibility of companies' Paris-aligned transition strategies presents another obstacle. While there is a surge in net-zero corporate pledges, evaluating their authenticity requires transparent targets and genuine decarbonization efforts.

To address these challenges, ESACF has developed a structured approach. They engage in public policy advocacy, advocating for stronger climate policies and supporting the design of efficient policies conducive to driving net-zero consistent capital flows. Rigorous climate scenario analysis forms another cornerstone of their strategy, enabling them to assess the financial implications of Paris-aligned pathways on their funds. They incorporate resilience assessments into their investment process, recognizing the likelihood that world may fall short of the ambition to limit temperature increases to below 2 degrees Celsius by the year 2050. Additionally, responsible stewardship entails engaging with corporates to encourage the setting of ambitious transition goals aligned with climate values. ESACF has clear expectations for climate change stewardship, considering various factors such as policy environments, technology options, and social considerations.

The Fund strongly supports the objectives of the Paris Agreement. It is committed to playing a constructive role in the decarbonisation of the global economy and serving the long-term interests of its clients.
The goal of the 2015 Paris Agreement is to “hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C”.
The more ambitious objective of keeping warming to 1.5°C requires emissions to reach ‘net zero’ by 2050 according to the Intergovernmental Panel on Climate Change (IPCC). The ‘net’ in net zero means any residual emissions from hard-to-abate industries need to be removed from the atmosphere through technology or nature-based solutions.

While much more needs to be done by policymakers to achieve the Paris goals, an energy transition is underway, and the Fund incorporates this into its investment decisions. The Fund also stand ready to rapidly scale up its ambitions if and when governments raise their policy ambition. In the meantime, the Fund´s calibrated approach to Paris alignment is founded on the following core principles:

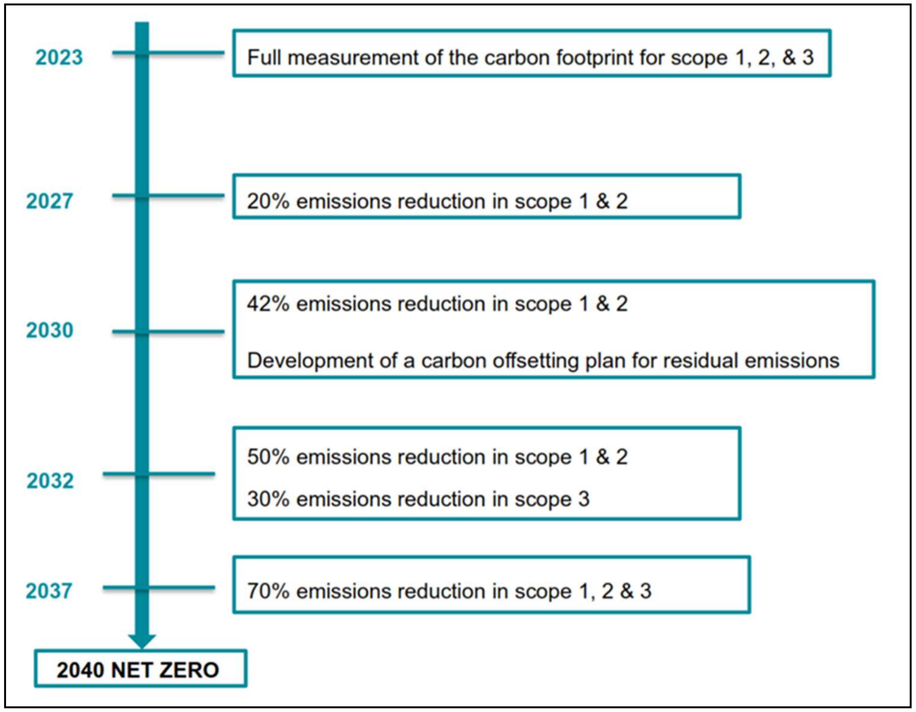
- The Fund develop innovative Paris-aligned and net zero solutions for clients, setting ambitious climate-related goals.
- As responsible stewards on behalf of its clients, the Fund expects companies’ business plans to reflect the long-term climate-related risks and opportunities they face.
- The Fund advocates for more stringent regulatory frameworks so that global policy sends Paris-aligned signals to capital allocators.
- The Fund undertakes rigorous climate-related research, drawing on sophisticated tools and data. This allows us to assess the risks and opportunities related to climate change, integrate this into our investment processes and report on climate metrics to provide transparency to our clients.

Moreover, ESACF has committed to achieving net-zero emissions across all real estate assets by 2040, encompassing operational and embodied carbon as well as tenant energy consumption. They also emphasize reporting and tracking, monitoring portfolio carbon footprint and climate solutions exposure transparently to assess decarbonization progress.

Through this calibrated approach driven by research and understanding of climate scenarios, ESACF aims to support the goals of the Paris Agreement in its investments and stewardship activities.

The Fund has aligned the decarbonization plan with the SBTi and commits to present it by 2025 for assessment and review. Science-based targets provide a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.

The decarbonization plan that has been developed, aligned with the Science Bases Targets (SBTi) is as follows:



Nondiscrimination & Anti-Harassment Policy

The Nondiscrimination and Anti-Harassment Policy aligns ESACF's commitment to ESG principles. The Fund recognizes that fostering a workplace free from discrimination, harassment, and retaliation is integral to upholding its ESG values and promoting a culture of inclusivity and respect.

ESACF is dedicated to ensuring equal employment opportunity for all individuals, without discrimination or harassment based on protected characteristics such as race, religion, gender identity, disability, or any other legally recognized factor. Any form of retaliation against employees who report incidents of discrimination or harassment is strictly prohibited. Additionally, ESACF is committed to promptly addressing and remedying any instances that occur within the workplace.

Furthermore, ESACF's dedication to ESG principles extends to its interactions with third parties, including vendors, consultants, and costumers. The policy applies to all individuals associate with ESACF, both within the workplace and in any work-related settings outside the office, reaffirming the Fund's commitment to fostering a respectful and inclusive environment across all interactions. Employees are encouraged to report incidents of discrimination, harassment, or retaliation promptly, and ESACF

is committed to conducting thorough and confidential investigations into all reported allegations. Retaliation against individuals for reporting misconduct is considered a serious violation of ESCAF’s values and will be met with appropriate disciplinary.
By upholding the principles outlined in this policy, ESACF demonstrates its commitment to promoting a workplace culture that values diversity, equity, and inclusion. This commitment is integral to ESACF’s broader ESG strategy, which seeks to create positive social impact and promote the highest standards of corporate responsibility, perfectly fitting within SFDR framework.

Policy governance

The Board and managers have specific responsibilities, some of which include climate-related topics. Nevertheless, all the Fund´s employees are responsible for ensuring the delivery of the policies.

The Board responsibilities:

- Strategic planning – overseeing the long-term strategic-planning process within the Fund and, at least annually, reviewing, approving, and monitoring the strategic plan, including fundamental financial and business strategies and objectives.

- Risk assessment – assessing the major risks facing the Fund and reviewing, approving and monitoring the manner of managing those risks. This task includes climate-related risks.

- Officers and senior management – overseeing the selection of corporate officers and the evaluation and compensation of senior management.

- Succession planning – monitoring the succession of key members of senior management.

- Communications and disclosure policy – adopting a communications and disclosure policy for the Fund that ensures the timeliness and integrity of communications to shareholders and establishing suitable mechanisms to receive stakeholder views.

- Environmental, social, governance – reviewing the Fund’s approach to environmental, social, governance (“ESG”) and climate change matters within its corporate and asset management activities.

- Corporate governance – developing and promoting a set of effective corporate governance principles and guidelines.

- Internal controls – reviewing and monitoring the controls and procedures within the Fund to maintain its integrity, including its disclosure controls and procedures, and its internal controls and procedures for financial reporting and compliance.

- Culture – on an ongoing basis, satisfy itself that the principals and other executive officers create a culture of compliance throughout the Fund, including compliance with the Code of Business Conduct and its related policies and procedures

- Whistleblowers – in conjunction with the Audit Committee of the Board, establish whistleblower policies for the Fund providing employees, officers, Managers and other stakeholders, including the public, with the opportunity to raise, anonymously or not, questions, complaints or concerns regarding the GP's practices, including fraud, policy violations, any illegal or unethical conduct, and any accounting, auditing or internal control matters. The Board or a committee thereof will provide oversight over the whistleblower policies and practices to ensure that any questions, complaints, or concerns are adequately received, reviewed, investigated, documented, and resolved.

The management responsibilities:

- Managers are expected to identify in advance any conflict of interest regarding a matter coming before the Board or its committees and to refrain from voting on such matters. If a Manager is uncertain of the nature or extent of a potential conflict, he or she should seek a ruling on the matter, in advance or at the time of the meeting, from the Chair of the meeting.

- The Managers are responsible for informing the Chair of the Board of any change in their personal or professional circumstances that may impact their continued ability to serve the Fund effectively, or if they have been determined by the Board to be independent, that may impact their continued standing as independent Managers.

- The Fund has an established governance and risk framework enabling it to identify and review climate-related risks and opportunities, with clear accountabilities. Its Head of Responsible Investments has overall responsibility and reports to the Board of Managers on at least a quarterly basis.

- Within the Investment Advisor's duties, reporting, oversight and active management are part of its day-to-day duties when reporting to the Board. At the Investment Advisory level there is an Executive Leadership Team that consists of the most senior executives in the company, with relevant domain and geographical expertise. Several executive members within the Investment Advisor have governance responsibility for climate-related issues including its Chief Operating Officer, Chief Investment Officer and the Managing Directors.

References to international standards

BREEAM, WELL, GRESB

BREEAM:

ESACF has undertaken a significative initiative to progressively certify its assets in accordance with the BREEAM (Building Establishment Environmental Assessment Method) methodology. It assesses the environmental performance of buildings across several key criteria ranging from energy management to water usage, materials and waste, pollution, occupant comfort, and social and economics aspects. The Fud's assets must meet high standards of sustainability and environmental performance.

The decision to adopt BREEAM for the portfolio is motivated by several factors. Primarily, it underscores ESACF's dedication to and its active involvement in combatting climate change. By certifying buildings according to BREEAM standards, the Fund pledges to minimize their environmental impact while promoting ESG practices in design and management.

Furthermore, BREEAM certification plays a pivotal role in the Fund's portfolio decarbonization strategy. It seamlessly align with ESACF's commitment to transparency and responsibility in sustainable investment. By aligning certification efforts with the requirements of SFDR, the Fund demonstrates its commitment to socially responsible investment practices and adherence to the strictest environmental standards.

WELL:

ESACF is committed to incorporating the WELL Building into its portfolio. This demonstrates ESACF's dedication to not only environmental sustainability but also to the health and well-being of the building occupants. By integrating WELL certification, ESACF enhances the quality of its assets, ensuring they meet the highest standards of human health and wellness.

GRESB:

The GRESB certification is based on an annual survey that covers various aspects of sustainability, divided into two main dimensions: management and performance. The management dimension assesses the commitment of leadership to sustainability, the existence of sustainable policies addressing ESG issues, and the transparency and frequency of ESG reporting. The performance dimension examines environmental indicators such as energy consumption, greenhouse gas emissions, water and waste management. It also evaluates social indicators like the health and well-being of occupants, community engagement, and governance indicators, including governance structures and ESG risk management practices. Participating entities are rated on a scale of 1 to 5 stars, allowing for comparison of ESG performance across different real estate portfolios.

The integration of the GRESB certification within the SFDR framework occurs naturally due to the compatibility of the ESG criteria assessed by GRESB with the PAI reporting requirements. The environmental indicators collected by GRESB, such as energy consumption, CO2 emissions, and water and waste management, enable compliance with the environmental PAIs required by the SFDR.

The GRESB certification promotes transparency and regular disclosure of ESG performance, which is essential for meeting the SFDR's requirements for reporting adverse impacts. By adopting GRESB standards, investment funds can demonstrate a robust and well-documented sustainability strategy, crucial for the classification of financial products under the SFDR, such as Article 8 or Article 9.

Historical comparison

Will be done in June 2025, as 2024 is ESACF's first SFDR reporting year.

Web references

esacf.com/esg/

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