

## **Statement on principal adverse impacts of investment decisions on sustainability factors**

**Financial market participant: Propreal Fund Management S.à r.l.**

### **Summary**

Propreal Fund Management S.à r.l. considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Propreal Fund Management S.à r.l. (the "**Company**").

This statement on principal adverse impacts on sustainability factors covers the reference period from 26 October 2023 to 31 December 2023.

The Company considers principal adverse impacts in line with its Responsible Investment Policy, which establishes that material sustainability factors are considered in investment analysis and decision-making processes, including the selection of investments and management during the hold period of assets. The information provided herein relates primarily to the policies, processes, and initiatives, which apply to the Company. Principal adverse impacts of investment decisions on sustainability factors are those that result in the most significant negative effects, whether material or likely to be material. For investments in real estate, mandatory indicators include:

- Exposure to fossil fuels through real estate assets, and,
- Exposure to energy-inefficient real estate assets.

Optional indicators that the Company determines to be material and chooses to disclose for investments in real estate include:

- Greenhouse gas emissions,
- Energy consumption intensity,
- Waste production in operations, and
- Raw materials consumption for new construction and major renovations.

### **Description of the principal adverse impacts on sustainability factors**

Where relevant to the Company's investment activities, the following information summarizes the metrics, impacts, and associated remedial actions undertaken and planned, related to adverse impacts, whether material or likely to be material.

During this first reference period, the Company had no funds under management. Therefore, the Company's main focus regarding consideration of PAIs was around the sustainability strategy implementation.

<b>Indicators applicable to investments in investee companies</b>						
<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>	
<b>Climate and other environment-related indicators</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
		Scope 2 GHG emissions	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
		Scope 3 GHG emissions	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
		Total GHG emissions	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
	2. Carbon footprint	Carbon footprint	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
	3. GHG intensity of investee companies	GHG intensity of investee companies	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
	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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
	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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

<b>Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters</b>						
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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

	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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

	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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
	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	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

<b>Indicators applicable to investments in sovereigns and supranationals</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
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	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.



<b>Indicators applicable to investments in real estate assets</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
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	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
Energy efficiency	18. Exposure to Energy inefficient real estate assets	Share of investments in energy inefficient real estate assets	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

<b>Other indicators for principal adverse impacts on sustainability factors</b>						
<b>Indicators applicable to investments in investee companies</b>						
<b>Indicators applicable to investments in real estate assets</b>						
<b>Adverse sustainability impact</b>	<b>Adverse impact on sustainability factors (qualitative or quantitative)</b>	<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
		Scope 2 GHG emissions generated by real estate assets	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
		Scope 3 GHG emissions generated by real estate assets	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
		Total GHG emissions generated by real estate assets	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
Energy Consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.
Resource Consumption	21. Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and bio-sourced) compared to the total weight of building materials used in new construction and major renovations	-	N/A	No fund under management at the end of the reference period	Data collection will start as soon as the first fund under management will be operational. The focus for the next period will be on gathering data.

**Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

The Company's approach to identifying and prioritizing the principal adverse impacts on sustainability is guided by its Responsible Investment Policy. This policy integrates material ESG factors into the investment decision-making process at crucial stages, outlining the responsibilities for incorporating foundational requirements and best practices into the company's strategies and operations, with the endorsement of the Management Board. The policy undergoes an annual review to align with best practices. Identification and prioritization of adverse impacts are conducted, focusing on thematic priorities like decarbonization and employing proprietary tools for due diligence to assess ESG criteria. This is supplemented by engagement with stakeholders, and portfolio-wide analysis, based on data collection and external data sources. Prioritization may also be influenced by other factors, such as investment strategies and the ability to impact change.

**Engagement policies**

As part of its commitment towards implementing a responsible investment approach, Propreal Fund Management believes it is important to raise awareness, informing, and engaging with key stakeholders, including investors, service providers, building occupiers, and industry groups, involved in the day-to-day management and use of assets to understand the best practices applied. Collaboration with stakeholders is fundamental to the delivery of the Company's sustainability strategy, and, where appropriate, engagements are structured through contractual agreements, such as Property Management Agreements and Green Lease Clauses. The Company engages service providers with similar values concerning environmental, social, and governance factors.

**References to international standards**

The Company's due diligence and reporting processes are informed by international standards and sector-specific guidelines, including the European Association for Investors in Non-Listed Real Estate Vehicles ("INREV"), GRESB, and the Task Force on Climate-Related Financial Disclosures ("TCFD").

The Company adheres to the highest standards of responsible business conduct and supports the United Nations Principles for Responsible Investment (UN PRI). It upholds behaviours that are consistent with international guidelines on the respect of fundamental human rights, including OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and the International Bill of Human Rights. The Company commits to acting in support of the UN Sustainable Development Goals ("UN SDGs"), notably through climate action, aiming for net-zero carbon by 2040, aligning with the Net Zero Asset Managers Initiative. The Company's due diligence and reporting processes are shaped by international standards and sector-specific guidelines, including the European Association for Investors in Non-Listed Real Estate Vehicles ("INREV") and the Task Force on Climate-Related Financial Disclosures ("TCFD").

**Historical comparison**

Not applicable in the first year of reporting.