APPROVED
at 25/04/2021 meeting of the Board of
UAB CAPITALICA ASSET MANAGEMENT

SUSTAINABILITY RISK ASSESSMENT POLICY

I. GENERAL PROVISIONS

1. This Sustainability Risk Assessment Policy (the '**Policy**') sets out how sustainability risks are integrated into the investment decision-making process of UAB CAPITALICA ASSET MANAGEMENT (the '**Management Company**').

2. The general rules and principles for making and executing investment decisions are established in the Management Company's Rules for the organization of activities and the performance of essential functions and in the Investment Decision Making Policy.

3. The Policy is aimed at defining the integration of sustainability risks, the consideration of negative impacts on sustainability, sustainable investment objectives or the promotion of environmental or social characteristics in investment decision-making processes.

4. The terms used in the Policy have the meanings defined below:

4.1. CEO means the sole-person governance body of the Management Company (Head of Administration);

4.2. ESG means Environmental, Social, and Governance Criteria;

4.3. CIU means a Management Company-managed collective investment undertaking for informed investors;

4.4. RE means real estate assets;

4.5. Sustainable investment means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular, an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance;

4.6. Sustainability risk – an environmental, social, or governance event or situation which, if it occurs, could have a real or potential significant negative impact on the value of investments.

4.7. Board means a collegial governance body of the Management Company.

1 World Economic Forum. Global Risks 2015.
2 'Investing in a time of climate change' Mercer 2015.

II. BACKGROUND

5. The Paris Agreement, which the European Union (the '**EU**') endorsed on 5 October 2016, aims to strengthen the response to climate change.

6. In order to meet the objectives of the Paris Agreement and to significantly reduce the risks and impacts of climate change, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector was adopted on 27 November 2019 (the '**Regulation**').

7. As the EU is increasingly faced with the catastrophic and unpredictable consequences of climate change, resource depletion and other sustainability-related issues, it was decided to oblige financial market participants (one of which is the Management Company) by the Regulation to disclose information regarding their approaches to the integration of sustainability risks and the consideration of adverse sustainability impacts.

III. MANAGEMENT COMPANY'S APPROACH

8. Failure of the economy to adapt to climate change is one of the five biggest risks worldwide.[1] The Management Company is aware of these risks and therefore assesses the impact of climate change on its investments.

9. Climate change can be viewed through many different dimensions. The Management Company considers the following four risk factors, which are indicative of the future impact of climate change on investments:

9.1. **Technologies**: Expanding investment in decarbonisation technologies.

9.2. **Resource availability**: The impact of long-term weather conditions on investment (e.g., how long-term temperature changes will affect the ability to absorb resources) and related physical changes.

9.3. **Impact**: Physical impact on investments due to acute weather conditions (e.g., probability of natural disasters).

9.4. **Policy**: All international, national and sub-national targets, mandates, legislation and regulations aiming to reduce the risk of further human-induced climate change.

10. In assessing sustainability risks, the Management Company takes into account international studies[2] which show that:

10.1. climate change risks will affect the return on investment whatever the scenario;

10.2. although the impacts may vary, climate policies and technologies are expected to have a positive impact on infrastructure, emerging markets, and RE;

10.3. RE investments are expected to generate further returns due to RE positive sensitivity to the technology factor;

10.4. Investors should consider the possibility of increasing investments in sustainable real estate if they believe in strong and decisive actions in the field of climate change;

10.5. Physical risk should be managed in real estate, infrastructure, and natural resources, especially if there is little action being taken to reduce emissions.

11. In order to optimize investment performance, the Management Company will assess climate risk not only when selecting the asset class but also by considering the industry sector related to the investment object and other relevant circumstances.

---

[1] World Economic Forum. Global Risks 2015.
[2] 'Investing in a time of climate change' Mercer 2015.

1 World Economic Forum. Global Risks 2015.
2 'Investing in a time of climate change' Mercer 2015.

12. While the Management Company will focus on assessing environmental requirements and climate change risks, in relation to the investment, social and labour issues, as well as respect for human rights and anti-corruption and anti-bribery issues will also be taken into account when making investment decisions.

IV. OBJECTIVES

13. The Management Company, as the decision-maker regarding which real estate objects its managed collective investment schemes (CIS) will invest in, is responsible for assessing sustainability risks and has the duty to understand and actively manage risks related to ESG and climate change.

14. In implementing the investment strategy of the CIS, the Management Company will take into account ESG-related investment calculations and the compliance of real estate objects with "green" certifications and benchmark indices.

15. Before making a decision to invest in a specific real estate object, the Management Company will assess:

    15.1. The ESG risks of the real estate object/overall circumstances (e.g., energy efficiency, general heating and cooling costs, opportunities to install solar panels, etc.);

    15.2. The impact of ESG risks on the value of the real estate object now and in the future;

    15.3. The future investment needs.

16. The goal of the Management Company is to invest CIS funds in sustainable investments that are measured by key indicators of efficient resource use, such as energy, renewable energy, raw materials, water and land use, the amount of waste produced, greenhouse gas emissions, and impact on biodiversity and the circular economy.

V. SUSTAINABILITY REQUIREMENTS FOR INVESTMENT OBJECTS

17. The Management Company, as part of the investment strategy of the CIU, which invests in RE and has sustainability objectives, will seek:

    17.1. to invest in RE properties that meet sustainability standards;

    17.2. to invest in RE properties that could be improved to meet the concept of sustainable properties.

18. Properties meeting sustainability standards are considered to be RE properties that have one of the following certifications or meet one of the following standards:

    18.1. GRESB,

    18.2. BREEAM or

    18.3. LEEDS.

19. These certificates cover a wide range of criteria, such as carbon-neutral solutions, environmental responsibility, efficiency, and the proper approach to human health and well-being, which are assessed and monitored by the certifying bodies.

20. Investing in a specific RE property will aim at obtaining a certificate and/or standard most relevant to the needs of the investee property (GRESB, BREEAM, LEEDS).

21. Depending on the chosen certification and standard, where necessary, investments will be made in the properties to improve their sustainability and increase their value:

    21.1. installation of LED lighting;

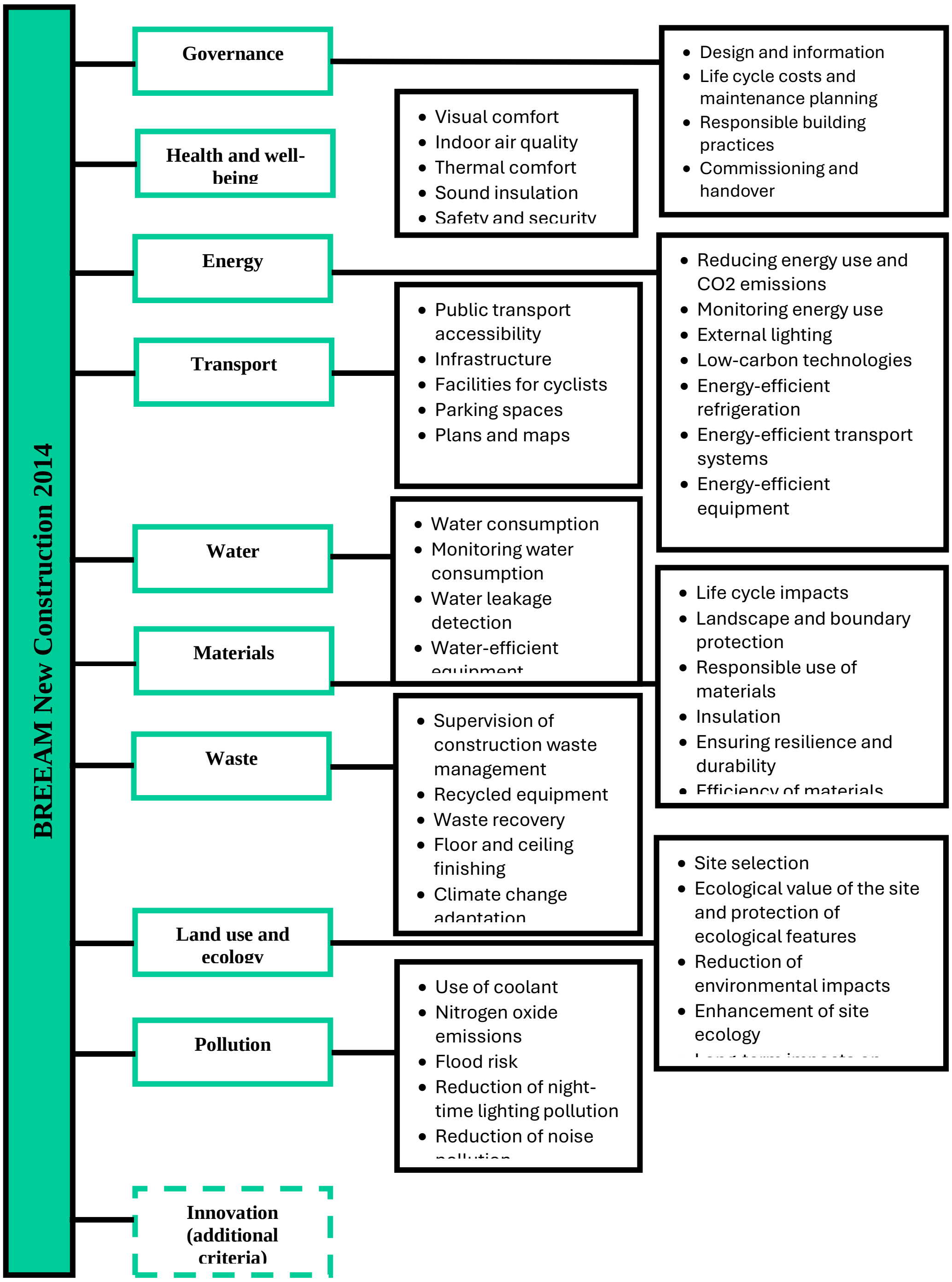
    21.2. integration of solar power plants;

1 World Economic Forum. Global Risks 2015.
2 'Investing in a time of climate change' Mercer 2015.

21.3. development of common spaces for the well-being of staff;

21.4. optimisation of the energy efficiency of buildings, etc.

22. Investee properties will be developed, improved, and adapted to meet the requirements of selected certificates/standards. For example, the BREEAM certification criteria that an investee property would need to meet (should the Management Company decide to comply with BREEAM) are:



23. The Management Company will also assess which risks related to climate change and ESG are relevant in each case depending on:

1 World Economic Forum. Global Risks 2015.
2 'Investing in a time of climate change' Mercer 2015.

23.1. whether CIU income will be derived from the sale or rent of RE;

23.2. who will use RE—businesses or households;

23.3. how a particular business, such as logistics, might be affected;

23.4. how certain households, such as the middle class, might be affected.

24. The Management Company's objective is not only to assess sustainability risks at the time of the investment decision but also to manage them throughout the lifetime of the CIU, including the proper and sustainable management, maintenance, refurbishment, etc. of RE properties.

VI. FINAL PROVISIONS

25. This Policy enters into force from the day of its approval and may be abolished, amended and/or supplemented only by a decision of the Board.

26. The CEO ensures that this Policy is made known to the employees of the Management Company.

27. The Board keeps the Policy under regular review for compliance with the statutory requirements and, where necessary, amends and supplements the Policy.

28. Amendments and/or additions to the Policy enter into force on the day following the date of their adoption. The CEO must ensure that the employees of the Management Company are informed of any changes and/or additions to the Policy in a timely manner.

1 World Economic Forum. Global Risks 2015.

2 'Investing in a time of climate change' Mercer 2015.