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Integration of sustainability risks in the investment decision-making process

Our goal is to promote and protect the increase of the Fund's asset value. Determining, evaluating, and mitigating sustainability risks is one of the key considerations in making the Fund's investments sustainable and ensuring attractive returns for the Fund's investors over the long term.

"Sustainability risk" is - an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Sustainability risks are evaluated:

- (i) During the real estate acquisition process – in all cases;
- (ii) During the real estate management process, including leasing the real estate to lessees, if necessary;
- (iii) During the development of the property (improvements, additional structures) if necessary;
- (iv) During the alienation process if necessary.

Particularly detailed sustainability compliance criteria are examined during the due diligence process before the property is acquired. We identify sustainability risks that in our view may objectively jeopardize the investment target.

When assessing sustainability risks:

1) We identify the potential range of risks;
2) Determination is made whether any sustainability risks exist (we identify and define specific risks);
3) Determination is made on the significance and impact of the identified risks (what exactly these risks affect, what the consequences may be, what impact they have on the Fund's returns, and what resources are needed to mitigate these risks or to eliminate their consequences).

The following primary or significant sustainability risks and their sub-risks, which could cause an actual or a potential material negative impact on the value of the real estate, are evaluated:

1) Risks caused by weather conditions:
   a. Risks caused by floods - flooding caused by heavy rain, including flooding of sewage systems, or if the real estate is located near a body of water – due to the increase of the water level;
   b. Risk from natural hazards - storms, hail, lighting, and other hazards;
   c. Risk caused by the increase/decrease of the air temperature – draught, risk of fire, risk of having to invest additional funds in insulation or ventilation of buildings, risks caused by new invasive species;
   d. Risk caused by the increase/decrease of the humidity – deterioration of buildings, the necessity for indoor humidity control, etc.

2) Risks of sourcing/accessing consumable energy resources – amount of solar energy for solar panels, availability of wind energy, and availability of other energy sources.
3) Pollution risk – decrease in the value of the real estate if the activities of a

person/organization neighboring the real estate pollute the soil or air or water, e.g., adjacent factory, gas terminal, and other potential sources of emissions/leaks.

4) Neighborhood risks – whether the neighborhood (crime level and other adverse environmental conditions of the neighborhood, technical/visual condition of the surrounding buildings, etc.) can reduce the value of the real estate.

For the evaluation of sustainability risks, the responsible employee of the Manager compiles a list of potential sustainability risks and assesses the possible occurrence and impact of each risk. If necessary, an external subject matter expert will be engaged. A cost estimate is drawn up for risk mitigation/prevention, which is submitted to the Manager's finance department. Costs are included in the draft of the business plan. Depending on the returns shown in the business plan, the Manager's management team determines the next steps to be undertaken. In the process of acquiring real estate, the return shown in the business plan is the basis for the decision to acquire or reject the acquisition of that real estate.

Within a due diligence process the Manager evaluates whether any of the existing or expected environmental, social or governance events or conditions may have a significant negative impact on the planned investment and its return.

After completing due diligence and performing return calculations, the Manager prepares a business plan for the investment. If it is established that any of the existing or expected environmental, social or governance events or conditions may have a significant negative impact on the planned investment and its return, it will be clearly stated in the business plan and relevant prevention measures will be suggested.

The business plan, which contains, among other things, an action plan for addressing/improving sustainability conditions in the investment target will be distributed to the Fund’s Investment Committee before any specific asset is acquired. The Investment Committee adopts the final decision on the investment.