

BauMont Real Estate Capital on Integrating Sustainability Risks into Investment Decision Making

The information below regarding the policies of BauMont on the integration of “sustainability risks” in its investment decision-making process is provided in accordance with Article 3(1) of the EU Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (“SFDR”).

Summary

BauMont Real Estate II (“BRE II” or “the Fund”) was launched in July 2022 with the purpose of investing in value-add and opportunistic real estate assets in the UK and France. Identifying environmental, social and governance (ESG) related risks and opportunities is an integral part of BauMont’s due diligence, investment and asset management process. ESG risks are defined as “materially negative impacts resulting from environmental, social or governance events or conditions that could cause actual or potential material negative impact on the value of the investment. These can be generated as a result of changing regulatory and stakeholder requirements in addition to physical, social, and transitional climate related issues”.

While BauMont fully integrates ESG considerations into its investment process and asset management approach, the Fund does not have as its objective sustainable investment.

BauMont identified key areas within Environmental, Social and Governance themes which are most relevant to real estate investment and management during a materiality review in 2020. Prior to this, BauMont incorporated ESG into its business plans for each asset in its portfolio using its Minimum Standards Policy and Responsible Investment Policy.

The Fund executes an investment strategy focused on identifying value-add and value investment opportunities. The team will then manage portfolio assets utilising one of four main strategies: portfolio break up, intensive asset management, development with planning in place, or change of use/planning gain. In all cases, BauMont will seek to be the majority owner of the investment to ensure full control over the business plan and eventual exit approach.

100% of the BRE II portfolio will be invested in real estate assets in the UK and France, however there are not specific sector or geographic targets. All portfolio assets will be aligned with environmental and social characteristics, however there is no minimum target for sustainable investments.

Once an investment is made in the Fund, BauMont utilises a number of approaches to set sustainable targets, and measure progress towards these targets. Data collection features heavily in the approach, including information on energy consumption, water consumption, recycling and waste collection, tenant satisfaction and local community engagement, among others. BauMont is able to collect this information directly for areas within each building that are controlled by the landlord (such as the lobby and communal areas) and strives to include Green Clauses in all leases which require tenants to provide similar data for their specific areas. Information is gathered at least annually and, in most cases, more often, and select components are reported in BauMont’s annual ESG Report.

The data collected will also be measured against BauMont’s fund and asset specific targets, which have been developed specifically based on the sectors and asset management strategies BauMont utilises.

As mentioned previously, data is collected both for landlord-controlled areas as well as tenant occupied areas where possible. The data is sourced directly from utility bills and contracts to ensure accuracy and completeness. This data will feed into BauMont’s asset and fund level reporting and will be included in the annual ESG report.

BauMont expects a certain amount of limitations to data collection, especially in instances where buildings have undergone a full development or substantial refurbishment, these will remain unoccupied for the majority of the hold period, and thus not produce substantial environmental data. Despite these limitations, BauMont will continue to establish ambitious targets and report on progress made against these targets.

BauMont employs a rigorous due diligence process to assess the risks and opportunities of each potential investment, and ESG considerations are fully embedded in this process. BauMont includes a specific ESG section in every investment memo, and is able to decline an investment based on ESG analysis at any stage of the process. Further details of the due diligence process and ESG considerations throughout are provided further in this document, and are available in the firm's annual ESG report.

Finally, BauMont's engagement policies are governed by its Minimum Green Standards policy and Responsible Investment policy, both of which will be published on the firm's website going forward.

For any further detail on any of these summary details, or any further information provided below, please reach out to sustainability@baumontrealestate.com.

Résumé

BauMont Real Estate II "BRE II" ou "le Fonds") a été lancé en juillet 2022 dans le but d'investir dans des actifs immobiliers à valeur ajoutée et opportunistes au Royaume-Uni et en France. L'identification des risques et des opportunités liés à l'environnement, au social et à la gouvernance (ESG) fait partie intégrante du processus de diligence raisonnable, d'investissement et de gestion des actifs de BauMont. Les risques ESG sont définis comme « des impacts sensiblement négatifs résultant d'événements ou de conditions environnementaux, sociaux ou de gouvernance qui pourraient avoir un impact négatif réel ou potentiel sur la valeur de l'investissement. Ceux-ci peuvent être générés à la suite de l'évolution des exigences réglementaires et des parties prenantes en plus des problèmes physiques, sociaux et transitoires liés au climat ».

Bien que BauMont intègre pleinement les considérations ESG dans son processus d'investissement et son approche de gestion d'actifs, le Fonds n'a pas pour objectif un investissement durable.

BauMont a identifié les domaines clés des thèmes environnementaux, sociaux et de gouvernance qui sont les plus pertinents pour l'investissement et la gestion de l'immobilier lors d'un examen de la matérialité en 2020. Auparavant, BauMont a intégré l'ESG dans ses plans d'affaires pour chaque actif de son portefeuille en utilisant sa Politique de Normes Minimales et Politique d'Investissement Responsable.

Le Fonds exécute une stratégie d'investissement axée sur l'identification d'opportunités d'investissement à valeur ajoutée et de valeur. L'équipe gèrera ensuite les actifs du portefeuille en utilisant l'une des quatre stratégies principales : fractionnement du portefeuille, gestion intensive des actifs, développement avec planification en place, ou changement d'utilisation/gain de planification. Dans tous les cas, BauMont cherchera à être le propriétaire majoritaire de l'investissement afin d'assurer un contrôle total sur le plan d'affaires et l'approche de sortie éventuelle.

100% du portefeuille BRE II sera investi dans des actifs immobiliers au Royaume-Uni et en France, mais il n'y a pas de cibles sectorielles ou géographiques spécifiques. Tous les actifs du portefeuille seront alignés sur les caractéristiques environnementales et sociales, pourtant il n'y a pas d'objectif minimum pour les investissements durables.

Une fois qu'un investissement est effectué dans le Fonds, BauMont utilise un certain nombre d'approches afin de fixer des objectifs durables et mesurer les progrès accomplis dans la réalisation de ces objectifs. La collecte de données occupe une place importante dans ces approches, entre autres des informations sur la consommation d'énergie, la consommation d'eau, le recyclage et la collecte des déchets, la satisfaction des locataires et l'engagement de la communauté locale. BauMont est en mesure de collecter ces informations directement pour les zones de chaque bâtiment sous le contrôle du propriétaire (comme le hall d'entrée et les zones communes) et s'efforce d'inclure des clauses vertes dans tous les baux qui obligent les locataires à fournir des données similaires pour leurs zones spécifiques. Les informations sont recueillies au moins une fois par an et, dans la plupart des cas, plus souvent, et certains composants sont rapportés dans le rapport ESG annuel de BauMont.

Les données collectées seront également comparées par rapport aux objectifs spécifiques aux fonds et aux actifs de BauMont, qui ont été développés spécifiquement en fonction des secteurs et des stratégies de gestion d'actifs que BauMont utilise.

Comme mentionné précédemment, les données sont collectées à la fois pour les zones contrôlées par le propriétaire et les zones occupées par les locataires lorsque cela est possible. Les données proviennent directement des factures et des contrats de services publics pour garantir l'exactitude et l'exhaustivité. Ces données alimenteront les rapports au niveau des actifs et des fonds de BauMont et seront incluses dans le rapport ESG annuel.

BauMont s'attend à un certain nombre de limitations dans la collecte de données, en particulier dans les cas où les bâtiments ont subi un développement complet ou une rénovation substantielle, ceux-ci resteront inoccupés pendant la majeure partie de la période de détention et ne produiront donc pas de données environnementales substantielles. Malgré ces limitations, BauMont continuera à établir des objectifs ambitieux et à rendre compte des progrès réalisés par rapport à ces objectifs.

BauMont emploie un processus de diligence raisonnable rigoureux pour évaluer les risques et les opportunités de chaque investissement potentiel, et les considérations ESG sont pleinement intégrées dans ce processus. BauMont inclut une section ESG spécifique dans chaque note d'investissement et est en mesure de refuser un investissement basé sur l'analyse ESG à n'importe quelle étape de ce processus. Plus de détails sur le processus de diligence raisonnable et les considérations ESG sont fournis plus loin dans ce document (informations disponibles en anglais) et sont disponibles dans le rapport ESG annuel de l'entreprise.

Enfin, les politiques d'engagement de BauMont sont régies par sa Politique de Normes Vertes Minimales et sa Politique d'Investissement Responsable, qui seront toutes deux publiées sur le site Web de l'entreprise.

Pour plus de détails sur l'un de ces détails récapitulatifs, ou toute autre information fournie ci-dessous, veuillez contacter Sustainability@baumontrealestate.com.

No sustainable investment objective

BauMont Real Estate II ("the Fund") promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

A Materiality Review (aligned to GRI) was carried out in 2020 which identified the following as the most material risks: Energy & Carbon, Employee Health and Wellbeing, Sustainable Design, Sustainable and Responsible Sourcing, Transparency and Disclosure. These are reviewed on a regular basis by the ESG Committee. Material issues are targeted for objective setting, and material issues are reported in an annual ESG Report.

BauMont has committed to a sustainable business model, investment process and asset management approach which aim to have a positive impact on the environment in numerous ways including improving the environmental performance of our client's assets, preventing pollution, and reducing material consumption and waste. BauMont seeks to ensure that negative social impacts are avoided, whilst opportunities to deliver public health benefits are identified and harnessed. In terms of governance BauMont's approach with is aligned to the Ten Principles of the UN Global Compact.

Investment strategy

The Fund's objective will be to provide its Limited Partners ("LPs") with favourable risk-adjusted returns through investments in real estate across a number of sectors (office, residential/ lodging, retail, industrial/ logistics) in France and the UK. Specifically, the Fund will seek to build a diversified portfolio where performance is delivered by executing value-add and value investment strategies. Investments are sourced with a bottom-up approach made possible by the Team's experience across asset types and strategies and its extensive network of operating partners and brokers. The Fund will focus on the following four strategies:

- **Portfolio break-up:** arbitrage opportunities between the portfolio acquisition price and the sum of the exit prices of each individual asset
- **Intensive asset management / asset restructuring:** acquiring assets from motivated owners who seek to divest non-core assets or who do not have the expertise or the means to invest in tired assets
- **Development (planning in place):** investments in well-located entitled projects where there is a lack of development financing
- **Change of use / planning gain:** opportunities to obtain additional construction rights or convert a property from one type of use to another

The Team opportunistically sources investments, implements business plans across asset types and strategies and sells assets when value has been created or restored, providing risk diversification and protection from adverse cycle timing. The average hold period of each investment is expected to be three to four years.

In general, the Fund will seek to own at least 50% of the equity in any investment and a minority stake in an asset will only be acquired if the Fund retains a controlling interest or has joint control.

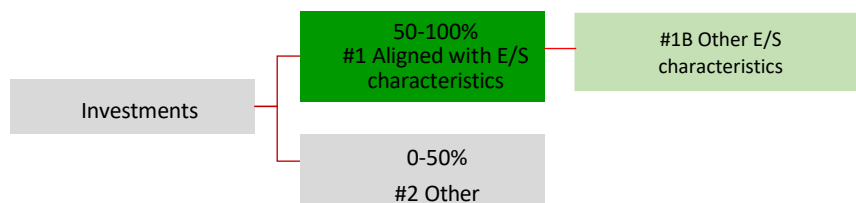
Proportion of investments

The asset allocation for this financial product is 100% real estate (nil investee companies). By geography, the Fund will invest in the UK and France, however there are no set targets. Similarly, the Fund is expected to invest in the office, residential, logistics, retail, and land sectors, however there are no set targets. Investments in land for the purpose of change of use/planning gain are restricted to 15% of the portfolio.

The allocation to sustainable investments (nil) is shown below.

All investments (#1) (excluding hedging and money market and other short term investments) shall comply with the BRE II ESG Fund Action Plan that is aligned with environmental characteristics.

All investments (100%, #1B) shall align with the environmental characteristics that do not qualify as sustainable investments.



Monitoring of environmental or social characteristics

BauMont works closely with its operating partners who regularly update the investment team on progress made on refurbishment projects, and flag anything that can pose a risk to E/S targets.

More specifically, BauMont employs an ESG data management system to measure and monitor all consumptions across assets, and update and monitor the data on a monthly / quarterly basis.

BauMont also carries out environmental surveys and energy audits to provide recommendations to improve building performance on all acquisitions.

The E/S performance of portfolio investments is measured through data collection and green building certifications such as, but not limited to: EPC certificates, BREEAM certificates, Fitwell assessments, Cycle Scores, Reset Standards BBC Effinergie standard, Well®, FitWel®, WiredScore®.

For operational assets, we monitor consumptions and provide Fit-Out guides and Tenant ESG Handbooks wherever relevant, to support tenants in leveraging the full potential of the building.

Methodologies for environmental and social characteristics

In addition to the monitoring efforts described above, BauMont will also measure all portfolio data against the specific portfolio and asset level environmental and social targets to ensure investments are on track to meet their goals. BauMont has developed a series of specific targets against which different assets will be measured based on their sector and asset management strategy. These targets, and progress against them, will be reported on annually, and further information is available upon request from sustainability@baumontrealestate.com.

Data sources and processing

Data is collected across the portfolio for both landlord-controlled areas and, when occupied to a significant level, tenant occupied areas. This data includes Energy Use and Performance, GHG Emissions, Water Consumption, Waste Data and Performance, and more. Data quality is ensured via the method of collection (direct from utility bills) and through an annual assurance process completed as part of our ESG reporting. In the annual ESG Report, BauMont will clearly identify where estimates have been used to provide indication of performance. An excerpt of the report is available on the BauMont website.

Limitations to methodologies and data

While BauMont strives to collect and report on all relevant data for investments across the portfolio, there will be limitations primarily due to the types of investments made, and the availability of certain data sets. First, as BauMont will undertake investments in development or heavy refurbishment projects, these assets will remain unoccupied for a significant period of BauMont's ownership. As such, data collection will be limited to that available for materials used during construction and initial environmental impact. All usage data, such as energy consumption, waste generation, and others will require the building to be occupied to a significant level. BauMont will continue to report on the environmental and social achievements and targets of these types of assets, however some of these will be out of scope for the data reported in the annual ESG report. Additionally, certain data may not be available for certain investments. For example, the information available on residential properties tends to be more limited than that available for commercial properties. BauMont has taken this into consideration when designing the targets for our fund and investments, however we recognise there will still be limitations to what the team is able to collect and report on.

However, the limitation of data to be collected or reported on does not prevent BauMont from establishing ambitious ESG goals for each investment and executing on these targets during the ownership period. BauMont will continue to report on the progress achieved respective to the business plan, even where specific data may not be readily available.

Due diligence

BauMont screens assets - in due diligence and across the standing investment portfolio - for physical climate hazards using climate scenario modelling services.

In order to assist the relevant Investment Team with its ESG risk assessment in the pre-investment stage, BauMont has incorporated ESG considerations into every investment memo. The use of this is mandatory for each investment proposal. This guides the Investment Team as they design their approach to the ESG risk assessment during the pre-investment stage.

Further, external specialists will be instructed to perform enhanced ESG due diligence on potential target investments, where appropriate. BauMont anticipates that external specialists will be used in relation to all proposed investments which are to be considered by its Investment Committee. A mandatory ESG risk-screening and summary assessment of ESG factors relevant to an investment, including financial and non-financial information, are mandatory aspects of the detailed presentation made to the BauMont Investment Committee and AIFM before its final determination to invest. These considerations enable the Investment Committee to properly assess the ESG risk factors before determining whether to recommend an investment.

When deciding as to whether to recommend a prospective investment, the Investment Committee will take into account, alongside other considerations, information on ESG factors presented. If the Investment Committee concludes that the ESG-related risks associated with a target asset are too high and/or cannot be appropriately mitigated, BauMont will elect not to pursue the investment opportunity.

Engagement policies

BauMont's Minimum Standards Policy and Responsible Investment Policy govern how the investment team and asset management team engage with each portfolio investment. For commercial properties, the minimum standards ensure that tenant engagement is always considered, including providing Fit-Out guides which help tenants leverage the sustainable features of each building.

Designated reference benchmark

Not applicable

Updated as of 24 January 2023