

Environmental, Social, and Governance (ESG) Policy



Introduction

Merope believes that Environmental, Social, and Governance (ESG) principles are crucial to developing resilient companies and assets that deliver long-term value for its stakeholders and, in particular, its investors. Merope is committed to integrating ESG into its investment process and operating philosophy. This ESG Policy outlines Merope firm-wide approach to integrating ESG in its business and investment activities.

Merope seeks to:

- Deliver sustainable real asset solutions through strategies focusing on direct and indirect real estate;
- Implement the ESG policy and strategy through stewardship, including influencing operating partners, underlying managers and investee companies; and
- Lead the transition to a sustainable, low carbon footprint as possible (in compliance with law and regulations applicable to real estate historic assets), resilient, equitable and healthy society.

Merope has the responsibility and opportunity to enhance the sustainability of the environment, the well-being of people and to positively influence its employees, operating partners, occupiers, supply chain and industry.

Recognizing that this can be achieved only as a collaborative effort, Merope encourages its partners to join Merope in delivering this ambition together.

ESG at Merope (ESG focus topics)

We have identified and will focus on three priority material ESG topics that we believe can most affect our ability to build strong and enduring value:

- *Environmental and climate*: climate change is a systemic issue, affecting all sectors and geographies; our goal is to address climate-related risks and opportunities by focusing on delivering lowest carbon performance possible in compliance with law and regulations applicable to real estate historic assets (e.g. putting particular attention to innovation and design, as well as material and resources) performance and physical resilience;
- *People and community*: diversity, equity, inclusion (DEI) and the well-being of our people and other stakeholders as well as driving social change in communities where we operate, invest and regenerate the urban environment; and
- *Good governance and influence*: good corporate governance is essential for financially sound companies and investments also through engaging and positively influencing key stakeholders where we do not have direct management control.

At Merope, sustainable real asset investment management means systematic integration of ESG considerations in medium-long period strategies and in each and all applicable stage of an asset's or investment's lifecycle, from pre-investment assessment through post-investment holding period (including measuring and benchmarking performance and pursuing defined objectives) and exit.

Scope of the Merope ESG Policy

This ESG Policy applies to each Merope investment (and each relevant special purpose vehicle) and is subject to periodic reviews to reflect regulatory, industry, market and other developments.

The ESG Policy establishes and aggregates key aspects of Merope's standards and policies which concern the stewardship and integration of ESG factors in investments and operations. The applicability of specific actions, measures and benchmarks is adjusted as appropriate due to differences in investment strategies, markets and geographies. Equally, their applicability is adjusted according to the type of influence and level of impact of Merope based on the market and investment strategy.

Merope considers a variety of ESG factors as part of sustainable real estate investment management.

Examples of factors that may be relevant for assets, investments and certain key counterparties in our investment management activities include the following, as appropriate for investment strategy, lifecycle stage and market



© Stefano Guarnieri - Milano 2014

- International standards and frameworks;
- Regulatory frameworks and compliance (e.g. anti-bribery and corruption laws);
- Certifications and benchmarks (e.g. BREEAM, LEED);
- Human and labor rights;
- Health and safety, including structural integrity, contamination and natural hazards (e.g. earthquakes);
- Location and asset accessibility, well-being, environmental quality and amenities;
- Transitional climate change-related risks (e.g. energy consumption/intensity, GHG emissions, smart technology readiness);
- Physical climate change-related risks (e.g. flooding, sea level rise, extreme wind, heat stress and wildfires);
- Resilience features and opportunities (e.g., renewable energy purchase/production, sustainable urban drainage systems);
- Environmental performance (e.g. energy and water use, waste management, air, water and land pollution prevention);
- Exposure to controversial or illegal activities, or international sanctions; and
- Biodiversity and natural amenities.

ESG Integration into the investment process

Merope defines investment risk as the possibility of failing to meet our investors’ expected objectives. Merope investment process and approach to risk management is constructed around this concept. Merope believes that ESG factors can have a material impact on investment performance. Therefore, consideration of ESG issues is integral to our investment management process as, based on our experience, we think that consideration of ESG factors not only enhances our assessment of risk but also helps us identify opportunities for development, transformation and value creation for all our stakeholders.

As applicable and material to any given investment – and considering that Merope focusses on high grade trophy listed real estate assets in primary Italian location and cities implying deep refurbishment in compliance with law and regulations applicable to real estate historic assets – the ESG factors that may be incorporated into our investment evaluation and monitoring processes include, but are not limited to, the following:

Environmental and climate	People and community	Good governance and influence
Greenhouse gas emissions	DEI	Corporate governance, assessment of relevant risks and oversight risk management
Air pollution	Human rights and modern slavery	Conflicts of interest
Waste management (including land and water impact and efficiency)	Employee health and safety	Transparency (including financial and operational reporting)
Energy management and efficiency also through innovation and design and attention to materials and resources	Labor relations and practices	Fraud, money laundering, anti-bribery and anti-corruption controls
Land use and urban regeneration	Product quality and safety	[-]
Climate risk	Local community and local suppliers and players involvement	[-]

Merope abides by any agreements made with suppliers, commercial partners, and clients that we know:

- Generate revenue from illegal activities, such as illegal drug or human trafficking, child labour, human slavery, illegal weapons manufacturing, the production of prohibited substances for prohibited purposes and illegal gambling;
- Violate governmental sanctions, host country laws or other restrictions governing financial involvement with specified individuals, entities, companies or countries; or
- use pornography or prostitution.

Embedding ESG throughout Merope investment process includes:

- *Strategic risk framework:* our strategic risk framework and strategy helps ensure that the risks surrounding an investment strategy can be optimally assessed, monitored, reported, managed and mitigated in a consistent manner;
- *Preferred strategies:* Merope values both bottom-up and top-down researches to identify investment risks and opportunities, including those related to ESG and broad megatrends. Rapid urbanisation, climate change, resource scarcity, shifts in global economic power, demographic changes and technological breakthroughs have significant impacts on the economy, specific industry sectors and property markets. Merope monitors these trends and incorporates them into target market selection as appropriate;
- *Investment plan (key objectives):* the purpose of the investment plan is to set out the medium-long term key objectives for an investment and/or the portfolio in the forthcoming year based on the current portfolio composition and past performance, revised forecasts for assets/ investments in the portfolio using the latest market forecasts and the most current tactical recommendations. Each investment plan generally includes a portfolio-level ESG strategy.
- *Investment selection and evaluation (pre-investment pre-due diligence and due diligence):* in order to identify and address material investment risks and drive value, Merope performs a ESG screening (pre-due diligence with the key purpose to determine the potential ESG-related risks and opportunities that require further investigation during the due diligence process, and to ensure that sufficient budget is allocated for any in-depth assessments; a concept architectural study identifying sustainability opportunities and considerations may also be carried out. This is a desktop analysis for real estate assets, delivered by the transaction team, using the negative, norm and positive screening factors, with input, as deemed necessary, from external data providers appropriate for the asset type, investment strategy and market. The risk levels are determined using the portfolio ESG strategy (when applicable) and external benchmarks and regulations, and are adjusted by location, asset type and other relevant metrics. Risks identified during ESG screening are further examined and assessed in the due diligence checks, as appropriate with the key purpose to examine the ESG risks and opportunities, adverse and positive impacts on key ESG screening factors and mitigation and resilience measures required for alignment with the portfolio ESG strategy and tenets of our Vision. The due diligence check involves an analysis of measurable ESG factors deemed appropriate to the applicable investment type, investment strategy and market. Due diligence checks are performed by the transaction team, supported by the external ESG specialist consultants and data providers, as applicable. The findings of a DD check are then used to help ensure adequate provision is made in the investment underwriting.
- *Investment and asset management (post-investment):* following the acquisition, the asset/investment is transitioned to the appropriate investment management team who is responsible for enhancing mitigation plan developed during the pre-investment and investment phase, as well as actioning appropriate data management, investment performance assessment and benchmarking. Ongoing data collection, maintenance monitoring and oversight of the investment's data management system profile is the responsibility of the asset, fund, and portfolio manager with support from the ESG dedicated team and/or (external) consultant and specialist advisors. Data that is collected at this stage includes various investment certifications and performance benchmarking, energy consumption, water usage, and waste management. Investment teams work in collaboration with external specialist advisors, property managers, tenants, underlying fund managers, borrowers, investee companies, the in-house dedicated ESG team, third-party data providers and other parties. Merope also develops an ESG action plan as appropriate for the relevant asset type and investment strategy as well as an engagement plan in respect of which engaging as appropriate with investee companies, borrowers, managers, funds, property managers, tenants and the wider community is the key lever of stewardship. Merope takes the partnership approach, seeking to positively influence stakeholders. The engagement dialogue can take the form of individual engagement, directly with the investee or through collective engagement. The purpose of ESG engagement is to identify risks and opportunities and help ensure risk management and continued performance improvement.

- *Exit:* when exit timing comes into consideration based on the specific investment lifecycle or specific circumstances, Merope seeks preparing appropriate assessment (supported by relevant documentation) to demonstrate that the key ESG milestones have been met or a near to completion, and certifications have been obtained (e.g. BREEM, LEED) and to measure the value created or risks mitigated.
- *Reporting:* Merope seeks to undertake detailed ESG performance measurement, monitoring and reporting as appropriate for each investment and asset. Where possible, Merope generally uses accredited third-party systems to assess, certify and benchmark the ESG performance of assets under management, such as BREEAM, LEED. Reporting process is articulated into corporate reporting, portfolio performance review (to provide a consistent approach to evaluating ESG risk for our existing portfolios with the support of external ESG advisors where available or appropriate) and periodic investor and client reporting. Merope communicates as appropriate key objectives, updates, and requirements in periodic communications to the investor, client and investees (in line with well-regarded ESG benchmarks, and importance of climate change risk management).

Roles and responsibility

Merope CEO and the head of investment team have ultimate responsibility for overseeing the Merope's ESG Policy and they coordinate initiatives across Merope to maintain consistency in approach. and ultimately oversee their approximately annual review. Merope monitors changes or updates to industry trends, policy, and regulations and provides specialized expertise to the business units as needed.

Merope top management works with investment and asset management teams to integrate the consideration of material ESG factors throughout the investment lifecycle. The asset management teams are responsible for operationalizing as appropriate key ESG programs across investee companies.

Senior members of the Merope investment team have 10+ years experience in the real estate market and developed significant and specific experience in investing in real estate historical asset located in main cities by ensuring adequate evaluation and monitoring of the relevant ESG factors (as described above).

Legal and regulatory factors

Senior management is responsible for ensuring compliance with applicable regulatory requirements and fiduciary obligations.

Compliance with legal and regulatory requirements includes specific requirements to comply with regional legislation or business-line specificities applicable to the real estate sector. Compliance with all relevant requirements, including conflicts of interest, is required at all times, and any breach can lead to financial and non-financial consequences.

This ESG Policy is shared with all Merope employees as appropriate from time to time.

Merope, supported where necessary by external advisers, is responsible for continually monitoring for new local, country, regional and global relevant and applicable requirements, and in particular climate change-related regulations and disclosure frameworks.

The interests of Merope stakeholders is taken in deep consideration. More specifically, Merope and its employees have an affirmative duty to act in the best interests of our investors and clients and to make full and fair disclosure of material facts to such investors and clients.

This ESG Policy was last updated in September 2022 by the Board of Directors and is subject to change as Merope considers necessary or advisable. This policy is intended to be reviewed approximately annually. Further, this policy shall supersede and replace Merope existing Responsible Investing & ESG Policy and shall apply on a going forward basis, subject to the limitations discussed herein, to Merope's existing and future investments.

