



ESG INVESTMENT POLICY

Version: 2.0

Date: 06/06/2023

1 Our principles

Responsible investing is placed at the heart of our investment management and corporate strategy. We are convinced that the integration of ESG criteria into all our business processes is crucial to generating value for our investors and stakeholders. As a result, we set up a dedicated in-house ESG team and are consistently developing and integrating ESG principles into our investment and decision-making processes

This ESG investment policy intends to define how we integrate and manage ESG issues within a structured framework and how we incorporate these issues into our investment decisions, asset management process and corporate culture

As signatories of the UN PRI we adhere to the 6 Principles of Responsible Investment:

1. We will incorporate ESG issues into our investment analysis and decision making.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosures on ESG issues from the entities we invest in.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will report on our activities and progress towards implementing the Principles.

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2 How we approach ESG: Our ESG Strategy

We see ESG holistically and want to contribute to environmental, social and governance issues in equal measure. Therefore, ESG at Coros is integrated across all areas of business.

2.1 Responsibilities:

To integrate ESG fully and thoroughly within our investment and business practices, our 'Head of ESG' is leading our internal ESG team and ensures that our convictions are reflected properly in our daily business.

She reports directly to the management board and oversees the execution and continuous development of our ESG strategy. The ESG team currently comprises 2 employees and is deeply embedded into all business lines, also by heading an internal ESG task force. This group has at least 1 representant of each business line and is meeting on a regular basis to exchange on ESG topics of various purposes, such as operating topics or regulatory issues.

2.2 ESG at a glance

2.2.1 E (Environmental):

With the 2015 UN Climate Change Conference's Paris Agreement, nearly 200 countries agreed on a shared goal: global warming must be kept well below 2 degrees Celsius, ideally under 1.5 degrees Celsius, compared to pre-industrial levels. The necessity of reducing emissions cannot be overstated. The EU's Green Deal maintains and further accelerates the trend toward long-term sustainable investments. Coros is dedicated to not only achieving these goals, but also to setting market-leading Environmental, Social, and Governance (ESG) standards at company, fund, and asset levels to battle climate change and comply with the Paris Agreement.

Key considerations are, among others

- › Reduction of climate emissions and greenhouse gases and improving energy efficiency by following our strategy to net-zero carbon (see "1st Pillar: Climate and environmental protection" and roadmap to net-zero carbon)
- › Considering climate risks in the investment process
- › Water and waste management as part of our asset management processes with a "Water saving policy" in place

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- › Considering biodiversity and soil unsealing within our refurbishment projects

2.2.2 S (Social):

We understand our social and societal responsibility. That's why we want to provide a good and healthy work environment in which our employees may prosper and grow on a personal level. In addition, we strive to assume our social responsibility wherever possible and thus also implement measures that benefit our tenants. Considering the working environment, these include for instance the installation of new air quality systems, noise dampening insulation, heat impact countermeasures, smart lighting systems and a state-of-the art working environment that best supports the various teams' needs. The physical and mental health of our employees is of utmost importance to us. Coros therefore provides each employee with a personal monthly budget that - in addition to sustainable purposes - can be used for personal training to maintain both physical and mental health.

Our strong company culture (see "5th Pillar: Strong company culture") is based on a stable set of values that has been developed jointly:

The values that guide our actions	
<p>Excellence</p> <p>We see ourselves as a collective of unique competences that produces excellent results in community.</p> <p>To this end, we seek out the best in their respective fields in order to learn and develop together. We always act in a matter-of-fact and resilient manner towards our counterparts, and convince with analytical stringency, commitment and determination.</p>	<p>Ownership</p> <p>We take ownership.</p> <p>We build on our network of competencies instead of hierarchies, put goals before processes and value the commitment and entrepreneurial spirit of each individual. Aware of our role and responsibility, we develop solutions that create sustainable added value.</p>
<p>Agile Creativity</p> <p>We seek fast and creative solutions to our challenges.</p> <p>We use the power of flat structures and specialised competence teams to combine creativity with a hands-on mentality. This is how we discuss solutions, not problems, and ensure rapid implementation with pragmatism.</p>	<p>Together</p> <p>We live an open culture of togetherness.</p> <p>We approach each other, live the honest exchange and value different perspectives. With empathy and a willingness to help, we always act in solidarity and inclusiveness. In this way, we shape a culture of mutual support in which everyone is given the freedom to make the best of themselves.</p>

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Key considerations are, among others:

- › Aligning business processes with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights
- › Living diversity and benefitting from diverse teams and backgrounds (see below “4th Pillar: Living Diversity”) and having a “Diversity and Inclusion policy” in place
- › Providing good and healthy working environments and having a “Wellbeing policy” in place
- › Focus on employee relations and structured and open communication

2.2.3 G (Governance):

Corporate governance is a system of rules, regulations, and processes that regulate a company's direction and control.

Good corporate governance dictates that the board of directors must meet on a regular basis, maintain control over the company, and be clear about their roles and responsibilities, as well as maintain a clear-cut risk management and compliance framework. Coros is dedicated to setting standards with our commitment to good corporate governance.

Key considerations are, among others:

- › Transparency and disclosure (see below “2nd Pillar: Sustainable and transparent governance”)
- › Active engagement and stewardship (see below “3rd Pillar: Active Engagement and stewardship”)
- › Anti-bribery and corruption with an approved AML-process in place

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2.3 Five pillars of ESG:

Our conviction is reflected in our five pillars of ESG:



Picture 1: Coros 5 pillars of ESG

2.3.1 1st Pillar: Climate and environmental protection

We want to make an active and long-term contribution to climate and environmental protection. As a portfolio holder and real estate investor, we see it as one of our greatest responsibilities to continuously improve our portfolio in accordance with the Paris Climate Agreement and strive for a climate-neutral building stock using sustainable materials and technologies. Therefore, our goal is to continuously drive energy efficiency improvements and to become carbon neutral across our fund portfolio by 2040 or earlier.

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Our roadmap to net-zero

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Coros way to Net-Zero Carbon by 2040¹



¹ Net-Zero carbon means zero emissions caused by building operations on a yearly basis. Emissions can be reduced by reducing energy consumptions, use of renewable energy resources and offset emissions that cannot be avoided

² Embodied carbon to be considered in new built

carbon:

2.3.2 2nd Pillar: Sustainable and transparent governance

Global trends such as increasing environmental pollution and the associated climate change, the scarcity of resources, demographic developments and their economic and social impact are becoming increasingly relevant for investment decisions. Therefore, in addition to the systematic and integrated consideration of ecological and social criteria, value-oriented and sustainable corporate management is essential in analysis and decision-making processes in the investment area. Hence, we became signatories of the UN Principles for Responsible Investment.

2.3.3 3rd Pillar: Active Engagement and stewardship

At Coros we also see our responsibility in engaging with our partners and investors by conducting open dialogue and active stewardship and ownership to achieve common goals by common effort.

Following our responsible investment strategy, we communicate openly with stakeholders such as investors and business partners, tenants, service providers or communities and municipalities.

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2.3.4 4th Pillar: Living Diversity

Diverse teams with different cultural, demographic, and professional backgrounds can inspire each other - beyond their respective expertise - and open themselves to new ways of thinking and decision making. This makes a significant contribution to innovation, future viability and the development of new solutions.

At Coros, we are therefore living diversity in all dimensions (age structures, gender, educational backgrounds, people in part-time, etc.) and want to continuously improve within those.

2.3.5 5th Pillar: Strengthening our company culture

Our priority at Coros is our employees. To be productive and successful in the long term, we need a modern understanding of work and cooperation. Enthusiasm, curiosity and drive for ideas cannot be decreed from the above, but are based on personal responsibility, exchange and motivation.

For the years to come we are therefore aiming for further growth by focusing on constant employee development and satisfaction by regular feedback analysis and actions to improve key findings.

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3 Investment Process

ESG considerations are holistically integrated across the entire lifecycle of an investment. From a thorough ESG due diligence during the acquisition and underwriting phase up until the implementation of pre-determined ESG measures during the asset management phase, Coros follows a clearly defined ESG-focused investment strategy and ensures that all potential investments are evaluated in a future-orientated manner. As a result, positively contributing on ESG issues is explicitly embedded in the fund's strategy as well as any risk analysis of existing and potential assets.

Thus, also with the third institutional vehicle, Coros Fund III, Coros dedicates itself to improving the sustainability of the existing European building stock via targeted investments in assets with significant potential for E, S and G level value creation. Our overarching aim is to provide a positive contribution to transform buildings for the better, through operation of the fund.

Integration and digitalisation of ESG along the asset lifecycle

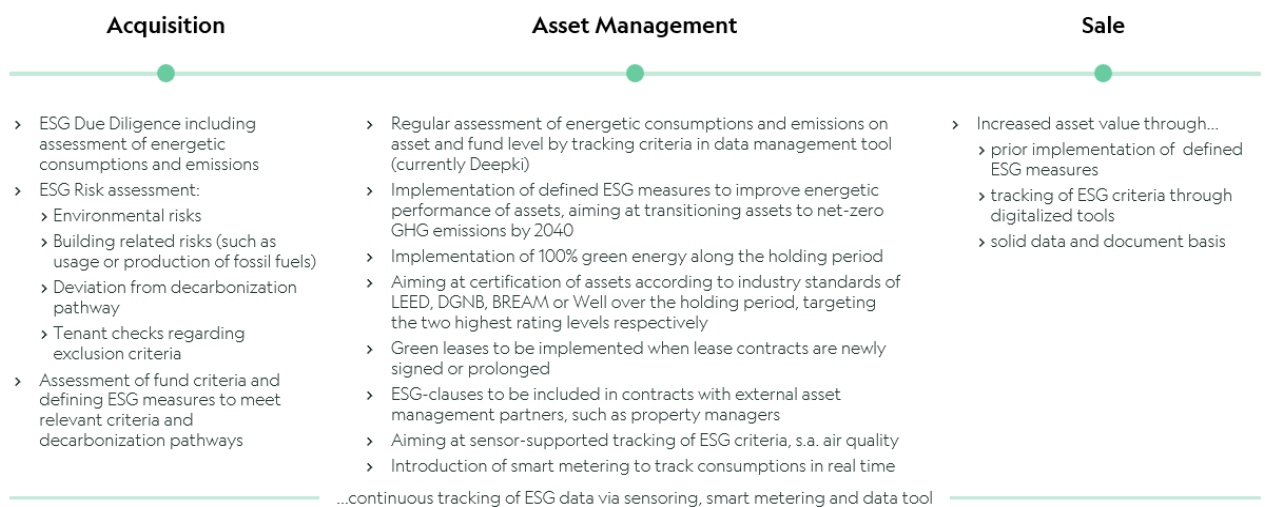


Table 1: Integration and digitalization of ESG along the asset lifecycle

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3.1 Integration of ESG in the acquisition process

3.1.1 Overall approach

As part of our holistic approach to ESG, relevant criteria are addressed from the earliest stages of the acquisition phase.

The ESG team is part of site visits and asset discussions in the very first acquisition phases prior to exclusivity and due diligence process.

To identify material risks and opportunities, an ESG due diligence is carried out. The analysis includes technical and environmental characteristics of potential investments, as well as opportunities for reducing an asset's carbon footprint and increasing its energy efficiency.

Furthermore, we are thoroughly assessing the future (re-)certifiability in accordance with globally recognized standards (LEED, BREEAM, DGNB and/ or WELL). In the case of new developments, we also seek to integrate the highest ESG standards and, where feasible, prepare for suitable certifications already during the construction phase. Our investment team is trained and continuously educated on ESG related challenges and opportunities during the investment process. Additionally, we obtain an individual evaluation from our outside ESG advisors when required. Our investment committee materials include a section on ESG-related risks and opportunities and our ESG due diligence lists the proposed ESG measures we aim to perform during the asset management phase.

Properties with risks related to deviations from the CRREM climate path, other tangible climate risks, certain building usage types, or risks related to the tenant mix can be excluded based on our ESG exclusion criteria.

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Chart 1: Exclusion of ESG risks along the investment process

The Asset Management department is responsible for both the management and performance of the selected investments throughout the entire holding period, from acquisition to sale. It collaborates closely with the ESG team, with one person dedicated to ESG assessment, to ensure that ESG considerations are directly integrated into our asset strategies. By leveraging these synergies, we promote long-term, sustainable value creation.

3.1.2 Exclusion criteria for partner relationships (i.e. tenants):

We do not believe that it is in the interests of our advised funds or their investors to partner with companies whose sole or principal business purpose is, among other things:

- › Direct involvement in the production and/or sale of anti-personnel mines, cluster bombs and/or chemical or biological weapons, nuclear weapons or significant semi-manufactured components (at the time of investment)
- › The manufacture of or trade in tobacco
- › Gambling activities
- › Fur production
- › Pornography
- › Extraction of endangered or protected raw materials
- › Production, storage or distribution of fossil fuels

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Therefore, these exclusion criteria apply to (potential) tenants with lease contracts that exceed a three-year time frame or for rental spaces with an area of more than 150 sqm.

Further, where we identify any serious ESG issues during our due diligence process we will generally decline to invest, unless we believe that the issues have been or are capable of being remedied, and there is a plan in place to remedy these issues within a reasonable period of time and business case.

3.2 Integration of ESG within Asset Management:

3.2.1 ESG data, consumptions and emissions

We review and elaborate ESG data on an asset, fund, and portfolio level on a regular basis to understand the impact of our real estate assets on the environment. For our reporting, digitizing data is critical. As a result, a data management solution (Deepki) and are rolling out smart meters across our portfolio on asset level.

By defining ESG metrics on asset level, regular portfolio checks on consumptions and emissions are carried out with the goal of attaining and keeping our assets on the 1,5° CRREM decarbonization pathway. Those measures are thoroughly examined and reviewed by the Asset Management team, as well as budgeted for and implemented as part of the asset strategy.



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3.2.2 Green leases:

Through ESG agreements or green leases, we bind tenants to particular responsibilities and obligations to ensure a sustainable occupancy of the funds' assets. These are mandatory for both new and re-lettings. The funds' green lease clauses include a declaration of intent for the sustainable management of the rental space and the consumption of sustainable energy and resources, as well as a provision of the tenants' consumption data.

3.2.3 External service providers:

Contracts with external service providers (such as property managers) are carefully negotiated to ensure that any external service provider meet the appropriate ESG standards and are aware of ESG challenges and legislation, to enable continuous implementation and reporting.

Consequently, we expect our external partners to comply with the following:

- › Fully respecting human and personality rights as fundamental values of society
- › Fulfilling their responsibility for the protection of labor standards, environmental protection and anti-corruption
- › Ensuring responsible and transparent corporate governance
- › The continuous and systematic improvement of the sustainability of the client's investment fund's real estate
- › Compliance with current and future European and national regulatory requirements in connection with sustainable investments and sustainable economic activities
- › Continuous and systematic enhancement of the parties' risk management processes with implications for such a contractual connection

In all phases of the deliverance of management services, the provider must consider not just economic, but also environmental, social, and governance factors while making choices. When delivering services, the Provider shall also try to use resources and energy efficiently and carefully. Furthermore, when executing the contracts, the contractor agrees to always comply with all applicable legal requirements.

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This means that external partners must uphold the General Equal Treatment Act and the Minimum Wage Act in their current editions, among other things.

We have integrated above mentioned ESG clauses in contracts with Property Managers and will roll out the implementation in all contracts step-by-step.

4. Strategy related ESG targets for 2023 and beyond:

 Climate and environmental protection	 Sustainable and transparent governance	 Active engagement and stewardship	 Living diversity	 Strong company culture
<ul style="list-style-type: none"> › Regular evaluation of consumptions and developing our assets along the CRREM decarbonization pathway › Implementation of suitable CapEx measures to further improve energy efficiency › Expansion of renewable energies › ESG data tool up and running › ESG due diligence for each acquisition › Green energy supply for common areas in all assets › Green leases and ESG clauses in supplier contracts › Re-/certification regarding green building standard (BREEAM, LEED, DGNB) where possible and efficient › Structured waste management 	<ul style="list-style-type: none"> › Required policies in place for UN PRI reporting in 2024 › Creation of our "Code of Ethics" - declaration of basic values at Coros › Appointment of a compliance officer and creation of compliance guidelines › Regular AML process in place › Regular trainings on compliance for all staff 	<ul style="list-style-type: none"> › Regular and proactive reporting on sustainability issues › Creation of an ESG guide in Q2/Q3 2022 for internal and external use › Disclose corporate governance and sustainability practices to our investors › Exclusion criteria: Potential investments are excluded if business partners are involved in controversial business › For us, commitment also means social responsibility for our society. That is why we also support long-term social projects 	<ul style="list-style-type: none"> › Achieving equal opportunities, i.e. to counteract discrimination and exclusion based on: (e.g. gender, age, lifestyle, ethnic origin, etc.) › Diversity policy in place 	<ul style="list-style-type: none"> › Employee training: e.g. voluntary choice of personally suitable training courses per year within a certain budget › Employee health: promoting & supporting sport activities as well as mental health trainings › Wellbeing policy in place › Improving the overall working environment within our offices


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Appendix: Impact on major Sustainable Development Goals

This policy primarily refers, among others, to the following SDGs:

Environmental	Social	Governance
 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Investments should improve energy efficiency and expand the share of renewable energy and infrastructures. We strive to replace fossil energy sources with affordable renewable energy sources.</p>	 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>All investment decisions aim to generate added value for all stakeholders. The people affected and their health always come first for us. We base our activities on the highest and most modern standards of well-being.</p>	 <p>17 PARTNERSHIPS FOR THE GOALS</p> <p>We foster strong partnerships with investors, stakeholders, suppliers, and non-benefit organizations to promote global sustainability. We promote dialogue and encourage public discourse to share useful knowledge and experience.</p>
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>Our investments make a significant contribution to creating safe and resilient communities. We make urban quarters more inclusive and ensure a healthy mix of uses and users. Thereby we aim to improve the resilience of cities and communities.</p>		
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>We believe that sufficiency is a key to a sustainable environment. That is why we critically evaluate every resource-intensive measure.</p>		
 <p>13 CLIMATE ACTION</p> <p>We act at various levels to protect the climate and mitigate climate change. We actively promote activities that have a positive impact on climate and encourage stakeholders to avoid activities that have a negative impact on climate.</p>		



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