

Sustainability Principles

Sustainability requirements and guidance regarding Taaleri Real Estate's investment processes and management December 2022

Document basic details

Purpose	To describe and define the approach regarding sustainability management and responsible investment in Taaleri Real Estate's activities, in line with Taaleri Plc's overall approach and requirements.
Update frequency	As necessary (reviewed at least annually)
Approver and date (original date)	The Management Team of Taaleri Real Estate Ltd (29 March 2022)
In force (date)	29 March 2022
Responsible organisation	Taaleri Real Estate
Contact person	Essi Sten (Managing Director, Taaleri Real Estate Ltd), Timo Metsälä (Director, Real Estate Development) Salla Kalliola (Portfolio Management, Commercial Asset Management), Laura Tiainen (Sustainability Specialist, Taaleri Plc)
Related regulation	This document is not directly based on any specific regulatory requirements. However, the document aims to support in responding to (further developing) requirements of, e.g. the EU's Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation.

Version History

Approved (date)	In force (date)	Updates made
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Introduction and underlying requirements

Purpose and basis

The purpose of the Sustainability principles ("**Sustainability Principles**") is to define Taaleri Real Estate Ltd's ("**Taaleri Real Estate**"), a subsidiary of Taaleri Plc ("**Taaleri**" or the "**Group**"), approach to responsible investing and sustainability management, in line with Taaleri's overall sustainability approach and requirements. The Sustainability Principles seek to describe Taaleri Real Estate's methodology when working towards our strategic sustainability objectives, as well as to explain how we integrate the consideration of sustainability risks and value creation opportunities in our investments made through any of our investment vehicles or real estate related investments made directly from Taaleri's own balance sheet ("**Investment Activities**").

In addition to the Sustainability Principles, Taaleri Real Estate shall comply, for example, with Taaleri Real Estate's Partner Code of Conduct, Taaleri's Code of Conduct, Taaleri's Sustainability Risk Policy and Taaleri's Sustainability Policy in its Investment Activities. Taaleri Real Estate also defines other relevant principles and guidelines to ensure compliance and strengthen its commitment to responsible business and impact management. The Sustainability Principles are interlinked with Taaleri Real Estate's Partner Code of Conduct, which expresses ethical standards and codes of conduct relevant to Taaleri Real Estate and its employees, service providers and construction contractors.

It is essential for Taaleri Real Estate to operate sustainably and to develop our business in a way that adds value to our investors as well as other stakeholders, including the countries and local communities in which we operate. For us, sustainability is about protecting our environment, human well-being, equality and good corporate governance and the development of innovative solutions.

The Sustainability Principles can be amended from time to time. The most recent version of the Sustainability Principles is accessible on the website www.taalerikiinteistot.com/en and may be provided via other channels to Taaleri Real Estate's relevant stakeholders as applicable.

Reporting (suspected) breaches or requesting further information

Any individual may anonymously and confidentially report non-compliance or suspected breaches of the Sustainability Principles in Taaleri's Whistle Blowing Channel, accessible at www.taaleri.com. The reporting can be conducted in one's native language. The non-compliance or suspected breaches reported in another language than Finnish, Swedish, or English are translated into English.

Taaleri employees may also notify their supervisors or the management directly of any possible non-compliance or suspected breaches identified.

Taaleri Real Estate's general contact email is re@taaleri.com.

Scope and Implementation

The Sustainability Principles apply to all Investment Activities of Taaleri Real Estate. Taaleri Real Estate mainly exercises full or joint control of the investment targets and subsequently can implement the Sustainability Principles at its discretion. However, in cases where Taaleri Real Estate determines it has limited ability to influence and control the integration of sustainability actions in the investment or where other circumstances affect Taaleri Real Estate's ability to assess, set or monitor sustainability performance,

the principle of proportionality will be implemented as to determine the appropriate sustainability measures to be taken. Additionally, reasonable efforts are made to encourage other investors and investment targets to consider relevant sustainability factors. Taaleri Real Estate also seeks to make proactive efforts to improve sustainability in projects where we believe impact can be achieved.

Roles and responsibilities

The ultimate responsibility for ensuring the Sustainability principles are implemented in the Investment Activities is with the Management Team of Taaleri Real Estate ("the RE Management Team"). If an investment committee of the fund or other vehicle investing is established, Sustainability roles and responsibilities of the committee or its member(s) are agreed upon separately in the oversight of the Head of Taaleri Real Estate or the RE Management Team board. The investment committee or its member(s) can, for example, support or be responsible for assessing the proper implementation of the Sustainability Principles during the investment processes and ensuring that each investment fulfils the sustainability requirements.

Taaleri Real Estate's investment team informs investment committees during pre-investment and during asset management periods for relevant sustainability matters. Informing includes findings of material sustainability issues such as significant impacts and risks identified. A summary of these aspects shall be provided to the Investment Committee for their consideration before the committee approval and an investment decision by the General Partner. The RE Management Team will assess ESG Due Diligence and other sustainability assessment findings and has the right to choose whether to approve, mitigate or decline the findings.

Taaleri Real Estate's investment team is primarily responsible for ensuring that the consideration of sustainability issues is integrated into all Investment Activities. Through the technical AM team, Taaleri Real Estate has an enhanced opportunity to assess, influence and monitor sustainability aspects of the Investment Activities on a detailed level. All employees of Taaleri Real Estate shall follow the Sustainability Principles as relevant and linked to their roles and responsibilities.

Taaleri Real Estate's investment and technical professionals are supported by Taaleri's Sustainability, Compliance and Risk Management professionals. The Group's Sustainability function reports to Taaleri's management team member responsible for sustainability. Taaleri's Sustainability Manager, with support from the broader Sustainability function, leads group-level sustainability development and management, including supporting and monitoring Taaleri Real Estate and other Taaleri businesses in their Sustainability and responsible investment work. Taaleri Real Estate has also a named professional responsible for sustainability working closely with the Group's Sustainability function and other relevant stakeholders. Where additional subject matter expertise is needed, the team utilises external resources as appropriate and necessary.

Furthermore, compliance with the Sustainability principles and sustainability performance is considered in the remuneration of Taaleri Real Estate employees and management.

Managing sustainability and impacts

Adverse sustainability impacts

Taaleri Real Estate considers the adverse impacts on sustainability factors in its investment decisions that are classified as Article 8 product or Article 9 product according to SFDR 2019/2088. Sustainability factors means environmental, social and employee matters, respect for human rights, anti - corruption, and anti - bribery matters.

We document and monitor adverse impacts quarterly and report them annually according to EU regulation 2019/2088. Any potential adverse impacts identified will be mitigated before an investment decision and during the investment's life cycle with appropriate monitoring processes.

Taaleri Real Estate considers that its Investment Activities' potential principal adverse sustainability impacts are mainly investment target level impacts, noting, for example:

- Real estates are nearly always, to a certain extent, based also on materials that cannot all be produced from renewable sources, like concrete in the foundations and steel in structures and cladding.
- During construction and operation, real estate may have a significant impact on the area where they are situated / located.

Taaleri Real Estate takes reasonable steps to minimise the adverse impacts of any selected project, for example, as described under the *Integration in the investment processes* -heading below. Potential impacts are considered as part of the environmental and social impact assessment or ESG due diligence, as applicable and defined below.

Taaleri Real Estate shall apply the mitigation hierarchy to its operations and Investment Activities. In any decision-making process, Taalери Real Estate shall strive first to avoid and prevent negative impacts. Only if the material negative impact cannot in a technically and financially feasible manner be avoided shall they be minimised. The remaining negative social or environmental impact shall be compensated or remedied only as a last resort. More detailed information can be found on our website's Statement of the Principal Adverse Sustainability Impacts.

Goals and objectives

Taaleri Real Estate's objective is to support sustainable development by financing the transition to a sustainable built environment. In connection with its Investment Activities, Taaleri Real Estate seeks, for example, to:

- Achieve good sustainability performance.
 - Good governance is the minimum requirement. That is, remaining committed to compliance with applicable laws and regulations as well as international standards.
 - Taaleri is voluntarily aiming, for example, to make sustainable investments ("**Article 9 product**") and investments promoting environmental or social characteristics ("**Article 8 product**") as defined by the EU (in regulations 2019/2088 and 2020/852 and related delegated acts etc.). Thus, Taaleri Real Estate aims to ensure the fulfilment of the related commitments as relevant.

- Taaleri Real Estate seeks to improve its energy efficiency and has joined the national-level energy efficiency agreements, which sets an indicative energy savings target in portfolio level of at least 7.5% for 2017–2025. Taaleri Real Estate seeks to accomplish this goal for 2020 – 2025 (baseline energy consumption in 2020).
- Consider sustainability with target companies and projects when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
 - Taaleri Real Estate seeks to integrate the consideration and thoughtful management of sustainability into its Investment Activities, including sustainability risks and value creation, throughout the investment cycle. More detailed information about sustainability risks can be found in the Taaleri Sustainability risk policy.
- Work through appropriate governance structures (e.g., board of directors, advisory boards) with portfolio companies.
 - Engage Taaleri's expertise with environmental, public and employee health, safety, and social issues, aiming to improve performance and minimise adverse impacts in these areas.
 - Use governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest, and implement compensation and other policies that align the interests of owners and management on sustainability.
- Provide timely information to Taaleri Real Estate's relevant stakeholders on the matters addressed herein, and work to foster transparency about Taaleri Real Estate's activities.
- Encourage Taaleri Real Estate's portfolio companies to advance these same principles in a way that is consistent with their fiduciary duties.

Integration in the investments process

As part of its Investment Activities, Taaleri Real Estate is committed to considering material sustainability issues while selecting potential investment opportunities, in its due diligence and the development and monitoring of portfolio investments while simultaneously adhering to the provisions of the agreements of the funds or other investment vehicles concerned. In this process, regarding investments classified as an Article 8 product or an Article 9 product, we ensure fulfilment of the commitments and the related criteria as relevant and applicable.

Taaleri Real Estate evaluates operationally relevant energy-saving technologies in the development phase and implements them in the asset management phase. When the real estate investment is under construction or has already been built, its potential energy-saving options and implementations are evaluated before or after the investment has been made. Taaleri Real Estate makes improvements to optimise the energy use of buildings with the help of technologies that are evaluated on a case-by-case basis. In some cases, Taaleri Real Estate's third-party expert analyses the relevant data collected at the individual building level and optimizes its energy use which can result in a lower carbon footprint. The energy consumption during the use of the property will be covered with renewable sources to the extent practical, further minimising the environmental impact.

Pre-Investment

Taaleri Real Estate conducts ESG due diligence for its investment targets to integrate sustainability considerations in the pre-investment phase of its Investment Activities. It establishes a management system or adequate documentation as deemed necessary. For example, the following aspects are considered at the pre-investment stage to ensure that proper standards are met for each investment:

Initial screening of investment targets, compliance, and categorization

Taaleri Real Estate aims to ensure at the earliest stage possible that an investment target fulfils requirements set in Taaleri Real Estate and Taaleri's policies. The requirements relate, for example, to Investment Activities' investment strategy and their compliance with laws, regulations and international standards. Taaleri Real Estate includes an assessment of fulfilling definitions of sustainable investment (EU 2019/2088) and environmentally sustainable economic activities (EU 2020/852) in the initial screening as applicable.

Environmental and social impact assessment

For all investments subject to an Environmental Impact Assessment (EIA) or Environmental and Social Impact Assessment (ESIA), Taaleri Real Estate shall, before any final investment decision, ensure that an applicable impact assessment is or has been carried out and that public consultation is undertaken by national legislation and the principles of the EU EIA Directive.

ESG due diligence measures

As a prerequisite for proceeding with any investment, Taaleri Real Estate shall be able to conclude that its environmental and social impacts have been identified and addressed and that the Investment Activity is considered acceptable. Taaleri Real Estate involves internal subject matter experts with sustainability competence to assess value-creation opportunities or risks related to the investments. External advisors may be engaged to carry out additional ESG-related due diligence as needed.

Taaleri Real Estate categorises projects, among other relevant categorisations, as follows:

- Project with potentially significant adverse impacts and/or sustainability risks that are diverse, irreversible, or unprecedented
- Project with potentially limited adverse impacts and/or sustainability risks that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; and
- Project with minimal or no adverse impacts and/or sustainability risks.

Where Taaleri Real Estate identifies any material issues to require improvement, Taaleri Real Estate will develop a corrective action plan or support the investment target company management to do so. If deemed necessary, a project-specific plan shall be prepared, either before the investment decision or at any point after the investment decision, as described below.

The issues considered, findings, and next steps, if any, shall be documented for internal use and kept on record as long as Taaleri Real Estate, through its Investment Activities, is a shareholder in a particular investment target, however, for at least six years.

Asset management after the investment phase

To manage sustainability risks and value creation opportunities in its investments during the construction or operational phase, Taaleri Real Estate establishes a management system considering, for example, the following elements:

Monitoring and reporting

Taaleri Real Estate bases reporting methodology on the impact categorisation of the project. Taaleri Real Estate engages its internal technical and sustainability professionals in all cases to monitor, safeguard and seek to minimise material negative impacts of the project throughout the project lifetime. In addition, Taaleri Real Estate can require independent third-party follow-up and monitoring and reporting if deemed necessary, for example, due to significant impacts or high risks. Taaleri Real Estate documents all material sustainability risks and opportunities it monitors or manages. All material issues and progress on mitigating such issues are included in its investor reporting in relevant detail.

Environmental impacts of the Investment Activities are measured by the investment target-specific sustainability indicators set in the project-specific plan and/or Taaleri Building Programme (TBP).

Taaleri Real Estate seeks to be transparent in its approach to incorporating sustainability in its Investment Actives by reporting at least annually on its progress and outcomes. This reporting format follows EU regulation 2019/2088 and is developed according to EU regulations. In addition, Taaleri Real Estate may conduct written public reports, verbal informal reports, or confidential fund or asset-level reports to investors investing in Taaleri Real Estate funds.

Plan implementation and engagement

Where material issues are identified during the due diligence process or at any later stage, Taaleri Real Estate manages these issues in a project-specific plan and/or TBP. The plan/TBP is reviewed at least yearly. As they arise, new issues will be added to the plan/TBP, and mitigation procedures will be put into motion accordingly.

Taaleri Real Estate also encourages management teams of portfolio companies to identify and raise material sustainability issues to the relevant decision-makers, including, where appropriate, board-level individuals. Where applicable, Taaleri Real Estate seeks to actively engage with relevant stakeholders throughout the investment cycle to make informed decisions that may affect these stakeholders and improve its sustainable operational development in regular cooperation with appropriate contractors and other stakeholders.