Best Value Europe II

Shared sustainability approach

4 August 2023

Introduction

This is the Shared Sustainability Approach (the "**Policy**") for **Best Value Europe II** (the "**Fund**"). The firms involved in operating the Fund believe in the importance of taking a responsible approach to investment.

The Fund is managed by Sanne LIS S.A. trading as FundRock LIS ("**LIS**") supported by Columbia Threadneedle REP PM Limited, Columbia Threadneedle REP PM Limited (French Branch) and CT Real Estate Partners GmbH & Co. KG ("**CT REP**") in their capacity as investment advisor.

LIS and CT REP are both subsidiaries of companies that are signatories to the Principles for Responsible Investment ("**PRI**"). The PRI is a UN-supported network for investors and a leading supporter of responsible investment, which includes the integration of environmental, social and governance ("**ESG**") considerations into investment practices.

While LIS and CT REP each has its own policies and approaches, this document describes LIS and CT REP's combined approach to integrating sustainability risk management into investment decision making, and how the adverse impacts of investment decisions are accounted for in relation to the Fund.

Scope of this Policy

The Policy covers all investment activities and proposed investments undertaken in relation to the Fund. It therefore applies to the investment decisions made by LIS and the investment recommendations made by CT REP.

The Fund's approach to ESG

Whilst the Fund promotes environmental or social characteristics, it does not have sustainable investment as its objective. Nor does it commit to a minimum proportion of its investments being categorised as being sustainable.

ESG Mission

In managing the Fund, LIS will utilise and promote the Fund's ESG Ambitions (as defined below) within the implementation of the investment strategy in order to deliver property assets:

- with an improving sustainability profile;
- that are environmentally optimised;
- whose potential contribution to the carbon agenda is identified and acted upon; and
- that host ethical retail tenants.

Sustainability risk

A sustainability risk is any ESG event that, if it occurs, could or will have a material negative impact on the value of investments made for the Fund's investors. In the rest of this document, sustainability risk is described as "ESG risk" and integration of sustainability risk is described as "ESG integration".

The Fund's approach continues to evolve as markets have developed resulting in greater access to information to help identify, measure, and manage these risks.

Adverse impacts of investment decisions

All investment decisions in relation to the Fund broadly consider the following adverse impacts of those decisions on sustainability which are based on the real estate 'principal adverse impact' indicators from the SFDR methodology.

It follows that the Fund voluntarily considers principal adverse impacts at Fund level.

Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels
Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets
GHG emissions	Scope 1 GHG emissions generated by real estate assets
	Scope 2 GHG emissions generated by real estate assets
	Scope 3 GHG emissions generated by real estate assets
	Total GHG emissions generated by real estate assets
Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter

Sustainability-related exclusions and screenings

We recognise that some investors take comfort from sustainability-related exclusions. Since the Fund's investment policy and asset selection criteria are highly particular, exclusions are unlikely to constrain investment decision making further. However, indicatively the Fund does not expect to invest in any real estate involved in the extraction, storage, transport or manufacture of fossil fuels.

Additionally, the Fund will screen potential tenants for reputational risk exploring any negative publicity around violation of international standards, human rights, forced or child labour, employment conditions or social discrimination. The outcome of such screening will be one of the considerations in determining whether the granting of a lease to such a tenant or acquiring an asset with such an occupier is desirable for the Fund.

ESG ambitions

The Fund sees the following core ESG objectives as being fundamental to the positioning of individual property assets:

- Exploiting opportunities from and being resilient to physical and transitional climate-related risks; and
- Promoting and encouraging environmental and social awareness and justice through the value chain.

Sustainability-related goals

The Fund has a number of sustainability-related goals. While the goals cannot constrain the investment objective and policy, they will inform their application. CT REP will measure performance against these goals over time and LIS will report on them periodically.

- By end of 2023, 100% of the Fund's assets will have an Energy Performance Certificate (EPC).]
- By end of 2030, 90% of the Fund's leased area will be subject to green leases.
- By end of 2025, 100% of the Fund's assets will be subject to a net zero carbon assessment and the Fund will publish a net zero carbon commitment and delivery strategy targeting 2050 or earlier.
- From the beginning of 2024, the Fund aims to improve the weighted average efficiency profile of the Fund's least efficient assets each year, measured though the following:
    - Weighted average carbon intensity;
    - Total GHG emissions generated by real estate assets (split into Scope 1, 2 and 3); and
    - Data coverage and proportion of estimated data.

ESG risk identification and integration

The Fund will seek to avoid investments carrying material sustainability risks which, if realised, would have a material impact on the value of the Fund's portfolio, unless the LIS in consultation with the Investment Advisor determines that those risks are able to be mitigated effectively through asset development and management.

For each investment, LIS, in consultation with the Investment Advisor, considers how the Fund will seek to mitigate any identified ESG risks effectively and also considers any ESG enhancement opportunities which might contribute to improved investment performance. All such environmental risks and opportunities are integrated into the individual property business plans that CT REP prepares for each individual asset.

How we assess ESG risks

ESG risk in the Fund is assessed through a number of policies, processes and frameworks which include the following:

- **Screening for environmental risks and opportunities**: ESG due diligence covering flood risk, contamination risk, energy efficiency rating. This is typically undertaken by a third party consultant at the point of acquisition;
- **Sustainable fit-out**: When properties are refurbished and fitted out (whether by the Fund or a tenant) this provides opportunities to enhance its sustainability profile. We have internal guidance around flexibility, adaptability, and key environmental impact areas;
- **Regular asset ESG appraisal**: We prepare asset-level sustainability plans and each year will review interventions made and forward plan asset ESG strategy in line with financials;
- **Review of potential tenants**: We consider a number of factors relating to tenants. These include the screening processes described above to assess sustainability-related reputation risk; and
- **Green lease obligations**: We encourage occupiers to sign green leases with clauses that support the asset management ESG strategy.

ESG opportunities

In addition to the above, CT REP implements the following processes to enable the Fund to capitalise on ESG-related opportunities:

- enhancing automatic data capture processes to enable the assessment of risks
- maintaining an energy-efficiency improvement programme through which the Fund can investigate and identify improvement strategies for poorly performing assets
- review of opportunities for enhancement during lease events (e.g. if properties will be vacant)
- promoting potential improvements to occupiers.

Management of the adverse impacts of investment decisions

By adopting the systematic and explicit inclusion of specific ESG factors into investment decision-making processes and by seeking a number of more focussed goals for the Fund, LIS aims to minimise any adverse sustainability impacts whilst promoting and encouraging sustainable development and operations in partnership with connected stakeholders, including municipalities, developers, operational partners and residents.

The Fund's operational and due diligence processes consider the material, or potentially material, adverse impacts of investment decisions and advice on the following factors in a way that takes due account of the size, nature, and scale of the Fund's activities:

- environmental, social employee matters,
- respect for human rights,
- anti-corruption and anti-bribery matters.

Information on principal adverse impacts on sustainability factors is available in the Fund's annual reporting.

Monitoring

The ongoing ESG credentials and performance of each individual property is formally reviewed through an annual sustainability appraisal.

Emerging risks and opportunities and market intelligence is established through active participation in collaborative industry groups. The Columbia Threadneedle sustainability team assists with the ongoing analysis of the portfolio and opportunities and shares findings with LIS.

The Fund pursues a number of outputs and outcomes which are monitored throughout the investment lifecycle.

Governance and Oversight

LIS is responsible for the oversight of this Policy and will work with CT REP to ensure that it is implemented effectively. Ultimately, decisions about investment policy are approved by the Fund's FCP-committee.

Within CT REP, responsibility for the oversight of the firm's responsible investment strategy, ESG integration, and ESG risk management lies within the Investment Committee.

The fund uses an acquisition and operational model which focuses on:

- ESG factors being core to stock selection;
- Defined ESG touchpoints through the property lifecycle; and

- Transparent assessment, performance measurement, reporting and verification with reference to senior stakeholders at key gateways.

Reporting

We regularly disclose our responsible investment and ESG risk management activities. These disclosures include the following in addition to any further reporting as agreed between the Fund and any investor:

- Annual ESG Reporting of the Fund; and
- SFDR Periodic reporting.

Review

This Policy will be reviewed and approved on an annual basis by LIS