



Article 10 - SFDR Disclosure Declaration per (EU) 2019/2088 regulation of 27.11.2019 on sustainability-related disclosures in the financial services sector ("SFDR")

The Catella European Residential Fund III ('CER III') regards itself as an Article 9 fund. All the requirements of an Article 9 fund are considered and are at the core of any investment decision.

CER III is committed to meeting its financial objectives whilst simultaneously delivering an Environmental and Social impact at fund and asset level. CER III's impact strategy is fully integrated throughout the investment processes. Our aim is to become a fund with leading sustainability and social credentials alongside having stable returns.

In addition to creating an Environmental and Social impact with our investments, CER III has also developed high-level ESG requirements that will safeguard against potential eroded returns by ensuring resilience to strengthening regulatory requirements, operational cost volatility, occupier expectations, future purchasers' criteria and Extremistan events. This is written in the separate ESG policy.

In return, our strategy expects to generate improved liquidity, stronger tenant retention, stable income growth and stronger resilience.

This policy sets out our fund Impact strategy commitment. Progression and achievement are supported through a structured management system approach across all levels and activities of the entity. The impact strategy is integrated throughout the investment management processes of CER III from sourcing till monitoring and reporting. Specific tools are in place which enable the investment teams to source and screen assets aligned with the Impact strategy.

This document is provided solely for informational purposes in accordance with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR"). It does not constitute an offer or solicitation of an offer to subscribe for interests of Catella European Residential Fund III SCS SICAV-SIF which are reserved to eligible investors only.



CONTENT

1. Objectives & Targets	3
1.1 Environmental Impact	3-6
1.2 Social Impact	7-8
1.3 Financial Return	9-10
2. Alignment of Interest	11
3. Impact Dashboard	12
4. Action list	13
5. Sustainability-related disclosure pursuant to Article 9 (1) and (3) of SFDR	14



1. Objectives & Targets

CERIII has set three clear targets which they are aiming to achieve with the real estate investments. The targets are aligned with certain SDG's of the United Nations. The social and environmental impact created goes alongside a stable financial return. CERIII has a target net IRR of 5-6% p.a. over the fund's life and aims to manage the risk by using its fragility analysis.

1.1 Environmental impact

1.1.1 What is the target

Reduce carbon emissions by building and investing in sustainable buildings & transforming standing assets

The strategy is built on two pillars:

- 1) Reducing the negative environmental impact by reducing carbon emissions, water and waste use and;
- 2) Investing in sustainable buildings and by transforming standing assets, alongside the creation of energy positive buildings (in partnership with Elithis).

In addition to the responsibility to combat the climate change, we also have the responsibility to provide good quality buildings to our tenants which ensures their well-being.

Objective

We are committed to reaching a **carbon-neutral** built environment **by 2030** and thus contribute to achieving the Paris Agreement.

Aligned with United Nation SDG's

- 6.5: Implement water saving systems
- 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- 7.2: Increase renewable energy including consumption from tenants
- 7.3: Improve energy efficiency via LED lightning
- 11.6: Reduce environmental impact, by improving waste management
- 13: Take urgent action to combat climate change and its impacts
- 15.9: Integrate ecosystem and biodiversity



Strategic target

		2021	3-yr	5-yr	10-yr
1	Reduction energy-related carbon emission	Zero measurement of CO2 emission	-25%	-50%	-100%

1.1.2 Ways to achieve the target

There are two key environmental targets in order to achieve the goal to be Carbon Neutral by 2030.

1. **Creating energy positive buildings:** As part of the partnership program with Elithis to create 100 energy positive buildings

CREATING IMPACT BY REALISING 100 ENERGY POSITIVE BUILDINGS



2. **Investing in sustainable assets and upgrading standing assets:**

Energy and heating consumption accounts for a large proportion of a building's environmental footprint. Data measurement and consistent reporting will help to cut energy use and decrease the associated costs. Energy audits will be performed on the standing assets which will potentially be transformed to more sustainable assets. The energy audits include a zero measurement of the carbon emission for the asset and decarbonisation plans (including capex to improve the sustainability of the building). To achieve the set target, a set of measurements will be implemented and monitored:

- Reduction energy-related carbon emission
- Reduction of energy consumption
- Reduction of water consumption
- Reduction of waste consumption
- Focus on renewable/green energy, upgrade to LED lightning
- Adopt maintenance strategies that include modern, energy-efficient heating, cooling and lighting systems.
- Installing solar panels



- Switch from gas heating to electricity heating
- Increase green environment by redesigning outdoor space

In addition, the CRREM tool will for all the assets in the funds of CRIM mitigate any stranding risk and indicate a pathway how to upgrade the assets such that the Carbon-Neutral target will be met in 2030.

At the same time, Elithis is also performing a case study of a standing asset in the CER III portfolio to see in which way standing assets can be upgraded to energy positive buildings with new innovations.

1.1.3 How to measure the target

The Environmental, Social and Financial targets will be measured with the Impact Dashboard (explained on p. 12). The following measurements are included in the Impact Dashboard.

1. Monitor and reduce the CO₂/m² carbon emission of all buildings;
2. The (external) certification of all the buildings will ensure the high-quality standards prevailing in the market
3. Achieve the Green Star GRESB rating in 2022
4. Heating systems of buildings

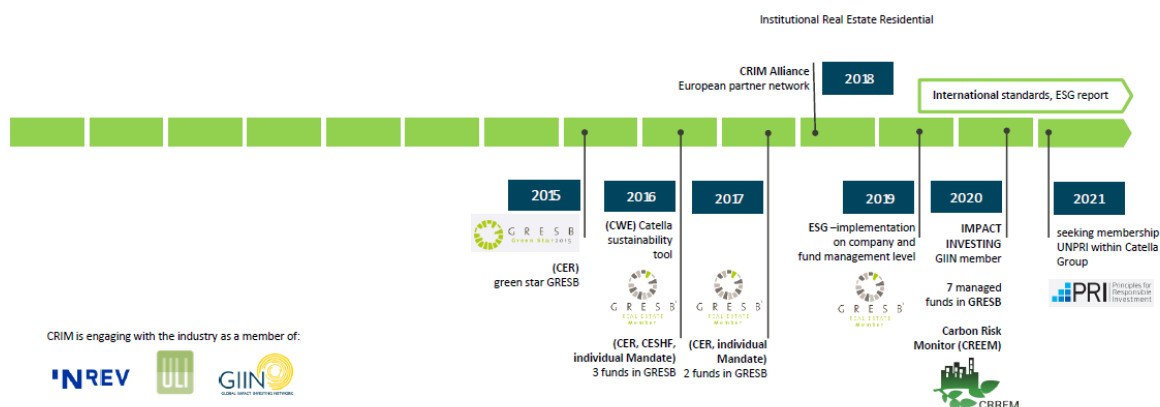
1.1.4 External support

The following Data Service providers will provide CRIM with external support

- GRESB will support us to collect energy data
- The energy measurement platform Measurables will support us to collect and measure the energy data
- We use internationally accepted sustainability/health certificates such as BREEAM to measure and assess the portfolio
- Within CRIM we also have the Impact Competence taskforce
- Within CRIM we have a specialized advisors, EnviroSustain and Westbridge, supporting us in achieving ambitious carbon-neutrality goals for our entire European portfolio through changes in energy supply and streamlining energy consumption cost structures.
- GIIN and IRIS+ provide help with the Impact framework and measurements



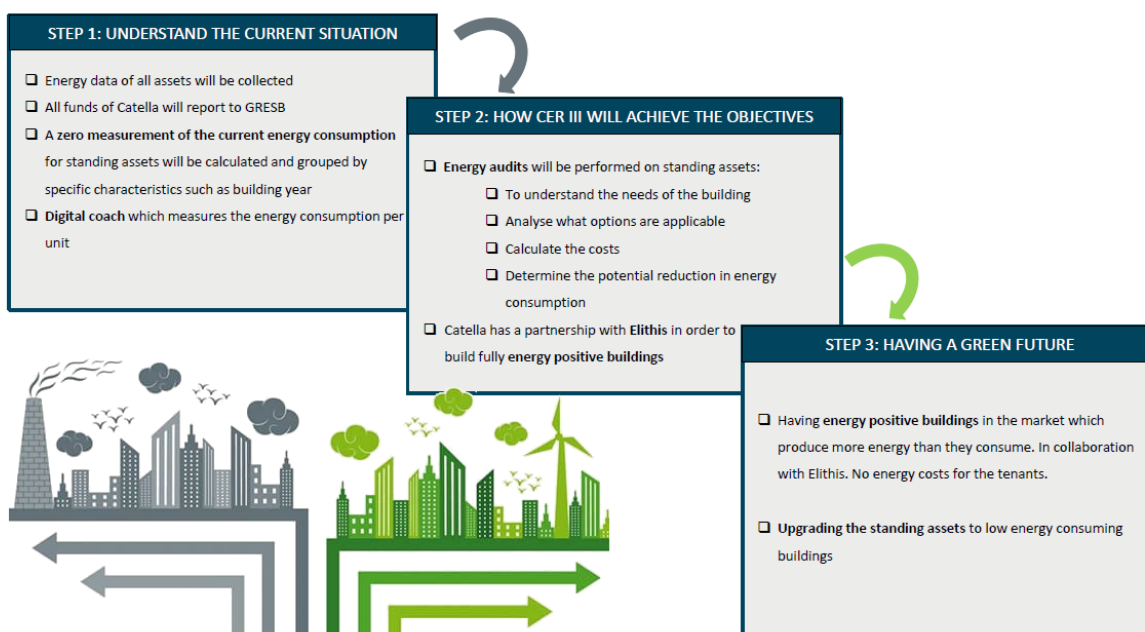
1.1.5 Timeline and Accomplishments of Environmental aspects



Accomplishments of 2020:

- **GIIN:** Catella Residential Investment Management (CRIM) became a member of the Global Impact Investing Network (GIIN)
- **GRESB:** 7 managed funds in GRESB
- **CRREM:** Carbon Risk assessment tool for all funds to mitigate any stranding risk and upgrade the assets
- **Elithis:** Partnership with Elithis to build 100 energy positive buildings
- **Impact Dashboard:** Developed the Impact Dashboard which integrates the current status and future targets of the Environmental, Social and Financial targets of the CER III Impact fund
- **SFDR:** CER III which will be classified as sustainable product according to Art. 9 aligned with the sustainable finance disclosure regulations

Steps for 2021 to achieve the target:



1.2 Social impact

1.2.1 What is the target

Increase access to affordable housing with good living conditions

CERIII's impact goal is to increase the supply of high-quality affordable housing that delivers positive social outcomes to the community. The impact is focussed on the income group which has relatively most difficulties finding affordable housing. This target group usually has no access to social/subsidised housing (too high income) but also has not enough capacity to rent in the premium housing segment. Typical impact focus is on middle-income population group who are in between social housing and premium housing. Yet, the living conditions of the affordable housing is essential as well. This includes five main criteria: the size (large enough to live with a household of 4 in the unit), quality, accessibility, safety and equality/diversity of the units. Taken into account these criteria, the assets should have good wellbeing outcomes for the tenants.

Objective

Enhance access to affordable housing with good living conditions for the middle-income population.

Aligned with the SDG's:

1: End poverty in all its forms everywhere

11: Make cities and human settlements inclusive, safe, resilient and sustainable

11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



Strategic target

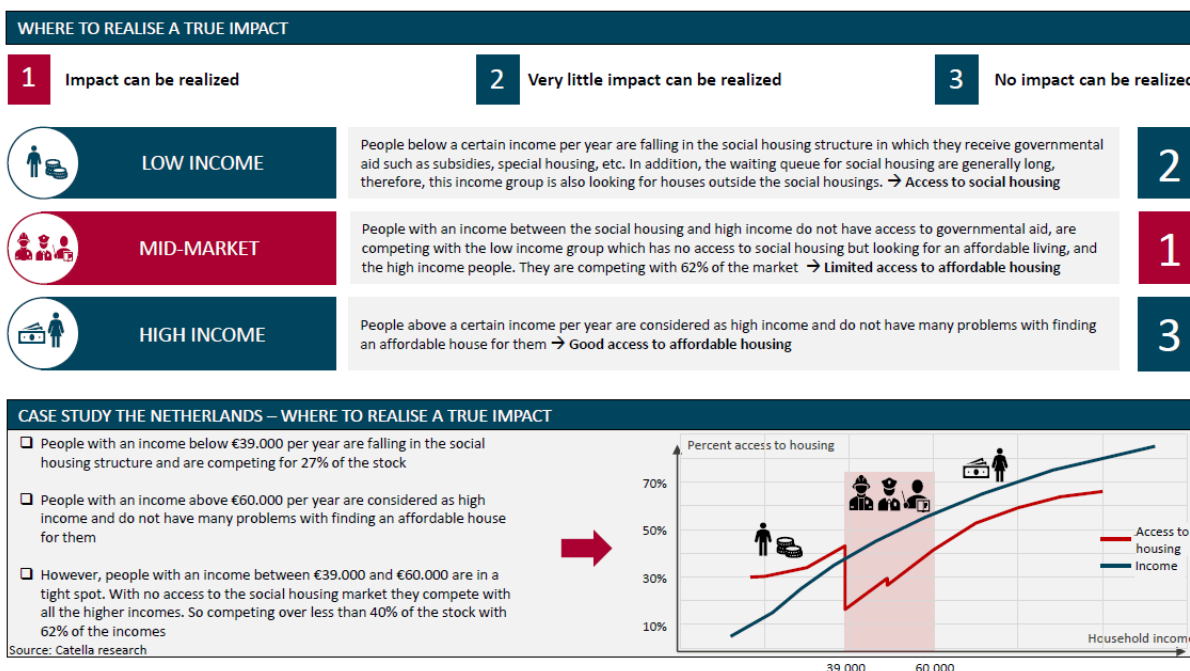
		Target throughout lifetime of the Fund
2	% AuM affordable housing segment	>80%

1.2.2 Ways to achieve the target

1. Investing in new and existing affordable housing with good living conditions for the income group in need;
2. The target group has limited access to affordable housing due to competition with the high-income group. Monthly rents must match target group's housing cost < 40% of their income. For each country, the affordability bandwidth is calculated and integrated in the Impact

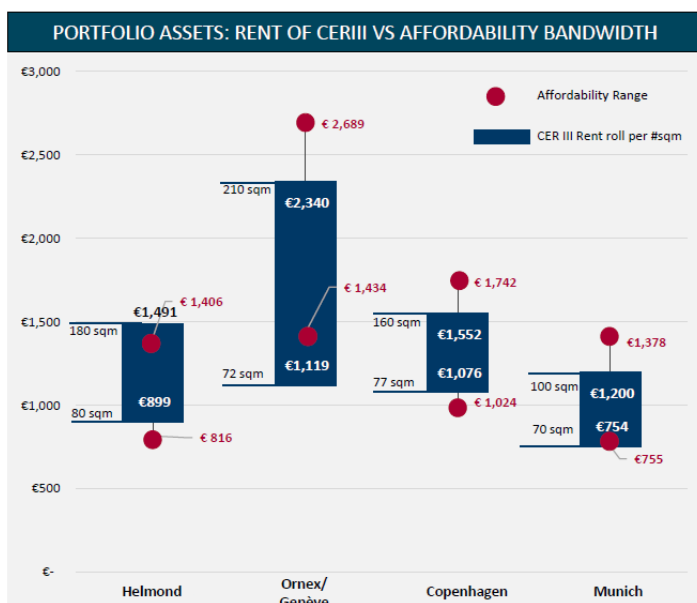
Dashboard such that the Fund manager can see whether new acquisitions' rent fall within the affordability bandwidth;

3. Increased availability of housing close to daily amenities and public transportation facilities;
4. Renovate apartment to modern standards ensuring the quality of the units;
5. Inclusion of target groups in need of alternative modern living forms (e.g. senior housing, student accommodation and shared living concepts);
6. Increased wellbeing of the tenants, by implementing and measuring residents' satisfaction surveys and measuring resident retention rates



1.2.3 How to measure the target

1. When new assets are in the DD process, the rents are being evaluated whether it falls between the target rent bandwidth
2. Besides looking solely at affordable rents, the living conditions of the assets and the tenants satisfaction are essential
 - a. Quality of the units: is the building been refurbished in the last 5 years
 - b. Size of the units: is the unit large enough to live comfortable with a family household
 - c. Accessibility: the walk score is taken as proxy to calculate the accessibility of the building.
3. Ensuring the wellbeing of the tenants, by:
 - a. Residents satisfaction ratio
 - b. Resident retention rate



AFFORDABILITY BANDWIDTH FOR TARGET GROUP

Country	Affordable rent (per month)
Netherlands	816 - 1,406
Germany	757 - 1,378
Denmark	1,024 - 1,742
Switzerland*	1,434 - 2,689

RENT DISTRIBUTION OF CERIII, MIN & MAX SQM/UNIT

City	Min sqm	Max sqm
Helmond	80 sqm - € 899	180 sqm - €1,491
Munich	70 sqm - €754	100 sqm - €1,200
Copenhagen	77 sqm - € 1,076	160 sqm - € 1,552
Ornex/ Genève	72 sqm - € 1,119	210 sqm - €2,340

Note: the affordability bandwidth is representing households disposable income which have difficulties finding affordable housing. Affordable is considered when 40% of the disposable income goes to the rent and the living conditions (such as sqm) are reasonable to live in with a household of four.

1.3 Financial impact

1.3.1 What is the target

Objective

Target a core and stable annual distributable income with a net IRR return of 5-6 % p.a. over the Fund's life. The strategy will generate improved liquidity on fund as well as asset level, stronger tenant retention, more stable rental income growth, and enhancement of sustainable value growth.

Strategic target

	2021	3-yr	5-yr	10-yr
3 Stable Financial return (IRR)	5-6%			

Aligned with the SDG's:

8: Decent work and economic growth



1.3.2 Ways to achieve the target

CER III's investment strategy is to invest in and manage a core and manage-to-core diversified portfolio of modern and affordable residential assets, providing stable cash flow and long-term value growth, including new developments as well as undersupplied sub-segments such as senior living, student housing and serviced apartments.

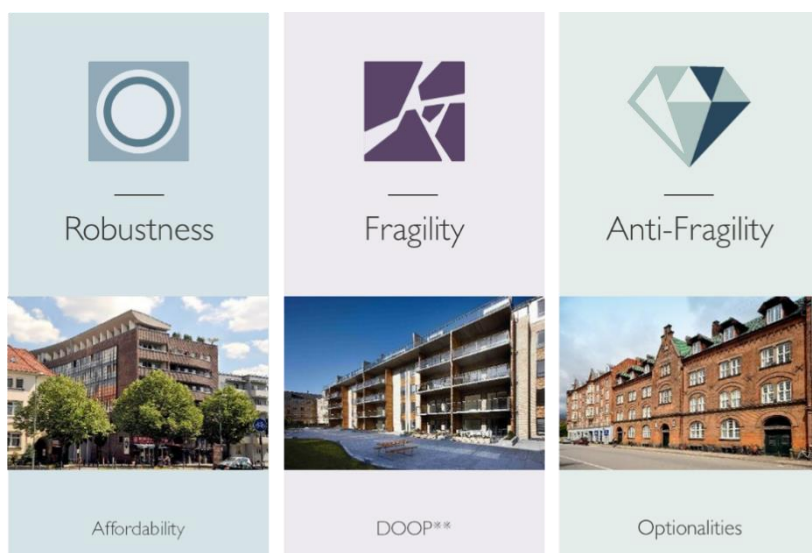
Geographically, the focus is on core markets in Western Europe including Germany, the Benelux, Austria, France and the Nordic countries. Limited allocations will be made to a select number of satellite markets such as Ireland, Northern Italy, Poland, Spain/Portugal and the UK. The open-end fund will follow a core strategy and target an 5-6 percent internal rate of return and seek to reach a gross asset value of more than €1 billion, while keeping leverage limited to a 40 percent loan-to-value ratio.

The Catella European Residential Fund III will be investing in high-quality properties with a balanced return-/ risk-profile and properties with significant strong long-term value growth potential. Primarily focused on assets with stable, low volatility and steady cash-flows. The targeted property size is between 15 and 50 Mio.

1.3.3 How to measure the stability of the returns

CER III investment strategy is based on CRIM's investment philosophy and includes analysing risks in portfolios with new post-Lehman concepts taking into account the fragility of properties and markets. The concepts of robustness, fragility and antifragility according to Nassim Taleb are used in the research approach in investment decisions.

- Robustness falls under the affordability strategy which aims to contribute to the Social aspect;
- Optionality falls under the resilience strategy which aims to contribute to the Environmental aspect



CRIM has supplemented the investment strategies of the funds and mandates with an integrated risk management system to better manage the risks of residential real estate.

The Robustness and Fragility concepts will be used to measure the stability of the returns for the future in first instance. The use of Real Option Valuation as proxy for optionalities will be rolled-out once the availability and quality of European real estate data can be ensured. **Therefore**, the next step in our ambition with CER III fund is to stress-test the portfolio against Extreme events so that we can define floors of risk (maximum loss positions) that we want to safeguard against. We can do this in particular by quantifying our anti-fragility analysis into real option analysis, as well as integrating the relationship of robustness on return and the concept of return on self in case of the Elithis towers. Our intent is thus to contribute in working out a reformed risk/return concept. We hold that capitalism allocates resources very efficiently and creates innovation, but also that it produces negative externalities like extreme wealth and extreme environmental and health conditions that we can help reform by thinking and applying new concepts in the case of the built up environment and housing in particular.

The assessment of robustness and fragility is part of the regular process within acquisition management:

2. Alignment of interest with the Impact Dashboard






The strategic targets for CER III have been defined as:

		2021	3-yr	5-yr	10-yr
1	Reduction energy-related carbon emission	Zero measurement	-25%	-50%	-100%
2	% AuM affordable housing with good living conditions	>80%			
3	Stable Financial return (IRR)	5-6%			

CRIM has made a strong commitment to the impact strategy of CER III by implementing an alignment of interest scheme.

If targets are not met than parts of the recurring management fee will be donated to a UN charity goal related to impact. This means that CRIM will be skimmed in their remuneration if the impact objectives are not met, but on the other investors will not be liable for more fees if the fund exceeds its impact objectives.

The 'skin in the game' scheme contains the principle to reduce the recurring management fee up to 5% (max. 3bps) if the targets are not being met over the respective period as defined.

TARGET	WHAT	WHO BENEFITS	IMPACT	SDG GOAL
CARBON NEUTRAL	Build "energy-positive" buildings & Reduce Carbon emissions	<ul style="list-style-type: none"> Mid-market income tenants Earth 	<ul style="list-style-type: none"> Carbon reduction, Water recycled, Waste reduced 	 
AFFORDABLE HOUSING	>80% of all units are invested in affordable housing for the mid-market	<ul style="list-style-type: none"> Mid-market group who have limited access to affordable housing 	<ul style="list-style-type: none"> Affordability and good living conditions for the median income segment 	 
FINANCIAL RETURN	Target return 5-6% IRR	<ul style="list-style-type: none"> Investors of CERIII 	<ul style="list-style-type: none"> Stable return Low risk 	

ALIGNMENT OF INTEREST:
REDUCE THE MANAGEMENT FEE UP TO 5% IF THE IMPACT TARGETS ARE NOT FULFILLED



2.1 Impact Dashboard

Catella is developing an interactive Impact Dashboard which calculates the current status of the Environmental, Social and Financial situation of the assets and shows the pathway for the future targets. The Impact Dashboard will give an average Impact score per target and an overall impact score on fund level.

CER III will use a combination of external and internal measurement techniques and will be monitored and reported via an Impact Dashboard to be included in the quarterly Investor Reporting.

Environmental: the carbon reduction will be measured via energy data (CO₂ kg/m²a). The benchmark GRESB and the energy measurement platform Measurables will support us to collect energy data. We use internationally accepted sustainability/health certificates such as BREEAM to measure and assess the portfolio on its quality and wellbeing.

Social: the affordability aspect will be measured by a self-developed affordability rent vs income bandwidth. The size, quality and accessibility of the units will also be included to measure the living conditions of the assets. We shall also propose measurements to fight housing discrimination.

By implementing an Impact Dashboard, evaluation can be performed whether new acquisitions are in alignment with the impact strategy and can be acquired. This dashboard describes the targets of the impact strategy, measures the current impact score of the assets and monitors the progress of the assets' environmental and social long-term targets.

With the Impact Dashboard, the fund manager can:

1. Decide whether an asset aligns with the impact strategy and can be acquired or not;
2. See the current Environmental and Social Impact status of the assets;
3. See the targets for the assets;
4. See who will benefit from the created impact;
5. Understand how the impact will be measured;
6. Easily monitor the progress of the targets;
7. Connect the Environmental and Social impact with Financial returns

The Impact Dashboard is under continuing development and will be enhanced along the way.

An indication of the back-end of the Impact Dashboard can be seen on page 13.



3. Action points Impact Strategy

- Define starting point of key drivers 2021 for the Environmental Impact, by:
 - Obtaining green building certificates which contains:
 - Energy audits on assets
 - Decarbonisation audit
 - Zero-measurement carbon emissions
 - Implement Carbon Risk Monitor (CRREM) in order to analyze the CO2 pathway and upgrade the assets in the portfolio
 - Elithis performs a case study to see which option are there to upgrade a standing asset to an energy positive asset
- Define starting point of key drivers 2021 for the Social Impact, by:
 - Define affordability bandwidth on city level
 - Integrate equality and diversity aspects in the Social target
- Finalise Impact Dashboard
- Include Impact Strategy in:
 - Fund documents (PPM, LPA)
- Catella will be a signatory of UN PRI

Impact Dashboard

Catella European Residential Fund III

IMPACT Strategy KPI Overview

				Environmental Impact				Social Impact				Financial Impact		
				Carbon emission (net)				Affordability				Return		
KPI Targets	3-year			Carbon emission in portfolio -25%				Portfolio > 80% affordable rents				5-6% IRR Leveraged		
	5-year			Carbon emission in portfolio -50%				Portfolio > 80% affordable rents				5-6% IRR Leveraged		
	10-year			Carbon emission in portfolio -100%				Portfolio > 80% affordable rents				5-6% IRR Leveraged		
Alignment of interest weighting				33%				33%				33%		
	Address	City	Type	Co2 [kg/(m2a)]	ESG Pre-Rating	Rating/Certification	Heating	Rent	Size	Renovated	Walkscore	Return	Robustness	Fragility
PORTFOLIO														
AT	Wiener Straße 66	Klosterneuburg	Residential	20.6	Good	in progress	District Heating	767	68.5	100%	81	5.0%	-5%	-40%
	Schöpfleuthnergasse 25	Vienna	Residential	5.7	Very Good	Gold	District Heating	718	53.6	100%	92	5.0%	3%	-5%
BE	12- 14 Rue Godecharle	Brussels	Residential	137.0	Medium	in progress	Electricity	1,390	85.2	40%	98	4.8%	-2%	-4%
DK	Glostervej 14-88	Valby	Residential	in progress	no information	in progress	District Heating	1,826	108.7	100%	70	5.5%	-11%	-2%
	4-14 Tegelholm Tværvej	Copenhagen	Residential	8.0	no information	in progress	District Heating	1,786	95.0	100%	58	5.0%	-12%	-3%
FR	260 rue des Bois	Ornex	Residential	in progress	Medium	in progress	Gas	1,724	132.6	50%	36	5.0%	-33%	-38%
	6 rue de Cugnot	St-Etienne	Residential	in progress	no information	in progress	Electricity/Solar	649	59.0	100%	94	5.1%	0%	0%
	Av. Du Marechal de Tassigny	Aix-en-Provence	Residential	in progress	no information	in progress	Electricity/Solar	805	44.1	100%	70	5.1%	1%	2%
GE	Rudower Chaussee 14	Berlin	Serviced Apartmens	46.4	Medium	BREEAM	District Heating	832	47.0	40%	69	5.0%	-6%	-11%
	Kirchenstraße 95	Munich	Residential	17.0	Low	in progress	District Heating	655	50.0	35%	92	5.4%	-40%	-53%
	Gartenstraße 11	Potsdam	Residential	20.0	Good	in progress	Gas	819	98.9	80%	65	5.0%	-23%	-11%
	Gartenstraße 15,17	Potsdam	Residential	10.8	Good	in progress	Gas	821	85.8	80%	65	5.0%	-27%	-34%
	Hönower Straße 117	Berlin	Residential	13.0	Very Good	in progress	Gas/Solar panels	893	73.8	100%	72	5.0%	-3%	-12%
NL	Franz Joseph van Thielpark 14	Helmond	Residential	in progress	Medium	in progress	Gas	1,070	108.0	65%	96	5.6%	-4%	-15%
	Edisonbaan 14a, b, c	Nieuwegein	Residential	in progress	Good	in progress	Electricity/Solar	946	61.4	100%	59	5.1%	-6%	-12%

*based on EPC heating/TDD

APPENDIX I

Sustainability-related disclosure pursuant to Article 9 (1) and (3) of SFDR

Product name/legal identifier: Catella European Residential Fund III SCS SICAV-SIF (the “Fund”)

Sustainable investment objective

This Fund: ☐ ☒ ☐ Promotes environmental or social characteristics, but does not have as its objective a sustainable investment

☐ It does not invest in sustainable investments

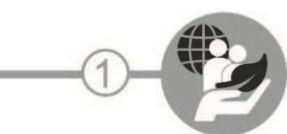
☐ It invests partially in sustainable investments

☒ ☒ ☒ Has sustainable investment as its objective. Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices

Has a reference benchmark been designated for the purpose of attaining the sustainable investment objective of the Fund?

☒ Yes

☐ No



What environmental and/or social characteristics are promoted by the Fund?

The objective of the Fund is to become a residential investment fund with leading sustainability and social credentials alongside providing stable returns to its investors. The Fund is currently in the building-up phase and will achieve its objectives stepwise.

- *What sustainability indicators¹ are used to measure the attainment of the environmental or social characteristics promoted by the Fund?*

The Fund has set three objectives to achieve with its investments in residential real estate. The social and environmental targets created goes alongside a stable financial return. The Fund has a target net IRR of 5-6% p.a. over the Fund’s life and aims to

¹ Sustainability indicators measure how the environmental or social characteristics promoted by the Fund are attained.



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manage the risk by using its fragility analysis. The targets are aligned with a number of United Nations Sustainable Development Goals. A monitoring system will be implemented and the results will be reported to investors.

What investment strategy² does the Fund follow?

The Fund is a Luxembourg-based investment fund which provides institutional investors with access to Catella Group's flagship pan-European residential investment platform. The Fund's investment strategy is to invest in and manage a core and manage-to-core diversified portfolio of modern and affordable residential assets, providing stable cash flow and long-term value growth, including new developments as well as undersupplied sub-segments such as senior living, student housing and serviced apartments. Geographically, the focus is on core markets in Western Europe including Germany, the Benelux, Austria, France and the Nordic countries. Limited allocations will be made to a select number of satellite markets such as Ireland, Northern Italy, Poland, Spain/Portugal and the UK. The open-end fund will follow a core strategy and target an 5-6 percent internal rate of return and seek to reach a gross asset value of more than €1 billion, while keeping leverage limited to a 40% loan-to-value ratio. The Fund will be investing in good-quality properties with a balanced return-/ risk-profile and properties with significant strong long-term value growth potential. Primarily focused on assets with stable, low volatility and steady cash-flows.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the Fund?***

The binding elements of the investment strategy used to select the investments to attain the sustainable investment objective are as follows:

- Environmental: reduction of carbon emissions and be 100% carbon neutral by 2030;
- Social: developing and investing in affordable living with the aim that more than 80% of the portfolio comprises of affordable housing; and
- Financial: stable annual distributable income with a net 5-6 % p.a. IRR return over the Fund's life.

The review and implementation of carbon reduction plans will start in 2021 for the Fund's existing assets.

- ***How is that strategy implemented in the investment process on a continuous basis?***

The Fund has integrated the strategy in its investment process. It is part of the acquisition approval process and subsequent follow-up by the asset management monitoring and investor reporting processes. The Fund will use a combination of external and internal measurement techniques and will be monitored, including the

² Investment strategies guide investment decisions based on factors such as investment objectives and risk tolerance.



Carbon Risk Monitor - CRREM, and reported via an Impact Dashboard to be included in the Investor Reporting. By implementing an Impact Dashboard, evaluation can be performed whether new acquisitions are in alignment with the impact strategy and can be acquired. This dashboard describes the targets of the impact strategy, measures the current impact score of the assets and monitors the progress of the assets' environmental and social long-term targets.

- ***What is the policy to assess good governance practices³ of the investee companies?***

The policy and strategy implementation will be governed by several Investment Committees (the 'IC'). The IC of Catella Residential Investment Management, as Investment Advisor, governs the impact/ESG aspects in all its acquisitions and recommends the acquisition to the Fund's own IC in the Grand Duchy of Luxembourg, which reviews and endorses the overall proposition to the AIFM for final approval.

- ***Where can I find further details on the investment strategy?***

Further details of the investment strategy of the Fund can be found in the Private Placement Memorandum and INREV standard Questionnaires (INREV DDQ, INREV Impact DDQ).



What is the asset allocation planned for the Fund?

- Geographical allocation limits (country, region):
 - Target countries 1 (50-100%): Germany, France, BeNeLux, Nordic countries, and Austria
 - Target countries 2 (<50%): Spain, UK/Ireland, North of Italy, Poland, and other countries

The demographic and economic framework of the defined target investment regions will be regularly reviewed and analyzed.

- Sector allocation limits

The Fund invests predominantly in traditional residential properties (50-100%) with focus on good quality and affordable asset categories. Further diversification will be achieved by including a good mix of other modern living formats up to max. 50% of the portfolio, like in the sub-segments student housing, serviced apartments, senior housing and co-living (max. 20% by each segment).

³ Good governance practices include sound management structure, employee relations, remuneration of staff and tax compliance.



- ***What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?***

The Fund does not contemplate to invest large scale in assets which do not qualify as sustainable investments or (#2 Other) as becoming such by making an impact with sustainable improvements. For these investments that do not qualify as sustainable investments, we will consider all options to modify the building to meet environmental standards combined with healthy and affordable living standards.

- ***How does the proportion and use of such investments not affect the delivery of the sustainable investment objective?***

The Fund has been launched in mid-2019 and is in the ramp-up phase with a fast-growing property portfolio. An extensive due diligence will take place before each acquisition reviewed and reported on a quarterly basis. The Fund has a long-term hold focus. Investments which do not meet the sustainable investments objectives, will require an action plan in order to have the asset improved over time.

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the Fund?***

The Fund does not contemplate to engage on a structural basis in using derivatives to achieve the sustainable investment objectives. The use of green certificates would only be considered as “bridge” investment towards a real change of the asset.

- ***How will sustainable investments contribute to a sustainable investment objective and not significantly harm any sustainable investment objective?***

We will always try to find the balance or to mitigate between conflicting sustainable investment objectives.

- ***How are indicators for adverse impacts⁴ on sustainability factors taken into account?***

The Fund will use a combination of external and internal measurement techniques and will be monitored and reported via an ESG/Impact Dashboard. Implicitly the indicators relating to adverse impacts on environmental and social factors are taken into account in this process. Furthermore, the Investment Adviser to the Fund is a

⁴ Principal adverse impacts are the most significant negative impact of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption

company of Catella. As member of the Catella Group, we follow policies and guidelines with respect to Code of Conduct, Diversity & Equality, and Incident Management. Furthermore, as regulated fund, we also have to adhere to the policies and guidelines in this respect of the AFM. Indicators for adverse impacts on factors like employee matters and respect for human rights, anti-corruption and anti-bribery matters are governed via these policies.

- *Are sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

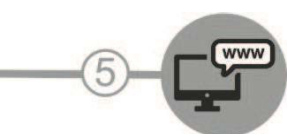
Details:

Catella Group is a member of the UNPRI and is committed to act in alignment with the principle of responsible investments. The Fund is committed to incorporating the ESG practices into its business strategy and operations. While doing so the Fund will treat partners and suppliers and stakeholders with respect and integrity with the aim of developing lasting and trusted business relationships. Our overarching aim is to provide a positive contribution to solving societal sustainability issues, through operation of the fund.



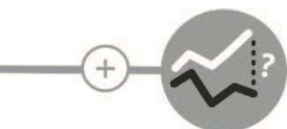
Does this product take into account principal adverse impacts on sustainability factors?

- ☒ Yes
- ☐ No



Can I find I find more product specific information online?

More product-specific information can be found on the following websites: www.catella.com and <https://www.catella.com/en/germany/property-funds-germany/residential-investment-management>.



Is a specific index designated as a reference sustainable benchmark to meet the sustainable investment objective?

GRESB is used as reference benchmark. For further information on the benchmark and the methodology for calculation please refer to the following website: <https://gresb.com/>.

- *How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?*

GRESB is a global ESG benchmark for real assets comprising of indicators on



environmental and social factors. The Fund is reviewed amongst other funds within the same peer group annually. The benchmark figures are changing over time in order to challenge funds in reaching long term goals for sustainable investments.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

The Fund is committed to participate and report its ESG activities in the annual GRESB survey.

- ***Why and how does the designated index differ from a relevant broad market index?***

GRESB index is solely focused on ESG matter in the real assets industry.

Does the financial product have the objective of a reduction in carbon emissions?

Yes, the Fund has the objective to reduce carbon emissions and be 100% carbon neutral by 2030.

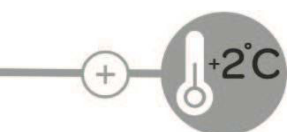
The strategy is two-fold:

- 1) reducing carbon emissions by transforming/modernising standing assets; and
- 2) create energy positive residential buildings.

Furthermore, the (external) certification of all the buildings will ensure the high-quality standards prevailing in the market.

Energy consumption accounts for a large proportion of a building's environmental footprint. Data measurement and consistent reporting will help to cut energy use and decrease the associated costs. Energy audits will be performed on the standing assets which will potentially be transformed to more sustainable assets. The energy audits include a zero measurement of the carbon emission for the asset and decarbonisation plans (including capex to improve the sustainability of the building). To achieve the set target, a set of measurements will be implemented and monitored:

- Reduction energy-related carbon emission;
- Reduction of energy consumption;
- Reduction of water consumption;
- Reduction of waste consumption;
- Focus on renewable/green energy;
- Upgrade to LED lightning;
- Adopting maintenance strategies that include energy-efficient heating, cooling and lighting;
- Increasing green environment by redesigning outdoor space;





- Engage and inform all stakeholders (tenants, property managers, service providers, etc.).