

REDTREE CAPITAL SUSTAINABILITY RISK POLICY AND ESG

According to Article 3 of the Disclosure Regulation (Regulation EU 2019/2088), Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.

The purpose of this document is to present:

- How RedTree Capital policies integrate sustainability risks into their investment decision-making process.
- A statement on the due diligence policies with respect to Principal Adverse Impacts, in line with Article 4 of the Disclosure Regulation (Regulation EU 2019/2088), describing the following elements:
 - Information about RedTree policies on the identification and prioritisation of principal adverse sustainability impacts and indicators
 - A description of the principal adverse sustainability impacts and of any actions taken or, where relevant, planned in this respect
 - Brief summaries of engagement policies in accordance with Article 3g of Directive 2007/36/EC
 - A reference to RedTree adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of alignment with the objective of the Paris Agreement.

The policy is based on the principle of dual materiality:

- a. Sustainability risk occurs when there is an environmental, social or governance event or situation that, if it occurs, could have a significant negative impact on the value of an investment
- b. Principal adverse impacts, on the other hand, are the adverse impacts of investment decisions from an environmental, social or governance perspective

RedTree Capital is an investment manager that acquires, redevelops, renovates and leases real estate assets mostly in France with a particular focus on the Greater Paris region. Our priority is to maximise returns for fund investors. We achieve this by acquiring assets with significant upside potential, and undertake refurbishment and redevelopment activities to produce efficient, high quality assets that maintain and increase their value and marketability. Throughout this process, care is taken to achieve an optimal balance between financial returns and sustainability.

Recognizing the increasing urgency for sustainable finance and the evolving regulatory landscape, our next fund (Fund II) is committed to aligning with **SFDR Article 8**. This commitment not only underscores our dedication to transparency and integration of sustainability risks into investment decisions but also positions us at the forefront of responsible investment practices.

Redtree firmly believe that prioritizing ESG factors not only addresses global challenges but also uncovers long-term value and mitigates risks for our stakeholders.

1. RedTree resources and organization

The whole team is committed to enhance the ESG strategy in the company and relies on dedicated experts, such as JLL Upstream Sustainability Services to define and implement the strategy.

The Sustainability Team at RedTree Capital is composed of three employees who are working on the effective integration of ESG within RedTree Capital's operation and investment. The top management of RedTree Capital is directly involved with Eric Sasson – Managing Partner – and Agnes Defix – Head of Asset Management.

Quarterly meetings are held to provide input to the global sustainability strategy and monitor progress.

2. Identified Sustainability risks

ESG and sustainability factors can have a significant impact on the value of the portfolio.

We believe that all of these factors deserve to be taken into account in the same way as traditional financial indicators to obtain a more complete view of the value, risk and potential performance of investments.

While these risks present challenges, they also offer opportunities to innovate, adapt, and align with ESG best practices.

2.1 Environmental risks

- **Pollution Risks**

These involve contamination of land or surrounding areas due to past industrial activities, lack of proper waste disposal, or the current use of the property. Such risks can lead to significant cleanup costs, potential legal liabilities, and can negatively impact the value of the asset.

- **Asbestos Risks**

Older properties may contain asbestos materials. The presence of asbestos can lead to health risks for occupants, expensive removal or mitigation processes, and potential litigation if not properly managed.

- **Flood Risks**

Properties located in flood-prone areas face risks of property damage, increased insurance premiums, and potential loss of tenants or reduced rental income.

- **Transition Risks related to Energy Regulations**

As governments implement stricter energy regulations, properties that don't comply may face financial penalties, increased retrofitting costs, or a decline in value due to reduced market demand.

- **Biodiversity Loss:**

Development or activities on or near sites of high ecological importance can lead to the loss or disturbance of critical habitats. This not only affects local species but can disrupt ecosystem services, potentially leading to regulatory actions, increased costs for mitigation and restoration, and negative public sentiment.

- **Carbon Footprint:**

As global pressure mounts to reduce greenhouse gas emissions, properties producing high emissions could face rising utility costs, retrofitting expenses, and even regulatory penalties. Furthermore, properties that are not considered 'green' might see a decrease in demand, impacting rental or resale values.

2.2 Social risks

- **Risks related to Pandemics and Remote Work:**

Pandemics can affect the demand for office spaces, with more companies adapting to remote work. This can lead to decreased rental income, higher vacancy rates, and potential depreciation in property values in areas primarily reliant on office rentals.

- **Safety Risks:**

This encompasses the structural integrity of buildings, the risk of fires, or any other potential hazards that can harm tenants. Neglecting such risks can result in legal liabilities, reputational damage, and loss of tenants.

- **Diversity and Inclusion**

A lack of representation or reports of discrimination can erode tenant trust and employee morale. Beyond reputational damage, businesses that do not champion these values may face legal implications, missed partnerships, and challenges recruiting top talent.

- **Community Relations**

A property that does not align with, or that disrupts, local community values can face pushback. This might take the form of protests, prolonged legal disputes, or boycotts. Negative community sentiment can affect not only current operations but future developments or expansions in the region.

- **Health and Well-being**

Inadequate facilities promoting good health, such as proper sanitation, green spaces, and recreational areas, can result in tenant dissatisfaction. In office spaces, poor ventilation or lighting can reduce productivity, and in residential settings, it can reduce the quality of life, leading to higher tenant turnover.

2.3 Governance risks

- **Corruption Risks:**

This pertains to unethical behavior, bribery, or any form of corruption within the management or operations of the fund. Such behavior can erode investor trust, result in legal implications, and harm the reputation of the fund, leading to potential capital outflows or reduced investment inflows.

- **Lack of Transparency**

Concealed operations or undisclosed financial matters can quickly erode trust. Investors and stakeholders demand transparency to make informed decisions. A lack of it can deter potential investors and even result in regulatory scrutiny.

- **Data Protection and Privacy**

In our digital age, data breaches or misuse of personal information can have severe repercussions. This includes legal penalties, significant financial costs for mitigation, and loss of stakeholder trust.

- **Conflict of Interest**

Any situation where decision-makers prioritize personal gain over the fund's interests can damage the fund's reputation. These conflicts, if not managed or disclosed, can deter investors and harm long-term viability.

3. RedTree ESG policy and strategy

RedTree is committed to considering ESG characteristics and sustainability goals across its overall organization.

3.1 RedTree Investment Restriction

RedTree refuses to deal with any third-party it considers unethical or having negative impacts and:

- (a) contributes to or is responsible for material and/or systematic violations of the human rights that are specified by the UN Universal Declaration of Human Rights or labour rights as specified by the UN/International Labour Organisation core conventions as set out at www.ilo.org (e.g. murder, torture, deprivation of liberty, forced labour, child labour or other form of child exploitation);
- (b) is associated with material and/or systematic corruption;
- (c) is involved in prostitution and/or the sex industry;
- (d) derives any of its sales revenue (measured as of the date of such investment) from (i) the manufacture and/or sale of weapons exclusively developed for military use, portable firearms, or weapons of mass destruction (including chemical, biological and nuclear weapons) (other than the manufacture, distribution or sale of computer technology, communications equipment, software, medical supplies, vaccines or similar items), (ii) the production of adult entertainment or subcontracting adult entertainment industry or

distributing adult entertainment material, or (iii) mining of coal or coal mining subcontracting or the production or distribution of coal-based energy;

- (e) derives more than 50% of its most recently completed fiscal year's annual consolidated sales revenue (measured as of the date of such investment) from (i) the manufacturing and/or distribution alcohol fit for human consumption, (ii) gambling, or (iii) manufacturing, subcontracting or distribution of war materials.

3.2 ESG policy and strategy at Asset Level

RedTree Capital acquires real estate assets that harbor significant value-creation potential. Our approach focuses on both the intensive repositioning of these assets and dedicated ongoing management, ensuring that our financial returns are complemented by enhanced environmental and social performance. This not only benefits our investors but also serves our tenants, building users, and the broader community.

An essential aspect of our strategy is to deliver spaces that are low in carbon, resilient to climate change, and designed to support the health and wellbeing of their occupants while enhancing the natural environment. This perspective not only elevates the investment performance and liquidity of assets but also aids our occupiers in meeting their corporate real estate ESG objectives.

To realize these goals, our investment strategy integrates a comprehensive assessment of risk and return objectives, with sustainability deeply woven into our company's approach, spanning the property lifecycle from investment analysis and due diligence to redevelopment and asset management.

In line with our commitment to sustainability, RedTree Capital's ESG policy and strategy are designed to ensure that our upcoming Fund is in alignment with the principles of **SFDR Article 8**. Building on our in-depth assessment of ESG risks, market challenges, and opportunities, we have identified **three key focus areas**. Each area, with its specific subset of material ESG factors, is strategically targeted to ensure both environmental responsibility and economic value retention or enhancement. These pillars form our ESG framework:

3.2.1. Renovate to low carbon

- Target a 40% reduction in absolute energy consumption across our portfolio by 2030 vs. a 2020 baseline
- Decarbonize our portfolio in line with the Paris Agreement

3.2.2. Provide resilient buildings

- Strengthen assets against climate risks, protect stakeholders, and inform asset management decisions
- Consider and implement biodiversity measures
- Identify opportunities to reduce water and waste consumption

3.2.3. Enhance health and wellness

- Enhance occupier health in the development and renovation of buildings
- Integrate mobility and accessibility in our buildings
- Create spaces that enrich our tenants and contribute positively to the overall health and vitality of communities where we are present

We have established performance metrics for each focus area, with the metrics and data coverage aligned with recognized frameworks such as the Sustainable Finance Disclosure Regulation (SFDR), GRESB, INREV, and the Carbon Risk Real Estate Monitor (CRREM).

Integrating these ESG aspects into our operations and investment decisions enables us to achieve our environmental and social goals while fulfilling our duty to stakeholders.

Acquisitions

Prior to the acquisition of an asset, the investment team conducts a technical due diligence audit that analyses a wide range of ESG risks and their potential impact on investment returns.

The audit draws on available property data and specialist input gathered from external consultants. ESG factors included in this assessment cover the asset's environmental profile taking into consideration its fabric, mechanical, electrical and plumbing services, through to conformity with fire safety standards and disabled access.

The audits inform our asset repositioning activities. CAPEX requirements are assessed, and a detailed business plan is created for the property. This includes the steps required to bring the assets' environmental performance into line with current legislation, most significantly the Décret Tertiaire, as well as any green building certifications that we may target.

Refurbishments and Developments

During our refurbishment and development activities, RedTree Capital targets improvements to the operational performance of assets, for example with respect to energy efficiency and green building certifications where this aligns with the investment strategy for each property and our legal obligations.

In many developments, it makes good sense to align CAPEX with the requirements of BREEAM 'Good', 'Very Good' or 'Excellent' criteria. This is because the best environmental practices in areas such as energy efficiency align with regulatory expectation, and result in cost reductions for the business, as they do for tenants and buyers, who are increasingly focused on total occupancy costs.

Asset Management

Asset management strategies are driven largely by legislative requirements, primarily at an EU-level, but also on a national level with a focus on increasing energy efficiency and monitoring assets' performance in relation to energy consumption.

We also undertake a broader consideration of wider ESG-related risks and opportunities relating to health and safety, occupier wellbeing and community needs. To this end, RedTree Capital works with service providers and advisers who have a proven track record in delivering value added services in sustainability and environmental management.

We engage with our tenants on a regular basis, undertake asset-level performance monitoring, and conduct site visits attended by our asset management teams. These include a review of each asset's environmental profile covering energy consumption.

Combined with annual risk audits and specialist input from external consultants, these provide an opportunity to identify inefficiencies, and prioritise investments that are subsequently fed into the annual business plans for individual properties.

Within the context of our business model and portfolio, the most significant legislation includes the Décret Tertiaire which impacts both our refurbishment and asset management strategy. The legislation, introduced in 2019, sets ambitious goals related to building energy consumption, and provides a legal basis for monitoring and reducing energy use in buildings. Specifically, it requires:

- A 40% reduction in energy consumption for buildings over 1000m² in the tertiary sector by 2030, increasing to 50% by 2040 and 60% by 2050.

As noted, compliance with the legislation impacts our investment strategy, refurbishment and asset management activities, as well as our engagement with tenants.

Additional ESG aspects are largely determined by the individual characteristics of each asset; its value-add potential determines the level of investment necessary in line with our overall investment strategy and legal obligations.

Beyond ensuring compliance with legal requirements, we engage with tenants at their request and as part of our asset management activities for each property. Additional engagement on ESG issues is guided by our BREEAM achievement target.

We also engage with tenants via our property managers who typically meet with tenants twice a year (with one meeting attended by RedTree Capital). The meetings provide an opportunity to listen to tenants and discuss any concerns or requests they may have in relation to the property and its management. The feedback is used to inform our small works plan for each property for the year ahead, such as the installation of EV charging points.

Significantly, the Décret Tertiaire necessitates the sharing of landlord and tenant consumption data, and an environmental annex has been included in our lease terms to facilitate this.

Beyond energy consumption, we identify environmental objectives on an asset-by-asset level.

4. RedTree adherence to responsible business conduct codes and internationally recognized standards

Principal Adverse Impacts

RedTree Capital considers the main negative impacts of its investment decisions on sustainability factors.

RedTree pays particular attention to:

- Energy consumption
- Greenhouse gas emissions
- Water consumption
- Waste generation
- Health and safety policy

Principal adverse impacts are considered by RedTree through analysis and monitoring, using ESG indicators to assess principal adverse impacts throughout the investment-decision process.

INREV Sustainability Reporting

RedTree Capital is preparing an annual sustainability report using the INREV Sustainability Reporting Guidelines.

As a non-listed real estate investment manager domiciled in France, we have chosen to report in line with the Guidelines to demonstrate how we integrate environmental, social and governance standards into our investment strategy and asset management activities and communicate our longer-term objectives and targets for portfolio.

The report aligns with our ESG policy which sets out our approach to identifying and mitigating ESG-related risks through our investment management activities and affirms our commitment to provide regular ESG disclosures for the benefit of our fund investors, partners, and wider stakeholders.

UN Principles for Responsible Investment

RedTree Capital has been a signatory of the UN Principles for Responsible Investment (PRI) since 2021. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating environmental, social and corporate governance issues into their investment decision-making and ownership practices.

We will prepare our first report demonstrating how we uphold the six Principles in 2024.

GRESB

RedTree Capital has committed to participating in the annual GRESB survey. The GRESB survey is a demanding questionnaire that requires a thorough approach to the management of ESG risks and opportunities across your value chain, and comprehensive data.

APPENDIX: Metrics

Focus area 1: Renovating to NZC

ESG Issue	Reference standard	Metric
Energy efficiency & emissions reduction	GRESB, SDGs, INREV, CRREM, Decret Tertiare, BBCA, HQE, SFDR	Total energy consumption (kWh) per utility at whole building level in absolute & like-for-like terms, split by tenant / base build / outdoors areas consumption
		Energy intensity (MWh/m ²)
		Energy performance ratings (e.g. % by band by rating type)
	BBCA, Low Carbon Building Initiative	Upfront embodied carbon intensity (kgCO _{2e} / m ²)
		Whole-life carbon intensity (A-C stages) (kgCO _{2e} / m ²)
	BBCA	Carbon sequestration in building materials (kgCO _{2e})
	EU Taxonomy	New buildings and major renovations: Primary Energy Demand (PED), compared to NZEB or (for renovation) baseline PED
		New buildings >5,000 m ² only: life-cycle Global Warming Potential
		EPC rating compared to national or regional building stock
	GRESB, INREV, CRREM, Decret Tertiare, BBCA	Total GHG emissions of the portfolio, scopes 1/2/3, absolute & like-for-like, split by whole building/outdoor areas, offsets
		GHG emissions intensity tCO _{2e} /m ²
	SFDR	PAI Table 2 – Scope 1/2/3 and total GHG emissions generated by real estate assets

Portfolio-level

Asset-level

Portfolio and asset level

Focus area 2: Providing resilient buildings

ESG Issue	Reference standard	Metric
Climate risk and resilience	Linked to EU Taxonomy	% of portfolio assessed for physical and transition climate risk
		% of portfolio which have implemented adaptation solutions that substantially reduce the most important material physical climate risks
Biodiversity	HQE	% of portfolio that have conducted an ecological assessment and implemented a biodiversity improvement plan
	HQE	% of portfolio which have enhanced or rehabilitated habitats
	BiodiverCity	% of portfolio with BiodiverCity label
	SFDR	PAI Table 2: Land artificialisation: Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets
Circular economy	GRESB, HQE	Total waste generation, split by hazardous/non-hazardous, and proportion of waste by disposal route (reuse/waste to energy/recycling)
		PAI Table 2: Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract
	SFDR	PAI Table 2: Share of raw building materials (excluding recovered, recycled and bio-sourced) compared to the total weight of building materials used in new construction and major renovations
		DNSH circular economy: % (by weight) of the non-hazardous construction and demolition waste prepared for reuse, recycling and other material recovery
	EU Taxonomy	SC circular economy: % (by weight) of recycled/reused/remanufactured content and/or by-product (with no higher CO2) in new builds/major renovations
		Total water consumption
	GRESB	Water consumption intensity
		Water recycled or reused
Paris PLU	% of assets with reversible building design	

Portfolio-level
Asset-level
Portfolio and asset level

Focus area 3: Enhancing health and wellbeing

ESG Issue	Reference standard	Metric
Indoor and outdoor environmental quality	HQE, WELL	% of portfolio aligned to HQE / WELL / BREEAM / etc thresholds – e.g. for particulate matter (PM), volatile organic compounds (VOCs), CO ₂ , etc
	WELL	Vegetalised surfaces in m ² and as % of total building area
	BREEAM, HQE, WELL	% of portfolio aligned to HQE/WELL/BREEAM/etc thresholds on acoustic and visual comfort – e.g. internal and external lighting levels, view out, daylighting, control of glare from sunlight, acoustic performance standards
		Occupier perception (via survey)
Mobility and accessibility	BREEAM, WELL	% of portfolio with a site-specific Transport Assessment or Travel Plan
	WELL, BREEAM, HQE	% of portfolio located within 500m of a public transport station
	BREEAM, WELL	Ratio of cycle storage and showers to building users
	WELL, BREEAM, HQE	% of portfolio that meet local accessibility laws and/or codes without exclusion or exemptions
Healthy and vibrant communities	WELL, Fitwel	% of portfolio with space that can be used for physical activity
	WELL	% of portfolio with at least 186 m ² that can be used as a community space
	WELL	% of portfolio with community engagement initiatives in place
Certifications	BREEAM, WELL, HQE	% of portfolio with health and wellness certifications

Portfolio-level

Asset-level

Portfolio and asset level