

# PRINCIPAL ADVERSE IMPACT STATEMENT

## ACCOLADE INVESTMENT COMPANY LTD

### 1. SUMMARY

As part of its **ESG** strategy Accolade Investment Company Ltd (hereafter: Accolade) considers Principal Adverse Impacts (**PAI**) of its investment decisions on sustainability factors. The present statement as required by Sustainable Finance Disclosure Regulation (**SFDR**) is the consolidated statement on entity-level principal adverse impacts on sustainability factors of Accolade. Principal Adverse Impacts should be understood as those impacts of investment decisions that result in negative effects on sustainability factors (i.e., environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters).

The statement covers the reference period **from 1 January 2022 to 31 December 2022** and will be reviewed and updated at least once every year following the recommended quarterly determination of the PAI indicators.

### 2. DESCRIPTION OF PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

Accolade's investee companies are Special Purpose Vehicles (**SPVs**) with the specific business purpose of investing in real estate. Applying the „look-through principle“ we look through to the individual underlying investments of SPVs and consider the total adverse impacts arising from them. Accordingly, this statement includes PAI indicators pertaining to investments in real estate assets as described in the **SFDR Regulatory Technical Standards (RTS)**.

**Table I.** shows the 2 mandatory and **Table II.** shows the 2 voluntarily chosen PAI indicators considered by Accolade. We aim to provide primary data that is currently already being monitored and reported. Where such data is not available, in order to be able to fulfil the disclosure requirement, we describe the best efforts used to obtain the information or our methodology of making reasonable assumptions. For future reporting periods, we aim to further improve data quality and to add more voluntary PAI indicators where deemed relevant.

**TABLE I. MANDATORY PRINCIPAL ADVERSE IMPACT INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS**

Adverse sustainability indicator		Metric	Impact (2022)	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Fossil fuels	17. 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	0%	Our real estate assets are not involved in the extraction, storage, transport, or manufacture of fossil fuels.	We do not wish to invest in real estate assets that are involved in the extraction, storage, transport, or manufacture of fossil fuels in the next reference period.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	16,2%	Share of investments in energy-inefficient real estate assets is calculated in line methodology set in Annex I of regulation <b>EU2022/1288</b> . As a portion of real estate assets hold EPC grade C, it affects the final result	Our goal is to steadily reduce energy consumption intensity of buildings in our portfolio by retrofit actions (with emphasis on assets with grade C). As we intend to expand our portfolio only with modern, energy-efficient buildings, the overall share of investments in energy-inefficient real estate assets will also decrease. A specific goal for the KPI will be set in the third reference period and will be adjusted to the results of ongoing actions.

**TABLE II. ADDITIONAL PRINCIPAL ADVERSE IMPACT INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS CONSIDERED BY ACCOLADE**

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact (2022)	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Greenhouse gas emissions	18. GHG emissions	<ul style="list-style-type: none"> <li>- <b>Scope 1 GHG</b> emissions generated by real estate assets</li> <li>- <b>Scope 2 GHG</b> emissions generated by real estate assets</li> <li>- <b>Scope 3 GHG</b> emissions generated by real estate assets</li> <li>- <b>Total GHG</b> emissions generated by real estate assets</li> </ul>	<p><b>Scope 1:</b> 12 590 tCO<sub>2</sub>e</p> <p><b>Scope 2:</b> 42 281 tCO<sub>2</sub>e</p> <p><b>Scope 3:</b> 8 040 tCO<sub>2</sub>e</p> <p><b>Total GHG:</b> 62 911 tCO<sub>2</sub>e</p> <p><b>Total GHG / m<sup>2</sup>:</b> 39kgCO<sub>2</sub>e/m<sup>2</sup>/yr</p>	<p>Presented calculations are based on real consumption of electricity and gas of owned real estates. Value include both emissions associated with operational energy required by the buildings and emissions associated to energy consumption of tenants in the year of reporting, as methodology of calculations do not specify if only emissions associated to operational energy consumption should be presented.</p> <p><b>Scope 1</b> presents direct emission of portfolio, caused by use of LNG. Factor applied in calculations: 200g eCO<sub>2</sub>/kWh.</p> <p><b>Scope 2</b> presents indirect emission of portfolio, caused by use of purchased electric energy. Factor applied in calculations: 721g eCO<sub>2</sub>/kWh for portfolio in Poland, 397g eCO<sub>2</sub>/kWh for portfolio in the Czech Republic, 113g eCO<sub>2</sub>/kWh for portfolio in Slovakia, 348g eCO<sub>2</sub>/kWh for portfolio in Germany.</p> <p><b>Scope 3</b> presents indirect emission of portfolio associated with life cycle of buildings in portfolio, that is embodied carbon of construction, emissions from construction process, potential emissions associated with use of the building (refurbishment). Factor applied in calculations: 5 kg eCO<sub>2</sub>/m<sup>2</sup> of portfolio/year. Value is based on LCA study, done in line with EN 15978 standard, for multiple parks in portfolio.</p> <p>As we operate in EU, we decided to use official data provided by European Environmental Agency (latest factors available are for year 2021). Sources of the emission factors used: <a href="https://www.eea.europa.eu/ims/greenhouse-gas-emission-intensity-of-1">https://www.eea.europa.eu/ims/greenhouse-gas-emission-intensity-of-1</a>.</p>	<p>As we intend to keep expanding the portfolio of our real estates, therefore, there is potential for growth in total GHG emissions. Our goal is to steadily reduce the amount of GHG per sqm (emission intensity) of buildings in our portfolio by retrofit actions - implementation of onsite renewal sources of energy (to reduce value under scope 2), by retrofitting of heating systems (to reduce value under scope 1). For the next reference period, we aim to finish pilot retrofit projects, to measure benefits of them and set a decarbonization goal.</p>
Energy consumption	19. Energy consumption intensity	Energy consumption in <b>GWh</b> of owned real estate assets per square meter	<b>90 kWh / m<sup>2</sup> / year</b>	<p>Presented calculations are based on real consumption of electricity and gas of owned real estates. Value includes both operational energy required by the buildings and energy consumption of tenants in the year of reporting, as methodology of calculations do not specify if only operational energy consumption intensity should be presented. Some of the buildings were not fully operational through the period of whole year, yet their consumption was included in calculations, as methodology of calculations do not specify if energy consumption intensity should be calculated for the buildings that were fully operational for whole year.</p>	<p>Our goal is to steadily reduce energy consumption intensity of buildings in our portfolio by retrofit actions - upgrades in lighting systems, by retrofitting of heating systems. Our target is to align energy consumption intensity of our portfolio with values suggested by CREEAM. For the next reference period, we aim to finish pilot retrofit projects, to measure benefits of them and set a reduction goal.</p>
Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	<b>0%</b>	<p>Our assets are industrial warehouses that serve logistics, e-commerce and light production companies, waste management is the responsibility of our tenants, and it is obligatory.</p>	<p>We aim to maintain current situation.</p>

**TABLE III. ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact (2022)	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Social and employee matters	Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	0%	As we do not see any indicator suggested in Table III applicable for investments in real estate assets and the way the fund operates, we chose to adjust one closest to the scope of our activities (acquisition and ownership of buildings). We invest only in assets that are certified with BREEAM (or the equivalent of green building certification), where respect of National health and safety legislation during construction is a prerequisite to obtaining a certificate, and is confirmed by third-party opinion.	We aim to maintain current situation.

### 3. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Accolade uses several instruments to identify ESG risks and opportunities and minimise adverse sustainability impacts of investments, including screening assessments, mitigation measures and ESG Due Diligence.

#### SCREENING ASSESSMENTS

We invest with respect for the world around us, and our parks meet the highest standards for modern development. We always plan our investments in projects in such a way that they comply with BREEAM (Building Research Establishment Environmental Assessment Method) or DGNB (German market) or similar (as the case may be according to the specifics and matters of the project) sustainable approach certification, which guarantees a high level of environmental friendliness and consideration for the work conditions of employees, as well as energy self-sufficiency. In the investment phase, through the sourcing of projects to be considered for potential acquisition, we always evaluate and ensure that projects are developed in an economically effective and sustainable way and that the buildings, working conditions they provide, and site process itself are in line with the principles of sustainable development. Among the verified parameters are economical fixtures that may be used for projects, the thickness of panels, roof structure, and roofing foil thickness in order to ensure the most environmentally friendly building envelope with associated energy savings, as well as a number of other parameters that ensure our buildings are environmentally friendly.

#### MITIGATION MEASURES

BREEAM certifications are also the focus of our mitigation efforts. Portfolio of Accolade Fund includes industrial buildings and warehouses. All Assets are certified in international standards for green buildings (BREEAM New Construction, BREEAM in Use or DGNB). Where level of certification is over time is considered low, Building gradually undergo renovation and replacement of older, less efficient systems, both for lighting and for heating/cooling, with more economical variants. As an effect of these mitigation measures we expect a reduction in adverse impact on the following indicators: Greenhouse gas emissions, energy consumption and water usage (the latter currently not a considered PAI indicator by Accolade).

#### ESG DUE DILIGENCE

At Accolade, we take pride in only working with trusted business partners and vendors.

We have a zero-tolerance policy when it comes to corruption, bribery, and any other dishonest practices. We comply with all applicable anticorruption laws, regulations, and standards, as well as national and international anti-bribery and money laundering regulations. We fully promote an environment of fair competition. We comply with the applicable competition and antitrust legislation.

In line with our [Remuneration policy](#), Accolade has risk-focused remuneration policies and practices that are consistent with and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the alternative investment fund, ACCOLADE FUND SICAV plc. (Fund) and the sub-fund it manages.

#### **4. ENGAGEMENT POLICIES**

As Accolade's investee companies are Special Purpose Vehicles (SPVs) with the specific business purpose of investing in real estate, we have limited leverage to not only generate financial returns, but to also create additional beneficial change besides. Our way of minimizing adverse impact on sustainability factors relies more heavily on the screening assessment, mitigation measures and ESG Due Diligence policies described in Paragraph 3. A more active approach to asset management is currently being developed.

#### **5. REFERENCES TO INTERNATIONAL STANDARDS**

As part of our long-term ESG commitments, we proudly subscribe to the UN's goals and principles. We firmly believe that their development is a way to achieve better and more sustainable future for all of us. We endorse following UN Goals and Principles:

- ▶ 6. Clean water and sanitation
- ▶ 7. Affordable and clean energy
- ▶ 9. Industry, innovation and infrastructure
- ▶ 15. Life on Land
- ▶ 16. Peace, justice and strong institutions

Our Fund, ACCOLADE FUND SICAV plc., is an active member of INREV (European Association for Investors in Non-Listed Real Estate) since 2019.