

ESG

> Strategy



ZDR Investments

Investing



We believe in sustainable business. We want our activities to be profitable both for us and for future generations.

in a better future

ustainable
want our
beneficial
the future



Rooftop areas 200,000 m²

Our retail parks' rooftops offer a great potential in terms of photovoltaic installations. Their typical design provides the protective function and the rooftops can also participate in the generation of renewable energy, thereby improving the energy performance of these properties.

Our portfolio features a rooftop area in excess of 200,000 m², which we will cover by photovoltaic panels. We have covered 10,000 m² to date.

Capital appreciation can also be realised in a socially responsible manner, taking into account not only the financial ratios but environmental and social aspects as well. ESG parameters provide information about the Group's readiness to face future challenges and opportunities.

The Schwörstadt retail park

In Schwörstadt, a German town right on the national border with Switzerland, we own and manage a retail park with a lettable area of 3,649 m². The retail park's rooftop is completely covered by photovoltaic panels, and thus fully used for renewable energy generation. With its installed capacity of 389 kWp, in 2022 it produced over 390 MWh of electrical energy, thereby saving 45 tCO₂. For illustration, this quantity equals 130 households' annual electricity consumption.



On the path to sustainability

Dear Partners, Clients, Colleagues, and Investors,

We are crossing the threshold of a new era where sustainability and responsibility to our planet are becoming both an ethical choice and the key factor for long-term business success and prosperity. The real estate sector, in particular its commercial property segment, plays a crucial role in this transformation. As part of the European Green Deal, we seek to contribute to the transition to a net-zero company, where our properties will be points of commerce and business as well as symbols of sustainable development.

Our Group specialises in investing in and managing commercial properties leased on a long-term basis. We are determined to steadily grow and develop with full respect for the environment in which we run our business. We are aware that sustainable development is not only about environmental responsibility but also about our ability to generate value for our investors and customers and for the communities around us.

It is crucial for us to integrate the ESG (environmental, social, governance) parameters into our decision-making processes and the direction of our funds. We believe that we can thus also achieve higher yields on a long-term basis and minimise the risks inherent in environmental and social challenges. Together, we can create a better future for us all.

Respectfully and with gratitude for your trust,



Ondřej Sychrovský
CEO, ZDR Investments

ZDR Investments' vision for ESG

The responsible approach transcends the framework of environmental protection only. It comprises a comprehensive view of our company's operation and takes its social and governance aspects into consideration. This is why our ESG strategy also includes cooperation with tenants, transparent information sharing, and regular reporting.

We must focus on interconnecting all ESG criteria

Sustainability and ESG is not a marginal issue for us. We want to embrace it fully and in its entirety. We have therefore set up a position of ESG Manager in the company. Miroslav Kobera has been active in sustainability systematically for many years. And so we believe that we will make progress in this respect also thanks to his contribution in his ESG Manager role.

What was the initial motivation for creating your own ESG strategy and what was at the beginning of the whole process?

Our priority is to understand and address the key aspects of the ESG approach. At the beginning, working with the renowned agency CBRE, we therefore carried out a thorough and comprehensive analysis of ESG topics, including the materiality assessment thereof from the perspective of our business. In this process, we took into account the interests of all our stakeholders: investors, banks, employees, and our tenants, and also took the future legislative requirements into consideration.

Based on these findings we decided to develop our own ESG strategy that would guide our activities and on which our non-financial reporting would rely in later years. Buildings are responsible for 40% of energy consumption and 36% of greenhouse gas emissions in the EU, and we therefore have to focus on interlinking all ESG categories.

How would you describe your sustainability strategy?

Our strategy is clear: We operate sustainable buildings while emphasising decarbonisation. We are reducing the energy intensity of our properties and minimising our consumption

of natural resources. We focus on diversifying energy sources and generating our own renewable energy. This approach is intended to reduce our dependence on off-take from the grid and to contribute to the overall GHG emissions abatement. The issue is very important for us and a separate chapter of this document is therefore dedicated to it.

What do you regard as the key element in your approach to business cooperation and communication?

People. We care about all the people with whom we are working. We believe in transparent communication and cooperation at all levels. Our need for credible non-financial reporting to our investors, banks, and other stakeholders also stems from this approach. It is the cornerstone of our sustainability and transparency commitment.

What priorities have you set?

We have carefully set our priorities in all three spheres: environmental, social, and governance. The result is topics that give rise to certain particular short-term targets, which are followed by comprehensive long-term targets. We believe that this approach will help us to discern new trends and develop our strategy over time.



Miroslav Kobera
ESG Manager



UN SDG commitments

SDG, i.e. Sustainable Development Goals, are a collection of 17 global objectives adopted by the UN member states in 2015, which constitute their development agenda for 2015–2030. They call for action by all countries – developed and developing – that have agreed on their importance and the need to fulfil them. They therefore constitute a universal set of global development targets and indicators that provide clear and important guidance for sustainability strategy development.

We are committed to contributing to the United Nations' SDGs proactively.

All of these goals are binding on our company but in our ESG strategy, we naturally focus mainly on those that are the most relevant for our business, namely:



SDG 11 Sustainable cities and communities

We invest in projects that create safe, resilient, and sustainable communities. The International Energy Agency's data show that over their life cycle, buildings have a significant environmental impact caused by their use of the natural environment, their energy consumption, and their CO₂ emissions.

The application of sustainability criteria in buildings is increasingly important because of the environmental, social, and economic challenges and has become an important aspect for real estate investments in general.

Our objectives include a gradual implementation of a programme for optimising the operation of buildings, which will examine and reduce energy consumption in our real estate portfolio. We focus on short-term low-cost operating solutions as well as long-term capital-intensive renovations. By the same token, we cultivate the environment in which the properties are located and its accessibility for customers. We address public transport availability, connections to cycle paths, and electric vehicle charging stations (EVCS). We support local producers and the marketing of their products.



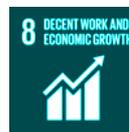
SDG 13 Climate action & SDG 7 Affordable and clean energy

We are aware that climate change is one of the most severe risks that our planet is facing at present. Climate risks are the essence of our



sustainable development programme whereby we seek to limit the impacts caused by temporary or long-term climate changes.

The current dependence on fossil fuels is unsustainable and harmful for the planet. Globally, we have to change primarily the energy production and consumption methods. The fastest possible rollout of new energy solutions is necessary in this fight, and we have therefore drawn up our own transition plan for a net-zero economy (more details on page 24 in the section on our net-zero vision).



SDG 8 Decent work and economic growth & SDG 5 Gender equality

Sustainable development rests on the pillar of economic growth. However, such growth is not directed towards relentless pursuit of expansion only. Instead,



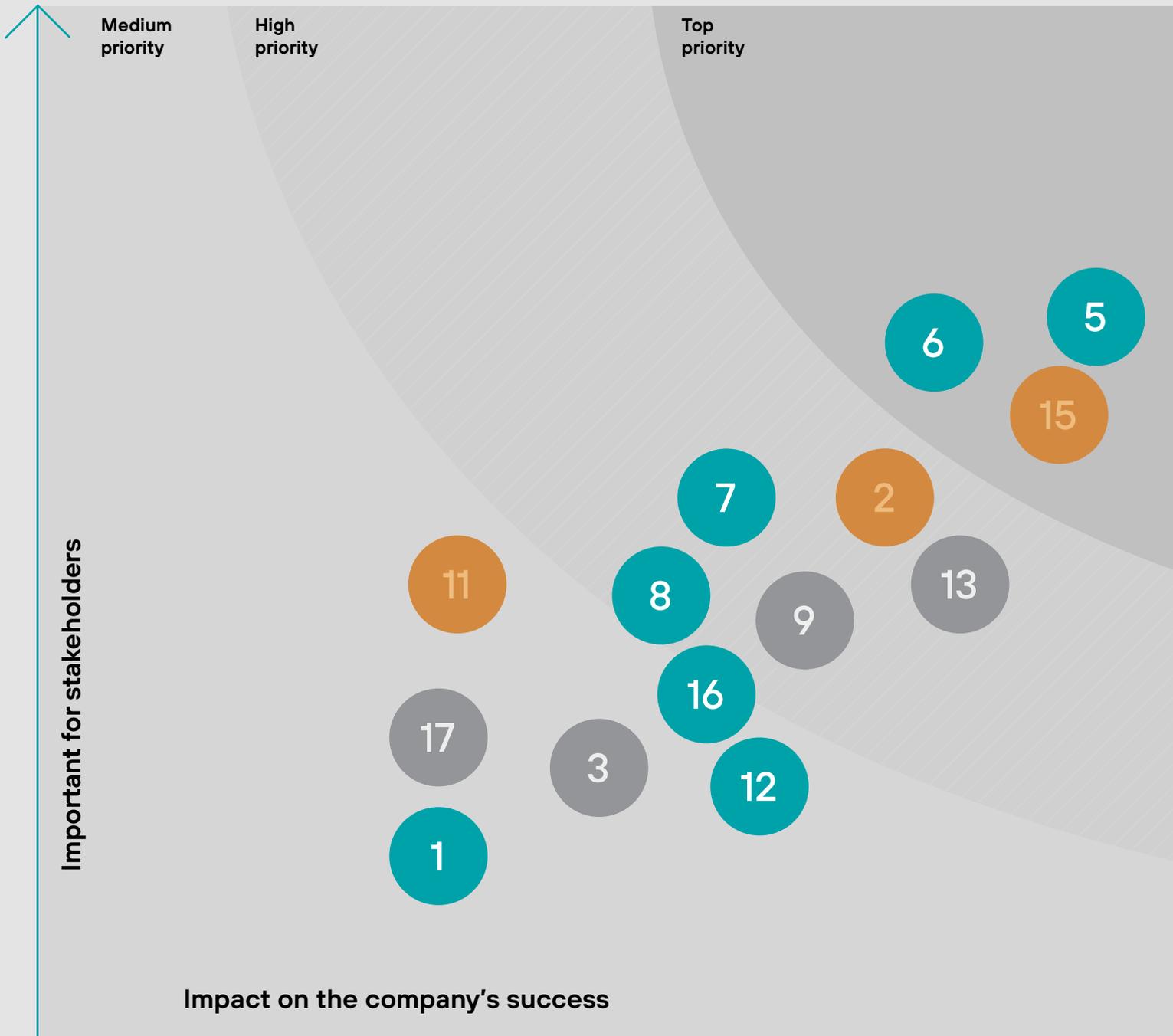
it accentuates inclusivity and provides economic opportunities for all. It protects the environment, promotes sustainable utilisation of resources, and pays attention to equal opportunities for all regardless of gender, orientation, etc.



SDG 17 Partnership for the goals

We can only meet our comprehensive goals in cooperation with tenants, trading partners, and investors. Together, we will focus on investment in environmentally-friendly structures and promote renewable energy sources, and we will all share our knowledge and best practice in sustainable development.

Three sustainability pillars at ZDR Investments



Materiality Assessment

14

4

10

Based on our analyses, materiality assessment, and SDG criteria we have determined the key sustainability pillars that are fundamental and attainable for our company.

We want to leverage ESG principles to make our properties more attractive for tenants and investors and reduce operating costs and risks, and so bolster our revenue growth. We believe that the long-term value of an investment in real estate will be stronger if it is more resilient to climate change, minimises the non-compliance risk, and improves its market position.

Top priority

- 4 ● Risk recording and management
- 14 ● Renewable energy sources
- 5 ● Carbon footprint
- 10 ● Cooperation with tenants
- 15 ● Transparency (reporting)
- 6 ● Energy management

High priority

- 2 ● Certification of buildings
- 13 ● Procurement/Contracting
- 9 ● High-quality indoor environment
- 8 ● Waste Management
- 7 ● Water Management

Medium priority

- 16 ● E-mobility
- 11 ● Climate risk management
- 12 ● Material use
- 3 ● Cooperation with communities
- 17 ● Active/alternative transport
- 1 ● Biodiversity

Pillar



1

Energy performance of buildings

A green or sustainable building is a building that, because of its construction and features, can maintain or improve the quality of life of the environment in which it is located. To do this, it is essential to achieve a high level of efficiency: reducing the consumption of energy, water and other resources minimises pollution. We want to operate sustainable buildings with only minimal energy and water consumption—properties that are key parts of sustainable urban development and help to counter climate change.

As early as the acquisition stage, we carefully select the properties to ensure that they reflect the requirements of the legislation and EU Taxonomy. For us, the key indicator is primarily the building's Energy Performance Certificate (EPC) that specifies its energy consumption in normal use.

- We analyse Energy Performance Certificates.
- We optimise inefficient operation of buildings aiming at deep renovation or, possibly, divestiture.
- We implement equipment that brings savings and ongoing improvements.

2

Carbon footprint

In view of the climate changes caused by people through greenhouse gas production we have also decided to monitor the carbon footprint of our operation. We intend to gradually reduce our carbon footprint to net zero.

- We monitor our portfolio's carbon footprint using the GHG Protocol methodology for Scope 1, 2, and 3.
- We monitor the CRREM green curve and stranding risk.
- Our software for recording data on operated properties' carbon footprint collects data automatically.

Operating sustainable buildings

3

Generating renewable energy

We are also reducing our carbon footprint by generating our own renewable energy. We are installing photovoltaic panels on the rooftops of our buildings to achieve greater independence of electricity off-take from the grid. Thanks to this approach, we are better able to face potential changes in market prices.

- We have had photovoltaic (PV) feasibility studies prepared for us.
- We are launching PV pilot projects.
- We are rolling out low-emission technology.

4

Resource savings and circular economy

We support tenants in their municipal waste sorting to fractions for recycling, motivating them to reduce their waste production and increase the share of the recycled component. We help them to reduce their water consumption by installing water saving devices. We seek to maximise on-site rainwater infiltration.

- Data digitisation and tenants' reporting are helping us; for example, in waste production and water consumption monitoring.

5

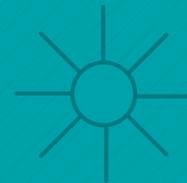
E-mobility

With the rising number of e-vehicles we want to reach out to our customers and tenants. We therefore provide the maximum possible support for the installation of e-vehicle charging stations at parking places adjacent to our properties.

- We work with suppliers to cover our real estate portfolio by a network of e-vehicle charging stations.



The VORUM retail



PV installations help us to reduce our dependence on non-renewable energy sources, such as electricity from fossil fuels; this approach can significantly cut the energy costs and improve the efficiency of our portfolio.



Vladimír Voska
Head of Facility Management

park Voitsberg



The VORUM project at Voitsberg, Austria, is a showpiece in our real estate portfolio. It has been built on the site of an erstwhile brown coal-fired power station that separated the towns of Voitsberg and Bärnbach in southern Styria, one of the Austrian Länder. The acquisition took place at three stages from 2021. We now own three buildings there with a total lettable area of 12,793 m²; they have become the town's central shopping zone.

With its area of 6,800 m², the rooftop of the VORUM Voitsberg I building is completely PV panel covered and profoundly reduces its carbon footprint. It produces 833 MWh every year. In 2022, 95 tCO₂ were saved, equating 278 households' annual electricity consumption! Installing PV on our retail parks' roofs is one of the key actions whereby we help to protect the environment and fight against climate change.

The most modern BILLA Plus shop in Austria can also boast of unique glazing that reduces energy consumption for cooling by as much as 60%. Its parking area, offering e-vehicle charging stations, enhances the sustainability of the whole project.

Pillar



| 1

Cooperation with tenants

Being responsible investors, we look for solutions that enhance the lasting value of assets. To achieve the desired results we are committed to the proactive and effective involvement of those on whom our investments have an impact. We appreciate feedback from all our stakeholders: investors, tenants, employees, and the local community. This helps us to pursue our sustainability strategy and with our everyday decision-making on an array of issues, such as capital expenditure, building operation, workplace culture, or community involvement. We can meet ambitious objectives only by forging firm relationships with our partners. Through shared projects, we are creating a more sustainable and healthier environment in which we ourselves want to live.

Property acquisition does not mean the end in our company. We partner with more than 270 tenants in five European countries. Via a gradual application of green leases, we want to reach sustainable use of our properties. In addition to standard commercial provisions, green leases also contain both parties' obligation to cooperate on environmental data sharing issues. Environmental provisions in lease agreements are enforceable and include a number of topics ranging from energy consumption and origin monitoring to efficient water use to waste reduction.

- We include green memoranda and green provisions in leases with tenants (green lease).

| 2

Facility management

Besides comfortable spaces, we also provide tenants with a broad range of services related to the operation and management of buildings and other assets. We actively manage all properties in our investment portfolio: we run our own facility management in the Czech Republic and Slovakia. This helps to enhance tenants' satisfaction, boost the appreciation of the properties, and increase revenue for investors, and also to realise savings.

- We make sure that our buildings comply with all regulations and requirements.
- We optimise operating and maintenance costs with a view to achieving savings.
- Costs are also cut by sharing the services for our tenants.

We care about people

3

Affected communities

Our properties serve primarily local residents and do not depend on the tourist season; this ensures their stable operation and minimises fluctuations. We look for properties emphasising support for local communities and sustainable development of regions.

- **Our buildings are designed to meet primarily local customers' needs, and this promotes local shopping and consumption.**
- **Thereby we indirectly create new jobs and boost local economy.**

4

Employees

We are very particular about equal conditions for all our employees, and promote their personal development and education. Ethical conduct is an integral part of our business. We expect each and every employee to comply with the principles of the United Nations Global Compact in respect of human rights, working standards, environmental protection, and fight against corruption.

- **We emphasise equality, fairness, and inclusion.**
- **We strive to build our corporate culture as we grow. We organise regular in-house breakfasts for our employees.**
- **We follow a Code of Conduct that embodies the UN Guiding Principles on Business.**

5

Philanthropy and sponsorship

Rather than a duty, philanthropic activities are very natural for us. We support cultural activities with a view to promoting societal debate and smaller, usually local associations pursuing a variety of good causes.

- **We encourage Czech culture and children's physical activity.**
- **We support selected projects or individuals who have landed in dire straits to help them grapple with the challenges that they face.**
- **We help to improve financial literacy amongst the public, and organise training and lectures for our distribution partners and investors.**

We encourage Czech culture and children's physical activity

Our long-term objective—that we actually enjoy pursuing very much—is promoting culture, which we regard as a key component of social life. We focus on projects having the potential

to spark societal debate on various issues. We believe that we can thereby contribute to the forming of critical thinking in our society and to a better understanding of the world around us.



Pavla Majerová
Marketing and PR

Encouraging children and young people to engage in physical activity helps to create healthy and sustainable society

A photograph of children in a gymnasium. In the foreground, a young boy in a white t-shirt and blue shorts is smiling and performing a handstand. To his right, another child in a white t-shirt and orange shorts is also performing a handstand. In the background, a woman in a pink shirt and teal pants is observing the children. Other children are visible in the background, some also performing handstands. The gymnasium has a wooden floor and a basketball hoop is visible in the background.

Encouraging

We stand by those in dire straits

During the year, we select various projects or individuals whose life has turned upside down, often through no fault of theirs. We do our best to assist them in the challenging situations to help them grapple with the issues they are facing. Our aim is to lend a helping hand where help is really needed.

We invest in the future through education

Education brings innovation, growth, and ability to adjust to the changing market environment, into society. Education is therefore another area in which we are active. Whatever we do – improving financial literacy amongst the public or training and lectures for our distribution partners or investors – we believe that education is the key to sustainable development, innovation, and forging strong and mutually beneficial relationships.



David Čubr
Business Development

Pillar



1

Data management

We want to manage a portfolio featuring a sustainable value, thereby meeting climate and social objectives. It is important for us to reflect the ESG risks and opportunities in all our investment decisions: property acquisition, management, and divestiture. We have undertaken to maintain open communication with and maximum transparency to our investors, trading partners, and other stakeholders.

We use modern technology and a Deepki system for comprehensive data management for the purpose of consistent data collection, recording, and evaluation. We are able to fit all collected data within ESG categories and so obtain information about GHG emissions from the whole portfolio.

- We implement ESG software for data recording.
- We are very careful about data protection.

2

Transparent reporting

We are putting in place an ESG reporting strategy that is in compliance with the EU legislation and ensures transparency for external stakeholders.

- Beginning in 2023, we will issue regular sustainability reports.
- A third party will audit the quality and accuracy of the disclosures in the ESG report.

Portfolio with a lasting value

3

Responsibility and accuracy

Sustainable investment management requires that responsibility for ESG targets be integrated into all business functions and become part of the Group's everyday operation.

- We are integrating ESG responsibility into management structures.
- We organise periodical training courses for employees in line with the ESG strategy targets.

4

Clear organisational structure

We are aware that a clear organisational structure can play a key role in the coordination, implementation, and monitoring of the ESG strategy. This is the only way to achieve our ESG targets and enhance the company's image in all stakeholders' eyes.

- Effective performance of assignments, a good state of tidiness internally, structured competences, and employees' clear-cut responsibilities are in our interest.

5

Anti-corruption policy and AML

We are very particular about transparency and compliance. Fraudulent practices, corruption, money laundering – we apply AML systematically; discrimination, or breaches of competition rules are impermissible for us. We pay attention to the ethical management of the company in compliance with the legislation and to setting fairness values.

- We regularly train our employees in anti-corruption policy and AML.
- We have review procedures in place.
- No tolerance for any unethical practices.

We have pledged transparency to our investors, trading partners, and other stakeholders.



Transparency

We have put in place clear principles and procedures

We will carefully monitor and evaluate all ESG data. Our regular reporting will follow the ESG reporting frameworks that have been adopted in our sector.

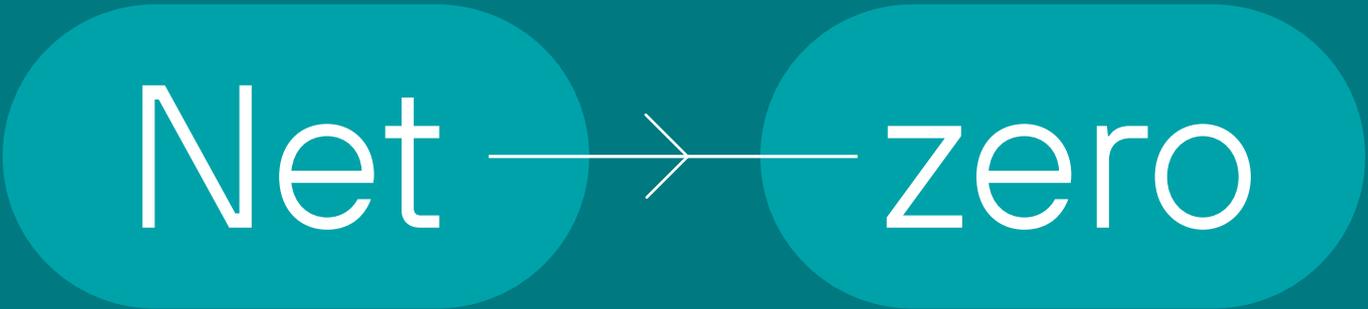
For these purposes, we have allocated resources and put in place clear principles and procedures for data collection and for promoting transparency, responsibility, and the accuracy of reported disclosures.



Ladislav Sepeši
Head of Controlling



We are integrating ESG responsibility into management structures. A third party will audit the quality and accuracy of our ESG disclosures.



Net → zero



strategy

Reducing the carbon footprint is a key element in the effort towards sustainable development. We regard the transition to a low-emission economy primarily as an opportunity to strengthen our long-term investments and to open new market opportunities.

An important step in fighting climate change and global warming is reducing net GHG emissions to zero. Real estate plays a key role in this global effort to counter climate change. With a view to improving our portfolio's financial performance we are making preparations for future changes, such as more stringent regulation, carbon taxation, and new requirements of the tenants who are also setting their own ambitious climate protection targets.

Climate change and the property market

At the COP21 conference held in Paris in 2015, 196 countries' leaders adopted the obligation to hold global warming well below 2°C, with an ambition aimed at less than 1.5°C.

The global economy must be decarbonised by 2050 and significant progress must be made in the current decade. This requires transformational changes across our economy.

Risks

Climate change poses a significant problem for the value of real estate assets at the global markets. It impairs the condition of properties, causes the emergence of political regulation, and changes market requirements. The new legislation that is entering into force can cause quite some issues for properties having no clear decarbonisation plan. This can also be reflected in their market value.

Opportunities

Although the transition to a low-carbon economy will be challenging we are convinced that we will protect and strengthen long-term investments thanks to our proactive approach. Climate change is bringing risks, but it is also opening new opportunities for investment and the formation of new markets.

The net zero strategy permeates the entire investment process

- 1 Acquisition
- 2 Development and renovation
- 3 Operation
- 4 Decarbonisation strategy at the portfolio level
- 5 Deconstruction and divestiture

Our commitments and decarbonisation targets

The objective is completely net-zero operation of our real estate portfolio

Category	Strategic goal and timeframe	KPI
Energy and carbon intensity	Reduce the energy and carbon intensity to zero across our portfolio by 2050	<ul style="list-style-type: none"> • kWh/m²/year • tCO₂/m²/year
CO ₂ data records	Achieve 100% coverage of data on energy (electricity, gas, district heating) in our own consumption (Scope 1 and 2) and in tenants' consumption (Scope 3)	energy contract coverage in %
Electricity generation from renewable sources: photovoltaic plants	Calculate the potential of PV installations across the portfolio and prepare a scheme for such installations	<ul style="list-style-type: none"> • MWh/year
Decarbonisation of properties	Draw up a decarbonisation plan including a scheme for transition to zero-emission sources	% of properties having a plan for improving their energy performance

To contribute to the global effort to hold global warming below 1.5°C (compared with the pre-industrial era) the real estate sector should also be proactive and join the decarbonisation process to achieve zero emissions by 2050. Driven by this vision, we have developed our structured decarbonisation strategy. It aims at making the operation of our real estate portfolio completely emission-free.

Although the transition to zero emissions has to overcome a number of challenges we are convinced that our proactive approach can underpin the long-term sustainability of our investments. Climate change is bringing risks, but it is also opening new opportunities for growth. In the context of social development in general we have decided to proactively reduce our carbon footprint and set medium-term and long-term targets that will help us in this effort.



Radek Hladký
Partner

We believe that the real estate sector forms the future of life in cities.



All our activities will be geared towards net zero by 2050

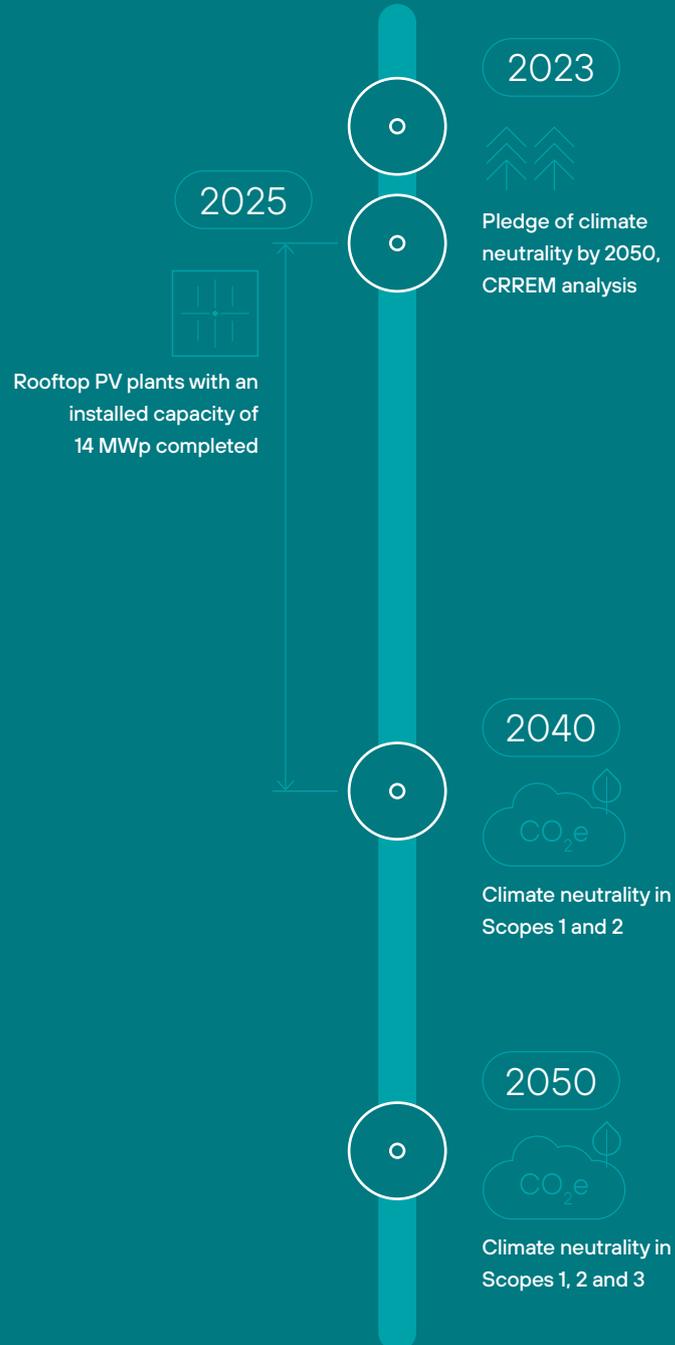
Cooperation with our tenants, with whom we want to set common decarbonisation targets in compliance with the commitments set out in our strategy, is pivotal for us. We will evaluate these targets every year in sustainability reports. All these activities will be geared towards net zero by 2050.

We want to review the impacts of these activities once every three years and on this basis also revise the strategy itself. We will continuously inform investors about the risks and opportunities entailed in the transition to an emission-free economy. In due course, we will also provide information about options for investing in low-carbon technology.



Roman Latuske
Partner

Net-zero timeline



Acquisition

- We analyse the risks and ESG due diligence for all new acquisitions.
- We want to identify all long-term risks associated with impacts on the climate.
- We include the risks entailed in ESG parameters in our investment plans.
- We formulate plans of post-acquisition decarbonisation.

The ESG due diligence process looks at a broad range of ESG criteria. They include, e.g., accessibility of buildings, assessment of their energy efficiency, the climate change risks (such as floods, rising temperature, weather phenomena), access to historical data on utility networks, technical expert reports on equipment, and the existence of automatic metering instruments that read utility consumption.

Operation

We also want to monitor and minimise the carbon footprint originating from our own or our tenants' operation. Green leases are helping us – agreements on exchanging information about energy consumption. We will regularly carry out technical and energy audits to ensure that our decarbonisation plan is in line with the optimisation of our buildings' energy performance at all times. We are also running a project for implementing alternative energy sources.

- Under agreements on exchanging information about energy consumption we measure the carbon footprint originating from our own or our tenants' operation.
- We carry out technical and energy audits to pursue our decarbonisation plan and to reduce our buildings' energy intensity.
- We evaluate the options of installing facilities for alternative energy sources.

Decarbonisation strategy at the portfolio level – operation

Data analysis

Understanding the origin of all CO₂ emissions across the portfolio is the basis for setting measurable targets. We can only set measurable targets, which we will monitor and evaluate, on the basis of specific data.

Risk analysis

We assess the risks entailed in the transition to an emission-free economy. Thanks to that, we are able to identify risks, determine priority measures, and adopt meaningful performance targets at the level of our assets.

Operating procedures

We are changing the operation of properties to reduce energy consumption. We are installing automatic meter reading (AMR) systems, use programmes for improving energy efficiency, and develop arrangements for involving tenants in cooperation.

Retrofits

We work with building technology assessments with a view to decarbonisation and carry out the modifications by renovation plans.

Installation of equipment for renewable electricity generation

We seek to meet our energy demand (our own and our tenants' demand) from our own plants as much as possible via PV installations.

Deconstruction/divestiture

The investments required for preventing the most adverse impacts of climate change are expected to cause significant transfers of capital. The market is becoming increasingly aware of the potential risks related to the impairment of assets having no clear decarbonisation strategy. We therefore strive to grasp the opportunities associated with the transition to an emission-free economy, thereby growing the value of our assets by preparing for future legislative requirements.

Information disclosure

As part of our commitment to net zero carbon emissions we will measure and transparently report our progress in line with the GHG Protocol methodology. In annual reports, we will apply the standards of tried-and-tested procedures for disclosing the key climate performance indicators, including

- total energy consumed (kWh/year) and intensity (kWh/m²/year), and
- total greenhouse gas emissions (tCO₂eq) in accordance with ISO 14064-2 and the carbon intensity of emissions from energy consumption (tCO₂eq/m²/year).

We prioritise low-emission materials

Buildings have a considerable impact on the carbon footprint over their life cycle, from the initial construction to operation, maintenance and renovation to final deconstruction.

A large part of these emissions is associated with the design as early as the designing stage, which concerns both new and refurbished structures, and it is therefore very important to take into account the impacts on the carbon footprint at the early phase of designing. For new constructions and extensive renovations, care must be taken to minimise emissions from the life cycle of materials and low-emission materials should be preferred.



Zdeněk Prázdny
Partner

ZDR ESG strategy: The 2023-2024 roadmap

Action

- E Carry out energy performance certification for all buildings; identify poorly performing buildings worse than C (under Sustainable Finance Disclosure Regulation, SFDR)
- E Find the actual energy intensity of all buildings and select the ones for energy audits/assessment reports
- E Identify the current share of energy bought from renewable sources; find suitable suppliers and set the target share (100%?)
- E Carry out a study on the PV potential at the portfolio level (roofs, parking areas, plots of land; off-site projects); reflect the results in the decarbonisation strategy
- E Select projects suitable for PV installations (cooperation with tenants)
- E Implement PV pilot projects
- E Examine other renewable sources (wind, geothermal)
- E Put in place an internal system for collecting the 2022 data; calculate the portfolio's carbon footprint and set the reduction target (CRREM analysis)
- E Research the accessible software tools and put in place one for collecting the 2023 data
- E Review tenants' contract terms and conditions and include conditions for sharing waste production data in new contracts and in addenda to old contracts
- E Identify water consumption and set the targets for its reduction
- E Carry out feasibility studies for water infiltration and rain/grey water use
- E Identify options for covering parking areas with EVCS
- E For new construction and major refurbishment projects, set up processes for monitoring the share of raw materials (under SFDR)
- E Select projects suitable for enhancing environmental value and biodiversity; cooperation with tenants
- S Formulate green lease addenda; incorporate the addenda into new and extended contracts
- S Create a strategy for tenants' involvement (questionnaires, regular meetings); identify tenants who pursue the same strategic objectives
- S Identify the need and opportunities for alternative transport development and pilot project implementation with a view to enhancing the attraction of alternative transport
- S Assess the accessibility of properties in terms of their sanitary facilities, barrier-free access, and inclusion
- S Identify opportunities for involving the local communities (farmers' markets, local suppliers, philanthropy)
- G Create an ESG due diligence process for new acquisitions and currently owned properties in line with EU Taxonomy and certifications
- G Evaluate the results of due diligence for currently owned properties and opt for the appropriate long-term strategy (mitigation or adaptation)
- G Create/select tools for evaluating climate and transition risks (natural disasters, legislative requirements) and opportunities
- G Create a public ESG strategy signed by the management; communicate it internally and externally
- G Create ESG training for employees in line with the ESG strategy goals
- G Select software tools for data collection and management
- G Issue an internal ESG report (year one)
- G Assess participation in third-party reporting schemes (GRESB, Sustainalytics etc.)
- G Select a minimum standard for new constructions and extensive refurbishments (certification, level) to be in line with EU Taxonomy
- G Write a white paper for new construction and tenants (recommendations in line with EU Taxonomy and certifications)

Glossary of terms

CRREM decarbonisation pathway

Financed by the European Commission, Carbon Risk Real Estate Monitor is a project that develops methodologies for assessing and reducing the carbon risks in the real estate sector. One of CRREM's key outputs is the 'target decarbonisation pathway', or green curve.

Decarbonisation pathway

The decarbonisation pathway is a trajectory to be followed by properties to achieve the Paris Agreement targets and limit global warming to 1.5-2°C. The curves are building type-specific and region-specific trajectories setting out specific annual target values for GHG emissions per square metre of useful floor area. Decarbonisation pathways are a tool that helps investors and asset managers to identify climate change-related risks and opportunities and to create carbon emission reduction strategies.

GHG Protocol for Scopes 1, 2, and 3

The Greenhouse Gas Protocol is an internationally recognised tool for understanding, quantifying, and managing greenhouse gas (GHG) emissions. It sets out a detailed framework to measure and manage GHG emissions, ranging from individual companies to the national level. The GHG Protocol classifies GHG emissions into three categories, or 'scopes':

- Scope 1 emissions are direct emissions from owned or controlled sources.
- Scope 2 emissions are indirect emissions from purchased or acquired energy.
- Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream emissions (e.g., from the supply chain) and downstream emissions (e.g., those of a product over its whole life cycle).

The GHG Protocol is a useful tool for organisations seeking reductions in their carbon footprint and transparency to their customers, investors, and other stakeholders.

Principles of the United Nations Global Compact

The United Nations Global Compact is a UN initiative launched in 2000, which aims to mobilise businesses globally to adopt sustainable and socially responsible policies and processes. The initiative is based on ten universal principles that concern four key areas:

- 1 Human rights
- 2 Labour
- 3 Environment
- 4 Anti-corruption

SDG

Sustainable Development Goals (SDGs) are a collection of 17 global objectives set by the UN in 2015 as part of the 2030 Agenda for Sustainable Development. The SDGs comprise a wide range of areas, such as 'no poverty', 'climate action', 'quality education' and 'gender equality'. The UN has identified specific targets for each goal and provides indicators to measure progress. All countries are being called upon to achieve them.

EU Taxonomy

EU Taxonomy is a classification system created by the European Union that provides a common definition of what can be considered to be 'sustainable' investment. Its objective is to facilitate the transition to a low-carbon economy by setting clear criteria for determining whether an economic activity is environmentally sustainable. EU Taxonomy thus constitutes an important tool for investors, companies, and financial institutions to identify the activities and projects that really contribute to meeting the EU's climate and sustainable development objectives.



UN Guiding Principles on Business

United Nations Guiding Principles on Business and Human Rights is a set of guidelines for States and companies. The Ruggie Principles adopted by the UN in 2011 are intended to ensure that business does not cause human rights violations. They are based on three main pillars:

- 1 'Protect': This pillar emphasises the State's basic duty to protect individuals against human rights abuses by businesses.
- 2 'Respect': This pillar requires business enterprises to respect human rights. This means that they should prevent, minimise and remedy violations of human rights which they cause or to which they contribute.
- 3 'Remedy': This pillar highlights the need for greater access by victims of human rights violations to effective remedy, both judicial and non-judicial.

The Principles provide for the first time a global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity and form the basis for a large number of corporate human rights policies and standards.

Green leases

The inclusion of green provisions in lease agreements reflects ESG principles in practice. The planned addenda to leases contain, for example, exchange of energy consumption data and principles for thermal and/or electrical energy savings.

Net zero

Net zero is a frequently used term in the context of ESG strategies. It refers to the concept of reducing greenhouse gas emissions to zero, i.e., achieving a balance between the amount of GHG produced and the amount removed from the atmosphere. Achieving net-zero emissions is a prerequisite for stabilising global temperature. In their ESG strategies, companies undertake to reduce their own GHG emissions and they invest in technologies and practice that remove GHG from the atmosphere. The term can also refer to reductions in emissions along the company's whole supply chain.

CO₂ equivalent

CO₂ equivalent (CO₂eq) is a metric measure used to compare the emissions from various greenhouse gases. Different GHG types have different global warming potentials (GWP). For example, one metric tonne of methane (CH₄) is usually regarded as the equivalent of 25 tCO₂, because the GWP of methane is 25 times higher than that of CO₂. This metric therefore helps to compare and quantify the emissions of different greenhouse gases.

In the EU, building operations are responsible for 28% of CO₂eq emissions annually. They are produced mainly by energy consumption for space and water heating and electricity consumed. The transition to renewable energy significantly reduces the carbon footprint during the operating phase of buildings' life cycle.

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