

ESG Strategy VERIANOS

1. Information on sustainability risk management and main adverse impacts on sustainability factors

Our planet and society face a number of global sustainability challenges, including climate change, natural resource depletion, biodiversity loss and inequality.

For the financial services sector, the EU has published, among others, the so-called Disclosure Regulation (Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector, SFDR) and the Taxonomy Regulation (Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment). Both regulations are relevant and binding for the VERIANOS AIF capital management company VERIANOS Capital Partners GmbH, hereinafter "VCP" or "Company".

In this document, we describe our strategy for incorporating sustainability risks into investment decisions in accordance with the Disclosure Regulation. An advertisement of environmental or social characteristics in the investment decision of VCP is currently neither existent nor intended.

2. Importance of sustainability for the VCP

The VCP's approach is based on the conviction that only long-term client relationships create sustainable added value for both sides. There is an awareness that lasting successful cooperation can only be achieved when there is identity of interest between all parties involved.

VCP wants to realise and secure its corporate success in the long term on the basis of shared values and principles, technical professionalism, personal integrity, social competence and ecological awareness. This begins with an awareness of the importance of environmental, social and governance (ESG) factors and provides VCP with the opportunity to highlight its contribution to society while growing profitably.

The successful and continuous historically positive business development in the area of initiating, launching and managing closed-ended special AIFs will lay the foundation for future selective, diversified and sustainable corporate growth. We consider ourselves not only as a long-term investor, but also want to use our investments to enhance the urbanity of city centres, which has grown over centuries and their quality of life for people. Vibrant city centres combine an attractive and identity-forming appearance with a balanced mix of living, meeting, working, education, leisure, culture and gastronomy. We want to strengthen this.

In line with this, VCP's investment area in recent years has concentrated on Spain and Germany, with offices in Valencia and Cologne, which means that VCP operates almost directly in the domestic market. By focusing on regionality, distances are kept short, which reduces travel and promotes regional business. As a result, CO₂ emissions are effectively reduced. Employees in the regions are responsible for the operative business. This means that relevant decisions can be made quickly and

directly on site. In addition, VCP supports the use of video conferencing to reduce the need to travel for face-to-face meetings. Targeted offers for the use of public transport and rail (job ticket / rail card) are intended to encourage employees to prefer environmentally friendly travel alternatives. Through this approach, VCP makes an important contribution to the environment by minimising the risk of negative impacts on the environment and the associated reputational risk for VCP. At the same time, this also reinforces the regional economy.

3. Strategies for dealing with sustainability risks in investment decision-making processes within the AIF¹

VCP continuously develops and evaluates new investment strategies and concepts in the form of AIF products, which vary according to sector, geography and asset size. An investment strategy is usually country and sector specific and always includes a clearly defined investment concept. Currently, the Company manages the following AIFs:

- SMC 1 S.à r.l. & Co. geschlossene InvKG
- SMC 3 GmbH & Co. geschlossene InvKG
- LCBH GmbH & Co. geschlossene InvKG
- Valencia Invest GmbH & Co. geschlossene InvKG
- VEREOF GmbH & Co. geschlossene InvKG

Within these generic strategies, the aim is to significantly improve the economic and real estate characteristics of the property by implementing active asset management strategies, which may include repositioning, leasing, selling, rezoning, redevelopment or new development. ESG criteria are not a priority in the conception of the Company's opportunistic products, and therefore no particular attention is paid to sustainability risks. As a matter of principle, the Company strives to identify and realise all value enhancement potential at all levels of the investment process and investment life cycles. However, the goal of all investment decisions is capital protection and the achievement of the forecasted target returns. We do not see this as a contradiction to ESG criteria and are convinced that responsible investment initiatives such as efficiency improvements, cost reductions and emission reductions can increase the attractiveness of the investment and consequently be reflected in the sales price.

¹ REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector; Article 3(1) financial market participants shall publish on their websites information on their strategies for integrating sustainability risks into their investment decision-making processes.

4. Disclosures on the consideration of adverse impacts of investment decisions on sustainability factors²

Sustainability factors describe environmental, social and labor concerns, respect for human rights and the fight against corruption and bribery. Investing in a financial product can lead to negative sustainability impacts depending on the underlying asset (e.g., investing in a company via shares, bonds or investment funds), for instance if that company violates environmental standards or human rights in a serious way.

Since VCP has less than 500 employees, the Company is not obliged to consider adverse impacts of investment decisions on sustainability factors. Any potential adverse impacts of investment decisions and recommendations on sustainability factors are not yet systematically and thus comprehensively considered by VCP regarding the most significant adverse impacts on sustainability factors within the meaning of Art. 4 (1) (a) Disclosure Regulation for reasons of appropriateness. The legal requirements are not sufficiently specific for this. There are currently still a large number of unresolved detailed questions with regard to the specific requirements for the measuring and reporting of adverse impacts. However, VCP is monitoring the growing supply of ESG data from providers and will decide on the establishment of corresponding processes appropriate to the size of the organisation as soon as the supply of reliable data permits.

VCP explicitly states that the current approach does not change its willingness to contribute to a more sustainable, resource-efficient economy with the aim of reducing the risks and impacts of climate change and other environmental or social ills.

5. Information on the consideration of sustainability risks in the remuneration policy

For VCP, it is a given that, in addition to social sustainability criteria, such as appropriate compensation, fair and safe conditions at the workplace, diversity and training and development opportunities, sustainability criteria from the area of governance, including measures to prevent corruption, ensuring tax honesty, respecting employee rights and guaranteeing data protection, are an integral part of the corporate and remuneration policy.

Accordingly, VCP also aligns its remuneration policy with these objectives and attaches importance to ensuring that it is consistent with the inclusion of sustainability criteria and our corporate principles. In particular, VCP's compensation structure must not favour risk-taking in regard to sustainability risks. Correspondingly, only those parameters are used as a basis for the assessment of variable remuneration components that in line with this requirement.

ONLY THE GERMAN VERSION OF THIS DOCUMENT IS BINDING. THIS ENGLISH TRANSLATION IS FOR INFORMATIONAL PURPOSE ONLY.

² REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector; Article 4 para (1) Financial market participants shall publish on their websites information on adverse sustainability impacts at the level of the company (so-called "principal adverse sustainability impacts statement").