

ESG Policy for the BVK-Europa I real estate fund SCS

Introduction

Livory Capital is a company with sector-specific expertise and extensive experience in the real estate industry. We offer our partners a holistic range of services that covers the entire real estate cycle - including acquisition, portfolio management, refurbishments, repositioning and exit structuring. Our focus is on a sensible and sustainable balance between value appreciation and potential risk. This applies both to portfolio management as well as analysis regarding development potential. In 2018, Livory Capital launched a hotel fund with the BVK (Bayerische Versorgungskammer) with Universal-Investment acting as service KVG (German abbreviation for Capital Management Company) - the BVK-Europa I-Immobilienfonds SCS fund. This is a special investment fund under Luxembourg law that invests in hotels in the D-A-CH region (i.e. Germany, Austria and Switzerland). Livory Capital's mandate ranges from the acquisition through management to the exit of the hotel properties.

Livory Capital has defined high sustainability standards that protect against potential revenue loss by providing resilience in the face of tightening regulatory requirements, fluctuating operating costs and changing expectations of occupiers and future buyers. At the same time, our sustainability strategy leads to improved liquidity, increased tenant retention and higher revenue growth. This ESG policy describes the sustainable management aspects specific to this hotel fund.

Overarching goals

Livory Capital's main sustainability goal in managing this fund is to reduce greenhouse gas emissions from existing buildings. Reduction targets have been set for the coming years, with the reference year 2021 applying in each case: reduction of at least 22% of greenhouse gas emissions by 2025, at least 49% by 2030 and 100% by 2045 (overarching climate protection targets). These goals conform with targets defined by BVK, which is part of the NZAOA (UN-convened Net Zero Asset Owner Alliance) initiative. These goals also support the sustainability goal SDG 13 - which is part of the UN Sustainable Development Goals (SDGs). Further ESG commitments covering corporate, investment management and asset management areas are described in the following sections.

The fulfilment of our ESG commitments is assisted by a structured management approach based on an integrated environmental management system according to ISO 14001 - at all levels and concerning all fund activities. This is subject to a continuous improvement process (Plan - Do - Check - Act). Within this framework, the implementation of the ESG goals is regularly reviewed and adjusted if necessary. Accordingly, new, relevant ESG aspects affecting us and our activities are constantly identified (Plan). Based on these results, new ESG measures are implemented (Do) and reviewed (Check) in order to adjust the ESG measures as necessary (Act).

Sustainable corporate governance

Livory Capital's corporate governance is based on a transparent and legally compliant compliance-culture and organisation. The focus is on acting according to ethical principles as well as on respect, dialogue and building trusting relationships with employees, business partners and other stakeholders.

In day-to-day business operations, the following measures, among others, are implemented and continuously optimised:

- Money laundering prevention
- Diversity and equality within the employee structure
- Staff training on ESG and other current topics
- Regular employee information events

Our employee well-being is very important to us. For this reason, the company carries out various personnel development measures and offers its employees a wide range of additional benefits:

- Subsidy for bicycle or public transport tickets
- Internal and external training and development opportunities
- Possibility to work part-time as well as mobile working
- Fruit, vegetables, water and tea are provided free of charge to all employees.

In addition, Livory Capital adheres to the 10 principles of the UN Global Compact, which are listed below:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;

- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Investmentmanagement

Certain ESG requirements are considered in the due diligence phase for new assets, allowing strengths and weaknesses from a sustainability perspective to be identified from the outset:

- Consideration of sustainability aspects in the due diligence phase:
 - Site analysis with regard to physical climate risks (floods, heat, drought, fires, etc.) and review of ways to improve resilience
 - Risks from contaminated sites (soil and groundwater) and building pollutants
 - Energy efficiency (quality of building envelope and MEP)
 - Energy consumption (or energy demand in the case of refurbishments) and associated greenhouse gas emissions, as well as opportunities to improve energy efficiency (also to reduce operating costs and increase the value of the investment) and to increase the share of renewable energies.
 - Water efficiency
 - Material and resource efficiency (for refurbishments)
 - Indoor environmental quality
 - Green spaces and biodiversity
 - Digitisation
 - Stakeholder engagement
- A stranding risk analysis according to CRREM (Carbon Risk Real Estate Monitor) to meet the 1.5 °C target and indicate a possible climate protection roadmap to avoid stranding risk.
- Verification of compliance with the Taxonomy according to environmental goal 1 (mitigation of climate change)
- Proposal of asset-specific sustainability measures that can be integrated into the business plan (CAPEX).

The minimum requirement for an asset purchase is that the stranding risk date is a minimum of 10 years after the assumed exit date. Taxonomy compliance is also a prerequisite for a purchase.

Asset Management

Livory Capital considers the effective management of environmental impacts and risks to be a central part of its fiduciary obligations. We are therefore committed to designing asset management to maximise the sustainable value of assets under management. The following measures have been integrated into asset management to achieve a continuous improvement in ESG performance:

- Integration of the identified sustainability issues from the acquisition phase into asset management with regular reassessment of ESG aspects.
- Implementation of sustainability clauses in service provider and lease agreements, including publication of a sustainability guide for tenants (as an annex to the Green Lease).
- The property management, in cooperation with the hotel operators (tenants), is encouraged to extend its advice beyond the ongoing operation of the respective hotel building and its technical facilities and to make suggestions for improving sustainability.
- Continuously review ESG activities with property management and tenants to align expectations and results and agree on possible measures for optimisation.
- Annual participation in the GRESB rating to continuously measure and improve the fund ESG performance.
- Develop a regular consumption data collection process for heat, electricity, water and waste as part of the annual GRESB reporting, to which property management is committed; improve metering infrastructure.
- Define achievable medium- and long-term targets for reducing the environmental impact of the assets, especially in terms of energy consumption and CO₂ emissions to meet overall climate change targets, water consumption and waste generation.
- Regular update of the stranding risk analysis and the climate protection roadmap based on the GRESB report.
- Development of regular sustainability reporting, in order to fulfil disclosure obligations.

Concluding remarks

Livory Capital is committed to integrating the above ESG practices into its business strategy and operations. In doing so, Livory Capital treats partners and suppliers with respect and integrity in order to develop lasting and trusting business relationships. This ESG Policy and the commitments made therein are under constant review and will be updated as necessary to ensure that we are successful in this aim.

Our overarching goal is to make a positive contribution to solving society's sustainability issues through the operation of the company.

Berlin, 3 May 2023



Simon Behr
Managing Director



Dr. Christian Habermann
Authorised Signatory