

SUSTAINABILITY-RELATED DISCLOSURES

Product name: TSC FUND SCA SICAV-SIF – Eurocare Real Estate Fund

Legal entity identifier: Threestones Capital Management S.A. - 222100KP7CK4SUCKMB28

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ARTICLE 10 SFDR DISCLOSURE: WEBSITE PRODUCT DISCLOSURE FOR FINANCIAL PRODUCTS THAT PROMOTE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

(a) Summary

Financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that promote environmental or social characteristics. The summary section shall have a maximum length of two sides of A4-sized paper when printed.

As a responsible AIFM, Threestones considers an integral part of its duty to respect environmental, social and governance (ESG) principles when investing capital on behalf of our investors. Threestones considers ageing population and climate change to be two of the biggest issues of our time. We strive to integrate ESG analysis into our investment decision-making process by targeting undersupplied areas of healthcare properties. Our goal is to generate long-term sustainable performance to our investors while endeavouring to achieve positive outcomes for society by providing high quality facilities to the elderly population and offering quality buildings.

Threestones is aware that each investment is exposed to sustainability risks, which could have a significant impact on the future value of the asset. At the same time, Threestones is aware of the impact that its investments have on the environment. Therefore, the Portfolio Management Team identify and analyse sustainability risks as part of the pre-acquisition due diligence and during the holding period. The objective is the continuous improvement of the ESG performance of the assets in the portfolio.

An analysis is carried out during the acquisition phase to classify all assets as early as possible under an ESG perspective. A due diligence allows the identification of major sustainability risks for each investment and an explanation for their mitigation in the future. Assets which present an overall high level of non-financial risk will be excluded. The potential for improvement with regard to the environmental and social characteristics promoted is assessed to establish an improvement plan over the holding period (best in progress approach).

Key ESG performance indicators are monitored annually and are the subject of an annual collection of quantitative and qualitative information enabling the EURO CARE fund to monitor the ESG performance of assets over time.

As far as that Eurocare Real Estate Fund is fully invested since December 2021, not all steps listed below were in place at the time of portfolio construction (i.e., pre-SFDR entry into force)

(b) No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

Financial market participants shall describe the environmental or social characteristics that the financial products promotes.

The environmental and social characteristics promoted by the financial product are the following:

1. Monitor and decrease GHG emissions from the real estate portfolio via targeted CapEx measures. While considering idiosyncratic features of each building, target CapEx will be implemented on the properties to e.g., improve insulation, façades and roofs, as well as substitution of HVAC systems, lifting machinery and other technical installations, with the aim to improve the quality of each item and, therefore, reduce energy consumption and GHG emissions over the investment period of Threestones.
2. Work towards obtaining green building certification
3. Improve residents' comfort and understand the quality of care, while collaborating with operators to reach target social and governance goals

(d) Investment strategy

Financial market participants shall describe all of the following:

- (a) the investment strategy used to meet the environmental or social characteristics promoted by the financial product;

The binding elements of the investment strategy used to select the investments to attain each of the environmental and social characteristics are the following:

- As from 2023, technical & environmental due diligence, to understand the technical features of each property
- Market analysis to understand total supply of care beds in the area, as well as relevant competition and specific local demographics
- CapEx budget to improve environmental and social aspects of each property, for the benefits on the environment (i.e., energy efficiency measures) and the residents (i.e., internal design improvements, greening of internal yards etc.).

The sustainability indicators used to measure the attainment of each of the environmental or social characteristics promoted by this financial product will be:

1. Monitor and decrease GHG emissions from the real estate portfolio via targeted CapEx measures
 - GHG emissions – Scope 1 - kgCO₂eq
 - GHG emissions – Scope 2 - kgCO₂eq
 - GHG emissions – Scope 3 - kgCO₂eq
2. Work towards obtaining green building certification
 - % of assets with an environmental certification
3. Improve residents' comfort and understand quality of care
 - % of operators adopting a code of ethics
 - % of assets/leases in place which include green clauses (A green lease is a standard form lease with additional clauses included which provide for the management and improvement of the Environmental Performance of a building by both owner and occupier(s). Such a document is legally binding and its provisions remain in place for the duration of the term.)

- % of assets with offer green transportation options
- % of single rooms in each facility

The list of sustainability indicators could be reviewed annually to ensure consistency with stakeholders' demand, including regulatory requirements.

(b) the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Threestones uses subsidiaries, falling within the definition of "investee companies" given by SFDR, to invest in fine in real estate assets. Such investee companies are fully owned subsidiaries of Eurocare Real Estate Fund and are managed in accordance with policies adopted by the AIFM. Threestones considers such investee companies to be fully transparent for SFDR purposes.

In addition, Threestones includes additional governance checks on each property owned by each investee company, via monitoring of specific KPIs to assess good governance practices of the real estate assets' tenants. Pre-investment analysis KPIs:

- Reputation operator: have any ESG controversies been identified regarding the operator? Is the reputation of the operator clean of any potential allegation related to fraud, maltreatment of employees and/or residents? *If the Operator has had ESG controversies in the past or has a bad reputation, Threestones will do all reasonable efforts to mitigate such controversies for the future and, if any remediation action is not possible, it will not invest.*
- AML-KYC checks: is the operator and/or the seller part of any blacklist that could link their activity to criminal investigation, money laundering or terrorism financing?

Annual monitoring KPIs:

- Code of Ethics Operator: Has the operator implemented a code of ethics?
- Green Lease Clauses: do the contracts established for the lease of the asset include a green clause?
- ESG discussed annually: is ESG discussed annually with the operator during the holding period?
- Resident satisfaction: does the operator assess the resident / residents' families satisfaction?

Threestones considers the principal adverse impacts of investment decisions on sustainability factors. The Sustainability Committee ensures principal adverse impacts are embedded in Threestones' investment process.

(e) Proportion of investments

Financial market participants shall insert the information referred to in Article 14 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.

The financial product will allocate 80% of its investments in investments promoting “Other E/S characteristics”. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. As such, the minimum share of investments that are aligned with the EU Taxonomy is 0%.

(f) Monitoring of environmental or social characteristics

Financial market participants shall describe how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.

The ESG performance of the assets under management of the EURO CARE fund is assessed annually by the asset and property managers of Threestones. Each year, at least one visit is planned for each property, in order to verify the correct maintenance of the asset, the implementation of the CapEx budget approved the year before, inquire operators about which technicalities of the property are good and which could be improved, to talk about sustainability improvements etc.

Key ESG performance indicators are monitored annually and are the subject of an annual collection of quantitative and qualitative information enabling the EURO CARE fund to monitor the ESG performance of assets over time. Consumption data of the properties are onboarded onto the BuildingMinds platform and monitored over time.

(g) Methodologies

Financial market participants shall describe the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.

The environmental performance of the portfolio is measured via collection of the annual consumption data. Such data has been collected manually so far but Threestones is working with different providers in order to install smart meters which allow continuous monitoring of consumption through time. Consumption data are reported in the BuildingMinds platform and the environmental performance of the assets is monitored there.

The social and governance characteristics are intrinsic to each asset/lease agreement/operator and are monitored via the support of the asset and property managers during their annual (and/or *ad hoc*, if needed) property visit and meeting with the operators. Information are reported quarterly to Threestones at the quarterly meetings in Berlin and Rome.

(h) Data sources and processing

Financial market participants shall describe all of the following:

(a) the data sources used to attain each of the environmental or social characteristics promoted by the financial product;

Threestones relied on the energy bills provided by the operator in order to assess consumption data. In the future, data collection will be automated via the installation of smart meters, which will be directly linked to BuildingMinds software to collect and monitor asset data on consumption (energy, water, gas, etc.). The social and governance characteristics are monitored via the support of the asset and property managers during their annual (and/or *ad hoc*, if needed) property visit and meeting with the operators.

(b) the measures taken to ensure data quality;

The control plan of Threestones is as follows:

- Application of different levels of review “four-eye checks” during the collection and preparation of the data as requested by BuildingMinds;
- Review of possible significant deviations from past consumption values, in the same time frame of the year, to potentially inquire operators on the reason behind outlier values;
- The Property Managers, with the help of BuildingMinds and of the Portfolio Management Team, will gather information on consumption and will help develop a specific budget to improve the ESG performance of the portfolio

(c) how data are processed;

For the first years of collection, data have been collected manually from energy bills, information from operators and other ways. Going forward, Threestones aims to have all data collected monthly automatically via the smart meters installed.

Each year, ESG data is discussed through updates of the sustainability indicators of all assets, and the overall ESG assessment of the portfolio is made. In addition, consumption data are monitored at least annually via the BuildingMinds platform.

The implementation and monitoring of improvement plans aim to increase the ESG performance of the assets under management.

(d) the proportion of data that are estimated.

Less than 10%

(i) Limitations to methodologies and data

Financial market participants shall describe all of the following:

(a) any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h);

Not applicable

(b) how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.

Not applicable

(j) Due diligence

Financial market participants shall describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.

For each investment, Threestones engages with external consultants to conduct different due diligences on the target asset: legal, financial, market analysis and technical and environmental due diligence evaluate items such as building equipment (fire protection, ...) and maintenance, effectiveness of ownership status in the cadastre, licenses to operate, demand and supply imbalances in the area, etc. The environmental due diligence complements the technical due diligence and investigate on potential land contamination, risk of flooding, earthquake, status of building installations and systems (heating, ventilation, ...).

(k) Engagement policies

Financial market participants shall describe the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.



Building relationships and dialogues with the top-tier operators managing the properties part of the portfolios of Threestones is key to address ESG issues. The behaviours of the tenants directly affects the day-to-day operations of the assets in matter of energy consumption, recycling and elderly well-being. Threestones will also try to gather the view of its operators on what they consider as material ESG issues to improve the understanding of the areas of intervention to better align the interests of all stakeholders on a long-term perspective. ESG issues are also discussed by the Property Managers during their onsite visits on the properties and findings reported to Threestones at the quarterly meetings. In addition, all new lease agreements negotiated by Threestones since 2022 have different ESG clauses discussing the engagement between tenant and landlord on sustainability issues.