

SUSTAINABILITY-RELATED DISCLOSURES

Product name: TSC FUND - EUROCARE IV

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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. Threestones completes an ESG scorecard allowing the identification of major sustainability risks for each investment and an explanation for their mitigation in the future. An exclusion based on the overall ESG performance of the asset is applied. Assets with a negative overall ESG rating on the rating scale, and which therefore seriously contravene the criteria for responsible investment, or which present an overall high level of non-financial risk, will be excluded. The ESG assessment methodology of each asset allows us to assess the potential for improvement with regard to the environmental and social characteristics promoted sought and thus 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 EUROCARE IV fund to monitor the ESG performance of assets over time.

(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:

- ESG assessment methodology: each asset gets an initial ESG rating via the ESG Scorecard. In the event that the asset scores below the minimum threshold established by Threestones Capital, Threestones Capital won't invest. The minimum threshold is a rating of 30%.
- ESG included in Investment Memorandum.

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 assets with a certification related to the well-being of users
 - % of assets covered by an analysis on comfort and quality of life
 - % of assets assessing resident satisfaction
 - % of assets measuring and improving indoor air quality and water quality
 - % of assets with outdoor relaxation areas
 - Number of added care beds since acquisition

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:

- Code of Ethics Operator: Has the operator implemented a code of ethics?
- 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.

Additional annual monitoring KPIs:

- 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 assessment of the assets under management of the EURO CARE IV 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 IV 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 EURO CARE IV Fund's ESG scorecard is made up of 27 indicators, divided into 12 themes specific to the three areas: Environment, Social and Governance.

Areas	Themes	Indicators
Environment	5	11
Social	5	12
Governance	2	4
Total	12	27

Each year, ESG data is measured through an update of the ESG Scorecard of all assets, and the overall ESG assessment of the portfolio is made. In addition, consumption data are continuously monitored via the BuildingMinds platform.

(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;

The ESG scorecard will be filled by the Investment Team, and controlled by the Risk Team and the Compliance Team. 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 score of the portfolio
- The Portfolio Managers are responsible for the completeness of the ESG Scorecard and to identify any inconsistencies or discrepancies in order to establish a first and second level of control over the ESG score assigned
- The Head of Risk will control the correct implementation of the ESG Scorecard and gave the final approval on the scoring achieved at acquisition by each target asset
- The aggregated ESG score will be brought annually to the attention of the Sustainability Committee for annual reporting.

(c) how data are processed;

ESG analysis of assets during the acquisition phase.

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 measured through an update of the ESG Scorecard 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.