

Principal adverse sustainability impacts statement - Threestones Capital Management SA

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Financial market participant

This statement is issued by **Threestones Capital Management S.A., LEI: 222100KP7CK4SUCKMB28**

Summary

Threestones Capital Management S.A. ("**Threestones**") considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Threestones.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

In line with sustainability-related disclosures in the financial sector ("**SFDR**"), Threestones considers the PAI of its real estate investments to be related to the energy consumption of its assets and associated carbon emissions. In its funds under management which consider sustainability factors, Threestones undertakes to monitor at a minimum the following indicators:

- Exposure to energy-inefficient real estate assets
- Exposure to fossil fuels through real estate assets
- GHG emissions
- Energy consumption intensity

Threestones considers principal adverse impact at entity level by measuring and monitoring the aggregated negative impact on sustainability factors of its funds' investments. In its funds under management which consider sustainability factors, Threestones considers the mandatory principal adverse impact indicators as well as the two following voluntary indicators defined by SFDR :

- Land degradation, desertification & soil sealing;
- Lack of anti-corruption and anti-bribery policies.

During this first reference period, Threestones' main focus regarding consideration of PAIs was around the sustainability strategy implementation and the data collection, including the current installation of smart meters across the in-scope assets to automate data collection and management.

Description of the principal adverse impacts on sustainability factors

The EU regulation (EU) 2019/2088 on SFDR defines "sustainability factor" to mean "environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters". Principal adverse impacts are described by a list of environmental, social and governance indicators listed below and in line with the Commission Delegated Regulation (EU) 2022/1288. Where relevant to Threestones' investment activities, the following information summarizes the metrics, impacts and associated remedial actions undertaken and planned, related to adverse impacts.

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Unit of Measure	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	tCO2eq	0	-	100% coverage rate	Not applicable to investee companies
		Scope 2 GHG emissions	tCO2eq	0	-	100% coverage rate	Not applicable to investee companies
		Scope 3 GHG emissions	tCO2eq	13,775	-	71% coverage rate	Emissions are not directly dependent on Threestones, but rather on its tenant. We target contributing to the reduction of this metric via energy efficiency measures implemented annually on our properties and engagement with tenants on sustainability topics.
		Total GHG emissions	tCO2eq	13,775	-	71% coverage rate	Emissions are not directly dependent on Threestones, but rather on its tenant. We target contributing to the reduction of this metric via energy efficiency measures implemented on our properties throughout our holding period and engagement with tenants on sustainability topics.
	2. Carbon footprint	Total GHG emissions	tCO2eq/€M	15	-	71% coverage rate	Carbon footprint is not directly dependent on Threestones, but rather on its tenant. We target contributing to the reduction of this metric via energy efficiency measures implemented on our properties throughout our holding period and engagement with tenants on sustainability topics.
	3. GHG intensity of investee companies	GHG intensity of investee companies	tCO2eq/€M	604	-	71% coverage rate	GHG intensity is not directly dependent on Threestones, but rather on its tenant. We target contributing to the reduction of this metric via energy efficiency measures implemented on our properties throughout our holding period and engagement with tenants on sustainability topics.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	%	0%	-	100% coverage rate	Not applicable
5. Share of nonrenewable energy consumption and production	Share of non-renewable energy consumption and nonrenewable energy production of investee companies from nonrenewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	%	0%	-	100% coverage rate	We target collecting a more complete set of data, as we have solar panels and other forms of renewable energy in different properties. For the current year, we have assumed all energy is coming from non-renewable sources.	
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	GWh/ME	0.05	-	71% coverage rate	Energy consumption is not directly dependent on Threestones, but rather on its tenant. We target contributing to the reduction of this metric via energy efficiency measures and engagement with tenants on sustainability topics.	
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	%	0%	-	100% coverage rate	Not applicable
Water	8. Emissions to water	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	tons	0	-	100% coverage rate	Not applicable

Adverse sustainability indicator		Metric	Unit of Measure	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	tons/€M	0	-	100% coverage rate	Not applicable
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS							
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	%	0%	-	100% coverage rate	Not applicable
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	%	100%	-	100% coverage rate	Such policies are present at Threestones Capital Management level, and not to our "investee companies"
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies		N/A	-	100% coverage rate	Not applicable
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	%	81%	-	100% coverage rate	-
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels controversial weapons	%	0%	-	100% coverage rate	Not applicable
Indicators applicable to investments in sovereigns and supranationals							
Adverse sustainability indicator		Metric		Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	tCO2eq/€M	N/A	-		
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	%	N/A	-	This section is not applicable as Threestones Capital does not manage investments in sovereigns and supranationals.	
Indicators applicable to investments in real estate assets							
Adverse sustainability indicator		Metric		Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	%	0%	-	100% coverage rate	No action taken as we have no exposure to fossil fuels via real estate assets
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	%	46%	-	73% coverage rate	

Adverse sustainability indicator		Metric	Unit of Measure	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Other indicators for principal adverse impacts on sustainability factors							
Indicators applicable to investments in investee companies							
Adverse sustainability indicator		Metric		Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Water, waste and material	2.10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing	%	0%	-	100% coverage rate	Not applicable
Anti-corruption and anti-bribery	3.15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	%	100.0%	-	100% coverage rate	Such policies are present at Threestones Capital Management level, and not to our "investee companies"
Description of policies to identify and prioritize principal adverse impacts on sustainability factors							
<p>The identification and prioritization of principal adverse impacts on sustainability factors is shaped by Threestones' Sustainability Policy, which establishes that principal adverse impacts of its investments are monitored in a number of ways, including broad screening criteria, monitoring of norm violations, and its own proprietary ESG scoring system. The PAIs are monitored at Fund level, and Threestones uses the BuildingMinds platform to monitor environment related principal adverse impacts across its funds or sub-funds concerned. This activity is supported by Threestones' Sustainability Committee which meets at least once a month and is responsible for overseeing the sustainability strategy and monitoring its implementation. The Sustainability Committee comprises members from the investment team, as well as the head of compliance, head of risk and sustainability managers.</p>							
Data quality and limitations							
<p>While best efforts are made to collect data from underlying investments to assess and report on adverse impact indicators, there are factors, including industry-wide challenges, that limit data availability, particularly where data owners, such as building tenants to which the utilities are in the name of, are not obligated to share consumption data. In addition, SFDR is subject to ongoing clarification and does not currently provide specific definitions for certain indicators. The definition of energy inefficient asset exposure is notably based on an EPC rating of "C", whereas EPC ratings are not harmonized across jurisdictions, and several do not currently use a letter-grade rating system.</p> <p>As this is the first disclosure of this kind, there are limitations to its accuracy, but it is intended that the quality will be improved over time. Threestones is making best efforts to increase data availability, such as through asset-level measures, including installation of smart meters and implementation of green leases, and company-wide measures, including a review of ESG data management platforms, engagement with service providers, and allocation of dedicated resources for data processing.</p>							
Engagement policies							
<p>As part of its commitment towards implementing a responsible investment approach, Threestones believe it is of importance to raise awareness, informing, and engaging with key stakeholders involved in the day-to-day management and use of assets to understand the best practices applied. In that perspective, Threestones implemented a Stakeholder Engagement Policy, as well as a Transparency Code, applicable to its latest generation of fund under management, including commitment towards investors, employees, residents as well as to operators, facility managers and construction companies. As such, Threestones aims to strengthen stakeholder engagement by regularly communicating ESG initiatives, progress and performance to third parties, as well as incorporating their feedback into its ESG strategy and decision-making processes.</p>							
References to international standards							
<p>Threestones conducts its business according to the international highest standards and is a member of the Principles for Responsible Investment ("UN PRI" or "PRI").</p> <p>As a real estate fund manager, Threestones is also a member of industry sustainability initiative such as the Global Real Estate Sustainability Benchmark ("GRESB"), that provides actionable and transparent ESG data on portfolio of properties to financial markets participants. Threestones reports every year through these initiatives and receives an annual score on the compliance to the processes stated above.</p>							
Historical comparison							
Not applicable as it is the first year of reporting.							