

# Sustainability Principles

Requirements and guidance on Taaleri Real Estate's sustainable processes management

**TAALERI**  
Real Estate

### Document basic details

Purpose	To describe and define the approach of Taaleri Real Estate regarding sustainability in investment activities and management, in line with Taaleri Plc's overall approach and requirements.
Update frequency	As necessary
Approver and date (original date)	The Management Team of Taaleri Real Estate Ltd (29 March 2022)
In force (date)	29 March 2022
Responsible organisation	Taaleri Real Estate
Contact person	Mikko Krootila (Managing Director, Taaleri Real Estate Ltd), Timo Metsälä (Director, Real Estate Development) Salla Kalliola (Head of Asset Management, Portfolio Management), Karoliina Laine (Sustainability Manager, Taaleri Plc)
Related regulation	This document is not directly based on any specific regulatory requirements. However, the document aims to support in responding to (further developing) requirements of, e.g. the EU's Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation.

### Version History

Approved (date)	In force (date)	Updates made
29 March 2022	29 March 2022	Document created
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<i>5 February 2025</i>	<i>5 February 2025</i>	<i>Updated and refined based on the updated strategy, terminology and modus operandi</i>

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# Introduction and underlying requirements

## Purpose and basis

The purpose of the Sustainability Principles ("**Sustainability Principles**") is to define Taaleri Real Estate Ltd's ("**Taaleri Real Estate**"), a subsidiary of Taaleri Plc ("**Taaleri**" or the "**Group**"), approach to responsible investing and sustainability in asset management, in line with Taaleri's overall sustainability approach and requirements.

The Sustainability Principles describe Taaleri Real Estate's methodology and approach towards strategic sustainability objectives, and how considerations of sustainability risks and value creation opportunities are integrated to the investments made through any of our investment vehicles ("**Investment Activities**").

In addition to the Sustainability Principles, Taaleri Real Estate shall comply, for example, with

- Taaleri Real Estate's Partner Code of Conduct
- Taaleri's Code of Conduct
- Taaleri's Sustainability Risk Policy and
- Taaleri's Sustainability Policy

in its Investment Activities. Taaleri Real Estate also defines other relevant principles and guidelines to ensure compliance and strengthen its commitment to responsible business and impact management. The Sustainability Principles are interlinked with Taaleri Real Estate's Partner Code of Conduct, which expresses ethical standards and codes of conduct relevant to Taaleri Real Estate's service providers and construction contractors.

It is essential for Taaleri Real Estate to operate in a sustainable way and to develop our business in a way that adds value to our investors as well as other stakeholders, including the countries and local communities in which we operate. For us, sustainability is about protecting our environment, human well-being, equality and good corporate governance and the development of innovative solutions.

The Sustainability Principles can be amended from time to time. The most recent version of the Sustainability Principles is accessible on the website [www.taalerikiinteistot.com/en](http://www.taalerikiinteistot.com/en) and may be provided via other channels to Taaleri Real Estate's relevant stakeholders as applicable.

## Reporting (suspected) breaches or requesting further information

Any individual may anonymously and confidentially report non-compliance or suspected breaches of the Sustainability Principles through Taaleri's Whistle Blowing Channel, accessible at [www.taaleri.com](http://www.taaleri.com). The reporting can be conducted in one's native language. The non-compliance or suspected breaches reported in another language than Finnish, Swedish, or English are translated into English.

Taaleri employees may also notify their supervisors or the management directly of any possible non-compliance or suspected breaches identified. Taaleri Real Estate's general contact email is [re@taaleri.com](mailto:re@taaleri.com).

## Scope and Implementation

The Sustainability Principles apply to all Investment Activities of Taaleri Real Estate. Taaleri Real Estate mainly exercises full or joint control of the investment targets and subsequently can implement the Sustainability Principles at its discretion. If Taaleri Real Estate finds that it has limited ability to influence or control the integration of sustainability actions in an investment, it will apply the principle of proportionality. The same approach will be taken if other circumstances affect Taaleri Real Estate's ability to assess, set, or monitor sustainability performance. This principle will help determine the appropriate sustainability measures to be taken.

Additionally, reasonable efforts are made to encourage other investors and investment targets to consider relevant sustainability factors. Taaleri Real Estate also seeks to make proactive efforts to improve sustainability in projects where we believe impact can be achieved.

## Roles and responsibilities

The ultimate responsibility for ensuring the Sustainability Principles are implemented is with the Management Team of Taaleri Real Estate ("the RE Management Team"). If an Investment Committee ("IC") of the fund or other vehicle investing is established, Sustainability roles and responsibilities of the committee or its member(s) are agreed upon separately in the oversight of the Managing Director of Taaleri Real Estate or the Taaleri Real Estate Management Team.

The IC or its member(s) can, for example, support or be responsible for assessing the proper implementation of the Sustainability Principles during the investment processes and ensuring that each investment fulfils the sustainability requirements.

Taaleri Real Estate's Investment Team informs the IC during pre-investment phase on relevant sustainability matters. Informing includes findings of material sustainability issues such as significant impacts and risks identified. A summary of these aspects shall be provided to the IC for their consideration before the committee approval and an investment decision by the General Partner. The Taaleri Real Estate IC will assess ESG Due diligence and other sustainability assessment findings and has the right to choose whether to approve, mitigate or decline the findings.

Taaleri Real Estate's Investment team and Asset Management team are primarily responsible for ensuring that the consideration of sustainability issues are integrated into all activities. Through the Asset Management team, Taaleri Real Estate has an enhanced opportunity to assess, influence and monitor sustainability aspects of the activities on a detailed level. All employees of Taaleri Real Estate shall follow the Sustainability Principles as relevant and linked to their roles and responsibilities.

Taaleri Real Estate's investment and asset management professionals are supported by Taaleri's Sustainability, Compliance and Risk Management professionals. The Group's Sustainability function leads group-level sustainability development and management, including supporting and monitoring Taaleri Real Estate and other Taaleri businesses in their Sustainability and responsible investment work. Taaleri Real Estate has also a named professional responsible for sustainability working closely with the Group's Sustainability function and other relevant stakeholders. When mutually agreed with the Investment team that additional subject matter expertise is needed, the team utilises external resources as appropriate and necessary.

# Managing sustainability and impacts

## Adverse sustainability impacts

Taaleri Real Estate considers the adverse impacts on sustainability factors at least in its investment decisions that are categorized under Article 8 or Article 9 products according to SFDR 2019/2088. Sustainability factors are environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters. We document and monitor adverse impacts regularly and report them annually according to EU regulation 2019/2088.

Taaleri Real Estate considers that its Investment Activities' principal adverse sustainability impacts are mainly investment target level impacts, noting, for example:

- Buildings are nearly always, to a certain extent, constructed using materials that cannot fully be produced from renewable sources, like concrete in the foundations and steel in structures and cladding.
- During construction and in-use phases properties may have a significant impact on the area where they are situated / located.

Taaleri Real Estate takes reasonable steps to minimise the adverse impacts of any selected project, for example, as described under the *Integration in the investment processes* chapter below. Potential impacts are considered as part of the ESG Due diligence, as applicable and defined below.

Taaleri Real Estate shall apply the mitigation hierarchy to its operations and Investment Activities. In any decision-making process, Taaleri Real Estate shall strive first to avoid and prevent negative impacts. Only if the material negative impact cannot in a technically and financially feasible manner be avoided shall they be minimised. More detailed information can be found on our website's Statement of the Principal Adverse Sustainability Impacts (Taaleri Private Equity Funds' entity-level and fund-level statements).

## Goals and objectives

Taaleri Real Estate aims to promote sustainable development by financing the transition to a more sustainable built environment. In alignment with its investment activities, Taaleri Real Estate seeks to, for example:

- **Achieve good sustainability performance.**
  - Good governance is the minimum requirement. That is, remaining committed to compliance with applicable laws and regulations as well as international standards.
  - Taaleri Group has decided that all new funds are either Article 8 or Article 9 products. is voluntarily aiming, for example, to make sustainable investments ("**Article 9 product**") and investments promoting environmental or social characteristics ("**Article 8 product**") as defined by the EU (in regulations 2019/2088 and 2020/852 and related delegated acts etc.). Thus, Taaleri Real Estate aims to ensure the fulfilment of the related commitments as relevant.

- Taaleri Real Estate seeks to improve its energy efficiency and has joined the national-level energy efficiency agreement for Housing properties – Rental Housing Property Action Plan (FIN: VAETS)
  - The plan sets an indicative energy savings target on portfolio level of at least 7.5% for 2017–2025. Taaleri Real Estate managed residential funds seeks to accomplish this goal for 2020–2025 (baseline energy consumption in 2020).
- Consider sustainability with target companies and projects when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
  - Taaleri Real Estate seeks to integrate the consideration and thoughtful management of sustainability into its Investment Activities, including sustainability risks and value creation, throughout the investment cycle. More detailed information about sustainability risks can be found in the Taaleri Sustainability Risk Policy.
- Work through appropriate governance structures (e.g., board of directors, advisory boards) with portfolio companies.
  - Engage Taaleri's expertise with environmental, public and employee health, safety, and social issues, aiming to improve performance and minimise adverse impacts in these areas.
  - Use governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest, and implement compensation and other policies that align the interests of owners and management on sustainability.
- Provide timely information to Taaleri Real Estate's relevant stakeholders on the matters addressed herein, and work to foster transparency about Taaleri Real Estate's activities.
- Encourage Taaleri Real Estate's portfolio companies to advance these same principles in a way that is consistent with their fiduciary duties.

## **Integrating sustainability issues into the investments process**

When selecting potential investment opportunities, Taaleri Real Estate is committed to incorporating sustainability considerations in conducting due diligence and managing and monitoring portfolio investments. This approach is followed while also adhering to the provisions of the agreements governing the relevant funds or other investment vehicles. For investments classified as Article 8 or Article 9 products, Taaleri Real Estate ensures compliance with the respective commitments and criteria, as applicable.

In the development phase, Taaleri Real Estate evaluates operationally relevant energy-saving technologies and implements them in the asset management phase. If the asset is under construction or has already been built, its potential energy-saving options and implementations are evaluated either before or after the investment has been made. Taaleri Real Estate makes improvements to optimise the energy use of assets on case-by-case basis. In some cases, Taaleri Real Estate's uses third-party experts to analyse relevant asset level energy use data and optimize it which can result in a lower carbon footprint.

Assets' energy consumption during use will be supported by renewable sources as much as possible, further reducing their environmental impact.

## Pre-Investment

Taaleri Real Estate conducts ESG Due diligence for its investment targets to integrate sustainability considerations in the pre-investment phase of its Investment Activities as applicable per vehicles' targets. It establishes a management system or adequate documentation based on rules of a particular fund or separately managed account considering the investment.

For example, the following aspects are considered at the pre-investment stage to ensure that sustainability standards are met for each investment:

### Initial screening of investment targets, compliance, and categorization

Taaleri Real Estate aims to ensure at the earliest stage possible that an investment target fulfils requirements set in both Taaleri Real Estate and Taaleri's policies. The requirements relate, for example, to Investment Activities' investment strategy and their compliance with laws, regulations and international standards. Taaleri Real Estate includes an assessment of fulfilling definitions of sustainable investment (EU 2019/2088) and environmentally sustainable economic activities (EU 2020/852) in the initial screening as applicable.

### ESG due diligence measures

As a prerequisite for proceeding with any investment, Taaleri Real Estate shall be able to conclude that its environmental and social impacts have been identified and addressed and that the Investment Activity is considered acceptable. Taaleri Real Estate involves internal subject matter experts with sustainability competence to assess value-creation opportunities or risks related to the investments. External advisors may be engaged to carry out additional ESG-related due diligence as needed.

Taaleri Real Estate categorises investments, among other relevant categorisations, as follows:

- Project with potentially significant adverse impacts and/or sustainability risks that are diverse, irreversible, or unprecedented
- Project with potentially limited adverse impacts and/or sustainability risks that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures; and
- Project with minimal or no adverse impacts and/or sustainability risks.

Should Taaleri Real Estate identify any material issues requiring improvement, Taaleri Real Estate will develop a corrective action plan for the asset. If deemed necessary, an asset specific plan(s) shall be prepared, either before the investment decision or at any point after the investment decision, as described below.



## **Asset Management (Post-Investment phase)**

To manage sustainability risks and value creation opportunities in its investments during the construction or holding period phase, Taaleri Real Estate establishes a management system considering, for example, the following elements:

### **Monitoring and reporting**

Taaleri Real Estate bases its reporting methodology on the impact categorization of an investment project, whether it is a new development asset or a standing asset.

Taaleri Real Estate engages its internal technical and sustainability professionals in every case to monitor, safeguard, and seek to minimize the material negative impacts of an investment project throughout its lifetime. Additionally, Taaleri Real Estate can require independent third-party follow-up, monitoring, and reporting if deemed necessary, for example, due to significant impacts or high risks. Taaleri Real Estate documents all material sustainability risks and opportunities it monitors or manages. All material issues and progress on mitigating such issues are included in its investor reporting in relevant detail.

Environmental impacts of the Investment Activities are measured by the investment target-specific sustainability indicators.

The Funds of Taaleri Real Estate seek to be transparent in their approach to incorporating sustainability in its Investment Activities by reporting at least annually on their progress and outcomes. This reporting format follows EU regulation 2019/2088 and is developed according to EU regulations. In addition, Taaleri Real Estate may conduct written public reports, verbal informal reports, or confidential fund or asset-level reports to investors investing in Taaleri Real Estate funds.

### **Plan implementation and engagement**

Where material issues are identified during the investment Due diligence process or at any later stage, Taaleri Real Estate manages these issues through a project-specific plan regards to standing assets or Taaleri Building Program (TBP) when engaging in new development assets. As possible new issues arise, they will be added to the project-specific plan or TBP, and mitigation procedures will be put into motion accordingly.

Taaleri Real Estate also encourages the asset management team to identify and raise material sustainability issues to the relevant decision-makers, including, where appropriate, board-level individuals. Where applicable, Taaleri Real Estate seeks to actively engage with relevant stakeholders throughout the investment cycle to make informed decisions that may affect these stakeholders and improve its sustainable operational development in regular cooperation with appropriate contractors and other stakeholders.