

ESG strategy of the ARETE INDUSTRIAL SICAV a.s. Investment Fund

Effective as at 01/10/2023

1 INTRODUCTORY PROVISIONS; CATEGORIZATION OF THE FUND

1. The present ESG strategy of the investment fund ARETE INDUSTRIAL SICAV a.s., ID 080 31 444, with registered office náměstí 14. října 642/17, Smíchov, 150 00 Praha 5 (the "**Fund**" and the "**Strategy**", respectively), has been passed by the board of directors of the Company; in accordance with the relevant provisions of the SFDR and the RTS; it describes the manner in which environmental and social characteristics are being promoted on the level of the Fund.
2. The board of directors passed the Strategy upon prior discussions with, and with the endorsement of, the owners of founder's stock of the Fund and the members of the supervisory board of the Fund.
3. Terms that are not defined in this Strategy shall have the meaning given to them in Annex 20 to the Company's Rules of Organization – the Investment Sustainability Policy.
4. With a view to the ESG criteria pursued on the level of the Fund, **the Fund belongs to the category of light green funds within the meaning of Art. 8 SFDR that promotes environmental and social characteristics, but (i) does not follow the EU criteria for environmentally sustainable economic activities set out in the TR and (ii) does not perform sustainable investment activities.**

2 ESG FACTORS PROMOTED BY THE FUND; ESG CRITERIA TAKEN INTO ACCOUNT BY THE FUND

1. The Fund shall promote the following ESG factors in the environmental area, the social area, and the good governance area.
2. In the environmental area, the Fund focuses on these ESG factors:
 - a. Reduction of energy intensity; efficiency improvements in the use of energy sources; use of renewables;
 - b. Reduction in greenhouse gas emissions;
 - c. Reduction in the production of waste and promotion of a circular economy; and
 - d. Promotion of biodiversity.
2. In the social area, the Fund focuses on these ESG factors:
 - a. Health, safety, and wellbeing of employees and tenants; and
 - b. Support of local communities.
3. In the area of good governance, the Fund focuses on these ESG factors:
 - a. Ensuring transparent and proper leadership in the area of ESG;
 - b. Training employees and suppliers in ESG matters;
 - c. Creation of, and adherence to, a Code of Ethics for employees of the Fund;
 - d. Assistance with respect to the creation of, and adherence to, a corresponding Code of Ethics also for suppliers;
 - e. Promoting diversity;
 - f. Training employees and suppliers in ESG matters.
4. A more detailed description of the promoted ESG factors, including qualitative and quantitative criteria and a methodology for their assessment, is given in Schedule 1 to this Strategy.

5. The Fund will not monitor the principal adverse impact (PAI) on sustainability factors laid out in Annex 1 to the RTS.

3 PROCEDURE FOR REGULAR REVIEW OF COMPLIANCE WITH THE SET ESG CRITERIA

1. For the purpose of checking whether the fulfillment of the set ESG criteria is being observed, Corporate Governance will prepare, in collaboration with the ESG Officer and with Risk Management, and present to the board of directors no later than by the 20th (twentieth) day after the end of each calendar half-year a report on the fulfillment of ESG criteria during the previous calendar half-year (i.e., this report is to be drawn up as at 31/3 and 30/9 of each year). This report shall include, in particular:
 - a. A description of how the individual ESG criteria given in Schedule 1 to this Strategy were met during the respective calendar half-year, including a comparison to the previous calendar half-year where relevant;
 - b. An assessment of whether the Fund will be able to meet the set ESG criteria for the current year (and, if this should not be the case, a proposal of remedial measures); and
 - c. An assessment of whether the proposed risk management measures concerning sustainability (including reputational risk) have been observed.
2. The semiannual report on the fulfillment of the ESG criteria shall be submitted to the board of directors of the Company, who will hear and discuss the report. Where relevant, the board of directors shall take suitable measures to ensure that the set ESG criteria are met. The discussion of the semiannual report and the adoption of suitable measures must be recorded in the minutes of the BoD meeting.
3. Also, Corporate Governance, working with the ESG Officer, shall procure, based on the data and information contained in the semiannual reports, period reports on the fulfillment of ESG criteria pursuant to Art. 11 SFDR and Annex IV to the RTS. Semiannual and period reports are to be approved by the board of directors of the Company.
4. All employees of the Fund must assist Corporate Governance and the ESG Officer as needed with respect to the preparation of the said periodic reports.
5. The half-year reports and periodic reports shall be circulated to the attention of Compliance, Risk Management, and Internal Audit.

4 SUSTAINABILITY RISKS TO WHICH THE FUND MAY POTENTIALLY BE EXPOSED

1. The main risks to which the Fund may be exposed, as well as the measures taken to manage them, are described in [Schedule 2](#) to this Strategy.

SCHEDULE 1 - ESG FACTORS, FOLLOWED CRITERIA, ASSESSMENT METHODOLOGY

Environmental aspects

ESG Factor	Criteria under observation	
	Description of the criterion	Methodology
Reducing energy intensity	Minimum share of % of new buildings with BREEAM certification built by, or otherwise acquired by, the Fund. BREEAM standards are issued by the Building Research Establishment (BRE).	Min. 80% of new buildings acquired during any calendar year must have BREEAM certification. The building must have been issued the BREEAM certificate by a duly authorized entity: (i) as at the moment in which the building becomes part of the Fund's property (in the case of acquisitions of existing buildings); (ii) no later than within 12 months (if the Fund itself is implementing the building project, or if real estate without certification is being bought from a third party). Previously acquired certificates must be renewed. Minimum level of certification: Very good.
	Minimum share of % buildings with BREEAM certification within the portfolio of the Fund	The Fund undertakes to see to it that at any moment, min. 80% of the buildings among the Fund's assets will have BREEAM certification, at least on the level Very good.
	Photovoltaic panels on all roofs where this is technically feasible.	The Fund's objective is to install PV panels on all buildings on which their installation is feasible in technical, legal, and financial terms. With a view to the technical and legal specifics behind the possibility of installing photovoltaic panels on individual buildings, the Fund has stipulated no detailed metrics for monitoring this criterion.
	Zero consumption of electricity produced from fossil fuels in all buildings	The Fund's objective is to consume zero electricity from fossil fuels across all its buildings by 2050 (i.e., 100% of the energy

		consumption is supposed to come from renewables).
Reducing greenhouse gas emissions	<p>Limits for the emission of Scope 1 (direct emissions) greenhouse gases within the meaning of sub-section (1) (e) (i) of Annex No. III to Regulation (EU) 2016/1011 – emissions produced by sources under the Fund’s control. In the real-life situation of the Fund, this means primarily emissions generated by the operation of real estate in the ownership of the Fund and emissions from mobile sources owned by the Fund (such as its fleet of company cars).</p> <p>The Fund monitors strictly CO2 emissions, but not the emission of other greenhouse gases within the meaning of Art. 3 (1) of Regulation (EU) 2018/842.</p> <p>Also, the Fund does not monitor the emission of Scope 2 (indirect energy emissions) and Scope 3 (other indirect emissions) greenhouse gases within the meaning of sub-section 1 (e) (ii) of Annex No. III to Regulation (EU) 2016/1011</p>	<p>The Fund’s objective is to reach CO2 zero by 2050.</p> <p>The Fund measures what is known as direct emissions (Scope 1) in all buildings in its ownership, as well as emissions in connection with its means of transportation.</p>
Promoting biodiversity	Collaborating with, and supporting, organizations that promote biodiversity	The Fund’s objective is the sustained collaboration with and support of organizations involved in the protection of biodiversity. The Fund’s support for these organizations may primarily take the form of providing operational financing, but also e.g. cooperation and consultation when carrying out new constructions.
	Plant 1 tree per each 500 sq.m. of newly-built lettable area	<p>The Fund plants new trees both within the context of BREEAM certification and in collaboration with organizations that promote biodiversity.</p> <p>For the purpose of monitoring the fulfillment of this criterion, the planting of trees which was carried out for the purposes of BREEAM certification shall be included.</p> <p>Tree planting may also be carried out on land plots that are not owned or used by the Fund.</p>
	Minimum undertaking to create, as a part of each project, an area where biodiversity has been improved (planting trees, creating parks, rejuvenating biotopes)	As a part of the development of new buildings, areas are being created for maintaining and improving biodiversity – e.g. water surfaces, open retention pools, green roofs. All projects thus created shall at least be compatible with BREEAM certification.

		With a view to the specific character of each project, in terms of the options for maintaining and improving biodiversity, the Fund has stipulated no detailed metrics for monitoring this criterion.
	Maximum % of projects within protected areas (nature reserves) or where endangered species live	Maximum proportion of the entire project portfolio: (i) 5% of built-up area; (ii) 10% of acreage (land plots).
Reducing the production of waste; promoting a circular economy	Minimum % recycling of construction waste	The Fund is making sustained efforts to reduce and recycle waste that is being generated during the construction of buildings. At least 60% of waste from new buildings realized by the Fund shall be designated for recycling.

Social aspects		
ESG Factor	Criteria under consideration	
	Description of the criterion	Methodology
Health, safety, and wellbeing of employees and tenants	Regular tenant meetings at least 1x every half-year. The agenda of regular tenant meetings includes in particular: upgrade of the interior environment (suitable lighting, air circulation and filtration, sufficient relaxation areas, collaboration in the area of monitoring and curbing CO2 emissions, but also other factors in the area of sustainability (such as promotion of biodiversity, waste management).	The Fund shall in regular intervals hold meetings with tenants at all projects within the Fund portfolio. Each such meeting shall be recorded in minutes which shall comprise at least: (a) date of the meeting; (b) agenda of the meeting; (c) comments / topics raised by tenants; (d) measures which the Fund may have agreed to take in response to tenants' comments / topics; and (e) attendance list. The Fund shall archive the minutes of regular tenants' meetings.
	Periodic satisfaction surveys among tenants, at least 1x per calendar year. The subject matter of these periodic satisfaction surveys shall include in particular tenants' satisfaction with the interior environment.	The Fund shall in regular intervals conduct a tenant satisfaction survey among tenants at all projects within the Fund portfolio. Each such survey shall be recorded in a protocol which shall comprise at least: (a) date of the survey; (b) description of the subject matter; (c) results; and (d) measures undertaken by the Fund (if any) in response to

		the results of the survey. The Fund shall archive the minutes of regular tenant satisfaction surveys.
	<p>Periodic satisfaction surveys among Fund employees, at least 1x per calendar year.</p> <p>The subject matter of these periodic satisfaction surveys shall include in particular employees' satisfaction with their work environment, the interior design and furnishings of the work place, and their working conditions.</p>	<p>The Fund shall in regular intervals conduct an employee satisfaction survey among the employees of the Fund. Each such survey shall be recorded in a protocol which shall comprise at least: (a) date of the survey; (b) description of the subject matter; (c) results; and (d) measures undertaken by the Fund (if any) in response to the results of the survey. The Fund shall archive the minutes of regular employee satisfaction surveys.</p>

	In each building, premises will be set aside for employees to relax and rest.	For each project owned by the Fund (whether existing or new), adequate rest and relaxation zones shall be created. With a view to the fact that each development is specific, no minimum quota has been stipulated which must be fulfilled by such zones in all projects.
	90% occupancy rate for let premises	The Fund strives for a maximum occupancy rate of rental premises of at least 90% in the long run.
	90% tenants with long-term (5+ years) leases	The Fund's objective is to enter into long-term lease agreements with a term of five or more years.
Support of local communities	For each new project, the Fund shall support local non-profit organizations / local activities focusing primarily on environmental and social aspects.	The Fund's objective is to engage in a long-term collaboration with local NPOs, primarily in social and environmental areas. The Fund's support for these organizations may primarily take the form of providing operational financing, but also e.g. cooperation and consultation when carrying out new constructions. "New project" is understood to mean a new building which the Fund acquires through a new development, or an existing building which the Fund newly acquires into its ownership.
	Regular volunteering among Fund employees, with particular emphasis on environmental issues, at least 2x per calendar year	Volunteering by employees is primarily associated with protection of the environment.

Good governance aspects		
ESG Factor	Criteria under consideration	
	Description of the criterion	Methodology

Leadership	The Fund (and the companies in which it holds ownership participation) must introduce and observe a Good Governance policy	The Fund has established, and observes, a Good Governance policy. This policy applies throughout Arete Group.
	The Fund shall create and maintain the role of ESG Officer	This position has been created, and the individual who holds it is in charge of implementing the ESG strategy and ensuring adherence to the same.
	Minimum number of hours of ESG training for employees	All employees of the Fund shall be periodically retrained in all aspects of the ESG strategy. Minimum number of hours of training per calendar year: 20.
	Periodic reporting	The Fund periodically reports on compliance with the ESG strategy and the degree to which environmental and social aspects of the product are met, in accordance with Art. 11 SFDR and Art. 50 et seq. RTS.
Ethics	The Fund shall introduce and observe a Code of Ethics	The Fund has established, and observes, a Code of Ethics. The Code of Ethics applies throughout Arete Group.
	The Fund shall introduce and observe Whistleblowing Rules	The Fund has established, and observes, rules for the protection of whistleblowers. These Rules apply throughout Arete Group.
	The Fund shall procure onboarding for new hires in the form of training in the Code of Ethics, no later than three months from them joining the Fund	The Fund keeps records of employee trainings which comprise at least: (a) employee's name; (b) training dates; and (c) brief description of the contents.
	100% successful handling of reports and alerts submitted during the whistleblowing process	The Fund keeps records of all reports and alerts submitted by whistleblowers, at least in the following scope: (a) date of receipt; (b) contents; (c) results of the enquiry into the report/alert; and (d) measures taken on the basis of the report (if any), and assessment of their success.

	Attain minimum representation of women and men on the level of the Fund's executive management	<p>The Fund follows a long-standing practice of enforcing and promoting a gender equality policy. Vacant positions are being filled from the vantage point of an assessment of the necessary experience, skills, and abilities of the candidate. The values and the work ethic of candidates, which must be in line with our corporate culture and our Code of Ethics, also come into play during hiring.</p> <p>The company's leadership shall always include at least one man and one woman.</p> <p>With respect to this criterion, note that the Fund is not self-managing, and that the role of the sole executive member is an investment company.</p>
	Set a maximum pay gap between the compensation for women and men	<p>Compensation within the Fund is based on the position held, and on the tasks and responsibilities associated with the job description (specialization, uniqueness, seniority, responsibility), the discharge of work tasks, and the employee's performance record. The Fund has introduced a fair and non-discriminating compensation policy to ensure that the pay gap (in compensation for men and women holding the same position) is zero.</p>
Suppliers	The Fund shall introduce and maintain a Code of Ethics for Suppliers	The Fund has created and introduced a Code of Ethics for Suppliers.
	The Fund shall train all new employees who hold responsibility within the area of supplies / purchasing, no later than within 3 months from them joining the Fund	The Fund keeps records of employee trainings which comprise at least: (a) employee's name; (b) training dates; and (c) brief description of the contents.
	90% of key suppliers shall subscribe to the Code of Ethics for Suppliers	<p>The Fund entertains long-term work relationships with suppliers who have subscribed to the Code of Ethics</p> <p>Key suppliers are suppliers who provide 30 or more percent of all supplies for the construction of a new project executed by the Fund.</p>

SCHEDULE 2 – SUSTAINABILITY RISKS TO WHICH THE FUND MAY BE EXPOSED

Risk description	Risk assessment	Measures taken to eliminate / mitigate the risk
<i>Risks in the environmental area</i>		
<p>Legal requirements for new real estate may become more stringent over time</p> <p>The Fund’s investment strategy centers on investments into industrial properties (which the Fund may hold directly or indirectly through real estate holding companies), including new developments.</p> <p>It stands to reason to expect that the requirements for new developments will be tightened both on a European level and on national levels, in particular as regards the energy intensity of buildings and the efficient use of water resources, the preferred use of renewable energies, curbing the emission of greenhouse gases, etc.</p> <p>Even though the Fund will adhere to the principles set out in Schedule 1 to this Strategy (i.e., in particular, it will require BREEAM certification), one cannot rule out that, in the course of development of new legislation, additional requirements for buildings need to be implemented. For large-scale construction projects whose completion takes a longer period of time, new requirements of this sort may lead to cost overruns for unfinished projects that exceed the original assumptions.</p>	High	<p>The Fund shall monitor the on-going evolution of construction law and regulations and of proposed legislation on the national and European level in order to ensure that all projects in the pipeline meet the statutory requirements and that no unexpected cost overrun occurs during project implementation.</p>
<p>The value of the existing real estate portfolio owned by the Fund may deteriorate</p> <p>While the Fund will put into practice the ESG criteria set out in Schedule 1 to this Strategy, its assets comprise (and will continue to include also in the future) also real estate projects which lack BREEAM or similar qualification, may be energy-intensive, and may thus lose value over time. Possible reasons include rising energy prices (so that buyers, or prospective buyers, lose interest in energy-intensive projects), the potential</p>	High	<p>The Fund monitors the current market situation and changes in legislation on both the domestic and European level and assesses their potential impact on the Fund’s existing real estate portfolio, so as to be able to respond and take suitable remedial measures which may include, in particular: (a) divestment of properties which fall short of energy consumption criteria or other criteria and their removal from the Fund’s assets; (b) structural modifications to bring the property in line with energy or other criteria; introduction of</p>

tendency of financing institutions to restrict financing to sustainable projects, but also e.g. stricter legislation.		additional criteria for new real estate acquisitions by the Fund (beyond those already listed in Schedule 1 to this Strategy).
<i>Risks in the social area</i>		
<p>Remedial measures may turn out to be insufficient</p> <p>The Fund will improve the conditions of its tenants and their employees through the actions described in Schedule 1 to this Strategy. To this end, the Fund intends to organize, among other things, regular meetings with tenants and conduct tenant satisfaction surveys. One cannot rule out that the Fund will not be able to respond with sufficient flexibility to the comments raised by tenants at such meetings / in such regular surveys. This may result in a loss of the given tenant and/or the realization of a reputational risk.</p>	Low	Establish rules for settling comments of tenants. Present the outcome of tenant meetings/surveys to the board of directors of the Company.
<i>Risks in the governance area</i>		
<p>Codes of Ethics and other rules may be disregarded</p> <p>One cannot rule out that employees or suppliers will disregard the Codes of Ethics or the whistleblowing rules to which the Fund has committed.</p> <p>Isolated and individual instances of a breach of such rules represents no major risk for the Fund. However, if infringements were to be(come) systematic or occur on a larger scale, such conduct could represent a (primarily reputational) risk for the Fund.</p>	Low	Regular checks by Compliance and the ESG Officer to ensure compliance with the Codes of Ethics.
<i>General risks</i>		
<p>Fund's activities may cause harm to its reputation</p> <p>For any number of reasons, the Fund may not be able to honor its undertakings to honor ESG criteria in one area or another. Such non-observance may e.g. be due to error or misconduct on the part of the Fund's employees, but possibly also due to objective circumstances (for instance, the Fund may lack the funds to complete new projects that comply with the set ESG</p>	Medium	The Fund may mitigate this risk through semiannual / annual reporting to the board of directors of the Company.

<p>criteria; suppliers may refuse to accede to the Suppliers' Code of Ethics, etc.). The above may in turn result in investors turning their backs on the Fund.</p>		
<p>Activities of third parties may cause harm to the Fund's reputation In the area of sustainability, the Fund may also be impacted by the actions of third parties with which it collaborates – i.e., in particular, tenants and suppliers. Tenants, in particular, may be active in industries which are not sustainable or are being associated with negative externalities. Becoming linked to such entities may entail a reputational risk for the Fund.</p>	Medium	Analyze third parties in terms of sustainability risks. Regularly monitor the activities of tenants / suppliers; if need be, sever ties with them.
<p>Risk of a paucity of data For certain of the criteria that are being followed – i.e., in particular, in the area of greenhouse gas emissions – it may be difficult for the Fund to obtain the input needed to monitor the fulfillment of ESG criteria.</p>	Medium	The Fund may mitigate this risk by stipulating a set of rules for reporting and for the cooperation with renowned experts. The person in charge shall be the ESG officer.

