

The statement below is applicable to Stoneweg European Real Estate Investment Trust ("SERT") and includes the pre-contractual information on SERT regarding Article 6 of Regulation (EU) No. 2019/2088 ("SFDR")

The below sets forth certain disclosures regarding the approach taken by Stoneweg European REIT Management Pte. Ltd., acting as alternative investment fund manager of SERT (the "Manager"), with respect to the integration of sustainability risks in its investment decisions within the meaning of the SFDR for SERT and the results of the related assessment of the likely impact of sustainability risks on the returns of SERT.

Inclusion of sustainability risks in the investment decision process and the potential impact of sustainability risks on the return of SERT

A sustainability risk is an environmental, social or governance event or condition that could cause an actual or a potential material negative impact on the value of an investment and the returns of SERT ("Sustainability Risks"). The Manager considers the impact of Sustainability Risks on the value of SERT's investments in [accordance with its sustainability policy framework and in compliance with Article 6 of the SFDR.

The Manager actively integrates Sustainability Risks into its investment and risk management approaches. Sustainability Risks could arise at any stage of the real estate investment lifecycle including acquisition, ownership, renovation, and construction. Consequently, our investment process, and ongoing asset management employs specific ESG due diligence to ensure Sustainability Risks are assessed at acquisition and throughout the investment lifecycle.

The Manager has identified certain Sustainability Risks in relation to SERT and reviews them periodically. Where any new Sustainability Risks arise, the Manager will consider the impact of those on the existing investments of SERT at the time those Sustainability Risks are identified. Such risks are principally linked to climate-related events resulting from climate change (i.e. physical risks) or to the society's response to climate change (i.e. transition risks), which may result in unanticipated losses that could affect an investment. Sustainability Risks can also affect companies by introducing social risks (e.g. gender gaps, social inequality) and governance risks (e.g. bribery issues, selling practices) although this is less likely to impact SERT assets which are held directly or via holding companies rather than through any operating companies.

The likely impacts following the occurrence of a Sustainability Risk may be numerous and vary in significance depending on industries, regions and asset classes. The Sustainability Risks that are particularly relevant to the Manager, SERT (including its special purpose vehicles ("SPV(s)")) and its real estate investments include:

1. The exposure to potential physical risks resulting from climate change. For example, the tail risk of significant damage due to increasing erratic and potentially catastrophic weather phenomena such as droughts, flooding and heavy precipitations, heat/cold waves, landslides or storms. As the frequency of extreme weather events increases, SERT's real estate assets exposure to these events increases too. In order to reduce exposure to such external events, the Manager strives to drive SERT and its SPVs to invest in and develop a resilient infrastructure. Flooding, as an illustrative example, may cause damage requiring refurbishment works. In the event of a more severe flood, the building might be incapable of being occupied resulting in the loss of rents. Finally, flood damage might impact the resale value of the building and/or the owner's ability to sell the real estate assets.
2. The exposure to environmental risk emerging from the need of mitigating climate change. Being a significant contributor of global carbon emissions and being energy intensive, the real estate industry faces great regulatory and public pressure calling for improvement in energy and water management, among other, in order to reduce emissions. The Manager is highly cognisant of then need to minimise the impact of SERT's investments on the natural environment and this is reflected in the Manager's strategy to minimise the carbon footprint of SERT's properties throughout their lifetime. Efforts to cope with this pressure and to meet the strengthening regulatory requirements may impose higher financial input which could impede the total performance.

The Manager is committed to ensuring that material ESG risks and opportunities are built into investment research and screening, selection of investments and portfolio management. Before any investment decisions are made on behalf of SERT, the proposed real estate asset will be subject to in-depth sustainability due diligence. Due diligence findings will be part of the investment proposal. Such processes help to identify, assess, minimise or where necessary mitigate Sustainability Risks, ensuring that ESG matters remain at the heart of SERT's investment strategy. This process ensures that Sustainability Risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risks and/or opportunities to maximising the long-term risk-adjusted returns.

Principal Adverse Impacts of investment decisions on sustainability factors

While the Manager considers Sustainability Risks as part of its investment management processes as outlined above, the Manager does not consider the principal adverse impacts of investment decisions on the sustainability factors because SERT does not disclose under Articles 8 or 9 of the SFDR and it does not have any binding commitments in its investment strategy against which it is obliged to measure its investment management activity.

Taxonomy Regulation

Pursuant to Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and amending the SFDR (the Taxonomy Regulation”), the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Further information

If you are interested to know more about our sustainability aspirations, including the possibility to disclose under Article 8 of SFDR in the future, please click here:

https://investor.stonewegeuropeanreit.com.sg/newsroom/20240530_064830_CWCU_PWMC7BXRQKI7FW9O.1.pdf