

## Statement on principal adverse impacts of investment decisions on sustainability factors | Ilmoitus sijoituspäätösten pääasiallisista haitallista vaikutuksista kestävyystekijöihin

## Financial Market participant

Avara Rahastot Oy, Alternative Investment Fund Manager (AIFM, licensed), managing financial products Avara Asuinkiteistörahasto I Ky, Avara Residential Fund II Ky and Avara Vuokratodit I Ky.

## Summary

'Sustainability factors' mean issues related to the environment, society and employees, respect for human rights, and issues related to the fight against corruption and bribery. Avara Rahastot Oy ("Avara"), takes into account harmful sustainability factors in the investment process of its alternative funds and as part of its investment activities in real estate assets, while evaluating and monitoring related sustainability risks. As part of the Due Diligence-process included in the investment process, we always evaluate and prioritize the sustainability risks of each investment asset and the harmful sustainability factors identified in each case separately. For the identified key risks, we determine the means of controls to mitigate these risks. As part of our investment activities, Avara always comprehensively aims to reduce the harmful effects of our investment activities and of the investment assets on sustainability factors.

Avara considers the principal adverse impacts of its investment decisions on sustainability factors in its selected alternative investment funds (AIF), which are the following financial products:

Avara Residential Fund II Ky (3096514-5) and Avara Vuokratodit I Ky (3092653-3).

Both of these funds are classified according to SFDR (EU) 2019/2088 as article 8 financial products.

Avara considers the PAI-indicators for these financial products as set out in SFDR (EU) 2022/1288 Annex I:

Table 1, as applicable to real estate investments: 17. Exposure to fossil fuels through real estate assets and 18. Exposure to energy-inefficient real estate assets.

Table 2, as applicable to real estate investments: 18. Greenhouse gas emissions, 19. Energy consumption intensity and 20. Waste production in operations.

Table 3 is not reported as those PAI-indicators are not applicable to investments in real estate assets.

This statement on principal adverse impacts on sustainability factors covers the reference period for year 2021, 2022 and 2023 [Table 1] and 2023 [Table 2].

The impacts of financial product Avara Asuinkiteistörahasto I Ky are also included in this statement. However, pls. note, that this financial product is not classified according to SFDR, due to its final closing having taken place before the SFDR came into force.

## Tiivistelmä

'Kestävyystekijöillä' tarkoitetaan ympäristön, yhteiskuntaa ja työntekijöihin, ihmisoikeuksien kunnioittamiseen sekä korruption ja lahjonnan torjuntaan liittyviä asioita.

Avara Rahastot Oy ("Avara") ottaa huomioon haitalliset kestävyystekijät vaihtoehtorahastojaan sijoitusprosessissa ja osana sijoitustoimintaansa kiinteistöomaisuuteen, arvoiden ja seuraamalla niihin liittyviä vastuullisuusriskejä. Osana sijoitusprosessin kuluvaa Due Diligence -prosessia arvioimme ja priorisoimme aina kunkin sijoitusomaisuuden kestävä kehitysriskejä ja tapauskohtaisesti tunnistetut haitalliset kestävä kehityksen tekijät. Määritämme tunnistetuille keskeisille riskeille hallintatavat näiden riskien vähentämiseksi. Osana sijoitustoimintaamme, Avara pyrkii aina kokonaisvaltaisesti vähentämään sijoitustoimintamme ja hallintoavain sijoitusomaisuuden haitallisia vaikutuksia kestävyystekijöihin.

Avara arvioi sijoituspäätöksensä tärkeimmät kielteiset vaikutukset kestävyystekijöihin valitsemalla vaihtoehtoisissa sijoitusrahastoissa (AIF), jotka ovat seuraavat rahoitustuotteet:

Avara Residential Fund II Ky (3096514-5) ja Avara Vuokratodit I Ky (3092653-3).

Molemmat rahastot luokitellaan SFDR (EU) 2019/2088:n mukaan artiklan 8 mukaisiksi rahoitustuotteiksi.

Avara pitää näiden rahoitustuotteiden PAI-indikaattoreita, jotka on esitetty SFDR (EU) 2022/1288 Liitteessä I:

Taulukko 1 kiinteistöinvestointeihin soveltuvin: 17. Altistuminen fossiilisiin polttoaineisiin liittyvä riskille kiinteistövarallisuuden kautta ja 18. Altistuminen energiatehottomaan kiinteistö varallisuuteen liittyvälle riskille.

Taulukko 2 kiinteistöinvestointeihin soveltuvin: 18. Kasvihiuonekaasupäästöt, 19. Energiakulutuksen intensiteetti ja 20. Jätteen muodostuminen toiminnassa.

Taulukko 3 tietoja ei ole raportoitu, koska kyseiset PAI-indikaattorit eivät sovellu kiinteistöinvestointeihin.

Tämä ilmoitus pääasiallisista haitallisista vaikutuksista kestävyystekijöihin kattaa viiteajaksot 2021, 2022 ja 2023 [taulukko 1] ja 2023 [taulukko 2].

Rahoitustuotteet Avara Asuinkiteistörahasto I Ky:n tiedot vaikutuksista sisältyvät tähän selvitykseen. Huomaathan kuitenkin, että tätä rahoitustuotetta ei ole luokiteltu SFDR:n mukaan, koska rahaston lopullinen sulkeminen tapahtui ennen SFDR:n voimaantuloa.

Table 1

## Description of the principal adverse impacts on sustainability factors

## Indicators applicable to investments in real estate assets

| Adverse impact on sustainability factors |   | Metric   | Financial Product                | Impact 2023 | Impact [2022] | Impact [2021] | 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 | Avara Residential Fund II Ky     | 0 %         | 0 %           | 0 %           | No such investments are made.  |
|  |   |  | Avara Vuokratodit I Ky           | 0 %         | 0 %           | 0 %           | No such investments are made.  |
|  |   |  | Avara Asuinkiteistörahasto I Ky* | 0 %         | 0 %           | 0 %           | No such investments are made.  |
| Energy efficiency                        | 18. Exposure to energy-inefficient real estate assets   | Share of investments in energy-inefficient real estate assets  | Avara Residential Fund II Ky     | 27 %        | 31 %          | 31 %          | New real estate assets are implemented in building energy class A.               |
|  |   |  | Avara Vuokratodit I Ky           | 17 %        | 18 %          | 0 %           | New real estate assets are implemented in building energy class A.               |
|  |   |  | Avara Asuinkiteistörahasto I Ky* | 6 %         | 6 %           | 6 %           | New real estate assets have been implemented in building energy class A.         |

\*Avara Asuinkiteistörahasto I Ky is not classified in accordance with the classifications of sustainable financing.

## Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Avara follows its group policy 'Principles of responsible investing', according to which the key sustainability factors are identified, their risks are assessed and risk control methods are determined for them as part of risk management. As part of our investment activities, we always aim comprehensively to reduce the adverse impacts of our investments on sustainability factors. We are committed to avoiding material sustainability risks that we are unable to control or change the risk position by taking immediate corrective measures. The principles of responsible investing policy applies to all of Avara's personnel, and its implementation is included in Avara's group strategy.

As PAI-indicators, Avara announces the financial product's exposure to the risk related to fossil fuels and the risk related to energy-efficiency of real estate assets. Among other PAI indicators, Avara monitors and reports greenhouse emissions, the intensity of energy consumption and information on recycling, sorting and recovery of waste. For the evaluation of the energy efficiency of real estate property, we use the classification of the EU Energy Performance Certificate (EPC) for residential buildings (Energy Performance of Buildings Directive (2010/31/EU)). When reporting information, partially owned residential MREC's (Mutual Real Estate Companies) are omitted, as these represent approx. 3.3% of the value of the corresponding funds (Avara Residential Fund II Ky) entire real estate portfolio.

## Engagement policies

Avara does not manage such financial products, which as to their investment strategy invest in investee companies. All investments of the managed financial products are direct investments into holding companies (As Oy - residential MREC's), which sole purpose is to own real estate assets. These holding companies do not perform any investment operations or other operations, other than those operations which are strictly needed for operating the property for the said purpose. For this reason, Avara has deduced, that such engagement policies as meant in SFDR RTS article 8, 1. (a) does not apply to it.

## References to international standards

Avara has defined the essential topics of corporate responsibility based on materiality analysis according to the GRI standard (Global Reporting Standard). In the materiality analysis, both the most significant effects of Avara's operations and the expectations of Avara's most important stakeholders regarding responsibility have been taken into account. Avara has signed the UN Principles for Responsible Investment (PRI).

## Historical comparison

Historical information is reported in Table 1.

Table 2

## Additional climate and other environment-related indicators

| Indicators applicable to investments in real estate assets |  |  |                                  |             |
|--|--|--|----------------------------------|-------------|
| Adverse sustainability impact                              | Adverse impact on sustainability factors (qualitative or quantitative) | Metric   | Financial Product                | Impact 2023 |
| Greenhouse gas emissions                                   | 18. GHG emissions  | Scope 1 GHG emissions generated by real estate assets  | Avara Residential Fund II Ky     | 0           |
|  |  |  | Avara Vuokratodit I Ky           | 0           |
|  |  |  | Avara Asuinkiteistörahasto I Ky* | 0           |
|  | Scope 2 GHG emissions generated by real estate assets                  | Avara Residential Fund II Ky   | 590                              |             |
|  |  | Avara Vuokratodit I Ky   | 279                              |             |
|  |  | Avara Asuinkiteistörahasto I Ky*   | 518                              |             |
|  |  | Avara Residential Fund II Ky   | 302                              |             |
|  |  | Avara Vuokratodit I Ky   | 129                              |             |
|  |  | Avara Asuinkiteistörahasto I Ky*   | 184                              |             |
| Total GHG emissions generated by real estate assets        |  | 2 002  |                                  |             |
| Energy consumption   | 19. Energy consumption intensity                                       | Energy consumption in GWh of owned real estate assets per square meter (GWh/m <sup>2</sup> /y)                                       | Avara Residential Fund II Ky     | 0,00015     |
|  |  |  | Avara Vuokratodit I Ky           | 0,00014     |
|  |  |  | Avara Asuinkiteistörahasto I Ky* | 0,00014     |
| Waste  | 20. Waste production in operations                                     | Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract | Avara Residential Fund II Ky     | 0 %         |
|  |  |  | Avara Vuokratodit I Ky           | 0 %         |
|  |  |  | Avara Asuinkiteistörahasto I Ky* | 0 %         |

\*Avara Asuinkiteistörahasto I Ky is not classified in accordance with the classifications of sustainable financing.

Table 3

SFDR RTS (EU 2022/1288) Annex I, Table 3 related matters with respecting PAI-indicators are not applicable to investments in real estate assets, therefore, impacts on these matters are not reported.