

CT UK Residential Real Estate FCP-RAIF

ESG Sustainability Risk Policy

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Introduction

This is the ESG Sustainability Risk Policy for CT UK Residential Real Estate FCP-RAIF, sometimes referred to as the UK Housing Fund (the “**Fund**”). The firms involved in operating the Fund believe in the importance of taking a responsible approach to investment.

The Fund is managed by Sanne LIS S.A. (“**LIS**”) supported by Columbia Threadneedle REP PM Limited (“**Columbia Threadneedle REP**”) in its capacity as investment advisor.

LIS and Columbia Threadneedle REP are both subsidiaries of companies that are signatories to the UN Principles for Responsible Investment (“**PRI**”). The PRI is recognised as leading global network for investors committed to integrating environmental, social and governance (“**ESG**”) considerations into investment practices.

While LIS and Columbia Threadneedle REP each has its own policies and approaches, this document describes LIS and Columbia Threadneedle REP’s combined approach to integrating sustainability risk management into investment decision making, and how the adverse impacts of investment decisions are accounted for in relation to the Fund.

The Fund’s approach to ESG

The purpose of the Fund is to attain particular social objectives related to the investment in, and development of, affordable housing. However, in addition to the Fund’s positive societal attributes, ensuring that the Fund has in place a robust approach also to wider sustainability risks is key to its long term success – both from an overall sustainability perspective and, in Columbia Threadneedle REP’s opinion, in relation to its long-term financial performance.

Sustainable and profitable business relationships are an important part of the Fund’s management; recognising the importance of ESG issues with regards to capital raising, making investments, portfolio management and value creation for the Fund, as well as their potential material impact on the world and the society. The Fund is operated with a view to improving the environments and communities in which it operates and ensuring its key stakeholders can fulfil their obligations.

The Fund’s mission

The Fund will seek to:

- a) impact the UK housing shortfall by attracting long-term institutional investment through the provision of flexible PRS stock nationwide;
- b) address the fundamental issue of providing investment opportunities in PRS across the UK, and in doing so create homes for people that offer flexibility for their ongoing requirements; and
- c) provide a sustainable inflation-linked income stream to our investors underpinned by an enhanced ESG impact policy.

The Fund seeks to drive positive outcomes for all stakeholders (direct and indirect).

Sustainability risk

The Fund has been operated since its inception using an integrated approach to considering sustainability risks. A sustainability risk is any ESG event that, if it occurs, could or will have a material negative impact on the value of investments made for the Fund's clients. In the rest of this document, sustainability risk is described as "ESG risk" and integration of sustainability risk is described as "ESG integration".

The Fund's approach has evolved as markets have developed resulting in greater access to information to help identify, measure, and manage these risks.

Adverse impacts of investment decisions

All investment decisions in relation to the Fund broadly consider the principal adverse impacts of those decisions on sustainability. This document describes how we identify, assess, measure and mitigate these impacts.

Scope of this policy

The policy covers all investment activities and proposed investments undertaken in relation to the Fund. It therefore applies to the investment decisions made by LIS and the investment recommendations made by Columbia Threadneedle REP.

ESG risk identification and integration

ESG integration is the consideration of financially material ESG factors in the course of investment analysis and decision making to gain a more comprehensive understanding of both the risks and the long-term opportunities arising from these factors.

Opportunities

The Fund has sustainable investment as its objective, investing in affordable housing with the intention of:

- ✓ creating homes for people that offer flexibility and affordability;
- ✓ actively incorporating affordable private rents;
- ✓ improving the private rented sector through a flexible rent leasing model;
- ✓ delivering new homes to an under-represented segment of the housing market, providing an opportunity to improve lives and create impact; and
- ✓ providing homes that are resilient, affordable, efficient to live in and embedded into their communities.

Risks

In seeking to provide the stated positive social outcomes, LIS and Columbia Threadneedle REP take a holistic approach to ESG, integrating environmental, governance and wider social considerations into the investment decision-making process and on an ongoing basis. Columbia Threadneedle REP conducts analysis for LIS to consider.

Columbia Threadneedle REP engages a number of external specialist consultants to consider ESG risks and opportunities as part of acquisition due diligence which is fed into its advice to LIS.

The Fund uses a proprietary responsible property investment framework and appraisal methodology (the “**ESG Impact Framework**”) to capture and integrate ESG risks and opportunities into the individual business plan for each directly held property asset. This process will enable the management of asset risk, protection of income yields and support for the long term returns produced by real estate assets.

The combination of the team and the ESG Impact Framework allows ESG risks and opportunities to be considered holistically during the acquisition, construction, management, leasing, refurbishment and disposal stages of the property investment cycle.

How we assess ESG risks

ESG risk in the Fund is assessed through a number of policies, processes, frameworks and benchmarks which include the following:

Identifying assets/schemes	<ul style="list-style-type: none"> • Undertaking technical Due Diligence (eg environmental risk, flood, contamination, fire safety, energy performance) • Use of ESG criteria scorecard and an evaluation methodology and matrix • Use of a Home Quality Mark (HQM) pre-assessment • Use of a ‘Net Zero’ carbon impact assessment
Identifying key social metrics	<ul style="list-style-type: none"> • Alignment to local housing need • Proximity to key local employers • Purpose built rental scheme • Ability to charge affordable market and discounted market rents
Ensuring use of environmentally sound construction materials and practices	<ul style="list-style-type: none"> • Sustainable Development Brief (eg whole life and embodied carbon) • Use of a HQM assessment
Ensuring engagement with our ESG agenda from partners (i.e. development teams, contractors etc)	<ul style="list-style-type: none"> • Continual reference to ESG scorecard at regular pre-determined points to ensure ongoing adherence • Sustainable Development Brief (operational aspects)
Governance and monitoring of the development phase and the operational phase	<ul style="list-style-type: none"> • Establishment of the Impact Advisory Committee and Investment Committee • Ongoing project management/monitoring <ul style="list-style-type: none"> ○ Assist with Legal and Construction Documentation drafting ○ Contractor/Developer identity and review of financial standing ○ Reviewing and approving construction warranty pack ○ Project Monitoring and Cost control during the course of construction • Annual Impact Report

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| | <ul style="list-style-type: none">• Assessment of GRESB performance (the Global ESG Benchmark for Real Assets) |
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Management of the adverse impacts of investment decisions

The Fund's operational and due diligence processes consider the material, or potentially material, adverse impacts of investment decisions and advice on the following factors in a way that takes due account of the size, nature, and scale of the Fund's activities:

- environmental, social employee matters,
- respect for human rights,
- anti-corruption and anti-bribery matters.

In particular, the Fund operates a scorecard policy which excludes investments considered to significantly harm the sustainable investment policy of the Fund through being incapable of meeting minimum expectations. These include consideration of the extent to which:

- the development will achieve further positive social impact (in addition to the primary objective of delivering quality, affordable homes)?
- the management of the property and governance structure are in-keeping with the social objectives of the Fund?
- the development achieves further positive environmental impact in relation to environmental efficiencies and quality of building fabric/ fittings?
- the development built to be resilient against shocks (for example related to climate change) and stressors (such as changing political/ economic conditions)?

Information on principal adverse impacts on sustainability factors is available in the Fund's annual reporting.

Exclusions

Investments that cannot meet the Fund's minimum standards at each stage of the lifecycle in the following areas will not be eligible for inclusion in the portfolio. The standards assessment considers the following factors:

Affordability and Provision: Ensuring provision of long-term, rental homes targeting the mass market

Societal Change: Ensuring that the development supports a community and delivers opportunities to improve the well-being of people in that community and the wider supply chain

Quality of property management and governance: Ensuring that scheme management supports the social objectives of the fund

Environmental Impact- Consumption/ Production: Building and managing homes that are environmentally friendly and optimally efficient

Environmental Impact- Surroundings: Building and managing homes that are mindful of local ecology and biodiversity

Resilience: Building and managing homes that are functional now and in the future

Monitoring

The ongoing ESG credentials and performance of each individual property is formally reviewed through an annual asset business plan process.

Emerging risks and opportunities and market intelligence is established through active participation in collaborative industry groups. Columbia Threadneedle REP retains a specialist ESG consultant to assist its ongoing analysis of the portfolio and opportunities and shares findings with LIS.

The Fund pursues a number of outputs and outcomes which are monitored throughout the investment lifecycle.

Governance and Oversight

LIS is responsible for the oversight of this ESG Sustainability Risk Policy and will work with Columbia Threadneedle REPTo ensure that the Policy is implemented effectively. Ultimately, decisions about investment policy are approved by the Fund's FCP-committee.

Within Columbia Threadneedle REP , responsibility for the oversight of the firm's responsible investment strategy, ESG integration, and ESG risk management lies within the Investment Committee. In addition, the Impact Advisory Committee will provide support with the assessment of investments within the responsible property investment framework and appraisal methodology.

Reporting

We regularly disclose our responsible investment and ESG risk management activities. These disclosures include the following in addition to any further reporting as agreed between the Fund and any investor:

- Quarterly to investors as part of our standard reporting
- Annual Impact Report

Review

This Policy will be reviewed and approved on an annual basis by LIS