



Stoneshield's approach to responsible investment

Introduction

Stoneshield¹ is a differentiated investment organization with a focus in real estate assets and real estate-related corporate platforms across products (i.e debt and equity) and asset classes, with a distinct focus in Iberia.

With a Spanish heritage and an international mindset combined with well-grounded values and a deeply rooted culture, Stoneshield has a track record of consistent and attractive returns across geographies, sectors and strategies.

With the best talent and network around the world, Stoneshield uses a thematic investment strategy and distinctive value creation approach to future-proof companies, *“creating superior returns to our investors and making a positive impact with everything we do”*

Throughout our short journey of less than 5 years since Stoneshield was incorporated, responsible ownership has been a constant. As a medium to long-term investor, we are ideally placed to influence corporate behaviour. At a time when the typical holding period of an investment can be measured in years or even months, our aim to support companies throughout their business and market cycles gives us great credibility with the management of those underlying companies or businesses.

We take a medium to long-term approach towards everything we manage, ensure an alignment of interests with our investors and foster collaboration across Stoneshield’s business platforms to optimize the performance of the Firm and all the managed vehicles as a whole.

Beyond traditional governance issues, including, remuneration and board composition we focus on other matters that have a meaningful impact on our investments. Environmental Matters and social issues are becoming increasingly important aspects of assessing an investment, and our approach is to incorporate environmental, social and governance (ESG) factors and issues into our investment decision-making process.

Stoneshield believes that ESG can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance.

Our approach to ESG is based on the following principles:

- We strive to mitigate the impact of our operations on the environment as we understand that most of our operations, businesses and assets are both impacted by and have an impact on the environment, including climate change. We believe, to address climate change, the world will have to transition to a net zero-carbon economy. We are proactively evolving our portfolio of investments consistent with this imperative.
- We strive to ensure the development, well-being, and health and safety of our employees. Our people must succeed for us to succeed. We place a high priority on creating a safe and inclusive work environment, which supports development of potential and personal growth. This is reflected in our human capital policies and processes and extends to the health and safety practices within our portfolio companies.

¹ Stoneshield refers to all the companies directly or indirectly owned by Stoneshield Investment Funds SCA SICAV-RAIF, Stoneshield Holding, S.à r.l.; Stoneshield GP, S.à r.l.; Stoneshield Investments, S.L and Stoneshield Investments Ireland Ltd.

We must operate with high standards of integrity, particularly given the breadth of our operations and relationships. This is reflected in our governance practices and our compliance protocols.

ESG in practice

We have embedded our core ESG principles in all activities directly undertaken across the Firm. This includes deploying our operating capabilities in ensuring that our investment and portfolio oversight activities address ESG considerations, that our governance and compliance activities are effective throughout the Firm, that we provide information on ESG activities to our investors, and increasingly provide investment opportunities that enable our investors to achieve their own ESG investment objectives.

Each of our portfolio companies has its own ESG considerations that reflect the business requirements of the company or is under the process of establishing such considerations. As part of our role as owners of businesses, we expect our portfolio companies to implement strong ESG practices that are congruent with our principles while being suitable and responsive to their business requirements. Our approach in each case reflects the nature of the asset or business, and how we own it, although the objectives in each case reflect a responsible approach to the relevant ESG considerations.

In most cases, we invest in ways that allow us to have a degree of influence or control over the asset or business, known as “control positions.” This enables us to bring our experience and influence to bear, including on ESG matters. We monitor and support the efforts of our portfolio companies through board oversight, policy guidance, ongoing reporting and other mechanisms.

Looking ahead, in other parts of our envisioned portfolio, where we own and manage investments in non-control positions (i.e. potential public securities business). We will interact with management teams at the investee companies, in our capacity as investors to encourage change where appropriate.

In summary, we aim to create sustainable value and impact by acting responsibly while aligning the interest of our investors, stakeholders and employees. Our focus on stakeholder alignment, long-term horizon and fostering a collaborative culture are foundational to our achieving superior results.

Stoneshield believes that doing the right thing for our people, the environment and our communities leads to better results for all our stakeholders.

We strive to embed environmental, social, governance and resilience (ESG) best practices throughout our real estate investment, asset management, risk management and talent management processes

We have recognized that as a Real Estate Fund Manager, our business activities have a wide-ranging social, environmental and economic impact. By being at the forefront of identifying and influencing the drivers of change, and shaping our investment strategies accordingly, we will continue to deliver strong returns to our investors in the long term and support creation of positive environmental and social outcomes.

Our approach enables us to acquire and safeguard future-proof our assets, ensuring they have enduring appeal as homes, leisure destinations and workplaces among others. In order to deliver back to the society part of our benefits we focus on 3 different areas:

1. **Environmental excellence:** Driving environmental improvements at our assets reduces operating costs, carbon emissions and the use of natural resources. This helps attract and retain occupiers and ensure that we appropriately manage environmental risk.
2. **Socio-economic benefit:** Ensuring socio-economic outcomes by being an active participant in communities. Creating high quality places, aligned with their surroundings, driving economic growth and supporting employment opportunities and skill development.
3. **Smart and connected:** In today’s digitalized world, smart and digital infrastructure is crucial to the competitiveness and success of countries, cities and buildings as well positively impacting inhabitants. Understanding the changes in connectivity and new solutions to new challenges means that we will more effectively identify investment opportunities.

ESG applied specifically to our business line: Real Estate

Through our commitment to responsible and sustainable real estate investing and management, we seek to deliver enhanced risk-adjusted returns for our investors, become a landlord of choice and maintain our position as a practitioner of good citizenship to all our stakeholders, investors, partners, borrowers, employees, and the communities in which we reside and invest

Ultimately all our employees are responsible for ensuring the delivery of this Policy, and its implementation is governed through our ESG Policy

Diving into the details of our report

This report covers the Firm’s ESG-related activities.

In determining the most important issues to our stakeholders and the industry, we referred to the SASB Standards for Asset Managers, the Sustainable Finance Disclosure Regulation (SFDR) and the Global Report Initiative (GRI) UN SDGs, UN PRI and UN Global Compact², which we believe provide best practice guidance on ESG disclosures most meaningful for our business

These three disclosure frameworks, along with input from our stakeholders, informed our views on the topics that are most important to Stoneshield. We identified 16 topics as material to the long-term success and resiliency of our businesses and have organized them for this report in four areas: Our Investments and Approach; Our People; Corporate Governance and Ethics; and our Legacy. What follows is a summary of our approach to each area, followed by a discussion of each topic in the context of our business

Our investment approach

Our commitment towards making a positive impact in everything we do includes incorporating ESG factors into our investment decisions, starting with the due diligence of potential investments through to the exit process.

² Note that to date, we are listed in the UN PRI website ([Stoneshield | Signatories | PRI \(unpri.org\)](#)) as supporters as well as in the TCFD website ([Supporters | Task Force on Climate-Related Financial Disclosures \(fsb-tcfid.org\)](#))

We tailor ESG due diligence to each investment, and we create post-investment remediation plans for material ESG considerations. For all potential investments, we use internal experts and a variety of ESG frameworks to identify material ESG factors and utilize external consultants where appropriate.

This analysis includes everything from ensuring environmental, legal and regulatory compliance to the identification of opportunities to add value or mitigate risk in our portfolio. Our investment teams use an ESG due diligence guideline to ensure consideration of material ESG risks and opportunities.

These teams then provide a detailed memorandum to the Investment Committee outlining the merits of the transaction and disclosures relating to risks, including material ESG issues, and potential mitigation strategies. All investments made by Stoneshield must be approved by the Investment Committee and must incorporate ESG matters into their evaluation, including anti-bribery and corruption, health and safety, and other ESG considerations.

Upon company acquisition or asset acquisition, we create a tailored integration plan to ensure that all material matters, including ESG risks and opportunities. ESG risks and opportunities are actively managed by the portfolio companies with guidance from our in-house investment teams, primarily through representation on company boards and equivalent oversight bodies where all financial, operational, and strategic elements of the business are reported, considered, and where appropriate, approved. This allows us to draw on local expertise, which provides valuable insight given the wide range of asset types and locations in which we invest. Certain key performance indicators, such as serious safety incidents, are reported regularly to the applicable board or other oversight body.

ESG is integrated into all aspects of investment decision-making and ongoing portfolio management, including portfolio construction, financial models and business plans, investment valuations, monitoring portfolio company performance and engaging with their management teams

The risk management practices implemented by our third party AIFM are actively monitored by Stoneshield and complement our investment approach and explicitly include ESG-related matters. We ensure that active management of all material financial and operational risks, including ESG risks, are reflected in risk management programs of Stoneshield and our portfolio companies and are monitored as part of our overall risk management profile.

Our people

We value our people and their long-term success. Our human capital strategy is designed to support our people in working toward their potential. Key aspects of this strategy include attracting and retaining people with the capability and the drive to continue to grow and develop, aligning their interests with those of our shareholders and investors through carefully developed compensation programs, providing stretch opportunities which fast track development where appropriate, and creating a positive, diverse and inclusive workplace that encourages and supports stepping outside one's comfort zone and enables strong relationships.

Our approach to diversity and inclusion within the asset management business has been deliberate and integrated and has and will lead to significant progress.

It starts with a strong tone at the top. Our Code of Business Conduct and Ethics Policy (Code of Conduct)³ set a consistently high standard for how we interact with each other and

³ Please refer to our Code of Conduct for further details

reinforce a work environment conducive to learning and development. This approach is enhanced by strong people leaders who are focused on developing their teams, inclusive recruiting and talent management processes along with other targeted initiatives.

Within our portfolio companies, we set the same tone at the top. We further contribute to a culture of trust and accountability by prioritizing the health and safety of the employees within our businesses⁴.

Corporate Governance

We believe that strong governance is essential to sustainable business operations, and we strive to conduct our business according to the highest ethical and legal standards. Corporate governance starts at the Board level and with senior executive leadership.

Our commitment to conducting our business ethically and responsibly across the Firm, as well as within the businesses and assets that we manage, is reflected and documented in the Firm's values, Code of Conduct, policies and processes. Our Code of Conduct and related policies are intended to ensure that Stoneshield honours its commitment to conducting business in a responsible and ethical manner.

This includes adhering to all laws and regulations and honouring all contracts and obligations, be they related to anti-bribery and corruption, protection of human rights, or maintaining a positive work environment. We monitor the efficacy of the governance program through ongoing reviews, a global Ethics Hotline and periodic audits by internal and external auditors.

All of our portfolio companies and operating businesses that we control have a code of conduct and an ethics hotline in place, which is required to be consistent with Stoneshield's principles.

Executive compensation at Stoneshield is structured to align the interests of management with the long-term interests of the Company. This long-term approach ensures that executives at Stoneshield understand and enact sustainable, productive initiatives that best serve all our stakeholders

Our Legacy

We believe that the world will transition toward a net zero-carbon economy in the future.

We believe that whilst there is work to be done, we are well positioned to make this transition and are being proactive in evolving our portfolio of investments consistent with this trend.

We are actively contributing to this transition by incorporating the implications of climate change into our underwriting, focusing on assets that are essential for the economies in which we invest and will continue to be so in a net zero-carbon future, and driving operational and other efficiencies which contribute to a reduced impact on the environment

Given our diverse range of businesses, we have focused on three environmental areas that are most relevant to our overall business and impact—climate change, waste and water.

We believe that climate change poses a serious threat and that addressing the climate crisis is integral to building resilient businesses. Our key areas of focus currently are: (i) measuring GHG emissions to better manage the implications; (ii) accelerating the transition to clean energy; and (iii) prioritizing the development of green buildings.

⁴ Please refer to our Positive Work Environment Policy

Within our business we continue to prioritize the investment in, and development of, energy and operational efficiency, which adds value to our business and tenants. We have begun to actively measure water and waste within our offices as well as a number of the businesses and assets that we manage. We believe that businesses that operate responsibly with regard to water use and waste will be more sustainable over the long term.

The below table sets out the different topics we believe are material to our approach to our ESG principles and policies:

Our investment approach	
ESG integration into Our Investment Process	Incorporating ESG factors into investment decision-making and valuation, modelling, portfolio construction and engagement with portfolio companies ⁵ .
Systemic Risk Management	Integrating financial and ESG-related due diligence, and risk and opportunity management into our overall risk management program
Sustainable Finance	Offering our investors opportunities to contribute to a sustainable market economy and support adaptation to global climate change challenges through sustainable investments.
Our People	
Human capital development	Building a culture focused on attracting the right people, keeping them engaged to enable retention and providing them with opportunities to develop them to their potential ⁶ .
Diversity and Inclusion	Increasing gender and ethnic diversity within Stoneshield's Board of Directors and across the Firm to promote employee engagement and to foster perspectives that enhance our business.
Occupational Health and Safety	Ensuring the health and safety of our workforce via both physical and mental health policies, goals and programs.
Corporate Governance and Ethics	
Board Effectiveness	Assessing the effectiveness of Stoneshield's Boards through meetings, self-assessments, tracking attendance, training and education, and other initiatives ⁷ .
Board Skills and Oversight	Ensuring the Board comprises the relevant experience, expertise and skills to oversee and support Stoneshield in its endeavors.
Business Ethics	Conducting Stoneshield's business ethically and responsibly within operations as well as business partnerships, including through the Firm's values, Code of Conduct, policies and processes ⁸ .

⁵ Please refer to our ESG investment principles statement and our ESG Investment transaction policy for further details.

⁶ Please refer to our Positive work environment policy

⁷ Please refer to our Charter of expectations for managers policy, our Board Charter, our whistle-blower policy, our conflict-of-interest policy, our anti-bribery and corruption program and Modern Slavery statement for further details

⁸ Please refer to our supplier code of conduct

Human Rights	Ensuring that Stoneshield conducts business in a manner that respects and supports the protection of human rights ⁹ .
Audit Oversight	Monitoring effectiveness and compliance of the Board, management and portfolio companies.
Executive Compensation	Disclosing the makeup, responsibilities and approach of the Committee responsible for determining executive compensation.
Data Privacy and Security	Effectively managing personal and confidential data and protecting the Firm, its related threats and to comply with evolving regulatory requirements.
Legacy	
Climate change strategy	<p><u>GHG Emissions</u>: Measuring overall Scope 1, 2 and 3 emissions at the asset manager and encouraging portfolio companies to measure their GHG emissions.</p> <p><u>Clean Energy</u>: Accelerating the transition to a low-carbon economy</p> <p><u>Green Building</u>: Prioritizing the investment in, and development of, energy efficient and responsible buildings and businesses.</p>
Water and Waste	Measuring Stoneshield's waste and water usage, with the objective of reducing waste and conserving water ¹⁰ .

⁹ Please refer to our Human rights statement for further details

¹⁰ Refer to our Environmental Policy for further details and our Paris Alignment Statement and our Stoneshield for further details.