

The sustainability Policy

The Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, the so-called “**SFDR**” (Sustainable Finance Disclosure Regulation) has brought about a mandatory higher level of transparency for various capital market financial institutions in the so-called “**ESG**” area, i.e. environmental, social and governance.

The obligations relate in particular to informing investors about the integration of sustainability risks, the consideration of adverse sustainability impacts, sustainable investment objectives and the promotion of environmental or social considerations in the implementation of investment decisions in accordance with Article 3 and 4(1)(b) respectively of the SFDR.

At the level of the entire **WOOD & Co. Group**, we support the idea of sustainable investing and the possibility of tailoring our investments to our environmental and social goals.

In this document, we summarize how **WOOD & Co.** approaches sustainability in general and introduce specific ESG-relevant products.



List of terms and abbreviations

PSE – Prague Stock Exchange, a.s., ID No.: 47115629, with registered office at Prague 1, Rybná 14/682, Postal Code 110 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 1773.

ESG – is Environmental (E), Social (S) and Governance (G).

Sustainability factors or **ESG factors** - environmental, social and employment issues, respect for human rights, and anti-corruption and anti-bribery issues.

Fund or Investment Fund - a fund or sub-fund of Qualified Investors managed by **WOOD & Co.**.

Investor - a customer or potential customer who is likely to become a customer (in particular, a person who has entered into or intends to enter into a contract with the Company, the Contractual Agent or a Distribution Partner under which he or she may apply to subscribe for investment shares in the Fund).

Investment instrument - investment securities, collective investment securities, instruments normally traded on the money market (money market instruments) and derivatives.

Portfolio - a combination of various financial assets such as stocks, bonds and mutual funds held by a particular Investor.

Sustainability risk - an environmental, social or governance event or situation that, if it were to occur, could have an actual or potential significant adverse impact on the value of an investment.

Sustainable investments - investments as defined in Article 2(17) of the SFDR, i.e. investment in economic activity that contributes to environmental objectives, such as investment measured by, for example, key resource efficiency indicators on energy use, renewable energy, raw materials, water and land, waste production, greenhouse gas emissions, or indicators of its impact on biodiversity and the circular economy, or investment in economic activity that contributes to social objectives, in particular investment that contributes to tackling inequalities, or investments that promote social cohesion, social integration and labour relations, or investments in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly undermine any of those objectives and that the investee companies comply with good governance practices, in particular as regards sound management structures, employee relations, remuneration of relevant employees and compliance with tax rules.

WOOD & Co. - a group consisting of WOOD & Company Financial Services, a.s. WOOD & Company Investiční společnosti, a.s. and WOOD & Company, investiční fond s proměnným základním kapitálem, a.s.



Our strategy

Our goal is to operate responsibly in the financial market and to actively participate with our Investors in positive changes in the ESG area.

Through responsible investing, we want to not only seek to achieve value for Investors' money, but at the same time help to improve environmental and social performance through our approach. We believe we can develop beneficial trends in governance and inspire other cooperating companies to practice responsible behaviour. **WOOD & Co.** obhospodařuje široké spektrum portfolií, včetně individuálních portfolií a portfolií investičních fondů, a poskytuje řadu dalších investičních služeb profesionálním i neprofesionálním Investorům.

The attitude of **WOOD & Co.** towards the extent to which sustainability risks are taken into account in investment decisions depends on the nature of the service provided to the Investor and his/her preferences.

We will integrate environmental, social and beneficial management considerations into all relevant Company processes, enabling us to better manage the associated risks and create sustainable long-term value for our Investors.

The integration of sustainability risks and consideration of ESG factors is in many respects only at the beginning and is a long-term continuous process, therefore we will progressively evaluate the implementation of our strategy and report on our achievements to our Investors.

Minimum standards

Our minimum standards for direct investments represent the basic requirements for all **WOOD & Co.** products or investments.

Our minimum standards also include social and ethical principles. A key criterion is the exclusion of financing controversial weapons (production and sale) that are regulated or prohibited by international treaties and the exclusion of instruments for speculation on food prices.

The minimum standards also include requirements for social and ethical principles in the selection of acquisitions and the choice of business partners, with an emphasis on integrity, reputation and transparent governance principles.

Engagement

We enter into constructive and targeted dialogue with the companies we provide investment services to, and together we develop a sustainable strategic approach that respects ESG objectives in line with our business strategy.

We have a long-standing relationship with most of our business partners, which enables us to exchange knowledge and experience, which we consider to be one of the key



factors that contributes positively to the achievement of ESG objectives not only within **WOOD & Co.** but across a much wider range of our business partners and their customers.

Incorporation of Sustainability Risks into Investment Decisions (Article 3 of the SFDR)

Investment decisions for individual Funds and Portfolios are primarily governed by **WOOD & Co.'s** internal policies.

The implementation of these decisions (their practical execution) is then the responsibility of the respective Portfolio Manager.

The selection of a specific investment instrument and the conclusion of a specific trade is, within the limits set by the Articles of Association and the internal regulations of **WOOD & Co.**, the responsibility of the Portfolio Manager.

In the course of its investment decision-making process, the Portfolio Manager assesses not only the risks arising from the financial indicators of the issuers or from the overall macroeconomic situation and the policies of the relevant central banks, but also the risks arising from non-financial factors such as events or situations in the environmental, social (including, for example, the social policy of the issuer's home country) or governance environment of the issuer in which the Portfolio Manager intends to invest funds.

WOOD & Co. therefore takes into account these new and growing trends and related regulatory developments and, in accordance with the principle of professional care, therefore assesses whether such events or situations in the ESG area could have an adverse impact on the value of the investment and, if necessary, the extent of such impact.

Responsible Portfolios taking into account ESG objectives are available to investors on the Porto retail platform <https://www.portu.cz/>.

WOOD & Co. real estate funds are then currently working with reputable external advisors to evaluate our sub-funds from an SFDR perspective.

Taking into account adverse impacts on sustainability (Article 4 of the SFDR)

In accordance with Article 4(1)(b) of the SFDR, **WOOD & Co.** states at this point that it has decided not to take into account the adverse impacts of its investment decisions on the Sustainability Factors for the time being; this is mainly due to the following reasons, which are commented on in the paragraphs below:

- (a) the extent of **WOOD & Co.'s** relevant portfolio management activities to date outside the Port application
- (b) characteristics of the **WOOD & Co.** funds and their investment strategies



WOOD & Co. is not able to effectively correct the Issuers' business activity through the exercise of voting rights associated with the Investment Vehicles held by each of the Investors' portfolios, i.e. with its overall ownership interest in the Issuers, it is very unlikely to be able to enforce that the Issuers' activities are more responsive to the Sustainability Factors or that the Issuers are targeting ESG risk management. Further, non-interference in the management of the issuer (in most cases) also corresponds to the rules for the exercise of voting rights.

The **WOOD & Co.** funds are real estate funds intended for qualified investors and therefore have a specific, clearly defined and narrowly focused investment strategy on real estate and interests in real estate companies located mainly in the Czech Republic, Slovakia and Poland.

The main investment philosophy is to ensure a return and maximum possible appreciation of the investment.

The means of achieving this investment strategy is through broad diversification of risk, and sustainability risk is only one factor in the investment decision. The specific investment - acquisition of a property or real estate company - is decided by the portfolio manager within the limits set by the Fund's Articles of Association.

Each acquisition is evaluated on the basis of a number of criteria, the most dominant of which are financial, technical and commercial, but environmental, social and corporate governance (ESG) factors are also taken into account. However, investment decisions are primarily aimed at securing a profit for Investors while diversifying risks widely.

The limited number of types of assets acquired into the Funds' assets by law makes it very difficult to consider the impact of investment decisions on sustainability factors in a comprehensive and effective manner, and for some of these assets (e.g. money market instruments such as CNB or Treasury bills or receivables for cash payments), sustainability factors are not even relevant.

Indirect impacts of investment decisions on sustainability factors cannot therefore be ruled out, but they cannot be adequately quantified at present. In the absence of regulatory technical standards that are generally binding on a wide range of companies (property owners, property companies, securities issuers), WOOD & Co. will not currently include a measure of the adverse impacts of investment decisions on sustainability factors. However, we do not exclude that we will start to take these adverse impacts into account in the future.

WOOD & Co. follows and monitors the market situation on an ongoing basis and, in the event that it concludes that the benefits of any declaration of due diligence policies in relation to the impact of investment decisions on the Sustainability Factors would outweigh the risk of misinforming Investors in relation to such impacts, it does not preclude that it will seek to reconsider its approach and take due account of the impact of its investment decisions on the Sustainability Factors.



Properties owned by the Funds are owned through wholly-owned real estate companies, managed by WOOD & Co.'s own staff (mainly asset management) or using the services of third parties (mainly sub-activities within property or facility management).

Management also includes projects to renovate or upgrade properties owned by the Funds.

The properties are subject to lease. When selecting a tenant, the company takes into account, among other things, the aspect of eliminating potential risks associated with money laundering and terrorist financing. The objectives towards which the Funds will work are, among others, the introduction of energy-efficient facilities, and in order to detect violations of human and workers' rights, WOOD & Co. has introduced a whistleblowing system for its employees and a system for resolving complaints, which is anonymous. As part of its screening of tenants and property managers, WOOD & Co. focuses on combating corruption, money laundering and terrorist financing through an active policy of combating these activities in accordance with applicable legislation.

The operation of WOOD & Co.

WOOD & Co. is not a manufacturing company, but we are aware that our activities also have an environmental and social impact, whether it is the operation of the companies themselves, the properties we invest in or the impact we have on our business partners.

The building in which we are based holds the world's most widely used BREEAM certification, which comprehensively assesses building quality in 10 categories: energy, health and indoor environment, innovation, land use, materials, management, pollution, transport, waste and water. BREEAM has a five-level rating scale and PALLADIUM achieved an Excellent rating in Asset Performance and a Very Good rating in Building Management.

We intensively digitize, recycle and environmentally dispose of electrical waste.

In the wake of the Covid-19 pandemic, there has been a significant reduction in business travel by car, plane and commuting, which has enabled us to accelerate and improve our digitalisation in online meetings.

Setting up transparent remuneration at WOOD & Co.

The Remuneration Principles are intended to support the overall strategy and business objectives of **WOOD & Co.**, to prevent inappropriate risk taking and imprudent behaviour, to take into account the rights and interests of Investors, to promote cost efficiency and sustainable growth, and to enhance the value of **WOOD & Co.** from the perspective of employees, Investors and other stakeholders. The remuneration policy is an integral part of both **WOOD & Co.'s** human resources strategy and its overall business strategy.

WOOD & Co.'s remuneration system does not motivate employees to take excessive risks, is in line with **WOOD & Co.'s** long-term interests, avoids conflicts of interest and ensures that remuneration does not limit **WOOD & Co.'s** ability to strengthen capital.



However, we do not directly take ESG principles into account in the remuneration of our employees. Nor is management remuneration currently linked to the application of sustainability principles. When it comes to improving the working conditions of our employees, we always try to incorporate ESG principles into our decisions.

Review and update of the Sustainability Policy

This document is regularly updated by **WOOD & Co.** If **WOOD & Co.** amends this Sustainability Policy, the Investor will be notified of such change at <https://wood.cz/>, including an explanation of the change, if any.