

# SUSTAINABILITY REPORT 2020

TREVIAN FUNDS AIFM LTD



## BACKGROUND FOR SUSTAINABILITY

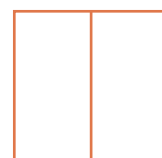
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# BACKGROUND FOR SUSTAINABILITY

Sustainability is becoming increasingly significant in society and investments. The purpose of investment operations is to achieve the best possible return on invested assets. At the same time, investment decisions need to take environmental, social and governance (ESG) perspectives into consideration. This is Trevian Funds AIFM's sustainability report for 2020. This report covers the key aspects and actions of the company's sustainability efforts in 2020.

## TREVIAN FUNDS AIFM IN BRIEF

Established in 2017, Trevian Funds AIFM is a Finnish privately owned real estate fund management company that currently manages two funds:

1

**Trevian Finland Properties I** – Invests in commercial properties that offer strong tenant cash flow and development potential in Finland's growth centres. At the end of 2020, the fund had approximately EUR 320 million in assets under management. The fund owned 41 properties with a combined leasable area of 327,000 m<sup>2</sup> and 745 tenants in total.

2

**Trevian Carbon Sink Real Estate I Ky** – A fund that does not pursue financial profit and has a mission of enhancing biodiversity and the sequestration of carbon in organic soil. The fund primarily acquires drained peatlands that were previously used or prepared for peat production. The acquired peatlands are restored back to their natural state. Restoration stops the carbon leakage of peatlands and transforms areas from sources of CO<sub>2</sub> emissions into carbon sinks.

Trevian Funds AIFM Ltd is an alternative investment fund manager (AIFM) authorised by FIN-FSA, the Finnish Financial Supervisory Authority. FIN-FSA supervises the operations of AIFMs. AIFMs have an obligation to regularly report the required information to FIN-FSA regarding the alternative investment funds they manage. Consequently, good governance and a high standard of care and diligence are key starting points and preconditions for our operations.

## RESPONSIBLE INVESTMENT

We adhere to principles for responsible investment that are published on our website and referred to in the marketing materials of the funds managed by the company. In spring 2021, we signed the United Nations Principles for Responsible Investment (UNPRI).

Responsible investment means that the environment, social responsibility and good corporate governance are taken into consideration in investing activities. The above-mentioned factors are commonly referred to by the abbreviation ESG (Environmental, Social, Governance).

At Trevian Funds AIFM, sustainability issues are integrated into all investment decisions and day-to-day real estate portfolio management. Established practices for responsible investment help the company identify and manage the risks associated with its operations as well as maintain and improve the return on its investments in an environmentally and socially sustainable manner. On several occasions, our commitment to sustainability has also led to the rejection of investments that were under consideration.

Before the COVID-19 pandemic, the key themes of sustainable real estate investment included the improvement of energy efficiency and the reduction of emissions in particular. During the pandemic, investors' expectations regarding sustainability have increased further, with social responsibility growing in significance alongside environmental themes. Regulatory and reporting requirements in the financial sector have increased considerably in the past few years, further increasing the need to develop internal monitoring systems and reporting.

## STAKEHOLDER ENGAGEMENT

Active stakeholder dialogue increases transparency and helps steer business operations in the right direction. Consequently, identifying stakeholders and their expectations is the first step on the path to sustainability. Trevian Funds AIFM has identified its key stakeholders and their expectations. Together with the principles for responsible investment, stakeholder expectations constitute the foundation for the company's sustainability efforts.

Trevian Funds AIFM's key stakeholders include investors, employees, tenants, partners and the authorities. Investors expect the highest possible returns on their investments in a manner that fulfils their sustainability requirements. Environmental, social and governance perspectives are particularly emphasised in investment decisions. Employees value equal treatment and investments in well-being at work, while tenants expect their premises to be comfortable and safe. The authorities expect regular reporting and quick responses to changes.

The company is also committed to the activities of various industry organisations, which contributes to managing and preventing the investments' adverse sustainability impacts:



The company complies with the recommendations of Rakli ry and KTI Property Information Ltd on responsible real estate investment and takes part in KTI's corporate responsibility analysis by reporting on analysis-related data annually to KTI;



Trevian Funds AIFM Ltd observes the UN Principles for Responsible Investment (PRI) in its operations and signed the PRI in 2021;



The company is a member of INREV (European Investors in Non-Listed Real Estate);



The company is a member of Green Building Council Finland. The World Green Building Council Net Zero Carbon Commitment was signed in 2020;



The company will take part in the GRESB (Global Real Estate Sustainability Benchmark) assessment in 2021; and



The company is a member of Finsif (Finland's Sustainable Investment Forum ry).

Committing to the above-mentioned commitments and operating models and following the pursuant reporting obligations provides valuable information about the implementation and development of responsibility.

# UN SUSTAINABLE DEVELOPMENT GOALS

In 2015, the UN Member States adopted Sustainable Development Goals (SDGs) for 2016–2030. The aim of the SDGs is to eradicate extreme poverty and ensure people's well-being in an environmentally sustainable manner. We have identified 11 of the SDGs as being particularly relevant to our core business. The content of the selected SDGs is described in more detail below.



**SDG 3:** We invest in the health and well-being of our employees and tenants.

**SDG 4:** We support our employees' work ability and lifelong learning.

**SDG 5:** We reject all forms of discrimination and ensure equal opportunities for our employees.

**SDG 7:** We invest in affordable and clean energy.

**SDG 8:** We support sustainable economic growth by investing responsibly and operating ethically.

**SDG 9:** We invest in sustainable infrastructure and promote innovative sustainability solutions.

**SDG 11:** We invest in sustainable properties and promote opportunities for sustainable economic growth.

**SDG 12:** We systematically reduce the energy consumption and emissions of our properties.

**SDG 13:** We are committed to achieving carbon-neutral energy consumption for our properties by 2030.

**SDG 16:** We are committed to openness and fairness in our operations.

**SDG 17:** We actively work with various stakeholders to promote sustainable development.

# OUR SUSTAINABILITY EFFORTS IN PRACTICE

Trevian Funds AIFM's sustainability efforts cover environmental responsibility [E], social responsibility [S] and corporate governance [G]. Stakeholder expectations, the company's principles for responsible investment and selected UN Sustainable Development Goals constitute the foundation of the company's sustainability efforts.

## ENVIRONMENTAL RESPONSIBILITY [E]

Due to the heavy carbon footprint of the property sector, its most significant practical sustainability actions have traditionally been related to energy consumption and emissions. In the past few years, these climate efforts have emerged as a strong focus area in the property and construction sector.



### **Towards a carbon-neutral property portfolio**

Last year, Trevian Funds AIFM joined Green Building Council Finland and signed the World Green Building Council's Net Zero Carbon Buildings Commitment. The signatories are committed to achieving carbon neutrality with regard to the in-use energy consumption of buildings by 2030.



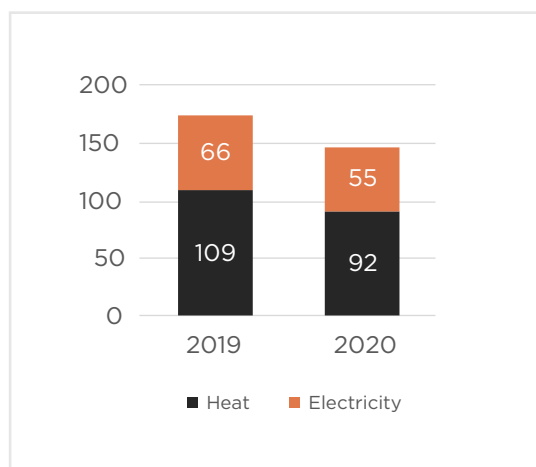
### **Energy efficiency programme**

In 2020, we started an ambitious energy efficiency programme in our property portfolio. In the first phase, the programme covers a quarter of our properties. The programme will be gradually expanded to cover all properties owned by the Trevian Finland Properties I fund. EcoReal Oy is our main partner in the programme. According to EcoReal's calculations, the energy efficiency investments will achieve total CO<sub>2</sub> emission reductions of 1,440 tonnes in 2021.

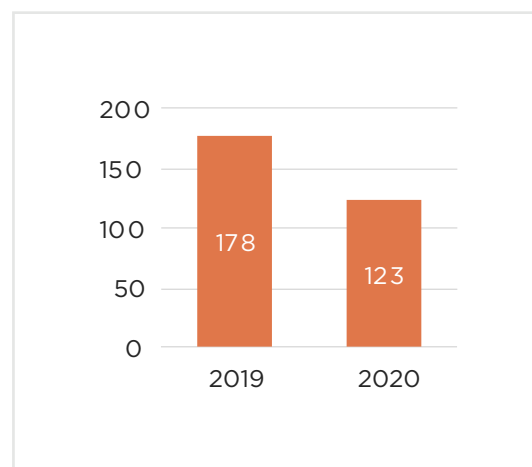


Last year, our total energy consumption amounted to approximately 48 MWh. In 2020, the specific energy consumption of our property portfolio amounted to approximately 147 kWh/gross m<sup>2</sup>. Our property portfolio is already more energy efficient than average. Specific energy consumption declined by as much as 16% compared to the previous year. The relative specific water consumption of our property portfolio was approximately 123 l/gross m<sup>2</sup> in 2020. Water consumption decreased by nearly 31% compared to the previous year.

**Specific energy consumption  
(kWh/gross m<sup>2</sup>)**



**Specific water consumption  
(l/gross m<sup>2</sup>)**



**Table 1. Energy consumption of the property portfolio**

	2019		2020	
	Total consumption (MWh)	Specific consumption (kWh/gross m <sup>2</sup> )	Total consumption (MWh)	Specific consumption (MWh/gross m <sup>2</sup> )
<b>HEAT</b>	25.815	109	29.907	92
<b>ELECTRICITY</b>	15.695	66	17.798	55
<b>TOTAL</b>	41.510	175	47.705	147

**Table 2. Water consumption of the property portfolio**

2019		2020	
Total consumption (m <sup>3</sup> )	Specific consumption (l/gross m <sup>2</sup> )	Total consumption (m <sup>3</sup> )	Specific consumption (l/gross m <sup>2</sup> )
42.058	178	39.906	123

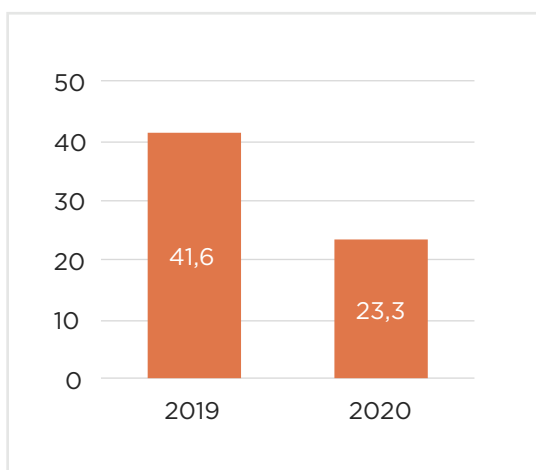
The calculation of the specific consumption figures for energy and water is based on the average floor area of the property portfolio in 2019 and 2020.



## Zero-emission energy solutions

In 2020, the total carbon dioxide emissions of the property portfolio amounted to approximately 7,574 CO<sub>2</sub>. The relative specific emissions of the property portfolio were approximately 23 tCO<sub>2</sub>/gross m<sup>2</sup>. Total CO<sub>2</sub> emissions declined by as much as 23% compared to the previous year in spite of the number of properties in the portfolio increasing. The relative emissions of the property portfolio decreased by nearly 44%. The reduction in emissions was attributable to approximately 90 per cent of the electricity purchased by the properties owned by the fund being switched to zero-carbon green electricity in 2020.

### Specific emissions of the property portfolio (kgCO<sub>2</sub>/gross m<sup>2</sup>)



### Table 3. CO<sub>2</sub> emissions of the property portfolio

	Total consumption (m <sup>3</sup> )	Specific consumption (l/gross m <sup>2</sup> )
<b>2019</b>	9.849	41.6
<b>2020</b>	7.574	23.3

The calculation of the specific emissions of the property portfolio is based on the average floor area of the property portfolio in 2019 and 2020.

As part of its energy efficiency programme, the fund also assesses the opportunities for zero-emission local energy production on a property-specific basis. This primarily involves geothermal and solar power solutions. The competitiveness of renewable local energy solutions is constantly improving and the payback periods of investments have decreased significantly. The fund does not make energy investments at the expense of returns. As a rule, the investments can be carried out in a financially profitable manner.



## Enhancing recycling

We continuously invest in enhancing waste sorting and recycling at the properties we own. According to the amended Waste Framework Directive, the recycling requirement for municipal waste is 55% in 2025 and 60% in 2030. Accordingly, we have set a target of 100% for the waste recovery rate of our property portfolio, with recycling accounting for 55% of this by 2025.





## Carbon footprint compensation

We are committed to achieving carbon-neutral energy consumption for our properties by 2030. Our steps for achieving this target are as follows:

1. Improving energy efficiency through financially profitable investments
2. Producing zero-emission energy locally (including solar panels as well as geothermal heating and cooling)
3. Buying green energy – the electricity purchased by the fund was switched to 90 per cent certified carbon-neutral green electricity in 2030.
4. Compensation of the remaining emissions – Trevian Carbon Sink Real Estate I was established for this purpose. The restoration of drained peatlands stops their carbon leakage and restores carbon sequestration, simultaneously promoting biodiversity and reducing the nutrient load on water systems.

In 2020, Trevian Funds AIFM established a new fund, Trevian Carbon Sink Real Estate I, with the aim of promoting biodiversity and taking active measures to increase carbon sequestration from the atmosphere back into the soil. The long-term goal of the fund is to obtain scientific authentication for the impacts of its actions.

To date, the fund has acquired 364 hectares of drained Finnish peatlands. The planning of the restoration measures will begin in spring 2021. The scientific partner in the planning and execution of the restoration efforts is the Geological Survey of Finland (GTK).



In spite of the fund's energy efficiency programme, the property portfolio will have a carbon footprint that cannot be fully eliminated. The fund wants to take active measures of its own to compensate for the remaining carbon footprint.

Prior scientific studies have shown that the restoration of drained peatlands previously used for peat production has the highest likelihood of being an effective form of direct climate action. Bare drained peatlands are a significant source of CO<sub>2</sub> emissions, but wetting peatlands stops this carbon leakage. The gradual regrowth of moss also begins to sequester carbon from the atmosphere.

To genuinely compensate for its remaining carbon footprint, Trevian Funds AIFM wants to obtain scientific authentication for its actions. At the sites to be restored, the Geological Survey of Finland will carry out an initial assessment based on chamber measurements of greenhouse gases and follow-up measurements after the restoration measures. This will provide scientific data on the impact of the actions on the amount of greenhouse gases.

Our carbon neutrality target is based on the active reduction of emissions on the one hand and the active growth of carbon sinks on the other hand. We believe this combination of actions will enable us to achieve our carbon neutrality target in a manner that stands up to critical scientific scrutiny.

# SOCIAL RESPONSIBILITY [S]

Social responsibility includes a company's responsibility for its employees, tenants and other people affected by its operations. Trevian Funds AIFM looks after the well-being of its employees and tenants and emphasises equality and active stakeholder engagement.



## Employee and tenant well-being

We make significant investments in the well-being of our employees. The company's employees have access to comprehensive occupational health services, including dental care. We also provide financial support for employee well-being and work ability through sports and massage benefits. Next year, employees will be offered the option of acquiring a company bicycle to increase their opportunities for incidental exercise.

In addition to looking after our employees, we want to provide healthy and safe business premises for our tenants. We promote the well-being of tenants at our properties by improving the comfort and safety of the premises through, for example, air conditioning, acoustics, lighting and other technical solutions. For our tenants, we want to be a recognisable property owner with a face and one that locally promotes opportunities for creating sustainable economic growth.



## Equality and training opportunities

We provide all of our employees with equal opportunities and are committed to the prevention of all types of discrimination. The gender distribution of the company's personnel was 50% men and 50% women at the time of reporting. The company's management team also equally split between women and men. The company chooses the most suitable candidate for each position regardless of their gender, age, sexual orientation, religious beliefs or ethnic origin.

We support our employees' work ability and lifelong learning. We invest in training to maintain and develop the professional competence of our employees in cooperation with various stakeholders.



## Supporting socially sustainable growth

As a rule, we invest in existing building stock and innovative sustainability solutions such as the Trevian Carbon Sink Real Estate I fund. We assess the complete life cycle of our investments. We take active measures to minimise the raw material consumption, energy consumption and emissions of our investments. The conservation of limited resources is essential for sustainable development. More than half of the world's raw materials are used for the built environment, which means that maintaining and renovating existing properties is usually a more sustainable option than building new properties.



We actively work with various stakeholders to promote the achievement of sustainable development goals. We also offer young people and students opportunities to participate in working life through internships, for example. More information on our active stakeholder engagement is provided on pages 3–4.



## GOVERNANCE [G]

Trevian Funds AIFM takes responsibility for the solvency of invested assets through effective risk management. The fund also strives to operate transparently and ethically by observing good governance practices.



### Responsible investment and risk management

At Trevian Funds, we view responsible investment as part of comprehensive risk management and ensuring the continuation of returns. The measures relating to responsible investment on the whole are measures which the company deems appropriate to promote, even without the associated regulations.

The company's funds mainly invest in real estate and real estate securities. Considering that the built environment produces a considerable share of the emissions from our operating environment, efficient responsible investment measures of the funds managed by the company are likely to have a positive impact from the point of view of reaching the climate goals of Finland and the European Union.

The company's funds apply a procurement decision procedure whereby the Board of Directors approves procurement decisions based on a proposal submitted by the Director of Real Estate Investments. Comprehensive due diligence reviews are a prerequisite for the procurement decision. The aim of the due diligence reviews is to produce information about the investment's location and area, lessees of the site, properties and buildings and their technical condition. The reviews provide information that is relevant to adverse sustainability impacts to support the procurement decision.

The primary adverse impacts of the investment are primarily linked to the return from the investment (e.g. level of energy efficiency), in which case they are identified and taken into consideration in making investment decision. Possibilities of improving energy efficiency and ways of managing other sustainability risks are surveyed in the procurement phase. The identified primary adverse sustainability impacts in the investments of the company's funds are matters associated with the use of properties and buildings.

The sustainability risks and their impacts are investigated and prepared for as well as possible in the procurement phase.



### Transparency and ethics in operations

The transparency and ethics of operations are supported by the fund's effective risk management, good governance as well as open reporting and communication. We are committed to openness and fairness in our operations. We comply with applicable laws and regulations and observe good governance practices.

We avoid ethically or environmentally unsustainable solutions throughout our supply chain. We do not tolerate the use of child labour and we respect human rights. The fund pays its taxes – such as transfer taxes, property taxes and value added taxes – diligently and in a timely manner.

# CASES



## LAHDEN ASKOTALOT

Located in Lahti, this property was acquired by the fund in 2019. It has a leasable area of 31,828 m<sup>2</sup> and approximately 100 tenants.

The buildings are former industrial properties situated in the immediate vicinity of the railway station. They have been renovated and converted into high-quality modern office space. The anchor tenants include the District Court of Päijät-Häme, Andritz Oy and Rantalainen Accounting Services.

The property is a great example of how the existing property stock can be preserved and converted to suit today's needs. This way, we respect the raw materials already tied up in the buildings and the energy used in their construction.

Sustainability is an integral aspect of Askotalot. Geothermal energy is used in the area. Groundwater located close to the surface, known as perched water, is used for heating and cooling the buildings.

Chemical-free cleaning is an emerging trend in Finland and it has been adopted at Askotalot. Chemical-free cleaning is environmentally friendly and safe for the users of the premises as well as the cleaning staff.

Certificates of origin were acquired for the electricity used at Askotalot in 2020. They certify that the electricity is fully produced from renewable sources without direct CO<sub>2</sub> emissions. The certificate of origin applies to electricity used in the buildings' common areas and shared facilities.

The property has international BREEAM In-Use environmental certification for the buildings and their technical maintenance. In addition, waste processing at the property was modernised at the beginning of 2021.



## AUTOPRINT VANTAA



Located in Vantaa, this 20,000 m<sup>2</sup> property acquired in 2018 is the site of the fund's first extensive energy efficiency project. According to EcoReal's calculations, the investment will achieve reduction of 174 tonnes in CO<sub>2</sub> emissions at one property. The investment will also reduce the property's energy consumption and deliver significant savings in maintenance expenses.

In spring 2021, the fund acquired the adjacent building, which will be used by the anchor tenant Grano Oy to expand its operations. The acquisition and quick letting of the property were a good example of the fund's proactive property portfolio management. The fund's credible and ambitious sustainability programme played a significant role in the negotiations with the tenant. Following the acquisition, the energy efficiency programme will be expanded to cover both properties. Carbon calculations will be carried out to support the development of the property complex and identify and implement the best solutions from the environmental perspective.





# TREVIAN

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