Sustainable Finance Disclosure Regulation (SFDR)

Merito takes due account of the requirements of the Sustainable Finance Disclosures Regulation (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) (SFDR) and the regulatory technical standards laid down in the Commission Delegated Regulation (EU) 2022/1288. Below we share the public disclosures pertaining to Articles 3 – 5 of the SFDR.

These disclosures are issued by each of the following Merito group alternative investment fund managers (AIMFs): **SIA Merito Management AIFP** and **SIA Merito Real Estate Management AIFP**.

Article 3: Policies on the integration of sustainability risks

Responsible investing provides a fundamental foundation for a long-term investment strategy. It is a critical piece of establishing and maintaining a high-quality reputation – both as an organisation and as an owner and manager of our portfolio investments.

Sustainability risk means an environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Our Responsible Investment Policy contains high-level commitments to responsible investing. Merito's approach to the integration of sustainability risks in the investment decision-making process is further outlined in our Sustainability Risk Policy. These policies describe procedures and processes that help us manage and mitigate sustainability risks. Overall, at Merito ESG issues are initially reviewed during the acquisition and due diligence period.

When it comes to investments that promote environmental or social characteristics, or which have sustainable investment as their objective, we identify sustainability risks that in our reasonable consideration may jeopardize the investment target. If it is established that any of the existing or expected ESG events or conditions may have a significant negative impact on the planned investment and its return, we engage with the target company and suggest relevant prevention measures. Additionally, post investment we continuously monitor the sustainability risk profile of each such investment.

Article 4: No consideration of adverse impacts of investment decisions on sustainability factors

Taking into account the size and the scale of Merito's activities, we do not consider any principal adverse impacts (PAIs) of our investment decisions on sustainability factors.

At present, Merito has a small team with limited capacity to undertake comprehensive PAI assessments. As our team grows and additional resources become available, we may reconsider our approach as we are always looking for ways to improve our policies and processes to better align with the expectations of our investors and other stakeholders.

Nevertheless, Merito's Responsible Investment Policy outlines specific exclusions of industries that are inherently high-risk in terms of their adverse impacts, thus limiting the cases where our investment decisions could have very significant adverse impacts on sustainability factors.

Article 5: Remuneration policies in relation to the integration of sustainability risks

Merito has adopted a remuneration policy that enables us to attract, retain and develop talented and loyal employees. The remuneration policy is set up to motivate employees to uphold Merito's values, ethical standards, and long-term goals, and to prevent excessive risks, including sustainability risks.

The variable component of employee remuneration is based, among other factors, on objectives related to responsible investing, which are an integral part of employees' performance reviews. These reviews specifically assess whether the employee in question has complied with Merito's policies concerning responsible investments and the integration of sustainability risks. Depending on the fund, employees are expected to assist in identifying sustainability risks to prevent them from negatively impacting investment returns. Where applicable, the reviews also evaluate whether the employee has contributed to increasing the proportion of sustainable investments. For this purpose, individual investment targets are set for employees to encourage their engagement with investee companies for increasing the proportion of sustainable investments within Merito’s funds.

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