

## **SFDR Article 8**

# **Statement on principal adverse impacts of investment decisions on sustainability factors**

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### Financial Market Participant

This statement applies to:

Starlight Canadian Core Multi-Family Fund  
Legal Entity Identifier: 9845003BACC3LBCA7997

### 1. Summary

Starlight Canadian Core Multi-Family Fund (the Fund) is considered by Starlight Investments (the Manager) to fall within the scope of Article 8 of the EU's Sustainable Finance Disclosure Regulation (SFDR), as a fund that promotes environmental and/or social characteristics. This disclosure sets out the Fund's approach to sustainable investing, the ways in which sustainability risks and factors are integrated into portfolio management decisions and how environmental and/or social characteristics are promoted by the Fund. This includes:

- A summary of the key environmental and social characteristics of the Fund,
- Confirmation that all assets in the Fund's portfolio will move towards improving the environmental and social performance of the portfolio;
- Confirmation that as an Article 8 product, the Fund has certain sustainability characteristics but does not have sustainable investment as its objective and that the Fund, as the date of these disclosures, does not invest in "sustainable investments" as defined by Article 2(17) SFDR;
- An explanation of how the Fund assesses sustainability risks, factors and opportunities and implements a targeted action plan in relation to its assets;
- The indicators that are used to measure attainment of the characteristics;
- The monitoring process for collecting the environmental and social data relevant to the indicators;
- The key industry aligned methodologies that are used;
- The process for identifying data quality issues and the mitigations in place for ensuring this does not impact adversely on the Fund; and
- The approach to resident sustainability engagement.

### 2. No sustainable investment objective

The Fund promotes environmental or social characteristics but does not have as its objective sustainable investments.

At the date of this disclosure, the Fund does not invest in sustainable investments as defined by Article 2(17) of the SFDR, however, it may do in the future. If so, the relevant sections of these disclosures will be updated accordingly.

### **3. Environment and/ or social characteristics of the financial product**

The Fund takes a holistic approach to sustainability, integrating environmental, social and governance criteria into portfolio management decisions, and does not seek to promote one specific aspect.

As a Fund investing in real assets, the Manager seeks to promote the following environmental and social characteristics:

- Reducing greenhouse gas emissions;
- Reducing energy consumption;
- Reducing water consumption; and,
- Resident engagement on sustainability.

A reference benchmark has not been designated.

### **4. Investment Strategy**

The investment policy and strategy of the Fund is set out in the Fund's offering memorandum and complemented by the information below. Internally developed processes and practices are used to drive environmental, social and governance (ESG) improvements in portfolio holdings.

The Manager's ESG Assessment Procedures are initiated at deal sourcing and initial screening and carried through during due diligence, structuring and negotiations. For each new acquisition pursuit, the Manager undertakes an ESG assessment prior to Investment Committee Approval. The ESG assessment process includes a Level 1 Due Diligence ESG Assessment which investigates risks related to issues such as: energy management, emergency risk management, and business continuity. If any issues are deemed to require further investigation by the ESG team, a Level 2 ESG Assessment is pursued through support from an external expert.

The Investments team is responsible for managing the due diligence and underwriting process. The team identifies key ESG factors as they relate to risk management and valuation. Other business groups at the Manager help provide input and insights from their corresponding areas throughout the due diligence process, including perspectives on environmental and social impacts. Activities include:

- **Asset Management:** Provide input into the preliminary multi-year asset business plan, including market assumptions and input on capital expenditure for projects used in financial underwriting. Amenity space is considered at this stage with a view to support resident engagement.
- **Energy Management, Capital Expenditure and Procurement & Technical Services teams:** Conduct property tours to understand energy and water saving opportunities such as window replacements, exterior restoration, HVAC and plumbing equipment, and upgrades to suites. Their findings are integrated into the business plan developed by the Investments team.

- Risk Advisory & Compliance Team: Helps mitigate risk in various business processes related to the fund. For example, third party vendor management risk is addressed when conducting new vendor due diligence screens involving legal, financial and sanction checks. Health & Safety processes related to labour safety are in place and a code of conduct exists in which compliance ensures employees signoff on an annual basis.

With the aforementioned groups, the asset business plan is formulated with objectives and metrics, including financial, environmental, social, and governance impacts, such as potential energy and water efficiency opportunities, as well as resident engagement.

The binding elements of the investment strategy are:

- Level 1 Due Diligence ESG Assessment: to determine the ESG risks and opportunities prior to Investment Committee Approval.
- Capital expenditures plan: which identifies potential energy and water efficiency improvement opportunities, and the impact on greenhouse gas emissions.
- Property Management Company contracts: with the requirement that sustainability related resident engagement events are implemented, at a minimum, on an annual basis.

## 5. Proportion of investments

100% of assets in the Fund's portfolio are in scope for the promotion of the environmental and social characteristics outlined above. All acquisitions are also subject to the Investment ESG Due Diligence assessment which may lead the Manager to implement measures to improve the ESG ratings and mitigate the identified risks through a structured asset improvement plan. At the date of this Memorandum, the Fund does not invest in sustainable investments neither under Article 2(17) of the SFDR nor under the EU Taxonomy and therefore does not have any sustainable investments with an environmental objective. The minimum sustainable investments with an environmental objective aligned with the EU Taxonomy is therefore 0%. The Fund may invest in such sustainable investments in the future, in which case the relevant sections of these disclosures will be updated.

## 6. Monitoring of environmental or social characteristics

Monitoring is undertaken at various stages and for different purposes. The Fund periodically carries out environmental audits to: (i) establish the current building performance, including greenhouse gas emissions, energy, and water, and (ii) identify technological and operational saving opportunities to form the basis of a detailed performance improvement action plan and where relevant, to complete a cost benefit analysis. The Fund also regularly monitors energy consumption to identify trends and outliers in consumption that can then be investigated with property managers.

As part of our commitment to resident engagement and sustainability, the Fund aims to coordinate sustainability related events hosted over the calendar year for residents.

Sustainability indicators used to measure the attainment of each of the environmental and social characteristics promoted by this financial product will be included in the dedicated section in the periodic report relating to the Fund. These indicators are:

Indicator	Monitoring Frequency	Control Mechanisms
<b>GHG Emissions</b> <ul style="list-style-type: none"> <li>Absolute (tCO<sub>2</sub>e)</li> <li>Intensity (kgCO<sub>2</sub>e/ft<sup>2</sup>)</li> </ul>	Annual Portfolio specific Sustainability Report	Changes of more than ±15% will be investigated and resolved (if necessary) by the Asset Manager and Property Management Company (PMC)
<b>Energy consumption – landlord controlled (electricity &amp; natural gas)</b> <ul style="list-style-type: none"> <li>Absolute (eMWh)</li> <li>Intensity (ekWh/ft<sup>2</sup>)</li> </ul>	Annual Portfolio specific Sustainability Report	
<b>Water consumption – landlord controlled</b> <ul style="list-style-type: none"> <li>Absolute (m<sup>3</sup>)</li> <li>Intensity (litres/ft<sup>2</sup>)</li> </ul>	Annual Portfolio specific Sustainability Report	
<b>Resident sustainability engagement</b> <ul style="list-style-type: none"> <li>% of buildings that hosted a sustainability related event in the calendar year</li> </ul>	Quarterly Property Management Company meetings	PMCs to report on the sustainability related resident events implemented at each building

## 7. Methodologies

Measurement and disclosure are vital parts of responsible property investment; however, a reference benchmark has not been designated.

Baseline performance of the fund is assessed for the first full year the fund is in place. Year over year performance of the fund is assessed against this baseline both at an absolute level and like-for-like.

Indicator	Methodology
<b>GHG Emissions</b> <ul style="list-style-type: none"> <li>Absolute (tCO<sub>2</sub>e)</li> <li>Intensity (kgCO<sub>2</sub>e/ft<sup>2</sup>)</li> </ul>	Property level performance data is collected annually to support our annual sustainability report. Data is collected directly from properties and aggregated at the portfolio level.
<b>Energy consumption – landlord controlled (electricity &amp; natural gas)</b> <ul style="list-style-type: none"> <li>Absolute (eMWh)</li> <li>Intensity (ekWh/ft<sup>2</sup>)</li> </ul>	
<b>Water consumption – landlord controlled</b> <ul style="list-style-type: none"> <li>Absolute (m<sup>3</sup>)</li> <li>Intensity (litres/ft<sup>2</sup>)</li> </ul>	
<b>Resident sustainability engagement</b> <ul style="list-style-type: none"> <li>% of buildings that hosted a sustainability related event in the calendar year</li> </ul>	Number of buildings that have hosted a resident sustainability related event over the calendar year, divided by the total number of buildings in the fund

## 8. Data sources and processing

We use a third-party data platform to track building energy and water consumption, and greenhouse gas emissions associated with each building.

Our Property Management Companies provide data associated with the number of sustainability related engagement events at each building annually.

Through our in-house team and support from external consultants, we quality check data to ensure it is accurate prior to submitting to reporting on our performance in our annual sustainability report as described in “Methodologies” above.

## **9. Limitations to methodologies and data**

Available ESG data has its limitations, particularly environmental data. We regularly review the data providers we source from, and we continuously seek to improve transparency, disclosure and data provision in relation to the Fund. Where data gaps exist, for example where we are unable to capture energy consumption data from our residents, we will use reference benchmarks to make informed estimates and be transparent where this process has been applied. Where estimates are required we will work with investment teams and internal sustainability teams to engage property managers and potentially residents to collect actual data going forward. In case data gaps pose challenges to make an informed decision and ensure alignment of the Fund with its sustainable strategy, our investment specialists, together with the dedicated fund team jointly recommend mitigation actions.

## **10. Due diligence**

Due diligence is carried out at various points in the investment cycle and for different purposes. The Fund conducts detailed ESG due diligence for all acquisitions. The intention is to understand the ESG risks and opportunities at the earliest stage in the lifecycle. This includes, for example:

- Deal sourcing
- Vendor due diligence
- Acquisition due diligence
- Environmental screening for green building certification and energy ratings (e.g., EPC)
- Environmental site condition assessments (e.g. pollution risk, toxic materials)
- Energy efficiency assessments
- Water efficiency assessments

Where possible, due diligence is carried out on Property Management Companies, where the fund manager looks to select agents who have a strong track record in sustainability and responsible property management, and incorporate ESG factors into all aspects of their management mandate.

## **11. Engagement Policies**

The Fund actively engages with the residents of its properties regularly and across a number of issues as the Manager aims to continually improve the resident experience of properties within its portfolio. The Manager continually seeks open and collaborative engagement with residents also with the aim of improving ESG performance across areas such as water, energy usage and greenhouse gas emissions. This data contributes to improving the overall sustainability of properties in line with the relevant asset plan.