# Sustainability related disclosures pursuant to Article 10(1) of the SFDR | Silkroad Asia Value Partners IV SCSp (the "**Fund**")

## 1 Summary

The Fund (LEI: 635400YHSW46KPZQ6D06) discloses pursuant to Article 8 of 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, as amended (the "**SFDR**"), as a financial product that promotes environmental characteristics but does not have sustainable investment as its objective.

The Fund's investment strategy is to acquire mis-priced or under-valued assets, and to apply active management strategies to optimise the operational performance and value of the assets. The Fund will primarily focus on opportunities in the developed markets of Japan, and Singapore, but may also invest in China, Hong Kong, Australia and South Korea.

The Fund will promote environmental characteristics by focusing on investment opportunities that entail adaptive reuse of existing assets; and implementing one or more of the following sustainability-driven improvements at asset-level, post-investment: (a) implementing asset energy efficiency measures; (b) implementing water efficiency measures; (c) implementing waste management measures; and / or (d) introducing green clauses to lease agreements.

In order to attain the environmental characteristics promoted by the Fund, the Fund's investment strategy will include: (a) a focus on adaptive reuse of existing properties (an approach that aims to extend the useful life of buildings while avoiding the resource and energy use associated with the construction of new buildings); and (b) post-investment, and where appropriate and feasible, implementing sustainability-driven measures that could improve the long-term resilience and value of assets. All investment opportunities will be subject to an "Opportunity Qualification" process (which includes screening against an exclusion list), an ESG due diligence process, development of an ESG Action Plan and assessment against HSBC Asset Management's Sustainable Investment Framework for Alternatives ("**SIFfA**"). Post-investment, an asset's progress against its ESG Action Plan will be tracked, with a more detailed review being carried out on an annual basis. Results from the annual review will be recorded in the Fund's ESG Scorecard. In addition, SIFfA will be used as part of an asset's annual review, with the aim of determining whether an asset's sustainability profile is improving during the asset ownership period. In respect of any private real estate debt investments, the Fund will engage with the asset owner on ESG topics but acknowledges that it may have less leverage over the implementation of any sustainability-driven improvements. If an asset has not progressed according to the ESG Action Plan by the end of year three of asset ownership, the Portfolio Manager will implement an enhanced engagement plan for asset management.

In order to assess the Fund's attainment of the promoted environmental characteristics, the Fund will monitor and report on the following Sustainability Indicators: (a) percentage of total Investments in existing real estate assets identified for adaptive reuse vs. Investments in projects that have not yet been built; (b) percentage of Investments that have energy efficiency measures in place; (c) percentage of Investments that have water efficiency measures in place; (d) percentage of Investments that have waste management measures in place; and (e) percentage of Investments that have green clauses added to lease agreements. Progress against the Sustainability Indicators will be considered specifically or holistically through quantitative or qualitative feedback, depending on the asset and data availability. Progress will be reported annually, and year-on-year changes will be tracked over the holding period.

Data and information used for the ESG Scorecard and SIFfA assessments is obtained from materials provided by asset sellers and external consultants, responses to questions raised, independent due diligence reports, as well as third party data providers. On an ongoing basis, the availability and accuracy of data may be limited in some instances due to factors such as the lack of public disclosure, inconsistency in regulatory requirements across jurisdictions and the resources constraints of assets. In addition, the level of information available to complete the ESG Scorecards and SIFfA may vary between different real estate assets. In order to mitigate limitations in the available data, the investment team will use whatever information is available in the public domain, disclosed by the sellers during due diligence, sourced from independent reports, or available from third-party ESG data providers to complete their analysis.

The minimum proportion of the Investments of the Fund used to meet the environmental characteristics promoted by the Fund will be 80%. A ramp-up period of three years will be set for the purpose of meeting the minimum proportion of environmental characteristics promoted by the Fund. The remaining proportion of the Fund's Investments will include: (a) any cash, cash management, liquidity and hedging investments held by the Fund from time to time. Minimum environmental and social safeguards will not apply to such investments; and (b) investments in real estate assets which have not achieved sustainability-related improvements within the first three years following acquisition by the Fund. Such investments will nevertheless be subject to the Opportunity Qualification screening process mentioned above and described in further detail in the "Due Diligence" section below.

On the basis of the Fund's investment strategy in real estate assets, a good governance assessment is not applicable in respect of the Fund's Investments. However, in the event that the Fund makes real estate debt investments, the governance practices of investee companies are considered through the ESG due diligence process, with findings recorded in the Fund’s ESG Scorecard, in particular focussing on the following areas: litigation and legal issues, cyber security, suppliers and supply chain, and risk and governance standards. Other governance topics will be assessed on a case-by-case basis if deemed material to a transaction.

A reference benchmark has not been designated for the purpose of attaining the environmental characteristics promoted by the Fund.

## 2 No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

## 3 Environmental or social characteristics of the financial product

The Fund will promote the following environmental characteristics:

Focusing on investment opportunities that entail adaptive reuse of existing assets (an approach that aims to extend the useful life of buildings while avoiding the resource and energy use associated with the construction of new buildings); and

Implementing one or more of the following sustainability-driven improvements at asset-level, post-investment:

- Implementing asset energy efficiency measures;
- Implementing water efficiency measures;
- Implementing waste management measures; and / or

- Introducing green clauses to lease agreements.

The sustainability-driven improvement(s) selected and implemented for a particular asset will be decided on an asset-by-asset basis, considering the leverage position tied to the particular asset, and the economic viability and value add potential of such an improvement.

## 4 Investment strategy

### 4.1 *the investment strategy used to meet the environmental characteristics promoted by the Fund:*

The objective of the Fund is to deliver current income and capital appreciation by investing in value-added direct real estate assets located in Asia-Pacific as well as real estate debt investments in relevant markets. The investment strategy is to acquire mis-priced or under-valued assets, and to apply active management strategies to optimise the operational performance and value of the assets. The Fund will primarily focus on opportunities in the developed markets of Japan and Singapore, but may also invest in China, Hong Kong, Australia and South Korea. Private real estate debt investments (if any) are likely to be focused in Australia.

In line with its value-add strategy, the Fund will endeavour to relatively improve the Fund's portfolio over the life of the Fund. This includes making sustainability-focused improvements to the assets where it is economically viable (i.e., where investment in sustainability-linked measures could improve the quality of an asset and therefore the potential to yield higher rental premiums, reduce vacancy rates, and generate a higher price on divestment). The investment strategy includes the following:

- Focusing on adaptive reuse of existing properties (an approach that aims to extend the useful life of buildings while avoiding the resource and energy use associated with the construction of new buildings); and
- Post-investment, and where appropriate and feasible, implementing sustainability-driven measures that could improve the long-term resilience and value of assets. For example:
  - Considering an asset's energy consumption and implementing measures to promote energy efficiency;
  - Considering an asset's water use and implementing measures to promote water efficiency;
  - Considering an asset's waste production practices and endeavouring to improve waste management practices; and
  - Introducing green clauses to asset lease agreements.

All investment opportunities will follow the pre-acquisition process set out in the "Due Diligence" section below. During the holding period, the Fund will also apply the processes set out in the "Monitoring of environmental or social characteristics" and "Engagement Policies" sections below.

**4.2** ***the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.***

The Fund takes a rigorous approach to governance and ensures that it operates in accordance with local and national laws and regulations applicable to the jurisdictions in which it operates. In accordance with the consolidated questions and answers on the SFDR and the SFDR Delegated Regulation, issued by the European Supervisory Authorities on 25 July 2024, a good governance assessment only applies in respect of investee companies. On the basis of the Fund's investment strategy, a good governance assessment is therefore not applicable in respect of the Fund's Investments. In the event that the Fund makes real estate debt investments, the governance practices of investee companies are considered through the ESG due diligence process, with findings recorded in the Fund's ESG Scorecard, in particular focussing on the following areas: litigation and legal issues, cyber security, suppliers and supply chain, and risk and governance standards. Other governance topics will be assessed on a case-by-case basis if deemed material to a transaction.

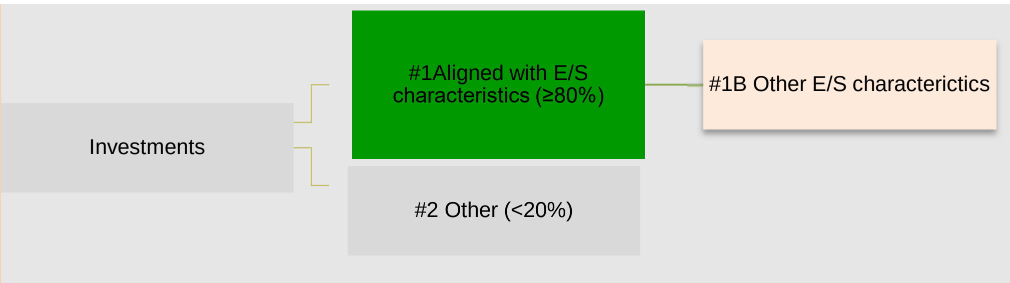
## 5 Proportion of investments

The Fund will primarily focus on opportunities in the developed markets of Japan and Singapore, but may also invest in China, Hong Kong, Australia and South Korea. Private real estate debt investments (if any) are likely to be focused in Australia.

The investment strategy is to acquire mis-priced or under-valued assets, and to apply active management strategies to optimise the operational performance and value of the assets.

The minimum proportion of the Investments of the Fund used to meet the environmental characteristics promoted by the Fund will be 80%. A ramp-up period of three years will be set for the purpose of meeting the minimum proportion of environmental characteristics promoted by the Fund (#1B).

The remaining proportion of the Fund's Investments will be held in the "#2 Other" Category and will include (a) any cash, cash management, liquidity and hedging investments held by the Fund from time to time. Minimum environmental and social safeguards will not apply to such investments; and (b) investments in real estate assets which have not achieved sustainability-related improvements within the first three years following acquisition by the Fund. Such investments will nevertheless be subject to the Opportunity Qualification screening process described in the "Due Diligence" section below.




**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.
**#2 Other** includes the remaining investments of the financial product which are not aligned with the environmental or social characteristics.
The category **#1 Aligned with E/S characteristics** covers:
-The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## 6 Monitoring of environmental or social characteristics

The Fund will monitor its attainment of the promoted environmental characteristic via the Sustainability Indicators described in the Methodologies section below.

Progress against the Sustainability Indicators will be considered specifically or holistically through quantitative or qualitative feedback, depending on the asset and data availability. Progress will be reported annually, and year-on-year changes will be tracked over the holding period.

## 7 Methodologies

In order to assess the Fund's attainment of the promoted environmental characteristics, the Fund will monitor and report on the following set of sustainability indicators (the "**Sustainability Indicators**"):

- Percentage of total Investments in existing real estate assets identified for adaptive reuse vs. Investments in projects that have not yet been built;
- Percentage of Investments that have energy efficiency measures in place;
- Percentage of Investments that have water efficiency measures in place;
- Percentage of Investments that have waste management measures in place; and
- Percentage of Investments that have green clauses added to lease agreements.

## 8 Data sources and processing

### 8.1 *the data sources used to attain each of the environmental or social characteristics promoted by the financial product:*

As further described in the "Due Diligence" section below, data and information used for the ESG Scorecard and SIFfA assessments is obtained from materials provided by asset sellers and external consultants, responses to questions raised, independent due diligence reports as well as third party data providers.

The level of information available to complete the ESG Scorecards and SIFfA may vary between asset sellers and therefore the investment team will use whatever information is available in the public domain, disclosed by the asset seller during due diligence, sourced from independent reports, or available from third-party ESG data providers to complete their analysis.

### 8.2 *the measures taken to ensure data quality:*

In certain cases where data is provided by third parties, the Fund seeks to obtain assurances on the accuracy of such data e.g. by appointing external consultants to gather and verify this data, where available, and also to provide assurance on this data to the extent possible.

### 8.3 *how data are processed:*

The data are processed as described under the "Due diligence" section below.

**8.4** ***the proportion of data that are estimated:***

It is not possible to accurately determine the proportion of estimated data that the Fund will rely on. The expectation is that the investment team will source the majority of the Fund's data from the sources referred to above.

## 9 Limitations to methodologies and data

**9.1** ***any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h) of the Commission Delegated Regulation (EU) 2022/1288 supplementing the SFDR (the "Delegated Regulation"):***

As mentioned above, the level of information available to complete the ESG Scorecards and SIFfA may vary between different assets. Whilst all reasonable efforts are made to retrieve such data, the Fund may not be able to obtain all the data it requires from asset sellers.

On an ongoing basis, the availability and accuracy of data may be limited in some instances due to factors such as the lack of public disclosure, inconsistency in regulatory requirements across jurisdictions and the resources constraints of assets.

**9.2** ***how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met:***

In order to address the limitations mentioned above, so that these do not materially affect how the environmental characteristics promoted by the Fund are met, the investment team will use whatever robust and reliable information is available in the public domain, disclosed by the asset seller during due diligence, sourced from independent reports, collected by external consultants, or available from third-party ESG data providers to complete their analysis.

## 10 Due diligence

During the due diligence process, the Fund will apply the following Opportunity Qualification process.

- **Opportunity Qualification:** a proprietary ESG Scorecard will be used by the Fund to assess whether an opportunity is likely to be a suitable fit for the Fund. To qualify, an asset should indicate alignment with the Fund's strategy and objectives, including the potential for the Fund to value-add and make sustainability-driven improvements during the management period. The ESG Scorecard will also assess an asset against the following factors:
    - Exclusion List Screening, the Fund will apply minimum safeguards in the form of the following exclusions: (a) the Fund will not knowingly make direct investments in assets that have direct exposure to corporations considered to have proven involvement with weapons banned by certain international conventions; (b) the Fund will not make investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels; (c) the Fund will not make any direct investments in new or existing thermal coal projects; (d) the Fund will not make investments in companies which directly support projects which threaten the special characteristics of UNESCO World Heritage Sites or Ramsar Wetlands; (e) the Fund will not invest in assets with direct exposure to tobacco, adult entertainment, and gambling; and (f) the Fund will not knowingly make direct investments in

businesses operating in breach of UN Global Compact principles. It uses third-party research providers to help inform this assessment, recognising that these providers are not able to cover all assets in which the Fund might invest.

  - Preliminary screening will be carried out to ensure alignment with the exclusions policies through direct exposure i.e. asset type and use. Screening will also aim to assess potential indirect exposure to excluded activities or industries through tenants/leased space. An investment opportunity should have no direct exposure and a low level of indirect exposure (with potential scope to minimise indirect exposure during asset ownership, subject to applicable local regulations) to qualify for consideration.
  - As well as recording the outcomes of the Opportunity Qualification, The Scorecard output will also be used to prioritise areas for further examination during the ESG due diligence.

- **ESG Due Diligence and Action Plan:** Asset-level ESG due diligence and development of an action plan will be carried out by an independent third-party provider. The Fund will engage a specialist real estate consulting firm (the Portfolio Manager's existing consultant or comparable provider) to conduct ESG due diligence and risk management/opportunity identification for each acquisition. The consultant will be required to provide suggested ESG actions for the asset, accounting for the Fund's value-add strategy and including estimated timeframes and capex costs for each risk mitigation/improvement opportunity. The investment team will review the suggestions and document them in an ESG Action Plan as part of the acquisition and asset management planning process. These planned actions and responsibilities will be recorded on the Fund's ESG Scorecard.
- **HSBC Asset Management's Sustainable Investment Framework for Alternatives (SIFfA):** SIFfA is a proprietary tool that has been developed to help assess the sustainability profile of an asset or investment. SIFfA defines relevant UN Sustainable Development Goals (SDGs) for industry subsectors, drawing on the Global Impact Investing Network (GIIN)'s IRIS+ tool and the UN Global Compact's SDG tool.
  - Under SIFfA, a potential asset or investment is evaluated against a set of industry subsector metrics and categorised depending on current performance (safe zone, progressing, at risk, harmful). Under SIFfA, assets that fall within the 'safe zone' and 'progressing' are classified as sustainable investments, and 'at risk' and 'harmful' investments are classified as unsustainable.
  - While the Fund does not commit to making any sustainable investments under SFDR, the Fund will review transactions against SIFfA once the Framework is expanded to include metrics and thresholds relevant to the Real Estate sector in APAC. Assets will be reviewed at the point of acquisition or investment, and thereafter on an annual basis.
  - As the Fund's main objective is to acquire mis-priced or under-valued assets and to apply active management strategies to make improvements to these assets, the Fund intends to use SIFfA as an additional tool at the pre-

transaction stage to help inform the assessment of an asset's sustainability profile.

## 11 Engagement policies

As mentioned under the "Due Diligence" section above, during the due diligence process a third-party consultant will be required to provide suggested ESG actions for an asset, accounting for the Fund's value-add strategy and including estimated timeframes and capex costs for each risk mitigation/improvement opportunity. The investment team will review the suggestions and document them in an ESG Action Plan as part of the acquisition and asset management planning process. These planned actions and responsibilities will be recorded on the Fund's ESG Scorecard. During the holding period, an asset's progress against its ESG Action Plan in the ESG Scorecard will be tracked, with a more detailed review being carried out on an annual basis. Results from the annual review will be recorded in the Fund's ESG Scorecard.

In addition, SIFfA (described in further detail in the "Due Diligence" section above) will be used as part of an asset's annual review, with the aim of determining whether an asset's sustainability profile is improving during the asset ownership period.

However, it may be the case that, post-acquisition, an asset may not progress against its ESG Action Plan as anticipated. In the case of any private real estate debt investments, the Fund will engage with the asset owner on ESG topics but acknowledges that it may have less leverage over the implementation of any sustainability-driven improvements. If an asset has not progressed according to the ESG Action Plan by the end of year three of asset ownership, the Portfolio Manager will implement an enhanced engagement plan for asset management.

If certain sustainability-related concerns or controversies are identified during the asset ownership period, the Portfolio Manager will actively engage with stakeholders, to strive to remove, reduce or remedy any adverse impacts.

## 12 Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the above environmental characteristics promoted by this Fund.