



# Information on Articles 3-5 of the Disclosure Regulation

Updated: March 2021

**INT**REAL

# Contents

1	ADVERSE EFFECTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS)	1
2	SUSTAINABILITY RISKS IN INVESTMENT DECISIONS	1
3	OUR COMMITMENT TO DOMESTIC AND INTERNATIONAL STANDARDS FOR RESPONSIBLE INVESTING	2
4	CONSIDERATION OF SUSTAINABILITY RISKS IN REMUNERATION POLICY	3

## 1 Adverse effects of investment decisions on sustainability factors)

IntReal International Real Estate Kapitalverwaltungsgesellschaft mbH (INTREAL) considers the most significant adverse effects on sustainability factors when taking investment decisions, along with the relevant adverse effects of investment decisions on environment-related factors and has set up internal strategies for this purpose. Sustainability factors are defined in accordance with the Disclosure Regulation as environmental, social and labour issues, respect for human rights and combating corruption and bribery. Whether and the degree to which the most significant adverse effects on sustainability can be taken into account depends materially on the availability of the relevant information.

In terms of real estate investments, examples of sustainability factors include energy efficiency and the resource consumption of properties.

## 2 Sustainability risks in investment decisions

During the investment process, INTREAL incorporates sustainability risks into its investment decisions and evaluates them on an ongoing basis. Sustainability risks are events or conditions from the areas of the environment, social affairs or corporate governance whose occurrence could have actual or potential significantly negative effects on the value of the investment. Sustainability risks in the areas of the climate and the environment can be broken down into physical risks and transition risks. In addition, reputation risks are a key aspect of sustainability risks. These risks may have a negative impact on the fund's yield, as tenants, service providers and other business partners with which the company enters into contracts on behalf of the fund may not be able to fulfil these contracts, or not in full. At the same time, it is possible that tenants, service providers and other business partners may no longer come into consideration as contractual partners in the future and that new contracts may therefore have to be concluded at less favourable conditions.

Material sustainability risks and the negative impact of the respective investment are determined during the due diligence process for purchases and reviewed continually throughout the entire life cycle of the property.

For each property type (retail, office, etc.), the property's sustainability risks are assessed as well as the risks at the market and individual property level. In the various due diligence processes, criteria such as resource efficiency, location and physical risks are also checked.

In terms of environment-related risks, transition risks are determined – depending on the available data – either based on the property's specific energy consumption or on the primary energy requirement stated in the energy performance certificate, and based on a building's features and construction method. In this context, either the specific primary energy requirement or the average energy requirement of the respective building type and quality is compared with the decarbonisation pathway of the relevant type of use at the given location. The result of this analysis serves to determine investments to be made in the property's energy resource efficiency. Taking into account possible dependencies, physical sustainability risks, e.g. arising from extreme weather events, are also evaluated using insurance loss databases and geo data. This makes it possible to quantify an individual risk amount for each property resulting from environment-related sustainability risks, which is then considered when making the purchase decision.

Other elements of the due diligence reviews include the assessment of the investment costs required to avoid transition risks and the inspection of the building envelope.

The results of the due diligence process are reported in the background documents for the decision. Investment decisions are made by the management at the recommendation of the asset managers and portfolio supervisors. The decision is based on a submission that also presents the material risks, including ESG risks.

In addition to the investment strategy, the investment decision thus also takes account of the influence of risk indicators, including sustainability risks. By means of risk quantification, the sustainability risks are also assessed and compared against other purchase factors, such as the purchase price and the anticipated yield. Sustainable investments must also provide a suitable return. Investment decisions are taken in consideration of all of the aforementioned aspects. Depending on the result, this may also result in a decision not to make a particular investment.

The risks associated with insufficient consideration of adverse sustainability effects are also economic in nature. If sustainability factors play only a minimal role in investment decisions, this can result in heightened risk in the case of a sale, because the attractiveness and future viability of the property may not meet the requirements of legislation in effect or of the real estate market at that time.

It should be assumed that the statutory requirements will become stricter with time. INTREAL simulates the adverse effects across the decarbonisation pathways to ensure that properties remain on the temperature pathway of the Paris Climate Change Agreement, even at the time of sale. INTREAL makes sure that asset managers also take advantage of the options for renovations to improve energy efficiency, if economically viable, when making investment decisions on building modernisation and development projects.

At company level, there are also guidelines for compliance with the relevant rules and regulations and for dealing with corruption and money laundering.

The material sustainability risks of the properties are assigned sustainability scores. These are prepared and evaluated depending on the fund type.

The results are agreed with the asset manager so that useful measures can be derived.

As in the case of investment decisions, regular evaluations are conducted and reports issued concerning the transition and physical risks of the properties over their holding periods.

### **3 Our commitment to domestic and international standards for responsible investing**

INTREAL is committed to supporting sustainable investments. To this end, its employees work in associations and organisations to share their expertise and actively participate in promoting sustainability in the real estate sector.

In its work together with investors and partners, INTREAL follows the BVI Rules of Conduct and Guidelines on Sustainable Portfolio Management for responsible management of the capital entrusted to the company and the rights of investors.

INTREAL is currently in the process of becoming a signatory to the UN Global Compact and supports its ten principles:

- ◆ Respecting the protection of internationally proclaimed human rights
- ◆ Not being complicit in human rights abuses
- ◆ Upholding the freedom of association and the right to collective bargaining
- ◆ Elimination of all forms of forced and compulsory labour
- ◆ Effective abolition of child labour
- ◆ Elimination of discrimination in respect of employment and occupation
- ◆ Precautionary approach to environmental challenges
- ◆ Initiatives to promote greater environmental responsibility
- ◆ Development and diffusion of environmentally friendly technologies
- ◆ Working against corruption in all its forms

We are also in the application process to become a signatory to the UN Principles for Responsible Investment (UNPRI), to which we are committed. These six principles are as follows:

- ◆ We will incorporate ESG issues into investment analysis and decision-making processes.
- ◆ We will be active owners and incorporate ESG issues into our ownership policies and practices.
- ◆ We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- ◆ We will work together to enhance our effectiveness in implementing the Principles.
- ◆ We will each report on our activities and progress towards implementing the Principles.

As an active member of the industry association BVI and with other commitments, INTREAL works to advance these principles further.

## **4 Consideration of sustainability risks in remuneration policy**

The agreed-upon remuneration and the underlying system are reviewed annually in the first quarter of each calendar year. The goal of this review is to compare the salary structure of employees in comparable positions, to review market-rate remuneration and therefore to analyse how to ensure the remuneration system has the optimal effect on employee satisfaction and therefore on employee retention.