



# Information on Art. 3-5 Sustainable Finance Disclosure Regulation

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**INT**REAL

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## 1 Principle Adverse Impact of investment decisions on sustainability factors

IntReal International Real Estate Kapitalverwaltungsgesellschaft mbH and IntReal Luxembourg S.A. (INTREAL) take into account the principle adverse impact of investment decisions on sustainability factors as well as relevant adverse effects of investment decisions on environmental factors and have established internal strategies for this purpose. According to the Sustainable Finance Disclosure Regulation (SFDR), sustainability factors include environmental, social and labour concerns, respect for human rights and the fight against corruption and bribery. The ability to consider the principle adverse sustainability impacts depends largely on the availability of relevant information.

In relation to real estate investments, examples of sustainability factors are energy efficiency or resource consumption of real estate. The explanation of the main adverse effects of investment decisions on sustainability factors can be found here:

[IntReal International Real Estate Kapitalverwaltungsgesellschaft mbH](#)

[IntReal Luxembourg S.A.](#)

## 2 Integration of sustainability risks in investment decisions

INTREAL incorporates sustainability risks into its investment decision-making as part of its investment process and assesses them on an ongoing basis. Sustainability risks are events or conditions in the environmental, social or corporate governance fields, the occurrence of which could actually or potentially have a significant negative impact on the value of the investment. Sustainability risks in the areas of climate and environment are divided into physical risks and transition risks. Furthermore, reputational risks are also an essential aspect of sustainability risks. Overall, the aforementioned risks can have a negative impact on the fund's return. Reasons for this can be, on the one hand, the non-performance of services by tenants, service providers and other business partners with whom the company concludes contracts for the account of the fund. In addition, it is possible that tenants, service providers and other business partners will no longer be considered as contractual partners in the future and that new contracts will therefore have to be concluded at less favourable conditions. On the other hand, there may be increased maintenance expenses in connection with ESG measures during the holding phase of the property or a lower than calculated sales price in the divestment phase.

The main sustainability risks and negative impacts of the respective investment are identified during due diligence at the time of purchase and continuously reviewed throughout the life cycle of the property.

For each property type (retail, office, etc.), the sustainability risks of the property are assessed in addition to various areas such as the market and property level. The due diligence checks include criteria such as resource efficiency, location or physical risks.

In the area of environmental risks, transitory risks are derived depending on the available data, either on the basis of the specific energy consumption of the property or via the primary energy demand stated in the energy performance certificate, as well as on the basis of the building characteristics and construction. Here, either the concrete primary energy demand or the average

energy demand of the respective building type and construction is compared to the decarbonisation path of the respective type of use at the location. The result of the assessment is used to derive investments in the energy resource efficiency of the property. Taking into account possible interdependencies, physical sustainability risks, for example from extreme weather events, are also assessed using insurance loss databases and geodata. This makes it possible to quantify an individual risk value from environmental sustainability risks for each property, which is taken into account in the purchase decision.

Another component of due diligence is the assessment of the necessary investment costs to avoid transition risks as well as the examination of the building envelope.

The results of the due diligence are reported in the decision papers. Investment decisions are made by the management on the recommendation of the asset and risk managers and the portfolio supervisors. The decision is based on a template outlining the material risks. This also includes ESG risks.

In the context of the investment decision, the influence of the risk indicators, including sustainability risks, is thus taken into account in addition to the investment strategy. By quantifying the risks, the sustainability risks are also assessed and put in relation to other purchase factors, such as the purchase price and the expected return. An investment decision is made in consideration of all the above-mentioned aspects. Depending on the result, this can also lead to an investment not being carried out.

The risks associated with insufficient attention to adverse sustainability impacts also exist on the economic side. If sustainability factors only play a subordinate role in investment decisions, this can lead to an increased risk in the event of a sale, as the attractiveness and future viability of the property may not meet the requirements of the legislator or the real estate market at the relevant time.

It can be assumed that the legal requirements will become more stringent over time. INTREAL simulates the adverse effects via the decarbonisation pathway (this follows the European Union's 1.5-degree target by 2050) to ensure that the properties are still on the emission path of the Paris Climate Agreement at the time of sale. INTREAL ensures that the asset managers also exploit the opportunities for energy-efficient refurbishment in an economically sensible manner in their investment decisions in connection with modernisations and project developments.

At the corporate level, there are also guidelines for compliance and for dealing with corruption and money laundering.

The main sustainability risks of the properties are mapped using sustainability scores. These are created and evaluated depending on the fund type.

As with investment decisions, the transitory and physical risks of the properties are also regularly assessed and reported over the holding period of the property.

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

INTREAL is committed to supporting sustainable investments. To this end, its employees are involved in associations and organisations to share their expertise and actively participate in the development of sustainability in the real estate industry.

In its cooperation with investors and partners, INTREAL aligns itself with the BVI Code of Conduct and Guidelines for Sustainable Portfolio Management for the responsible handling of the capital entrusted to it and the rights of investors.

INTREAL is a signatory to the UN Global Compact and supports its ten principles

- ◆ Protection of international human rights
- ◆ No complicity in human rights violations
- ◆ Upholding the freedom of association and the right to collective bargaining
- ◆ Advocating for the elimination of forced labour
- ◆ Advocating for the abolition of child labour
- ◆ Advocating for the elimination of discrimination in employment and occupation
- ◆ Precautionary principle in dealing with environmental problems
- ◆ Promoting greater environmental awareness
- ◆ Development and dissemination of environmentally friendly technologies
- ◆ Advocacy against all forms of corruption

INTREAL is also a signatory to the UN Principles for Responsible Investment (UNPRI), to which it is committed. These six principles include:

- ◆ 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 promote acceptance and implementation of the Principles within the investment industry.
- ◆ 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 other commitments, INTREAL continues to advance these principles.

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

The agreed remuneration and the basic system are reviewed on an annual basis in the first quarter of each calendar year. The aim of the review is to compare the salary structure of comparable positions of the employees, to scrutinise remuneration in line with the market and thus to analyse an optimal effect of the remuneration system on employee satisfaction and thus on employee retention.

Employee satisfaction should not only be achieved through monetary incentives. INTREAL also relies on a well-developed health and pension system, as well as the promotion of social interaction. As part of our commitment to four UN Sustainable Development Goals, in particular the goal of "gender equality", we advocate gender-neutral remuneration.

Our remuneration policy is in line with our mission statement and ESG strategy, so we have set out criteria that will be used when adjusting salaries or paying out discretionary bonuses.

Variable remuneration is not paid out in the event of gross breach of duty, immoral behaviour or breaches of compliance or governance regulations.

Senior managers are not rewarded with severance pay for mismanagement. Short-term profits and taking disproportionately high risks are not rewarded.

Another aspect is the handling of risks whose occurrence can actually or potentially have a significant negative impact on the net assets, financial position and results of operations as well as on the reputation of a company and fund; this includes climate-related risks in the form of physical risks and transition risks.

As described, the remuneration policy is consistent with sound and effective risk management and does not encourage risk taking.

The remuneration policy practised is discussed once a year in connection with the staff appraisals in March of each year within the framework of the managing directors' meetings and the contents are documented in the minutes.