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Strategies for dealing with sustainability risks¹

The topic of sustainability forms a core part of Real I.S.'s corporate strategy. With regard to the three dimensions of Environmental, Social and good Governance (hereinafter collectively "ESG criteria"), Real I.S. has developed an ESG mission statement which lays the foundations for transformation into a sustainable asset manager, both at company and at product level. The ESG mission statement is binding on all Real I.S. employees and on the management team and is developed on an ongoing basis.

The key components of this strategic approach consist of the following objectives:

- Climate neutrality of Real I.S. (as a company excl. real estate portfolio) by 2030
- Climate neutrality of the entire portfolio by 2050
- Promoting of responsible investments (i.a. in accordance with UN PRI)

Assessing sustainability risks in the context of ongoing operations, particularly in the case of investment decisions, is decisive for achieving the aforementioned objectives and for successfully implementing the ESG mission statement. Sustainability risks are interpreted as including events or circumstances emanating from the three aforementioned areas of Environmental, Social and Governance, i.e. from ESG criteria, the occurrence of which may effectively or potentially have a significant, negative impact on Real I.S.'s assets, financial position, and results of operation and/or on the assets under its management as well as on its reputation. Examples may include physical environmental risks, such as climate change, or so-called transition risks, e.g. in connection with converting to a low carbon economy.

Real I.S.'s strategy in addressing sustainability risks can be summarised as follows:

Firstly, sustainability risks are considered at each stage of the investment and management process, starting with market research in the context of launching and structuring new products (consideration, for instance, by way of developing various product scenarios), through to the actual processes of acquisition and investment (analysis during the respective due diligence performed in acquiring specific assets) and on to new as well as existing properties (assessment, for instance, when concluding leases, e.g. in the form of green leases) and a

¹ Disclosures in accordance with Article 3 of Regulation (EU) 2019/2088 dated 27 November 2019 on sustainability-related disclosures in the financial services sector ("**Sustainable Finance Disclosure Regulation / SFDR**").

possible sale of the asset. A key part of the strategy for addressing sustainability risks is therefore a comprehensive and ongoing integration of these risks into the whole value-added process of the property.

Secondly, Real I.S. maintains an organisation structure which, in terms of its functions, facilitates the factoring in of sustainability risks and compliance with the staged process described above.

The responsibility for the corporate and risk strategy, also with regard to sustainability risks, is incumbent on the management team of Real I.S. Management is supported in the topic of sustainability risks by the expertise of Risk Management. This approach ensures compliance with the rules and regulations placed on managing sustainability risks.

In the context of risk management, Real I.S. has nevertheless not introduced any special risk of type into the risk management system. Instead, the various sustainability risks (such as the aforementioned physical, environmental risks and transition risks) are integrated into the already existing risk management structure. Insofar, the topic of sustainability and the associated risk drivers from the ESG criteria may have an impact on the known risk types, or make a significant contribution to these risk types.

As part of regular risk analysis, the general market, liquidity, financing and counterparty default risks are first and foremost always evaluated from the standpoint of ESG criteria. This monitoring of sustainability risks is anchored as a fixed component in Real I.S.'s risk management. Risk analysis is regularly reviewed and evaluated with special emphasis placed on sustainability risks, and adjusted if necessary.

Real I.S.'s strategy for dealing with sustainability risks therefore generally consists of considering these risks holistically at each stage of the investment and ongoing management process. At the same time, organisational integration of risk management ensures constant monitoring and updating of sustainability risks and the associated process of appropriate consideration.