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Strategy for managing sustainability risks ¹

Sustainability is a central component of Real I.S.'s business strategy. With regard to the three dimensions environment, social and governance (hereinafter collectively referred to as 'ESG criteria'), Real I.S. has developed an ESG mission statement that forms the basis for its transformation into a sustainable asset manager, at both corporate and product level. The ESG mission statement is binding for all employees and the management of Real I.S. and is subject to on-going development.

Key components of this strategic direction are the following objectives:

- Measures to decarbonise Real I.S. (as a company, excluding the AuM) by 2030
- Measures to decarbonise the real estate portfolio by 2050 (in Germany by 2045)
- Promotion of responsible investment (including in accordance with the UN PRI)

A key factor in achieving the aforementioned objectives and successfully implementing the ESG policy is the integration of sustainability risk considerations into day-to-day business operations, particularly within the investment decision process. Sustainability risks are defined as events or conditions arising from the three aforementioned areas – environmental, social and corporate governance (i.e. the ESG criteria) – whose occurrence may actually or potentially have a significant negative impact on the assets, financial position and earnings of Real I.S. or the investment funds it manages, as well as on the reputation of Real I.S. These may include, for example, physical environmental risks such as climate change or transition risks, for instance those associated with the transition to a low-carbon economy.

Real I.S.'s strategy for managing sustainability risks can be summarised as follows:

Firstly, sustainability risks are taken into account at every stage of the investment and management processes, starting with market research undertaken during the launch and design of new products (for example, by considering sustainability risks when developing various product scenarios). It continues through the acquisition and investment processes, where sustainability risks are considered and assessed during the due diligence process and extends to the ongoing property management of both new and existing properties, for example when concluding tenancy agreements, such as 'green leases'.

Sustainability risks are also considered in connection with the potential sale of a property.

¹ Information in accordance with Article 3 of Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector ('Disclosure Regulation' or '**Sustainable Finance Disclosure Regulation / SFDR**').

A key part of the strategy for managing sustainability risks is therefore their comprehensive and ongoing consideration throughout the entire property value chain. Furthermore, Real I.S. maintains an organisational structure that provides functional support for the consideration of sustainability risks and compliance with the risk management framework.

The responsibility for the business and risk strategy, including with respect to sustainability risks, lies with the management board of Real I.S. The management board is supported by the risk management team on matters relating to sustainability risks. The risk management team ensures compliance with the requirements associated with the management of sustainability risks. Real I.S. has integrated the various sustainability risks (such as the physical environmental risks or transition risks mentioned above) into the existing risk management structure. The issue of sustainability and the associated risk drivers arising from ESG criteria may, in this respect, have an impact on the established risk categories. ESG risk factors play a role in the risk assessment of relevant real estate risks, such as market, liquidity, financing and counterparty default risks. The monitoring of sustainability risks is an integral part of Real I.S.'s risk management framework. In this context, the risk analysis is reviewed, evaluated and, where necessary, adjusted on a regular basis, with regard to sustainability risks.

Overall, Real I.S.'s strategy for managing sustainability risks therefore consists of taking these into account holistically at every stage of the investment and management processes, whilst at the same time ensuring, through the organisational integration of risk management, that sustainability risks and their appropriate integration are continuously reviewed and updated.