

Article 10 SFDR website disclosure – Retail fund – SFDR product category: Article 8 - Promotion of environmental and/or social characteristics

Summary

The Retail fund promotes climate change mitigation by reducing energy consumption and carbon emissions of retail real estate properties. Although sustainable investments are not the objective of the fund, the fund partially makes sustainable investments. The fund aims to have 100% sustainable investments. The Retail fund ensures that those sustainable investments do not significant harm any other environmental or social objectives. The overall long-term goal for the Retail fund is to have a near-energy-neutral portfolio (also called Paris-proof aligned) before the end of 2040. All investment proposals contain an ESG section, which includes the relevant ESG information, such as the availability of technical measures and a climate risk assessment including transition and physical climate risks. In order to ensure continuous alignment with the environmental characteristics in the Retail fund, Altera is implementing Paris-proof roadmaps to renovate the assets in order to ensure that they become aligned with the Paris Proof ambition. The Retail fund and assets Roadmaps to Paris Proof (decarbonisation pathways) have been developed to ensure that the Retail fund makes sufficient progress against the set target. In order to measure the attainment of the environmental characteristics the Retail fund measures the energy labels of the real estate, the number of solar panels and the average kWh per m². Altera Retail Custodian B.V. obtains the information (via third parties) directly sourced from the properties and there are no limitations to the gathering of the data. Engagement is not part of the environmental or social investment strategy.

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. The financial product partially invests in sustainable investments. A sustainable investment means an investment in an economic activity that contributes to an environmental or social objective. With our Retail fund, we invest in sustainable investments with a climate mitigation objective, by investing in energy efficient real estate and/or by taking measures to make existing investments more energy efficient.

The real estate is not involved in the extraction, storage, transport or manufacture of fossil fuels and therefore complies with Table 1 of Annex I (sub 17). Next, to this Altera Retail Custodian B.V. has set thresholds for indicator 18 of Table 1 of Annex I and the relevant adverse sustainability indicators from Table 2 of Annex I of the SFDR Delegated Regulation (EU) 2022/1288. Altera Retail Custodian B.V. has identified which indicators are considered relevant to assess significant harm, and for which sufficient robust data or proxies are available. Altera Retail Custodian B.V. needs to stay below these thresholds in order to cause no significant harm. The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are not applicable because the Retail fund only invest in direct real estate.

Environmental or social characteristics of the financial product

The product promotes environmental characteristics. Specifically, it promotes climate change mitigation by reducing energy consumption and carbon emissions. Altera Retail Custodian B.V. takes several measures to further increase the energy efficiency of the property portfolio. We continued with the roll-out of our asset-level Paris Proof roadmaps to ensure that the portfolio will achieve Net Zero Carbon before 2040. We have integrated the projected green capex into our budget forecasts for renovations and multi-annual maintenance plans and are currently in the process of implementing sustainability measures.

Investment strategy

The Retail fund invests in retail real estate. The overall long-term goal for the Retail fund is to have a near-energy-neutral portfolio (also called Paris-proof aligned) before the end of 2040. We ensure that the real estate assets will become energy efficient in line with our Paris Proof ambition. This ambition is aligned with the Dutch Green Building Council Paris Proof Program.

The good governance assessment is not applicable because the Retail fund does not invest in investee companies and only in direct real estate properties.

Proportion of investments

All investments are direct investments in real estate properties and are aligned with the environmental characteristics of the product. In total 100% of the investments qualify as sustainable investments under the SFDR. Currently, 80% of the investments are taxonomy aligned.

Monitoring of environmental or social characteristics

In order to ensure continuous alignment with the environmental characteristics in the Retail fund is implementing Paris-proof roadmaps to renovate the assets in order to ensure that they become aligned with the Paris Proof ambition. The Retail fund and assets Roadmaps to Paris Proof (decarbonisation pathways) have been developed to ensure the Residential fund makes sufficient progress against the set target. Measures are being translated into multi-year maintenance planning (MY-MP), which is central part of the Asset Plans.

Based on the Paris proof roadmaps, we have included the expected green capex into our capex forecasts for the coming 15 years.

Methodologies

The Retail fund uses the following sustainability indicator to measure whether the promoted environmental characteristics are met:

- % of Green energy labels (A-C)
- % of A labels
- Number of solar panels
- Average kWh per m²

Data sources and processing

To attain each of the environmental (or social) characteristics promoted, we used the following data sources:

- Energy labels:
 - For each unit we rent, we are legally obliged to have an energy label issued by a party certified to issue energy labels.
 - The energy labels that were submitted before 1 January 2021 were certified according to the NEN 7120 standard and after 1 January 2021 according to NTA8800. Since the certified consultancy makes use of the relevant standard, we have the opinion that the data quality is high.
 - The relevant asset manager submits the new energy labels to our mid-office, which, after verification, stores it in our real estate management software tool, Reaturn.
 - Annually, the percentages green labels (A-C) and A-labels receive limited assurance by the auditor according to the ISAE3000 standard. To date they have not come up with any findings.
 - For the calculations with regards to the Principle Adverse Impacts, the Annex IV-requirements and EU Taxonomy calculations, the unit level energy labels have been aggregated to an average asset level energy label.
 - The data is not being estimated.
 - Garages are part of the assets of the Retail fund, but don't have an energy label.
- Solar panels:
 - We have contracted an energy management consultancy that monitors our solar panels.
 - They monitor whether the solar panels are online and if the energy production data is being supplied regularly.
 - For the GRESB Benchmark survey they aggregate this data to calculate the total volume of onsite generated renewable energy.
 - Annually, during the composition of Altera's ESG Strategy, they supply the number of solar panels that are in possession of the total portfolio.
 - The data is not being estimated.
- Average kWh/m².yr
 - We have contracted an energy management consultancy that supports us with the data gathering for the GRESB benchmark.
 - They request electricity and natural gas data from grid operators, the heat data from the cogeneration plants (WKO's), locally generated renewable energy production from the solar panels and the percentage of green electricity by means of tenant surveys.
 - This data is being gathered at entity level and is aggregated to asset level using the GRESB methodology. The energy and GHG data have been verified using a third party consultancy. The verification is performed in accordance with the principles of the ISAE 3000 certification.
 - The data is not being estimated.

Limitations to methodologies and data

There are no limitations to the methodologies and data because the data is directly attained from the real estate companies and reviewed by third parties

Due diligence

All investment proposals contain an ESG section, which includes the relevant ESG information, such as the availability of technical measures and a climate risk assessment including transition and physical climate risks.

For new-built acquisitions strict sustainability-specific requirements are included in the Schedule of Requirements, which is being updated annually. Examples are the preference to purchase energy-efficient real estate corresponding to a 10% more stringent level of the BENG2 requirement and inclusion of energy efficient lighting, elevators and escalators.

The purchase of existing buildings does not make use of a Schedule of Requirements. An ESG paragraph is included in the investment proposal, which includes:

- Comparison with medium-term target and Paris Proof target.
- If the asset does not comply with the set targets, additional measures will be budgeted to adapt.

During the acquisition process of new real estate, Altera Retail Custodian B.V. has implemented several internal checks. In the different phases of the acquisition process the Management Team is involved to check whether the real estate fits the investments policy of Altera Retail Custodian B.V. Furthermore, several internal departments such as legal and the technical department are involved in the due diligence process to ensure the requirements set out by Altera Retail Custodian B.V. in its policies are met. Finally, Legal, Research and Strategy/ESG, Risk, Control and the technical department are involved in the drafting of the investment proposal.

Engagement policies

Because we have no investments in investee companies, engagement policies are not part of the investment strategy.