

## **Optimum German Real Estate Fund IV SCA SICAV RAIF – Master Sub-Fund**

*Société en commandite par actions*

*Société d'investissement à capital variable – fonds d'investissement alternatif réservé*

Registered office: 3, rue Gabriel Lippmann, L-5365 Munsbach

Grand Duchy of Luxembourg

R.C.S. Luxembourg: B 240075

(the "**Sub-Fund**")

### **Sustainability related disclosures required for Article 8 funds under the SFDR**

#### **1. SUMMARY**

**Optimum German Real Estate Fund IV SCA SICAV-RAIF – Master Sub-Fund** (the "**Sub-Fund**") is a sub-fund of Optimum German Real Estate Fund IV SCA SICAV-RAIF, an umbrella fund in the corporate form of a partnership limited by shares (*société en commandite par actions*) qualifying as an investment company with variable capital – reserved alternative investment fund (*société d'investissement à capital variable – fonds d'investissement alternatif réservé*) and has been incorporated on 29 November 2019. The Sub-Fund's investment strategy intends to construct a portfolio of direct and/or indirect real estate investments with an intelligent mix of core plus and value-add properties, including potential investments into condominium conversion projects in selected micro locations. In accordance with the Law of 23 July 2016, the investment objective is to provide attractive risk-adjusted returns for the Sub-Fund's investors from capital invested in a diversified portfolio of multifamily residential and commercial properties in Germany, with a particular primary focus on Berlin and other cities such as, Leipzig, Dresden, Hamburg, Cologne and Düsseldorf.

**Optimum Asset Management S.A.**, in its function as the Fund's alternative investment fund manager ("**AIFM**") has categorised the Sub-Fund pursuant to article 8 of the Regulation (EU) 2019/2088 of the European Parliament and the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector, as amended (the "**SFDR**").

In consideration of the Sub-Fund's categorization under article 8 of the SFDR, the Sub-Fund promotes the following environmental and social characteristics: (i) reduction of the CO2 emissions in assets in order to mitigate environmental impacts and (ii) a social commitment to families. The AIFM will regularly monitor the attainment of these characteristics, based on the following sustainability indicators: (i) tracking of the CO2 emissions and (ii) the percentage of vacant apartments with three or more rooms that were offered and rented to families with children.

In order to attain the characteristics listed above, the AIFM implements the Sub-Fund's promoted environmental and social characteristics on a continuous basis. The due diligence phase at acquisition includes a technical as well a legal due diligence.

The expected allocation of the Sub-Fund's investments in assets that promote the environmental and social characteristics selected by the Sub-Fund is at least 60% whereas the remaining portion of the Sub-Fund's assets which is not allocated to direct or indirect real estate assets, may be invested in hedging and liquid assets used for efficient liquidity, portfolio management and/or cost management purposes and which do not form part of the Sub-Fund's investment portfolio.

The disclosure quality received by the Sub-Fund from its investments is assessed annually by the AIFM. Depending on the data provided, the AIFM will take appropriate steps to engage with brokers and property managers in order to continue to improve the disclosure quality of the Sub-Fund in the short and medium term.

For the avoidance of doubt, no index has been designated as a reference benchmark to meet the environmental and social characteristics promoted by the Sub-Fund.

The Sub-Fund does not commit to making "sustainable investments" as defined in the SFDR and expects to be 0% aligned with the EU Taxonomy.

## 2. NO SUSTAINABLE INVESTMENT OBJECTIVE

This financial product promotes environmental characteristics, but does not have as its objective sustainable investment.

## 3. ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The Sub-Fund promotes the following environmental and social characteristics (together, the "**E/S Characteristics**"):

- **Intention to mitigate environmental impacts** by trying to reduce the CO2 emissions in assets; and/or
- **Social commitment to families:** the AIFM shall use best efforts to ensure that brokers and property managers will try to offer at least 70% of vacant apartments with three or more rooms first to families with children in order to facilitate families the access to (larger) residential apartments. For purposes of the foregoing, a "family" should be considered as a group of one or two parents and their child(ren) living together and united by the bonds of marriage, civil partnership, blood or adoption. For the avoidance of doubt, this characteristic is only applicable to assets with residential areas.

The promotion of the E/S Characteristics is considered to be met as soon as at least one of the above characteristics is being applied.

## 4. INVESTMENT STRATEGY

*(a) investment strategy used to meet the environmental or social characteristics promoted by the financial product:*

The investment strategy of the Sub-Fund is to provide, in accordance with law of 23 July 2016, attractive risk-adjusted returns for the investors from capital invested in a diversified portfolio of multifamily residential and commercial properties in Germany, with a particular primary focus on Berlin and other cities such as, Leipzig, Dresden, Hamburg, Cologne and Düsseldorf.

Terms not otherwise defined herein shall have the same meanings as appended to them in the Sub-Fund's Offering Memorandum.

Investments of the Sub-Fund may include only:

- i. Direct and indirect investments in Real Estate assets in Germany provided that the Sub-Fund may not, at the time of the lapse of the Investment Period, commit to invest more than 30% of the market value of its Real Estate assets in any single Real Estate asset;
- ii. Investments in Real Estate Companies (which may be located in Germany, Grand Duchy of Luxembourg or elsewhere);
- iii. Liquid Assets; and
- iv. Derivative instruments only for the purpose of hedging against interest rate or currency fluctuations.

The Sub-Fund may not, at the time of the end of the Investment Period, commit to invest more than 30% of the market value of its Real Estate assets in any single underlying asset at the time of such investment. The above 30% Investment Restriction does not apply (i) during the Investment Period, (ii) during the divestment period of the Sub-Fund, as decided upon by the general partner in its discretion or (iii) during the liquidation of the Sub-Fund.

The E/S Characteristics that the Sub-Fund promotes are included in the lifecycle of the investment, as follows:

Due diligence at acquisition:

- **Technical due diligence**

Technical due diligence includes, among other, the detailed assessment of the target assets' current energy consumption and energy supply sources, heating and plumbing facilities, soil contamination status, qualification and quantification of maintenance backlog and related impact on tenant satisfaction. Possible measures to improve the target properties' carbon footprint are identified at this stage and factored into the underwriting, estimating the prospective value-add of such measures.

- **Legal due diligence**

Legal due diligence includes, among others, (i) the verification of any existing legal issues with the tenants, and (ii) the review of lease agreements to verify compliance of the units' current use as well as (iii) the rental terms and conditions with local regulations and building permits.

Lifecycle implementation:

Environmental and social objectives are incorporated into the design and financial analysis of the selected property's renovation measures.

Typically, planners and external consultants are engaged to ensure that such refurbishments will allow the achievement of the applicable E/S Characteristics, as well as to evaluate and document the impact of major refurbishment activities on the relevant environmental metrics.

Collaboration with brokers and property managers:

To achieve the promoted social characteristics, a collaboration with brokers and property managers for reletting activities is undertaken in order to help renting out larger apartments (i.e. three (3) or more rooms) to families with one (1) or more children.

*(b) policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance:*

Where the Sub-Fund makes direct or indirect investment in Real Estate assets, governance practices are not applicable to such direct or indirect investments during ownership.

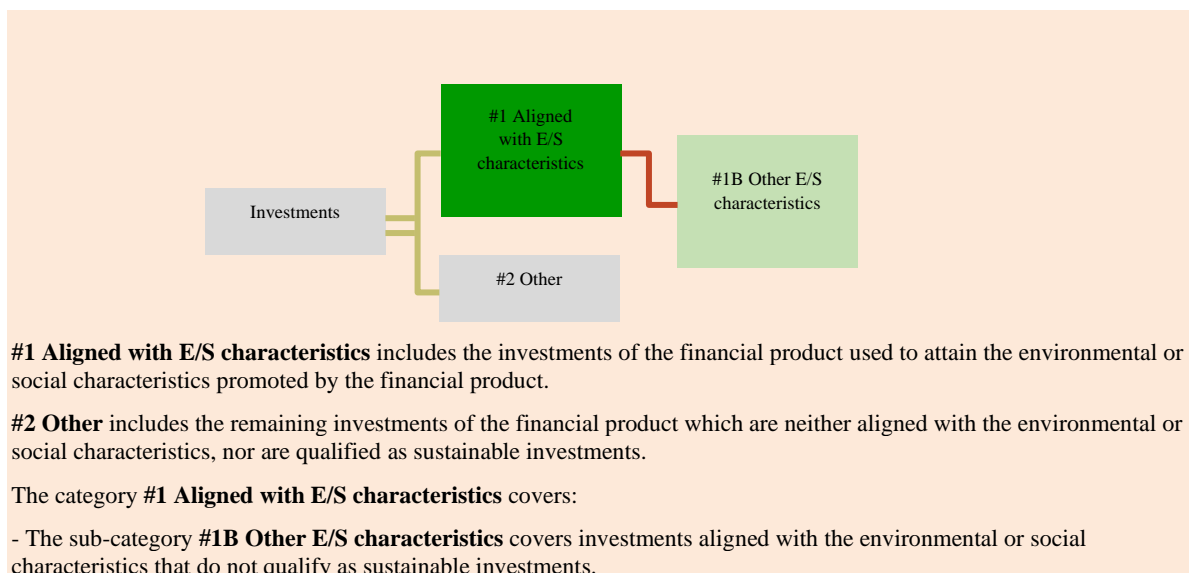
## **5. PROPORTION OF INVESTMENTS**

The Sub-Fund will make investments in accordance with the investment strategy described above.

In accordance with the binding elements of the Sub-Fund's investment strategy, a minimum of 60% of the Sub-Fund's invested capital will be invested in assets promoting the E/S Characteristics selected by the Sub-Fund.

The remaining portion of the Sub-Fund's assets which is not allocated to direct or indirect real estate assets, may be invested in hedging and liquid assets used for efficient liquidity, portfolio management and/or cost management purposes and which do not form part of the Sub-Fund's investment portfolio. Such hedging and liquid assets will fluctuate during the life of the Sub-Fund and minimum environmental and/or social safeguards are not expected to apply to such hedging and liquid assets.

For the avoidance of doubt, any cash and other balance sheet items that are not invested are not considered to be investments for these purposes.



## 6. MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

During ownership of an investment, the AIFM will monitor the indicators set out under "*Methodologies*", on a regular basis.

## 7. METHODOLOGIES

In order to measure attainment of the listed environmental and social characteristics promoted by this Sub-Fund, the AIFM will use the following sustainability indicators to the extent that relevant data is available:

**GHG emissions:** GHG emissions are tracked and reported on an annual basis compared to the levels in the foregoing year, to the extent applicable and available.

**Percentage of vacant apartments offered to families with children:** Percentage of vacant apartments offered to families with children with three or more rooms that were first offered by the brokers or property managers to families with children, whereby a minimum of one child per bedroom (excluding the parent's bedroom) is required. After one (1) month of marketing the unit and in absence of demand, the unit may be offered to tenants who do not meet the above criteria. KPI reports are provided on a semi-annual basis.

## 8. DATA SOURCES AND PROCESSING

*(a) data sources used to attain each of the environmental or social characteristics promoted by the financial product:*

The data sources used to attain the environmental or social characteristics promoted by the Sub-Fund consist of the results provided through the regular monitoring of the indicators described in section "Methodologies".

*(b) measures taken to ensure data quality:*

The AIFM takes a comprehensive and transparent approach by actively promoting the improvement of the disclosure quality received in relation to the Sub-Fund's investments. The AIFM recognizes the importance of transparency of data relating to environmental and social characteristics in order to assess the quality of the data disclosed by the Sub-Fund's investments, in particular, the completeness and accuracy of data provided. To improve the Sub-Fund's data relating to environmental and social characteristics, the AIFM assesses the quality of the annual portfolio screening for the CO2 emissions performed by a sustainability consultant and the social commitment to families reporting by the brokers and property managers. On an ongoing basis, the AIFM will make use of the level of control that the Sub-Fund has in order to highlight concerns and/or expectations for improvement of the disclosures of an asset. The AIFM aims to improve the disclosure quality of the Sub-Fund in the short and medium term to be fully and accurately able to assess the environmental and social status of the Sub-Fund's investments both quantitatively and qualitatively.

*(c) how data are processed:*

The AIFM performs the data collection exercise across the coverage of the Sub-Fund's underlying investments, through the sustainability consultant, brokers and property managers. Throughout the ownership of the assets, the data assessment should show an improvement, quantified in a completeness, accuracy, and overall good governance element. The AIFM applies best efforts to meet regulatory obligations and to collect a maximum amount of data. Once the report on the annual energy consumption data collection for common areas and, if available, for rental units is completed by the sustainability consultant, it is reviewed and validated by the AIFM and the data is compared to the previous year's consumption. In parallel, the indicators for social commitment to families reported by the brokers and property managers are reviewed. After the approval, the data is completed with additional disclosures by the AIFM's portfolio management team and then included in the draft annual financial statements, which are submitted to the external auditor and checked before issuance.

*(d) proportion of data that are estimated:*

The AIFM collects data of the Sub-Fund's investments with varied levels of granularity, however, such underlying data may be provided as estimated or as reported data (complete data pertaining to the year and annual cyclicity defined by the data request).

## 9. LIMITATIONS TO METHODOLOGIES AND DATA

*(a) any limitations to the methodologies:*

Limitations to the methodologies and data referred to in the sections "Methodologies" and "Data sources and processing" include, but are not limited to: limited capacity to measure or report from the assets, fraud, human error in the provision of data, misalignment in content and timing of the reporting of the assets, changes in relevance of certain data points or changes in the portfolio over time (e.g., as a result of acquisitions and divestments).

*(b) how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met:*

The AIFM expects its underlying assets and managers, when commercially sensible, to improve data quality and minimize the limitations mentioned above.

## **10. DUE DILIGENCE**

At acquisition, the E/S Characteristics that the Sub-Fund promotes are included in the due diligence process as follows:

- **Technical Due Diligence**

Technical due diligence includes, among other, the detailed assessment of the target assets' current energy consumption and energy supply sources, heating and plumbing facilities, soil contamination status, qualification and quantification of maintenance backlog and related impact on tenant satisfaction. Possible measures to improve the target properties' carbon footprint are identified at this stage and factored into the underwriting, estimating the prospective value-add of such measures.

- **Legal Due Diligence**

Legal due diligence includes, among others, (i) the verification of any existing legal issues with the tenants, and (ii) the review of lease agreements to verify compliance of the units' current use as well as (iii) the rental terms and conditions with local regulations and building permits.

## **11. ENGAGEMENT POLICIES**

Not applicable to the Sub-Fund's investment strategy.

## **12. DESIGNATED REFERENCE BENCHMARK**

No index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.