

# Disclosure on the integration of sustainability risks in the investment decision-making process in accordance with Article 3 (1) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

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## **1. Legal framework**

ECE Real Estate Partners S.à.r.l. (hereinafter „ECE RE“ or „Company“) is an alternative investment fund manager authorised pursuant to the Luxembourg law of 12 July 2013 on alternative investment fund managers (hereinafter "AIFM Law").

Within the scope of its regulatory authorisation, the Company manages funds that qualify as alternative investment funds ("AIF") (hereinafter "investment funds").

## **2. Purpose of this policy**

This document (hereafter “Policy”) generally describes ECE RE’s handling and monitoring of sustainability risks which may arise during the investment decision process.

Within this Policy ECE RE sets the framework for sustainability factors considered in the investment decision process describes the approach taken to manage and monitor sustainability risks which may influence the funds managed.

ECE RE is aware of the impacts sustainability risks can impose on the funds managed and therefore considers the integrated approach outlined in this policy as strengthening its fiduciary duties towards the investors of the funds managed by ECE RE.

The Policy is in line with the requirements set by Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (“SFDR”).

## **3. Policy review**

This policy will be reviewed and updated annually, and on an ad hoc basis in case of relevant changes to the organizational structure of the Company, in case of amendments to the regulatory framework governing this policy or if otherwise deemed necessary.

## **4. Integration of sustainability risks into the investment decision-making process**

### **4.1 Organizational set-up of the Portfolio Management function**

ECE RE is responsible for exercising the portfolio management function for the managed investment funds. ECE RE performs the Portfolio Management function itself. ECE RE may involve investment advisers who support the investment decision process. The investment decision is the sole responsibility of ECE RE. Therefore, potential investment proposals from investment advisers are duly assessed against regulatory and legal requirements before their execution (pre-trade assessment). ECE RE will for all relevant funds integrate the sustainability risks as deemed relevant in the investment advisory process requirements, i.e. the proposal provided by the advisor as well as the assessment of this proposal in the final decision-making process by ECE RE.

ECE RE identified all funds which are subject to (new) subscriptions as from 10 March 2021 as relevant. Therefore, all funds which are fully invested and closed to new subscriptions as from the application of the SFDR are deemed out of scope

## **4.2 Integration of sustainability risks into the investment decision-making process**

A sustainability risk is every environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

ECE RE is aware of the material impacts ESG events or conditions may cause to the funds managed and deems sustainability risks to be relevant to all the funds managed.

Therefore, ECE RE implemented a robust process for the handling and monitoring of sustainability risks in its pre-trade and post-trade assessment process.

## **5. Sustainability risks considered in the investment decision process**

The aim of including sustainability risks in the investment decision is to identify the occurrence of these risks as early as possible and to take appropriate measures to minimize the impact on the investments or the overall portfolio of a fund. The events or conditions that may be responsible for a negative impact on the return of a fund are split into environmental, social and corporate governance aspects. While environmental aspects include energy and waste management, for example, social aspects may include the consideration of internationally recognized labour law requirements during the construction/improvement phase. Corporate governance aspects include, for example, the consideration of employee's rights and data protection. The company also considers the aspects of climate change, including physical climate events or conditions such as heat waves, storms, rising sea levels and global warming.

The selection of meaningful sustainability risks may be based on the overall investment portfolio of a specific fund, the overall availability of relevant data to assess sustainability risks as well as the characteristics of each target investment of a specific fund.

## **6. Sustainability risk approach**

ECE RE set up the monitoring of sustainability risks by integrating them into the risk profiles of the funds managed. The risk profile reflects the level of identified relevant risks that arise from the investment strategy, as well as the interaction and concentration at portfolio level for each fund managed by ECE RE.

ECE RE defined internal risk limits in relation to sustainability risks for each fund managed. The risk limits describe the maximum risk a fund is exposed to a certain risk type. The risk limits are set in accordance with the overall risk exposure of fund. The internal Risk Management function is responsible for the monitoring of the defined sustainability risk limits set.

To effectively monitor the risks, ECE RE receives data from external data sources to calculate to overall sustainability (risk) exposure of a fund portfolio based on the defined sustainability

risks. The results of the assessment are compiled and constantly monitored by the internal Risk Management function against the limits set in the (sub-)fund risk profile.

In case the overall sustainability risk exposure of the fund is above the limits for a sustainability factor of an investment, it will be directly reported to ECE RE's Conducting Officer.

ECE RE will review the approach taken on an ongoing basis and may detail the internal procedures and process for the assessment of sustainability risks based on changes in the overall market environment and the provision of meaningful data for the expansion of its efforts to assess and monitor sustainability risks as part of the overall risk exposure of the fund managed.

## **7. Reporting**

ECE RE established a risk-based approach for the reporting of the overall risk exposure of the funds the Management Board. The extension of the existing reporting with regard to an exposure to specific sustainability risks will be implemented for all relevant funds.