Statements about the integration of sustainability risks and the consideration of the principal adverse impacts on sustainability factors in investment activities and the remuneration policy in accordance with Articles 3, 4, 5 of EU Regulation 2019/2088 (SFDR)

Introduction

In order to increase the transparency of investment products on sustainability matters, the European Parliament adopted in November 2019 the Sustainable Finance Disclosure Regulation (also called “SFDR” or Reg. EU 2019/2088). This Regulation requires financial market participants and advisers, and in particular alternative investment fund manager (AIFM), to disclose on their website and in the precontractual and in periodical documentation of their financial products how they integrate sustainability risks in their policies and investment decisions and whether they consider the potential adverse impacts of their investments on the sustainability factors.
In order to comply with those requirements, WRM Capital Asset Management S.à.r.l. (hereinafter also “WRM”), the AIFM of the Group, discloses the following sustainability-related information.

Art. 3 SFDR: integration of sustainability risks in investment decision-making process

Sustainability risks are defined as “an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment” (Art.2, comma 22). For instance, the real estate assets managed by WRM might be exposed to climate-related risks such as sea level rise, floods, landslides or wildfires, etc. WRM could also be affected by other sustainability

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risks due to the introduction of new regulations (for instance in terms of energy-efficiency of buildings or well-being of tenants) and other market incentives (such as changing customer behaviours). If they occur, such sustainability risks could reduce the value of the investment (due to physical damages of the building, restructuring costs, lower attractability, higher operational costs, etc.).

WRM takes this type of risk into account in its investment decision-making process: as early as the pre-acquisition phase, WRM performs an ESG screening of its potential investments to identify any material risks related to ESG-factors and to decide whether to proceed or not with the investment.

In the post-investment phase, WRM monitors annually the exposure to sustainability risks at both asset and fund level based on a series of KRIs.

In addition to this, WRM started a process to digitise its Real Estate portfolio and monitor its ESG performance such as energy and GHG emission intensity and exposure to physical climate-risks.

Art. 4 SFDR: transparency on consideration of adverse impacts of investment decisions on sustainability factors at Entity level

WRM, in compliance with Art. 4 SFDR, does not consider at the moment the principal adverse impacts (hereinafter also “PAIs”) of its investment decisions on sustainability factors.

WRM has chosen this “explain” approach, given the complexity of retrieving ESG data which requires the involvement and willingness to collaborate of various stakeholders (e.g. tenants' willingness to provide information on their energy consumption) and the current Entity’s organisational structure (i.e. resources and processes in place to manage these activities).

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However, WRM has recently implemented a software to digitalise its Real Estate portfolio and better assess the ESG performance of its assets and funds. Based on the data availability and coverage, WRM reasonably expects to be able to consider and report on PAIs from June 2025 (limited to its Real Estate funds as it is its core business). Through this process, WRM intends monitoring its exposure to fossil fuels and energy-inefficient real estate assets (as required by table 1 of Annex I of RTS) and GHG emissions and the energy efficiency of its assets in the portfolio (in line with table 2 of Annex I of RTS). Further PAIs indicators might be monitored in the future based on relevant and available data.

Art. 5 SFDR: transparency on remuneration policies in relation to the integration of sustainability risks

Having regards to Reg. EU 2021/1255 regarding the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers, and to Art. 5 of SFDR, WRM has begun to review its remuneration policies, and will continue to do so, to ensure that the Top management, the Control Functions and all employees whose professional activities have a material impact on the risk profiles of the AIFM promote sound and effective risk management including ESG factors-related risks.

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