ALANTRA

# Sustainability-related Web Disclosures

## Summary

Alteralia Real Estate Debt II ELTIF ICAV (from now on, “the Fund”) is classified as a financial product under Article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”), as it promotes environmental and/or social (“E&S”) characteristics, but does not have sustainable investment as its objective. The attainment of the E&S characteristics promoted by the Fund is assessed through the Fund’s internal sustainability framework and binding sustainability indicators, which are monitored and reported periodically. No specific reference benchmark has been designated for this purpose.

The Fund aims to allocate at least 70% of its assets to investments aligned with the E&S characteristics promoted by the Fund. The remaining portion of the Fund’s assets may include investments or exposures that are not aligned with those E&S characteristics, including investments for which insufficient ESG data is available, as well as cash or other ancillary liquid assets held for liquidity or portfolio management purposes. The Fund does not commit to making sustainable investments, including sustainable investments with an environmental objective aligned with the EU Taxonomy. Accordingly, the Fund has not set a minimum proportion of Taxonomy-aligned investments.

The Fund promotes E&S characteristics by financing companies whose main activity involves the ownership and/or operation of real estate assets and by issuing sustainability-linked or green loans. The E&S characteristics promoted by the Fund include, among others, green and/or sustainability-related building certifications, generation and/or consumption of renewable energy, energy efficiency measures, water optimisation and saving measures, circular economy strategies and initiatives, client security and safety, health and safety measures, initiatives to improve accessibility and measures to promote diversity and inclusion.

For sustainability-linked loans, measurable Key Performance Indicators (“KPIs”) are defined in the loan documentation and linked to the margin ratchet of each loan, so that the interest rate may increase or decrease depending on the borrower’s performance against predefined sustainability targets. For green loans, the Fund may apply an interest rate discount where the financed asset qualifies as a green asset and the loan complies with the Green Loan Principles of the Loan Market Association or other relevant frameworks, as reflected in the applicable loan documentation.

Prior to each investment, the AIFM carries out a negative screening process to ensure that the Fund does not invest in companies operating in excluded economic sectors or activities that are not aligned with the AIFM’s ESG Risk Policy. The AIFM also carries out an ESG due diligence process to identify relevant sustainability risks, opportunities and the E&S characteristics to be promoted by the relevant real estate asset or portfolio company.

The AIFM will monitor the attainment of the E&S characteristics promoted by the Fund throughout the lifecycle of the investments. Monitoring will be based on the binding sustainability indicators defined for the Fund, including exclusion screening, pre-investment ESG questionnaire completion, the use of loans with sustainability-linked margin ratchets and the confirmation of compliance, or non-compliance, with the ESG targets defined in the loan documentation. The reporting will be made available to stakeholders through the AIFM’s annual Sustainability Report and/or the Fund’s annual periodic information.

The AIFM will rely on information provided by portfolio companies, information collected during due diligence and, where applicable, information provided by independent third parties. Where data limitations exist, the AIFM will seek to mitigate them through its due diligence, monitoring and engagement processes.

The Fund considers principal adverse impacts (“PAIs”) on sustainability factors by applying the indicators applicable to investments in real estate assets set out in Table 1 of Annex I of Commission Delegated Regulation (EU) 2022/1288, namely: (1) exposure to fossil fuels through real estate assets; and (2) exposure to energy-inefficient real estate assets.

The Fund assesses good governance practices of portfolio companies by taking into account the United Nations Global Compact Principles and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises. The Fund will exclude investments in assets that violate human rights or international law, including forced or child labour, or that have been involved in the infringement of environmental law.

The activities of the Company, as part of Alantra Group’s asset management business, are governed by Alantra Group and Alantra Asset Management corporate policies. Therefore, the Company is supported by a robust ESG framework which is aligned with recognised standards in the sector, as reflected in Alantra Group Sustainability Policy and Alantra Asset Management Responsible Investment Policy.

## No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. Therefore, the Fund is not subject to the additional disclosure requirements for financial products under Article 9 of the SFDR Regulation.

The Fund does not intend to make sustainable investments. Accordingly, the disclosures on how sustainable investments do not significantly harm any environmental or social sustainable investment objective are not applicable.

## Environmental or social characteristics of the financial product

The Fund promotes environmental and social (E&S) characteristics through the integration of sustainability considerations into its investment decision-making process and throughout the holding period. The Fund intends to allocate at least 70% of its assets to investments aligned with the E&S characteristics promoted under its investment strategy.

The relevance of each E&S characteristic varies across portfolio companies and real estate assets, as the Company identifies the most financially material E&S aspects for each investment based on its activity, country, asset type, business plan and background. Once these aspects have been identified, the Fund defines one or more KPIs aligned with the relevant E&S characteristics.

Some of the most relevant E&S matters to which the Fund may contribute are:

Environmental

- Green and/or sustainability-related building certifications
- Generation and/or consumption of renewable energy
- Energy efficiency measures
- Water optimisation and saving measures
- Circular economy strategies and initiatives

Social

- Client security and safety
- Health and safety measures
- Initiatives to improve accessibility
- Diversity and inclusion

Not all investments are expected to contribute to all of the E&S characteristics listed above. The relevant characteristics will depend on the specific circumstances and material sustainability aspects of each investment. The Fund will use the following sustainability indicators to measure the attainment of the E&S characteristics promoted:

- Percentage of portfolio companies involved in one or more excluded economic sectors (target: 0%).
- Percentage of portfolio companies that have completed an ESG questionnaire prior to investment (target: 100%).
- Percentage of portfolio companies having subscribed to a loan with a margin ratchet linked to sustainability-related performance (target: 70–100%).
- Percentage of portfolio companies for which the AIFM has received confirmation of compliance, or non-compliance, with the ESG targets defined in the loan documentation (target: 70–100%).

No specific reference benchmark has been designated to attain the E&S characteristics promoted by the Fund. Instead, the Fund assesses the attainment of such characteristics through the sustainability indicators described above and the monitoring of investment-specific ESG KPIs.

## Investment strategy

The Fund's investment objective is to generate positive returns for shareholders by providing financing to companies whose principal activity involves the ownership and/or operation of real estate assets.

The Fund will primarily finance companies incorporated in European countries, including countries outside the European Union. Financing will mainly support the acquisition, refurbishment or refinancing of real estate assets and will be provided primarily through loans, although the Fund may also invest in quasi-equity and fixed income instruments. Investments will mainly consist of senior debt, although subordinated debt may also be used. The Fund may finance assets across a broad range of real estate sectors, including residential, hospitality and leisure, commercial, logistics, offices, senior living and student accommodation, flex living, self-storage and mixed-use assets.

To promote the E&S characteristics of the Fund, the AIFM applies the following ESG framework throughout the investment process:

Pre-investment phase:

- Negative screening: the AIFM excludes investments that are not aligned with its ESG Risk Policy and exclusion criteria.

- ESG due diligence: the AIFM assesses financial, commercial, legal and sustainability-related matters, including Sustainability Risks, opportunities and the most relevant E&S characteristics for each investment. Depending on the transaction, the assessment may be carried out internally or with the support of specialised third parties.

Investment phase and holding period:

- The Fund may issue sustainability-linked or green loans based on the findings of the due diligence process. For sustainability-linked loans, one or more KPIs aligned with the relevant E&S characteristics may be incorporated into the loan documentation and linked to a margin ratchet mechanism. For green loans, the eligible green purpose, use of proceeds and, where applicable, related reporting requirements will be reflected in the loan documentation.
- Performance against the selected KPIs or eligible green purpose will be monitored periodically and reported at least annually. In addition, the AIFM will seek to maintain an active dialogue with the relevant portfolio companies, where possible, to support the promotion of the Fund's E&S characteristics and long-term value creation.

Refinancing and exit:

- The AIFM believes that the continuous monitoring of ESG-related objectives and asset performance may contribute to stronger portfolio company resilience and an improved ability to meet financing obligations over time.

The binding elements used to attain the E&S characteristics promoted by the Fund are described in the section “Environmental or social characteristics of the financial product”.

The Fund assesses good governance practices by taking into account the United Nations Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Investments that violate human rights, international law or applicable environmental legislation are excluded.

## Proportion of investments

The Fund does not commit to making sustainable investments. However, the AIFM intends to invest a minimum of 70% of the Fund’s assets in investments aligned with the E&S characteristics promoted by the Fund. This proportion is calculated as the minimum proportion of the portfolio that is subject to the binding criteria used to attain the Fund’s E&S characteristics.

The remaining 0% to 30% of the Fund’s assets may include investments that neither contribute to the Fund’s E&S characteristics nor qualify as sustainable investments. This portion may include investments for which insufficient ESG data is available, as well as cash or other ancillary liquid assets held for liquidity or portfolio management purposes. No specific E&S safeguards are applied to this portion of the portfolio.

The Fund does not use derivatives and therefore derivatives do not contribute to attaining the E&S characteristics promoted by the Fund.

## Monitoring of environmental and/or social characteristics

The Company will monitor the ESG KPIs defined for sustainability-linked loans and, for green loans, the continued compliance with the relevant green loan requirements set out in the loan documentation, at least annually. This monitoring will allow the Fund to track the progress and performance of each portfolio company or real estate asset against the predefined ESG objectives.

As a debt investor, the Company’s engagement with portfolio companies may be limited. However, where possible, the Company will seek to maintain an active dialogue with their management teams to support the achievement of the ESG objectives defined and the promotion of the Fund’s E&S characteristics. In addition, compliance with the objectives linked to the margin ratchet may be validated externally through a second-party opinion and/or through the review of supporting documentation provided by the relevant portfolio company.

In addition to investment-specific KPIs or eligible green purposes, the Company will measure the sustainability indicators described in the section “Environmental or social characteristics of the financial product" to assess the extent to which the Fund's E&S characteristics are being promoted.

## Methodologies

The methodology used to measure the Fund's progress in promoting its E&S characteristics is based on information published or provided by portfolio companies, information provided by independent third parties where applicable, and the internal monitoring of the sustainability indicators described in the section "Environmental or social characteristics of the financial product".

When defining E&S KPIs for sustainability-linked loans, the Company focuses on sustainability-related financial materiality. The Company identifies the most relevant sustainability matters for each portfolio company and/or real estate asset by analysing ESG performance during the due diligence process and assessing which matters are most likely to affect, positively or negatively, its financial performance, position or value over time. For green loans, the methodology focuses on assessing whether the financed asset qualifies as a green asset and whether the loan complies with the Green Loan Principles of the Loan Market Association or other relevant frameworks, as reflected in the relevant loan documentation.

## Data sources and processing

To assess the Fund's progress in promoting its E&S characteristics, the Company will use its internal methodology and sustainability indicators, as described above.

To track the ESG performance of portfolio companies and/or real estate assets, the Company will use and review information published or provided by the entities in which it invests and, where applicable, information provided by independent third parties. This may include information on the KPIs defined for sustainability-linked loans, supporting documentation for green assets and evidence of compliance with the relevant requirements set out in the loan documentation.

The Company does not expect to rely on estimated data as a primary source. Where estimates or proxies are used due to data availability constraints, this will be assessed on a case-by-case basis.

## Limitations to methodologies and data

The Fund measures its progress against the sustainability indicators described in the section "Environmental or social characteristics of the financial product". The Company has not identified material limitations that would prevent the Fund from measuring the attainment of its E&S characteristics.

When monitoring the performance of portfolio companies and/or real estate assets, the Company will rely on information, reporting and calculations provided by portfolio companies and, where applicable, independent third parties. Data limitations may arise due to the availability, quality or comparability of ESG data, particularly where information is collected at asset level.

The Company will seek to mitigate these limitations through its due diligence process, the definition of material and measurable KPIs, guidance on KPI calculation and periodic monitoring. Where applicable, the Company may request a second-party opinion or review of supporting documentation to support the correct compilation and processing of relevant data.

## Due diligence

The due diligence process is carried out during the pre-investment phase and includes an ESG analysis aimed at identifying the financially material ESG aspects of each potential investment and its expected contribution to the E&S characteristics promoted by the Fund.

The process may be carried out internally and/or externally. For each new transaction, the investment team requests the potential portfolio company to complete an internally developed ESG questionnaire covering relevant environmental, social and governance aspects from both a management and performance perspective. Depending on the transaction and asset, this analysis may be complemented by specialised third-party ESG due diligence. The final outcome is included in the Investment Committee memorandum and is taken into account when deciding whether to proceed with the transaction. Where the investment proceeds, the Investment Committee will consider the financially material ESG KPIs to be included in the loan documentation and the related margin ratchet mechanism.

This process seeks to ensure that each portfolio company or real estate asset contributes to its most material E&S matters and that the selected ESG KPIs or eligible green purposes are measurable and representative of that contribution.

## Engagement policies

As a debt investor, the Company’s engagement with portfolio companies may be limited. However, where possible, the Company seeks to maintain an active dialogue with their management teams to support the achievement of the ESG objectives defined in the loan documentation and the promotion of the Fund’s E&S characteristics.

The Company may make proposals or recommendations aligned with the interests of the Fund’s investors and the Fund’s core values of sustainability and long-term value creation. Portfolio companies are monitored at least annually, with a view to tracking progress against the relevant KPIs or eligible green purposes and encouraging improved financial and non-financial performance over time.

## Designated reference benchmark (not applicable)

No specific benchmark has been established for the management of this Fund. As mentioned in the section “Monitoring of environmental and/or social characteristics”, the Company employs a variety of ways to measure the attainment of the E&S characteristics promoted by the Fund as described in the sections above.