



## **KSURF**

### ***SFDR Disclosures— Articles 3, 4, 5 & 10***

July 2024

## SFDR Disclosures

The EU's Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR) requires financial market participants such as Keppel Ltd ("Keppel") to provide information to investors with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the remuneration policies in relation to the integration of sustainability risks and the promotion of environmental and/or social characteristics.

You will find under Part A of this disclosure, Keppel AIFM level disclosures and under Part B, the article 8 SFDR disclosures for the financial product Keppel Sustainable Urban Renewal Fund.

### (A) Keppel AIFM Level Disclosures

The information below regarding the policies of Keppel on sustainability are made in accordance with Articles 3, 4 and 5 of the SFDR (last updated in May 2024).

#### Integration of sustainability risk in the investment decision-making process (Article 3 SFDR)

SFDR defines sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the relevant investment. Keppel embraces sustainability not only as a guiding principle, but on all strategic and operational levels. With sustainability at the heart of its strategy, Keppel aims to create enduring value for its stakeholders – through environmental stewardship, responsible business practices and nurturing its people and the communities, wherever it operates.

A Responsible Investment Policy is put in place to communicate Keppel's Fund Management and Investment (FM&I) platforms overarching ESG philosophy and investment approach. It applies to investments in Singapore and globally, where Keppel FM&I invests, operates and has a controlling influence. It has adopted an approach to actively evaluate, consider, and integrate a broad range of ESG themes material to Keppel FM&I across its investment decisions and operations.

Keppel FM&I has formed an ESG Committee which is responsible for communicating structure, policies and regulations within the organisation. The ESG Committee is also responsible for oversight of ESG disclosures for investment products. In terms of hierarchy, the ESG Committee reports to Keppel FM&I's senior management who hold the ultimate ownership of ESG-related investment decisions. The Committee meets at least twice in a year for discussions on updates relating to materiality, performance, disclosures, regulations, and investment approach. Keppel FM&I strives to build long term capabilities and integrate ESG at the core of its investment decisions.

#### Principal adverse impact of investment decisions on sustainability factors (Article 4 SFDR)

Keppel FM&I is of the view that the real estate and private equity industry can have a significant impact on the various environmental and social sustainability factors. In view of the potential impact that our various Funds may have on the sustainability factors, we have adopted an investment process to take into consideration the potential impact that our Funds' investments would have on selected and relevant sustainability factors, without, at this point in time, considering all adverse sustainability impacts under the SFDR.

In this respect and in accordance with article 4.1(b) of the SFDR, Keppel FM&I therefore states that it does not consider the adverse impacts of investment decisions on all the sustainability factors as referred to in

article 4.1(a) of the SFDR and does not make the disclosures as described in article 4.1(a) of the SFDR. Given the size of the organisation of Keppel FM&I, such disclosure as referred to in article 4.1(a) of the SFDR and the administrative burden in connection therewith would currently not be proportional. Keppel FM&I will review its position on a regular basis taking into account the prevailing applicable regulations.

### **Transparency of remuneration policies in relation to the integration of sustainability risk (Article 5 SFDR)**

The remuneration of Keppel FM&I takes into account compliance with its policies and procedures, including Keppel FM&I's Responsible Investment Policy, and meeting the applicable environmental objectives of its Fund products. Keppel FM&I promotes sound and effective risk management and ensures that the remuneration policy discourages excessive risk taking among others in relation to sustainability risks.

### **(B) KSURF Article 10 SFDR Disclosures**

#### **Summary**

##### *In English*

As the real estate sector is responsible for almost 40% of global carbon dioxide emission, it is critical to decarbonise the built environment and address shifting user preference for more sustainable and tech-enabled buildings.

KSURF (the "Fund") addresses the need to integrate ESG in real estate investment decisions. With a "brown-to-green" strategy, the Fund aims to create sustainable, future-proofed real estate while delivering financial returns. Its strategies on achieving financial returns are strongly focused on addressing climate change by investing responsibly and integrating ESG in investment decisions.

##### *Auf Deutsch (German)*

Da der Immobiliensektor für fast 40% der globalen Kohlendioxidemissionen verantwortlich ist, ist es von entscheidender Bedeutung, die gebaute Umwelt zu dekarbonisieren und der sich ändernden Präferenz der Nutzer für nachhaltigere und technisch unterstützte Gebäude Rechnung zu tragen.

KSURF (der "Fonds") konzentriert sich auf die Notwendigkeit, ESG in Immobilieninvestitionsentscheidungen zu integrieren. Mit einer "brown-to-green"-Strategie strebt der Fonds nachhaltige, zukunftssichere Gewerbeimmobilien und gleichzeitig finanzielle Rendite an. Finanzielle Renditestrategien konzentrieren sich stark auf die Bekämpfung des Klimawandels durch verantwortungsbewusstes Investieren und die Integration von ESG in Anlageentscheidungen.

##### *In het Nederlands (Dutch)*

Aangezien de vastgoedsector verantwoordelijk is voor bijna 40% van de wereldwijde kooldioxide-uitstoot, is het van cruciaal belang om de gebouwde omgeving koolstofvrij te maken en de veranderende voorkeur van gebruikers voor duurzamere en technisch ondersteunde gebouwen aan te pakken.

KSURF (het "Fonds") richt zich op de noodzaak om ESG te integreren in vastgoedbeleggingsbeslissingen. Met een "brown-to-green"-strategie streeft het fonds naar duurzaam, toekomstbestendig commercieel vastgoed en tegelijkertijd financieel rendement. De strategieën voor het behalen van financieel rendement zijn sterk gericht op het aanpakken van klimaatverandering door verantwoord te beleggen en ESG te integreren in beleggingsbeslissingen.

## **No sustainable investment objective**

The Fund promotes environmental and/or social characteristics, but does not have sustainable investment as its objective.

## **Environmental or social characteristics of the Fund**

The Fund promotes environmental and/or social characteristics. The objective is to embark on a refurbishment strategy for well-located older buildings – with the aim to decarbonise buildings through enhancing energy efficiency and creating high-quality properties that are well-catered to user needs. Environmentally, this increases the national stock of energy-efficient buildings in the selected countries, avoids pre-mature redevelopment of older buildings, and thereby helping to reduce built environment's carbon emission levels. Commercially, this allows the Fund to create value-uplift from reduced operational expenses, potential increased rent, and increased stickiness of high-quality tenants.

Keppel Fund Management Limited (the "IM"), the investment manager of the Fund, is the private fund management platform of Keppel. As such, the Fund will also comply with Keppel's relevant policies, such as Keppel's Anti-bribery Policy, Human Rights Policy, Supplier Code of Conduct, and Exclusion policies.

The IM has adopted an ESG Framework that largely aligns the sustainability factors that we have identified and supports the consideration of the various ESG issues throughout the Fund's investment life cycle. It also includes criteria that will enable us to consider the most material impacts of our investments, both positive and negative.

## **Investment Strategy**

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

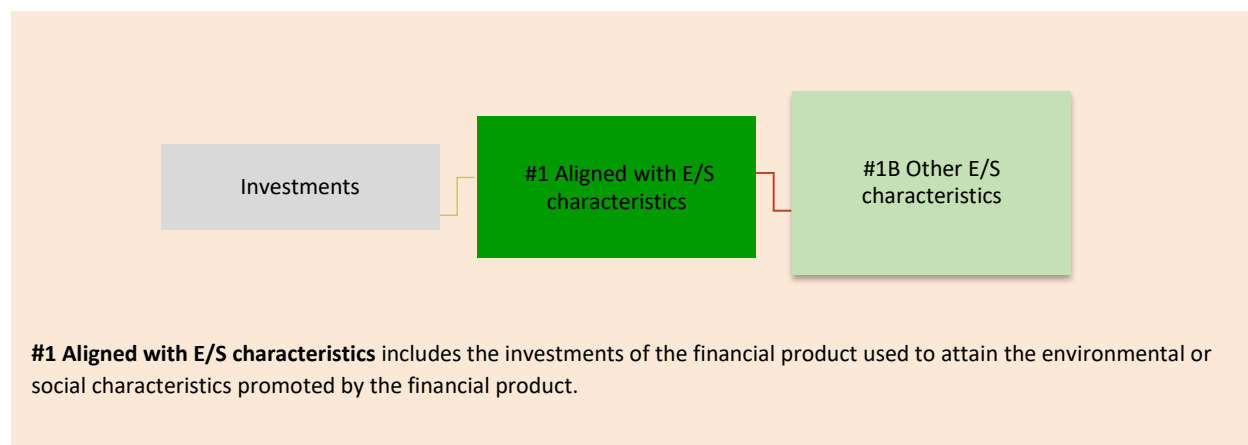
The objective of the Fund is to embark on a refurbishment strategy for well-located older buildings – with the aim to decarbonise buildings through enhancing energy efficiency and creating high-quality properties that are well-catered to user needs. By doing so, the Fund aims to contribute towards the overall decarbonisation effort of the built environment sector.

- (b) The 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

Not applicable – the Fund invests in real assets and not in investee companies and is therefore factually not in a position to assess good governance practices of investee companies. However, as part of the investment or monitoring process, the Fund generally observes sustainability related indicators.

## Proportion of investments

The Fund will allocate 100% of its investments to assets that meet the environmental or social characteristics promoted by the Fund. All investments of the Fund can be categorised as "#1 Aligned with E/S characteristics". None of the Fund's investments are included under "#2 Other". We plan for the Fund to have 100% (equity invested) of its investments to meet the environmental objectives that it has set out in its Information Memorandum. As the Fund's mandate is to invest in less energy-efficient buildings as a start so that we are able to carry out the required enhancement works to improve their energy efficiencies, the proportion of assets under the Fund that meets its environmental and/or social characteristics objectives, at any given point in time, may not be 100%.



## Monitoring of environmental or social characteristics

The IM will monitor the Fund investments' environmental performance throughout the lifecycle of the asset via quarterly reporting on the Energy Usage Intensity and/or carbon emission, including the use of carbon risk assessment tools such as Carbon Risk Real Estate Monitor ("CRREM"). Actual energy usage performance data from the Fund's investments will be collected monthly to support the quarterly reporting and monitoring. Reporting on the Fund's investments will also be made in accordance with Annex IV to the Regulatory Technical Standards of the SFDR.

## Methodologies

The Fund will be engaging independent local green building consultants to help measure the relevant environmental performance data of the Fund's investments pre- and post- implementation of asset enhancement plans to ensure objectivity in the measurement and determination as to whether the Fund has met the environmental characteristics promoted.

## Data sources and processing

(a) Data sources used to attain environmental objectives of the Fund

The Fund's primary environmental objective is to decarbonise the older buildings through efforts to reduce their energy consumption. To measure the performance of this environmental objective, the IM will use the data that is generated from the Fund's investment, including monthly utility consumption data provided by the utility service provider and/or any other relevant building related data generated from the integrated smart building platform that may be installed within the investment as part of an asset enhancement plan.

(b) The measures to ensure data quality

To ensure the quality and accuracy of the data collected, the primary source of data for energy consumption data will be the investment's energy supplier/retailer through the energy consumption information provided within the monthly utilities bill.

In addition, an independent local green building consultant will be engaged to measure and determine the energy usage of the Fund's investment prior to and following the completion of the relevant enhancement works.

(c) How data is processed

The energy usage of the Fund's investments is calculated based on the building's actual energy usage (as reflected in the building's monthly utility bill) for a period of 12 months, divided by the total floor area of the building.

(d) Proportion of data that are estimated

The computation of energy usage is based on actual energy consumption data of the building. Adjustments may be made to the energy usage intensity ("EUI") computation to take into account any large occupancy variance within the building over the measurement period. In addition, an independent local green building consultant will be engaged to measure and determine the energy usage of the building prior to and post enhancement works.

### **Limitations to methodologies and data**

To ensure that the Fund is able to meet the environmental and/or social characteristics promoted, the limitations to methodologies and data sources adopted by the IM will be regularly monitored, assessed and disclosed.

(a) Limitations to methodologies of determining EUI and energy performance of investment

While the building energy consumption data from the building's energy retailer will be used in determining its energy usage, the actual consumption could vary depending on the occupancy of the building and seasonal weather changes. In addition, any on-site measurement of energy use by the independent green building consultant may not accurately represent actual energy consumption by the building.

(b) Limitations unlikely to hinder the Fund from achieving the environmental characteristics that it promotes

Extreme short-term building occupancy variation is unlikely to occur in an operating building with stabilised occupancy. If there is material occupancy variation within the measurement period (for example, due to an extreme event such as a pandemic 'lock-down'), appropriate adjustments will be made to the energy performance computation to take into account such variation. To mitigate seasonal weather variations and inaccuracies of on-site energy measurements, actual energy consumption data from energy providers and retailers (as reflected in the monthly utility bill) over a period of 12 months will be used as well.

### **Due diligence**

The Fund includes consideration and assessment of various relevant ESG risks and opportunities as part of its investment and technical due diligence process.

### **Engagement policies**

The IM takes an active approach towards managing ESG risks and opportunities during the entire investment life-cycle. Each investment of the Fund will have to be able to meet the environmental objectives that have been established, and a viable asset enhancement plan will have to be put in place as part of the investment approval process to ensure the project acquired by the Fund will be retrofitted. The IM will also proactively engage and address any ESG related issues that may surface during the investment holding period.

### **Designated reference benchmark**

Not applicable, as no specific index has been designated as a reference benchmark to meet the environmental and/or social characteristics promoted by the Fund.