# Policy No.: IV-Risk Management-007-01

## IMMOFINANZ's Risk Strategy

**To:** All IMMOFINANZ employees

**Valid from:** September 2021

**Valid to:** Until further notice

**Produced by:** Risk Management

### 1. Introduction

As an international real estate investor, property owner and project developer, IMMOFINANZ is exposed to a variety of general and industry-specific risks in its business operations. An integrated risk management process provides the Group with a sound basis for timely identification of potential risks and assessment of the potential consequences.

Risks represent the possibility of deviating from planned targets as the result of "coincidental" disruptions caused by the unpredictable nature of the future. In this connection, negative variances are considered risks in the strict sense of the term and positive variances are seen as opportunities.

### 2. Risk strategy – purpose

The Executive Board as a whole is responsible for managing risk throughout the IMMOFINANZ Group and defines the business objectives as well as the related risk strategy.

IMMOFINANZ's risk strategy provides instructions for managing the risks and opportunities arising from the corporate strategy on which it is based. Responsible management of these risks and opportunities in business operations is a top priority.

To entrench the risk focus in the organisation, IMMOFINANZ has a Risk Management staff function which reports directly to the Chief Financial Officer (CFO). It presents quarterly reports to the Executive Board and Supervisory Board and reports on specific issues as and when appropriate. IMMOFINANZ also has an internal control system in place to mitigate existing risks, fulfil the legal requirements and safeguard high standards of quality in its internal processes. The system's effectiveness and compliance with control specifications is monitored by Internal Audit as part of this department's regular audit activity, i.e. in accordance with an audit plan agreed with the Supervisory Board, and the Supervisory Board is regularly apprised of the findings.

## 3. Overview of Group-wide risks

IMMOFINANZ's corporate strategy gives rise to specific risks, the main topics of which are presented below. The risk matrix is prepared by Risk Management and updated regularly.

| Risk group | Description of risk | Measures |
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| Business risks | Risks related to the company's operating environment that go beyond property-specific risks. | These risks are mitigated through strategic decisions at Group level. |
| | Financial risks arise in connection with lenders or the conditions for the provision of liquid funds. | Continuous monitoring of the asset and liability positions and forward analysis are used as the basis for strategic measures aimed at safeguarding the company's financial strength. |
| | Operating risk focuses on the actions of members of the corporate bodies and the company's employees that may be detrimental to IMMOFINANZ. | Procedures in the company have been broken down into individual processes, with internal controls being added to relevant process steps. |
| | Other risks – this group of risks comprises individual risks with effects for the entire Group. | These risks can be managed through strategic decisions at Group level. |
| Risks of improper business practices | IMMOFINANZ is committed to responsible and transparent action as well as compliance with legal rules and regulations. Risks in this area arise from deviations from this principle. | Strategies for target achievement have been implemented in the individual areas with a view to unifying the actions of the corporate bodies and employees. |
| Social risks | The company has a responsibility for the people who work for it directly and indirectly. Risks related to wage earners are aggregated in this risk group. | The cornerstones of strategic implementation in this area are ensuring that entrepreneurial activities uphold basic and human rights and conducting regular assessments of employees' needs. |
| Environmental and climate risks | Physical risks may arise from the climatic conditions at a property's location, as well as from the construction and operation of real estate. | IMMOFINANZ strives to take timely action in order to avoid negative impacts on the properties. Minimising environmental damage is a focal area in the construction of new properties. |
| | Risks may arise with regard to climate change and on the path to achieving carbon neutrality. These may be of a legal, social or even technological nature. | Measures are being taken to enhance the current properties from a technological perspective and to facilitate sustainable management. It is also important to create understanding of the complexity of this project among all stakeholders. |
| Project development risks | The planning phase extends from the design to approval of the construction project. Risks associated with this stage of project development are referred to as planning risks. | Detailed inspection of new sites, timely engagement of all stakeholders and measures to anticipate future developments are taken in connection with project development risks. |
| | From the time the building permit is secured, the risks related to the construction of the property are aggregated under realisation risks. | Procedural measures for quality assurance and measures for risk externalisation are focused on to avert realisation risks. |
| | The marketing risks are related to the commercialisation of the construction project and are of immense importance for its profitability. | Measures taken to mitigate marketing risks include timely requirements and opportunity analyses as well as long-term market monitoring. |
| Risks arising from asset management | Earnings risks are associated with the achievement of regular income from standing investments. | Measures are being taken to grow from a traditional landlord into a service provider that promptly responds to market trends. |
| | The group of utilisation risks comprises risks related to the property management environment which therefore have considerable influence on a property's profitability. | Active portfolio management plus continuous technical monitoring of the portfolio is intended to help avert risks in connection with utilisation. |
| | Management risks arise for owners, tenants and property managers as part of day-to-day operations. | In the field of management risk, IMMOFINANZ pursues a clear strategy for the externalisation of risks. |
| Portfolio and valuation risks | The area of portfolio and valuation risks comprises risks that arise as a result of the aggregation of individual properties into a portfolio. Changes in the value of this portfolio have a significant influence on the company's earnings. | Active portfolio management and the expertise gained from long-term market monitoring are intended to help identify problems at an early stage, forming the basis for corresponding strategic portfolio decisions. |
| Transaction risks | Transaction risks arise in connection with the acquisition and disposal of properties and | Procedural measures with continuous development of the |

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| | also include anomalies in the transaction market that is decisive for the utilisation of properties. | transaction markets are intended to minimise the existing risks. Risk provisioning measures are also taken to hedge against problems in the market. |

### 4. Risk tolerance

The Group Rules of Responsibility and Authority specify authority and approval levels for decision-making and the related risks and opportunities within the Group's organisation. Once the specified levels have been reached, business decisions will be made by the Executive Board. The Supervisory Board's rules of procedure also set caps for transactions requiring approval. In the case of risks for which amounts cannot be specified, procedural precautions will be taken that lead to a decision being made by the Executive Board.

### 5. Risk origins

In accordance with the corporate strategy, the origin of the risks is limited geographically to the countries in which IMMOFINANZ is active. In addition, special consideration is always given to the associated country risks.

IMMOFINANZ's brand strategy gives rise to specific risks in the office (myhive), affordable housing (Top on STOP) and retail (VIVO! and STOP SHOP) asset classes. Due to the concentration on these submarkets, these may show unique features and different trends from the overall property market.

With regard to IMMOFINANZ's value chain, risks can be inferred in connection with the product life cycle, which ranges from property development to management of the portfolio properties up to a possible transaction involving the property or redevelopment.

### 6. Risk-bearing capacity

Macroeconomic developments, trends in individual property markets and also the possible effects of individual risky scenarios on the company's financial situation are continuously monitored and reported to the Supervisory Board on a quarterly basis. To protect the company from the effects of risks materialising, IMMOFINANZ has undertaken to meet specific key performance indicators. These are designed to ensure that the company has sufficient equity to absorb losses and sufficient liquidity to avoid insolvency.

## 7. Opportunities

Risks can also give rise to opportunities for the company. IMMOFINANZ has set itself the goal of exploiting market developments and opportunities so as to gain a competitive edge.

## 8. Validity/updates

The validity of this risk strategy will be reviewed annually by the Executive Board and adjusted as required.