



# Keppel Education Asset Fund Series

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

October 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 Fund Management ("KFM") level disclosures and under Part B, the article 8 SFDR disclosures for the financial product Keppel Education Asset Fund II ("KEAF II").

### (A) Keppel Fund Management Level Disclosures

The information below regarding the policies of Keppel on sustainability is 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. KFM aligns with Keppel's sustainability management framework. 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.

KFM has adopted Keppel's Fund Management and Investment ("Keppel FM&I") platforms' Responsible Investment ("RI") Policy, which communicates its overarching investment approach towards ESG issues. 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)

KFM recognises that sustainability risks can significantly impact society, the environment, and investment returns, and therefore follows a structured five-stage ESG Framework to identify and address various ESG issues throughout its investment life cycle.

KFM, headquartered in Singapore, primarily operates outside the EU and offers limited financial products within the EU. The availability of data pertinent to PAIs on sustainability factors is often limited and KFM may need to obtain this data through third-party providers or make informed assumptions. Additionally, KFM considers the lack of reasonably priced and readily available data when addressing many of the technical reporting requirements of the PAIs regime. KFM believes that the efforts to comply with PAI considerations would incur substantial compliance costs, which would ultimately be borne by Limited Partners, are not justified by the benefits derived from such disclosures.

Furthermore, the European Commission has initiated a public and targeted consultation on the SFDR, which includes a review of the necessity and efficacy of entity-level PAI disclosures. In light of this, KFM will reconsider whether PAIs should be considered until after the conclusion of the SFDR review or other relevant regulatory developments.

In this respect and in accordance with article 4.1(b) of the SFDR, KFM 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.

KFM remains committed to responsible investment practices. KFM adheres to several international codes for responsible investment, including the UN Global Compact's Ten Principles and the UN Principles for Responsible Investment. This commitment reflects the Investment Manager's ongoing engagement with responsible investment principles, even as it awaits further regulatory clarity.

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

KFM adheres to Keppel FM&I's general principles, policies and practices. 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) KEAF II Article 10 SFDR Disclosures**

#### **Summary**

*In English*

KEAF II ("the Fund") is a value-add education real estate fund focused on opportunities in the Asia Pacific and seek to work with established education and student accommodation operators to capitalise on the growing opportunities in the private education as well as student accommodation sectors in the key cities within the APAC region.

While it aims to achieve its target returns through deploying value-add real estate strategies for its investments, the Fund also seek to develop sustainable assets and campus together with the school partners, promoting the environment and social characteristics as detailed below. ESG factors are also embedded throughout the investment process, from initial due diligence to ongoing asset management, ensuring that sustainability considerations drive both long-term value creation and responsible growth.

Leveraging Keppel's extensive network and expertise, including sustainability, the Fund aims to be a leading provider of education-related assets in the Asia Pacific region, supporting early learning, K-12, higher education, and student accommodation.

### **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**

KEAF II seeks to focus on the following environmental characteristics:

- Managing energy and water consumption in the Fund's properties; and
- Promoting adequate levels of building efficiency.

The Fund, as a provider of education-related assets and facilities, will also seek to promote the following social characteristics:

- Sustainability awareness, health and fitness/wellness among students and teachers; and
- Education assets that are operated by reputable education institutions who provide quality education and contribute positively to the community.

### **Investment Strategy**

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

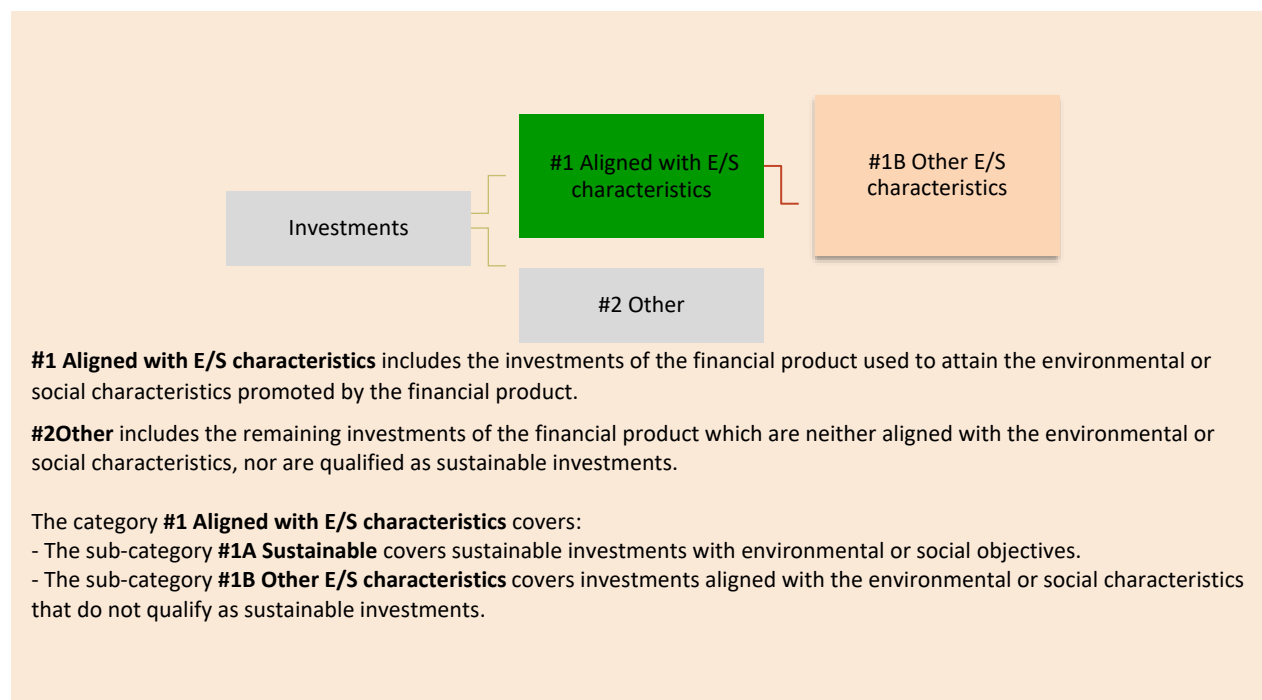
The Fund leverages Keppel's extensive network, experience, and knowledge to create value and promote environmental and social characteristics. It partners with established education operators to invest in education assets across the Asia Pacific region through various strategies. These include sale and leaseback arrangements for stable income, build-to-suit projects for enhanced returns, and value-add enhancements of older assets. The Fund aims to develop sustainable assets and campuses by integrating ESG factors throughout the investment process, from initial due diligence to ongoing asset management. This approach ensures that sustainability considerations drive long-term value creation and responsible growth.

- (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 aims to allocate approximately 60% of its investments to assets that meet the environmental or social characteristics, which can be categorised as “#1B Other E/S characteristics” under “#1 Aligned with E/S characteristics”. The remaining 40% of the Fund's investments can be categorised under “#2 Other”. Investment included under “#2 Other” are cash and cash equivalent instruments and assets that do not meet the environmental and social characteristics.



## Monitoring of environmental or social characteristics

Investments' environmental and social performance are monitored throughout the asset's lifecycle. The team considers various sustainability indicators to measure the environmental and social characteristics promoted by the Fund. Some of these indicators include measures taken by tenants to manage energy and water consumption, green building, water and energy certifications, and initiatives to promote sustainability awareness, health, and wellness among students and teachers. Where data is available, it is collected from tenants and through the team's periodic engagements.

The environmental and social performance of the assets will be included in the Fund's annual report to keep investors informed. Reporting on the Fund's investments will also comply with Annex IV of the Regulatory Technical Standards of the SFDR.

## Methodologies

Aforementioned sustainability indicators are monitored, tracked, and reported on a regular basis. These sustainability indicators can serve as key metrics to evaluate the Fund's progress toward achieving its stated environmental and social characteristics promoted by the Fund.

## Data sources and processing

(a) Data sources used to attain environmental and social characteristics of the Fund

The data sources that are used to monitor the environmental & social characteristics of the fund are based on information obtained directly from the tenants and the data are consolidated in the Fund's annual report.

(b) The measures to ensure data quality

Both quantitative and qualitative data are collected using a post-investment checklist for Fund level reporting. Supporting evidence and documentation are obtained from tenants, where possible for maintaining data quality. If needed, external consultants may be engaged to conduct a high-level review of the data.

(c) How data is processed

The collected data, after being reviewed and analysed, is consolidated into the Fund's annual report for the reporting period, providing stakeholders with a transparent view of the Fund's environment and social performance and progress.

(d) Proportion of data that are estimated

The Fund strives to obtain comprehensive data on its assets and collaborates closely with its tenants or operators to address any data gaps. Where data is unavailable, the Fund's investments will be categorised under "#2 Other", assets that do not meet the environmental and social characteristics.

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

The limitations to methodologies and data sources adopted by the investment manager will be monitored, assessed and disclosed.

Where there is a lack of data to determine if an asset meets the environmental or social characteristics promoted by the Fund, the asset would not be considered eligible as #1 Aligned with E/S characteristics and therefore would not affect how the environmental or social characteristics promoted by the Fund.

### **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 investment manager values regular engagement with its stakeholders. To better understand and encourage the consideration of ESG issues, the investment manager engages in regular communication with tenants, maintaining close working relationships. Additionally, annual tenant satisfaction surveys will be conducted to promote meaningful stakeholder engagement and provide tenants with a platform to share feedback.

### **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.