RISK FACTORS

1 Most important risk factors and internal control and risk management systems

In 2021, the supervisory board of Intervest Offices & Warehouses nv (hereinafter 'Intervest') as always focused attention on the risk factors with which Intervest Offices & Warehouses must contend: market risks, operational, financial, regulatory and ESG risks.

The supervisory board confirms the validity of the risks which the company can face, their possible impact and the strategy used in order to moderate the potential impact, such as they are described hereinafter.

The supervisory board follows the permanent evolutions on the real estate and the financial markets by monitoring continuously the results and the financial situation of Intervest with an increased attention for the measures taken by Intervest in order to limit as much as possible and control the possible negative impact of these risks.

> Permanent changes in the real estate and financial markets require continuous monitoring of the market, operational, financial, regulatory and ESG risks in order to safeguard the results and financial situation of Intervest.

This chapter describes the main risks the company is facing. On the following pages the risk is mentioned, the measures that Intervest takes to limit and control the possible negative impact of these risks as much as possible as well as the possible influence on Intervest's activity that could result from the realisation of the risk.

The measures taken and the impact on the figures of these risks are described in detail in separate chapters of this Annual report.

Readers are reminded that these risks are continuously evaluated and that new risks can be identified. This list is therefore non-exhaustive and based on the information that was available at the time this report was published.

In addition, it should be noted that risk management is not an exercise that takes place with a certain frequency, but that it is integral to how the company is managed. This comprises daily financial and operational management, analysis of new investment files, formulating the strategy and objectives, but also establishing strict procedures for decision-making. Understanding of and defending against risks that arise from internal as well as external factors are essential for achieving a total return in the long term.

2 Market risks

Economic climate

The rental market and the investment market for logistics real estate or offices can suffer from material deterioration of the economic cycle (including inflation). This may be further reinforced by the current and further evolution of the geopolitical situation in Eastern Europe.

Intervest applies the following mitigating factors and control measures:
- Excellent location of the properties, and focus on strategic logistical hubs or on secondary locations having growth potential.
- Diversified tenant base with limited exposure to a sole tenant, good sectoral spread of tenants, and a market-compliant average contractual rental.
- Quality of tenant base with mainly big national and international companies and a limited annual provision for doubtful debtors.
- Standard clause included in the lease agreements in terms of which the indexation is linked to the heath index.

Potential impact:
- Decreased demand for offices, storage and distribution space.
- Increased vacancy rate and/or lower rental prices when re-renting.
- Decrease in fair value of the property and as a result also a decrease of the net value.
- Possible bankruptcies of tenants.
- Negative impact on the operating result and cash flow by additional financial costs (caused by a rise in the interest rates), which is higher or faster than the increase in rental income.

Type of property

The attractiveness of Intervest's property investments may decrease due to, among other things, worsening economic conditions, oversupply in certain property market segments or changing customs in the sustainability standard of the buildings or in society.

Intervest applies the following mitigating factors and control measures:
- Adequate sectoral and regional spread. Strategic choice for investments in the offices sector and the logistics sector. When making investment decisions, adequate sectoral spread is the aim, with a sufficient percentage of investments in liquid real estate markets, as well as a limitation of the exposure of investments in a certain place/ region.
- Proactive follow-up and years of experience. The investment properties are valued on a quarterly basis by independent property experts. In this way, trends in the real estate market become visible quickly and measures can be taken pro-actively. In addition, Intervest is deeply anchored in the market and possesses strong knowledge of the market stemming from years of experience and its own commercial teams.

Potential impact:
- Operating result and cash flow affected by lowered review of rental prices, increase of vacancy rate and commercial costs of re-rental.
- Decrease in fair value of the investment properties and as a result also of the net value and increase of the debt ratio.
- Not achieving the yield objectives of the investment properties.

Moment of investment and divestment

The moment of the transaction (investing/divesting in real estate properties) entails the inherent risk that, if the transaction takes place at the wrong juncture within the economic cycle, a property could be purchased for a price that is higher than its fair value, or conversely, that it could be sold for a price that is lower than its fair value.

Intervest applies the following mitigating factors and control measures:
- Clear periods of economic boom lead to higher market prices which may, at a later date, be subject to negative adjustments. During this period of economic boom, a more moderate policy will be applied regarding investments. During periods of economic recession, the fair value and occupancy rate of investment properties usually decline. However, once the economy picks up again, a more active investment policy is followed in anticipation of the increasing fair value of investment properties and a more active rental market. In this regard, due care is taken to prevent the debt ratio of the company from rising above the legally permitted levels.
- Adequate sectoral and regional spread.
- Real estate that is to be purchased and sold must be valued before acquisition or sale by an independent property expert.

Potential impact:
- Operating result and cash flow affected by lowered review of rental prices, increase of vacancy rate and commercial costs of re-rental.
- Decrease in fair value of the investment properties and as a result also of the net value and increase of the debt ratio.
- Not achieving the yield objectives of the investment properties.

Deflation

A decrease in economic activity can lead to a general decrease in prices.

Intervest applies the following mitigating factors and control measures:
- Clause in most lease agreements that stipulates a minimum for the basic rent or states that negative indexation cannot take place.

Potential impact:
- Decrease of rental income, among other things due to downward pressure on market lease levels and a decreased or negative indexation.

Inflation

An increase in economic activity leads to a general rise in prices and can also increase long-term interest rates.

Intervest applies the following mitigating factors and control measures:
- Indexation clauses are included in the lease agreements as standard.
- The conclusion of lease agreements with rental adjustment options at break date ensures that this difference does not become too large.
- Sufficient hedging and a balanced credit term.
- Framework contracts with contractors for built-to-suit projects.

Potential impact:
- Increasing discrepancy between collected rental income and market rent.
- Increase in financial costs due to increase in long-term interest rates for credit renewals.

Volatility on the financial markets

International markets can be subject to external volatility and uncertainty.

Intervest applies the following mitigating factors and control measures:
- Frequent dialogue with capital markets and financial counter parties as well as transparent communication with clear targets.
- Follow-up and management of all risks that could have a negative impact on the perception of investors and financiers of the company.
- Working towards building up long-term relationships with financial partners and investors.

Potential impact:
- More difficult access to the equity markets to raise new capital/shareholders equity and reduction of the options that concern debt financing.
- Fluctuations in the share price.
- Less liquidity available in the debt capital markets in relation to refinancing outstanding bond loans.

3 Operational risks

Investment risk

The investment decisions can be taken erroneously or the policy choices can be inappropriate.

Intervest applies the following mitigating factors and control measures:
- Internal checking measures: careful assessment of the risk profile based on market research, estimate of future yields, screening of existing tenants, study of environmental and permit requirements, analysis of tax risks, etc.
- Constant monitoring of changes in economic, real-estate specific and regulatory trends, for example, regarding tax legislation, regulations regarding RRECs, etc.
- In accordance with article 49, §1 of the RREC Act, an independent property expert values each acquisition or sale of real estate.
- Close supervision of the safeguards put in place during the transaction, regarding both duration and value.
- Technical, administrative, legal, accounting and tax due diligence for each acquisition based on continuous analysis procedures, usually with support from external specialised consultants.
- Experience of the management board and the management and supervision by the supervisory board, during which a clear investment strategy is defined with a long-term vision and consistent management of the capital structure.

Potential impact:
- Operating result and cash flow affected by lowered review of rental prices, increase of vacancy rate and commercial costs of re-rental.
- Decrease in fair value of investment properties, mainly caused by increasing vacancy rate, unpaid rents, decrease of the rental prices when concluding new lease agreements or when extending existing lease agreements, along with technical characteristics relating to real estate such as soil contamination and energy performance.
- Decrease of the net value and increase of the debt ratio.

Repurchase risk

Risk that, when certain conditions for economic development are not (no longer) met, a right of repurchase granted to the government will be exercised while an industrial site is being developed (within the framework of the Economic Exercise Act of 30 December 1970 and the Decree on Spatial Economy dated 13 July 2012).

Intervest applies the following mitigating factors and control measures:
- Internal checking measures: careful assessment of the risk profile based on market research, estimate of future yields, screening of existing tenants, study of environmental and permit requirements, analysis of tax risks, etc.
- In accordance with article 49, §1 of the RREC Act, an independent property expert values each acquisition or disposal of real estate.

Potential impact:
- Decrease in fair value of investment properties when a real estate project disappears from the Intervest real estate portfolio at a predetermined price (formula) because a right of repurchase is exercised.

Construction and development risk

Specific risks can be related to the development and redevelopment projects, such as the choice of the right usage format, obtaining the necessary permits, the choice of service providers (architects, engineering firms, contractors, other consultants), marketing and solvency of the external service providers.

Construction and development risks can also include delays, budget overruns, failure to achieve the desired quality or sustainability levels, non-compliance with regulations.

The planned redevelopments may be delayed by the current and further evolution of the geopolitical situation in Eastern Europe.

Intervest applies the following mitigating factors and control measures:
- During legal and administrative due diligence, all permits and possibilities are analysed with each acquisition, usually with the support of external, specialised consultants.
- Prior consultation with the relevant municipal and/or city services.
- Strict follow-up of projects in progress with implementation of penalty clauses in case third parties do not comply with contracts.
- Engage reputable adequately solvent contractors and provide the necessary guarantees.
- Only limited developments at risk are started. In other words, subject to exceptions, a project is only launched if it is pre-leased and fully financed and the necessary permits are simultaneously available or if a rental guarantee is obtained from the developer.
- Contracts with contractors and other third parties include measures to mitigate these risks (maximum price, penalty clauses for non-compliance with contracts).
- Monitoring and follow-up of compliance with (environmental) regulations and measures during the execution of the work site.

Potential impact:
- Inability to obtain the necessary permits.
- Significant delays leading to loss of potential income.
- Material overrun of investment budgets.
- In the case of developments at risk: prolonged periods of vacancy.
- Not achieving the intended yields on developments.
- Pressure on marketing conditions, loss of rental income if the right quality is not achieved, nor appropriate use format.
- Negative impact on the company's reputation.

Negative changes in the fair value of the buildings

The fair value of the property portfolio is subject to change and depends on various factors, which can result in a negative revaluation of the property portfolio.

Intervest applies the following mitigating factors and control measures:
- The real estate portfolio is assessed every quarter by independent experts, so that trends become visible quickly and measures can be taken pro-actively.
- Investment policy that is aimed at high-quality real estate at strategic logistical hubs and at locations with growth potential.
- Well diversified portfolio.
- Clearly defined and careful management of the capital structure.
- The fluctuations in fair value of the investment properties relate to a non-materialised and non-cash item.

Potential impact:
- Negative influence of the net result and the net value.
- Negative evolution of the debt ratio.
- Impact on the ability to pay out a dividend if the cumulative variations exceed the distributable reserves.

Rental risk

The risk that a building will not be able to be rented for the previously calculated rent (which may or may not result in vacancy). This risk is influenced by the nature and location of the property, the extent to which it must compete with nearby buildings, the intended target group and users, the quality of the real estate, the quality of the tenant and the lease agreement. This rental risk may be further strengthened by the current and further evolving geopolitical situation in Eastern Europe.

Intervest applies the following mitigating factors and control measures:
- Mitigating the impact of the economic situation on the results by:
  - Spreading the duration of lease agreements and conducting a periodic analysis of the vacancy risk by using a calendar of lease agreements' expiry dates. The company strives to maintain a balanced distribution of the duration of the lease agreements and timely anticipation of future lease terminations and agreement revisions.
  - Spreading the risk according to tenants and quality of the tenants, in order to limit the risk of bad debts and improve income stability.
  - Sectoral spreading of investment properties in which tenants are well spread across a large number of different economic sectors.
  - Location and quality of investment properties, with offices located on the Antwerp-Brussels axis, which is the most important and most liquid office region in Belgium, and a logistics portfolio at strategic logistical hubs in Belgium and the Netherlands..
- Allocation of a risk profile to each investment property, which is regularly evaluated (based on the company's own local knowledge and data from external parties and/or property valuers). Depending on the risk profile, a certain yield must be realised over a certain period, which is compared with the expected yield based on the internal yield model. On the basis of this, an analysis is made of which objects require additional investment, where the tenant mix must be adapted and which premises are eligible for sale.
- Lease agreements contain protective elements such as rental deposits and/or bank guarantees of the tenants, clauses for automatic annual indexation of the rental prices in conformance with the health index and often a mandatory compensation payment from the tenant in case of early termination of the agreement.

Potential impact:
- Operating result and cash flow damaged by downward amendments to rental prices, increase of vacancy rate and commercial costs or re-rental, increase of property charges that are at the expense of the owner, such as service charges that cannot be passed on and property tax.
- Decrease in fair value of the investment properties and as a result also of the net value and increase of the debt ratio.
- Not achieving the intended yields.

Risk related to the deteriorated state of the buildings and the risk of large works

A risk of structural and technical deterioration can arise during the life cycle of the buildings: the condition of the buildings deteriorates due to wear and tear of various components as a result of normal ageing and structural and technical ageing.

Intervest applies the following mitigating factors and control measures:
- Proactive policy regarding maintenance of the buildings.
- Constant monitoring of the investment plan in order to guarantee the quality of the portfolio.
- Ad hoc redevelopment and renovation of outdated buildings alongside regular investments in quality and sustainability.
- At the time of the termination of the lease agreement, the tenant (in accordance with the contractual agreements made in the lease agreement) must pay the company a refurbishment fee for rental damage. Rental damage is determined by an independent expert, who compares the incoming inventory of fixtures with the outgoing inventory of fixtures. This compensation for damages can be used to prepare the newly vacant space for occupation by the next tenant.
- Sale of outdated buildings.

Potential impact:
- Operating result and cash flow damaged by downward amendments to rental prices, increase of vacancy rate and commercial costs or re-rental, increase of property charges that are at the expense of the owner, such as service charges that cannot be passed on and property tax.
- Maintenance and renovation costs and investments are necessary to achieve the rental price estimated beforehand.
- Decrease in fair value of the investment properties and as a result also of the net value and increase of the debt ratio.

Cost control risk

Operational costs and investments for maintenance can have an unexpected volatility resulting in an increase.

Intervest applies the following mitigating factors and control measures:
- Periodic comparison of maintenance budgets with the current situation.
- Approval procedures when entering into maintenance and investment obligations, in which one or multiple quotations are requested from various contractors based on the amount. The technical department then conducts a comparison of the price, quality and timing of the works. Depending on the size of the amount quoted for the works to be carried out, there are various levels of approval within the company.
- Proactive policy regarding maintenance of the buildings and constant screening of the buildings by the technical managers and the commercial teams in their daily discussions with the tenants, as well as the tenants' maintenance obligations further mitigate this risk.
- Timely drawing up and close monitoring of investment budgets over the long term for comprehensive renovations and upgrades.

Potential impact:
- Operating result and cash flow impacted, unexpected fluctuations in the property charges.

Insurance risk (destruction risk)

Inadequate insurance coverage poses a risk when buildings are destroyed by fire or other disasters.

Intervest applies the following mitigating factors and control measures:
- The real estate portfolio is insured for reconstruction value (which is the cost price for rebuilding to new state of the building, excluding the premises on which the buildings are located.
- The insurance policies also mostly include additional guarantees for the real estate becoming unfit for use, such as loss of rental income, costs for maintenance and cleaning up the property, claims of tenants and users and third-party claims. The lost rental income is reimbursed as long as the building has not been rebuilt, as far as this happens within a reasonable time.
- Close supervision of the coverage and timely renewal of the insurance contracts.

Potential impact:
- Operating result and cash flow affected by loss of rental income and possible tenant loss.
- Decrease in fair value of the investment properties and as a result also of the net value and increase of the debt ratio.

Debtor's risk

The risk that the rent cannot be collected (any longer) due to solvency problems.

Intervest applies the following mitigating factors and control measures:
- Clear procedures for screening tenants when new agreements are concluded.
- Deposits or bank guarantees are always insisted upon when entering into lease agreements. In the standard lease agreement for offices, a rental deposit or bank guarantee is mostly applied that equals 6 months of rent in value, and one that equals 4 months of rent in value for logistics buildings.
- Strict debtor management in order to safeguard timely collection of lease receivables and adequate follow-up of rent arrears.
- Rents are payable in advance on a monthly or quarterly basis. For rental charges and taxes which may be contractually passed on to the tenants, a monthly (or quarterly) provision is requested.

Potential impact:
- Operating result and cash flow impacted by loss of rental income and write-off of uncollected trade receivables, as well as by an increase of the costs that cannot be passed on to the tenant due to vacancy and legal costs.
- Decrease in fair value of the investment properties and as a result also of the net value and increase of the debt ratio.

Legal and tax risks: contracts and company-law reorganisations

Inadequate contracts can be concluded with third parties.

Intervest applies the following mitigating factors and control measures:
- If the complexity so requires, contracts to be concluded with third parties are checked by external consultants.
- Insurance against liability arising from the activities or investments by means of a third-party liability insurance that covers physical injury and material damage. Furthermore, the directors and members of the management board are insured for directors' liability.
- Corporate reorganisations (merger, de-merger, partial de-merger, contribution in kind, etc.) are always subject to a due diligence exercise, guided by external consultants to minimise the risk of legal and financial errors.

Potential impact:
- Negative impact on operating result, cash flow and net value.
- Not achieving the yield objectives of the investment properties.
- Reputational damage.

Turnover of key staff

The risk of key staff leaving the company.

Intervest applies the following mitigating factors and control measures:
- Remuneration in line with the market.
- Working in teams, avoiding individuals being responsible for important and strategic tasks.
- Clear and consistent procedures and communication.

Potential impact:
- Negative influence on existing professional relationships.
- Loss of decisiveness and efficiency levels in the management decision-making process.

Risk of concentration

The risk of concentration of (the activities of) the tenants or concentration of investments in one or several buildings

Intervest applies the following mitigating factors and control measures:
- Diversified tenant base with a restriction on the maximum exposure to one tenant and good sectoral spread of tenants.
- Adequate sectoral and regional spread of the investment properties.
- In accordance with the RREC Act, a maximum of 20% of the assets may be invested in real estate that forms one single property entity.

Potential impact:
- Operating result and cash flow affected by the departure of a tenant or if a specific sector is hit by economic decline.
- Decrease in fair value of the real estate investments, resulting in a decrease in the net value.

IT risk

The risk related to information technology, such as break-in on the IT network, cybercriminality, phishing, etc.

This cyber risk may be further enhanced by the current and further evolving geopolitical situation in Eastern Europe.

Intervest applies the following mitigating factors and control measures:
- Daily back-ups to limit data loss in time.
- Preventive training on cybercriminality for the employees.
- Investing in a secured IT environment.
- Support from externally specialised IT-service related consultants.

Potential impact:
- Negative impact on the functioning of the organisation.
- Reputational damage caused by the loss of business-sensitive information.
- Negative impact on the result caused by the loss of operational and strategic data.

Risk associated with internationalising the Group

Insufficient knowledge of the international context can result in investments abroad increasing operational and regulatory risks.

Intervest applies the following mitigating factors and control measures:
- Relying on local consultants who provide assistance in international development relating to knowledge of the market and regulations.
- Implementing the necessary structures and procedures to guarantee fluent international development (e.g. specialised acquisition team).

Potential impact:
- Increasing complexity of managing the daily activities (knowledge of the foreign market, physical, cultural and language barriers, etc.).
- Increase in the regulatory risks in the various countries.

Risk related to external communication

Intervest can be put in a negative light due to incorrect communication (including road shows and the press).

Intervest applies the following mitigating factors and control measures:
- All external communication (e.g. annual report, press, road shows, etc.) is duly prepared and follows the internal approval flow before it is communicated.
- The dissemination of transparent internal communication.

Potential impact:
- Reputational damage caused by the provision of incorrect information.
- Negative impact on the share price of the Intervest share.

4 Financial risks

Financing risk

A relative increase in borrowed capital compared to shareholders' equity can result in a higher yield (known as "leverage"), but simultaneously brings increased risk.

Intervest applies the following mitigating factors and control measures:
- Balanced ratio of shareholders' equity and borrowed capital for financing real estate while keeping the debt ratio between 45% and 50%. This may be temporarily derogated from should specific market conditions require it.
- A balanced spread of refinancing dates of the long-term financing with a weighted average duration ranging between 3,5 and 5 years. This may be temporarily derogated from should specific market conditions require it.
- Aiming at safeguarding access to the capital market through transparent provision of information, regular contacts with financiers and shareholders (and potential shareholders) and increasing the liquidity of the share.

Potential impact:
- Being unable to meet interest and repayment obligations of borrowed capital and other payment obligations when yields from real estate are disappointing and when the fair value of investment properties decreases.
- Not obtaining financing with new borrowed capital or only against very unfavourable terms.
- The forced sale of investment properties against less favourable conditions in order to be able to meet payment obligations, with a negative impact on the results and net value.

Banking covenant risks

Risk of failure to comply with certain financial parameters within the framework of the credit facility agreements and to observe the legal requirements that apply to the company: the bank credit facility agreements are subject to compliance with financial ratios that mainly concern the consolidated financial debt level or the financial interest charges. These ratios limit the amount that might still be borrowed. In addition, there is a restriction on borrowing capacity due to the maximum debt ratio that the regulations on RRECs allow.

Intervest applies the following mitigating factors and control measures:
- Careful financial policy with continuous monitoring in order to fulfil financial parameters.
- Follow-up of the changes in the debt ratio at regular intervals and prior analysis of the influence of every intended investment operation on the debt ratio.
- Drawing up a financial plan with an implementation scheme as soon as the consolidated debt ratio as defined in the RREC Royal Decree amounts to over 50%, pursuant to Article 24 of the RREC Royal Decree.

Potential impact:
- Cancellation, renegotiation, termination or financing agreements which become due and payable at an accelerated rate by financial institutions when ratios imposed are no longer observed.

Liquidity risk

The risk of insufficient cash flows not being able to meet daily payment obligations.

Intervest applies the following mitigating factors and control measures:
- Limiting this risk by means of the measures mentioned under operational risks, which reduces the risk of loss of cash flows due to e.g., vacancy or tenant bankruptcy.
- Sufficient credit margin with financiers to absorb fluctuations in liquidity requirements. In order for the company to avail itself of this credit margin, the conditions of credit facilities must be complied with on a continuous basis.
- Constant dialogue with financing partners in order to build up a sustainable relationship with them.
- Conservative and careful financing strategy with balanced distribution of due dates, diversification of the financing sources and financing partners.

Potential impact:
- EPRA earnings and cash flow influenced by increase of the costs of debts because of higher bank margins.
- Financing for interest payments, capital or operational costs being unavailable.
- Impossibility to finance acquisitions or developments.

Interest rate volatility

The risk of future fluctuations in the leading short and/or long-term interest rates on the international financial markets.

Intervest applies the following mitigating factors and control measures:
- High level of hedging against fluctuations in interest rates by means of derivative financial instruments (such as Interest Rate Swaps).
- Follow-up of the evolution of interest rates and monitoring its impact on the effectiveness of hedging those risks.
- Aiming at a balanced distribution of interest reviewing dates and a duration of at least 3 years for long-term financing. This may be temporarily derogated from should specific market conditions require it.
- The fluctuations in fair value of the hedging instruments concern a non-realised and non-cash item (if the products are held until due date and are not settled prematurely).

Potential impact:
- EPRA earnings and cash flow influenced by increase of the costs of debts.
- Fluctuations in the value of the financial instruments that serve to cover the debts.
- Potential negative influence on the net value.

Risk associated with the use of financial derivatives

In case of unfavourable market developments (for example a sharp decline in interest rates), derivatives receive a negative value in order to hedge the interest rate risk.

Intervest applies the following mitigating factors and control measures:
- Fluctuations in fair value of the hedging instruments allowed have no impact on the cash flow since these financial derivatives are kept until the due date of these contracts. Only settlement before the due date would result in extra charges.
- All financial derivatives are only used for hedging purposes. No speculative instruments are used.

Potential impact:
- Complexity and volatility of the fair value of the hedging instruments and therefore also of the net result and net value.
- Counter party risk towards the party with whom the financial derivatives have been concluded (see also "Risk associated with banking counter parties").

Risk associated with the banking counter parties /Credit risk

The conclusion of financing hedging instrument with a financial +institution gives rise to a counter party risk if this institution remains in default.

Intervest applies the following mitigating factors and control measures:
- Relying on various reference banks in the market to ensure a certain diversification of sources of financing and interest rate hedges, with particular attention for the price-quality ratio of the services provided.
- Regular revision of the banking relations and exposure to each of them.
- Tight control of cash position so that the cash position at financial institutions is in principle limited and the cash surplus is used to reduce financial debts, unless it has already been designated for new investments.

Potential impact:
- EPRA earnings and cash flow impacted by additional financial costs and in some extreme circumstances termination of the refinancing contract or the hedging instrument.
- Loss of deposits.

Risk associated with the debt capital markets

The risk of being shut out of the international debt capital market should investors fear that the company's credit standing is too low to comply with the annual interest payment obligation and the repayment obligation on the expiry ate of the financial instrument to be applied.

The risk that the debt capital market will be too volatile to convince investors to purchase the company's bonds.

Intervest applies the following mitigating factors and control measures:
- Pro-actively maintaining good relations with current and potential bondholders and shareholders as well as with current and potential bankers by means of transparent disclosure of information, regular contacts with financiers and shareholders (and potential shareholders) and by increasing the liquidity of the share.
- Policy to keep the debt ratio between 45% and 50% (regardless of the legal stipulation for RRECs allowing a debt ratio of 65%). This may be temporarily derogated from should specific market conditions require it.

Potential impact:
- Financing of the day-to-day operations and further growth of the company being unavailable.

Financial reporting risk

Intervest's financial reporting can contain material misstatements that would cause stakeholders to be incorrectly informed about the company's operational and financial results.

The risk that the timing of financial reporting stipulated by regulations is not respected.

Intervest applies the following mitigating factors and control measures:
- Each quarter, a complete closing and consolidation f the accounts is prepared and published. These quarterly figures are always analysed in detail and checked internally.
- Discussion of these figures within the management board and checking their correctness and completeness by, among others, analyses of rental incomes, operational costs, vacancy rate, leasing activities, change of the value of the buildings, outstanding debts, etc. Comparisons with forecasts and budgets are discussed.
- The management board presents the financial statements to the audit committee each quarter, along with a comparison of annual figures, budget, and explanations for derogations.
- Checking of the half-yearly figures and the annual figures by the statutory auditor.

Potential impact:
- Reputational damage.
- Stakeholders making investment decisions that are not based on the right information, which in turn can result in claims being filed against the company.

Risk of financial budgeting and planning

Incorrect assumptions lead to the risk that the forecast and the intended growth will not be achieved.

Intervest applies the following mitigating factors and control measures:
- Quarterly updates on the budgeting model, including a comparison of the closing and consolidation of the account.
- Testing the hypotheses in the budgeting model every quarter with any new circumstances and making adjustments where necessary.
- Checking the budgeting model every quarter to detect any programming or human errors in good time.
- Continuously monitoring the parameters that might influence the result and the budget.

Potential impact:
- Negative influence when making strategic decisions.
- Negative influence of the financial and operational management.
- Reputational damage.

5 Regulatory risks

Status of public and institutional RREC

Status subject to the stipulations of the Act of 12 May 2014 on regulated real estate companies and the Royal Decree of 13 July 2014 on regulated real estate companies amended from time to time.

The risk of loss of recognition of the public and institutional RREC status.

Intervest applies the following mitigating factors and control measures:
- Continuous attention of the supervisory board and the management board for regulations surrounding RRECs and retention of the public RREC status. As such, among other things the distribution requirement and funding limits are calculated or determined periodically and on an ad hoc basis when refinancing, investing and preparing the dividend proposal.

Potential impact:
- Loss of the benefit of the transparent tax system for RRECs.
- Loss of recognition is viewed as an event that causes credit to become due before their due date.
- Negative impact on the share price of the Intervest share.

New and adjustments to different types of legislation

New legislation and regulations could enter into force or possible changes in the existing legislation and regulations or their interpretation and application by agencies (including tax administration) or courts could occur[1].

Intervest applies the following mitigating factors and control measures:
- Continuous monitoring of existing, any changes to or new future legislation, regulations and requirements and their compliance, with the support of specialised external consultants.

Potential impact:
- Negative influence on the activities, the result and profitability, the net value, the financial situation and the outlook.

Dividend risk

Article 7:212 of the Belgian Companies and Associations Code (previously Article 617 of the Belgian Companies Code) stipulates that no payout may be made if, as a result of the payout, the net assets of the company drop or would drop to below the amount of the paid-up capital or, if this is higher, of the called capital, increased by all the reserves which, according to the law or the articles of association, may not be paid out.

Intervest applies the following mitigating factors and control measures:
- Intervest has sufficient distributable reserves to ensure dividend distribution.
- At least 80% of the adjusted positive net result, reduced by the net decrease in the debt burden during the course of the financial year must be paid out as return on capital.
- Development of solid long-term relationships with investors and financial institutions that facilitates dialogue on a regular basis.

1 As with existing practices within tax administration, in particular those mentioned in circular Ci.RH.423/567.729 of 23 December 2004 of the Belgian Ministry of Finances on calculating the exit tax, which, among others, specifies that the actual value of the real estate properties upon which the exit tax is calculated is determined by taking into account the registration fees or VAT that would be applied upon a sale of the real estate in question, which can differ from (which includes being lower than) the fair value of these assets as determined for IFRS purposes in the financial statements.

Potential impact:
- Partial or total incapacity to pay out a dividend if the cumulative negative changes in the fair value of investment properties exceed the available reserves. This leads to a lower dividend (yield) than expected for the shareholder or none at al.
- Volatility in the share price.
- Overall weakening of confidence in the share or in the company in general.

Compliance risk

The risk of an inadequate level of compliance with relevant legislation and regulations and the risk of employees not acting with integrity.

Intervest applies the following mitigating factors and control measures:
- Extra attention is paid to screening integrity when recruiting new staff. Awareness is created around this risk among staff, ensuring that they have sufficient knowledge about changes in the relevant legislation and regulations, supported by external legal advisers. To ensure a corporate culture of integrity, an internal code of conduct and whistle-blowing rules have been defined. (1/2)
- Adequate internal control mechanisms based on the "four eyes" principle. These mechanisms are intended to limit the risk of behaviour without integrity. (1/2)
- Presence of an independent compliance function (pursuant to article 17, §4 of the RREC Act) focused on examining and promoting compliance with the rules relating to the integrity of its business activities. The rules concern those resulting from the company's policy, the status of the company and other legal and regulatory provisions. In other words, this concerns an element of corporate culture, with an emphasis on honesty and integrity and adherence to high ethical standards in business. In addition, both the company and its employees must behave with integrity, i.e. honestly, reliably and in a trustworthy manner.

Potential impact:
- Negative influencing of the entire business and operations, the result, the profitability, the financial position and forecast.
- Reputational damage.

Risk of expropriation

Expropriation within the framework of public expropriations by competent government authorities.

Intervest applies the following mitigating factors and control measures:
- Continuous dialogue with the government in order to come to constructive solutions in the interest of all shareholders.

Potential impact:
- Loss in value of the investments and forced sale at a loss.
- Loss of income due to lack of reinvestment opportunities.

6 ESG risks

Risks associated with ESG transparency and sustainable enterprise

Risk of insufficient transparency regarding the objectives and achievements in the field of ESG (Environmental Social Governance) areas. There is a clear and persistent demand from the broader capital market for Intervest's sustainability strategy and reporting.

Climate change brings with it a wide range of risks, from more frequent extreme weather events such as heat waves, droughts or floods to coastal erosion due to rising sea levels. Risks associated with climate change require attention at the project development stage or modifications to existing buildings to, for example, control indoor temperature and humidity and take into account environmental aspects and flood risks.

Intervest applies the following mitigating factors and control measures:
- A strategic ESG policy is laid down in an ESG charter to which a detailed ESG action plan is linked.
- Transparent internal and external communication about the objectives and achievements (including in the annual Sustainability Report).
- Continuous dialogue with all stakeholders to raise awareness of ESG measures and the importance of compliance.
- Integrating the possible consequences of climate change into the investment and development or redevelopment process.
- An evaluation per property of the necessary investments in order to achieve the ESG objectives.

Potential impact:
- Negative impact on the future viability of the company and its activities.
- Loss of investors and possibly potential tenants or loss of financing.
- Reputational damage.
- Negative impact on the Intervest share price.
- Negative impact on the fair value of real estate available for rent and consequently decrease of the net value and increase of the debt ratio.