

Global Sustainability Framework

DWS Private Real Estate Investments Management



Table of Contents

1. Introduction.....	3
2. Abbreviations.....	4
3. Scope	5
4. Principles.....	6
5. Roles and responsibilities.....	9

1. Introduction

As fiduciary of its clients' wealth, DWS Group GmbH & Co. KGaA ("DWS") must work to create long-term value for its clients. This includes the consideration of relevant risks and opportunities for their assets – according to the individual investment objective, risk appetite and time horizon of its clients. DWS seeks to offer its clients options to also consider sustainability related risks and opportunities in their investments, such as thought leadership, ESG data & analytics as well as access to sustainable and responsible investment options – specifically those addressing climate change. At the same time, as one of the largest asset managers in Europe, DWS recognizes its role in the sustainable transformation and its responsibility to provide a positive contribution. As such, DWS aims to engage with its main stakeholders, specifically its clients, investee firms and index providers. DWS' ambition is to enable its clients to navigate the sustainable transformation of the real economy by providing them with investment expertise and solutions.

The Global Sustainability Framework for DWS Private Real Estate Investment Management ("Framework") sets out key principles and processes concerning DWS Real Estate's (DWS Real Estate as defined hereinafter under "Scope") approach to consideration of sustainability in the private real estate investment management, i.e., excluding investments in listed real estate.

DWS Real Estate gives investors access to the entire real estate equity and real estate debt spectrum including core, value-added and opportunistic real estate investment options. DWS Group¹ and DWS Real Estate – the latter being part of the DWS Group - do not subordinate its compliance with the rules and regulations of a jurisdiction and fiduciary duties to clients, and product-specific commitments to the obligations of this Framework. The Framework therefore aims to consider differences in strategies, assets, markets, regional commitments, or local regulations, and envisages that requisite adjustments are made to specific processes and considerations therein. This Framework is subject to all applicable laws and regulations, including DWS' and DWS Group's obligations as a fiduciary to their clients.

¹ DWS Group means DWS Group GmbH & Co. KGaA and its subsidiaries consisting of any companies of which DWS Group GmbH & Co. KGaA is the direct or indirect parent company with majority participations (equity or voting capital share of more than 50 %), including branches and representative offices.

2. Abbreviations

Abbreviation	Description
AUM	Assets Under Management
BBC	Better Building Challenge
BBP	Better Buildings Partnership
BREEAM	Building Research Establishment Environmental Assessment Method
CAPEX	Capital Expenditure
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CREFC Europe	Commercial Real Estate Finance Council Europe
CRREM	Carbon Risk Real Estate Monitor
DEI	Diversity, Equity, and Inclusion
EMS	Environmental Management System
EPC	Energy Performance Certificate
ESG	Environmental Social Governance
EUT	EU Taxonomy for Environmentally Sustainable Economic Activities
GHG	Greenhouse Gases
GRESB	Global Real Estate Sustainability Benchmark
GRI	Global Reporting Initiative
IC	Investment Committee
IIGCC	Institutional Investors Group on Climate Change
INREV	The European Association for Investors in Non-Listed Real Estate Vehicles
IMP	Impact Management Project
KPI	Key Performance Indicators
LEED	Leadership in Energy and Environmental Design
NZAM	The Net Zero Asset Managers Initiative
OPIM	Operating Principles for Impact Management
PRI	Principles for Responsible Investment
SAP	Sustainability Action Plan
SBTI	Science Based Targets Initiative
SDD	Sustainability Due Diligence
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-Related Financial Disclosures
ULI	Urban Land Institute

3. Scope

The Responsible Investment Framework² of DWS Group describes the approach to sustainability across all DWS businesses and its investments. This Global Sustainability Framework further details this approach as it applies to private real estate investment management of the following entities (jointly referred to hereinafter as “DWS Real Estate”), which are direct and indirect subsidiaries of DWS:

- DWS Alternatives Global Limited
- DWS Alternatives GmbH
- DWS Grundbesitz GmbH
- DWS Investment S.A.
- RREEF America L.L.C
- DWS Real Estate GmbH

The Framework is reviewed and approved by regional investment committees and/or by the legal entities listed above, the latter as applicable and as required by local law/regulation or internal governance requirements. The Framework is further reviewed and revised as required due to changes in external or internal factors, such as, for instance, changes in regulation or DWS processes.

DWS-wide ESG and corporate governance, policies, disclosures, and commitments, in particular those listed below, apply to DWS Real Estate. For the full list please refer here: [Information on sustainability \(dws.com\)](https://www.dws.com/information-on-sustainability).

- Core values: client commitment, entrepreneurial spirit, and sustainable action
- Corporate Governance Policies and Report
- Compliance Framework
- Responsible Investment Framework
- Principles for Responsible Investment (“PRI”) Commitment and Report
- Compensation Policies and Report
- DWS Modern Slavery and Human Trafficking Statement
- Human Capital Disclosure
- Annual Report
- Climate Report
- DWS Coal Policy

² Available here: [Information on sustainability \(dws.com\)](https://www.dws.com/information-on-sustainability)

4. Principles

Fiduciary-led approach

DWS Real Estate recognizes the importance of identifying, assessing, and managing sustainability-related risks and opportunities as an integral part of conducting business. DWS Real Estate focuses on the following ESG aspects, which are material for real estate equity and/or debt investments: transitional (e.g., building’s energy efficiency), physical (e.g., flooding risk), social norms (e.g., wellbeing sustainability rating) and governance (e.g., third-party risk rating of a debt sponsor). These ESG aspects can present both risks and opportunities for the financial performance of real estate assets, and investments may have positive and negative environmental and social effects.

Therefore, DWS Real Estate takes a fiduciary-led approach to ESG aspects and sustainability performance in private real estate investment management, defining a range of operation between ESG and financial risk boundaries.

The ESG risk boundary relates to risks where appropriate actions to assess and manage ESG aspects, if not undertaken in good time, could result in negative impacts on sustainability and long-term expected financial performance of the asset or portfolio. The financial risk boundary relates to negative effects of inappropriate sustainability actions (e.g., actions that are ill-timed, or too extensive) on compliance with the investment objectives.

DWS Private Real Estate Sustainability Spectrum³



³ The Private Real Estate Sustainability Spectrum is only a spectrum of sustainability activities and not a spectrum of expected economic return.

Materiality

The Global Reporting Initiative (“GRI”) Materiality Principle⁴ defines material topics as those which reflect an organisation’s significant economic, environmental, and social impacts, or substantively influence the assessments and decision of stakeholders. In the context of private real estate investment management, material topics refer to significant impacts of buildings on environment and their occupiers and communities, and vice versa.

DWS Real Estate has accordingly identified eight sustainability topics, which are most relevant for real estate investment management, and grouped them into the following four sustainability themes (“Sustainability Themes”):

- **Resilience**, encompassing efficiency in construction and operation, and asset adaptation to external conditions⁵;
- **Wellbeing**, encompassing physical and mental occupant comfort and air quality;
- **Nature**, encompassing circularity in buildings and protection of ecosystems from pollution;
- **Community**, encompassing housing affordability and stakeholder engagement.

DWS Real Estate seeks to assess and verify sustainability performance on asset and portfolio level, as well as DWS’s asset management processes utilizing well-established third-party ratings, certifications, and benchmarks such as, Energy Star⁶, BREEAM, LEED, GRESB and PRI, as feasible and applicable. Sustainable building certifications⁷, offer a holistic assessment and rating of real estate assets’ performance, sustainability topics relevant for real estate, and captured in Sustainability Themes⁸.

DWS Private Real Estate Sustainability Themes, Topics and ESG Aspects



4 GRI 101: Foundation: Materiality [gri-101-foundation-2016.pdf](#)

5 Such as severe weather events due to climate change

6 **ENERGY STAR**

7 As per appendix 5a of GRESB Real Estate Reference Guide [GRESB Documents](#)

8 With exception of affordability, which is not featured in broadly used certification systems.

ESG aspects

DWS Real Estate focuses on the following ESG aspects material for real estate equity investments and real estate debt investments: transitional, physical, social norms, and additionally governance for real estate debt and companies' investments, which can present critical risks and opportunities for private real estate investment management.

Transitional ESG aspects are related to the Sustainability Themes of Resilience (Efficiency), Nature (Circularity) and Community (Engagement and Affordability).

Transitional aspects arise in connection with the switch to a low-carbon economy. Political measures can lead to higher energy prices or high investment costs due to the necessary refurbishment of real estate, e.g., due to city, national or regional legislation to increase the energy efficiency of buildings. Risks can also materialize from a decline in demand for emission-intensive real estate. Vice versa, research and practice indicate that more efficient buildings may have opportunities to achieve higher occupancy, rental rates, more attractive financing terms and higher liquidity.

Physical ESG aspects are related to Sustainability Themes of Resilience (Adaptation and Efficiency), Well-being (Comfort), Nature (Eco-Systems and Circularity).

Real estate can be exposed to physical risks that arise both regarding individual extreme weather events (e.g., floods, storms, forest fires) and in relation to long-term changes in climatic conditions (e.g., frequency of precipitation, weather instability, rise in sea level). Vulnerable assets can be significantly reduced in value, damaged, or even destroyed. Vice versa, assets that have implemented adaptation measures to provide comfortable and safe environment in challenging external conditions have an opportunity to attract higher rental and occupancy rates, better financing terms and higher liquidity.

Social Norms ESG aspects are related to all Sustainability Themes through holistic buildings sustainability assessment (Certification), and in particular to Well-being (Comfort and Air Quality) and Community (Engagement and Affordability).

Real estate assets can be exposed to risks associated with failing to meet or not adhering to requirements of relevant stakeholders across the industry such as tenants, the local community, and national and international markets. For instance, high indoor air quality and active lifestyle facilities are a frequent requirement of office occupiers; or planning authorities might require shared use spaces for local community. These risks are assessed utilizing building certification to assess alignment with requirements such as health & safety, accessibility, and indoor environmental quality. Further, research⁹ suggests that sustainable building certification has a positive correlation with asset value, occupancy, and liquidity.

Governance ESG aspects are related to all Sustainability Themes, as they can impact holistic sustainability performance.

For certain material partners and service providers, third-party risk management processes apply, whereby risks must be identified, assessed, mitigated, monitored, approved, and reported appropriately to all relevant stakeholders, including risk-impacted legal entities. ESG aspects in debt investment context further relate to the sponsor/borrower, i.e., sponsor/borrower of loan assets or projects. Sponsor's/borrower's approach to sustainability, including topics related to all Sustainability Themes, can lead to positive or negative results in performance of investments.

⁹ [World Green Building Trends 2021](#)

5. Roles and responsibilities

Overall responsibility and strategy

The regional investment committees and/or the legal entity boards – as applicable and/or required by local law/regulation - hold the overall responsibility for strategic direction of investment and operational sustainability and implementation of sustainability policies and procedures. Either the regional investment committees or the legal entity boards or both jointly – as the case may be - are accountable for managing ESG aspects-related risks and opportunities, including climate change-related issues, regulatory compliance, and sustainable performance of the investments. The two investment division heads of real estate for each region (Americas, and EMEA/APAC) (hereinafter also “Heads of Real Estate”) oversee the processes for their respective regions.

The global head of sustainability, real estate (“Head of Sustainability”) holds internally the overall responsibility for development and implementation of sustainability policies, processes, and strategies whereby the legal entity boards – as applicable and/or required by local law/regulation – have the ultimate decision rights regarding those topics. The Head of Sustainability reports to the Heads of Real Estate and is supported by the dedicated sustainability team, as well as external providers of specialist sustainability consultancy as required.

Approval and oversight

Regional investment committees are responsible for reviewing and approving, or recommending to the fund boards, the governing body of the funds’ managing legal entities and/or separate account clients (hereinafter altogether referred to as “Clients”) for approval, as applicable and/or required by local law/regulation or internal governance requirements, of:

- **platform**-level sustainability approach, policies, tools, and procedures,
- **portfolio**-level sustainability strategies, sustainable action plans, and performance reports, and
- **asset**-level sustainability performance of acquisitions, asset management and dispositions.

Regional investment committees meet on a weekly basis, and are comprised of members of executive management, transactions, portfolio and asset management, research, and platform sustainability teams.

Dedicated sustainability team

The dedicated sustainability team for DWS private real estate investments consists of two levels: global platform-wide and regional asset management-embedded. The global platform sustainability team is responsible for development and implementation of platform wide sustainability policies, procedures, and strategies. The platform sustainability team works in collaboration with the investment management teams and DWS Group’s infrastructure functions, such as risk, compliance, legal and product development, as appropriate.

The regional asset management sustainability experts, reporting to the regional head of asset management, are responsible for the development and implementation of asset management initiatives and tools. The regional asset management sustainability team works in collaboration with platform sustainability and portfolio management teams, and service providers as needed, to ensure platform, region and portfolio-wide strategies and targets are achieved.

Sustainability in the Investment Process

The investment process comprises three phases: (i) research and strategy, (ii) portfolio planning and (iii) execution. ESG aspects and sustainability performance are important elements of consideration in each phase, which includes both risks and opportunities analyses.

Research and strategy

DWS regional research teams provide key input into DWS Real Estate's investment strategy through house forecasting, strategic outlooks, and house views. Sustainability trends, such as climate change mitigation initiatives or greater public focus on health and well-being, are monitored and considered by regional research teams and investment strategy councils through the lens of Sustainability Themes and fiduciary led sustainability approach and are included as appropriate in resulting house views and strategic outlooks. Regional investment committees are responsible for reviewing and approving house views and strategic outlooks.

The Head of Sustainability serves as a sustainability representative at the regional investment strategy councils and provides input into their work. Further, sustainability topics within real estate research reports are reviewed by global research office's sustainability specialists.

Portfolio planning

On a portfolio level, sustainability is integrated in two key stages: portfolio sustainability strategy and annual sustainability action plan ("SAP").

Portfolio sustainability strategy

With help and guidance from the real estate platform sustainability team, each fund or Client's portfolio team develops and adopts a dedicated portfolio sustainability strategy, customized to reflect specific considerations, such as Client requirements, geographical allocation, regulatory environment, investment strategy, risk profile etc. The portfolio sustainability strategy is reviewed and approved as per appropriate approval and oversight process periodically, or ad-hoc (if required due to significant regulatory, market or portfolio changes).

Sustainability action plan

Each sustainability action plan ("SAP") for real estate equity investments is developed on an annual basis by the regional asset management sustainability team with assistance from specialist sustainability consultants. SAP is based on achieved performance and consequent asset and portfolio risk profile review, portfolio investment plan including asset holding period, and portfolio sustainability strategy objectives. SAP specifies and budgets for portfolio- and asset-level actions for the year and is approved by the real estate platform sustainability and portfolio management teams.

Execution

In the execution stage, integration of ESG aspects and sustainability performance into investment management decision-making is delivered through each stage of the asset life cycle: acquisition due diligence, asset management and disposition, as appropriate for the investment and sustainability strategy of the portfolio.

Sustainability due diligence

Sustainability due diligence (“SDD”) process is completed prior to acquisition for all new assets, i.e., real estate assets and real estate debt assets. SDD is delivered through two screening phases: initial and advanced screening, addressing three types of ESG aspects (transitional, physical, and social norms) for equity and in addition governance for debt investments and investments in real estate companies.

The initial screening is completed by the regional transactions team, based on the available (usually very limited) ESG aspects’ data. Regional transactions teams will include findings and recommendations on ESG aspects, risks, and opportunities in the transaction’s memo for asset acquisition. The screening, for portfolios where applicable policies apply, includes the check that the building use is not for the extraction, storage, transport, or manufacture of coal or for the manufacture or sale of controversial whole weapon systems or intended use components (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons).

In the advanced screening stage, an external specialist sustainability consultant will review the initial screening findings and conduct additional analysis for any “red flags” raised, as appropriate for investment. This can include (but is not limited to) a review of the asset’s mechanical and electrical services, its resilience with regards to natural hazards such as flooding, and the existence of / potential for green building certifications such as BREEAM and LEED, additional engagement with the loan sponsor/borrower, etc. For real estate equity investments, a feasibility study might be utilized to identify mitigating actions and opportunities to improve the asset’s ESG risk profile through active asset management. A transaction may be abandoned if a sustainability-related issue identified during SDD is deemed insurmountable through business plan actions and could place the expected return from the investment beyond the financial risk boundary described above.

The findings from the advanced sustainability screening are presented to the regional investment committee in a comprehensive memorandum per potential investment, and include “scoring” of found issues, necessary actions and underwriting needed for decision or – as the case may be - a recommendation only on acquisition.

Sustainability program (real estate equity investments)

For equity investments, following acquisition, asset and portfolio managers monitor sustainability performance not only to ensure proper risk mitigation but also to actively seek opportunities to add value as part of ongoing business planning, through the active asset management sustainability program.

The sustainability program follows the principles of Plan-Do-Check-Act¹⁰ management methodology to ensure implementation and improvement on a continuous basis and is led by the regional asset management sustainability team. The sustainability program encompasses the following five separate stages:

- **Data collection and analysis:** Collect and check a broad and robust asset-level data on ESG aspects on all managed assets as far as practicable and feasible. Data collection is undertaken quarterly and annually, depending on data type, throughout the holding period.
- **Risk review:** Perform an annual sustainability performance review on all standing assets, covering transitional, physical, and social norms ESG aspects, and considering asset holding period, lease conditions and investment strategy.
- **Goal setting:** Set annual Sustainability Action Plan asset goals and initiatives level based upon asset-level risk assessments and portfolio’s sustainability strategy.
- **Implementation:** Execute asset-level actions that represent the best value in terms of improving sustainability performance, decreasing operating costs, and increasing occupant satisfaction.

¹⁰ PDCA

- **Measurement and reporting:** Based on the above activities, track progress in project implementation relative to the goals for the asset, portfolio, and region. Compare sustainability performance with peers using industry standards and benchmarks such as BREEAM, LEED GRESB and PRI and report to investment committees and Clients as required and/or appropriate.

Sustainability monitoring (real estate debt investments)

For real estate debt investments, following acquisition, the debt team continues to collect data, monitor, and evaluate performance of assets focusing on relevant ESG aspects and as required by the portfolio sustainability strategy. As part of this review all loans receive an ESG grade. The grading process will here be event-driven but updated at a minimum on an annual basis.

Progress and the outcomes of DWS Real Estate's sustainability approach are incorporated into the investor reporting and any applicable regulatory reporting. At a minimum, the reporting to investors will detail the quarterly/annual ESG grade of each loan and at portfolio-level present a weighted average ESG performance by AUM.

Exit

Asset's sustainability performance, certification status and risk status are all considered during disposition process, using the same criteria as used for Sustainability Due Diligence. The findings are included in presentation to the applicable investment committee for disposition consideration, reviewed and discussed as appropriate.

Impact investment

For impact investment portfolios, DWS Real Estate follows the below governing principles seeking alignment with Operating Principles for Impact Management ("OPIM")¹¹:

- Principle 1: Aligned with Sustainable Development Goals which are material for real estate.
- Principle 2: Targeting competitive market-rate financial returns.
- Principle 3: Aimed at addressing specific underserved need.
- Principle 4: Targeting additional positive contribution.
- Principle 5: Avoiding significant harm.
- Principle 6: Managed through a rigorous process integrated throughout investment life cycle.
- Principle 7: Measured and verified using relevant third-party standards and frameworks (e.g., OPIM).

Any additional studies, measures or actions required for impact investment are embedded as needed into investment processes described above.

¹¹ <https://www.impactprinciples.org/>

Memberships and affiliations

DWS Real Estate participates, among others, in following industry bodies and organisations:

- GRESB (participant member, chairing Real Estate Standards Committee)
- IIGCC (member, co-chairing Real Estate Working Group)
- INREV (member, co-chairing ESG Committee)
- CREFC Europe (member)
- CRREM (Global Scientific & Industry Committee member)
- ULI Greenprint Center for Building Performance (member)
- BBP (member)
- BBC¹² (member)
- NZAMI (member as part of DWS Group¹³)
- PRI (member as part of DWS Group)
- CDP (member as part of DWS Group)

The full list of active memberships and engagements is provided in the DWS Annual Report¹⁴.

¹² [DWS | Better Buildings Initiative \(energy.gov\)](#)

¹³ A founding signatory to NZAMI, DWS targets decarbonization in line to Science Based Targets Initiative¹³. Net zero target framework excludes DWS legal entities in geographic locations that have known regulatory requirements regarding any change to investment processes, including approval from independent fund boards.

¹⁴ [Annual Report \(dws.com\)](#)

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While DWS believes that material ESG considerations can be drivers of long-term investment performance, investment strategies that consider ESG aspects may perform differently than those in which no ESG aspects are applied. The consideration of ESG aspects carries the risk that a portfolio may forgo otherwise attractive investment opportunities or increase or decrease its exposure to certain types of issuers or assets and, therefore, may underperform portfolios that do not consider such ESG aspects. The ESG research and ratings used by DWS are based on information that is publicly available and/or provided by the companies and/or counterparties themselves or by third parties. Such information may be incomplete, unavailable, or unreliable and, with respect to information provided by third parties, may be based on criteria that differ among data providers. The reliability and comparability of the data will affect the proprietary ratings utilized by certain business lines within DWS. Certain ESG ratings utilized by DWS are based on peer group comparisons, which may result in a favorable rating for an issuer or asset that might not have received a favorable rating if compared to a broader universe of issuers or assets. Additionally, investors can differ in their views of what constitutes positive or negative ESG characteristics and DWS' investment decisions may differ from other's views. As a result, certain strategies may invest in issuers that do not reflect the beliefs and values with respect to ESG of any particular investor. In addition, there is a risk that the companies or assets identified by an investment strategy that considers ESG aspects do not operate as expected as it relates to the ESG considerations. A company or asset's ESG performance or DWS' assessment of its ESG performance could vary over time, which could cause a fund or portfolio to be temporarily invested in assets that do not comply with the strategy's approach towards considering ESG characteristics. Moreover, DWS may change its view of a company or asset's ESG characteristics over time. While DWS views ESG considerations as drivers of long-term performance, there is no guarantee that pursuing investments with positive ESG characteristics will yield such results.