

INFORMATION ABOUT POLICIES ON THE INTEGRATION OF SUSTAINABILITY RISKS

RREEF AMERICA LLC

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1 / Introduction

This statement provides a summary of internal policies and procedures applied by RREEF America LLC [LEI-Code 529900ETVH54K2OIRO19] (“RREEF”) as a member of DWS Group¹ regarding the integration of sustainability risks into investment decisions for financial products, namely AIFs². RREEF offers a limited number of U.S. private funds, out of the entire product universe it manages as a non-EU AIFM, on the basis of the National Private Placement Regimes to a limited number of EU Member states ~~to~~. This information shall be published to comply with the disclosure requirements laid down in Article 3 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector, the so-called Disclosure Regulation only for those financial products (alternative investment funds (AIFs) of RREEF investing in real estate equity (“Products in Scope”))

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 Alternative Investment Funds according to the Directive 2011/61/EU on Alternative Investment Fund Managers as amended from time to time.

2 / Sustainability risk definition

2.1 Sustainability risk definition

Sustainability risk is a potential negative impact to the value of an investment induced by sustainability factors. Hereby, sustainability factors include environmental, social and governance events or conditions that could either be of an “out-side-in” nature (such as physical climate or transition matters) or be in direct relation to the financial impact of “inside-out” effects caused by DWS group, its employees, investee companies or any other related stakeholder.

2.2 Sustainability events or conditions

Sustainability events or conditions are split into Environment, Social, and Governance (ESG) and broadly relate, among other things, to the following topics (inside-out sustainability factors):

Environment

- Failure to contribute to climate mitigation including reduction of greenhouse gas emissions
- Failure to protect biodiversity
- Non-sustainable use and protection of water and maritime resources
- Failure to transition to a circular economy, to avoid waste, and use recycling
- Failure of protection of healthy ecosystems
- Non-sustainable land use

Social

- Non-compliance with recognized labor standards
- Non-compliance with employment safety and health protection
- No reasonable remuneration or unfair working conditions
- Low level and no promotion of diversity and lack of inclusiveness
- Insufficient training and development opportunities
- Non-compliance with trade union rights and freedom of assembly
- Failure to guarantee adequate product safety, including health protection
- Application of different requirements to entities in the supply chain
- Disregard of the interests of communities and social minorities

Governance

- Insufficient consideration of E&S factors by the Board / management
- Insufficient Board diversity
- Insufficient anti-corruption measures
- Insufficient anti-fraud measures
- Insufficient risk management and compliance practices related to E&S factors
- Board remuneration does not consider ESG criteria or matters
- Insufficient or wrong information disclosure – in particular those related to E&S factors
- Violation of employee rights
- Violation of data protection standards
- Tax fraud
- Failure to facilitate whistle-blowing

2.3. Likely impacts of sustainability risks on returns for funds investing in real estate

Sustainability risks can lead to a significant deterioration in the financial profile, liquidity, profitability, or reputation of the assets of a financial product, including returns for funds investing in real estate and loan receivables. Unless sustainability risks were already expected and considered in the valuations of the relevant financial product's assets, they may have a significant negative impact on the expected/estimated market price and/or the liquidity of the investment and thus on the return of the financial product. Potential impacts on the return of a financial product may depend on various aspects, in particular how the investment policy and asset universe of the product are related to or impacted by sustainability events or conditions.

The investment fund or RREEF acting on behalf of the fund may become a victim of fraud or other criminal activities. Losses can result from abuses or mistakes by employees of the company or external third parties or from external events such as natural disasters. These external events can be caused or amplified due to a lack of attention to sustainability. Sustainability risks can thus affect operational risks.

2.4. Relevance of sustainability risk for RREEF 's financial products investing in real estate

DWS Real Estate focuses on three ESG risk factors material for real estate investments: transitional risks, physical risks, and social norms, which can present significant sustainability risks for real estate investment management.

Sustainability risks can lead to liquidity risks, in that the fund assets cannot be sold within a reasonable period of time or can only be sold at a discount. In addition, in the case of investment funds which invest in real estate, sustainability risks in real estate financing can lead to higher interest rates/margins or even to the extent that high-risk real estate will no longer receive credit financing in the future.

PHYSICAL RISKS

Real estate can be exposed to physical risks that arise both regarding individual extreme weather events (e.g., floods, storms, wildfires) and in relation to long-term changes in climatic conditions (e.g., frequency of precipitation, erratic weather patterns, rise in sea level). As a result of these events, real estate assets can be significantly reduced in value, damaged, or even destroyed. Physical risks can negatively affect the operability, and, in turn, the value, of real estate assets even in the cases where the assets themselves stay intact, e.g., power outages due to severe weather, flooded roads preventing access to a distribution center, water supply challenges due to prolonged droughts in high-value markets.

TRANSITIONAL RISKS

So-called transitional risks can arise in connection with the transition to a low-carbon economy. Political measures can lead to higher energy prices or investment costs due to the necessary refurbishment of real estate, e.g., due to national legislation to increase the energy efficiency of buildings. Transitional risks can also materialize in the case of a fall in demand for emission-intensive real estate. Thus, transitional risks can affect market risk.

SOCIAL NORMS RISKS

Real estate assets can be exposed to risks associated with failing to meet or adhere to requirements of relevant stakeholders across the industry such as tenants, local community, and national and international markets. For instance, high indoor air quality and active lifestyle facilities are a frequent requirement for office occupiers, or shared use spaces for local community might be required by planning authorities. These risks are assessed by utilizing building certification to assess alignment with requirements such as health & safety, accessibility, and indoor environmental quality.

3 / Sustainability governance

This section describes the main roles and responsibilities in dealing with sustainability risks within RREEF in respect of those products in scope. The management of RREEF is responsible for considering sustainability risks when adopting business strategy and setting a risk appetite, as well as for assigning responsibility for the management of sustainability risks within RREEF.

The DWS Real Estate sustainability team is responsible for designing the overall approach to assessment and management of sustainability risks as part of DWS Real Estate sustainability-related policies and procedures, which are reviewed and approved by the relevant product's investment committee.

The DWS Real Estate research team is responsible for monitoring sustainability risks in global and regional trends and integrating them into strategic outlooks and house view strategies. The DWS Real Estate sustainability team also provides input into this work.

The DWS Real Estate transaction team is responsible for undertaking the acquisition risk review during due diligence, including obtaining specialist's analysis and mitigation requirements for any high risks identified. The results of the due diligence sustainability risk assessment findings, including required remediation measures and costs, are taken into account in the final decision by the investment committee. The sustainability team provides input in investment committees.

The DWS Real Estate asset management team is responsible for ongoing performance measurement, regulatory compliance, annual risk review and implementation of identified measures to reduce sustainability risks in existing assets. For large projects, the results of the annual risk assessment findings, including required remediation measures, costs and returns on investment are taken into account in the final decision by the investment committee.

4 / Integration of Sustainability risk in investment decision-making process.

As RREEF private real estate business is part of DWS Real Estate, the DWS Real Estate platform approach, policies, procedures and methodologies apply in full in relation to management of ESG factors in private real estate, as described in this section.

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 financially material for real estate investments: transitional (e.g., building's energy efficiency), physical (e.g., flooding risk), social norms (e.g., wellbeing sustainability rating) and, additionally, governance for financing of real estate assets (e.g., third-party risk rating of a debt sponsor), which can present critical risks and opportunities for private real estate investment management. 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. This stance has been captured in the fiduciary-led approach further described below.

DWS Real Estate takes a fiduciary-led approach to ESG aspects and sustainability performance in unlisted real estate investment management, defining a range of operation between ESG and financial risk boundaries – DWS Real Estate Sustainability Spectrum³. 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, often, financial performance of the asset or portfolio. Vice versa, the financial risk boundary relates to negative effects of inappropriate actions (e.g., ill-timed, or too extensive) on compliance with the investment objectives.



Figure A: DWS Real Estate Sustainability Spectrum

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

In terms of SFDR⁴, to operate within these boundaries means the consideration of financially-material sustainability risks in all investment decisions. Therefore, considering financially-material sustainability risks is part of the investment decision-making process when purchasing or managing real estate assets.

The DWS Real Estate's investment process comprises three phases: research and strategy, portfolio planning, and execution. ESG aspects and sustainability performance are an important element of consideration in each phase.

RESEARCH AND STRATEGY

Research provides key input into DWS Real Estate's investment strategy through house forecasting, strategic outlooks and house views. ESG trends related to sustainability risks, such as climate change mitigation initiatives or greater public focus on health and well-being, are monitored and considered by the research team and investment strategy councils through the lens of sustainability risks described in Section 1, and the fiduciary-led sustainability approach, and included as appropriate in resulting house views and strategic outlooks.

PORTFOLIO PLANNING

With help and guidance from the DWS Real Estate sustainability team, each portfolio team develops and adopts a dedicated sustainability strategy, customized to reflect specific considerations, such as specific client demands, geographical allocation, regulatory environment, investment strategy, risk profile and so on. The sustainability strategy is reviewed and approved by the relevant product's governing body periodically, or ad-hoc (if required due to significant regulatory, market or portfolio changes).

EXECUTION

In the execution stage, integration of sustainability risks is delivered through each stage of asset life-cycle – sustainability due diligence, asset management and disposal, as appropriate for the investment and sustainability strategy of the portfolio. It is important to note that the actions required to manage adverse impacts on sustainability factors as defined by SFDR⁵ are in most cases the same as those required to manage sustainability risks described in Section 1, as they are related to the same assets' characteristics and performance issues.

Sustainability due diligence

The sustainability due diligence process is completed prior to acquisition for all new assets and delivered through two screening phases: initial and advanced screening. The initial screening is completed by the transactions team, based on the data made available by the asset's vendor or publicly available databases. The transactions team will include risk findings and mitigation recommendations in the transaction's investment memo for asset allocation.

In the advanced stage, an independent specialist sustainability consultant will review the initial screening findings and conduct additional analysis for any "red flags" raised, including assessing the current condition and performance of the building to gather more information as necessary. A further feasibility study might be needed to identify actions required to improve the asset's sustainability risk profile. Transactions may be abandoned if sustainability risks identified during sustainable due diligence are deemed insurmountable. The findings from the advanced screening are presented to the investment committee for consideration and decision regarding the approval of an acquisition.

⁴ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

⁵ as set out in Tables 1 and 2 of Annex I of the EU Commission's final text of the Delegated Regulation Level 2 of the Disclosure Regulation ("DelReg Level 2") for assessing principal adverse impacts of investment decisions on sustainability factors

Active asset management

Following acquisition, asset and portfolio managers monitor sustainability performance, including sustainability risks through active asset management process in five steps.⁶ Sustainability risks are considered in this process as follows:

1. Data collection: the collection of asset-level data begins prior to all acquisitions and continues throughout the holding period of all portfolio assets.
2. Risk review: a risk review is undertaken on each asset prior to acquisition and on all standing assets on an annual basis.
3. Goal setting: an annual sustainability action plan is set based on mitigation measures identified in risk assessments.
4. Implementation: actions aiming to mitigate risks are implemented.
5. Measurement and reporting: performance is measured and verified utilizing energy ratings and sustainable building certifications as recognized by GRESB.⁷

Exit

An asset's sustainability risk status is also considered during disposition process. The findings are included in presentation to the investment committee for disposition approval, reviewed and discussed as appropriate.

Version history

Date	Explanation of changes
01.2025	Initial publication

⁶ [dws-real-estate-esg-framework-082036.pdf](#)

⁷ [Real Estate Assessments | GRESB](#)