

# STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

**RREEF America L.L.C.**



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# A / Summary

RREEF America L.L.C. ("RREEF") (LEI code 529900ETVH54K2OIRO19), a member of DWS Group<sup>1</sup> ("DWS"), considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of RREEF.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022 ("Reference Period").

Sustainability factors as defined in the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (Disclosure Regulation) mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impacts mean negative effects of investments on those sustainability factors.

On 1 January 2023, the regulatory technical standards (RTS) of the Disclosure Regulation entered into force in the form of the Delegated Regulation (EU) 2022/1288 of 6 April 2022. The RTS set forth a table of mandatory indicators the respective financial market participant (the latter as defined in the Disclosure Regulation (FMP)) must use to measure and disclose principal adverse impacts of investment decisions. The RTS differentiate between indicators for investments in (i) investee companies, (ii) sovereigns and supranationals, and (iii) real estate assets. In addition, the FMP must select and disclose information on at least two additional principal adverse impacts indicators which it deems relevant in the context of its business.

RREEF is a non-EU Alternative Investment Fund Manager ("non-EU AIFM") with its registered office in the US, i.e., in a third country outside of the European Union ("EU"). RREEF markets a limited number of US-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. This statement sets out the approach of the consideration of principal adverse impacts of its investment decisions on ESG Factors in its capacity as an FMP only for those financial products which are marketed within the EU ("Products in Scope"). The consideration of principal adverse impacts of investment decisions on ESG factors relating to financial products which are managed by RREEF but have not been marketed in the EU, is not the subject of this statement.

This statement exclusively relates to financial products (alternative investment funds (AIFs<sup>2</sup>)) of RREEF investing in real estate. It thus includes information on its impact, and – where applicable – its targets and measures regarding

- 2 mandatory principal adverse impact indicators applicable to investments in real estate assets
- 1 additional principal adverse impact indicator applicable to investments in real estate assets, namely 'greenhouse gas emissions'

Based on the aforementioned indicators, RREEF identifies principal adverse impacts of investment decisions across its financial products. RREEF selected the additional PAIs for disclosure in accordance with the group-wide sustainability strategy as well as factors such as the likelihood and potential severity of an impact, and data availability.

RREEF takes identified adverse impacts into account as a sub-set of wider ESG aspects integrated in investment analysis and the investment process, considering its client's interest and their business objectives. The Products in Scope solely invest in direct real estate, and therefore the present statement focusses on the consideration of those principal adverse

<sup>1</sup> 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.

<sup>2</sup> Alternative investment funds according to the Directive 2011/61/EU on Alternative Investment Fund Managers as amended from time to time.

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impacts that are relevant for real estate. RREEF's approach to mitigating adverse impacts of its real estate assets comprises, among others, energy audits and certification, implementation of green leases, and various energy performance improvement measures.

The consideration of principal adverse impacts in the investment process requires the availability of data on adverse impacts attributed to existing and planned investments. For real estate assets, data sources depend on the individual principal adverse impacts indicator and include energy performance certificates, utility bills and information provided by property managers.

As a fiduciary, it is of the utmost importance for RREEF to make all investment decisions in the best interest of its clients, considering all relevant financial and non-financial risk factors. Principal adverse impacts will thus not automatically outweigh other relevant factors, especially for financial products set up specifically for individual clients. This statement by RREEF does not cover the principal adverse impacts on sustainability factors of its liquidity investments. These account for only an insignificant proportion of the investments made by RREEF.

# B / Description of the principal adverse impacts on sustainability factors

## Indicators applicable to investments in real estate assets

| Adverse sustainability indicator                 | Metric  | Impact 2022  | Explanation | Actions taken, and actions planned, and targets set for next reference period   |  |
|--|---|--|-------------|---|--|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS |   |  |             |   |  |
| Fossil fuels                                     | 17. Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | 0.003%      | <p>This indicator applies to all assets under management. The exposure to fossil fuels in real estate is determined by the functional use of the asset. The types of real estate assets with potential exposure to fossil fuel extraction, storage, transport, or manufacture are petrol stations, power stations, and various storage assets, such as warehouses and distribution centres.</p> <p>Data on building use and occupier activities is collected for all assets under management. Best efforts are made to check the actual use of the building during its holding period; however, lease conditions can potentially limit the landlord's access to the property and therefore ability to confirm the accuracy of occupier activity data.</p> | <p>Due to extremely low exposure to real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels, no further action or reduction targets, other than continued monitoring of tenant activity and reporting of the exposure, have been deemed required.</p> |

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|                   |   |   |     |   |   |
|-------------------|---|---|-----|---|---|
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets | Share of investments in energy-inefficient real estate assets | N/A | <p>Data on a building's energy rating is obtained for all assets that have them. However, the exclusions<sup>3</sup> to the definition<sup>4</sup> of "energy-inefficient real estate assets" apply to the entire RREEF America LLC portfolio as all assets are located outside of the EU. Therefore, it is not possible to fully assess and report on this indicator using the provided formula.</p> <p>The 100% of AUM is thereby excluded from the assessment and reporting.</p> | <p>Even though formal assessment utilising SFDR formula is not possible, actions to reduce the share of investments in energy-inefficient real estate assets, i.e., improve energy efficiency of the assets are undertaken as part of asset management. They include data collection and assurance, energy audits and certification, implementation of green leases, and various energy performance improvement measures such as upgrades of a building's heating, ventilation, cooling and lighting systems, insulation etc.</p> |
|-------------------|---|---|-----|---|---|

**Other indicators for principal adverse impact on sustainability factors**

**ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS**

**Indicators applicable to investments in real estate assets**

| <b>Adverse sustainability indicator</b> | <b>Metric</b>     | <b>Impact 2022</b>                                    | <b>Explanation</b>  | <b>Actions taken, and actions planned, and targets set for next reference period</b>  |   |
|---|-------------------|---|---------------------|---|---|
| Greenhouse gas emissions                | 18. GHG emissions | Scope 1 GHG emissions generated by real estate assets | 10,493,150.00 tCO2e | <p>The Real Estate Business utilizes Global Real Estate Sustainability Benchmark (GRESB) and GHG Protocol -aligned functionality within the ESG data management system to define and calculate the Scope 1 carbon emissions of real estate assets.</p> <p>Data on energy consumption required for calculation of GHG emissions is collected</p> | <p>Actions to reduce the GHG emissions generated by real estate assets include data collection and assurance, energy audits and certification, implementation of green leases, and various energy performance improvement measures such as upgrades of a building's heating, ventilation, cooling and lighting systems, insulation etc.</p> |

<sup>3</sup> The EU Energy Performance Certificates (EPC) scheme does not apply to countries outside of the EU, apart from the UK, and the Nearly zero-energy buildings (NZEB) does not apply to any country outside of the EU.

<sup>4</sup> As per Annex 1 of the SFDR Delegated Act



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for all assets under management. Best efforts are made to obtain the landlord consumption data; however, utility provider processes can potentially limit the ability to do so.

Data coverage for Scope 1 GHG emissions is 99.11% by area and includes 0% estimated data.

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Scope 2 GHG emissions generated by real estate assets 44,490,000.00 tCO2e

The Real Estate Business utilizes the GRESB and GHG Protocol -aligned functionality within the ESG data management system to define and calculate the Scope 2 carbon emissions of real estate assets.

Data on energy consumption required for calculation of GHG emissions is collected for all assets under management. Best efforts are made to obtain the landlord consumption data; however, utility provider processes can potentially limit the ability to do so.

Data coverage for Scope 2 GHG emissions is 99.24% by area and includes 0% estimated data.

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Scope 3 GHG emissions generated by real estate assets 87,157,000.00 tCO2e

The Real Estate Business utilizes the GRESB and GHG Protocol -aligned functionality within the ESG data management system to define and calculate the Scope 3 carbon emissions of real estate assets.

Data on energy consumption required for calculation of GHG emissions is collected for all assets under management. Best

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efforts are made to obtain the occupier consumption data; however, utility provider processes and/or lease conditions can potentially limit the ability to do so.

Data coverage for Scope 3 GHG emissions is 64.44% by area and includes 0% estimated data.

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|   |                     |
|---|---------------------|
| Total GHG emissions generated by real estate assets | 142,140,000.0 tCO2e |
|---|---------------------|

The Real Estate Business utilizes the GRESB and GHG Protocol -aligned functionality within the ESG data management system to define and calculate the total Scope 1, 2 and 3 carbon emissions of real estate assets.

Data on energy consumption required for calculation of GHG emissions is collected for all assets under management. Best efforts are made to obtain the landlord and occupier consumption data; however, utility provider processes and/or lease conditions can potentially limit the ability to do so.

Data coverage for total GHG emissions is 70.98% by area and includes 0% estimated data.

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# C / Description of policies to identify and prioritize principal adverse impacts of investment decisions on sustainability factors

DWS Group's general approach to sustainable investment is outlined in its Responsible Investment Statement (RI)<sup>5</sup>. DWS Group is of the view that its fiduciary responsibilities include considering ESG Factors in our investment analysis and decision-making to the extent they are material, permissible under relevant legal and regulatory regimes and consistent with client interest and business objectives as well as investment strategies. DWS Group is of the view that this approach helps to assess the risks and opportunities of specific investments much more comprehensively.

## DWS Coal Policy<sup>6</sup> (April 2023)

In DWS Coal Policy, "coal" refers to unabated thermal coal, i.e., coal used to generate electricity and coal used for heating but does not refer to metallurgical coal or coking coal used to produce steel or cement. For real estate, this policy applies to minimum environmental safeguards which prohibit any investment in real estate assets that have a primary use relating to the extraction, storage, transportation, or manufacture of coal, related to adverse indicator "Exposure to fossil fuels through real estate assets". The policy applies solely to the use of the building itself and does not apply to tenants' off-site activities. Please note the DWS Coal Policy is not applicable to existing funds issued by the Illiquid Alternatives business at the time of its adoption. Therefore, no products in RREEF have as of yet applied this policy.

## DWS Real Estate Global Sustainability Framework Key Operating Document (June 2023)

RREEF's direct real estate business, which is the subject of this statement, is part of DWS Real Estate, and as such applies in full the DWS Real Estate global sustainability framework approach, procedures, and methodologies in relation to the management of ESG aspects and principal adverse impacts in private real estate, as described in this section. The processes are subject to regular annual as well as ad-hoc reviews, as required. The DWS Global Sustainability Framework Key Operating Document ("KOD") has been updated in 2023.

Sustainability factors and related adverse impact indicators relevant for real estate as defined by SFDR<sup>7</sup>, represent a subset of wider ESG aspects which DWS Real Estate consider to be material for real estate investment management. Principal adverse impact indicators are therefore selected, and principal adverse impacts identified, prioritized, and assessed as part of the overall DWS Real Estate processes described below.

### 1. Indicators applicable to real estate investments

When making investments in real estate assets, RREEF considers the two mandatory principal adverse impact indicators applicable to investments in real estate, as disclosed in the table in Chapter B of this statement. As an additional principal adverse impact indicator, RREEF chooses to disclose and consider greenhouse gas emissions for its real estate

<sup>5</sup> Available here for additional information: <https://www.dws.com>

<sup>6</sup> [Index \(dws.com\)](#)

<sup>7</sup> 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

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investments. In the indicator selection process, DWS also considered factors such as the likelihood and potential severity of an impact, and data availability.

### *Methodology*

The critical points for assessment and management of principal adverse impacts as identified in Table A of this Statement, are sustainability due diligence during asset acquisition and active asset management.

The sustainability due diligence process is completed prior to the acquisition of all new assets, addressing the ESG aspects, including principal adverse impacts. Transactions team will include risk findings and mitigation recommendations in the Investment Committee (IC) memo. The findings from the sustainability due diligence are also included in the investment committee memo for its consideration and decision regarding the approval of an acquisition.

During the holding period for equity investments, principal adverse impact indicators identified in Table A of this Statement are assessed in the asset management process through data collection and analysis, risk reviews including energy audits, identification, and implementation of performance improvement measures, and building energy certification.

### *Margin of error*

The data utilized for the sustainability due diligence and annual risk review is in part reliant on collaboration with third parties. For equity investments, this includes, without limitation, tenants' operational energy consumption, and therefore Scope 3 GHG emissions. To address the issue, RREEF employs the following strategies: disclosure of data coverage, procurement of anonymised aggregated data, where available, continual engagement with tenants, and implementation of green leases clauses, including sharing energy consumption data.

### *Data sources*

Relevant data sources for consideration of principal adverse impacts of investment decisions on sustainability factors in direct real estate investments include as set out below:

1. Exposure to fossil fuels: engaging with lease contract and third-party property managers to determine the exposure of extraction, storage, transport, or manufacture of fossil fuels.
2. Energy efficiency: energy performance certificate provided by the asset seller or obtained by the third-party property manager upon expiry.
3. Greenhouse gas emissions: utility bills (to tenants and landlords) stating consumption of energy. Calculation of corresponding GHG emissions is completed by Measurabl.

Data on energy consumption and resulting GHG emissions is collected for all assets under management. Best efforts are made to obtain the landlord and occupier consumption data; however, utility provider processes and/or lease conditions can potentially limit the ability to do so. RREEF utilizes limited data estimation feature provided by Measurabl<sup>8</sup>, and within GRESB Reference Guide Estimation Methodology<sup>9</sup> limits. RREEF further reports primary and estimated data coverage.

## 2. Governance

<sup>8</sup> [How do Meter Reading Estimates Work? – Measurabl Help Center](#)

<sup>9</sup> [GRESB Documents](#)

## Statement on principal adverse impacts of investment decisions on sustainability factors

RREEF, as a member of DWS Group, is represented in the sustainability governance of DWS Group.

Sustainability governance at DWS Group starts with the Group Executive Board, which has the overall responsibility for managing sustainability-related risks and opportunities, throughout its activities. During 2022, DWS Group adapted its sustainability governance and created a Sustainability Strategy Team to support the CEO in the development of its sustainability strategy and to ensure that it is embedded within its corporate strategy. Effective January 2023, the Executive Board is supported by a new sub-committee, the Group Sustainability Committee, which is mandated to implement the sustainability strategy as approved by the Executive Board across all divisions and legal entities. It acts as a senior decision-making body for sustainability-related topics unless decision-making falls in the core area of competence of the Board or a legal entity. Additionally, DWS Group has set-up a Sustainability Oversight Office which aims to ensure effective sustainability governance throughout the organisation and to support the Group Sustainability Committee.

The various DWS Group's divisions are responsible for setting up, maintaining, and reviewing policies, processes, and frameworks through which the sustainability strategy is implemented in the divisional processes. This includes the above-mentioned policies to identify and prioritise principal adverse impacts in our investment strategy.

The DWS Real Estate ESG team is responsible for designing the overall approach for assessment and management of principal adverse impacts. RREEF's investment committee is responsible for reviewing and approving the approach or recommending to the relevant governing body for approval. The investment committee is further responsible for considering risks when making decision on acquisitions, asset management and dispositions.

The DWS Real Estate transaction team is responsible for undertaking the acquisition risk review during sustainability due diligence, as further described below.

The DWS Real Estate asset management team is responsible for consideration of principal adverse impacts during the holding period, as further described below.

The risk management team within RREEF's is responsible for monitoring principal adverse impacts. To this end, this team, in collaboration with the DWS Real Estate ESG team, regularly assesses their materiality and inputs into risk review processes of sustainability due diligence and active asset management.

## D / Engagement policies

This section is not applicable for the business of RREEF to which this policy relates, which consists of direct private real estate investments. For real estate investments, investee company engagement and corresponding engagement policies do not apply as the investment in this case is in a physical building, and there is no investee company to engage with.

## E / Reference to international standards

DWS Group or RREEF, as the case may be, is a member of, adheres to, or is guided by the following key sustainability-related responsible business conduct codes and internationally recognized standards for due diligence and reporting (non-exhaustive list).

### 1. Overarching standards and initiatives

DWS Group is a signatory to the United Nations-backed Principles for Responsible Investment (PRI), a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

DWS Group reports on climate-related topics using the Taskforce on Climate Related Financial Disclosures (TCFD) recommendations, recommendations for more effective climate-related disclosures issued by a taskforce established by the Financial Stability Board, an international body that monitors and makes recommendations about the global financial system.

### 2. Standards and initiatives for real estate

#### *Global Real Estate Sustainability Benchmark (“GRESB”)*<sup>10</sup>

RREEF utilises a third-party assessment and benchmarking system GRESB to identify and align with best industry practices for sustainable real estate investment management. GRESB is a third-party ESG benchmark and reporting framework providing absolute and peer-relative measurement and validation of real estate portfolio on management, development, and performance components. GRESB uses a consistent methodology to compare performance across different regions, investment vehicles and property types.

GRESB Real Estate Reference Guide<sup>11</sup> (“Reference Guide”) identifies building certification schemes and energy ratings which have been accepted for full or partial recognition. The Reference Guide further sets out data estimation methodology.

The Reference Guide is reviewed on annual basis by GRESB. RREEF refers to this Reference Guide when considering principal adverse impacts on ESG factors.

<sup>10</sup> [GRESB | Global ESG Benchmark for Real Assets](#)

<sup>11</sup> [GRESB Documents](#)



## F / Historical comparison

A historical comparison of RREEF's principal adverse impacts on sustainability factors will be provided from 2024 onwards.

**Date of statement:** 30/06/2023

## G / Glossary

|       |  |
|-------|--|
| AIF   | Alternative Investment Fund                        |
| AUM   | Assets Under Management                            |
| CDP   | Climate Disclosure Project                         |
| ESG   | Environmental, Social, Governance                  |
| EPC   | Energy Performance Certificates                    |
| FMP   | Financial Market Participants                      |
| GHG   | Greenhouse gas emissions                           |
| GRESB | Global Real Estate Sustainability Benchmark        |
| IEA   | International Energy Agency                        |
| IPCC  | Intergovernmental Panel on Climate Change          |
| NZAM  | Net Zero Asset Managers                            |
| NZEB  | Nearly zero-energy buildings                       |
| PAI   | Principal adverse impact                           |
| PAII  | Principal adverse impact indicator                 |
| PRI   | Principles for Responsible Investment              |
| RI    | Responsible Investment                             |
| RTS   | Regulatory technical standards                     |
| SBTi  | Science Based Target initiative                    |
| SDG   | Sustainable Development Goals                      |
| SFDR  | Sustainable Finance Disclosure Regulation          |
| TCFD  | Taskforce on Climate Related Financial Disclosures |
| UNGC  | United Nations Global Compact                      |