



DLE Group AG

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**Responsible Investment Policy**

**Version 1.1.**

**As of August 2023**

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## **1. Our Commitment to responsible investment**

DLE Group AG (DLE) is an asset management platform in the real estate sector that combines attractive returns with social and environmental value in its business areas. In addition to integrating ESG approaches into our investment strategy, we realise our social contribution by giving preference to projects that meet urgent social needs in cities or communities.

Buildings are responsible for 40% of global greenhouse gas emissions and consume significant amounts of land, construction materials, energy and water. At the same time, they have a strong impact on the health, safety, quality of life and productivity of people who spend a large part of their lives indoors. Buildings also shape the urban landscape and influence the local communities. This large environmental and social footprint results in both sustainability risks and opportunities that need to be identified and managed in the investment process to prevent value loss, maximise value creation and ensure the marketability and sustainability of investments.

The integration of sustainability risks and considerations into our services is therefore an essential element in our mission to achieve attractive risk-adjusted returns for our clients. We define sustainability risks as environmental, social or governance events or conditions, which if they occur have or may potentially have negative impacts on the value of an investment, fund performance or reputation. In addition to the impact of ESG risks on an investment, also the opposite perspective is relevant, namely the potentially negative or positive impact of the investment on the environment and society. Considering both perspectives ("double materiality") is key to minimize reputational risks and ensure social acceptance of investments.

## **2. Our principles for sustainable investment**

The integration of ESG aspects into our decision-making processes and service offering is guided by the six principles of the UN PRI for responsible investment as well as international standards, in particular the UN Global Compact Principles, the ILO Core Labour Standards, the OECD Guidelines for Multinational Enterprises and the Universal Declaration of Human Rights. Global objectives such as the Paris Agreement on Climate Change and the United Nations Sustainable Development Goals (UN SDGs) also guide us in defining investment strategies. A focus is on the transformation to a climate-neutral society by 2050 well as UN SDG 11 for the promotion of sustainable cities and communities.



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Our responsible investment principles apply to all DLE business units, with our subsidiaries applying an ESG strategy that is tailored to their respective business.

Our approach to incorporating ESG into investment analysis and decision-making processes covers three principal areas:

- 1) Exclusions
- 2) Assessment and management of ESG risks and opportunities
- 3) Engagement to drive positive impact and value creation

## 2.1 Exclusions

As some types of economic activity do not correspond to our vision of responsible investment, we refrain from the following activities and projects:

- Business relations with partners who are engaged in an illegal business or criminal activity, in particular in the case of trafficking in arms, drugs or human beings, financing terrorist groups or the abetting of wars or incitement of the people. In this context special reference is made to the Directive on anti-money-laundering and anti-terrorist financing, which contains further details on the subject. Profits from the business areas of tobacco production, (legal) arms production and gambling industry, taking into account a de minimis limit of 10%.
- Projects whose implementation would require demolition of existing residential buildings. Excluded from this restriction are residential buildings which are dilapidated or predominantly vacant or consist of less than 15 residential units.
- The transaction would take place for speculative reasons only, with no added value to DLE's operations.

## 2.2 Assessment and management of ESG risks and opportunities

Every investment strategy starts with a materiality analysis to identify the main environmental, social and governance risks along the value chain considering key stakeholders.

For real estate assets, material sustainability risks and opportunities lie primarily in the areas of land use and sealing, biodiversity, climate protection and the transition to a low-carbon economy, resource efficiency and recycling, labour and human rights, health and safety, bribery and money laundering, and meeting social needs



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such as affordable housing. The significance, probability of occurrence, time horizon and potential financial impact on investment properties depends on several factors, including asset type, geographic location and the phase in the building cycle. Both the impacts on the investment (outside-in) and the impacts of the investment on the environment and society (inside-out) are considered in a comprehensive risk assessment.

Climate change poses a major risk to real estate investments when buildings will over their lifetime be increasingly exposed to physical impacts (e.g. damage or rising insurance premiums due to extreme weather events, floods or forest fires). Moreover, due its large carbon footprint the building sector is considered a key sector for achieving the goal agreed in the Paris Agreement to limit global warming to well below 2°C by 2050. Stricter regulation on carbon emissions of buildings may result in capital expenditure to meet new energy efficiency standards or higher operating costs due to rising carbon prices. Climate transition risks also include a potential loss of value when market demand shifts away from energy intensive properties or assets in areas with increasing risk of flooding. Therefore, we aim to systematically integrate climate risk assessments into all DLE services.

The sustainability risks identified in the materiality analysis are weighted and mapped in specific ESG scorecards or checklists and the results are taken into account in the investment advice. The scorecards or checklists are filled in during the due diligence process. If they indicate risks, these are analysed, managed and tracked in the further investment process, for example by means of an action plan. In the case of extremely serious risks that cannot be mitigated by economically viable measures, the transaction should be terminated. The business units can also define minimum requirements to minimize the proportion of investment recommendations for which adverse sustainability impacts are likely.

In addition, DLE conducts regular screenings to verify compliance with internationally accepted minimum standards relating to environmental protection, respect for labour and human rights and ethical business practices, in particular the UN Global Compact Principles, the ILO Core Labour Standards, the OECD Guidelines for Multi-national Enterprises and the Universal Declaration of Human Rights.

The sustainability criteria of the ESG scorecards and checklists themselves are also regularly reviewed to be adapted to market requirements, new regulation or technological progress. For existing investment funds, an annual review is conducted to determine whether further risks need to be considered in the respective investment strategy.

## 2.3 Stewardship



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At DLE, we strive to make a social contribution by giving preference to projects that meet urgent social needs in cities or communities, particularly the creation of affordable housing. If the ESG due diligence identifies opportunities for value enhancement, they are analysed and integrated into investment strategy advice.

We are committed to monitoring and improving the sustainability performance of assets over the investment period to maximize the value of investments for both investors and society. A key element of our responsible investment strategy is therefore the regular monitoring of the ESG performance of assets using ESG scorecards, KPIs or other tools. Effective monitoring requires access to relevant ESG metrics, but ESG data is often not available in a consolidated form, especially in the area of alternative investments. We therefore strive to improve the situation within our sphere of influence by working closely with property managers and operators. Options include green leases or other incentive structures to promote smart metering or engage tenants. Appropriate measures will be selected based on the property's condition and the cost-benefit profile. Our business units will document and track stewardship activities to gather insights for best practice.

### **3. Responsibilities**

When assessing sustainability risks and aspects, we take into account both internationally recognised standards and frameworks as well as the current state of science as available in relevant publications. DLE has in-house expertise in its ESG department, but also draws on external expertise where necessary. The ESG department oversees the implementation of the DLE Guidelines for Responsible Investment, coordinates measures at group level and advises and supports the subsidiaries in defining and implementing their respective ESG strategies.

### **4. Reporting**

We will regularly report on ESG-related topics on our website and via the PRI platform as well as on our website, considering common sustainability reporting standards (GRI, INREV, TCFD, GRESB, SASB) as well as regulatory standards (CSRD, SFDR, EU taxonomy).

ESG incidents that have a significant negative impact on an investment and/or its main stakeholders (investors, employees, society, environment) are included in the regular reporting for investors.