



DEUTSCHE FINANCE INTERNATIONAL

# DFI ESG Policy

December 2023

*Private & Confidential*



# Deutsche Finance International

## Background

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Deutsche Financial International LLP (**DFI, we** and the **firm**) is an independently managed pan-European private equity real estate investment firm, established in 2016, with headquarters in London and offices in Munich, Madrid and Luxembourg. DFI advises on investments across all types of real estate sectors seeking to drive superior risk-adjusted returns through capitalising on trends, deep-value investing and proactive asset management.

We are committed to providing a differentiated solutions-oriented offering for our clients, taking a customer-centric investment approach, with focus on the evolving needs of real estate end-users, driven by the disruptive forces of social change, demographics, climate change and technology.

At the real estate asset level, DFI holistically considers operational, physical and financial improvements, also applying an overarching ESG lens, at each stage of screening, underwriting and business plan execution, underpinned by a commitment to sustainability and future resilience.

This policy is approved by the ESG Committee (**ESGC**) and is intended to supplement any additional ESG related policies (such as the Stewardship Policy, Community Engagement Policy) and all relevant law and regulation.

This policy will be updated, as required.

We also intend to review our ESG strategy and planning regularly to align with the fast paced developments in sustainability thinking - this policy will therefore be reviewed and refreshed at least annually.

## DFI's ESG Vision and Goals

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DFI places strong emphasis on values-based leadership, supported by robust governance, with vision to be a leading investor into customer-centric real estate and a next-generation firm in terms of the trust and excellence cultivated in its people, culture, partnerships and performance.

We believe that responsible corporate behaviour serves all stakeholders and that companies integrating responsible investment principles into their decision-making and ownership practices, with capability to underwrite multi-dimensional business plans, produce superior, risk-adjusted returns over the longer-term. We also recognise the importance of contributing to more inclusive, equitable and sustainable communities. This is particularly applicable for the real estate industry where there is a direct environmental and societal impact and the needs of occupiers and underlying customers become increasingly integrated with the future design of physical space, formats and places.

The DFI real estate platform is designed to capture opportunities within this changing ESG landscape and to ensure that our business and investment processes continue to align with evolving industry principles, standards, best practice and regulatory requirements. Our role within the industry provides the opportunity to have a positive and measurable impact on the environment, our people, our communities and our wider supply chain network, including through our stewardship and engagement activities.

DFI focuses on three key ESG topics at the corporate and investment level, with the following strategic ESG goals:

- **Responsible Governance:** promote responsible corporate governance across all activities, extending to our partners and supply chain;
- **Climate Change:** increase resilience against climate change across corporate operations and investment portfolios; and
- **People and Communities:** advocate welfare for our people and local communities, including the communities in which we invest.

	Promote RESPONSIBLE corporate governance	Increase resilience against CLIMATE CHANGE across portfolios	Advocate WELFARE for PEOPLE and COMMUNITIES
Components	<p><i>Equality &amp; diversity</i>  <i>Business ethics &amp; compliance</i>  <i>Transparency &amp; disclosure</i>  <i>Responsible supply chain</i>  <i>Security – physical &amp; cyber</i></p>	<p><i>Climate change adaptation &amp; resilience</i>  <i>Carbon emissions</i>  <i>Energy consumption</i>  <i>Water consumption</i>  <i>Biodiversity &amp; land use</i>  <i>Resource &amp; material management</i>  <i>Sustainable building design</i></p>	<p><i>Local community engagement</i>  <i>Well-being – internal &amp; external</i>  <i>Tenant engagement</i>  <i>Health &amp; safety</i>  <i>Employee satisfaction</i></p>
Strategy	<ul style="list-style-type: none"> <li>- Demonstrate <b>values-based</b> leadership and an <b>inclusive</b> culture</li> <li>- <b>Secure all information</b> shared across corporate and investment activities</li> <li>- <b>Transparently disclose</b> ESG performance and actively <b>engage</b> with stakeholders</li> <li>- Ensure <b>business partners</b> are aligned on <b>sustainability targets</b></li> <li>- Integrate <b>sustainable supply chain principles</b> into procurement decision-making processes</li> </ul>	<ul style="list-style-type: none"> <li>- Ensure portfolios are aligned with <b>industry best practices</b> to meet needs of future occupiers and owners</li> <li>- Implement <b>resource efficiency</b> (water, energy and waste) across portfolios and adopt <b>renewable energy</b></li> <li>- Target <b>net zero carbon</b> across all corporate office operations and <b>decarbonise</b> select investments</li> <li>- Integrate <b>climate risk</b> factors into <b>due diligence</b> and <b>design guidelines</b></li> <li>- Minimise <b>environmental impact</b></li> </ul>	<ul style="list-style-type: none"> <li>- Engage with local communities to <b>create positive impacts</b></li> <li>- Advocate for <b>diversity, equity and inclusion</b> and for the <b>physical and mental well-being</b> of employees and tenants</li> <li>- Ensure responsible building design and management through <b>implementation of health and well-being frameworks</b> for buildings and occupiers and through <b>considerate construction</b> practices</li> <li>- <b>Engage with tenants</b> to identify areas of improvement in their building environment</li> </ul>

## Scope

Our ESG approach is incorporated into the firm’s policies and procedures and applied to all relevant fund and investment vehicles in DFI’s capacity as investment advisor, with periodic review and oversight from the firm’s established ESG Committee and Portfolio Review Committee.

This ESG Policy has been developed as an overarching document describing our approach to sustainability across our corporate, investment and ownership practices. It forms part of a suite of policies with ESG and responsible investment at their core. Our policies apply to the whole firm and across our operating and investment practices.

Screening, ESG related due diligence requirements, applicability of benchmarks and ESG related assessment criteria are unique to each product and investment and depend on the determined investment strategy and applicable sectors, markets and geographies, with this policy adjusted, as appropriate.

As a fiduciary and regulated business, DFI is committed to aligning with evolving business standards and regulatory frameworks applicable for its operations, as well as real estate industry best practices, including international and regional recognised property level accreditations.

## Governance

### Corporate

DFI applies an integrated team approach for the purposes of ESG implementation and all employees are encouraged to actively engage on and incorporate ESG matters both internally and externally.

The allocation of variable remuneration to staff is based on a variety of factors including compliance with policies and procedures in relation to ESG as well as taking a sustainable and responsible approach to risk.

The ultimate responsibility and oversight for ESG matters at the corporate level is assigned to the two Co-Managing Partners, who are also members of the firm’s Investment Committee (IC), which has oversight of investment governance and decision-making.

The ESGC is comprised of senior management acting across various disciplines within the firm. The ESGC has responsibility for the firm's ESG strategy (including strategic direction, governance and implementation) as well as overseeing the firm's engagement plan with internal and external stakeholders. Further, the ESGC monitors compliance and key performance indicators as they apply across aspects of the firm's business, with a focus on corporate, fund and product level policies and procedures.

The ESG Committee meets at least quarterly

### **Investment**

At the deal level, investment and asset management leads are assigned clear responsibilities from origination and screening, through to business plan execution and exit, including for partner and supply chain relationships in each case supported by in-house capital markets, legal, tax and compliance.

DFI appoints specialist advisors for technical, environmental and sustainability-focused assessments, as appropriate, including for the purposes of providing external assurance in respect of each investment.

### **Legal, Regulatory and Compliance**

For legal and regulatory aspects, senior management are responsible for ensuring compliance with the firm's fiduciary obligations and any relevant regulatory and/or legislative requirements across the jurisdictions in which the firm operates.

DFI's compliance function is managed by the Chief Administrative Officer and General Counsel who has the remit to identify, manage and mitigate any regulatory and associated legal and reputational risk and/or potential conflicts of interest, to which the firm may be exposed. The Chief Administrative Officer and General Counsel also has responsibility for the risk and policies and procedures in respect of data protection, business continuity and cyber security.

DFI places the best interests of its clients at the core of its business and is committed to transparent and material disclosure on governance and compliance matters.

### **Diversity and Inclusion**

DFI is committed to establishing a fair and inclusive environment where its people are valued and their differences respected. We believe that being a diverse and inclusive business underpinned by our core values is critical to being a sustainable business. DFI is committed to the integration of diversity and inclusion within its business and operations through equal opportunities and an inclusive culture. We believe that that different perspectives and experiences are fundamental to achieve sustainable business growth and therefore actively seek out individuals who will bring about positive change to our culture through their unique perspective and experiences. Our diversity and inclusion principles are set out in our diversity and inclusion policy and are applied to DFI's recruitment, selection and development of employees. Staff attend bespoke training on diversity and inclusion which has been developed specifically for DFI based on staff feedback. We also expect all staff involved in recruitment to have completed appropriate diversity and unconscious bias training. Diversity and inclusion related targets are also part of team and individual performance reviews.

### **Third Parties**

Any ESG partners, advisers and operating partners are selected on the basis of ESG criteria applicable for the potential investment, with regular engagement and extend to broader supply chain and tenants. In addition, ESG terms are included in relevant contracts and management agreements including a requirement to ensure record keeping for governance, health & safety, incident management and risk monitoring.

### **Engagement and Stewardship**

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DFI is committed to engaging with internal and external stakeholders to meet our ESG goals and commitments. We regularly engage with and consult with clients, beneficiaries and other key stakeholders (including partners, property managers, occupiers and local communities) in order to align the firm's ESG approach with their requirements and/or concerns. We also aim to extend the firm's approach to ESG to contracted parties, including any local operating and development partners.

Within the broader real estate and responsible investment industry context, DFI is committed to upholding relevant ESG related industry standards and supports their engagement across key stakeholder groups, including policymakers. With respect to any engagement with policy makers or external parties, as part of the firm's established governance processes, employees would not be able to engage in activities that are not aligned with the firm's business objectives, commitments, or values, whilst acting as a representative of the business. This includes protection of proprietary or commercially sensitive information related to our business and investments.

## Investment Process - Overview

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DFI addresses environmental and social factors alongside financial performance by using the following ESG investment principles to assess and monitor ESG related risks and opportunities within our investment process:

- **Commitment:** we include a commitment to consider and integrate ESG factors into our core investment principles;
- **Active ownership:** we are active owners and focus on active engagement of ESG performance;
- **Governance:** implementing senior management governance oversight of ESG factors and issues and encouraging a high level of ethics, transparency and accountability and aligning approach with partners and service providers;
- **Materiality:** we assess the materiality of ESG factors in the context of each potential investment in order to identify ESG related risks and opportunities. These ESG factors are then taken into account when selecting relevant partners, advisors and counterparties for each potential investment;
- **ESG Due Diligence:** we undertake ESG due diligence and leverage our extensive local operating partner and advisor network for the purposes of technical and environmental due diligence, relevant reports and compliance;
- **Business Plan:** we include ESG factors in the business plan (including the 100 day plan) for each investment); and

## Reporting

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### Corporate

As a signatory to the PRI, DFI is committed to year-on-year reporting in respect of activities and progress made on ESG integration. Further reporting commitments to standard setting bodies and disclosure frameworks are under review and will be applied as applicable, including for the purposes of reporting and disclosure under SFDR and alignment and reporting on commitments to the UN SDGs. To support further standardisation and transparency, we also align our reporting approach with the GRESB standards and report to the GRESB benchmark for designated funds, where agreed with relevant investor groups, for the manager and development components. This information is available to investors and third parties on request.

### Investment

ESG objectives and ESG-related key performance indicators for portfolio investments are integrated and included in quarterly and annual reporting processes through deal level models and reporting

templates. These reports include the monitoring of ESG-objectives and ESG-related key performance indicator milestones, quarterly valuations of such objectives and key performance indicators.

DFI also encourages investee companies or partners to enhance their ESG monitoring and reporting processes, through active engagement and through provision of standardised reporting templates, which are adjusted to suit specific deal mechanics.

### **Investors**

DFI reports transparently to investors and beneficiaries, through a formal quarterly and annual reporting process at the investment and/or fund level, including an annual general meeting, as a minimum, with ESG aspects integrated into this process.

Additionally, DFI ensures that investors are updated in a timely manner, including for any unexpected scenarios, with early engagement for any issues.

## Disclaimer

The information in this document has been prepared by Deutsche Finance International LLP (**DFI, we** and the **firm**). This document is solely intended to provide the reader with general information on the firm's ESG policies and procedures. While the information in this document is believed to be accurate and reliable, DFI and its agents, advisors, directors, officers, employees and shareholders make no representation or warranties, expressed or implied, as to the accuracy of such information and DFI expressly disclaims any and all liability that may be based on such information or errors or omissions thereof. DFI reserves the right to amend or replace the information contained herein, in part or entirely, at any time, and undertakes no obligation to provide the recipient with access to the amended information or to notify the recipient thereof. Unless otherwise specified, all information in this document is as of its date. It is not intended to be a formal offer to sell or a solicitation of an offer to buy any product in any jurisdiction and its content is not prescribed by securities laws. This document does not constitute either advice or a recommendation regarding any securities and should not form the basis for any investment decision.

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