UK Stewardship Code Report 2021

DWS UK Investments Limited

DWS | Investors for a new now

Important information

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Dear Reader,

In September 2021, we were proud to be recognized as a signatory to the enhanced UK Stewardship Code, as it sets a high standard for investor stewardship. We continue to fully embrace the principles of the UK Stewardship Code to ensure that our fiduciary responsibility has a solid foundation and that we responsibly manage our clients' capital, while creating long-term value for our clients and beneficiaries. Over the course of the last year, our efforts were again focused on the four core strategic priorities of our global sustainability strategy – corporate transformation, ESG in the investment process, innovative investment solutions, and stakeholder engagement. As part of that, we took an important step on our path to achieve net zero emissions by 2050 by publishing our 2030 net zero interim target in November 2021 and committing to the Science-Based Targets initiative. To reach the 2030 net zero interim target – and to be able to serve the growing client demand for sustainable investment solutions – we have integrated ESG factors more closely into our financial considerations, product development, and portfolio company progress tracking, across our asset classes. We also enhanced our engagement framework in Europe. We have defined three clusters of engagement (Core, Focus and Strategic Engagement List), depending on the degree of interaction with the relevant portfolio companies. We are setting targets for the companies based on sustainability outcomes which are mapped to the Sustainable Development Goals. The increased number of engagements with our investees coupled with our greater involvement at Annual General Meetings at which we filed questions, serve as a snapshot to demonstrate our progress.
To provide more transparency for our investors, we revised our ESG product classification in EMEA, aligning it to the Sustainable Finance Disclosure Regulation. Furthermore, we intensified our public engagement under our newly created governmental and regulatory affairs department, with increased participation in cross-industry working-groups and responding to consultation requests. Our research team published thought leadership papers on important topics such as the health of our oceans which are responsible for removing 17% of CO2 emissions and won accolades for their innovative research.
Stewardship is an ongoing process, in our view. We appreciate the Financial Reporting Council's feedback on our 2020 UK Stewardship Code report. We are acting upon it and are disclosing more details this year to inform the reader. Specifically, for this year's UK Stewardship Code report, we have elaborated more on how we believe our actions benefit clients and beneficiaries. In addition, we shared more information on asset classes other than listed equities, how we identify and respond to market-wide and systemic risks as well as promote well-functioning financial markets, and about our engagements conducted in 2021, especially related to tracking and accountability of our engagement activities.
This is the result of our enhanced engagement database. Responsible investing is a key part of our heritage – stretching back over 25 years – because we firmly believe it is in the best interests of our clients. As our understanding of the impact that capital has on society and the environment grows and our understanding of our clients' requirements evolves, we will continue to enhance our operations.
Looking ahead to 2022 and beyond, we have no doubt that the sustainable world we aim for can only manifest in the long-term if we endeavour to create a 'new normal' that respects both people and our planet.
At DWS, we remain committed to using our influence, both as a fiduciary investor and as a corporate citizen, to strive for positive change and support our stakeholders wherever we can, with our stewardship activities playing an increasingly important role in our efforts.

Frankfurt, April 2022

Stefan Kreuzkamp
CIO, DWS Group GmbH & Co KGaA

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Fiona Basset
CEO, DWS Investments UK Limited.,
signatory to the UK Stewardship Code

Our senior responsible investments team

Stefan Kreuzkamp

Member of the Executive Board - Head of Investment Division & Global CIO: Frankfurt
Joined in 1998. Prior to his current role, Stefan served as Chief Investment Officer EMEA and Head of Fixed Income & Cash EMEA. Previous positions include Co-Head Fixed Income EMEA, Head of Fixed Income for the retail business in Europe and Head of Money Market for Europe and Asia. Before this, Stefan was a portfolio manager for money market funds and fund of funds in Luxembourg. Stefan started his career as a researcher at DekaBank in Frankfurt.
Educational background: Master's Degree in Economics ("Diplom-Kaufmann") from University of Trier; MSc in Economics from University of Bielefeld, Germany; PhD in Economics from Otto-von-Guericke University of Magdeburg

Fiona Basset

CEO of the DWS Investments UK Limited Management Board, Global Head of Systematic Investment Solutions: London
Joined in 2004. Prior to her current role, Fiona was Global COO for Key Projects for Deutsche AWM, a role that encompassed strategy, business development and project management. Previously, Fiona worked in the CB&S division of Deutsche Bank where she held various roles including the build out of the structured funds business, fixed income ETFs, liquid alternatives and multi asset. Fiona started her career in Brand Management for Procter & Gamble
Educational background: Bachelor of Laws degree LLB (Hons); ACI Diploma

Petra Pflaum

Chief Investment Officer – Responsible Investments: Frankfurt
Joined in 1999. Prior to her current role, Petra served as EMEA Head of Equities and, before that, as Co-Head of Global Research and Global Head of Small & Mid Cap Equities. Earlier, she worked as a senior equity portfolio manager and as a member of the equity investment management team focusing on institutional clients. Before DWS, Petra was a research analyst at BHF-BANK.
Educational background: Bank Training Program ("Bankkauffrau") at BHF-BANK; Master's Degree in Business Administration ("Diplom-Betriebswirtin (FH)") from University of Trier; Studies at University of St. Thomas; CEFA - Certified European Financial Analyst

Nicolas Huber

Head of Investment Stewardship: Frankfurt
Joined in 1999. Prior to his current role, Nicolas served as Head of ESG Initiatives and worked in the ESG Head Office. Previously, he was Head of Green Investments. Before joining, he held several senior portfolio management and research roles at Zurich Invest, Nordinvest and at CRM Capital Research and Management.
Educational background: Bank Training program ("Bankkaufmann") at Berliner Bank; Investment Analysis Program at DVFA; Business and Environment Programme for Sustainability Leadership at University of Cambridge; Certified Sustainability Investment Manager (Euroforum)

⁄ 1 Purpose and Governance: Purpose, Strategy and Culture

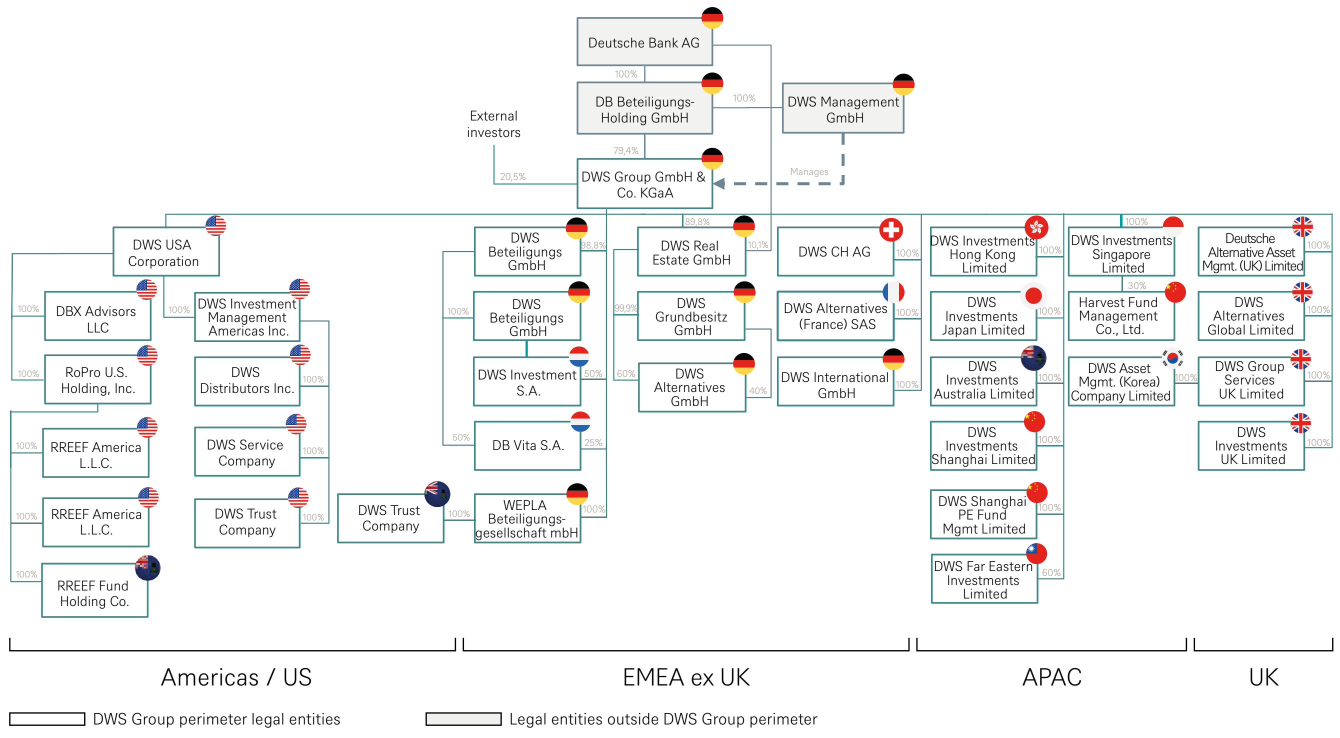
Context

Signatories should explain:
– the purpose of the organization and an outline of its culture, values, business model and strategy; and
– their investment beliefs, i.e., what factors they consider important for desired investment outcomes and why.

DWS as an organization

DWS Group (DWS[1]) is one of Europe's leading asset managers with EUR 928bn of assets under management (as of 31 December 2021). Building on more than 60 years of experience, it has a reputation for investment excellence in Germany, Europe, the Americas, and Asia. DWS is recognized by clients globally as a trusted source for integrated investment solutions, stability, and innovation across a full spectrum of investment disciplines.
We offer individuals and institutions access to our strong investment capabilities across all major asset classes and solutions aligned to growth trends. Our diverse expertise in Active, Passive and Alternatives asset management – as well as our deep environmental, social and governance focus – complement each other when creating targeted solutions for our clients. Our expertise and on-the-ground-knowledge of our economists, research analysts and investment professionals are brought together in one consistent global CIO View, which guides our investment approach strategically.
DWS wants to innovate and shape the future of investing: with 3,422 full-time-equivalent employees (as of 31 December 2021) in offices all over the world, we are local while being one global team. We are investors – entrusted to build the best foundation for our clients' future.
DWS consists of 73 consolidated entities, comprising of 47 subsidiaries and 26 consolidated structured entities (as of 31 December 2021)[2]. Within DWS, three UK investment entities are wholly owned by DWS Group GmbH & Co. KGaA. Specifically, DWS Investments UK Limited, Deutsche Alternatives Asset Management (UK) Limited and DWS Alternatives Global Limited are the entities within scope of the Financial Reporting Council (FRC), of which only DWS Investments UK Limited provides services relevant to the scope of the UK Stewardship Code. Similar to other asset managers, investment stewardship activities are performed by other entities within the group, based on our established global centres of excellence model. DWS Investments UK Limited ("DWS UK") retains overall responsibility for services provided to its client base, including monitoring and oversight of all delegated activities.
Specifically, many of the stewardship activities described and referred to in this report are conducted by other entities in the DWS Group and not directly by DWS UK. Agreements in place with DWS UK's direct investment clients cover these services to the extent applicable. In particular, this may include governance and proxy voting activities, engagement with issuers, and ESG Smart Integration[3]. The descriptions in this report of such activities are examples of the relevant processes and operational set-up related to specific products and regions of other DWS entities. Due to differing local regulation and industry practices, some of the processes outlined throughout this report may be handled differently and independently by the local entities or their respective representatives. Accordingly, some references are of an exemplary nature.
In light of the above, DWS provides this report on behalf of DWS Investments UK Limited (DWS UK), an entity which is an integral part of the DWS Group.
Since March 23rd, 2018, DWS Group GmbH & Co. KGaA has been listed on the Frankfurt Stock Exchange. Although Deutsche Bank Group listed a minority investment[4], keeping the majority of the shares, this was an important step towards establishing DWS's identity as a standalone publicly listed asset manager operating in a fiduciary capacity for its clients worldwide.
Please find below a group organisational chart.

[1] "DWS" is the brand name of DWS Group. "DWS Group" refers to DWS Group GmbH & Co. KGaA, a German partnership limited by shares (Kommanditgesellschaft auf Aktien), together with its affiliates. References to "we" and "our" in this document refer to DWS unless otherwise stated.
[2] For a listing of DWS's subsidiaries and consolidated structured entities, please refer to DWS Annual Report for the reporting year 2021.
[3] As a result of the enhanced ESG Framework, the Smart Integration approach will cease to exist in 2022 for funds that have previously applied the smart integration approach. More details can be found in Principle 2.
[4] DWS Group GmbH & Co. KGaA is held 79.49% by Deutsche Bank Group and 20.51% by external investors (as of 31 December 2021).



As of December 31, 2021. Source: DWS

Our Purpose

At DWS, our fiduciary responsibility is to safeguard and enhance the investments of our clients – as an asset manager we are entrusted to build the best foundation for our clients' investments. At the same time, we believe we have an important role to play in enabling economic growth and societal progress by contributing to a sustainable future through our investment and stewardship activities.
DWS strives to establish, maintain, and develop genuine partnerships, not only with its clients but with the wider communities and societies in which we live and work. We see it as part of our duty as an investment manager, to publicly disclose relevant policies related to our investment stewardship responsibilities; these include our Conflicts of Interest Policy, DWS Real Estate ESG Framework, Policy on Controversial Conventional Weapons, Engagement Policy, ESG Integration Policies, as well as a Corporate Governance & Proxy Voting Policy. We also believe that active investment stewardship, exercised via a constructive dialogue and engagement with portfolio companies, combined with the appropriate exercise of voting rights, plays an important role in fulfilling our fiduciary responsibilities to clients. We publish our voting and engagement results in our annual Active Ownership: Engagement and Proxy Voting Report ("Active Ownership Report"). Effective oversight is a key component of our investment stewardship responsibilities. An example of this is our goal to ensure that monitoring and disclosure of transactions and our voting activities is performed in line with local jurisdictional requirements.

Our Responsibility

As a fiduciary asset manager, we seek to consider material risks and opportunities that may impact our clients' investments and aim to make our clients aware of these, enabling them to make informed sustainable and responsible investment decisions.
We understand that sustainability factors can materialize and impact all three of the risk areas relevant for DWS – non-financial risks (operational and reputational risks), financial risks and investment risks – and are therefore understood as factors impacting the above existing risk types. In addition, we also observe the increased focus on assessing and monitoring the adverse impact of our corporate and investment activity on the environment and society.
We regard stewardship as being the responsible allocation, management, and oversight of investment capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

[5] https://www.dws.com/solutions/esg/corporate-governance/active-ownership-report-2020/

Our culture

DWS is a leading European asset manager with global reach. We value teamwork, partnership, and inclusion, with the goal of delivering the high standards expected of us by our clients, shareholders, partners, employees, and local communities. Responsible investing is a key part of our heritage – stretching back over 25 years – because we firmly believe it is in the best interests of our clients to do so. We strive to embed ESG principles fully into our culture, with the aim of making it core to everything we do. We believe that incorporating ESG analysis into the investment process assists research analysts and portfolio managers in identifying companies that are leaders in their industries; companies that are better managed, more forward-thinking, and better placed to anticipate opportunities and mitigate risk related to ESG factors.

Our values

Integrity first: Openness, transparency and accountability must define every relationship, whether with investors, colleagues, or society as a whole. In tandem, clients' best interests should always take precedence. This is how lasting value is created and how wealth is protected and grown.
Entrepreneurial minds: Many investors have an entrepreneurial outlook. The people they trust to look after their investments should share that perspective. Innovation, adaptation, agility, efficiency, and collective intelligence are hallmarks of success, especially amid the risks and opportunities of an ever-changing world.
Demanding excellence: Expectations should be exceeded rather than merely met. And to achieve this, we strive for excellence in everything we do. Our fully integrated investment platform is based on outstanding proprietary research, a unique decision-making process, and a level of precision in keeping with the best traditions of German engineering and these are the core components for us to apply this principle.
Inspiring sustainability: Forward thinking demands a long-term view and an understanding of and responsibility for the society we are part of. The long heritage of integrating our Responsible Investing philosophy across all asset classes demonstrates our conviction to contribute to a sustainable future by incorporating environmental, social and governance considerations into investment decisions.
Please view our website here: https://www.dws.com/en-gb/Our-Profile/who-we-are/ for more details[6].

Our strategy

The asset management industry is evolving, with increasing competition, continued margin pressure, and technological disruption amid heightened geopolitical tensions and higher market volatility. However, we believe our diverse range of high-quality products and investment solutions provides us with a strong basis for growing assets and profitability regardless of the market in which we operate. Since our initial public offering (IPO) in March 2018, we have focused on a strategic and organizational refinement, improving net flows and increased efficiency. We prioritised the adjusted cost-income ratio (CIR) target within the first phase of our corporate journey to ensure that we can generate maximum shareholder value regardless of the environment in which we operate. In 2021, we saw a continued strong acceleration in ESG momentum among investors, policy makers, corporations, and society in general. We expect sustainable investments to be a key transformative theme for the future of the asset management industry.
We have also seen an unprecedented momentum in global climate action. Increasingly, governments and businesses around the globe have set ambitious targets in contributing towards a global net zero economy by 2050. We aim to become climate-neutral in our actions, in line with the Paris Agreement, by 2050 or sooner. Building on this long-term ambition and our position as a signatory to the Net Zero Asset Managers Initiative (NZAM), climate action is a key theme within our global sustainability strategy.
Reflecting on our aim of playing a key role as an asset manager in this global transformation, our four core strategic priorities became more ambitious in 2021.

Corporate Transformation

We strengthened our organizational sustainability structure, with our CEO assuming the role of Chair of our Group Sustainability Council (GSC) as well as direct oversight of the sustainability initiatives at DWS Group. To enable the transformation of our corporate culture across the organization, we have reflected sustainability performance parameters in the Executive Board remuneration, and we have included ESG aspects in the variable compensation for all employees. In addition, we achieved proportion of women targets for our Supervisory Board, and for the executive management levels below the Executive Board (see Principle 2).
Considering the increased attention from stakeholders in external ESG ratings, DWS strives to receive ESG ratings where they are deemed strategically important. In 2021, we were rated by, amongst others, the Carbon Disclosure Project (CDP) (result "B: Management Level") and by Morningstar (result "ESG Commitment Level: Basic"). Based on an above sub-sector average rating, we were included again in the FTSE4Good index.

[6] Please note that our values have been updated in March 2022.

We continued the integration of sustainability risks in our risk management framework, including risk appetite and risk strategy. Amongst other activities, we carried out a corporate level ESG scenario analysis aimed at quantifying strategic ESG-related risks and opportunities and at supporting strategic decision making (see Principle 4). Following our participation as a founding signatory to the NZAM we made further progress in a group-wide climate strategy initiative detailing the approach to Net Zero for both our fiduciary and corporate activities. In November, we released our Net Zero interim target framework for 2030 (see Principle 7). For the first time, in March 2021, we published a stand-alone Climate Report.

ESG in the Investment Process

Throughout 2021, we further enhanced our ESG investment processes, and we have embedded ESG factors more closely into financial considerations across active, passive and alternatives investments (see Principle 2). As part of contributing further to climate action, we continued our focus on ESG and climate related thematic research and discussing ESG in the DWS CIO View (see Principle 7).

Innovative and Sustainable Investment Solutions

We have seen growing demand from clients for ESG solutions across active, passive, and alternative investments. Accordingly, product innovation remained a key focus area for us to meet the requirements of our diverse client base. Amongst others, we launched the DWS Concept ESG Blue Economy Fund, an equity fund focused on ocean protection. We are supported by the World Wide Fund For Nature (WWF) Germany, which provides advice on the investee engagement approach for the fund.
In response to the changing regulatory landscape for ESG strategies, we continued to develop and refine an ESG Product Classification Framework that takes account of applicable regulations and which may change over time as new rules and standards evolve. This framework provides the basis for the reporting of ESG AuM (see Principle 2).
We increased the number of funds classified as Article 8 or 9 under SFDR by converting existing funds previously classified as Article 6 in Europe.

Stakeholder Engagement

We further strengthened our engagement framework for EMEA[7] based funds. We are also considering a similar framework for US funds subject to relevant and applicable approvals. Our enhanced engagement framework allows us to define and track sustainability commitments and outcomes among our portfolio companies.

In line with our net zero ambitions, we expanded our engagement to include aspects of climate change including net zero (see Principle 11). Further information on DWS' sustainability and climate strategies can be found in our first integrated Annual Report and Climate Report here: https://group.dws.com/ir/reports-and-events/annual-report/

Our investment beliefs

In our Responsible Investment Statement[8], we explicitly detail our approach to Responsible Investing and introduce the beliefs that guide our investment process. The key beliefs of our philosophy are:

1. Client centricity is at the heart of what we do

Our primary purpose is to be the partner of choice for our clients. We aim to assist them in fulfilling their financial objectives by following and implementing our investment beliefs and carrying out our investment stewardship responsibilities. At DWS, we manage multiple strategies for our clients across asset classes to help meet their varied investment objectives. Our aim is to ensure that, to the best extent possible, these strategies are managed according to a common mission and philosophy.

2. Responsible investment is one of our key responsibilities

Our goal is to deliver strategies for our clients that preserve and increase their risk-adjusted returns. Our fiduciary responsibility includes integrating both financial and non-financial factors. ESG factors supplement financial factors and analysis, and we assume an active ownership of our portfolio companies, using both proxy voting and engagement to drive change for the benefit of our clients' portfolios.

3. Make sustainability a core component of our fiduciary action

Sustainability and sustainable investments have the potential to become a driving force behind successful asset management practices in just a few years. We recognise this not only as responsible financial market participants, but we also clearly see this in the investment behaviour in our global client base. The growing importance of ESG is verified by legal opinion, regulatory trends, and our own experience, all of which reveal that integrating ESG factors into the investment process has the potential to improve investment performance and reduce risk. DWS has long recognised the importance of ESG factors, and we were among the early signatories to the PRI (Principles of Responsible Investment) in 2008. Our expertise and lengthy experience in sustainable investing provide us with valuable investment insights that assist us to further protect and grow our clients' assets over the long term. Including ESG factors into the investment process improves investment performance and can reduce risk.

[7] Funds of legal entities in scope: DWS Investment GmbH (with discretion to vote for certain assets under management of DWS International GmbH, DWS Investment S.A. (incl. SICAVs and PLCs) based on delegation agreements)
[8] https://www.dws.com/solutions/esg/ri-statement/

4. ESG factors are a key component of the investment process.

ESG information is provided as part of the Active investment process with the aim of improving the assessment of the future expected risk / return of a security.

5. Active ownership

We feel that it is part of our fiduciary duty to deliver active ownership of portfolio companies by engaging in constructive dialogue with companies and exercising our voting rights at annual shareholder meetings where possible.

6. Responsible investment improves capital allocation and stabilises financial markets

Investing responsibly helps improve capital allocation processes and stabilise financial markets. It is important to us that our clients, in addition to aligning their investment portfolios with their values and striving to improve risk-adjusted returns, can also achieve positive environmental and societal outcomes.

We are guided by international standards and principles, such as UN Global Compact, the OECD Guidelines for Multinational Enterprises, Cluster Munitions Convention, PRI, and CERES, amongst others.

Our approach to implementation of responsible investment practices in our organisation is based on four pillars:

1. ESG Investment Organisation: The CIO for Responsible Investment (RI) works towards enabling and strengthening ESG incorporation for the investment platform for Active and Passive and oversees parts of the ESG processes within Alternatives.
2. ESG Integration: we work across all asset classes to advance ESG integration in line with client interest, business specific goals and tools to enhance risk adjusted returns
3. Active Ownership: we strive to improve Corporate Governance across our portfolio companies
4. Industry Initiatives: we are part in various local and global multi-stakeholder initiatives, which we publish in our Annual Report and Climate Report in more detail.

Activity

Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.

Reflecting our beliefs in the investment process

Our investment professionals, where appropriate and in line with client investment guidelines, are required to fully integrate ESG factors into our investment process. All business units are responsible for implementing ESG related policies respective their asset classes, e.g.:

- "Policy on Controversial Conventional Weapons"
- "ESG Integration Policy for Active Investment Management"
- "Engagement Policy" for EMEA
- "DWS Real Estate ESG Framework"
- "ESG Integration Policy for Passive Investment Management"
- "Corporate Governance and Proxy Voting Policy" for EMEA; and
- "Proxy Voting Policy and Guidelines" for US.

Full details of these policies can be found on our website https://www.dws.com/footer/Legal-Resources/

For liquid active asset classes, individual investment professionals must comply with the requirements of our ESG Integration Policy for Active Investment Management with supervisors responsible for ensuring strict compliance.

Research heads and portfolio management teams are required to monitor compliance with these policies by focusing on the:

- Quality of the integration of ESG criteria in fundamental analysis (e.g., research notes.)
- Quality of portfolio managers' funds, which are also reviewed in regular meetings

We monitor compliance with these requirements via our regular supervision framework and ongoing training sessions.

Within illiquid Alternatives, the incorporation of ESG into the investment process takes place during investment due diligence and portfolio management. The inherent differences between the liquid and illiquid asset classes require that the approach to incorporating ESG for Alternatives be tailored specifically to the relevant Alternatives asset classes. For more details on ESG incorporation into the investment process and engagement activities for these asset classes please refer to Principles 7 and 9.

Continuous improvement in our engagement Activities and resources

We continue to intensify our focus on engagement and stewardship activities (see Principle 9). Portfolio companies with critical issues (e.g., strategy, financial and non-financial performance, risk, capital structure, as well as ESG issues) that may result in actual or potentially negative effects on the company and its financials, reputation and / or on society and environment, are considered and may trigger an engagement activity. These activities may reflect a range of topics spanning poor financial or non-financial performance, lack of or limited ESG disclosures and strategy, weak risk management, as well as high climate transition risk and serious violations of international norms. During 2021, DWS launched an enhanced engagement framework incorporating a more comprehensive screening criteria process (see Principle 5). Our engagement activities are further documented in our Engagement Database, which now has enhanced tracking and accountability of our engagement activities. This database empowers our investment professionals and reporting teams with a centralised repository for engagement activities, status, areas of concern and the latest engagement updates, enabling client outcomes and improved transparency.

ESG integration is a key feature of our investment process.

Learning from external perspectives

Our ESG integration activities are regularly assessed by the UN-backed PRI (Principle for Responsible Investments). The PRI[9] review and measure our progress in implementing responsible investment practices – and also indicate areas where we can make improvements. For more details, please refer to Principle 5.

Outcome

Signatories should disclose:

– how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and

– an assessment of how effective they have been in serving the best interests of clients and beneficiaries.

ESG Integration in our investment strategy and decision-making

Our proprietary database, the DWS ESG Engine, includes data from five external commercial ESG data providers and is central to our ESG Integration and Smart Integration[10] process across both Active and Passive portfolios. DWS is continuously working on expanding its scope of application as well as enhancing our data, methodologies, and KPIs (key performance indicators) to ensure that our purpose and investment beliefs are reflected in our investment strategy and decision-making. Furthermore, DWS strives to enhance its stewardship activities by improving our policy framework, governance structures, and employee training and material. More details can be found in our response to Principle 2, 4, and 7.

The enhancements made to our processes in 2021 are designed to help our investment professionals work more closely with clients and to better understand their risk-adjusted return and ESG objectives to build customised investment solutions that meet our clients' needs. Improved ESG reporting, active ownership, engagement with portfolio companies, new and more transparent data, together with increased ESG reporting all contribute to improving our clients' investment outcomes.

Additionally, we further developed our proprietary Synrating framework used in our ESG Engine to separate the true quality score of the asset allocation adjusted rating. The Synrating is our best-in-class ESG-rating approach to identify ESG leaders and laggards within a given peer group. "Best-in-class" means that on the one hand, the "true quality methodology" rates companies on the overall ESG quality based on absolute ESG performance (i.e., not adjusting for sectors/ regions). On the other hand, the "asset allocation adjusted rating" identifies ESG leaders and laggards in industry and region-specific peer groups in terms of overall ESG performance.

[9] https://www.unpri.org/about-us/about-the-pri
[10] As a result of the enhanced ESG Framework, the Smart Integration approach will cease to exist in 2022 for funds that have previously applied the smart integration approach. More details can be found in Principle 2.

Serving the best interests of clients and beneficiaries

External Assessments

Our ambition to become a leading ESG asset manager continues to be recognised externally. In 2019 and 2020, we improved our UN PRI scores year-on-year while maintaining the highest possible rating for Strategy & Governance with an A+ rating. For more details, please refer to Principle 5.
Considering the increasing attention from stakeholders on ESG ratings, DWS regularly pursues ESG ratings deemed as strategically important. In 2021, amongst others, we were rated by CDP (result 'B: Management Level') and by Morningstar (result 'ESG Commitment Level: Basic'). Based on an above sub-sector average rating, we were included again in the FTSE4Good index.
In addition, we have received awards[11] and been acknowledged in industry surveys for the progress we are making in terms of ESG investment and investment stewardship.
Below are examples of how DWS has been assessed externally for its effectiveness in serving the best interests of its clients:
External publication – proxy voting – a ranking of the 65 world's largest asset managers' approaches to responsible investment. Please find the 2021 report here: https://api.shareaction.org/resources/reports/ShareAction-Voting-Matters-2021.pdf
External publication – proxy voting – MajorityAction. Fulfilling the Promise – How Climate Action 100+ Investor-Signatories Can Mitigate Systemic Climate Risk. Please find the 2021 report (also citing DWS) here: https://www.majorityaction.us/climate-action100-report-2022
Further details, including how we use research and client feedback to improve our investment decisions and stewardship activities can be found in Principle 6.
In addition, we consider the development of our net flows, overall and ESG-product specific, as an important indication to evaluate whether we have been effective in serving the best interests of our clients.

Delivering on our shareholders' performance indicators

Our shareholders selected the following three performance indicators, in accordance with the Group's strategy, in the shareholders' meeting:
- Adjusted Cost-Income ratio (CIR),
- Net flows (as a percentage of assets under management (AuM)),
- Environmental, Social and Governance (ESG) footprint.

Measured against the previously defined target values as well as the upper and lower limits using the assessment matrix the performance indicators have developed as follows in 2021 financial year.
These performance indicators influence one part of the performance-related variable compensation of the Executive Board members which is granted as either a Short-Term Award (STA) or a Long-Term Award (LTA), depending on the tenure of the relevant objectives.
- The STA is used to reward the achievement of individual and divisional objectives of an Executive Board member.
- The Long-Term Award, which covers the long-term strategic targets, uniformly comprising 60% of the total reference variable compensation, consists mainly of the DWS Group component linked in accordance with the strategy of the Group to the three selected performance indicators above as key metrics for the success and growth of the business.

Adjusted Cost-Income Ratio (CIR)

The adjusted cost-income ratio underscores the consistent focus of DWS's management on further increasing operational efficiency and cost control in order to generate long-term growth and maximize shareholder value. The adjusted cost-income ratio accounts for 50% of the target value of DWS Group component.
Based on the communicated objective of an adjusted cost income ratio (adjusted for litigation expenses, restructuring costs and severance packages as well as costs incurred in the context of transformation) of 60% by 2024, a demanding objective was defined for 2021, the success of which was measured at the end of the year on the basis of the defined assessment matrix.
The annual target was significantly exceeded with an adjusted cost-income ratio of 58.1% and resulted in a level of achievement of 150%.

[11] See for example: https://www.dws.de/das-unternehmen/auszeichnungen/

Net flows

Net flows represent assets acquired or withdrawn by clients within a specified period. Inflows and outflows constitute a key driver of change in assets under management. For that reason, this financial indicator has represented a key yardstick for measuring the organic growth of DWS since its IPO and accounts for 20% of the target value of DWS Group component.
Based on the communicated objective of average annual net flows of >4% (as of % of BoP AuM on average) by 2024, an ambitious target for 2021 was defined. Net flows in 2021 were € 48 billion, this corresponded to an increase of 6% and were thus clearly above target figure. On the basis of the defined evaluation matrix, the level of target achievement of 150% was derived.

Environmental, Social and Governance (ESG) footprint

In every aspect of its business, the focus of DWS's strategy rests on improving the integration of sustainability factors.
The collective ESG ambitions within the LTA account for 30% of the target value of DWS Group component.
Environmental aspects such as sustainable finance and investments and reducing the Company's own carbon footprint are underpinned by the following objectives and the following target achievement levels were reached on the basis of the defined assessment matrix:
- ESG net flows: growth of ESG-specific inflows 150%,
- Sustainability rating: improvement of results in the Carbon Disclosure Project (CDP) rating 140%,
- Reduction of total energy consumption and emissions stemming from travel (air and rail) 142%.

Social aspects are used as a benchmark for a corporate culture that actively promotes social commitment, striving to achieve a broad-based involvement on the part of DWS employees in projects relating to corporate social responsibility (CSR) with partner organizations. Social responsibility measured in time resulted to a level of target achievement of 100%.
Corporate governance aspects relate to ethical conduct, integrity and a "speak-up" culture as a component of the annual employee survey. In particular, the aim is to gain insight into and assess attitudes towards leadership and to develop a culture of open dialogue. The level of agreement achieved in 2021 corresponded to a target achievement of 140%.
In summary, taking into account the weighting of the individual objectives, a level of target achievement of 134% was determined for the ESG footprint.

From the aforementioned target achievements and taking into account the respective share of the three objectives, a calculated level of target achievement of 145% was determined for the DWS Group component.

2 Purpose and Governance: Governance, Resources, and Incentives

Activity

Signatories should explain how:
– their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach;
– they have appropriately resourced stewardship activities, including:
– their chosen organisational and workforce structures;
– their seniority, experience, qualifications, training, and diversity;
– their investment in systems, processes, research, and analysis;
– the extent to which service providers were used and the services they provided; and
– performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision making.

DWS ESG governance structure

Overall sustainability governance structure

Our CEO has overall responsibility for sustainability-related risks and opportunities, but this is shared by the Executive Board ("ExBo"). Material sustainability -related issues are presented to the Executive Board as necessary and appropriate. sustainability -related risks and opportunities affect each of DWS' six divisions. The Board believes that the risks and opportunities associated with sustainability are of paramount importance to the long term commercial and fiduciary interests of the firm and its clients. In 2021, the Board approved the AuM in scope for its 2030 decarbonisation target as part of the NZAM initiative and selected science-based target initiative (SBTi) as the framework for doing so. As such, the Board has directed DWS to minimize its exposure to climate -related risks by reducing the carbon exposure of the firm's managed portfolios and corporate operations aligned to a pathway designed to achieve net zero by the year 2050[12].

Group Sustainability Council (GSC)

The Board established the GSC in Q4 2020, to drive alignment and assume oversight of our cross-divisional sustainability strategy, ESG strategy, and climate-related activities. The GSC consists of senior representatives from all DWS divisions and is chaired by our CEO. The GSC meets on average twice a month. It is responsible for driving the execution of key deliverables, and ensuring alignment on cross-divisional ESG initiatives, sustainability-related risks and opportunities and our sustainability KPIs. The GSC has been structured and empowered to represent the interests and responsibilities of the Board with authority to raise proposals to the Board and execute on the Board's decisions. In the context of climate-related risks and opportunities, the GSC endorsed DWS' net zero framework, which was developed by representatives of DWS' Group Sustainability Office, DWS Research House, and other parts of the investment platform with support from external consultants and other industry groups. Following the GSC endorsement, the Board provided final approval.

Group Sustainability Office (GSO)

DWS established a dedicated Group Sustainability Office (GSO) which supports the CEO and the GSC in achieving its objectives, drives the formulation of our sustainability strategy, sets clear strategic priorities and milestones, tracks implementation as well as leading selected group-wide sustainability initiatives. In addition, the GSO manages cross-divisional sustainability and climate-related activities and partnerships.

ESG Advisory Board (EAB)

To provide an outside-in perspective and further expertise, DWS established an external ESG Advisory Board (EAB) in November 2020 comprised of six highly recognised international sustainability and climate experts from diverse disciplines. The EAB advises the CEO and the Board on our long-term sustainability strategy. The EAB met three times during 2021 on a virtual basis.

[12] https://www.dws.com/Our-Profile/media/media-releases/dws-only-german-asset-manager-joining-founding-signatory-group-on-net-zero-emissions-goal-initiative/

Our Investment Stewardship Governance Structure

As a responsible Board member, the DWS CIO oversees the integration of ESG and sustainability risks and opportunities in the Investment Division. He is supported by the Global Head of Research, the CIO for Responsible Investments (RI) and the Global Investment Division Leadership Council.
At a practical level, the integration of ESG and sustainability considerations takes place through the following formalised channels:

- Global Investment Division Leadership Meeting. In this monthly meeting, led by the CIO, relevant strategic issues affecting the future of the Investment Division are discussed. Specifically, relevant initiatives and reports associated with ESG and sustainability -related risks and opportunities are discussed by the Global Head of Research.
- CIO Research. The CIO Office, in close collaboration with the Economics team is responsible for delivering market and economics views both to the Investment Division and internal and external stakeholders. Since 2018, we incorporate ESG (including climate) aspects into our quarterly CIO View publications. Furthermore, the CIO Daily Newsletter contains an ESG section that is commenting on all the material information related to ESG and climate-related risk and opportunities. Relevant climate and ESG issues are taken into consideration in defining both the Tactical View (time horizon 0 - 3 months), as well as the Strategic View (12 months). For more details, please refer to Principle 4.
- Integration of ESG in the Investment Process. The process of integration of ESG and sustainability -related risks and opportunities at portfolio level is led by the CIO for Responsible Investments (RI). The CIO for RI manages the Responsible Investment Center (RIC), ESG Integration and the ESG Engine & Solutions Team, the Corporate Governance Center and investigates ESG matters together with the DWS Research Institute. The CIO for RI provides the toolkit so that ESG and climate-related risks and opportunities can be incorporated in the investment process across asset classes and regions.

Product Division (PD)

Dedicated ESG product specialists and an ESG Advisory team provide ESG insights, analytics, and tailored investment solutions. The Product Division is responsible for assessing ESG and sustainability -related elements for all new product launches and for managing the product portfolio in line with DWS' sustainability strategy.

Client Coverage Division (CCD)

The Global ESG Client Officer leads the delivery of sustainable investment solutions and advice to DWS clients. This role ensures that sustainability remains central to our strategic client relationships. Additionally, over 25 ESG Ambassadors, organized regionally and along distribution/client channels, coordinate regional sustainability solutions for our clients working with Investment Professionals and Product experts.

Executive Division (ED)

The Executive Division oversees the Group Sustainability Office. Furthermore, within the division, Human Resources is responsible for incorporating sustainability related KPI's in the DWS compensation structure, while Communications & Marketing manages our sustainability related communications and marketing materials.

CFO Division

The CFO Division assumes responsibility for managing all ESG and sustainability -related disclosures, tracking of sustainability KPIs and sustainability risks (including climate change), and integrating ESG and sustainability risk in the Risk Management Framework.

COO Division

The COO Division leads our objective to reach net zero in our operational emissions as a company. We aim to achieve this by applying the same science-based standards we use for our investment portfolios to our operational emissions as well. Targeted activities include the reduction of emissions from the real estate we occupy and the integration of ESG factors in vendor onboarding and monitoring.

CIO for Responsible Investments

The CIO for Responsible Investment (RI) works towards enabling and strengthening ESG incorporation for the investment platform for Active and Passive and oversees parts of the ESG processes within Alternatives. The CIO for RI reports to DWS's Head of Research who in-turn is a direct report of the CIO. The CIO for RI develops structures and processes with the aim of integrating ESG considerations into the investment process. The CIO for RI specifically manages the Responsible Investment Center (RIC), ESG Integration Team, ESG Engine and Solution team and the Corporate Governance Center. The CIO for RI also investigates ESG matters in collaboration with the DWS Research Institute.

Corporate Governance Center

The Corporate Governance Center acts as a trusted partner for our clients in the review, monitoring, and implementation of relevant stewardship codes, where necessary and feasible. As part of the investment platform, the Corporate Governance Center is designed to identify corporate governance issues and provide corporate governance expertise and content to the DWS Investment Division and clients. It is responsible for preparing and reviewing the Corporate Governance and Proxy Voting Policy every year, as well as orchestrating the proxy voting processes across different divisions internally and externally and conducting governance-specific engagements. In particular, it enables active ownership through the exercise of proxy voting and governance engagement for our Active and Passive investments. Complementing these activities, we have dedicated ESG specialist investment professionals to support these activities. This includes an ESG Gatekeeper in every major investment team on the Active investment platform in addition to senior ESG portfolio managers.
The main activities of the Corporate Governance Center include:

1. coordination and conduct of engagement with a focus on corporate governance topics;
2. oversight of processes related to shareholder rights (i.e., exercising proxy voting);
3. internal and external reporting on stewardship activities and policy advocacy on relevant global governance and stewardship topics.

Coordination and Conduct of Engagement

The coordination and conduct of engagement specifically related to governance topics includes close interaction with portfolio management in preparation of and during engagements with portfolio companies. The team assists in analysing governance structures, providing opinions and leading engagements with portfolio companies; they also coordinate DWS's attendance at Annual General Meetings including questions and statements to challenge our portfolio companies to improve. Our engagement activities are central to our ESG Integration Policy for Active Investment Management, Engagement Policy, and in turn our Corporate Governance and Proxy Voting Policy. Each policy plays a key role in the overall objective to improve the behaviour of an investee company as they relate to environmental, social and/ or corporate governance factors, as well as strategy, financial performance, risk, and capital structure. Our engagement activities are undertaken by research analysts and portfolio managers in partnership with the Corporate Governance Center and the ESG Integration team. Thematic engagements focus on topics that are relevant for several sectors for which we target a universe of issuers, aiming to understand the existing approach and to promote better practices.. Collaboration between our Portfolio Management, Research, ESG Integration and Corporate Governance Center teams is an important factor of our active ownership activities. We are constantly striving to streamline our engagement approach to further integrate ESG into the DWS investment philosophy.

Proxy Voting

Proxy voting describes a central, but more technical means of effective engagement and is core to our corporate governance activities. The Corporate Governance Center is constantly working to strengthen its position on what a sound corporate governance framework looks like as well as our expertise on this, which is then integrated into DWS' Corporate Governance and Proxy Voting Policy. The policy guides our proxy voting decisions, as well as our corporate governance activities, and builds upon regulations, codes, national and international best practices, as well as our own understanding of good governance developed over years of experience in this field. The DWS Corporate Governance and Proxy Voting policy plays a key role in our overall objective to improve the behaviour of an investee company in terms of environmental, social and/ or corporate governance factors, as well as strategy, financial performance, risk, and capital structure.

Reporting on Stewardship Activities

The Corporate Governance Center also provides regular information and relevant reports to internal stakeholders as well as to clients. The annually published Active Ownership: Engagement and Proxy Voting Report is used to demonstrate our progress and provide insights on our overall stewardship activities within the Active investment division.

2021 Developments

In 2022 and beyond, we envision broadening out the team and delegating some of the engagement tasks directly to the investment professionals, as they are the ultimate stewards of investments on behalf of our clients. The enhanced engagement process allows senior management to have transparency over all stewardship activities across all regions and asset classes and will drive constant improvement.
Our corporate structure balances the two key elements of our investment approach – that of our fiduciary duty to our clients, and the need to deliver strong investment stewardship over those assets entrusted to us as the investment manager.
Given the dynamics around corporate governance and stewardship regulation – and client requirements – the Corporate Governance Center actively engages in promoting good corporate governance and stewardship practices. It further provides input through consultations and opinions on proposed legislation and aims to be recognised as a thought-leader in these areas. Given our more than two-decade long experience in corporate governance, members of the Centre have been part of international activities to shape stewardship practices globally by actively participating and providing their expertise in relevant national and international working groups on corporate governance.

Class Action Advisory Meeting (CAAM)

In specific cases, we may decide to recommend filing individual claims against portfolio companies on behalf of DWS funds or mandates in a Class Action Advisory Meeting (CAAM). For funds managed by DWS Investment GmbH or DWS Investment S.A., the CAAM acts as established governance function and assesses and opines on relevant cases.
The CAAM consists of representatives of all relevant stakeholders including Compliance, Legal, Portfolio Management, Corporate Governance Center, Chief Operating Office and Communications. It convenes regularly on a quarterly basis and ad-hoc if required.
The CAAM assesses a wide range of information received on each individual case to discuss the extent of damage, the probability of success, the jurisdiction, the time-horizon, the nature of the case and the costs associated with the case. Based on its assessment, the CAAM presents the case to the management boards of the affected funds for approval to file a claim.
The process described is applicable only for funds managed by DWS Investment GmbH or DWS Investment S.A..

DWS Research Institute

The DWS Research Institute is responsible for producing research on key investment themes and the long view, including on ESG matters. The team acts as a key channel for delivering all research produced in the investment teams across DWS. Its research activity has focused on various ESG themes, research publications, and representing DWS in industry workshops and presentations.
Publications in 2021 (please find our research publications here: https://www.dws.com/en-gb/solutions/esg/research/)

- Why we can no longer afford to neglect water risk – op-ed with WWF
- Paths of responsible investing in China and Europe – joint paper with Harvest Asset Management
- Making sense of a chaotic ESG reporting landscape
- Why ESG reporting requires scientific verification
- Exploring the financial materiality of social factors
- Oceans and climate – exploring the nexus
- Financial implications of addressing water externalities in the apparel and meat industries – research partnership with Ceres and Bluerisk

ESG Engine & Solutions Team

The ESG Engine and Solutions team is responsible for the ESG Engine, our proprietary ESG database. This includes seeking to define the ESG factors that should be incorporated in the Engine, including for example double materiality factors

- identifying the most appropriate vendors for ESG data
- managing data provided by ESG data vendors
- maintaining the DWS ESG Engine
- ensuring that the relevant data is delivered to the relevant parties (most notably Risk Management, Client Reporting, or Investment Guideline team within DWS).

Throughout 2021 DWS used five external commercial ESG data providers. The data is made available to research analysts and portfolio managers for liquid assets through the Aladdin platform to ensure support for research, investment decision making and for managing ESG strategies. The ESG Engine is a key tool which Active analysts and portfolio managers are expected to take ESG topics into account when making material investment decisions, where applicable. It is also the foundation of dedicated ESG strategies using for example our ESG investment standards and can be used for some passively managed strategies and for Liquid Real Assets (LRA).

The ESG Engine covers most listed asset classes but is dependent on ESG rating coverage by its contracted third-party vendors. There may be limited information on certain asset classes. The integration of the ESG Engine into relevant ID systems provides the means to incorporate ESG into the investment process. The Liquid Real Assets team has a separate and proprietary process for using selected ESG vendor data relevant to their strategy. Dedicated ESG strategies in LRA may be based on the ESG Engine ratings and screens, as disclosed in the pre-contractual documents.

Appropriate Resourcing regarding Seniority, Experience, Qualifications, Training, and Diversity

Seniority and Experience

The Global CIO, Global Head of Research, and CIO for Responsible Investments and Corporate Governance all have over 20 years of investment management experience. Before assuming their current roles and responsibilities, they were all portfolio managers and research specialists deeply steeped within the DWS culture and investment processes. They work collaboratively with each other and their respective teams. They manage diverse teams across the globe. They are well respected within DWS and within the broader investment community. Their expertise is across asset classes and all have managed client portfolios during their careers at DWS.

Table 2.1 List of key DWS colleagues contributing to our ESG strategy

Role	Years at DWS	Years in Industry	Years of ESG Experience
Global CIO	23	26	6
Global Head of Research	23	23	4
CIO for Responsible Investments	21	24	10

Qualifications and Training

Since 2011, we have organised mandatory internal training for our investment professionals to better assess ESG risks and opportunities and to improve our understanding of the Responsible Investment Framework and the integration of ESG into our investment processes.

In 2021, we continued to engage investment professionals on ESG integration, offering nine European courses on how to use ESG ratings within the DWS ESG Engine and how to incorporate these as part of fundamental analysis. In addition, we focused on enhancing our engagement framework, database, and research notes, particularly in equities, which formed the basis for additional training courses. We conducted meetings with ESG specialists from various investment teams and provided support by way of company or engagement meetings if required. We held additional sector materiality workshops over the year, which were well received.

In 2022, we will continue to offer these training sessions as well as additional workshops on sector materiality, with a greater focus on the EU taxonomy, sustainable investment regulations (notably the Sustainable Finance Disclosure Regulation (SFDR)), and principal adverse impact indicators in investment decisions. All of these activities support our investment professionals to make better-informed investment decisions, to engage with our portfolio companies efficiently and to focus on achieving the most important sustainability outcomes.

Since 2017, DWS employees have been given the opportunity to register for the EFFAS (European Federation of Financial Analysts Societies) ESG exam to build their professional skills with regards to ESG integration, stewardship, and materiality. We currently have 274 employees who are CESGA certified and actively employed within DWS as of December 31, 2021, of which 100 were newly certified in 2021. In addition, 130 DWS employees attended PRI's "Getting Started in Responsible Investment" training.

Diversity

Diversity remains a key focus for DWS both as an employer and as an asset manager promoting diversity among our portfolio companies.

DWS is committed to an inclusive culture that respects and embraces the diversity of our employees, clients, and communities. Our continuous focus is to:

- Build talented and diverse teams to drive business results
- Create a respectful and inclusive environment where people can thrive
- Strengthen our relationship with clients/partners, regulators, communities, and potential employees

We aim to attract, develop, and retain the best people from all cultures, countries, races, ethnicities, genders, sexual orientations, abilities, beliefs, backgrounds, and experiences. To this end, and to prepare for opportunities and challenges arising from changing demographics, digitalization, and the future of work, we follow an integrated and multi-dimensional approach to diversity and inclusion. We also work to ensure equal opportunities for employees who work both full-time and part time, i.e., that have a flexible work arrangement. This year the percentage of employees globally who work part time stood at 8.7% (2020: 8.8%).

Throughout 2021, DWS continued its journey to embed diversity and inclusion in our business and people practices. Key focus areas in 2021 were:

- Setting voluntary goals at the Supervisory Board and Executive Board-1 and Executive Board-2 levels per the German Gender Quota Law in 2019. "Proportion of women" is one of the KPIs that we are tracking internally with continued success in meeting our voluntary goals. We will continue to set voluntary goals for 2022 and beyond. Our efforts will also continue to align us to the new German Executives Positions Act II which was introduced in August 2021.
- We used "International Pronouns Day" as an opportunity to ask our global colleagues to voluntarily update and include the pronoun in their email signatures.
- Our Black Leadership Alliance facilitated 12 race equity sessions in the UK, our development programme for Black talent was expanded to the UK region, and we played an active role in supporting the 10,000 Black Interns initiative.
- Launch of DWS 2030, where emerging talent joined working groups focusing on six trend topics that DWS intends to drive forward through thought leadership.

Details on how we promote diversity in our portfolio companies can be found in Principle 12.

Working together to create a diverse and inclusive workforce at DWS

In nurturing an inclusive work environment, DWS have developed a number of key external partnerships across the globe. These partnerships not only help us to drive our internal agenda, but they also enable us to share good practice and to positively impact the societies we are operating in. These include:

- Partnership and Sponsorship with Diversity Project, whose vision is to create a truly diverse and inclusive UK investment and savings industry
- Membership with New Financial, a think tank and forum launched in 2014 with the view to rethinking how Diversity and Inclusion can be improved in capital markets in Europe, and to look at rebuilding trust and improving industry culture
- Our CFO chairs a Forum of 12 European asset management and investment firms CFOs where she sponsors the Diversity and Inclusion pillar
- Sponsorship of the Fondsfrauen initiative in Germany, a business network for women in asset management and finance
- Member of the Diversity & Inclusion Working Group of the US Institute, a think tank for leading investment management firms
- Financial Supporter of Level20, a not-for-profit organization dedicated to improving gender diversity in the European private equity industry
- DWS joined the Human Rights Campaign's Business Coalition for the Equality Act to advocate for passage of federal protections for LGBTQ Americans
- Founding member of Morgan Stanley's diversity and inclusion initiative "The Equity Collective". The group is comprised of 23 leading asset managers.

Employee Inclusion Networks

DWS established its first Employee Inclusion Networks (EINs) in the Americas in 2020, which have since evolved into global networks to unite a sense of community across DWS in EMEA, the Americas, and Asia Pacific. The purpose of these networks is to create a diverse and inclusive working environment that fosters change, provides a sense of belonging, and which values, and develops all employees.

By sharing information, educating, and engaging with our communities, the EINs contribute to business development as well as recruitment, talent retention, and professional development. They are open to everyone at DWS and are designed to support the advancement of all employees regardless of gender, age, or race. Each network has executive sponsors to further support local efforts and advocacy through senior leadership.

In early 2021, DWS UK set up a Diversity, Equity, and Inclusion (DE&I) program as part of DWS UK's strategy to strengthen its inclusive working environment, and to foster change, collaboration and engagement around diversity, equity, and inclusion. DWS UK's goal to have a workplace where we value and develop employees of all backgrounds and experiences, where everyone feels like they belong. The program is supported by a senior sponsor group consisting and governed by a dedicated UK council. DWS UK believes that DE&I is critical for building cognitive diversity and culture and has therefore asked all UK staff to include at least one DE&I objective in the 2022 objective-setting process.

The DE&I program's near-term objective are built on four pillars:

– Engagement: Build on the momentum of staff engagement with monthly events and increase EIN's membership.
– Recruitment practices: Foster the necessary recruitment changes to create more diverse and inclusive job profiles, CV collection, promotion panels etc.
– Bring diverse backgrounds into senior/leadership roles: Set up a women returners' programme and increase socio-economic diversity also by participating in #10k Black Interns[13] and upReach[14].
– Data & Targets: Collect data to actively manage diversity more effectively and be able to credibly report.

In September 2020, DWS UK was one of the first firms to sign up to an industry initiative to recruit 100 black students for internship in the London investment management market for which the initiative received in the vicinity of 10,000 applications. DWS UK welcomed a number of them to spend eight weeks working as an intern with our Passive and Alternatives Real Estate teams, respectively.

Case Study: Continuing our Focus on Gender Diversity

DWS aspires towards greater female representation at DWS and continues to monitor and report on our progress to the Executive Board. We have a variety of measures in place including talent development programmes, manager training, sponsorship programmes, best practices on people-related decisions, internal monitoring, and significant support for grassroots, employee-driven initiatives.

Table 2.2 Implementing German Gender Quota Legislation at DWS Group

	Target for 31 Dec 2021	Status as of 31 Dec 2021	Status as of 31 Dec 2020
Women on the Supervisory Board of DWS KGaA	30%[1]	33%	33%
First management level below the Executive Board	26%	28%	27%
Second level below the Executive Board	29%	29%	28%

[1] Supervisory Board set the target for 29 January 2024.

Specific actions linked to increasing diversity in decision making bodies which include voting committees, legal entity boards and wider governance bodies has supported our continued success.

For the first time in 2021, DWS participated in the "Women in the Workplace Study" developed by LeanIn.Org and McKinsey & Company. The study will provide us with further benchmarking, insights, and context to ensure we further understand challenges women face and find solutions to continue our progress.

In the UK, Deutsche Bank Group published its fifth Gender and Ethnicity Pay Gap report in compliance with UK legislation that came into force in April 2017, requiring all companies with 250 or more employees to report their gender pay gap annually. DWS was included in this data. For the first time, Deutsche Bank Group declared Ethnicity data on the 2021 report.

In Germany, the German Remuneration Transparency Act, which came into force in January 2018, offers employees the right to request specific aggregated information about the remuneration of colleagues of the opposite gender in comparable jobs. As a global company, we continue to look forward to monitoring and reporting on our progress.

[13] https://www.10000blackinterns.com/
[14] https://upreach.org.uk/

Investing in systems, processes, research, and analysis

Our in-house Capabilities

DWS has invested heavily in building out its ESG capabilities. As part of these efforts, we have partnered with leading external ESG specialists and subscribe to five trusted commercial ESG data providers for our proprietary database, the DWS ESG Engine. With this approach, DWS can access more than 700 external ESG specialists, the equivalent of approximately 2,500 years of ESG industry experience. We also use publicly available information as often requested by clients such as Freedom House (political and civil liberties) or the Transition Pathway Initiative (TPI).

We prefer to use external and independent ESG specialists and data vendors for a number of reasons, but mainly to increase data reliability and support robust decision-making. Firstly, asking for multiple opinions ensures that a verdict is based on a common re-confirmed base, which is important before making an investment decision. Secondly, it increases coverage. Thirdly, it allows us to create unique and meaningful ESG ratings that are developed in-house at DWS. Fourthly, it allows a high degree of flexibility in selecting and applying ESG signals and sub-signals explicitly requested by many of our clients, and fifthly, certain data providers are explicitly requested by clients (e.g., in Germany, ISS Oekom, bearer of the ARISTA certificate; MSCI for international clients and their ESG index products), while others are used to form market opinion (e.g., Sustainalytics drives Morningstar's sustainability "globe" ratings for funds).

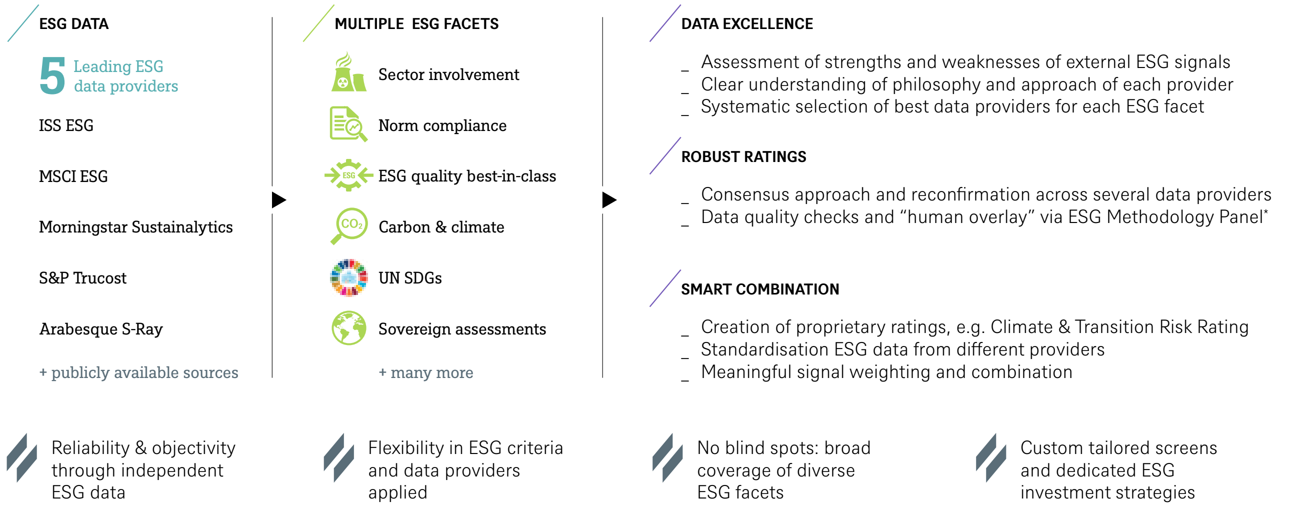
Additionally, in our Real Estate business, we have begun deploying smart building technology that captures real-time data and uses artificial intelligence to allow us to manage and operate our buildings more efficiently and sustainably.

We believe that our ability to process, integrate, combine, and analyse multiple data sources automatically is a unique differentiator for DWS.

Developing our systems

The DWS ESG Engine[15] is our in-house business-managed application software that empowers our employees to meet growing client demand on ESG solutions.

Chart 2.1 Understanding the structure of the DWS ESG Engine



* the ESG Methodology Panel (EMP) consists of several ESG experts within DWS across asset classes and divisions. The EMP meets weekly do discuss the design of new or adjustment of existing ratings, verification of questionable data points, and the onboarding of new data providers, among others.
For illustrative purposes only.
Source: DWS International GmbH. As of December 2021.

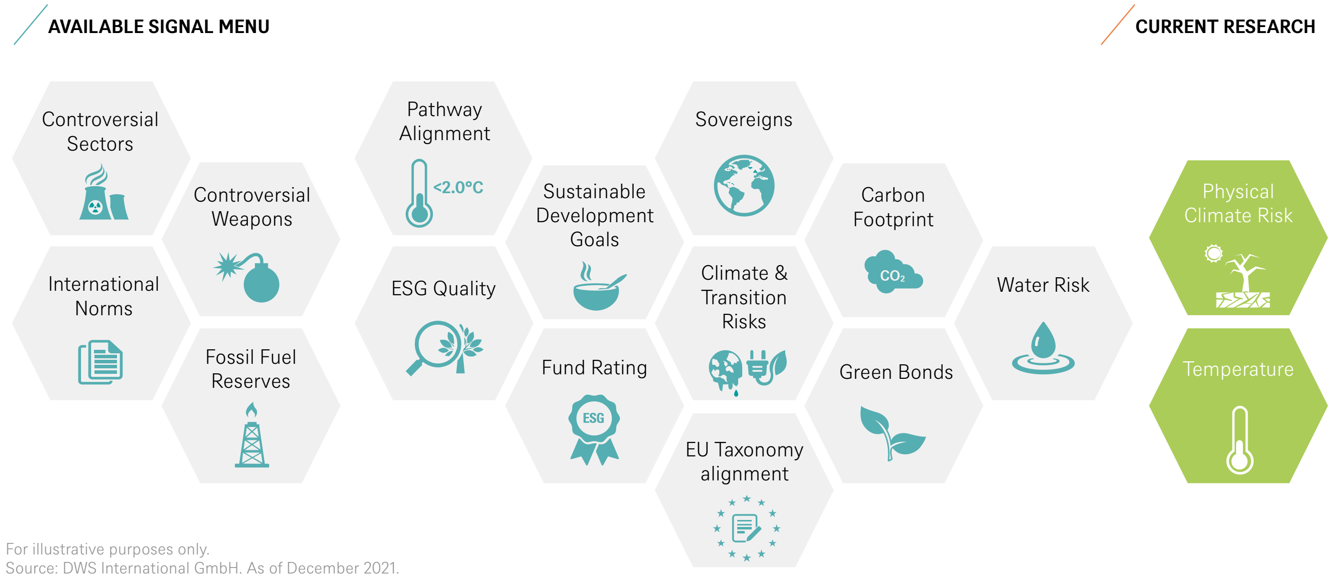
The DWS ESG Engine derives so-called ESG signals (A-F letter coded ratings and numerical scores on a 0–100-point scale) to clearly quantify and qualify ESG risks and opportunities. This coded information is supplemented with a variety of raw ESG data as published by our data vendors, most notably ESG specialist written narratives. The DWS ESG Engine produces ESG signals for liquid securities in corporate and sovereign Fixed Income, Equites, listed Real Estate, mutual funds, and ETFs (but excludes commodities and Alternatives). It supports solutions in Active as well as Passive mandates. The DWS ESG Engine runs on regular production schedule, picking up the latest available information from our data vendors (i.e., two ESG signal refreshes are performed per quarter). The vendors continuously check for significant events (e.g., a controversy) and corporate actions (e.g., mergers) and update their records accordingly. Fundamental revisions are usually conducted on an annual basis. At the same time there is a continuous feedback loop with the contracted data providers to improve and extend the data sets used by the DWS ESG Engine.
The resulting ESG signals are published into BRS® Aladdin[16] for easy and flexible integration into DWS's investment platform, including its research platform, and consumption by DWS's investment professionals. Thereby, the DWS ESG Engine allows DWS's investment professionals to conduct a 360-degree assessment of almost 13,000 issuers on its platform.

[15] https://www.dws.com/solutions/esg/esg-engine/
[16] https://www.blackrock.com/aladdin

Our Analysis

Using the DWS ESG Engine, we can conduct granular ESG assessments on the companies in our portfolio, which are further enhanced by our proprietary Synrating and Climate and Transition Risk Rating which are designed to assess a company's ESG performance and climate transition risk respectively. The chart below provides an overview of some of the broad-ranging signals that is able to detect:

Chart 2.2 DWS ESG Engine signals



For illustrative purposes only.
Source: DWS International GmbH. As of December 2021.

Our ESG vendors and service providers

As per chart 2.1, DWS has contracts with various providers including ISS-ESG (sector tests, norm tests, ESG ratings, climate data, water risk, sustainable development goals & EU taxonomy data), MSCI ESG (sector tests, norm tests, ESG ratings, net zero & climate data, water risk, sustainable development goals data, fund data), Morningstar Sustainalytics (norm tests, ESG ratings; for funds: sector tests, norm tests, ESG ratings), S&P TruCost (sector tests, climate & net zero data, water risk), and Arabesque S-Ray (norm tests, ESG ratings, climate transition risk, water risk). Supplementary information is processed to cover e.g., green & sustainability bonds, sustainable structured finance etc. The information is processed in DWS' ESG Engine, which calculates cross vendor ESG signals. DWS's multi-data vendor approach turns the multiplicity of subjective assessments into a strength: verdicts that are supported by a cross-vendor consensus are prioritized.
To exercise our voting rights at general meetings, we primarily use the services of two providers: Institutional Shareholder Services Europe Limited ("ISS") and IVOX Glass Lewis GmbH. Both companies analyse annual general meetings and their agendas based on our proprietary proxy voting policy and provide us with voting recommendations and their rationale. IVOX Glass Lewis covers general meetings in Germany, while ISS provides us with a sophisticated online platform to support our proxy voting process for international annual general meetings. Furthermore, data from the ISS Governance Quality Score is also used to support our voting process. Where a deviation from the policy recommendations is considered relevant, DWS's Proxy Voting Group is the ultimate decision-making body, composed of relevant investment representatives to ensure that the deviation follows a consistent voting process and is in line with our understanding of good corporate governance.
Investment views (including ESG and stewardship criteria), and changes to these, are communicated directly to investment professionals, as well as being centrally housed within BRS® Aladdin – the fully integrated software environment we use for our investment activities.
With BRS® Aladdin, our portfolio managers work in a fully integrated software environment with straight-through processing, from research and idea generation to trade execution and quality management. This state-of-the-art system allows us to not only manage our portfolios efficiently and safely but to also incorporate requirements like proprietary DWS ESG ratings.

Operational enhancements in 2021

The most important developments of the ESG Engine that took place in 2021 were the following:

- Integrated Transition Pathway Initiative (TPI) and Science Based Targets Initiative (SBTi) alignment data
- Recalibrated the DWS ESG Sovereign Assessment in order to accommodate among others regulatory guidelines
- Refinement of the overall ESG quality rating designed to improve the best-in-class measure for ESG leaders and laggards within a peer group
- Progress in the development of proprietary ratings of Principal Adverse Impacts (PAI) and Taxonomy in the ESG Engine
- With the above developments, we expanded the analysis of material ESG global drivers in our CIO View[17] (see Principle 7).
- Further enhancement of ESG KPIs (EKPIs) designed to improve investors' understanding of the characteristics of the relevant ESG products.

Based on this, we made further enhancements to our Client Reporting, please refer to Principle 5.website

We are working on the third pillar of CTRR[18], physical climate risk, which is still planned to be added to the ESG Engine subject to data availability. All of the above changes were made in order to ensure that we further refine ESG incorporation and provide the relevant ESG factors for the investment process. The ESG Engine produces key ratings, which are the basis for DWS ESG investment strategies.

In addition, we intensified our ESG integration and engagement process across the Active business within DWS's Investment Division, including the following improvements:

- We enriched our research handbooks, ESG quality assurance process, and ESG policy framework for our investment professionals to better prepare them for engagement with portfolio companies, including integration of ESG information in their research notes and enhanced engagement framework and database.
- Our investment professionals have been trained to identify any exposures to critical ESG issues and act accordingly to mitigate unexpected unattended sustainability risks at a portfolio level. In 2021, this process has been further strengthened with the advancement of our Smart Integration process to our new ESG Product Classification Framework (see below) and compliance with the established Committee for Responsible Investments (CRI) for certain actively managed mutual funds that are domiciled in Germany and Luxembourg. The CRI requires an additional level of due diligence for company investments with regards to both norm violations and climate and transition risk (CTRR) issues. In certain cases, the CRI continues to waive certain investment restrictions conditional upon close monitoring of norm violations and with the aim of improving disclosure. In some cases, this led to certain divestments from the funds within scope of the CRI.

In 2021, we introduced an ESG Product Classification Framework (ESG Framework) pursuant to which we considered all SFDR Article 8 and 9 products as ESG. For products outside the scope of SFDR (principally those in the US and Asia/Pacific), the ESG Framework provided that those institutional products that comply with certain of the Global Sustainable Investment Alliance (GSIA) "General Industry Standards and Guidelines for Sustainable Investing" were considered as ESG. Retail products outside the scope of SFDR were classified based on DWS ESG filters, taking into account different regional ESG market standards.

In accordance with our amended ESG Framework, Article 8 funds will generally apply one of two different ESG filters. This is needed to balance a broad range of client and regulatory requirements, whilst offering enough flexibility to continue to invest within the defined investment parameters of the products.

The two different types of Article 8 products are offered through applying one of the two following ESG filters

- The "DWS Basic Exclusions" filter represents our basic approach to incorporating certain exclusions in the investment policy of the relevant fund
- The "DWS ESG Investment Standard" filter enhances the exclusions and adds an ESG quality assessment approach[19] encompassing investments in issuers selected for positive ESG performance relative to industry peers

By aligning funds to SFDR Article 8 or 9 and by applying the beforementioned ESG filters, climate and transition risks are mitigated. Both filters exclude issuers with excessive climate risk profile as investment. The "DWS ESG Investment Standard" filter goes beyond the "DWS Basic Exclusions" filter by limiting the investment in issuers with high climate risk profile to 5% of the fund's assets.

Over the course of the year, we also changed the reference index for numerous Passive products to indices consistent with the Passive specific minimum ESG standards. These funds now track indices that promote sustainability factors (environmental and social characteristics), whilst applying ESG safeguards, and moved from an Article 6 to Article 8 classification following the change in index.

As a result of the enhanced ESG Framework, the Smart Integration approach and the CRI will cease to exist in 2022 for funds that have previously applied the Smart Integration approach. Prior to the applicable conversion date on 31 December 2021, 167 actively managed mutual funds domiciled in Germany and Luxembourg with combined AuM of € 148 billion as per year-end 2021 were subject to the Smart Integration approach.

From 2022 three councils govern ESG in the ID: the ESG Engine Methodology Panel (EMP), the Sustainability Assessment Validation Council (SAVC) and the Engagement Council. The EMP's roles and responsibilities remain unchanged compared to previous reporting periods focusing among other items on ESG rating methodology. The SAVC and the EMP have been introduced in 2021. The SAVC is designed to perform a quality assurance function on the ESG ratings and seeks to ensure that the ratings reflect engagement potential and -progress as well as most up to date information from the issuer. The Engagement Council is designed to ensure that important ESG matters are discussed and drive engagement for European domiciled funds[20]. SAVC and EMP are both global.

We further developed and improved our ESG integration framework and reporting process to track progress on our ESG integration activities and to develop further investment manager training.

DWS introduced an enhanced engagement framework for Europe during 2021 and is considering a similar framework for the US subject to applicable approvals. For more details, please refer to Principle 5.

Performance Management and Reward Programmes

The consideration of ESG criteria and ESG risks form an integral part of the performance-based component of variable compensation at DWS. This is assessed and measured by ESG--related targets as well as how our employees adhere to the sustainability principles stipulated in our core values. As laid out in Principle 1, the collective ESG ambitions within the Long-Term Award account for 30% of the target value of DWS Group component.

ESG performance measures have been included in the DWS Executive Board's long-term incentive award structures. Since 2021, certain Sustainability Key Performance Indicators (Sustainability KPIs) have featured on the Balanced Scorecards of DWS Executive Board members, the results of which are taken into account in the compensation of the Executive Board members. For 2021, the shareholders' meeting has amended the compensation framework in the following aspects:

- In the performance-related variable compensation, an even stronger focus was placed on long-term strategic success by bundling all common strategic objectives in the long-term component and a higher weighting of now 60%.
- In line with DWS's ESG sustainability strategy, variable compensation has been linked more closely to ESG ambitions: through individual objectives in the Short-Term Award (STA) as well as through joint targets in the Long-Term Award (LTA), at least 20% of the total variable target compensation is now linked to ESG targets.

For employees at all levels, DWS has established "Variable Compensation Guiding Principles", which detail the factors and metrics that must be taken into account by managers when making individual variable compensation decisions. The factors and metrics to be considered include, but are not limited to, divisional risk-adjusted financial and non-financial performance, culture and behavioural considerations, disciplinary sanctions, individual performance, and retention considerations. For more information, refer to: https://www.dws.com/footer/Legal-Resources/dws-remuneration-policy/. In addition, as the variable compensation in turn is linked to DWS Group component, 30% of whose target value is determined by achieving our collective ESG ambitions, there is also a direct mandatory link to the fulfilment of ESG KPI for individual employees.

DWS seeks to integrate ESG criteria into its corporate processes, and for several years has set out specific ESG priorities in its overall objectives communicated to all employees. These ESG priorities are taken into account by all employees when setting their own individual performance objectives, thereby linking their performance on ESG priorities to their variable compensation. Sustainability principles in the Group-wide Code of Conduct are also taken into account in compensation considerations.

In addition, ESG and stewardship activities have been embedded as core responsibilities within our investment teams through the ongoing and formal commitment, and these requirements are taken into account when evaluating the teams' effectiveness in these areas.

[17] The CIO View is our house view on macroeconomic topics, financial market forecasts, outlooks for individual asset classes, model multi asset allocations, and DWS views on market risks. As part of our fiduciary responsibility, our portfolio managers use the CIO View as a foundation for their active investment decisions and to also share our investment expertise with clients.

[18] As described in DWS Group Annual Report 2020, CTRR's first and second pillar are climate transition risks from carbon and water risks and opportunities, respectively.

[19] The "DWS ESG Investment Standard" filter enhances the exclusions in comparison to the "DWS Basic Exclusion" filter and adds an "ESG quality assessment" approach encompassing investments in issuers selected for positive ESG performance relative to industry peers (so-called "Best-In-Class approach") (see DWS Annual Report 2021, chapter "Our Product Suite").

[20] Funds of legal entities in scope: DWS Investment GmbH (with discretion to vote for certain assets under management of DWS International GmbH, DWS Investment S.A. (including SICAVs and PLCs) based on delegation agreements). Funds domiciled outside of Europe have their own process based on different local regulatory requirements.

Outcome

Signatories should disclose:
— how effective their chosen governance structures and processes have been in supporting stewardship; and
— how they may be improved.

Measuring Effectiveness via our Sustainability KPIs

After successfully embedding sustainability KPIs in 2020, DWS made good progress in 2021 in achieving its near-term ambitions and remains on course to deliver against those KPIs with medium term targets. Following the establishment of the Group Sustainability Office and the Group Sustainability Council, we have continued to provide further transparency and increase awareness within DWS of how we are performing against our KPI ambitions.

ESG AuM and ESG Net Flows: As of 31 December 2021, we had € 115 billion in ESG AuM and achieved strong ESG net flows of € 19 billion in 2021, representing 40% of our total net flows.

Operational Emissions: COVID-19 has continued to impact our ways of working in 2021, with fewer employees working in our offices and travelling than before the pandemic. This can be seen in our significant travel emissions reduction versus 2019 but also in our lower energy consumption than before the pandemic. We continue to explore ways to increase our electricity from renewable sources and reduce our energy consumption.

CDP: DWS Group achieved an improvement in our CDP rating in 2021, moving from a C score in 2020 to a B result this year.

Proportion of women: As of year-end 2021, 28.1% of the executive positions at the first management level below the Executive Board were held by women (2020: 27%). At the second level below the Executive Board, this percentage stood at 29.0% (2020: 28.2%). In accordance with the legal requirement in Germany, we set targets for 31 December 2021, of 26% and 29%, respectively. As a result, we have achieved those targets. Looking forward, we have now set further targets for 31 December 2024. With the implementation of the Functional Role Framework and the removal of Corporate Titles, the methodology will be adjusted, and executive positions will include all positions except administrative roles. On that basis, as of 31 December 2021, there were 29.9% women at the first management level below the Executive Board and 30.0% women at the second management level below the Executive Board. Targets for 31 December 2024 were set at 32% and 33% respectively.

Volunteer Hours per Employee: Although the pandemic continued to present challenges to perform physical volunteering in 2021, our employees participated in a variety of volunteering activities this year across all regions both remotely and in person when COVID-19 restrictions allowed.

Corporate Engagements and Proxy Voting: We also achieved our near-term ambition to increase the number of issuer engagements we participate in as well as the number of companies whose shareholder meetings we vote at.

Table 2.3 Overview of Sustainability KPIs in 2021 vs 2020

KPI	Ambition up to 31 December 2021	2021 Result	2020 Result
ESG AuM[1]	Continue to grow our ESG AuM through a combination of flows into existing products or new products and supporting the transfer by existing clients of their assets from non-ESG products into ESG products	€ 115.2 bn	N/A
ESG net flows[1]	Grow ESG net flows at the same, or at a faster rate, than our overall flow target of >4% of AuM[2]	€ 18.9 bn	N/A
Operational emissions[3]			
Energy	Reduce our total energy consumption by 20% by 2025 compared to 2019	-17%	-15%
Electricity from renewable sources	Source 100% renewable electricity by 2025, with an interim target of 85% by 2022	91%	77%
Travel (Air and Rail)	Reduce our travel emissions by 25% by 2022 compared to 2019	-88%	-79%
Sustainable rating	Achieve an improvement in our 2020 CDP rating	B	C
Proportion of women	Achieve our 2021 ambition of 26% of positions at the first management level below the Executive Board held by female executives and 29% at the second management level below the Executive Board	28.1% - 1. level 29.0% - 2. level	27.0% - 1. level 28.2% - 2. level
Volunteer hours per employee[4]	Commence DWS Corporate Volunteering activities with partner organisations and seek widespread involvement of DWS employees	38 minutes	N/A
Corporate engagements	Increase the number of corporate engagements	581	454
Proxy voting	Increase the number of companies whose shareholder meetings we vote at, for portfolios domiciled in Europe and Asia by >5%	2,426	1,859

[1] A comparison of the ESG AuM and ESG net flow figures for 2020 and 2021 is not feasible, as the framework for determining the figures has been refined in light of regulatory developments. For further details please refer to the chapter '[Our Responsibilities] – ESG Products, Sustainable Finance and Responsible Investing' in our annual report.
[2] % of BoP ESG AuM on average in the medium term. ESG net flows are derived based on the ESG Framework as mentioned above, with ESG net flows being included only at the point from which products are classified as ESG under this framework. Any products that are declassified as ESG under this framework will no longer be included from that point in time.
[3] DWS Group energy consumption, electricity from renewable sources and rail emissions are determined on a pro-rata average number of effective staff employed (full-time equivalent) basis from Deutsche Bank Group data. Prior year emissions and energy consumption results have been restated due to updated methodology and historic data.
[4] Volunteer hours per employee was tracked for the first time in 2021 therefore no prior year comparative is available.

The table above summarises our 2021 results against the near-term ambitions DWS announced in the 2020 Annual Report. Further, our sustainability ambitions are underlined by the following Key Performance Indicators (KPIs) in 2022:

Table 2.4 Sustainability KPI for our 2022 Ambition

KPI	Ambition from 2022
ESG AuM[1]	Continue to grow our ESG AuM through a combination of flows into existing products, flows into new products and supporting the transfer by existing clients of their assets from non-ESG products into ESG products
ESG net flows[1]	Grow ESG net flows at the same, or at a faster rate, than our overall flow target of >4% of AuM[2]
Operational emissions:	
Energy[3]	Reduce our total energy consumption by 20% by 2025 compared to 2019
Electricity from renewable sources[3]	Source 100% renewable electricity by 2025, with an interim ambition of 85% by 2022
Travel (Air and Rail)	Reduce our travel emissions by 25% by 2022 compared to 2019
Sustainability rating	Maintain or improve our Carbon Disclosure Project (CDP) B rating by 2024
Proportion of women	Achieve 32% of positions at the first management level below the Executive Board held by female executives and 33% at the second management level below the Executive Board by 2024
Volunteer hours per employee	Perform 1.5 hours of volunteering per employee by 2024
Corporate engagements	Participate in 475 or more corporate engagements per annum by 2024

[1] For details on ESG product classification, please refer to '[Our Responsibilities] – ESG Products, Sustainable Finance and Responsible Investing'.
[2] % of BoP ESG AuM on average in the medium-term.
[3] Energy consumption and electricity from renewable sources KPI ambitions are aligned with Deutsche Bank Group targets

How our process is supporting our Stewardship activities

To measure the effectiveness of our stewardship processes, we focus on one indicator in particular –the scope of Assets under Management for which we exercised our voting rights. In 2021, we voted at a total of 3,242 general meetings of more than 2,426 companies in 63 markets of listing. Further details on geographical distribution can be found in Principle 12. We continued to gradually increase the number of meetings voted per year, making sure not to compromise on the quality of the analysis. These meetings represented approximately 89% of the equity assets under management (AuM) of our funds domiciled in Europe (Funds of legal entities in scope: DWS Investment GmbH (with discretion to vote for certain assets under management of DWS International GmbH, DWS Investment S.A. (incl. SICAVs and PLCs) based on delegation agreements)). The majority of the voted meetings was for companies listed in the United States, followed by Asia-Pacific countries, Japan, and Germany. For strategies domiciled in the Americas, we voted at a total of 9,355 meetings in 61 markets of listing, which represented 99% of votable meetings.
In Principle 5 we further assess the effectiveness and future development of our policies and processes in this area.

Room for Improvement

In 2020, DWS achieved all of its IPO targets one year early, enabling us to complete phase one of our corporate journey as a publicly listed company. As a result, senior management in 2021, DWS would shift its focus from efficiency to growth in phase two of its corporate journey to Transform, Grow and Lead.
As part of our transformation ambition as a stand-alone asset manager we aim to adapt the way we work to meet the industry challenges for the next decade. We want to achieve this by recalibrating our core platform and policy framework so that these are more specifically tailored to our fiduciary business and our clients. We are also investing in new technology and following the launch of our Functional Role Framework, we are further strengthening the culture of our organization.
We have a dedicated project to achieve this multi-year programme of transformation which started in 2020. In 2021, we strengthened the programme governance and developed a detailed execution plan, completed the selection of core vendors, and designed the target operating models for all corporate functions, infrastructure, and information security. In 2022, we aim to complete contracting with and onboarding the respective vendors and move into the detailed design and execution phase.
While we aim to expand our ESG and stewardship activities, it becomes difficult at times due to a lack of ESG information, such as company disclosures, sustainability of loans among others. This particularly impacts asset classes like high-yield bonds, emerging markets, and securitised Collateralized Loan Obligations (CLOs). This lack of disclosure makes it difficult to achieve a consistently high level of quality ESG integration as well as to follow the same stewardship and engagement approach globally.
As a result, we push for process improvements, such as ensuring that financially material ESG data is fully integrated into company valuation models. During 2021, we launched a series of workshops to promote the development of ESG integration in securitized products.
From a stewardship and engagement perspective, there are a couple of issues we look to improve upon:
- Due to existing „regulations in Germany (see Principle 10 for more details), DWS is prevented from undertaking company-specific collaborative engagements; however, we continue to work with the German regulator on this issue as well as by actively engaging in industry initiatives and working groups (see Principle 4 and Principle 10 for a list)
- Engagement with supranationals and sovereigns regarding ESG-related issues is currently considered most effective when undertaken by international institutions. We are currently developing a more comprehensive engagement process which will be reflected in the upcoming updated Engagement Policy.

⁄ 3 Purpose and Governance: Conflicts of Interest

Context

Signatories should disclose their conflicts policy and how this has been applied to stewardship.

As a global asset manager, conflicts of interest are inherent at DWS. As a fiduciary investor, it is essential that DWS is able to identify actual or potential conflicts of interest and manage them fairly and appropriately, including preventing any conflict of interest which could adversely affect the interests of a client.
As a result, we set out our principles, arrangements, and procedures in connection with the identification, documentation, escalation, and management of conflicts of interest in our "Conflicts of Interest Policy". This policy , as with all our policies, is reviewed annually and updated when required. Further details can be found here: https://www.dws.com/footer/Legal-Resources/

Framework and arrangements

DWS has a number of means to manage a conflict of interest including:
- Organisational arrangements
- Systems, controls, policies, and procedures designed to prevent the conflict of interest arising or to mitigate associated risks
- Disclosure directed to inform the affected parties of the conflict of interest and its likely impact on them or to specifically seek client consent to act accordingly
- Avoidance of the service, activity or matter giving rise to the conflict of interest where the conflict of interest cannot be prevented or managed effectively using other means

We elaborate on our policy to address conflicts of interests with regards to stewardship in our Engagement Policy https://www.dws.com/en-gb/solutions/esg/corporate-governance/. DWS applies this ethos to all aspects of its activities including investment stewardship.

Managing conflicts of interest

The Executive Board and the Management Boards of DWS entities are responsible for putting a framework in place and implementing systems, controls, and procedures to identify, escalate and manage conflicts of interest. Board Members must generally act in the best interest of the DWS entity they represent and must ensure that business decisions are unaffected by conflicts of interest. Senior management are responsible for overseeing the identification, documentation, escalation, and management of all conflicts of interest as they arise within their relevant areas of responsibility.
Every employee is responsible for identifying and escalating potential conflicts of interest so that they may be appropriately managed and resolved. DWS UK oversees and monitors all activities delegated elsewhere in the group within this framework.
Management Board member appointments and board changes at DWS are subject to approval by German regulators BaFin and Bundesbank fit and proper assessments and future notification requirements on other internal or external board memberships individually and collectively including potential conflict checks. The proper segregation of duties within the board is ensured in the business allocation plan on responsibility of the board members and separation between market facing activities and non-market facing and control functions. Furthermore, given the DWS Group status as a Financial Holding Company, the market facing individual board members are in parallel acting as board member representatives of UCITS / AIFMD Asset Management in Germany to execute regulated activities and decide as a fiduciary in case of a potential conflict.
Our businesses, control and audit functions constitute jointly the internal control framework of DWS – the "Three Lines of Defence". Compliance is the second Line of Defence, as the "Risk Type Controller" for conflicts of interest assigned to it under DWS's risk governance framework. As a function, Compliance is responsible for the design of the risk management framework, particularly in terms of risk appetite setting (in conjunction with the business and Executive Board).
Once a conflict of interest is determined, the responsible conflicts representative must assess the materiality of the risk according to the group-wide risk rating metric and

identify relevant mitigation for any conflict above tolerance threshold. At a local legal entity level, conflicts of interest reviews are organised by business lines and by region. By doing so, DWS ensures that there are conflict representatives in each location. Each legal entity runs regular review meetings in which conflicts are presented, monitored and, where necessary, escalated. Conflicts identified by each regional business need to be reported to the relevant supervisor, the CoI (conflicts of interest) representative and compliance.
For escalation within the business line, the global CoI representative and the Corporate Operations Office (COO) are responsible for ensuring that conflicts are reviewed and reported to the relevant business line. The regional reporting and escalation to the respective operational fora and main legal entities resides with the DWS CoI framework owner, whereas the escalation to the DWS Risk & Control Committee is performed by the CoI risk type controller within the compliance function.

Table 3.1 Conflict of Interest Materiality Levels

Materiality level	1st LoD	2nd LoD
Critical	DWS Risk & Control Committee (DWS Board)	
Significant	DWS Global OpCo DWS Regional OpCo's	DWS Risk & Control Committee
Important	Business Line (Risk) Forum	
Unrated	No escalation required	No escalation required
No conflicts	No approval required	No escalation required

Activity

Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.

Role of the Executive Board in Managing Conflicts

The DWS Risk and Control Committee (RCC), which is mandated by the Executive Board to deal with conflicts of interest, meets on a monthly basis or ad hoc as necessary. Employees must follow the internal escalation process prescribed in DWS's policies and procedures in connection with conflicts of interest (including potential conflicts of interest). In the absence of a specific escalation process, employees must inform their supervisor and/or Compliance of the existence and nature of the conflict of interest. Supervisors are responsible for assessing the actual or potential conflict of interest and determining, after consulting relevant control functions, the best course of action, including further escalation to a higher authority and where appropriate, notification to country or regional management or relevant Boards. Conflicts of interest that are rated as posing a greater risk are reported/escalated into the RCC. The Executive Board and Management Boards of the entities have responsibility in respect of conflicts affecting their own members.
In addition to the framework we have implemented to deal with the identification and management of conflicts of interest, the responsible boards and committees are informed on a regular basis:
- On a monthly or ad hoc basis, the RCC needs to be informed on conflicts of interest rated as posing a greater risk
- On a quarterly basis the regional groups are informed about the current situation of the registered conflicts of interest
- Every six months the local entity boards (including DWS Investments UK Limited) are informed about the current situation of the registered conflicts of interest

Ownership Structure

Conflicts arising from being majority owned by Deutsche Bank AG are addressed by maintaining strict segregation of duties between Deutsche Bank and DWS and controlling and clearing access to sensitive information and transactions through the Compliance Department. DWS does not exercise its voting rights for shares of Deutsche Bank AG held in investment portfolios, or of DWS itself.
The exercise of voting rights is carried out solely following DWS's proprietary processes and policy and is fully independent from Deutsche Bank AG. The policies and processes described and referred to in the following are applicable for holdings in funds domiciled in Europe. Processes and policies may differ for funds domiciled elsewhere, i.e., the US, due to differing regulatory requirements.
By applying our Conflicts of Interest Policy to all aspects of our activities, we have identified the below list of actual and / or potential conflicts of interest related to investment stewardship (non-exhaustive):

Cross-Directorships

Where DWS employees hold directorships or other positions of influence in organisations other than DWS, conflicts of interest may arise between DWS and these external organisations. Before agreeing to a directorship or position of influence within an external organisation, regardless of the listing status or profit-making nature, employees must first obtain approval from Compliance and business management. The external appointment is then assessed for potential conflicts of interest in line with the Conflicts of Interest Policy, Outside Business Interests Policy, and business considerations.

Proxy Voting

Within this area, there is a potential conflict of interest where client or beneficiary interests diverge from each other and we could vote in a manner that favours one client over another. At DWS this is managed by clearly documenting who is responsible for voting on rights for assets held within DWS managed strategies and by ensuring voting is applied consistently so that all clients are treated equally.
If a client transfers voting rights to us, and we manage these assets on their behalf, we have the discretion on the voting decisions based on our Corporate Governance and Proxy Voting Policy. If the client outsources this responsibility elsewhere then that is documented in the contract and the client will make alternative arrangements for voting. As a result, currently all client assets where DWS has been contracted to provide proxy voting will be voted in accordance with DWS's voting guidelines and this ensures the equal treatment of all clients / beneficiaries.

Security Lending

A conflict of interest in relation to investment stewardship may arise from securities lending. The securities lending programme benefits clients and fund investors by increasing the income derived from the investment. However, when a security is lent, so too are the associated voting rights. This has the potential to weaken the voting power of clients and fund investors in the pursuit of increasing income.
In practice for all active portfolios generally all shares are recalled and for passive portfolios we do not lend entire positions so we can vote on items where the full weight of holdings is not required. In relation to passive investments, the team will only recall all stocks ahead of a vote if there is a stipulation in the voting item that requires the full weight of a holding to be voted on.
For further details on securities lending and conflict mitigation, please refer to Principle 12.

Instances where the responsible Portfolio Manager or Analyst proposes a Recommendation different from our standard Corporate Governance and Proxy Voting Policy (i.e., regarding substantial transactions and M&A)

In these cases, our Proxy Voting Group is the ultimate decision-making body and makes decisions in line with the DWS Corporate Governance and Proxy Voting Policy. This group is composed of senior managers from the investment platform, the research function, and the Corporate Governance Center to ensure an effective, timely and consistent voting process (please refer to Principles 9 and 12 for more details). Furthermore, based on our fiduciary duty to our investor clients, in relation to M&A transactions where we hold both companies in our portfolios, these cases must be decided on a "case-by-case" approach, based on our Conflicts of Interest Policy and the DWS Corporate Governance and Proxy Voting Policy. A decision made on a fund level will be considered (depending on the position weight), thereby ensuring that no investor client (i.e., shareholder) is at a disadvantage.

Differing Objectives between Fixed Income and Equity Portfolio managers

Although our engagement activities do not systematically differentiate between the two asset classes, certain topics requiring further discussion and attention might differ between fixed income and equity. Therefore, DWS has distinct processes for each.

For DWS's debt investments and related bondholder meetings, a dedicated and separate process is set up and owned by the Fixed Income platform to avoid and manage any potential conflicts of interest that might occur from an equity perspective.

Since company and board meetings are communicated internally to both the fixed income and equity platforms, analysts from both sides can participate in these if relevant for their investment decision.

Although we generally believe that good governance (i.e., sound appointments to the board, executive remuneration, or capital-related issues (share re-purchases or capital increases)) benefits both debt and equity holders, shareholder rights-related topics are addressed in engagements held by representatives from the Corporate Governance Center, ESG Integration team, or equity investment professionals.

In case of conflicting expectations from an equity and fixed income perspective on issues to be raised during the engagement activity, two separate meetings are organized. For example, regulatory and reputational risks are two important ESG factors, which can affect a specific bond issue / issuer, especially in the financial, energy and utilities sectors.

Outcome

Signatories should disclose examples of how they have addressed actual or potential conflicts.

Examples of Management of Actual Conflicts

Fiduciary voting rights: External board roles of DWS board members

Conflict description: A DWS board member (management / supervisory) sitting on multiple boards of companies including those in which DWS has invested.

It is possible that a conflict of interest exists / occurs where the director in question votes in a manner that is not in accordance with DWS's voting decisions, which are based on the DWS Corporate Governance and Proxy Voting Guidelines.

Control / Mitigation: DWS voted in a manner that was based on our fiduciary duty in line with DWS processes (e.g., DWS Corporate Governance and Proxy Voting Guidelines), acting at all times in the best interest of our clients and treating them all equally. We did not deviate from our voting behaviour and from existing / established processes.

DWS target funds: Proxy voting process

Conflict description: From time to time, funds distributed by DWS may invest directly in other investment funds, including those managed by DWS. Through such investments, DWS would retain voting rights. Exercising those voting rights could result in reputational risks and/or conflicts of interest. Additionally, at general meetings that have low levels of participation from other investors, DWS' votes might dominate the voting results.

Control / Mitigation: In general, DWS did not vote at meetings of DWS fund entities in which other funds managed by DWS held an interest

4 Purpose and Governance: Promoting well-functioning markets

Context

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

DWS recognizes that market wide and systemic risks need action and attention by investors to complement ESG integration, company engagement and impact / sustainable investment strategies.

Activity

Signatories should explain:

– how they have identified and responded to market-wide and systemic risk(s), as appropriate.

– how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets;

– the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and

– how they have aligned their investments accordingly.

Identifying market-wide and systemic risks

DWS has governance structures and processes in place which systematically identify, measure, assess, model, aggregate, mitigate, and monitor risks. These processes are in place across the organisation in all regions and business divisions, as well as infrastructure functions, and are part of DWS's overall Risk and Governance framework. A detailed outline of the DWS Risk Management framework is available in DWS's Annual Report: https://group.dws.com/ir/reports-and-events/annual-report/.

We are exposed to a variety of risks as a result of our business activities. These risks include non-financial risk, market risk, credit risk, strategic risk, and liquidity risk. The corporate risk profile is driven by various external and internal factors, including fiduciary risk. As an asset manager, our fiduciary obligation is paramount and requires us to put the interests of our clients first. We achieve this by risk managing the investment portfolios on behalf of our clients and by complying with regulatory requirements and contractual obligations.

Over the past few years, the integration of sustainability risks in our risk management processes has been a focus area. Its importance has been highlighted by the publications of the amendments of the EU regulatory framework as well as publications and recommendations given at National Competent Authority (NCA) level. As sustainability risk management is a fundamental cornerstone of ESG integration, our risk management processes have been updated to ensure the guidance given is a central component of our corporate DNA.

Sustainability risk and sustainability factors have potential impacts on the portfolio risk profiles, for both liquid and illiquid alternative asset classes. The number of sustainability factors potentially impacting the valuation of assets contained in a managed portfolio led to the conclusion that a comprehensive measurement and management of sustainability risk requires a diverse set of risk indicators and measures.

For this purpose, the Climate Transition Risk Rating as well as a Rating assessing Norm Controversies[21] were selected to assess the sustainability risk profile of a fund. In 2021, we implemented a portfolio sustainability risk governance process for European domiciled funds pursuing actively managed Equity or Fixed Income strategies. This process includes portfolio risk appetite setting as well as the measurement, monitoring and reporting of such indicators. In addition, selected ESG ratings were considered within existing counterparty risk processes and concentration risk processes.

As part of the sustainability risk integration into illiquid alternative asset classes, for real estate funds we developed

[21] These include ESG factors such as Human Rights considerations.

an assessment process for physical climate risk and climate transition risks at the portfolio level.

Sustainability risk and sustainability factors have potential impacts on the portfolio risk profiles, for both liquid and illiquid alternative asset classes. The number of sustainability factors potentially impacting the valuation of assets contained in a managed portfolio has led to the conclusion that a comprehensive measurement and management of sustainability risk requires a diverse set of risk indicators and measures. For this purpose, the Climate Transition Risk Rating as well as a rating assessing norm controversies were selected to assess the sustainability risk profile of a fund. In 2021, we implemented portfolio sustainability risk governance process for European-domiciled equity and fixed income funds. This process includes portfolio risk appetite setting, as well as the measurement, monitoring and reporting of such indicators. In addition, selected ESG ratings were considered within existing counterparty risk processes and concentration risk processes. As part of the sustainability risk integration into illiquid alternative asset classes, for real estate funds we developed an assessment process for physical climate risk and climate transition risks at the portfolio level.

In this context, there are two core principles we embrace in our risk governance: every employee needs to manage risk and is obligated to ensure that we operate in the best interest of our clients and our franchise; and we have strict segregation of duties enabling us to operate a control environment that is designed to protect the franchise, our clients, and shareholders.

Forward-Looking Identification of market-wide and systemic risks

DWS has a hybrid model for identifying and responding to market-wide and systemic risks, where a top-down approach driven by research and our CIO View is further integrated with a bottom-up approach where the insights developed within the investment teams across the asset classes and regions are regularly discussed. Such views are the integrated with other functions at DWS. The key activities for identifying market-wide and systemic risks are outlined as follows:

1. Forward-Looking Risk Council (including scenario analysis),
2. CIO Office and CIO View,
3. Long-Term Capital Markets Forecast
4. DWS 2030 vision activities
5. DWS Research

In developing their views, DWS colleagues also participate in a number of ESG and stewardship initiatives that we believe will enable us to help society respond to market-wide and systemic risks so that we can support the development of sustainable outcomes for the economy, environment, and society.

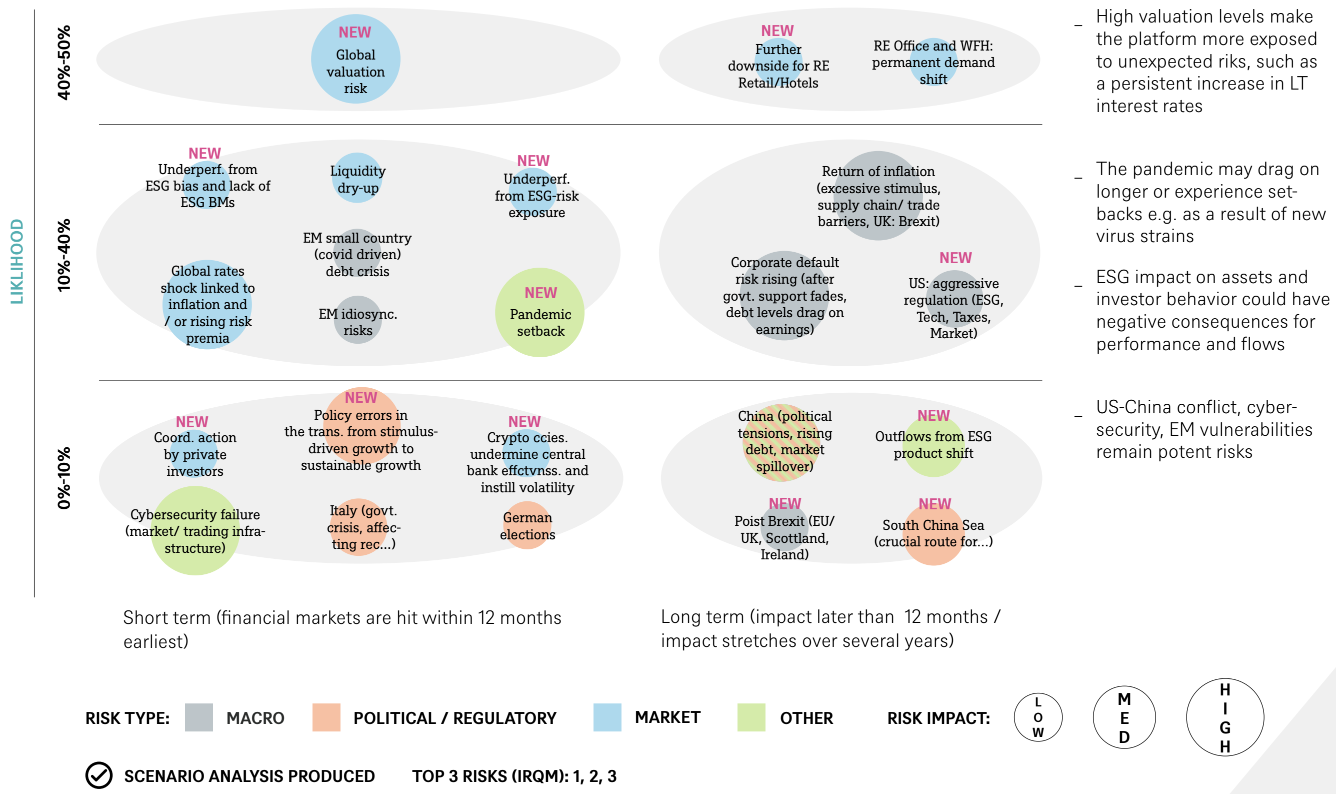
1 Forward Looking Risk Council and Scenario Analysis

Our CFO division including both Finance and Risk, together with DWS's Research House[22], regularly organise a Forward Looking Risk Council with the aim of identifying key investment platform risks that are relevant across asset classes and investment strategies. The risks selected are based on fundamental analysis and are qualified in terms of likelihood, time horizon and investment platform risk exposure. Examples of systemic and market-wide risks identified in the past include:

- Macro risks: resurgence of inflation, policy effectiveness, recession, debt crisis etc.
- Political risks: election outcomes, fiscal policy, geopolitical risks etc.
- Market risks, such as liquidity dry-up in certain segments of the market, valuation risk, bond risk premia re-pricing etc.
- Other risks such as COVID-19 pandemic, climate change, cybersecurity failure etc.

[22] DWS division responsible for producing research. DWS does not produce investment research that is sold to third parties.

Chart 4.1 Illustration of Key Investment Platform Risks



Each of the financial and non-financial risks (including ESG-related risks) highlighted in the illustration are based on a more detailed description of the risks, broken down by category, topic and region, risk, rationale, and implications, as well as impact, timeframe, and likelihood assessment.

Table 4.1 Examples of identified risks

Category	Topic/Region	Risk / Rationale / Implications	Impact	Time	Probability
Alternatives	RE Office and WFH: permanent demand shift	Increased Home Office as a result of Covid'-19 is here to stay. Existing and "coming-to-market" office space may create excess supply, with implications for rents, prices, developers, investors	Low	MT	High
ESG	Underperf. from ESG-risk exp.	Negative performance as a result of ESG-impact on assets including uninsured physical (heat, flood, earthquake, wind) and transition (CO2 costs, adaption costs, financing costs). Inability to trade out of assets concerned due to lack of demand, low liquidity, uncertainty, lack of information on ESG risk exposure or lack of activity.	Low	MT	High
ESG	Underperf. from ESG bias and lack of ESG BMs	If low rated ESG assets outperformed high rated ESG assets, a secular ESG bias may lead to underperformance in the absence of an ESG biased benchmark	Low	ST	Med
ESG	Outflows from ESG prod. shift	Negative flows as a result of clients shifting out of traditional into ESG products, driven by shift in preferences, regulation, disclosure, ESG credibility. ESG strategy mitigation efforts by DWS to beconsidered.	Low	ST	Med
Market	Global valuation risk	A sense of complacency permeating financial markets as investors seem to bet on a persistent policy backstop and uniform market views raise the risk of a price correction. A sudden sharp tightening of financial conditions from current very low levels–for example, as a result of a persistent increase in longterm interest rates–could be particularly pernicious should such tightening interact with financial vulnerabilities, excerbated in areas of high leverage	Med	MT	Low
Macro	Corporate default risk	Corporate sector in many countries is emerging from the pandemic overindebted, with notable differences depending on firm size, sector as well as country	High	ST	High
Market	Liquidity dry-up	Funds face outflows while liquidity dries up in relevant market segments - Shift into alternative investments, including crypto assets, may increase the downside potential in more liquid asset classes in a risk-off scenario - ETFs and funds become forced sellers in the event of market-wide outflows - Volcker rule regulation reduced banks' trading capacity - Leverage in the financial system exacerbates selling pressure in the event of a market meltdown	Low	ST	Med
Other	Cybersecurity failure (market/ trading infrastructure)	Business, government and household cybersecurity infrastructure and/or measures are outstripped or rendered obsolete by increasingly sophisticated and frequent cybercrimes, resulting in economic disruption, financial loss, geopolitical tensions and/ or social instability. A cyberattack on DWS, exchanges or other market infrastructure might deter DWS from trading on behalf of clients	High	ST	Low

For risks with significant likelihood and impact, DWS runs a dedicated scenario analysis. This type of analysis has three main objectives:

i) Obtaining insights about risk drivers and potential risk outcomes
ii) Understanding potential risk impact on asset classes and client portfolios
iii) Using the insights to take action in terms of portfolio risk adjustment or other preventive actions

The scenario analysis process follows three main steps before conclusions can be drawn or mitigation action is initiated:

1. Scenario description
A scenario narrative is created providing a realistic outline of the risk event and its possible outcome at some point in the future with the support of research analysts from the Investment Division.

2. Translation of scenario into factor shocks
The scenario narrative is used to explore the effects on financial market factors, for example equity or fixed income indices as well as currencies. Impact estimates are obtained both from expert judgement by asset class specialists, as well as from quantitative techniques applied by the Risk team

3. Portfolio impact analysis
Factor shocks are used to derive potential client portfolio performance impact both for individual portfolios and across asset classes. Based on the scenario description, asset class specialists provide impact estimates on factors such as treasury yields, investment grade credit spreads and equity markets in Europe, USA as well as Emerging Markets, consistent with the main exposures of the investment platform. The Risk team use these estimates, vets them for consistency and then applies the refined inputs to run the resultant impact analysis across portfolios

The results of the impact analysis provide insights about the gain or loss or drivers of the relevant portfolios, strategies, and asset classes. Based on these results, the Investment Division then reviews and optimises exposure, while the CFO division identifies pockets of risks which require further scrutiny or potentially mitigation action.

Chart 4.2 Outlining the scenario analysis process:

Scenario description
Key risks are shortlisted and fundamental risk scenarios formulated by reasearch analysts

Translation of scenario into factor shocks
Market reaction to the scenario is estimated by asset class specialists

Portfolio impact analysis
Portfolio impact from the risk scenario is calculated and platform exposure analysed by IRQM

This impact analysis was first implemented during the COVID-19 pandemic. As soon as January 2020, DWS started to assess the impact based on a global infection scenario modelled by DWS's Macro Economics team. Economic implications, as well as financial market reactions in terms of equity, bonds, currencies, and alternative assets, were estimated. Based on portfolio exposures, the potential impact of the pandemic on client portfolios and the investment platform was derived. The information was used within both DWS's Investment and CFO divisions to assess where significant effects might require mitigating action. Due to the positive experience resulting from this exercise, DWS has institutionalised the approach.

2 CIO Office and CIO View

The CIO Office is responsible for bringing together the results of a research process and market analysis aimed at defining risks and opportunities for all investors and clients of DWS for the next 12 months (on a rolling basis). These views are communicated both internally and externally through meetings, publications, the media, and industry events.

The main market-related events are analysed daily and commented through the DWS CIO Daily newsletter, which is published every day by 8:30 am (CET) and is available to all DWS employees and to clients by 10:00 am (CET) at the latest.

The CIO View is our house view on macroeconomic topics and individual asset classes, providing financial-market forecasts, model multi-asset allocations and DWS's views on market risks. As part of our fiduciary responsibility, our portfolio managers use the CIO View as a foundation for their active investment decisions. The view also serves to share our investment expertise with clients. In 2018 we incorporated environmental, social, and corporate governance (ESG) aspects into our quarterly CIO View publication for the first time, recognizing the impact that ESG and sustainability issues have on the asset-management industry and markets in general. Since the beginning of 2021, all of our publications and presentations reflect the ESG perspective whenever it is applicable.

The investment process is designed to incorporate insights from both top-down and bottom-up perspectives in forming opinions.

Strategic CIO View generation process

In this this top-down process, we divide our investment universe into individual components, so-called "alpha sources". For each of these alpha sources , there is an analyst with primary responsibility who, as part of the strategic investment process, must provide a qualitative assessment and a forecast for the performance of the respective alpha source once per quarter, or at shorter intervals in times of increased uncertainty. Depending on the alpha source, the overall assessment is made up of individual elements, such as the credit analysis of individual issuers in the case of corporate bonds. The top-down research is further supported by proprietary economic and political research, which provides forecasts and probabilities regarding economic developments, political events, and monetary policy.

The analysts will present their conclusions in asset class meetings, where an asset class view will be formed taking into consideration both core scenarios and tail risks. The collective findings are then presented simultaneously in a cross-asset class meeting, the "CIO Day", at the end of which the house view (the DWS CIO View) is determined.

This process takes place on a quarterly basis, but ad-hoc events may take place if and when required. There was no ad-hoc meeting in 2021, but there were in 2020.

This integrated and cross-asset class process is designed to ensure that insights from one asset class are available for the entire research and investment process. For example, insights from real estate research can be compared with the assessment from mortgage-backed securities or covered bonds, and similarly, insights from commodity research with the priced-in or expected default rates of high-yield bonds.

Tactical CIO View generation process

The strategic process is complemented by a tactical process, where the focus is on the upcoming quarter. Research analysts formulate their positioning recommendation for the respective alpha source under their responsibility. These recommendations are tracked and measured. With the positioning recommendation, the analyst must also specify a target and risk level. From a risk perspective, the formulation and strict monitoring of target and review levels is important. A repeated breach of target and especially review levels in an area can point to developments in the market at an early stage which could turn out to be systemic risks.

3 Long-Term Capital Markets Forecast

DWS has instigated a Long-Term Capital Markets Assumptions research agenda[23], to complement our existing twelve month forecasting framework. Central to this approach is our belief that clients should consider a long-term perspective beyond 1–5 years when it comes to constructing investment portfolios. The team that developed this process provided input to the 2021 IIGCC Paris Alignment investment framework regarding strategic asset allocation (SAA). The DWS Long-Term Capital Market Assumptions (LTCMA) framework estimates long-term return forecasts for 600+ indices across major asset classes (equities, fixed income, commodities, listed and private real estate equity, listed infrastructure equity, listed and private infrastructure debt, hedge funds); volatility and correlation of these indices (based on lengthy historical timespans covering a number of market cycles) are also part of the estimates. The framework is run by the DWS Research House, in consultation with asset class experts across the Investment Division. The models are evaluated quarterly and fed into the DWS Long View report (an annual publication with short quarterly newsletter updates) and serve as building blocks for strategic asset allocations (SAAs) built by the Multi-Asset team. The Client Coverage Division and Structuring team also leverage the results for their work with institutional clients on long-term allocation frameworks and asset-liability studies.

Process

While the model is quantitative and systematic in nature, it combines a top-down and a bottom-up approach, together with macro and micro data at the constituents' level. The aim is to identify the fundamental drivers of long-term total returns in each asset class and make them as comparable as possible. The three key pillars we have identified are Income, Growth and Valuation; these are interpreted in the appropriate manner in each asset class. For example, in equities, income means dividends plus share buybacks (net of capital issuance); growth means nominal earnings growth (which at the index level we proxy via inflation as well as trend real GDP growth); valuation builds on the paradigm of mean-reverting long-term / cyclically adjusted valuation ratios. Similarly, in fixed income, the key drivers of index total returns are yield, roll return, valuation, and credit migration / credit default.

Example: DWS response to identified market-wide and systemic risks via input into DWS's Strategy

The Multi-Asset team constructs strategic asset allocation (SAAs) for public funds or institutional clients subject to constraints, risk tolerance, diversification requirements etc – but it all starts with the LTCMA (Long-Term Capital Market Assumptions) return forecasts. Some of DWS's institutional clients independently construct their own SAAs but utilise our LTCMAs as one of their inputs.

4 DWS 2030 Vision activities

The identification of sustainability related market-wide and systemic risks included in our Annual Report covers a materiality assessment of selected UN Sustainable Development Goals (SDGs), as well as our efforts to develop a 2030 vision through an analysis of key industry trends.

SDG Analysis

In DWS's 2019 Sustainability Report[24], we published the findings of an analysis of the SDGs for the first time, assessing the likelihood, influence, and magnitude of both positive and negative impacts on DWS. The three SDGs where DWS can have the greatest impact are: SDG 8, "Decent Work and Economic Growth;" SDG 10, "Reduced Inequalities" and SDG 13, "Climate Action". We aim to reflect these goals in our evolving Corporate Responsibility Strategy.

ESG Talent Initiative and DWS 2030

Initiated by DWS senior management in 2021, and with direct sponsorship from the Executive Board, an ESG talent initiative is underway, tasked with identifying and exploring the potential risks and opportunities related to climate change and other global trends likely to have a material impact on DWS leading to 2030 and beyond.
The ESG talent initiative applies a scenario planning approach that considers the long-term implications of fundamental corporate decision-making by exploring the effects, and potential actions to address, climate change and the other trends from a macro-economic, non-asset management specific perspective. The ESG talent initiative participants mainly comprise of junior talent at DWS across all divisions and regions, and each of the trend teams are focused on addressing key topics relevant to their respective trend.
As highlighted in our Climate Report 2021, the Climate trend team is focused on assessing both the socio-economic and societal impacts of climate change and the green transition, as well as key green technology solutions that can help drive the world towards net zero, and their relationship with climate policy and market demand. The conclusions of the trend teams will be published in 2022.

[24] group.dws.com/responsibility/sustainability-report/

5 DWS Research

Our research platform covers macroeconomics, fixed income, equities, and alternatives generating more than 500 top-down recommendations and over 3,000 bottom-up recommend-dations.
As the asset management industry evolves, we also continue to modernize and digitize our platforms to improve and enhance internal research and development for our products and services. We expect our proprietary research to continue to become increasingly important following the implementation of MiFID II in 2018.

Case Study 1: Risk Identified and DWS' Response through the CIO View generation

Over the course of 2021, inflation became an increasingly important risk for financial markets. An analysis focused on various drivers, some of which have been deemed of a transitory nature, whereas other factors have been identified as structural drivers:

- One of the structural, and hence longer term, drivers is demographics. A rising dependency ratio especially in industrialized countries technically means a shift in the aggregate supply curve to the left, hence leading to an equilibrium of lower output at higher prices, i.e., inflation.
- Climate protection, while necessary, was identified as another structural driver. With regards to this topic, DWS Macro Research distinguished between direct effects and indirect effects.
- The direct effects of policies to fight climate change on inflation stem from an increase in CO2 pricing via a CO2 tax (e.g., French carbon tax), the CO2 emission trading system, or a CO2 cap-and-trade-system (e.g., EU-ETS), as well as abolishing existing subsidies for fossil fuels.
- Indirect effects are caused by a pass-through of higher energy costs on goods and services prices, climate related regulation, and transition costs. Over the medium term, private and public investments into low or no-emission production facilities, retrofitting of buildings, etc. will add to the indirect effects.

A study simulated these effects, taking also changing consumer behaviour into consideration. It was estimated that the total effect on Eurozone consumer price inflation would be approximately 200 basis points, of which 110 basis points would be direct effects (thus affecting headline CPI), and 90 basis points coming from indirect effects (feeding into core inflation).

Case Study 2: COVID-19 Pandemic Risk Identified

After more than two years of living with the COVID-19 pandemic, the short-term and long-term consequences still pose relevant risks for us. For example, insufficient vaccination roll-out and efficacy concerning COVID-19-variants as well as medical treatment capabilities may lead to setbacks such as new or further lockdowns, travel limitations, supply chain issues, remote work, and other restrictions. This may lead to a negative impact on global growth and global financial markets. Despite the business continuity and crisis management policies currently in place, potential implications for personnel as well as supply chain disruptions may lead to frictions in our business processes. In addition, another potential COVID-19-related economic slowdown could negatively affect our revenues, assets, and liabilities.
While the long-term effects on our business and financial targets are not yet known, the further build-up of debt burden during the pandemic may adversely affect future growth prospects and increase the likelihood of recessions. The vulnerability of global supply chains revealed by the pandemic may lead to a partial reversal of the efficiency gains by globalization. Additionally, the pandemic has led to a reassessment of physical office space and remote working arrangements, posing a challenge to finding efficient ways of collaboration, talent attraction and retention as well as teamwork.

Ensuring shareholder views are represented during the coronavirus pandemic

With the global outbreak of the coronavirus pandemic in 2020, many companies adopted virtual or digital formats for their Annual General Meetings (AGMs) which has somewhat restricted shareholders in exercising their rights as investors and owners. Although some jurisdictions already provided legislative frameworks for such formats, our general assessment confirmed a reduction in interaction and an imbalanced high degree of discretion for companies to set up virtual AGM formats. This development still continues, and we note, very critically, company-driven initiatives to maintain this limitation on shareholder rights in such formats.
Specifically, in Germany, the restrictions on shareholder rights (including a limit on the ability to ask questions, file resolutions and appeal against motions) continued during 2021 in light of the pandemic and the respective legislation was extended until end of August 2022. During the past AGM-season, despite some minor technical adjustments, no major innovative approaches were taken by German-listed companies. To highlight the importance of dialogue and to stress the seriousness with which DWS takes its role as an investee shareholder, we filed questions at 40 AGMs globally, including at 25 German AGMs and four video statements.
As the discussion about permanently establishing the virtual AGM format had already started in 2021, the new German coalition government agreed to expand this format.

During 2021, members of DWS's Corporate Governance Center were part of active working groups in the trade and industry associations, the BVI and DVFA, and were involved in several discussions with representatives from both the German Parliament and the Ministry of Justice. We expressed our criticism and provided our expectations on this matter that calls for a re-establishment of shareholder rights also through virtual AGM-formats. Due to the limited term of the current emergency legislation, we expect discussions on the facilitation of a permanent legal basis to progress early into 2022. We will continue our engagement on this matter, not only as a member of the local working groups, but also as Germany's largest asset manager to ensure that any new format respects shareholders' rights adequately and fulfils fiduciary obligations.

Case Study 3: Political Uncertainty and Geopolitical Risk Risks Identified

Continued elevated levels of political uncertainty worldwide, an increase of protectionist policies as well as geopolitical risk could have adverse consequences on the economy, market volatility and investors' confidence. Examples are the escalation of US-China relations concerning new sanctions (more tariffs, non-tariffs measures, and export restrictions), political backlashes in French presidential and US mid-term elections, or events in regional hotspots.

DWS response through AGM questions

2021 has also demonstrated that disruptions of specific parts of supply-chains or trading routes (e.g., the blocking of the Suez Canal in March 2021) may have global implications. The vulnerability of supply-chains was also identified as a relevant contributor to increased volatility of commodity prices and consumer sentiment by the WEF Risk Report (Source: p.14, https://www.weforum.org/reports/global-risks-report-2022).

Accordingly, the resilience of supply-chains was again of special focus for our engagements and questions asked during the AGM-season 2021, as well as the health and safety measures to protect staff globally.

Case Study 4: Sustainability Risks Identified

Sustainability Risks are inherent to our business activities and ESG strategy. Sustainability risks impact us because they have strategic implications for our product suite and the corresponding investment processes that are influenced by changes in client demand. The regulatory landscape of ESG is ever evolving as regulators around the globe take steps to protect investors by ensuring transparency, consistency, and comparability. As a result, how financial services firms implement ESG in their offerings is the subject of regulatory scrutiny in many regions in which we operate. ESG is a core tenet of our Global business and we welcome these efforts. Having said that, regional regulatory variations and differing market standards create an increased risk of regulatory scrutiny for DWS including increased regulatory risk, increased regulatory compliance costs, and increased legal fees in addressing regulatory inquiries and requirements for enhanced disclosures.

Although we have established comprehensive risk management policies, procedures, and methods, including with respect to non-financial, market, credit, and liquidity risk, they may not be fully effective in mitigating our risk exposures in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate.

DWS response through sustainability-related Stewardship

In 2021, sustainability risks were key topics in engagement activities with our portfolio companies. Notably, discussions on climate change and net zero are clearly reflected in our engagement statistics, as net zero ranked as the second most discussed topic in our meetings in 2021, behind executive compensation.

Half (20 out of 40) of our portfolio companies received our AGM statements[25] in 2021, in which we focused on decarbonization plans, with particular scrutiny on scope 3 emissions and target setting. To raise public awareness and provide the external audience with a good level of transparency and disclosure, we published all questions and statements raised at AGMs on our website as we have done in previous years (https://www.dws.com/solutions/esg/corporate-governance/).

In June 2021, we sent a letter[26] to more than 220 companies globally from various sectors based on their degree of carbon emissions, climate transition risk rating, and Climate Action 100+ Net Zero Benchmark constituents, available on the DWS website. The letter elaborates on our expectations, informing them about our voting strategy and inviting them to take ambitious steps on our collective path to net zero.

[25] DWS 2021 https://www.dws.com/solutions/esg/corporate-governance/#7132026b-7e74-4478-a3b0-fbabdedc3e3b
[26] DWS 2021 https://download.dws.com/download?elib-assetguid=39513c7006184c4bbe6bf7157c8520f6

We conducted 83 follow-up engagements with those who responded. In the net zero questionnaire we covered our expectations with regards to board oversight and responsibility, target setting, capital expenditure alignment and lobbying activities. Our intention for 2022 is to write back to those companies that did not reply to our original letter and if they do not follow up, we aim to follow up with index providers, as we believe that companies that are not responsive to climate issues present significant medium- and long-term risks for investors and society. Our aim is to continuously increase and advance these activities as an integral part of our net zero implementation strategy.

DWS Activities to Promote Continued Improvement of the Functioning of Financial Markets

DWS has a long track-record in using investor influence to help society manage systemic risks, particularly regarding the climate crisis. For instance:

– Since 2009, DWS has continued to participate in signing an annual investor letter to governments calling for stronger climate policies[27]. A DWS expert was invited to join the policy working group of the Institutional Investors Group on Climate Change in 2021.
– Companies that are potentially involved in the production of nuclear weapons received a letter[28] from us, requesting clear disclosure about the level of involvement and on how their potential involvement would look in the future. Bilateral discussions have already begun, based on our engagement letters and will continue in 2022 and beyond. The risk of nuclear warfare is a systemic risk for humanity and our letter asked companies to respond to efforts to develop a treaty on the prohibition of nuclear weapons.
– In March 2021, DWS's Research Institute team responded to a net zero consultation from the Science Based Targets Initiative, calling for the creation of proper governance and conflict of interest policies. SBTI was criticised in the Financial Times in January 2022 for the lack of such policies.
– Through a number of industry associations, DWS experts also contributed to a number of diverse consultation responses from different governments and regulators.
– A DWS Research Institute report[29] in June 2021 focused on why ESG reporting requires scientific verification.

Case Study: Engagement with Index Providers

DWS developed a strategic framework to engage on sustainability considerations with providers of indices for our Passive Products business. There are trillions of Euros of capital benchmarked to core indices offered by index providers, and over EUR 200 billion benchmarked to these indices by Passive instruments. By engaging with index providers and formally requesting improvements, Passive Investments will be able to add an additional pillar to achieve the sustainability related targets proposed by DWS. The engagement process is in addition to sustainability related due diligence and assessment carried out on index providers as well as their index(es) in question during the index selection process for Passive. The engagement framework focuses on:

1. Integration of sustainability related criteria into benchmark indices.
2. Adequate sustainability reporting and transparency.
3. Improvement of sustainable index offering.
4. Alignment of strategy and product offering with Net Zero and reduction of carbon risks.
5. Internal governance and conflicts of interest management.
6. Implementation of the framework began at the end of 2021.

[27] www.theinvestoragenda.org/focus-areas/policy-advocacy Investor Agenda 2021 www.theinvestoragenda.org/focus-areas/policy-advocacy/ theinvestoragenda.org/focus-areas/policy-advocacy/
[28] DWS 2021 https://download.dws.com/download?elib-assetguid=6e7b34ef866142f5956fb284d48ba6ee&&&
[29] Why ESG reporting requires scientific verification (dws.com)

Case Study: Public Policy Engagement on Energy Efficiency

An example of continuous contribution to public policy development is on energy efficiency. Through the management of DWS's real estate portfolios and the management of the European Energy Efficiency Fund[30] for the European Commission and European Investment Bank, DWS aims to support the climate goals of the European Union.

A DWS expert was a founding member of the European Energy Efficiency Financial Institutions Group[31] (EEFIG) in 2013 and was asked to join the initiative's first Steering Committee in 2018. DWS led the committee in writing a letter to the EU Energy Commissioner in May 2020, with recommendations for the EU Renovation Wave strategy. In parallel, DWS's Research Institute published a report[32] with recommendations for the EU's Renovation Wave strategy. As well, a DWS expert was invited to participate in the UK Green Finance Taskforce on energy efficiency and subsequently joined the Green Finance Institute's Coalition for Energy Efficiency in Buildings[33].

In 2021, DWS participated in an EEFIG working group[34] focused on evidence for how green mortgage portfolios may have lower financial risk, thus creating an incentive for banks and financial regulators to promote building renovation. DWS invited a Deutsche Bank retail risk management expert to also participate in this working group. DWS continues to provide input to European Commission experts in this area. DWS experts also provided input to a paper[35] from the International Capital Market Association (ICMA) making recommendations for ESG indicators for mortgage and vehicle asset backed securities.

Showing the effectiveness of activities in this area, the European Commission's response to the EEFIG steering committee letter[36] stated in part that:

„EEFIG is a key driving force in accelerating finance mobilisation in energy efficiency. EEFIG provided… a significant contribution to the better understanding and deeper knowledge of energy efficiency financing. All this work directly fed into the EU policy development… We count on EEFIG, and it's Steering Committee, to continue working… to support the mainstreaming of energy efficiency investments."

DWS' Role in Relevant Industry Initiatives

To promote well-functioning financial markets through building and sharing of knowledge and good practice, DWS experts are involved with a number of organisations. Below is a list of the most relevant, having regard to the purpose of the UK Stewardship Code's Principle 4. A more comprehensive list of DWS's memberships and affiliation regarding ESG can be found on our website https://www.dws.com/de-de/loesungen/esg/

[30] www.eeef.eu Included as information only for the purposes of the 2021 Stewardship Code report by DWS Investments UK Limited
[31] http://eefig.eu/ http://eefig.eu/
[32] www.dws.com/insights/global-research-institute/green-healthy-buildings-as-economic-stimulus/ www.dws.com/insights/global-research-institute/green-healthy-buildings-as-economic-stimulus/
[33] www.greenfinanceinstitute.co.uk/ceeb/ www.greenfinanceinstitute.co.uk/ceeb/
[34] https://ec.europa.eu/eefig/eefig-working-group-risk-assessment_en https://ec.europa.eu/eefig/eefig-working-group-risk-assessment_en
[35] ICMA October 2021 https://www.icmagroup.org/assets/documents/Regulatory/AMIC/Sustainability-indicators-for-ABS-181021v2.pdf
[36] European Commission, June 2020

Table 4.2 DWS' Role in Relevant Industry Initiatives

Name	Type of engagement	Events / developments 2021
Corporate Governance		
Berufsverband der Investment Professionals (DVFA) - Corpo-rate Governance & Stewardship Commission and Sustainable Investment Commission	Member	DWS has continued to be an active supporter of the DVFA and DWS staff was invited to several conferences. Furthermore, DWS has remained an active promoter and co-initiator of the DVFA-Corporate Governance Scorecard.
Bundesverband Investment und Asset Management (BVI) - Sustainability Committee, Corporate Governance and Compli-ance working groups	Member	DWS has remained active in diverse political engagement groups of the BVI, providing consultations on several national and European legislative initiatives and collective comments regarding ESG issues, reviewing annually the Guidelines on German AGMs, and drafting and developing several position papers on virtual AGMs.
Corporate Governance Roundtable by Harvard Law School	Member	DWS was invited to the Roundtable which was focused on the topic executive compensation.
European Funds and Asset Management Association (EFAMA) - Responsible Investment and Corporate Governance working groups	Member	DWS has continued to be part of the workstreams regarding ESG & Stewardship Standing Committee as well as Sustainable Finance and provided feedback to various consultations.
Global Institutional Governance Network (GIGN)	Member	DWS has continued to participate in an investor group focused on good corporate governance and improving long-term shareholder value.
International Corporate Governance Network (ICGN)	Committee Member	A DWS employee has been appointed as a member in the Global Governance Committee in September 2021.
UK Stewardship Code	Signatory	DWS Investment UK Ltd. has been recognized as one of the signatories to the Financial Reporting Council's UK Stewardship Code, which sets high standards of stewardship for those investing money on behalf of UK savers and pensioners.
UK The Investment Association (IA)	Member	A DWS employee acts as an Advisory Board member. Further activities of different DWS employees include being Chair of the IA Passive Investment Committee, being a member of the IA Stewardship & Governance Committee, contributing to a thought leadership working group focused on UK corporate governance best practices and providing input to IA climate position in the Sustainable and Responsible Investments Committee.
Corporate responsibility & sustainable finance		
Dutch Association of Investors for Sustainable Development (VBDO)	Member	DWS has continued to participate in an investor group focused on good corporate governance and improving long-term shareholder value.
European Financial Reporting Advisory Group (EFRAG)	In-kind donation	A DWS employee is a member of the Project Task Force on Euro-pean Sustainability Reporting Standards (PTF-ESRS).
Forum Nachhaltige Geldanlagen (FNG)	Member	DWS contributed to the market report of Nachhaltige Geldanlagen with DWS data.
Global Impact Investing Network (GIIN)	Member	DWS gave input to GIIN working groups and initiatives, for instance, to the GIIN's Investors' Council which provided a forum for experienced impact investors to strengthen the practice of impact investing.
International Capital Markets Association (ICMA)	Member	DWS employees gave input to ICMA's working group and papers on ESG in asset backed securities.
Insurance Development Forum (IDF)	Member	A DWS employee is a member of the IDF Investment Committee.
Pension for Purpose	Member	DWS employees held a seminar on measuring impact investing to UK pensions and trustees. DWS Research Institute received an award for the best Environmental Impact research for its paper on Water Risk.

Name	Type of engagement	Events / developments 2021
Principles for Responsible Investment (PRI)	Signatory	DWS was again a Silver sponsor of the PRI Digital Conference and hosted a well-attended event on water risk. A DWS employee is a member of the sub-sovereign advisory committee and participated in conference calls to edit the PRI's white paper on ESG Integration in Sub-Sovereign Debt and spoke on a live webinar to promote the paper. A DWS employee chairs the Structured Finance advisory group and contributed to the group's first report on this asset class. Another DWS employee held a lecture on integrating climate change considerations in the investment management process for PRI Latin American members.
Sustainable Finance Committee of the German Federal Gov-ernment	Member	A DWS employee has continued to act as a member of the Sustain-able Finance Committee of the German Federal Government.
World Economic Forum (WEF)	Member	DWS research participated in a working group focused on trans-for-mative investments and also gave input to WEF reports on circular cities and sustainable agriculture.
Climate		
CDP (former Carbon Disclosure Project)	Signatory, Member, Commitment, Reporter	DWS is an investor signatory of CDP. As a CDP reporter, DWS received a CDP score of B, reaching CDP "Management level". In addition, DWS is once again a signatory to CDP Science-Based Targets (SBTs) Campaign with the purpose to accelerate the adop-tion of science-based climate targets in the corporate sector, by collaboratively engaging companies on this matter.
Ceres Investor Network on Climate Risk and Sustainability	Member	DWS employees participated in working group update sessions including on net zero in private equity, attended presentations, and signed on to Ceres letter responding to the Securities and Exchange Commission (SEC) request for input on climate-related disclosures. Further, DWS research employees collaborated with Ceres to publish reports on water risk[37].
Climate Action 100+	Signatory	DWS has continued the engagement with an Italian utilities company via Climate Action 100+.
Climate Policy Initiative's (CPI) Global Innovation Lab for Climate Finance	Founding Member	DWS is member in the Climate Lab cycle and participated in confe-rences and workshops held by the Climate Policy Initiative.
Coalition for Climate Resilient Investments (CCRI)	Founding Member	DWS is a founding member of the Coalition for Climate Resilient Investment (CCRI) which aims to incorporate physical climate risk into infrastructure investment decisions. DWS spoke at CCRI's COP26 event and contributed to CCRI's first report as well as to the valua-tion working group.
EU Energy Efficiency Financial Institutions Group (EEFIG)	Founder and Steering Committee Member	A DWS employee is a member of the EEFIG steering committee. As such, the activities of the employee include providing advice to the EU Commission on energy efficiency policy and participating in a working group on financial risk in energy efficient loans.
Global Investor Statement on Climate Change	Signatory	DWS renewed its signatory for the Global Investor Statement on Climate Change and is one of the longest standing supporters since the statement was initiated in 2009.
Global Off-Grid Lighting Association (GOGLA)	Member	DWS participated in work streams which contributed to a briefing note on best practice for transparency in off-grid solar and to the launch of KPIs to increase transparency of pay-as-you-go compa-nies towards investors and stakeholders.

[37] DWS December 2021 https://www.dws.com/insights/global-research-institute/financial-implications-of-addressing-water-externalities-in-the-apparel-and-meat-industries/

UK Stewardship Code Report 2021

Name	Type of engagement	Events / developments 2021
Green Climate Fund (GCF)	Accredited Entity Status	At COP26, it was announced that DWS - through Deutsche Bank AG's Accredited Entity Status - entered into an agreement with the UN Green Climate Fund, to seed fund the Universal Green Energy Access Programme, an investment fund aimed at supplying clean electricity to businesses and households in selected African coun-tries. The investment fund will be managed by the SI team as part of its African private debt business. The UN Green Climate Fund agreed to contribute USD78.4m in capital as anchor investor, while DWS will raise private sector capital.
Institutional Investors Group on Climate Change (IIGCC)	Board Member	A DWS employee is a board member of the IIGCC. DWS experts contributed to working groups regarding net zero, accounting for climate risks, physical climate risk and defining a net zero framework for banks with the help of investors. Further, DWS was invited to give input to IIGCC's policy advocacy and signed the annual Global Investor Statement to Government on the Climate Crisis.
Investment Adviser Association (IAA)	Member	DWS has continued to participate in the ESG Committee focused on ESG investing in the context of SEC-registered investment advisors.
Net Zero Asset Manager Initiative (NZAM)	Signatory	DWS joined the NZAM initiative in December 2020 as founding signatory. A DWS employee serves in the NZAM Advisory Group.
Science Based Targets Initiative (SBTi)	Commitment	DWS has committed to the SBTi and to align its ambition with keeping warming to 1.5°C and reaching science-based net zero emissions by 2050. DWS's Research Institute responded to SBTi's consultation on a net zero standard.
Taskforce on Climate related Financial Disclosure (TCFD)	Supporter	DWS issued its first TCFD guided Climate Report 2020.
Social Commitments		
Diversity & Inclusion Working Group of the US Institute	Member	DWS has continued to be part of a think tank for leading investment management firms which allowed sharing and discussing successes in advancing Diversity practices in the firms' organizations.
Investing in a Just Transition	Signatory	DWS has continued to support the PRI Investor Statement on a Just Transition on Climate Change.
New Financial	Member	DWS has remained a member of a think tank and forum launched in 2014 with the view to rethinking how Diversity and Inclusion can be improved in capital markets in Europe, and to look at rebuilding trust and improving industry culture. Activities included publishing research papers, preparing for how aspects of Diversity and Inclusion can be brought into regulatory requirements, focusing on diversity data to understand the workforce and eliminate potential bias.
Real Estate & Infrastructure		
Better Buildings Partnership (BBP)	Member / Signatory of Climate Commitment	DWS has committed to deliver net zero carbon real estate portfoli-os by 2050. Further, DWS has continued to participate in working groups focusing on net zero, embodied carbon and resilience, and supports the collective climate commitment.
Building Research Establishment (BRE)	Member	A DWS employee was active in a working group to support the development of BREEAM standards.
Carbon Risk Real Estate Monitor (CRREM)	Member	DWS has continued to participate in the Scientific & Investor Committee focused on accelerating the decarbonization and climate change resilience of the EU commercial real estate sector. Further, another DWS key activity comprised integrating CRREM into transaction ESG screenings, annual fund business planning and SFDR targets.

Name	Type of engagement	Events / developments 2021
European Association for Investors in Non-Listed Real Estate Vehicles (INREV)	Member	DWS participated in various working groups, in particular focusing on developing ESG reporting standards and looking into regulatory requirements for real estate. A DWS employee is a member of the INREV ESG Committee and also provided a lecture on regulatory requirements in INREV's ESG training course.
Global Infrastructure Investors Association (GIIA)	Founding Member	As a founding member of the GIIA, DWS Infrastructure is working jointly with governments and other stakeholders to boost the role of private investment in providing infrastructure that improves national, regional, and local economies. DWS employees participated in various working groups, for example, regarding UK water and ESG.
GRESB (Global Real Estate Sustainability Benchmark)	Member	DWS experts have continued to participate in the Real Estate and Infrastructure Benchmarking Committees, contributed to develop a GRESB roadmap for the future and submitted 15 real estate, 3 infrastructure funds and 9 infrastructure assets into the GRESB benchmark assessment.
Urban Land Institute (ULI)	Founding Member	A DWS employee contributed as a speaker in a number of panels and webinars. Further, DWS has continued to submit data to the ULI Greenprint Center Building Performance and participated in working groups focused on sustainable practices in the real estate asset management industry.
UN Environment Programme Finance Initiative (UNEP FI) - DWS participated via membership of parent company Deutsche Bank AG	Member	DWS participated in UNEP FI's real estate working group (which became part of PRI in 2022).
US Department of Energy Better Buildings Challenge	Member	DWS has committed to a 20% reduction in energy and water use by 2030 for portfolio of U.S. office properties and had previously met a 2020 target three years early. The progress was published on the website of the US Department of the Energy Better Building Challenge.
Transparency & Reporting		
Operating Principles for Impact Management (OPIM)	Signatory	DWS has been a signatory of the Operating Principles for Impact Management since 2019 and published a DWS Disclosure Statement based on the Principles. There were 4 Sustainable Investments funds aligned with OPIM's guided impact principles.
Schmalenbach Gesellschaft für Betriebswirtschaft[27] - working group Integrated Reporting	Member	A DWS employee is a permanent member in the working group focused on discussing and analysing the implications of integrated thinking for corporate reporting (IR) and gathering and evaluating practical and scientific experience.
Value Reporting Foundation (VRF)	Business Network Member	DWS joined the VRF Integrated Reporting <IR> Business Network in 2021 to receive access to webinars, networking opportunities and online resources relating to Integrated Reporting. Further, DWS received a valuable gap analysis feedback on DWS Annual Report 2020 against the <IR> framework and attended the VRF Symposium in December 2021.

[27] Schmalenbach association for business administration

Public Advocacy and other Stakeholders

DWS collaborates regularly with a variety of academic institutions to foster education on ESG, sustainability, and other topics.

Table 4.3 DWS' Collaborations with Academic Institutions

Name	Type of engagement	Events / developments 2021
Academic engagement		
Columbia University	Lecturer	A DWS employee has continued to teach financial inclusion and impact investing at Columbia University's School of International Public Affairs as adjunct professor.
Frankfurt School of Finance and Management	Guest lecturer	A DWS employee delivered a guest lecture on AGM-preparation, engagement, and sustainability in DIRK's (Deutscher Investor Relations Verband) CIRO (Certified Investor Relations Officer)-course in cooperation with the Frankfurt School.
Hochschule St. Gallen	Keynote	A DWS employee gave a keynote on "Why and how the G-Force matters?" at the university's Network for Innovative Corporate Governance (NICG).
University of Oxford	Informal partnership	A DWS employee discussed ESG and asset management industry developments with graduate students in the Environmental Change and Management course.
WHU Otto Beisheim School of Management	Guest lecturer	A DWS employee delivered a guest lecture on Corporate Governance.

Furthermore, DWS engages regularly with NGOs on diverse sustainability related topics and has also contributed to their research and publications . Amongst others, DWS collaborates with Reclaim Finance, ShareAction, Urgewald, and the WWF.

Table 4.4 DWS' Collaboration with NGOs

Name	Type of engagement	Events / developments 2021
Non-Governmental Organisations (NGOs)		
Reclaim Finance	Stakeholder	DWS contributed to the 2021 Asset Manager's coal scorecard and had a regular exchange on diverse sustainability related topics with Reclaim Finance.
ShareAction	Stakeholder	DWS contributed to 2021 publication 'Voting Matters'
Urgewald	Stakeholder	DWS had a regular exchange on diverse sustainability related topics with Urgewald.
WWF	Stakeholder	DWS has entered into a partnership with WWF in the context of DWS Concept ESG Blue Economy fund and on a multi-year marine conservation project in the second largest coral reef in the world. DWS research institute co-authored an article with WWF commenting on water risk within WEF's Global Risk Report.

Global regulatory consultations are a key component of our stewardship efforts and we regularly engage with global regulators and authorities (e.g., IOSCO, ECB, European Commission, CBI, CSSF, BoE) to discuss developments in the capital markets and funds industry. Furthermore, DWS communicates with exchanges and other capital markets participants approach DWS for periodic / regular inputs on prudential oversight.

How DWS has aligned its investments according to analysis of market-wide and systemic risks

As laid out above, identifying and responding to market-wide and systemic risks are embedded in DWS's investment process. The research process is driven through a hybrid model that is both top-down and bottom up and is tactical (time frame: next quarter), strategic (time frame: next twelve months) and long term in nature (time frame: next decade). This approach also enables us to share insights across the organisation and with external stakeholders such as investors or the general public, and it helps the development of new products and client solutions. It informs clients and other stakeholders on risk and opportunities and is able to drive re-allocation in assets. Through our work with investees and other stakeholders, we endeavour to support a well-functioning financial system.

Our investment decisions are constrained by product prospectuses that set out a clear guideline that investors should take into consideration as part of the investment process. Value-focused investments may over- or underperform the broader benchmark in a growth driven equity market, but it is important that the focus remains on fulfilling the guidelines as set out in the relevant fund prospectus, while integrating market-wide and systemic risks. At DWS, this approach is integrated into the DNA of the organisation, across functions, products, and distribution. Subject to guidelines set out in the relevant fund prospectus or mandate; our investments are aligned with what is described in this Principle.

We believe our business is well positioned to capture market opportunities and address asset management industry challenges. As illustrated above, changing market conditions and investor needs have created significant opportunities for us and the asset management industry, yet also require us to continuously monitor risks, run stress tests, and scenario analyses.

Outcome

Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

Effectiveness of our response to market-wide and systemic risks

Evaluating the effectiveness of any financial institution's response to market-wide and systemic risks outside of its portfolio activities and operations is difficult as we are not able to assess the impact that a different course of action would have resulted in. On the previous pages, we have described the process followed at DWS. However, there are inevitably risks and here are some tangible examples of how we addressed such residual risks at DWS and how we work internally and with our partners to promote a proper functioning of markets:

- Contradictory Research Recommendation Process: Within DWS, research is integrated in the various investment teams. Situations occur where different teams may take a different view on the upside or downside in prices on a specific security. This may be due to a different time frame for the investment, asset class (fixed income, equities), or investment style (Value and Growth). To ensure that the divergence of views is not a result of some more relevant risk, a monthly review focuses on the rationale for divergence in recommendations. If the risk is deemed material, an escalation process takes place. There were 12 reviews and 16 escalations made in 2021. The process can also be called upon if material events occur and other researchers may have not identified the matter. This is particularly useful in times of crises.
- Ensuring that the ESG rating fully reflects the risk and opportunities of the underlying security. There are situations where different vendors may use the same 'materiality' framework but have different ESG scores on the same security. To manage such risks, and to promote better functioning of financial markets, DWS is engaged and acting on multiple fronts:
  - Using a multivendor approach to ESG ratings
  - Calling for an official definition of ESG and Sustainability standards
  - Setting up a council to review ESG ratings from vendors based on DWS proprietary research insights (Sustainability Assessment Validation Council - SAVC). The SAVC was set up in December 2021. This council takes a decision when there are different opinions from vendors, as well as when new material information emerges that may lead to future changes in ratings
  - Engaging with vendors to clarify ESG ratings and their methodologies

DWS continuously reviews its processes with the goal of proactively managing risks and opportunities. In addition, successfully engaging on market-wide and systemic risks such as ESG-risks is, in our view, an indicator of the effectiveness of what we do. Please refer to Principle 9 and 11 for examples.

Effectiveness of DWS promoting Well-Functioning Markets through Engagement, Publications, and Public Advocacy

We believe that in most cases it is not possible to achieve change in companies' or government policies and practices through the actions of a single investor. However, in some cases, we can see a correlation between our actions and the actions of the markets.

Today, companies are increasingly setting net zero targets which is likely due to a large range of factors. This is good progress, but we believe we need more investors to advocate for more ambitious science-based targets so that collectively, we can accelerate the transition to net zero. Of the 53 energy sector companies that we wrote to in 2020 calling for ambitious climate targets, only three companies have a validated 1.5°C Science-Based Target (as of March 2022). According to the Transition Pathway Initiative's carbon performance assessment[39], 24 companies are not aligned, 18 companies are not evaluated, 2 companies targets are aligned with national pledges and 9 companies are aligned with a 1.5°C or a below 2°C target. This indicates that continued strong engagement efforts with all companies is necessary.

More details on the proportion of our traditional asset class holdings that were committed to Science-Based Targets Initiative (SBTI) and Transition Pathway Initiative's assessment can be found in DWS' Climate Report (https://group.dws.com/responsibility/).

In 2021 we met with an organisation developing methodologies for tracking outcomes of engagement activity and will continue to monitor market developments in this area.

DWS Research Institute reports have identified systemic risks impacting society and a proper working of financial markets. Such issues, particularly climate-related issues, are regularly highlighted in our research and marketing material, conferences and in our stakeholder engagement. The objective is to increase awareness and bring the debate to a level where such issues are dealt with in policies or changed market practices or standards. The most relevant issues we are focusing on include:

- ESG funds with typically higher fees in the market than "traditional" funds. This means that investors face additional costs when investing sustainably, and more importantly, they face higher cost than companies that create significant damage to society and the environment. We have started to raise the idea of a 'polluter pays' tax on the investment industry with key trade associations and clients. Such a tax could create an incentive for more and better stewardship, and investor policy advocacy on a range of systemic sustainability issues. We will focus more on this topic in 2022.
- Poor reporting standards. We welcome the introduction of the International Sustainability Standards Board (ISSB) in Europe. However, we note that the focus on single materiality falls short of providing support to deliver for the EU Corporate Sustainability Reporting regulation and will fail to provide information to investors that is primarily interested in the impact that their capital has on Society and Environment. We continue to assess how we can strengthen calls for a double materiality approach when reporting on the environment[40].
- Increasing awareness and driving action beyond the reduction in carbon emissions. We aim to educate investors on other climate-related risks, especially in terms of water and biodiversity, and why we need to focus on these as much as carbon reductions in order to tackle climate change

In Case Study 1 and 2, we highlight how we use our research to drive change and create better outcomes for investors.

[39] https://www.transitionpathwayinitiative.org/publications/91.pdf?type=Publication
[40] https://www.dws.com/en-gb/Our-Profile/media/media-releases/dws-pushes-ifrs-to-introduce-a-coherent-esg-reporting-standard-based-on-double-materiality https://www.dws.com/en-gb/Our-Profile/media/media-releases/dws-pushes-ifrs-to-introduce-a-coherent-esg-reporting-standard-based-on-double-materiality/#:%7E:text=DWS%20pushes%20IFRS%20to%20introduce%20a%20coherent%20ESG,climate-related%20data%20and%20is%20based%20on%20double%20materiality.

Case Study 1: Environmental risks beyond carbon –focusing on Biodiversity and the Climate-Water-Nexus

Our assessment of current market dynamics suggest that the Environmental focus is excessively one-dimensionally focused on climate risks, loosing other environmental risks out of sight even though – as laid out in the Dasgupta review[41]: “everything is connected”.

The DWS Research Institute broadened its research and assessed the financial materiality of water risk and biodiversity loss for investors globally alongside the recognition that any credible net zero strategy must have nature at its heart. In its first whitepaper examining natural capital, the DWS Research Institute published “A Transformational Framework for Water Risk”[42] in which it proposed a solution for how investors can deliver transformational water investments across all asset classes[43]. The research paper later won the UK’s Pensions for Purpose “Best Environmental Impact Thought Leadership Content” award[44].

Our work in this area coincided with being invited to join a World Economic Forum (WEF) working group on “Transformational Investment”[45] which targeted new approaches to convert global systemic risks into a sustainable return. This initiative identified that water was an issue that was receiving the least amount of focus.

We also provided input to the World Economic Forum “Imagine If…water” research papers[46] on circular cities. This was followed by an invitation by WWF to co-author an article linked to the WEF’s Global Risks Report in January 2021.

In March 2021, the DWS Research Institute and the cash return on capital invested (CROCI) team began collaborating on water materiality with Ceres and their Valuing Water Initiative investor group. The DWS CROCI team is a proprietary investment process based on a valuation technique. Our collaborative work led to the publication of two research reports at the end of 2021 examining the financial materiality of water in the clothing and packaged meats’ industries. Most approaches to water risk focus on companies’ sector and geographic exposure and do not examine financial materiality. This joint research could contribute to more organisations focusing on financial materiality of water risk. These reports will support Ceres in creating an investor engagement initiative on water, which could help focus more investors, companies, and governments on systemic water risks[47].

In recognition of their water risk work, a member of the DWS Research Institute was invited by the COP26 Water Champion to join CDP’s Water Advisory Council in July 2021 and to become part of CDP’s technical expert group on water disclosures for financial institutions. This will enable DWS to share its knowledge with other stakeholders with the purpose of increasing disclosure, awareness, and proper working of financial markets. The insights developed in the research were shared with CDP, which has now developed a reporting requirement framework for companies on how they manage water risk.

To reflect on the important role nature plays in carbon removal and reduction, the DWS Research Institute published their “Oceans and Climate – Exploring the Nexus” whitepaper[48] in October 2021. The paper examined how oceans are being damaged by acidification due to rising temperatures, plastic and chemical pollution, overfishing, whaling, seabed mining, resource exploitation and coastal habitat destruction and how these factors are affecting the role of oceans as carbon sinks. To address these risks, the research team proposed recommendations for an investor agenda to protect and restore these valuable ecosystems.

Within this context, DWS launched the DWS Concept ESG Blue Economy Fund, an equity fund focused on ocean protection. We are supported by the World Wide Fund For Nature (WWF) Germany, which provides advice on the investee engagement approach for the fund. In addition, DWS has entered into a partnership with WWF in the context of DWS Concept ESG Blue Economy fund and on a multi-year marine conservation project in the second largest coral reef in the world.

Case Study 2: Stakeholders vs. Shareholders

Over the past ten years, DWS has published three major academic reports with the University of Hamburg regarding the relationship between corporate financial performance and ESG. This research was summarised in: **“Stakeholders vs. Shareholders: Why Milton Friedman was wrong[49]”**

The latest report on ESG and financial performance was published[50] in June 2021 by the Passive Investment Team finding that “dark green” indices have displayed outperformance across regions and over time.

One of these three reviews was co-written by DWS’s Team Lead Multi Asset & Solutions and the University of Hamburg. This report has been cited (along with others) in numerous reports and speeches from prominent institutions. According to Altmetric analysis, the DWS and University of Hamburg 2015 academic paper is in the top 1% of all academic research receiving media and social media attention.

We believe that these reports, amongst others, continue to play a key role in changing investor opinion regarding the financial materiality of ESG. For instance, we track the evolution of surveys of institutional and retail investors’ views and found that 2017 is the year when more investors came to believe that ESG integration can lead to increased financial performance. We believe that our research as well as related research has contributed to this investor perception shift.

[41] https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review
[42] https://www.dws.com/insights/global-research-institute/a-transformational-framework-for-water-risk/
[43] www.dws.com/insights/global-research-institute/a-transformational-framework-for-water-risk/
[44] Reports were assessed for clarity, originality, educational insight, presentation, and relevance for pensions funds. No fee was paid for the award https://www.pensionsforpurpose.com/knowledge-centre/events/2021/11/18/Pensions-for-Purpose-Content-Awards-2021/
[45] www.weforum.org/whitepapers/transformational-investment-converting-global-systemic-risks-into-sustainable-returns
[46] https://www.weforum.org/reports/circular-cities-a-circular-water-economy-for-cleaner-greener-healthier-more-prosperous-cities
[47] https://www.dws.com/en-gb/insights/global-research-institute/DWS-and-wwf-research-highlights/
[48] https://www.dws.com/AssetDownload/Index?assetGuid=416ece57-eacc-4b51-b5e3-6f661fa6abfe&consumer=E-Library
[49] www.dws.com/insights/global-research-institute/stakeholders-and-shareholders/
[50] DWS June 2021 https://www.dws.com/insights/investment-insights/esg-outperformance-not-about-one-factor/

Other Regular Reports

Throughout 2021, DWS continued to focus on fundamental ESG thematic research, engaging with third parties and ensuring that ESG is discussed in the DWS CIO View. Various topics which were relevant to climate change were either part of our CIO Day or external publications on dws.com. Additional detail can be found in the DWS Climate Report. The insights gained through the CIO View generation process are communicated through our quarterly CIO View publication on our website https://www.dws.com/insights/cio-view/cio-view-quarterly/.

The Long View report and the quarterly newsletters are published externally for MiFID professionals and institutional clients on our research website https://www.dws.com/insights/global-research-institute/. One example is the DWS Long View – The green decade[51], which estimates long-term performance of ESG vs traditional indices.

Stakeholder Engagement

Our value chain consists of different stakeholders, including clients, investors, employees, shareholders, and suppliers, as well as regulators, communities, media, civil society as well as public and non-governmental organisations (NGOs).

While the interests of our stakeholders may be conflicting, we have to navigate among these interests. We are open to constructive critique and dialogue, which we believe is crucial to improving our sustainability approach.

We consider a constructive engagement to be integral to understanding the expectations and concerns of our stakeholders. It not only helps us to comprehend the positive as well as negative impacts of our business activities more broadly, but also promotes acceptance of what we do, as we strive to strengthen trust and partnerships, and improve our sustainability performance. We are convinced that engaging with our stakeholders is crucial to creating a common understanding and a collaborative approach to shared global challenges.

All of our identified stakeholders have responsible points of contact within DWS Group. Each commitment or membership is evaluated by the responsible person, who decides whether it is important and worthwhile.

Examples of our effectiveness in engaging with sovereigns, thereby promoting well-functioning markets, can be found in our answer to Principle 9.

[51] https://www.dws.com/en-gb/insights/global-research-institute/dws-long-view-20210225/ (Long View report, Feb 2021).

⁄ 5 Purpose and Governance: Review and assurance

Context

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

Our approach to ESG, engagement and stewardship continues to evolve. As such, our related policies and processes are constantly being reviewed and scrutinised to ensure they remain optimal against enhancements both internally and to some extent, by external independent parties. Internally, we periodically cross-check whether the local regulatory requirements of the different markets in which we operate are met by our policies and processes. We also discuss our processes with other relevant internal stakeholders to identify areas for improvement and to assess the effectiveness of our processes. Another trigger for re-evaluating our processes is the development of our clients' demands and expectations in terms of enhanced stewardship practices. Furthermore, as a signatory to the UN PRI (Principle for Responsible Investments), we are striving to achieve the best assessment as an asset manager by positioning our policies and processes towards best-in-class stewardship.

Activity

Signatories should explain how:
- **how they have reviewed their policies to ensure they enable effective stewardship.**
- **what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and**
- **how they have ensured their stewardship reporting is fair, balanced, and understandable.**

DWS's investment stewardship policies (e.g., Corporate Governance and Proxy Voting Policy, Engagement Policy) and processes are reviewed periodically in order to maintain their effectiveness and further improve.

Engagement Policy Developments in 2021

DWS introduced an enhanced engagement framework for Europe during 2021 and is considering a similar framework for the US subject to applicable approvals. Our enhanced engagement framework is designed to define and track sustainability outcomes at our investees. It establishes three clusters of engagement depending on the degree of interaction with the investee. It also sets targets towards sustainability outcomes which are among others mapped to the Sustainable Development Goals (SDGs).
- Core List: the focus will be on core corporate governance values and broader environmental and social issues
- Focus Engagement List: Different approaches will be defined on an ad-hoc basis. For certain investees, the focus will be on climate and norm violations as well as governance related issues. For others it could be about specific sustainability themes
- Strategic Engagement List: The objective is to work with companies on a number of clear ESG and non-ESG targets. By working with companies that are very important for DWS and its clients, there is a potential to improve the companies' ESG and non-ESG quality

The underlying rationale used in our engagement is that we achieve positive change only when we exert influence and that we exert influence most effectively when we are invested. We aim to evaluate each company individually and try to improve sustainability outcomes via direct dialogue. We will only exclude these companies from relevant product investment universes if these efforts do not generate positive outcomes and we assess that there is little scope for improving the companies risk profile.
During the design and set up of our enhanced engagement framework, we put special emphasis on maintaining the balance of our filter criteria on all three areas of social, environment and corporate governance, as well as setting up a process as simple and understandable as possible. Furthermore, the launch of our enhanced engagement framework was supported by several training sessions for our analysts and portfolio managers. The same training process was applied for the roll-out of our enhanced engagement database. We introduced new data fields with the aim of helping our engagement leads prepare, manage and document transparently issues and targeted outcomes so that we can become more effective in our engagement activities.
In reviewing our Corporate Governance and Proxy Voting Policy, we seek to ensure that our corporate governance expectations reflect relevant regulatory changes and guidance in hard and soft law (i.e., codes) and remain robust against market standards and developments based on our experience of the previous voting seasons. The proposed changes are then discussed with the Proxy Voting Group and the CIO for Responsible Investments. Finally, the Management Board of DWS Investment GmbH discusses and signs off on the proposed changes.
Furthermore, we review our engagement framework including approaches, processes, and responsibilities. We made enhancements to our engagement framework at the end of 2021. By reporting on our Stewardship activities, we aim to focus on emerging best practices, i.e., the UK Stewardship Code and client requirements. Following our decision in 2018 and 2019 to issue a Sustainability Report in an addition to our Annual Report, we published our first combined report in 2021 (relating to 2020) as a first step towards integrated reporting. The purpose of integrated reporting is to consolidate financial and non-financial performance in a single document to provide our stakeholders with a comprehensive overview of the overall health of our company, not just the financial results.

Corporate Governance and Proxy Voting Policy Developments in 2021

Key changes in our policies addressed:

Board Elections / Discharge

In 2021, we continued to closely monitor the performance of our portfolio companies and their boards, i.e., with regard to their composition, independence, and qualifications. Regular board refreshment and a pro-active, well established succession-planning paired with strong and holistic diversity continue, in DWS's view, to provide safeguards for critically thinking boards, avoiding entrenchment and groupthink.
We extended our expectations towards our portfolio companies that gender diversity is to be incorporated into the boards' composition and refreshment processes, which is critical to effective corporate governance. We also explicitly welcomed any developments that aim to achieve a better gender balance and expect boards to enhance their pool of diverse candidates. Consequently, we continued to hold incumbent board members accountable and voted against candidates if the board failed to nominate at least one female candidate.
As we believe that material sustainability issues are a board's responsibility, we increased our scrutiny on the performance of boards and management in relation to ESG-controversies, i.e., norm-violations in which companies may be involved and started to hold them accountable accordingly if they failed to oversee and manage these issues adequately. We expect boards to be transparent about which director is identified and qualified as an ESG-expert or
- in case this responsibility is shared – which committee is overseeing ESG-matters.

We continued to expect directors to have D&O-insurance (directors and officers liability insurance) with adequate self-contributions and expect companies to be transparent about this topic.

Audit Committees:

Lastly, we focused on Audit Committees as an established element of sound corporate governance and an indicator for a well-functioning and professional board. We expect the majority of the members to be independent, including the chair, whom we expect to be identified as financial expert. Furthermore, we expect the board to identify as least one additional qualified financial expert.

Executive Remuneration:

Starting in 2021, companies listed in the European Union were required to present their remuneration system to shareholders, while in some jurisdictions, the say-on-pay was already a regular agenda item. Our expectation remained that shareholders should be entitled to vote on executive remuneration at least every four years or where material changes have been made. Naturally, we continue to expect the executive remuneration system to be geared towards the long-term success of the company, aligning interests of shareholders with those of management.
These systems should also clearly demonstrate which extra-financial KPIs – derived from the company's strategy – are used and how they align with the material environmental and social impacts of the company. For the variable components, we expect comprehensive and ambitious targets, including quantitative and qualitative KPIs that also refer to the extra-financial performance of the company. With regards to the Long-Term Incentive (LTI), we encourage our portfolio companies to include components geared towards share performance, capital efficiency and return, e.g., relative total shareholder return (rTSR) against a meaningful index/benchmark or return on invested capital (ROIC).
We introduced a new sub-section to our Corporate Governance and Proxy Voting Policy, outlining our new requirements for remuneration reports for which transparency and comprehensibility are key and continued to ask for more information on the performance assessment by the board. Meanwhile, our expectation for clawbacks is well established. For remuneration reports published in 2021, we started to ask for information on the terms and conditions of this mechanism. Where the board has discretion on

bonus-components, we ask for information on the related performance-assessment processes.

Shareholder Proposals:

In 2021, the treatment of the rights of the shareholders remained a primary concern for us. Consequently, we continued to hold boards accountable in cases where we felt shareholders' rights were being diminished, obstructed, or otherwise impeded. We also believe that the responsibilities of boards are shifting from a rather shareholder-focused to a more stakeholder-focused approach. Thus, we expect boards to ensure that their company acts with purpose and serves a broad range of stakeholders, from investors through to customers, employees, suppliers, and the community.
We provided more clarity towards our voting intentions on shareholder proposals and continued to support proposals by shareholders that are (1) strengthening these rights, (2) creating meaningful transparency in topics such as diversity, pay, lobbying and political donations, climate change, biodiversity, water, deforestation, GHG emissions, human rights, and labour practices, (3) calling for special-audits and (4) well-reasoned. We are generally supportive of ESG related shareholder proposals while considering established frameworks such as the Ceres Roadmap for Sustainability, the UN Sustainable Development Goals (SDGs), Taskforce on Climate-related Financial Disclosure (TCFD) and the goals of the Paris Climate Agreement and will accordingly support those. We will particularly increase our scrutiny on environmental and social proposals addressing material business risk and will support such if we find them reasonable.
In case the company plans substantial transactions (M&A) with material influence on the risk-profile, we expect shareholders to be given a vote during an AGM or EGM. In case such vote is not provided, we will vote against directors involved in this decision.

Auditors:

DWS continued to acknowledge the objectivity and criticality of auditors can be impeded due to long tenure. We therefore continued to expect companies to rotate their auditors after ten years. Ratifications of auditors will be objected to in case the same audit-firm is proposed after this period without a meaningful explanation and transparency about the selection-process. Our expectation for full disclosure of name and term of the lead audit partner remained.

Capital Measures / Rights Issues:

Asset managers are asked to closely monitor their portfolio companies and their financing strategies. Therefore, we were restricting the maximum limit for equity issuances to three years for those markets in which the limit is more than three years.

Stewardship Reporting

The major pillars of our stewardship reporting in 2021 have been our climate report, PRI reporting, and reporting to Morningstar.

Climate Strategy and Report 2021

Our commitment to climate neutrality was one of our most important milestones in 2020 and 2021. At our AGM in November 2020, we expressed the ambition to become climate-neutral in all of our actions, in line with the Paris Agreement, and well ahead of 2050. In December 2020, we became a founding member of the Net Zero Asset Managers initiative (NZAM) and subsequently, in November 2021, set our 2030 interim carbon reduction target.
Achieving "Net Zero Emissions" is likely to render many old business models obsolete, while also providing significant new investment opportunities. This will likely be accompanied by a shift in the global economy away from the linear growth model of "Take-Make-Waste" to a more circular economic model which harnesses the technologies of the Green industrial revolution. The road ahead may be challenging, but all stakeholders - governments, regulators, financial institutions, businesses, and broader civil society - need to play their part. As a global asset manager, we have a pivotal role to play in facilitating this transformation.
The NZAM initiative sees asset managers commit to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. In concordance with this commitment, we disclosed our interim net zero target framework for 2030 ahead of the UN Climate Change Conference UK 2021 (COP26) on 1 November 2021. As such, we put 35.4% (or € 281.3 billion) of our total global Assets under Management (as of 31 December 2020) in scope to be managed towards net zero by 2030. This means in practice that, with respect to these in-scope assets, we seek to achieve a 50% reduction in Weighted Average inflation-adjusted financial Carbon Intensity (WACI adj.) related to Scope 1 + 2 emissions by 2030, compared to base year 2019.
The Science Based Targets Initiative (SBTi) provides the reference framework for us on the path to net zero. We utilise this framework, which is considered a credible and robust foundation, providing clear guidance on expected assets in scope and target ambition levels. The initial asset scope to be managed towards net zero was defined based on SBTi guidance – including the required activities / asset classes as well as many of those which are still "optional" under SBTi guidance. Overall, this includes certain financial instruments (equities, corporate bonds, liquid real assets (LRA) and many direct real estate and infrastructure investments) primarily in mutual funds, but also in selected individually managed institutional accounts. As new methodologies and emission

data become available, additional financial instruments can be included and we aim to further increase the initial asset scope of 35.4% over time.
Throughout 2021, we continued to guide our climate-related activities and disclosures as required by the Taskforce on Climate-related Financial Disclosures (TCFD). To consider the recommendation made by the Financial Stability Board (FSB) to make TCFD disclosures in our mainstream financial filings, we reference respective information that address the disclosure area in this Annual Report in the table below but in parallel, we also released the second DWS Climate Report 2021 on our webpage with additional information regarding our impact on climate change, net zero actions and TCFD information.
We believe that we have significantly improved our understanding of climate-related risks and opportunities in recent years, through the integration of ESG criteria into our CIO View and the development and calibration of value-add climate related data. The entire DWS 2021 Climate Report can be found here:
https://group.dws.com/responsibility/

As stewardship standards are still being evolved globally, external auditing firms are also building up their expertise. An external assessment of our Stewardship processes and policies may become more relevant when clearer practices on stewardship reporting are established.

PRI Reporting 2021

DWS has been a signatory to the UN-backed PRI (Principles for Responsible Investment) since 2008 and is subject to the annual PRI assessment. In 2021, we submitted our assessment report according to the new PRI framework reflecting the modules that had been modified or newly launched. For the reporting period 2021, PRI is taking more time to assess the applications which is why we have still not received our results for 2021.
In 2020, we maintained an A+ (highest possible) rating for the "Strategy and Governance" category and achieved an A rating for our Active Ownership activities. Over the past two reporting cycles, DWS has improved its score in selected areas of ESG Integration, especially ESG integration in securitised assets, as well as in Active Ownership. However, the results also indicated that there is room for improvement in the category focused on Reporting and Transparency to Clients. In other modules, we sustained our strong scores from previous years. The chart below provides a breakdown of the DWS's PRI rating in 2020, including a comparison with the previous year's results.

Table 5.1 DWS's PRI assessment score in 2020 by category

AuM band	Module Name	Result vs. prior year	DWS Score prior year	DWS Score 2020	Median for investment managers	DWS vs. Median
	1. Strategy & Governance	maintained	A+	A+	A	better
10-50%	10. Listed Equity – Incorporation	maintained	A	A	A	in line
	10a. Listed Equity – Screening	maintained	A	A	A	in line
	10a. Listed Equity – Integration	maintained	A	A+	A	in line
10-50%	11. Listed Equity – Active ownership	improved	A	A+	A	better
	11a. Active Ownership – Individual Engagement	maintained	A+	A+	A	better
	11b. Active Ownership – Collaborative Engagement	maintained	A+	A+	A	better
	11b. Active Ownership – Proxy Voting	improved	A	A+	B	better
10-50%	12. Fixed Income – SSA*	maintained	A	A	A	in line
<10%	13. Fixed Income – Corporate Financial	maintained	A	A	A	in line
<10%	14. Fixed Income – Corporate Non – Financial	maintained	A	A	A	in line
<10%	15. Fixed Income – Securitized	improved	B	B	B	better
10-50%	16. Property	maintained	A	A	A	in line
<10%	17. Infrastructure	maintained	A	A	A	in line

	Modules	2015	2016	2017	2018	Notable improvements	Delta
	ESG Strategy & Governance	B score: 21/30 70% of peers > $50bn have a higher score	A score: 27/30 ~50% of peers >$50bn received A+	A+ score: 29/30 ~50% of peers >$50bn received A+	A+ score: 29/30 ~65% of peers >$50bn received A+, 40% of 2008 signatories	RI in performance management and rewards	
1	ESG in Listed Equities	Screening: A score: 13/15 Integration: A score: 15/18 ~10% of peers >$50bn have a higher score	Screening: A score: 13/15 ~30% of peers >$50bn received A+ Integration: A score: 15/18 ~20% of peers >$50bn received A+	Screening: B score: 11/15 Integration: B score: 12/18 ~60% of peers >$50bn received A or A+	Screening: A score: 12/15 ~70% of peers >$50bn received A or A+ Integration: A score: 17/21 ~80% of peers >$50bn received A or A+	Screening: Disclosure to clients and beneficiaries Integration: aspects of ESG integration (e.g. CIO View) and disclosure to clients / beneficiaries	
2	Investee engagement	Engagement: C score: 13/27 ~70% of peers >$50bn have a higher score	Engagement: B score: 17/27 ~55% of peers >$50bn have a higher score	Engagement: A+ score: 26/27 ~40% of peers >$50bn have A+	Engagement (individual & collabourative): A+ score (30/30) ~40% of peers >$50bn have A+	n/a	
2	Proxy Voting	Proxy Voting: A score: 12/15 ~5% of peers >$50bn have a higher score	Proxy Voting: A score: 13/15 ~8% of peers >$50bn received A+	Proxy Voting: B score: 15/21 ~25% of peers >$50bn received better rating (A/A+)	Proxy Voting: A score (18/21) ~25% of peers >$50bn received better rating (A/A+)	Securities lending programme, percentage of votes cast, disclosure	
3–6	Fixed Income	SSA*: B score: 23/33 Financials: B score: 30/45 Corporates: B score: 27/42 ~25% of peers >$50bn have a higher score	SSA*: B score: 24/33 Financials: B score: 33/45 Corporates: B score: 33/45 ~40–50% of peers >$50bn have a higher score	SSA*: A score: 29/36 ~40% of peers >$50bn have A Financials: A score: 35/45 ~40% of peers >$50bn have A Corporates: A score: 35/45 ~40% of peers >$50bn have A	SSA*: A score: 29/36 ~40% of peers >$50bn have A Financials: A score: 37/42 ~50% of peers >$50bn have A Corporates: A score: 37/42 ~40% of peers >$50bn have A Securitized: B score: 29/42 ~65% of peers >$50bn have <A	ESG issues and issuer research for securitized	
8	Real estate	B score: 37/51 ~40% of peers >$50bn have a higher score	A score: 41/54 ~5–10% of peers >$50bn have a higher score	B score: 36/54 ~70% of peers >$50bn have a higher score	A score: 44/51 (~70% of peers >$50bn have a higher score)	Formal commitments to RI, ESG issues in appointment, monitoring, targets, occupier engagement, green leases	
9	Infrastructure	E score	Not reported	Not reported	A score: 39/42 (~60% of peers >$50bn have A/A+)	n/a	

Morningstar Reporting

Considering the increased attention from stakeholders in external ESG ratings, DWS strives to receive ESG ratings where they are deemed strategically important. In 2021, we were rated by, amongst others, the Carbon Disclosure Project (CDP) (result "B: Management Level") and by Morningstar (result "ESG Commitment Level: Basic"). Based on an above sub-sector average rating, we were included again in the FTSE4Good index.

Active Ownership Report

Our Active Ownership Report focuses on our voting and engagement activities in more detail. This annual report has been developed to demonstrate how we are fulfilling our stewardship obligations and responding to greater demands from clients, regulators, and the public to increase transparency and disclosure on stewardship activities. The coverage of the report has expanded over time, while aiming to keep a format that allows for comprehensive assessment and ensuring a balanced perspective for the reader. More recently, the report has been modified to focus more on effectiveness and outcome orientation and to provide updates on latest developments.

In this report we outline our activities including the reasons why we voted against management recommendations and the trends we see in companies' behaviour on specific topics. We generally describe those expectations – as stated in our Corporate Governance and Proxy Voting Policy – where we have seen improvement in companies' practices and where we still see aa critical need to focus on these. We also track and disclose the engagement status of our one-on-one engagements.

For example, if a company consistently violates international norms or standards and does not respond to DWS's engagement efforts, we will follow certain escalation steps as outlined in our Engagement Policy and eventually mark the engagement as either "successful / closed" or "failed". To ensure we are transparent with all our engagement activities, we provide details on both our successful and failed engagement efforts. Our Active Ownership Report also discloses our public policy engagements, where we are able to report on challenges we are facing or the contributions we have made to different external policies or initiatives.

Moreover, our Active Ownership Report presents the thematic engagements that cover topics that are relevant for several sectors for which we target a universe of issuers, aiming to understand the existing approach and to promote better practices. Collaboration between our research, portfolio management, ESG Integration and Corporate Governance Center teams is an important factor in the success of our Active Ownership activities and we are constantly striving to streamline our engagement approach to further integrate ESG into the DWS investment philosophy. In this context, we expanded our thematic engagements in 2021 with, more than 220 companies receiving our thematic engagement letter on Net Zero which resulted in 83 follow-up engagements. Additionally, 38 companies received our letter on Human Rights controversies in Belarus and Myanmar.

We have enhanced our Engagement database with the aim of improving our reporting on sustainability outcomes.

Other reporting developments in 2021

Monitoring ESG Integration Activities

We have further improved our ESG integration progress report by automating the workflows to a greater extent and expanding the depth of quality checks for research notes.

Client Reporting

In 2020, we improved transparency to our clients on the ESG characteristics of our strategies by establishing a EKPI (ESG Key Performance Indicators) Report for our ESG labelled liquid funds. In 2021, the EKPI report was improved to reflect regulatory requirements and to ensure better consistency.

Below are some of the new additions to our EKPI report:
- Added two more EKPI Controversial sectors to the report: oil sands and civil firearms,
- Updated the glossary with more terminology and included additional information on CO2 emissions for US clients
- New tools to customize EKPI reports
- Developed a new bespoke ESG report for large Master KVG (Kapitalverwaltungsgesellschaft) clients, which provides an ESG assessment of all client funds based on a look-through across different asset managers.

Regulatory limitations around Stewardship reporting

As a global asset manager, DWS is bound by the laws and regulation in different jurisdictions. In some of these, the exercise of active ownership, i.e., voting, is impeded due to documentary and bureaucratic obstacles (e.g., Power-of-Attorney requirements on a fund basis) which also needs to be weighed against the economic interests of our clients. These hurdles are especially observed in the Nordics, Poland, and Brazil.

The increasing demand for coordinated action by investors to push for changes at corporations is widely recognized. There are, however, national regulations that prohibit a meaningful collaboration between investors to protect companies against joint actions commonly known as "Acting in Concert". Please find more detail on the regulatory conditions in Principle 10.

Due to DWS's chosen qualitative approach for exercising voting rights, there are limitations to our approach. As our Corporate Governance and Proxy Voting Policy provides a very high level of detail, company-individual voting research would require further in-depth analysis which is limited. We were, however, able to increase the number of meetings attended, please find more information on this under Principle 12.

External assurance

As a signatory to the PRI, DWS regularly participates in the PRI's transparency report. The parameters of the report are set by the PRI and are designed to clearly assess DWS's approach to responsible investment across a number of areas including organisational overview, investment and stewardship policy, and asset class specific information. The PRI also conducts a data validation exercise on information included in its transparency report to ensure accuracy and fairness. For more details, please refer to the previous' section "PRI Reporting in 2021".

Furthermore, as part of our fiduciary responsibility, DWS believes in the full disclosure of our investment stewardship activities. Therefore, to supplement the disclosure of the PRI transparency report and resulting PRI assessment, DWS also comprehensively discloses voting activity and outcomes in its own Active Ownership Report[52]. In the Active Ownership Report we clearly describe and graphically present our voting activity to our clients and investors.

In the future, DWS may seek to request a SOC1 (System and Organization Controls) report on our investment stewardship reporting to gain external assurance from our auditor that ensures all of our data is fair, balanced and factually correct. In September 2021, the FRC informed DWS Investments UK Limited that it would, again, be listed as a signatory to the UK Stewardship Code. Having been accepted as a signatory, means that we met the expected standard of application and

[52] https://www.dws.com/solutions/esg/corporate-governance/

reporting of the Principles of the Code in 2020 in a way that is proportionate to DWS's size and type, also compared to other applicants. This, in return, reflects the fact that our report is clear and engaging, and effectively demonstrates DWS's application of the principles and reporting expectations of the Code in the reporting period and, further, that case studies presented are well explained and clearly set out DWS's investment approach, activities and the outcomes. Following the same reporting approach as last year, and additionally reflecting on the feedback received from the FRC, makes us confident that this year's report will also be fair, balanced, and understandable.

Outcome

Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.

Case Study 1: Engagement analysis and following improvement of our database

We internally analyse the level of our engagement with portfolio companies. This analysis can be found in our annual Active Ownership Report which has led to a year-on-year increase in the number of companies engaged with, in an increasing number of regions. During 2021, this Engagement Database was further improved and refined to allow a better usability and a more user-friendly collection and assessment of progress and outcomes. It is accessible to a pre-defined group of users which documents all engagement activities driven by DWS Investment GmbH, DWS International GmbH and DWS Investment S.A. The review of our Annual Report by external auditors has given us important insights in the way we need to document, collect, and disclose non-financial information as well as Stewardship activities.

Case Study 2: Remediation of conflicting information

DWS uses several external independent sources that provide market information relating to the conditions of upcoming events (such as corporate actions or bondholder meetings). Examples of these external vendors include DTCC, WMI and Bloomberg. Whenever DWS receives conflicting information from one of these external vendors, the source that deviates is challenged. Whenever the deviating source is a custodian, they will go back to their market sources in order to confirm the accuracy of the information.

Case Study 3: Working as a Team

In addition, our operations teams also support the business in making well informed decisions, contributing to good stewardship for our clients.

Independent audits

An annual audit is performed by our external auditor KPMG on the annual financial statements and the consolidated financial statements. Audit firms from the KPMG Group also audit the majority of the subsidiaries included in the consolidated financial statements as well as the non-financial statement in the combined management report and the dependent company report required by law.

Internally, the DWS Internal Audit function covers all aspects of the business and infrastructure functions including Information Technology, Risk, Finance, COO, HR, Compliance, AFC, and CAO, to the extent they are operated by DWS entities. DWS Internal Audit prepares and executes a dynamic, risk-based audit plan and also undertakes audits that are mandated by regulatory authorities and performs risk advisory related tasks such as pre-implementation reviews, targeted reviews, and special investigations where necessary.

Shortcomings identified in such audits are documented and worked on. The outcomes are evaluated by the relevant external or internal audit function and the findings are only resolved when successfully remediated, meaning when we improved the relevant criticised area.

External assessments

The UN PRI annually assesses DWS's investment stewardship activities and grades them between A+ (highest) and E (lowest). This external assessment allows us to understand how we are positioned in terms of external standards but also highlights areas where we can improve and strengthen our scores. The success of this approach has been evidenced in the 2018 / 2019 assessment, where we improved across six PRI assessment areas, and then again in the 2019 / 2020 assessment where a further three areas were improved upon. For more details, please refer to the previous' section "PRI Reporting in 2021".

6 Investment approach: Client and beneficiary needs

Context

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them. Signatories should disclose:
– The approximate breakdown of:
– The scheme(s) structure, for example, whether the scheme is a master trust, occupational pension fund, defined benefit, or defined contribution etc.;
– The size and profile of their membership, including the number of members in the scheme and the average age of members;
OR
– Their client base, for example, institutional versus retail, and geographic distribution;
– Assets under management across asset classes and geographies;
– The length of the investment time horizon they have considered appropriate to deliver the needs of clients and/or beneficiaries and why.

The length of the investment horizon lays the foundation for each investment strategy, whether for fund products or mandate services. Different asset classes, investment styles and targeted client groups have different investment horizons. DWS offers a wide range of products and mandate services for retail and institutional clients worldwide, who all have different profiles and time horizons for investment.

To reflect the required needs of our clients and target market, DWS has established an overall product strategy process which is designed around regulatory requirements, trends and signals identification with a focus on industry and market trends, internal capability assessment, prioritization and implementation of initiatives which are translated into the DWS financial and product ambitions while also considering ESG aspects.

Product Strategy Process

Our products and investment solutions are designed to meet current and future clients' needs. When formulating a client centric product strategy, it is essential to proactively address industry trends and potential opportunities and threats, and based on that, develop, and prioritize a suitable product mix for our clients.

In 2021, we saw a continued strong acceleration in ESG demand and development among investors, policy makers, corporations, and society in general. Reflecting on our aim of playing a key role as an asset manager in global transformation, one of our core strategic priorities refers to innovative and sustainable investment solutions: We seek to launch new and innovative ESG products and solutions to meet the requirements of our clients and to increase the number of funds classified as Article 8 or Article 9 SFDR by converting existing funds previously classified as Article 6 in Europe. Applying a long-term oriented sustainable product strategy endeavours to answer the needs of our clients, and also helps to mitigate sustainability risks and supports innovation to combat climate change as well as other ESG themes such as biodiversity or arising social issues. Additionally, given the rapidly evolving regulatory regime in the EU with the introduction of the SFDR/Taxonomy Regulation, clients will demand investment solutions that comply with these new requirements as individual investors, institutions, or alliances. Accordingly, DWS expects sustainable investments to be a key transformative theme for the future of the asset management industry.

Further details can be found in our Annual Report and Climate Report.

Strategic asset allocation

For institutional clients, investment horizon is considered via thorough analysis and ongoing dialogue, integrating clients' balance sheet status, cash flows, risk preferences, objectives, and constraints. Our SAA (strategic asset allocation) analysis is intended to create a long-term, target allocation portfolio that plausibly creates the best conditions for long-term optimal risk and return outcomes.

Investment Process

Our investment process integrates top-down and bottom-up views to implement investment strategies of different time horizons.

Bottom-Up:

DWS's equity research combines sector specialization with local country expertise and thematic know-how. We apply a common investment concept that manifests itself in global standards for the analytic process, in company valuations and in research documents. This allows us to use analytical research findings in different product-specific investment contexts. In accordance with our ESG integration strategy, environmental, social and governance information related to companies is integrated into the fundamental research work of DWS`s investment professionals. Research Analysts "translate" their analytic research into investable recommendations, which may be fed into portfolio construction. Research recommendations are supported by written summaries, which can include models, standardized short financial notes and long notes, in the front office system.
On the Fixed Income side, research is performed on two levels: Macroeconomics and Fundamental analysis and value assessment. For the former, economists provide a thorough analysis of the world economy and the main economic regions. Within the macroeconomic research, the major trends are identified and their impact on various components such as gross domestic product growth (GDP), inflation, trade flows etc. is analysed. For the latter, research analysts focus on key fixed income market segments, issuers, and securities. They provide views on the fundamental situation and offer a short- and long-term assessment of the underlying market price (relative value recommendation). In addition, according to EU Regulatory Requirements acc. to EU Rating-VO (§ 29 Abs. 2a KAGB), DWS performs internal credit assessments in order to reduce the dependency on external credit rating agencies.

Top-Down

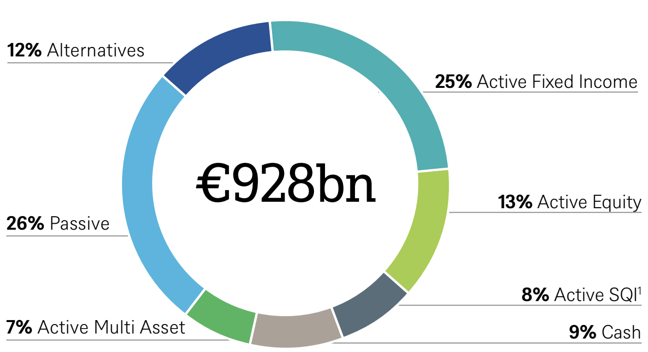
The CIO View is the basis of our successful investment process and is based on our global investment platform of investment and research professionals, signal providers and asset classes. Their input results into a high-level outcome of forecasts for different time horizons, ranging from one to three months to ten years[53], outlooks, allocations, and risks to main scenarios to generate one consistent strategic and tactical view. With the introduction of ESG into the sector allocation process, DWS has integrated analysis of the global ESG trends which have become a regular part of the CIO view.

Breakdown of AuM

As of 31st December 2021, DWS has reported € 928 billion in Assets under Management globally, providing traditional and alternative products and solutions to a broad client base worldwide. Our AuM breakdown in asset class, geography and client type is laid out in the chart below.

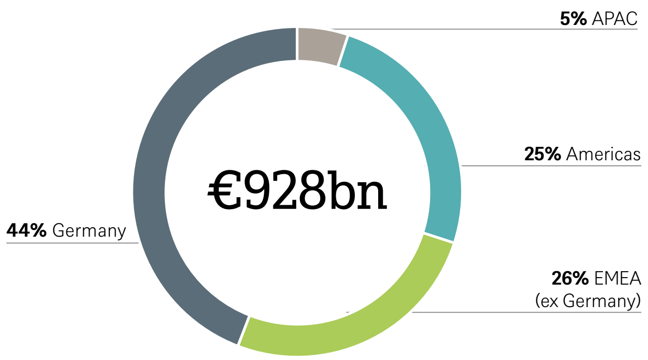
Chart 6.1 Breakdown of AuM by asset class and region

AUM by Asset Class



Source: Investor Relations, Finance

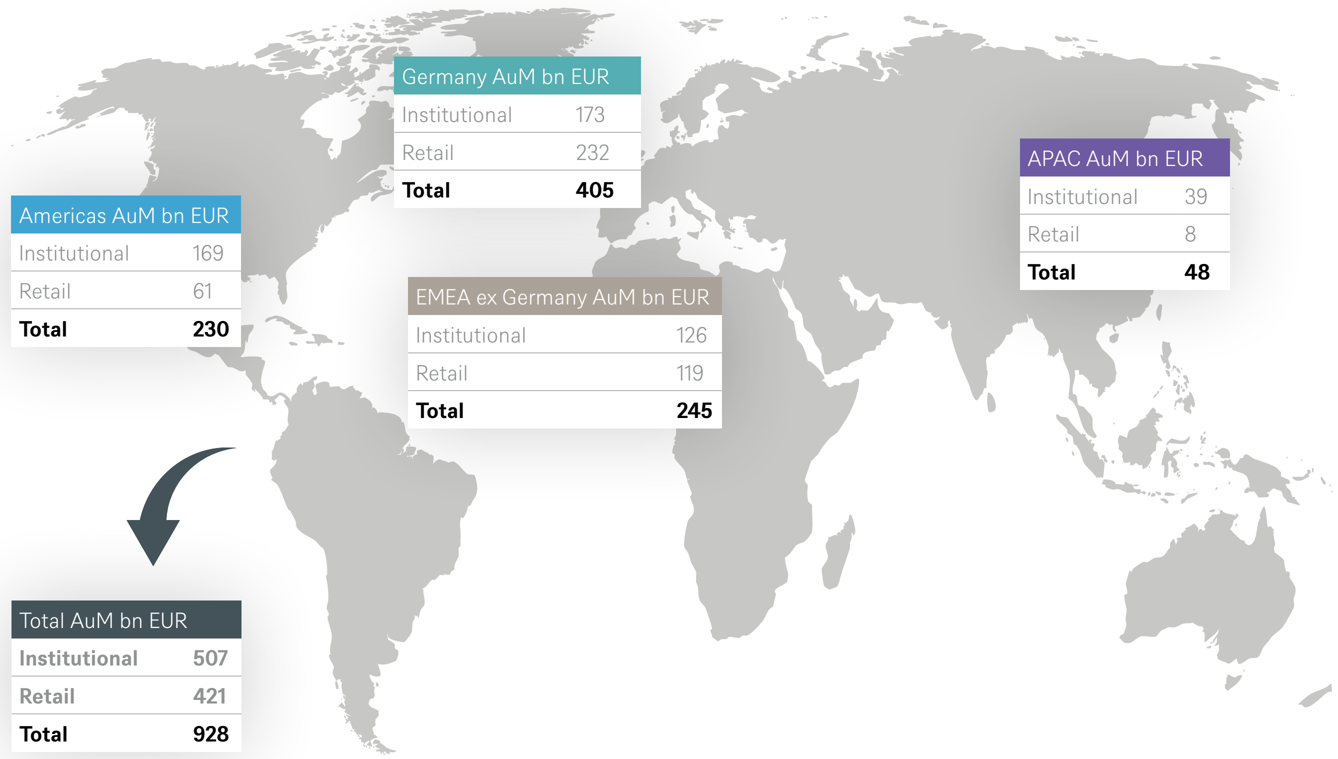
AUM by Region



Source: Investor Relations, Finance

[53] https://www.dws.com/en-gb/insights/cio-view/

Table 6.1 Breakdown of AuM by client channel and region



Americas AuM bn EUR	
Institutional	169
Retail	61
Total	**230**

Germany AuM bn EUR	
Institutional	173
Retail	232
Total	**405**

EMEA ex Germany AuM bn EUR	
Institutional	126
Retail	119
Total	**245**

APAC AuM bn EUR	
Institutional	39
Retail	8
Total	**48**

Total AuM bn EUR	
Institutional	**507**
Retail	**421**
Total	**928**

Activity

Signatories should explain:
– how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach;
OR
– how they have sought and received clients' views and the reason for their chosen approach;
– how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon;
OR
– how assets have been managed in alignment with clients' stewardship and investment policies;
– what they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication;
OR
– what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfil their stewardship reporting requirements.

Core Stewardship values and related firm policies

DWS publicly discloses its Corporate Governance and Proxy Voting Policy, Engagement Policy and Conflicts of Interests Policy on a regular basis on our website[54]:

[54] www.dws.com/en-gb/solutions/esg/corporate-governance/

Engagement approach, process, and reporting

We aim to provide a high degree of transparency on how we understand our role as fiduciary asset manager and on how we are fulfilling the resulting stewardship responsibilities. This is facilitated through disclosures on our website, including our most relevant policies including our Corporate Governance and Proxy Voting Policy, our Active Ownership Report, our statement on the UK Stewardship Code, and our voting records.
In 2021, we also continued to post the questions we asked at the Annual General Meetings of our portfolio companies on our website; we also published our thematic engagement letters on the website too. By doing so, we enabled the public and our clients to follow our engagement priorities and familiarise themselves with our activities.

Voting results

The DWS Corporate Governance Center publishes annual voting actions for exchange-traded funds (ETFs), mutual funds, closed-ended funds, and variable insurance portfolios. An interactive proxy voting dashboard is available for investors to browse and look into more customised information filtered by specific fund families, funds, meeting date range and company. A breakdown of voting statistics is also available by meeting, sector, proposal, and market and these are demonstrated visually by charts, graphs, and a world map. The proxy voting records for holdings in funds of the European DWS-entities in scope are updated by DWS vendors soon after the shareholders meeting. These records are updated on regular basis on DWS website.
https://www.dws.de/das-unternehmen/corporate-governance//?

Annual reporting on engagement

DWS publishes an Active Ownership Report on an annual basis[55]. The latest edition available for 2020 covers voting, engagement, and stewardship activities, while also providing clients with policy details, proxy voting positions and expectations on important issues. Additionally, it provides a deeper insight into how DWS conducts its stewardship activities with issuers throughout the year. The report contains a full list of engagements by issuer, region, and topics of discussion. There are detailed case studies which outline the case for engagement, objectives, targets, responsiveness, progress, and next steps. We outline further case studies and examples under Principle 9 and 11 of this report.
The Active Ownership Report for 2021 is in preparation and should be published during Q2 2022.

[55] www.dws.com/resources/proxy-voting

Client Reporting

The Sustainable Finance Disclosure Regulation (SFDR) came into effect on 10 March 2021 in the EU. It creates a comprehensive reporting framework for financial products and entities, and it aims to make the sustainability profile of funds more comparable and better understood by end-investors.
The main element in the new SFDR regulation is to provide a harmonised, sustainability-related disclosure for financial products prior to and throughout an investment.
Articles 8 and 9 of the SFDR define:
– An Article 9 financial product as one which has sustainable investment as its objective.
– An Article 8 financial product as one which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

Article 6 of the SFDR applies to all other financial products and requires information on if and how sustainability risks are integrated into investment decisions.
DWS worked in 2021 on the update of pre-contractual and disclosure documents, periodic reports, as well as website disclosures at both product and legal entity level. In 2021, the Principal Adverse Impact Statements and the Sustainability Risk Policies were published on the corresponding websites. The already existing Compensations Policy was adjusted according to Art. 5 of the SFDR. Specifications outlined in the Regulatory Technical Standards (RTS) are currently still in draft status and their implementation will be one focus area for 2022.
In addition, DWS offers publicly available, standardized reporting on the ESG quality of its liquid ESG-labelled mutual funds and Xtrackers ETFs via its retail websites (e.g., https://funds.dws.com/ and https://etf.dws.com/).
Such reporting includes DWS's ESG Key Performance Indicators (EKPIs) reporting, which was launched in 2019 for DWS's liquid ESG-labelled mutual funds and subsequently rolled out to the firm's ESG-labelled Xtrackers ETFs. The EKPI reports are intended to provide a more-user friendly template for a wider audience (e.g., retail clients/general public), thereby improving the transparency of DWS's liquid ESG-labelled mutual funds and ETFs to the public.
Additionally, DWS reports its proxy voting decisions for its liquid funds (e.g., mutual funds and Xtrackers ETFs) domiciled in Germany, Luxembourg, and the U.S. on its public website (https://www.dws.com/solutions/esg/corporate-governance/).
For institutional investors with segregated mandates in liquid strategies, DWS offers a standardized ESG Report at the portfolio-level, which provides metrics covering a variety of ESG facets, including but not limited to, the overall ESG quality of the portfolio, the norm-compliance rating of the portfolio, the Climate Transition Risk Rating of the portfolio, the portfolio's exposure to controversial sectors, and the portfolio's carbon footprint.
In addition to the aforementioned, DWS may offer customized ESG reporting in order to fit a client's particular needs. In 2021 we delivered a new bespoke ESG report for large institutional Master-KVG clients. The report assesses all of a client's funds and mandates across different asset managers on a look-through basis and is able to aggregate ESG risks and opportunities holistically. Such reporting would generally be developed in conjunction with a client and would be agreed to in contractual documents (e.g., Investment Manager Agreements.
DWS also prepares engagement reporting for some institutional mandate liquid equity clients to provide details for companies and securities specifically targeted in their portfolios. This provides information on the nature of the engagement, methods, topics, updates, and other aspects.

Broader Client Communication on ESG Stewardship Topics

We value feedback from our clients on their experience with DWS, to bring further improvements to our client service. This was especially important in 2021, as we continued to operate within the global pandemic, with many clients and our personnel still working full time or part time from home. To assess the client experience we also review on an ongoing basis, customer complaints, and engage in both internal and third-party client satisfaction surveys.

Complaint Management

We are committed to handling complaints fairly, effectively, and promptly. The complaint register provides valuable insights into how we are performing from our clients' perspective. A robust and consistent client complaint handling and transparent reporting process helps facilitate improvement in client satisfaction by identifying, and remediating poor client outcomes, learning from these and training client-facing staff. This process also assists with the reduction of mistakes and attributable costs and enhances risk transparency as well as management information. The Code of Conduct to which DWS is subject, includes a complaint handling policy framework to facilitate a consistent approach to complaint management, as well as oversight according to regulatory requirements.
More than 95 percent of the complaints raised against DWS were captured and reported by the digital investment platform (DIP) Germany and Luxembourg. In 2021, DWS and BlackFin Capital Partners (BlackFin) have agreed on a long-term strategic partnership to jointly evolve the DIP into a platform eco system that provides comprehensive digital investment solutions and services for distribution partners, institutional investors, and retail clients. In addition, BlackFin and DWS have agreed to transfer the DIP into a joint venture in which DWS maintains a stake of 30 percent. Closing of the transaction is expected for the second half of 2022.
About 4 percent of complaints were raised by retail investors in the Americas. Complaints raised by institutional investors located in EMEA, APAC and the Americas accounted for less than one percent.
In DIP, the volume of recorded complaints in 2021 was slightly above the previous year (+4%). There were no material complaints. The majority of complaints was related to the processing of client orders, annual statements, and disclosures. The COVID-19 pandemic appears to have had no significant effect on customer complaints. In the Americas, the volume of recorded complaints in 2021 trended down versus the previous year. There were no material complaints. Most customer complaints in the Americas in 2021 were recorded against the DWS Service Center (call centre) and focused on servicing issues.

Client Satisfaction Surveys

In Germany annual client satisfaction surveys were conducted for our clients (B2C) and distribution partners (B2B). The surveys include both the service centre for the DIP and our regional service centre. Two options are offered to clients, a "Voice Survey" over the phone and an Email Survey. The latter uses a third-party independent provider to improve our service quality and client experience.
Clients and advisors can rate their satisfaction on friendliness of staff, professional competence, comprehensibility, and solution orientation as well as sales-specific questions. The results are communicated internally by our service centre quality management to relevant internal stakeholders, including senior management, service centre staff, and the workers' council. Based on the respective feedback, steps for improvement are formulated and incorporated in employee training.
Compared to 2020, the overall participation rate increased from 6.8% to 9.2% in 2021. We have maintained very good client satisfaction ratings within this survey in 2021. Based on the feedback in the B2C-survey, we will implement measures to improve the quality of E-Mail services as in this area the overall client satisfaction rating declined year over year.
In the US, we conduct an annual client satisfaction survey for our Insurance clients. It focuses on investment performance, client service, innovation, and overall satisfaction levels. This survey continues to show a consistently positive overall satisfaction rating of above 90% over the last five years.

Third Party Assessments

Third Party client satisfaction assessments enable DWS to gain a 360- degree view of our client services. In all regions globally, client satisfaction assessments are conducted by third parties.

For example, DWS was ranked first in the category "investment funds" in a survey by "AssCompact", a professional journal for financial intermediaries in Germany. The survey reflects the intermediaries' satisfaction with the services DWS provides.
Furthermore, the service quality of DWS was ranked in the top three by "FONDS professionell", one of the largest magazines for financial advisors in Germany and Austria. Every year, "FONDS professionell" readers are asked to choose asset managers, broker pools and real estate investment providers with the best service quality and award them with the "German Fund Award". The survey reported that the quick and effective way DWS reacted to the pandemic by developing digital communication tools and platforms resulted in a comprehensive service to its sales partners.

Further Client Communication on ESG Stewardship Topics

The Client Coverage Division (CCD) aims to serve the investment needs of our clients across all client segments and regions. Our Relationship Managers work collaboratively with Product Specialists, Portfolio Managers, and Client Service Specialists to bring suitable investment products and solutions to our clients. We provide ongoing training to our CCD staff on various topics, including investment research, macro-economics, ESG and new product solutions with the aim of better serving our clients. As we did in previous years, we continue to provide seminars, conferences, and webinars to our clients.
For the first time in March 2021, our flagship client event in Germany, the "DWS Investmentkonferenz", took place virtually on our new proprietary streaming platform DWS+. Around 12,000 invites have been accepted for this event. Client experience has been improved with the new DWS+ platform.
The "Investorendialog", our annual event for our German institutional clients, was streamed live with over 100 institutional client representatives participating both virtual and in person in September 2021.
Additional client events both virtual and hybrid took place in other countries. Our client service teams offered clients a wide range of webinars on various topics for example Research House papers or our CIO View.
DWS hosts online webinars and publishes themed research papers on ESG thought leadership topics to provide information and education for clients.
We also present bite-sized educational and informational short films via YouTube , entitled "Mr Braun explains Green", including a focus on ESG topics.
Our social media presence includes LinkedIn, Facebook, YouTube. We have also produced podcasts about ESG topics – the first one on climate change and regulation, the second one on ESG Integration into our investment process and Net Zero.
DWS is also engaging with its clients around Corporate Social Responsibility topics. In 2021, DWS hosted two events in Zurich and Geneva for its clients together with Healthy Seas, a non-profit marine conservation organization that DWS is supporting as part of its CSR-strategy. At the events, more than 120 institutional and wholesale clients were present.

Outcome

Signatories should explain:
- **how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries;**
- **how they have taken into account the views of clients and what actions they have taken as a result;**
- **where their managers have not followed their stewardship and investment policies, and the reason for this;**

OR
- **where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.**

We conduct business every day in accordance with our fiduciary duties: in the best interest of our clients. We aim to build long-term relationships with our clients, based on trust, delivering the best investment solutions and the highest quality client service.
Many of our regular client meetings focus on our investment stewardship activities for our clients' portfolios. During these, we gain important insights into our clients' needs, in particular regarding themes on which they want us increasingly to focus our engagement efforts. For example, one of our key clients requires yearly reporting on our investment stewardship activities, focusing on details around our ESG integration, voting and engagement activities for their funds. Our Corporate Governance Centre also takes an active part in these discussions if required and these usually represent a constructive dialogue, whereby valuable views and feedback are exchanged. Last year, the feedback helped us to further increase the integration of our engagement activities into our core investment process.

[56] www.dws.com/en-gb/solutions/esg/research/
[57] www.youtube.com/c/DWSGroup/videos

7 Investment approach: Stewardship, investment and ESG integration

Context

Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.

At DWS, we believe companies should take more responsibility in the way in which goods are produced, services are provided, and resources are used. We expect portfolio companies to integrate their environmental and social impacts and the possible reaction of their relevant stakeholders into their thinking, strategy, and remuneration systems, to secure sustainable value creation.
For more details, please look at the "outcome" section and Principle 5 for latest developments in our engagement management framework.

CIO View

The DWS CIO View forms the starting point of our investment process. The CIO View is our house view on macroeconomic topics and individual asset classes, providing financial-market forecasts, model multi-asset allocations and DWS's views on market risks. As part of our fiduciary responsibility, our portfolio managers use the CIO View as a foundation for their active investment decisions. The view also serves to share our investment expertise with clients. In 2018 we incorporated environmental, social, and corporate governance (ESG) aspects into our quarterly CIO View publication for the first time, recognizing the impact that ESG and sustainability issues have on the asset-management industry and markets in general. Since the beginning of 2021, all of our publications and presentations reflect the ESG perspective whenever it is applicable.
We consider this step as a valuable addition to our investment process by integrating ESG impacts into our sector allocation and portfolio construction. It allows us, among other things, to optimize a portfolio that not only reduces climate transition, financial and reputational risks, but to also tilt investments towards entities that promote the low carbon transition and contribute positively to the UN's 17 Sustainable Development Goals (SDGs).
Throughout 2021, DWS continued to focus on fundamental ESG thematic research, engaging with third parties and ensuring that ESG is discussed in the DWS CIO View. Various topics which were relevant to climate change were either part of our CIO Day or external publications on dws.com. Additional detail can be found in the DWS Climate Report.

ESG integration and analysis

The integration of ESG criteria in the investment process is based on different facets of ESG analysis and does not rely on just one single element. We start our approach with the analysis of ESG global trends and their impact on the industry and the company under analysis. Once this has been done, we look for the most relevant ESG risks and opportunities affecting the company.
Firstly, we look at our proprietary ESG Synrating, which combines ESG data from the DWS ESG Engine and focusses on the position of the company in comparison to its peers on sector material ESG issues. Our best-in-class approach considers hundreds of ESG indicators covering resources and waste, climate change, green products, human capital, societal impact, product responsibility, business ethics, corporate governance, and public policies. The second building block is a peer group comparison. Corporations are ranked against their respective peers. The ESG Methodology Panel (EMP) defines the relevant peer group by sector and region. Our ESG Factsheet note gives transparency on these key ESG issues versus peer companies and provides a rationale on these topics, facilitating the identification and integration of ESG key risks and opportunities in the research company analysis.
Secondly, the research analyst checks the compliance of the company's behaviour with international norms. We monitor this performance through our proprietary norm methodology, for which DWS subscribes to three leading ESG data providers in the market (MSCI, Morningstar Sustainalytics, and ISS-ESG). Our methodology checks a variety of violations, including human rights abuses or corporate complicity therein, adverse societal or community impact; violation of labour rights (most notably child labour and bonded / forced labour and poor health & safety conditions), corruption, etc. Our proprietary methodology seeks re-confirmation of controversy severity across vendors and assigns an agnostic score from 0 (no controversy) to above 90 (worst

controversies), which then translates into the classical DWS scoring and letter rating. Our norm methodology not only considers the company's operations itself, but also incidents within the company's supply chain.

Furthermore, we analyse the exposure of company activities to controversial sectors and contribution to the UN's Sustainable Development Goals (SDGs). This may indicate a reduced demand for that company in the market in the future. On the other hand, a higher contribution of company revenues to the SDGs may generate not just a higher demand for the company`s products and services but also a higher demand for its shares. DWS has implemented a global ban on investments in companies engaged in business (production, servicing, and production of key components) of controversial conventional weapons (CCW), including cluster munitions and anti-personnel mines (APM). Our Policy on CCW generally prohibits any investments in CCW-related companies in actively managed portfolios. We aim to identify CCW corporations based on an internal methodology, designed with the goal of meeting international standards and the most conservative legislation.

Finally, we explicitly analyse and rank the exposure of companies – independently from the sector in which they operate – to Climate and Transition Risk by using our proprietary Climate and Transition Risk Ratings (CTRR). The traditional approach to assessing climate risk within an investment portfolio has been through carbon footprinting – that is, identifying the concentrations of carbon across the investment portfolio. However, this approach has a number of shortcomings:

- Carbon intensity is not a risk metric at a portfolio, sector, or company level
- It fails to capture information on changes in a company's carbon exposure or strategy
- The dataset suffers from inconsistent company disclosure and, in particular, low reporting of scope 3 emissions

During 2021, we further improved our ESG policy framework to provide more guidance on our engagement activities with portfolio companies, including enhanced research notes, engagement framework and engagement database

- For ESG dedicated products, we apply the "DWS ESG Investment Standard" that acts as a filter on the available investment universe (for a definition of the filter, please refer to Principle 2). These focus on avoiding / limiting revenues within the portfolios related to four key areas:
- Controversial sectors (e.g., tobacco, gambling, coal, adult entertainment)
- Controversial weapons (e.g., cluster bombs, anti-personnel mines)
- Controversial business practices (e.g., child/forced labour, environmental damage, etc.)
- Low ESG and climate performers
- Some ESG dedicated funds not only apply a restriction filters but have specific ESG criteria they aim to achieve. For example, Article 9 ETFs focussed on sustainable investment objectives such as Green Bonds.

controversies), which then translates into the classical DWS scoring and letter rating. Our norm methodology not only considers the company's operations itself, but also incidents within the company's supply chain.

Activity

Signatories should explain:

– how integration of stewardship and investment has differed for funds, asset classes and geographies;

– how they have ensured:

– tenders have included a requirement to integrate stewardship and investment, including material ESG issues; and

– the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries;

OR

– the processes they have used to:

– integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and

– ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.

We have continued to evolve our stewardship implementation over recent years and expect to continue this in the future. Our achievements so far include the following:

- Our DWS ESG Engine has been consistently enhanced and improved
- The quality of integrating ESG information into our internal fundamental research has been reviewed and further improved
- We are in a good position to screen our strategies according to several ESG criteria, such as controversial sectors, practices, norm violators, carbon footprint, carbon intensity and board structures. Thanks to our Smart Integration process we established in 2020, an additional due diligence process to monitor and manage severe sustainability risks, such as norm violators and severe climate transition risks. The "Smart Integration" approach which was applied during most of 2021 will cease to exist during 2022, as a result of the new ESG Framework described above. Going forward, EU Article 6 funds, that applied "Smart Integration", but which will not be converted to Article 8 or 9 funds, will exclude issuers that receive the lowest rating "F" from the ESG Engine for either norm violations and/or climate and transition risks.

Stewardship and engagement overview

- We have made substantial improvements to the engagement database that enables us to track, measure and report on our engagement activities and sustainability outcomes in 2022. We held several courses to introduce the enhanced engagement framework and the functionality of the enhanced engagement database.
- In 2021 we continued to engage with investment professionals on ESG integration (for more details see Principle 2 – Trainings). In addition, ESG-related training has been a core area of focus, offering a wide range of solutions, from online training to certification. 100 DWS employees passed the Certified ESG Analyst (CESGA) exam in 2021 (for more details see Principle 2 – Trainings).
- We engage within the corporate and financial investments of Investment Grade (IG), High Yield (HY) and Emerging Market Credit (EMC) in the same way as within Equity (Active or Passive). Transparency of non-listed companies especially relevant for HY and EMC is usually lower than for listed companies. Therefore, engagement with those is often focused on asking for more disclosure of ESG relevant issues.
- Engagement with covered issuers (securitised) follows a very similar approach as Corporate Credit with the addition of covering issues detected out of the covered pools.

Our engagement activities do not systematically differentiate between asset classes, nor between active and passive strategies. However, for individual cases and specific strategies, the topics we discuss might differ. We generally believe, though, that good governance and a responsible strategy towards the environment and society would benefit both debt and equity holders. For example, regulatory and reputational risks are two important ESG factors, which can affect a specific bond issue / issuer, especially in the financial, energy and utilities sectors. During the review of our engagement approach, we also strengthened the involvement of and co-ordination with the fixed income side.

Integrating stewardship in traditional asset classes

Equities

For full details of our equity voting and engagement approach, please refer to Principle 9.

Fixed Income

Corporate Credit: Our stewardship within the corporate and financial investments of Investment Grade (IG), High Yield (HY) and Emerging Market Credit (EMC) follows a similar approach to Equities. Transparency of non-listed companies especially relevant for HY and EMC is usually lower than for listed companies. Therefore, engagement with those is often focused on asking for more disclosure of ESG relevant issues.

Sovereign, sub-sovereign & agencies (SSA): Engagement with supranationals and sovereigns regarding ESG-related factors is considered most effective when undertaken by international institutions like the World Bank, the United Nations, or regional supranational organizations. We may not be able to impact sovereign issuer behaviour in any meaningful manner, but where appropriate, we will actively ask during one-on-one meetings about a supranational's or a country's efforts to support the United Nations' Sustainable Development Goals and any material ESG factors.

Securitised investments: Engagement with covered issuers follows a very similar approach as Corporate Credit with the addition of covering issues detected out of the covered pools. ESG integration and engagement within Structured Finance is focused on discussing critical sector investments with Collateralized Loan Obligation (CLO) managers, engaging with originators and servicing entities regarding their governance processes in Asset Backed Securities (ABS). In Mortgage-Backed Securities (MBS) engagement is limited to larger tenants in Commercial MBS where we would be aware of critical issues.

Regional differences: While we follow the same approach globally, we have the impression that Americas and Asia Pacific might still be a bit behind with regards to companies' awareness of the importance of ESG issues to investors and the need for transparency. Our efforts in engaging with companies has particularly increased in Asia Pacific, where we see an openness and willingness to discuss ESG matters, especially in South Korea.

We support the corporate governance achievements of Japan in recent years, especially the latest review of the Japanese Corporate Governance Code that calls for stronger representation of external directors. We aspire to have a constructive dialogue with our investees and to act as their steering partner to drive further developments in corporate governance.

Regarding board composition, we expect companies with a supervisory function instead of an executive function to have at least two external directors and strongly encourage them to ensure that at least one third of the board members are considered independent.

Based on our policy of defining independence, as significant shareholders, we will review the top ten shareholders of an investee company in Japan, even if their holding represents a share of less than 10%, mainly due to the local market practice for business partners to own a certain percentage of each other's shares as cross-shareholders. Based on our policy on separating the roles and responsibilities of the CEO and Chairperson, we strongly encourage our Japanese investees to disclose who chairs their board meetings, as well as who is considered to chair the company, the "Kaicho", if these roles are separated.

We also expect and encourage our investees in Japan to establish formal committees for nomination, remuneration and audit.

We actively follow corporate governance developments in Japan and will consider incorporating them, where appropriate and also, where aligned with our corporate governance standards, in our updated Corporate Governance and Proxy Voting Policy for 2022.

ESG in Alternatives

Within illiquid Alternatives, the incorporation of ESG into the investment process takes place during investment due diligence and portfolio management. The inherent differences between the liquid and illiquid asset classes require that the approach to incorporating ESG for Alternatives be tailored specifically to the relevant Alternatives asset classes as outlined in the sections below. The scope of illiquid investments below comprises direct investments into unlisted real estate, infrastructure (both via debt or equity) and private equity.

ESG in Real Estate

DWS recognises the importance of identifying, assessing, and managing material ESG issues as an integral part of conducting its direct real estate business. ESG issues can present risks and opportunities for the financial performance, and investments may have positive, negative, environmental, and social effects.

Accordingly, DWS Real Estate takes a fiduciary-driven approach to incorporating ESG in the investment process inspired by Spectrum of Capital by G8 Impact Measurement Working Group[58]. DWS Real Estate operates a management system approach, known as the ESG Program. This follows a Plan-Do-Check-Act (PDCA) methodology to ensure implementation and improvement.

The ESG Program encompasses the following five separate stages:

1. Data Collection
2. Risk Review, including climate change transition, natural and physical climate, and social norms risks
3. Goal Setting
4. Implementation
5. Measurement and Reporting (using industry standards and benchmarks such as green building certification systems and portfolio sustainability benchmarking).

Real Estate Platform ESG targets

DWS recognizes that real estate can have significant impact on ESG factors[59].

With respect to reduction targets and measurement across our real estate portfolio, we have committed to the following:

– 2030 carbon reduction goal (Europe offices): In October 2019, we announced a commitment to achieve a 50% reduction in carbon emissions intensity by 2030 across our entire portfolio of Europe office properties against a baseline year of 2017.
– 2050 Net Zero carbon goal (European-managed portfolio): In October 2019, we became one of the founding signatories of the Better Buildings Partnership (BBP) Climate Change Commitment, and recently published our first net zero carbon pathway on their website[60]
– 2030 energy reduction goal (US offices): We have renewed our commitment to the challenge to achieve another 20% energy intensity reduction by 2030 across our entire US office portfolio. In this context we report targets and our progress publicly.[61]
– 2030 water reduction goal (US offices): As part of our renewed commitment to the Better Buildings Challenge, in 2017, we added a water reduction goal of 20% by 2030 for our US office portfolio and have already reduced water intensity by 21%.[62]

Sustainability benchmarking and certification in relation to Real Estate

In order to provide transparency to our investors, we report into the Global Real Estate Sustainability Benchmark (GRESB), which provides an independent assessment of portfolios and funds using a peer-based approach and scoring based on several ESG metrics. In 2021, we reported 15 individual portfolios to GRESB, covering 19.59 million square meter area and USD 44.5 billion AUM of assets across US and Europe.

Aggregated across all portfolios, using the GRESB analysis feature, we achieved a 29/30 Management score, compared to the GRESB average of 28. Management covers governance categories such as leadership, policies, reporting and stakeholder engagement.

[58] "Spectrum of capital, Maduro, M., Pasi, G. and Misuraca, G., Social Impact Investment in the EU. Financing strategies and outcome-oriented approaches for social policy innovation: narratives, experiences, and recommendations; G8 Impact Measurement Working Group, 2014. JRC Publications Repository - Social Impact Investment in the EU. Financing strategies and outcome oriented approaches for social policy innovation: narratives, experiences, and recommendations (europa.eu).
[59] Global Alliance for Buildings and Construction, 2018 Global Status Report: buildings and construction sector emissions represent the largest share of total global energy-related CO2 emissions (nearly 40% in 2017) available here: https://www.worldgbc.org/sites/default/files/2018%20GlobalABC%20Global%20Status%20Report.pdf
[60] Available under: https://www.betterbuildingspartnership.co.uk/sites/default/files/DWS%20Net%20Zero%20Carbon%20Pathway%20FV1.pdf
[61] https://betterbuildingssolutioncenter.energy.gov/partners/dws
[62] https://betterbuildingssolutioncenter.energy.gov/partners/dws.

Furthermore, the aggregated portfolio achieved a performance score of 53/70, as compared with the GRESB average of 52. Performance measures issues such as certifications and ratings, carbon, energy, water, and waste performance. Five portfolios achieved 4-star or above GRESB rating (5 Stars is the highest rating and recognition for being an industry leader). In addition, 14 portfolios achieved Green Star recognition.

As at the end of 2021 we managed over 6 million square meters of real estate assets with green building certifications, such as Leadership in Energy and Environmental Design (LEED) and Building Research Establishment Environmental Assessment Method (BREEAM).

ESG in Infrastructure

We seek to incorporate ESG considerations into the investment framework of the Infrastructure business at all stages of the investment lifecycle for equity investments, from the initial screening and due diligence to the asset management and exit stages. During the holding period, we monitor the ESG attributes of the investments through the regular reporting of KPIs through GRESB – this takes place at least annually, and sometimes more frequently. From Q1 2022 we plan to ask our portfolio companies directly to report these metrics to us on a quarterly basis where possible in order to formalize the existing process. The KPIs cover environmental, social and governance issues such as carbon footprint, water usage, health and safety indicators and diversity and inclusion metrics at both staff and board levels. Our due diligence also considers governance topics such as fraud, bribery, sanctions, and compliance, as required. Findings from the due diligence phase are incorporated into the Investment Committee paper and presented to the Investment Committee (IC) for consideration.

The Infrastructure business also places emphasis on reporting, producing an annual Sustainable and Responsible Investment (SRI) report for investors. This report address issues such as Health and Safety and Security; Community Service; Labour and Diversity Issues; Transparency, Communication and Governance; and Environmental Issues at the fund's underlying investments.

To understand the ongoing ESG performance of our funds and assets against peers, we take part in the GRESB infrastructure assessment fund and asset level. We are a member of GRESB and sit on the Infrastructure Benchmarking Committee to help drive the development of industry standards with respect to ESG.

During 2021 we continued to operate in line with the Environmental and Social Management System (ESMS). The ESMS applies to all potential and existing portfolio investments in infrastructure equity. The ESMS also creates obligations on portfolio companies to ensure regular reporting to DWS and compliance with all of the applicable regulations regarding ESG issues.

As a result of this regular reporting and engagement, DWS aims to help drive improvements in ESG metrics and performance at its portfolio companies with a view to improving the businesses' sustainability credentials and to create value.

– Policies: The Infrastructure business is governed by ESMS, which provides the overarching framework, processes, and governance for our ESG integration approach in Infrastructure.
– ESG Assessment process: We have an ESG checklist which should be completed during the acquisitions process for all prospective equity investments. The findings should then be incorporated in the IC memo.
– Monitoring: As part of the asset management process, we seek to collect data on key ESG metrics within each of the operating companies. This information is then used to better refine our asset management strategies and is also reported to our investors in the form of a Sustainable and Responsible Investment (SRI) Report. Certain KPIs, such as those around occupational health and safety, are also embedded into the performance review process for the operating companies.

The team Infrastructure Debt, in collaboration with DWS Research, developed a bespoke proprietary ESG scoring methodology applicable to private infrastructure debt investments, which was rolled out to new investments in 2021 to support the overall investment process and ongoing monitoring of ESG risks for private infrastructure debt investments. This methodology should guide the ESG due diligence performed on each asset by the investment team and assign an ESG rating to each potential investment, based on a pre-defined set of ESG KPIs to be sourced by the team from the borrower/sponsors. We aim to incorporate a summary of the ESG rating into all IC memos, to form part of the investment decision making process. We further aim to update these ESG scores every year based on periodic ESG KPIs reported by borrowers.

ESG in Sustainable Investments (SI) Funds

The SI business's ESG Assessment aims to integrate ESG considerations in the investment process and is guided by general accepted frameworks including, for example, the Sustainability Accounting Standards Board (SASB) standards. During the due diligence process, the manager engages professional third-party advisors to examine the financial, technical, and legal aspects of the projects, especially those that would translate into ESG risks. Potential risks and mitigation measures are presented to the Investment Committee and rectification work is carried out to reduce such risks. The SI team monitors the operation of the portfolio companies and seeks to ensure that they operate in compliance with the environmental standards and regulations. Some of SI's funds engage a third-party consultancy to conduct the quarterly ESG reporting for the Fund and the quarterly reports include risk analyses and records the waste generation and air pollutant emissions in detail. For some funds we use a proprietary tool to measure and monitor impact.

ESG in Private Equity

The business operates along the standard process to review potential investments from an ESG perspective.
ESG metrics relevant to investment opportunities are defined ahead of the due diligence process. The types of risks screened for include governance issues, such as potential fraud or reputational risks; social issues with the workforce or the surrounding communities; environmental risks; occupational health and safety issues and accident track record.
During due diligence the investment team will review the potential transaction counterparty's ESG policy and framework and assess the extent to which the investment and the manager in the potential transaction adhere to the key concepts defined by the Principles for Responsible Investment (PRI). The business also reviews the risks and KPIs most relevant to the industries in which it invests, and opportunities are often benchmarked against the ESG leaders in both the company's asset class and among comparable alternatives within the industry.
The investment team typically monitors the funds and assets we invest in and periodically meets with the management of these funds / fund vehicles with an agenda including ESG topics.

Investment Time Horizon and Recommended Holding Period

For investment products regulated under MiFID, we capture and review a recommended holding period for investors as part of DWS' Product Governance processes. In the context of systematic product review, these product attributes are checked on a regular basis. As neither engagement nor stewardship activities are taken at a single product level, DWS generally takes a long-term investor approach.
In this approach, we analyse the impact of the issuer ESG (double material topics and impact of Global Sustainability trends) and financial performance across the following years of the investment.

Suppliers and vendors

DWS currently works with approximately 2,000 vendors, for which we have processes and procedures in place to manage these relationships. Our vendor provided services are subject to a risk-based segmentation and vendors classified as posing an important, significant, or critical risk undergo a comprehensive third party risk management (TPRM) assessment. Relevant risk types are evaluated in this process, including assessment of environmental and social factors. In addition to TPRM, vendors with material annual spend are also subject to a procurement Request for Proposal (RFP) process that includes an assessment of their commitment to sustainable development and environmental responsibility.

ESG principles in Third Party Risk Management

ESG risks could arise in vendors that would traditionally be seen as 'low risk' or 'not applicable in in the TPRM (third party risk management) process:

- Distributors may rely on manufacturers with highly pollutant production processes
- Small or medium size enterprises may have workplace or labour-related violations
- Non-business critical providers may have board members involved in questionable ethical practices

As a result, DWS does not just rely on establishing potential ESG risk exposure through an inherent risk questionnaire that, for the purpose of efficiency, excludes many categories that could benefit from ESG risk assessment. Instead, DWS can benefit from using an external provider (EcoVadis or competitor) that will assess businesses of all sizes for their CSR (corporate social responsibility) and ESG metrics.

- Require relevant third-parties to register with a ratings provider
- Agree on a minimum rating based on organisation ESG risk appetite to transact with third-parties
- Agree on a target rating and associated mitigation plan for all third-parties which fall short
- Agree to reassess third-parties below target rating as part of ongoing monitoring until their ratings provider score reaches the required level

The benefits of incorporating ESG assessments across various stages of third-party lifecycle, as opposed to being just a component risk domain, allows a wider review to be performed on DWS's overall ESG positioning, as well as establishing a universally understood rating that can be positioned as industry leading and easily aggregated for reporting purposes. Follow up assessments allow DWS to continually reassess their decision to associate with third-parties that fail to meet ESG standards.

Outcome

Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/ or beneficiaries.

Committee for Responsible Investments (CRI)

The Committee for Responsible Investments (CRI) covers our Smart Integration strategies for certain actively managed mutual funds that are domiciled in Germany and Luxembourg. The CRI is responsible for managing certain investment restrictions or triggering binding exclusion decisions[63]. Please refer to its activities in 2021 to Principle 11.

Enhancements to our engagement framework

DWS introduced an enhanced engagement framework for Europe in 2021 and is considering a similar framework for the Americas, subject to applicable approvals (for more details please read our answer to Principle 5).
Our engagement activity is based on the objective to improve the behaviour of an issuer. We have a clear commitment to active ownership, and we do not outsource any engagement activities to an external service provider. An engagement activity refers to purposeful interactions between the investor and current or potential issuers to influence or identify the need to influence on matters such as strategy, financial and non-financial performance, risk, capital structure, social and environmental impact as well as corporate governance including disclosure, culture, and remuneration.
Engagement is an important element of active ownership at DWS, as the dialogue should create awareness and enable change, voting can be seen as measure for success, as well as an indicator for need for improvement. We aim to understand for issuers how corporate boards of directors govern long-term strategy, which will ensure future resilience for the company. Doing so, DWS does not wish to dictate issuer strategy or operations but voices its concerns with relevant parties when we conclude that the economic and ESG interests of our clients might be at risk.
We differentiate between several types of engagements: Individual engagement, including participation at the Annual General Meeting (AGM) compared to thematic or collaborative engagement where legally feasible. The process is mostly relevant for sizeable Active and Passive investments, but for other non-issuer engagements (e.g., index provider NGOs, public policy, etc.) the process may vary as DWS has no voting rights and broader negative externalities which could cause inefficiencies within the financial market.
DWS adopts a range of engagement approaches. Engagement with an individual issuer is the most common form of engagement and includes direct communication, either virtual or in-person, with representatives of the investee, either active (DWS approaches first) or reactive. Thematic engagement, in contrast, targets a universe of issuers where a concentration of high potential risk (according the "principal adverse impacts", SDG obstructers, etc.) around a specific theme appears. Potential themes are climate change, human rights, gender and diversity topics, ethics, and controversies. Another form of engagement is collaborative engagement where we, jointly with other investors, communicate with other stakeholders where it is permitted by law and regulation, for example in form of initiatives. This type of approach is used in rare occasions (i.e., Climate Action 100 + initiative) due to "acting in concert" regulation in Germany.
Lastly, proxy voting and presence at AGMs is a form of engagement in the case of equity investors where DWS uses its voting rights in ballot proposals, votes for/against management or to support shareholder proposals. In addition, DWS also attends AGMs and voices its opinion publicly via media where it can.
Our enhanced engagement database enables more information to be shared efficiently. Once the engagement activity has been concluded, the results and key information are documented in the engagement database and shared with all users. By documenting and sharing that information internally on a need to know basis, we provide the basis for our own staff to follow up on engagement topics as well as providing management the necessary information for effective steering of our engagement activities in the best interest of our clients.
In 2019 we teamed up with CREATE-Research to write a paper on "Passive investing and the rise of Stewardship". This report surveyed 127 pension schemes in 20 countries, with a combined AuM total of EUR 2.2 trillion. The Passive market is a large and increasing sector of the investment universe and understanding client expectations has helped us steer improvements in our approach towards stewardship, especially within the Passive market.
Please read the report here: https://etf.dws.com/de-de/AssetDownload/Index/33a35496-e2f0-4652-86f9-e7c-c63ce6553/Passive-Investing-2019-The-rise-of-stewardship.pdf/

[63] As a result of the enhanced ESG Framework, the Smart Integration approach and the CRI will cease to exist in 2022 for funds that have previously applied the Smart Integration approach.

8 Investment approach: Monitoring managers and service providers

Activity

Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

In general, all external service providers are subject to our third party risk management process. For our Stewardship activities, DWS works closely with proxy voting service providers and with a large number of specialized information providers, feeding into DWS's ESG engine to assess a variety of ESG data.

Third party risk management

Outsourced service relationships are regularly reviewed in a risk-based assessment regulated by our Intra-Group and Third Party Risk Management Policy. Our due diligence process is designed to:

– Consider internal and external factors to ensure ongoing risk management
– Verify that effective controls and processes exist to comply with contractual and regulatory obligations
– Ensure that changes are adequately managed, controlled and reported
– Ensure delivery in accordance with the agreed service levels and key performance indicators via regular monitoring
– Define, execute, and monitor necessary measures to improve service quality
– Convene regular governance meetings to operationally manage the service provider relationship
– Facilitate audits in relation to the contractual documentation (if required)

Regular service review meetings are held at both an operational and senior management level to closely review service levels and key performance indicators. Additionally, a comprehensive due diligence review is performed, where appropriate, periodically to cover various areas such as corporate structure, risk management, compliance, operations, corporate security, and IT.

Service providers for proxy voting

We use the proxy voting services of two providers: Institutional Shareholder Services Europe Limited ("ISS") and IVOX Glass Lewis GmbH ("IVOX / Glass Lewis"). Both companies analyse general meetings and their agendas based on our proprietary voting policies and provide us with voting recommendations and rationales. IVOX Glass Lewis covers the general meetings of portfolio companies in Germany, while ISS provides us with a sophisticated online platform to support our proxy voting process at international general meetings.

ESG Engine data providers

With the DWS ESG Engine, DWS has a tool that enables a broad-based analysis of various ESG facets. To ensure maximum flexibility and data quality, DWS bases its sustainability analyses not only on the data of one provider but also obtains corresponding ESG information from several data providers. This takes into account the fact that the individual providers have different focuses.
In order to offer the broadest possible coverage of various ESG criteria and aspects, DWS works with a large number of specialized information providers (including ISS-ESG, Morningstar Sustainalytics, MSCI, etc.), some of whom we have been working with since 2009. In addition, the DWS ESG Engine also takes into account freely available NGO (non-governmental organization) data.

Outcome

Signatories should explain:
– how the services have been delivered to meet their needs;
OR
– the action they have taken where signatories' expectations of their managers and/or service providers have not been met.

Overall Vendors

Generally, due to the careful selection and ongoing monitoring of our service providers, we benefit from longstanding service relationships and have not had to terminate critical service relationships prematurely.

Service providers of Proxy Voting

Our vendors are well recognised proxy advisors with proven capabilities to service our global needs for thorough analysis and adequate processing and execution of voting rights. Our contracted providers ISS and IVOX / Glass Lewis – along with all of our vendors – are subject to risk-based segmentation. In particular, vendors classified as posing an important, significant, or critical risk undergo a comprehensive Vendor Risk Management (VRM) assessment. All risk types are evaluated in this process, including the DWS' Group Sustainability function's assessment of environmental and social factors. In addition to VRM, all vendors with a material annual spend are also subject to a Request for Proposal (RFP) process that includes an assessment of their commitment to sustainable development and environmental responsibility. This process screens vendors to ensure their policies and practices regarding human rights are consistent with our policies. This means we expect vendors to respect their employees' human rights, offer equal employment opportunities to all, and to not tolerate discrimination or harassment.
Furthermore, we regularly review how our external providers apply our policies and processes, which includes meetings once before the voting season and once after. We also have direct and regular contact with corresponding account representatives and dedicated policy analysts. As described in our corporate governance and proxy voting policy – which has been detailed below – we currently review every single meeting which is in scope for voting and do not automate any voting instructions using the service providers' analysis. We further discuss and evaluate the respective technical set-ups, the implementation of our Corporate Governance and Proxy Voting Policy as well as any hurdles or incidents that may have been observed, to ensure the effective execution of voting rights, the proper application of our Corporate Governance & Proxy Voting Policy and good oversight. With our four-eyes approach, whereby the instructions provided by an analyst, portfolio manager or member of the Corporate Governance Center are reviewed and then approved by another member of the Corporate Governance Center, we can ensure a constant monitoring of the voting process. Any technical anomaly or content-related deviation can be detected in-time and is addressed with the relevant service provider on an ad-hoc basis.
Other functions such as the Corporate Actions team, use external vendor services from DTCC (Depositary Trust and Clearing Corporation), WMI (Wertpapiermitteilungen), and Bloomberg. Additional information is received from the respective custodians of the funds and information is compared and questioned when setting up events.

ESG Engine data providers

With this multi-vendor approach, the DWS ESG Engine seeks to ensure a robust coverage of its investment universe. The DWS ESG Engine performs calculations and updates our internal portfolio management system, BRS® Aladdin, on a regular basis.
Methodology and criteria are constantly reviewed and enhanced by DWS's ESG Methodology Panel (EMP), which meets on a regular basis. Fundamental changes are conveyed or discussed individually with the client on a case-by-case basis, and with the Investment Platform through our ESG Gatekeepers network. ESG information calculated by the DWS ESG Engine is uploaded onto DWS's portfolio management system to provide access to research analysts, portfolio management and supporting functions. The Compliance team performs checks to ensure the portfolios comply with their respective investment guidelines. This enables all involved professionals with access to the research platform to build on the power of ESG data in a timely, reliable, and flexible manner.
Analysts help to secure robust ESG data, discuss findings in company meetings and communicate inconsistencies to the DWS ESG Engine Team. If inconsistencies continue, despite intensive discussions with the respective ESG data provider and the issues are proven with public company information, DWS has the possibility to overrule the data provider, in rare, exceptional cases. The ESG database is therefore based on data and figures, as well as on internal assessments that take into account factors beyond the processed data and figures, such as an issuer's future expected ESG development, plausibility of the data with regard to past or future events, as well as an issuer's willingness to engage in dialogue on ESG matters or corporate decisions.
As the availability and accuracy of ESG information continues to evolve, the DWS ESG Engine Team regularly monitors the market for ESG data, proposing enhancements and changes as they identify opportunities for improvement. This potential new information is discussed in the EMP forum, which decides if this should be incorporated in the set of data available for analysts and portfolio managers. With this process in place, we are able to continue finding solutions to close any existing data gaps to improve our ESG analysis.

/ 9 Engagement

Context

Signatories engage with issuers to maintain or enhance the value of assets.

Activity

Signatories should explain:
– the expectations they have set for others that engage on their behalf and how;
OR
– how they have selected and prioritised engagement (for example, key issues and/or size of holding);
– how they have developed well-informed and precise objectives for engagement with examples;
– what methods of engagement and the extent to which they have been used;
– the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6; and
– how engagement has differed for funds, assets, or geographies.

Introduction

As outlined under Principle 1, DWS's purpose is to safeguard and enhance the investments of our clients to create long-term value and serve our clients' best interest while, at the same time, acting responsibly to enable economic growth and societal progress and thus, contributing to a sustainable future through our investments and our role as an active owner. The more detailed approach and our philosophy, including our values and beliefs, can be found in Principle 1. Although we engage across different asset classes, our engagement approach with publicly-listed companies in which we hold an equity stake is the most advanced and robust. This is also in line with our view that we regard engagement as an effective lever to address problems and risks, to create awareness and bring issues to the attention of the management of our portfolio companies so that they can enable change, and consequently protect the value of assets for our clients. Regular engagement also reflects our role and character as a long-term oriented investor, acknowledging that change may not always happen overnight but also requires longer time horizons.
For fixed income funds, our credit research analysts and portfolio managers are also convinced that material ESG factors have a fundamental impact on credit quality and are therefore an important component of the research and investment process at DWS. For example, during our meetings with several green instruments' issuers, topics such as cash flow assignment of green assets to capital notes were discussed with the management of the issuing entity. In 2021, we reported 125 engagements on ESG matters within our fixed income portfolios, of which 62 were written engagements.
We aim to have a holistic approach to engagement as we consider issuer and non-issuer engagement as a key driver to transform the global economy for the better, especially in its transition towards net zero.
Based on this, DWS introduced an enhanced engagement framework for Europe in in Q4 2021 and is considering a similar framework for the Americas subject to applicable approvals. Our enhanced, and expanded, engagement framework is designed to define and track sustainability outcomes for our portfolio companies. It also empowers investment professionals to become more closely involved in in the engagement process, especially when it comes to discussions on climate change so, so that we can remain on track to achieve our net zero interim target. As of December 31, 2021, we conducted a total of 581 engagements, incl. 170 that were conducted by our investment professionals.

Selection and prioritisation of investees/issuers for DWS engagement activities

We encourage good governance and sustainable corporate practices at our portfolio companies with the goal of increasing value of equity and fixed income investments in the long-term. In addition, we plan to increasingly focus on engagement with non-issuers, such as index providers or rating agencies.
Financials and ESG performance have continued to be a focus area of our engagement activities. In our view, the governance of a company, i.e., the composition of the board or the incentives for executives can be a strong determinant and indicator of its capabilities to assess risks and opportunities in other dimensions of sustainability, i.e., environmental, and social aspects. Given the importance of ESG performance, we outline below our dedicated engagement approach as an example of how we are prioritizing topics and companies for ESG-related engagements and voting.
As outlined in our response to Principle 5, DWS introduced an enhanced engagement framework for Europe during 2021 and is considering a similar framework for the Americas subject to applicable approvals.
There are several criteria we prioritize for our engagement screening with portfolio companies. These include but are not limited to:
– Degree of exposure in terms of holdings
– Significant ownership in terms of market capitalisation and fixed income holdings
– Exposure to ESG risks, including governance related issues, high climate, and transition risk (CTRR) as well as severe violations of involvement in norm controversies.
– Other specific sustainability themes (e.g., Principal Adverse Impact indicators (PAI), Sustainable Development Goals (SDG), etc.)

DWS seeks to constructively engage with our investees, not only to elaborate on our key expectations in terms of governance but also to gain a better understanding of their existing business models and strategies with regards to ESG risks and opportunities and thereby ring-fence the investment decisions. In terms of selection and prioritization of engagements for the Core List, we focus on a list of companies, screened at the beginning of the year, and updated regularly based on criteria such as percent of Assets under Management, percent ownership of market capitalisation, relevant ESG criteria (e.g., poorly rated companies in various categories based on the DWS ESG Engine), coverage of dedicated ESG portfolios, certain markets etc. This Core List acts as a sound basis for identifying the most relevant holdings for engagement. The Core List consisted of approximately 2,300 companies in 2021, which the Corporate Governance Center issues an annual pre-season letter at the beginning of each year to inform them on changes and updates to our Corporate Governance & Proxy Voting Policy as well as on focus topics for the AGM season. This may be followed by one-on-one engagements with portfolio companies responding to our letter. During the regular management meetings of our investment professionals, research analysts, portfolio managers, and ESG-specialists raise ESG-issues. This engagement qualifies the investee company to be added to our focus engagement list .
We regard direct dialogue with senior management (CEO or Chairperson of the Board) as the most effective means of engagement, as this generates the most direct and reliable response to our questions and criticism – and establishes a direct accountability.
Additionally, at the end of the year, we send individualized post-season letters to selected investees, where we have had issues with particular items of their agenda and voted against those.

Given the importance we attribute to sound governance with our portfolio companies, we provide below an exemplary overview of the key issues addressed in our pre-/and post-season letters as well as engagement activities conducted by our engagement leads and ESG specialists. These issues focus on DWS core values for good governance as well as relevant social and environmental aspects in terms of board oversight and management, which are part of our Corporate Governance and Proxy Voting Policy.

Boards:
Adequate composition and succession planning of boards of directors
Majority independence in board and key committees
Promote diversity and experience
Enhanced transparency on company reporting, in particular on non-financial disclosure
Separation of CEO / Chairperson for an appropriate balance of power or a strong lead independent director
Responsibility and awareness for ESG matters in the company and at board level
Executive compensation:
Transparency and comprehensibility
Relevant qualitative and quantitative key performance indicators
Balance and appropriateness
Pay for performance
Bonus – malus & claw-back
Relevant sector / peer comparison
Non-financial KPIs (ESG)
Shareholder Rights: "One-share-one-vote"
Regular "Say-on-Pay" vote
Involvement of shareholders in significant M&A transactions
Proposals aiming to enhance disclosure practices and foster shareholder rights
Auditor:
Appropriate internal and external rotation (internal lead partner rotation maximum 5 years)
Transparency on lead audit partner's name and term of appointment
Sufficient disclosure and limitation of non-audit fees
Additional ESG-related topics and standards:
Climate change, circular economy, water consumption, deforestation
Supply chain management, human rights (labour matters / child labour)
Gender diversity
Recognized international ESG standards

Our ESG integration and engagement activities are guided by, among others, the following international standards: UN supported Principles for Responsible Investment (PRI), to which DWS has been a signatory since 2008, UN Global Compact, the OECD Guidelines for Multinational Corporations, Cluster Munitions Convention, the CERES Roadmap for Sustainability, The CERES Blueprint for Sustainable Investing,

International Integrated Reporting Framework (IIRC) and the 17 UN Sustainable Development Goals (SDGs).
The above-mentioned values, policies and approaches build on our expertise and client interactions gained over more than 25 years as a responsible investor. They are also based on relevant national and international corporate governance frameworks (e.g., German Corporate Governance Code, International Corporate Governance Network (ICGN) Global Corporate Governance Principles, G20 / OECD Principles of Corporate Governance), as well as national and international best practices.
We review our Corporate Governance and Proxy Voting Policy regularly to ensure that our corporate governance expectations reflect relevant regulatory changes and remain robust against market standards. We also review the voting and engagement results of a given year and identify relevant trends and areas, which require more focus. Ultimately, an additional goal of our stewardship activities is to fulfil our fiduciary duty to our clients and be responsible stewards of the capital they entrust us with.
In addition to the individual engagements on company specific topics, DWS may also decide to engage based on thematic priorities (Thematic Engagement), as well as on a fund specific basis. These thematic priorities are derived from screening using the DWS ESG Engine or additional resources such as news, sell-side or academic research papers etc. In 2021, thematic engagements were concluded on ESG issues such as human rights, net zero and weapons production.
One of our priorities in 2021 was to progress on our net zero commitment made in 2020 (see example, Issue: Thematic engagement on net zero).
We conducted dedicated follow-up engagements. In 2020, we sent engagement letters to Aerospace/Defence companies based on our concerns regarding their possible involvement in the manufacturing of controversial weapons, most notably nuclear weapons, or depleted uranium, that in the worst case do not comply with treaties or legal bans on controversial weapons. The Treaty on the Prohibition of Nuclear Weapons became effective in January 2021 and during the year we conducted follow-up engagements to gain a deeper understanding of the involvement of these companies in nuclear weapons. We remain in constructive dialogue and expect this to continue in 2022.
Following the political events in Belarus and Myanmar, DWS has been engaging with selected issuers based on their operations in both countries. The alleged continuation of Myanmar military junta's severe human rights violations ranging from abuses against ethnic minorities, restrictions on freedom of expression and peaceful assembly and limitations on the flow of information and other violations is of great concern to DWS. The significant deterioration of human rights in Belarus is also very concerning where publicly available information from non-governmental organisations indicate allegations of torture, discrimination against various groups in society, restrictions on freedom of expression and peaceful assembly and limitations on the flow of information. We will continue to monitor the situation very closely and engage in critical but constructive dialogue with issuers operating in Belarus.
We also report on other engagements prioritized based on social issues as part of our annual Active Ownership report.

Methods of engagement and escalation measures

If a company continuously violates international norms or standards and does not respond to DWS's engagement efforts, DWS will follow other methods of engagement and escalation steps as outlined in the engagement policy and eventually mark the engagement as either "successful" or "failed".
In this context, we may call for extraordinary meetings with Management and the Supervisory Boards of portfolio companies. Subsequently, we may send escalation letters directly to the members of both boards where they have not been responsive to our engagement efforts and / or expectations in terms of good corporate governance. Our direct participation in Annual General Meetings of portfolio companies combined with statements addressing shareholders and boards publicly is also a very extensive means we apply. Where appropriate, we may also decide to file and / or support shareholder proposals. As a last measure, we will use our voting rights to vote against management proposals, in line with our voting policy.

Examples on how DWS has developed well-informed and precise objectives for engagements

In terms of objectives on ESG issues at a broad level, below are some examples taken from DWS's Corporate Governance and Proxy Voting Policy 2020, which demonstrate how DWS has developed well-informed objectives for engagement on both thematic issues and specific companies.

Issue: Thematic engagement on net zero

DWS is a signatory of the Net Zero Asset Managers initiative and is committed to supporting the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner. As a responsible investor, it is our fiduciary duty to express our expectations on sustainability in the best interest of our clients. Aligning with Net Zero we aim to reduce potential risks and help to protect asset value for our clients.
As part of this initiative, we identified a group of more than 220 global portfolio companies from DWS's universe of Active and Passive investments based on the absolute level of Scope 1 and 2 emissions, ranking on the climate and transition risk rating (CTRR), as well as being a constituent in the Climate Action 100+ Net Zero Benchmark. In June 2021 we sent a letter to the identified companies articulating our precise objectives and possible voting implications, requesting transparency and detailed information around their concrete net zero strategies, and inviting them to take ambitious steps on the path to net zero. Our thematic engagement letter is accessible on the DWS website (https://www.dws.com/solutions/esg/corporate-governance/).
We identified a clear follow-up plan to ensure all questions raised receive appropriate consideration by investees. We chose a questionnaire as an effective means to gather information and to begin a dialogue with the companies in this regard. This questionnaire included a range of topics including board oversight, carbon reduction targets, capital expenditure plans, and lobbying activities. Thanks to the information provided to us we were in a good position to set up well-informed and precise engagement objectives for the responsive portfolio companies in these mentioned areas.

Example 1: Key indicators, methods and targets used

A company in the Utilities sector | Country: Italy | Area of Engagement: E | Sub-Area of Engagement: Social: Specifically, net zero/ science-based targets and disclosure on Climate Change, Executive Compensation

Engagement Methods: We sent an engagement letter on our expectations regarding the companies' strategy towards net zero GHG emissions by 2050 or sooner to the company to communicate our expectations and held a meeting with the company to discuss objectives and monitor their progress.
Engagement Targets: Enhanced transparency on strategy towards net zero, including the UN's Sustainable Development Goals (SDG) and science-based targets.
During our engagement activities, we monitor the progress on our objectives and developed them further: Oil and gas exploration activities have been discontinued. In addition, the company's strategic direction already explicitly integrates the SDG objectives into their financial strategy. In the next three years, the company expects an increase of 11% in gross organic capex, of which more than 90% is attributable to the four SDGs on which the strategy is based: SDG 7:Affordable and Clean Energy; SDG 9: Industry, Innovation, and Infrastructure; SDG 11:Sustainable Cities and Communities; and SDG 13: Climate Action. New targets aim to reduce direct CO_2 emissions per kWh by 70% by 2030 which have been verified by the Science-Based Targets Initiative, compared with 2017 levels and a reduction of indirect emissions associated with the consumption of gas by the end users of 16% by 2030. The company disclosed its lobbying activity in detail in its annual report. The company has set targets for phasing out coal production for 2022, 2024, 2030. The company also discloses scope 3 figures and links to SDGs as well as emission intensity. Furthermore, the company set long-term goals for emissions reductions including net zero commitment by 2050, while ensuring a just transition for workers in sectors vulnerable to climate disruption. The company also increased the weight of sustainability KPIs to align remuneration with the strategic plan.

Example 2: Key indicators, methods and targets used

A company in the Materials sector | Country: Canada | Area of Engagement: Climate Change, specifically net zero/ science-based targets, disclosures on Climate Change, executive remuneration

Engagement Methods: We sent an engagement letter on net zero to the company to communicate our expectations and held a meeting with the company to discuss objectives and to monitor their progress.
Engagement Targets: Enhanced transparency on strategy towards net zero, including the UN's. Sustainable Development Goals (SDG) and science-based targets.
During our engagement activities, we monitor the progress on our objectives and developed them further: With the recently introduced reduction targets, we observe progress at the company with regards to climate change. In the short-term, the company seeks to procure 50% of its electricity demands in Chile from clean energy by 2025 while 100% in the mid-term by 2030. Additionally, it intends to accelerate the adoption of zero-emissions alternatives for transportation by displacing the equivalent of 1,000 internal combustion engine vehicles by 2025. On a worldwide base for scope 1 and 2 emissions, the coverage by renewables could reach around 40% by 2030. Further improvements are dependent on technology progress and innovation. Over the mid-term the company is striving to reduce the carbon intensity of its operations across all geographies by 33% by 2030 from a 2020 base. In the long-term the company follows a Net Zero strategy and seeks to be carbon-neutral by 2050. As absolute targets can easily be reached with portfolio transactions and without implementing any climate transactions, the company decided to do the opposite and focus on relative targets by 2030. The company also gave an absolute emission reduction indication as best practice of more than 20% by 2030.
A verification of the targets regarding the global warming by the Science-based Target initiative (SBTI) is missing. According to the company there are some methodological challenges and so it is currently evaluating these issues. Scope 3 emission reduction targets and energy consumption and intensity reduction targets are missing. However, the company's Tech Resources started to look on scope 3 as part of the strategy and is looking for necessary steps. To come up with a Scope 3 emission target it is working with suppliers and looking for opportunities for partnerships. Some dependency

on technological progress leaves some risk to reach targets by 2050. Climate change performance is integrated into company's executive remuneration that is performance-based and includes several sustainability performance indicators. This variable compensation structure is based on objectives outlined through three components: corporate, business unit and personal. Across the components, objectives related to sustainability performance, including climate change, among other health, safety, and sustainability issues, affect approximately 10%–20% of the variable compensation. The company is meanwhile using the Task-force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), and Global Reporting Initiative (GRI) as reporting frameworks and has disclosures on climate mitigation and climate adaptation activities through various publications, including a Sustainability Report and a TCFD-aligned Climate Change Outlook report. The company is currently observing developments around the EU Taxonomy.

Issue: fund specific engagement on the DWS Concept ESG Blue Economy Fund

DWS developed the DWS Concept ESG Blue Economy Fund to support the mainstreaming of sustainability in blue economy sectors. In this, we are supported by the Worldwide Fund For Nature (WWF) Germany, which provides advice on the investee engagement approach for the fund. By supporting the transition away from harmful and high-risk practices to those that align with sustainable development pathways, this fund is intended to contribute to building the resilience of ocean ecosystems, society, and business and ultimately supports the transition to a sustainable blue economy.
We chose a questionnaire to assess and set up objectives for a company's current and future performance on social and environmental sustainability related to the blue economy, which builds on the indicators of the United Nations Environment Programme Finance Initiative (UNEP FI) guidance. This questionnaire is intended as a tool to help assess a company's current and future performance on social and environmental sustainability issues related to the sustainable blue economy. The companies were selected by portfolio management and each one received a questionnaire.
We sent out detailed, sector-specific questionnaires to 30 portfolio companies, which are covered by the guidance of the Sustainable Blue Economy Finance Principles and builds on the indicators of the UNEP FI guidance. This questionnaire is intended as a tool to help assess a company's current and future performance on social and environmental sustainability issues related to the sustainable blue economy. The intention is to gather data on performance, company-set KPIs, targets and timelines. DWS's and WWF's expectations of this process are for collaborative and transparent sharing of data, information, and insights into the ESG performance of the company with respect to ocean health. This is an initial step in a longer process, with the desired outcome to build targets, metrics and KPIs for each sector in order to map and document the progress of risk and impact reduction of the fund.

Example 3: Key indicators, methods and targets used

A company in the Consumer Discretionary sector | Country: United States | Area of Engagement: E, G | Sub-Area of Engagement: Sustainable Blue Economy

Engagement Case: As part of the DWS Concept ESG Blue Economy Fund, we initiated a discussion with a company in the Consumer Discretionary sector. Given its size and importance in the tourism and cruising sector, and its connection to the blue economy, our engagement is critical to achieving the goals of the DWS Concept ESG Blue Economy fund. The company is already addressing and improving certain aspects related to the blue economy, particularly in the context of procurement and land-based tours. For example, the company supports the use of Global Sustainable Tourism Council (GSTC) standards, which are also used by the UNEP FI guidance. Unfortunately, the GSTC standards do not apply to vessels and there are a number of areas where further engagement is required to determine whether and how they meet the UNEP FI's Sustainable Blue Economy Finance Principles and guidance, for example in relation to ballast water treatment and vessel routing in regard to protected areas.
Engagement Targets: Our initial engagement with the company has focused on outlining possible key performance indicators (KPIs) based on the UNEP FI guidance, which have been drafted, and will continue to be developed, in a collaboration with WWF Germany.
Initial KPIs for the company are focused on understanding the company's strategy and operations with respect to implementation of activities against their stated goals with regards to the blue economy. Further potential targets of our engagements include net zero emissions strategy, water treatment system, vessel routing, visitor littering and other forms of pollution. In terms of governance, we are addressing questions around the combined CEO/chair roles, over boarding, key board committees and their independence as well as inclusion of sustainability goals as a component of management goals and management compensation.
During our engagement activities, we monitor the progress on our precise objectives and developed these further. For example, in terms of net zero, the company is implementing a new decarbonization strategy to be achieved by 2050, SBTi (covering scopes 1 and 2, scope 3 is in progress); including net zero cruise ships by 2035; first large-scale installation of a hydrogen-based technology as a new power supply. Currently 81% of the company's fleet is equipped with ballast water treatment systems; however, we are keen to understand by when the remaining 19% will be outfitted with the same or equivalent technologies. The company also appointed a new chief ESG officer. As a next step, we will focus on specific quantitative KPIs relating to engagement targets and strive to achieve transparency with regards to the compliance with the UNEP FI Guidance.

Issue: Health and safety

Employees' safety and health is an important topic and should be treated as an integral part of a company's business strategy. Therefore we engaged with companies in sectors such as mining or materials regarding this corporate governance topic. We screened companies based on ESG ratings. As a result, for sectors such as mining and materials, we focused on health and safety topics using results from our ESG engine. For companies which were highlighted as severe, this led in some cases to voting against directors and was a reason to attempt to have a dialogue with the company.
For health and safety, our objective was that companies assess, manage, and reduce health and safety risks to prevent workplace injuries, illnesses, and fatalities. All measures to mitigate these risks should be clearly defined and communicated in a comprehensive policy. All these engagements were one-on-one engagements due to the very specific nature of the cases from our ratings tools.

Example 4: Key indicators, methods and targets used

A company in the Materials sector | Country: South Africa | Area of Engagement: S | Sub-Area of Engagement: Social: Health and Safety

Engagement Case: The company is facing severe ESG controversies regarding the safety of workers and fatalities. The company operates underground gold mines which carry inherent risks.
Engagement Targets: Appropriate and clear measures taken to improve health and safety at the company.
During our engagement activities, we monitor the progress on our precise objectives and developed these further. For example, in terms of health & safety, the board took these issues very seriously and it was an important topic at their investor and stakeholder days in 2021. They rolled out a new campaign during 2021 and the incidents have been thoroughly investigated together with the relevant stakeholders. The company is part of the International Council on Mining and Metals (ICMM), an international organization dedicated to a safe, fair, and sustainable mining and metals industry. We continue to monitor the progress closely.

Issue: Auditor issue with a company in the utilities sector in the US

At the beginning of 2021, we updated our Corporate Governance & Proxy Voting Policy and included a new rule to expect an audit company to be rotated after ten years in line with European best practice. After the proxy voting season, we assessed our voting behaviour and identified several topics to prioritise in governance engagements. One of these topics was audit tenure and we carried out several one-on-one engagements including this issue. Our objective was to explain the reasoning of our voting and to convey the message that we expect the company to rotate the auditor.

Example 5: Key indicators, methods and targets used

A company in the Utilities sector | Country: USA | Area of Engagement: G | Sub-Area of Engagement: Auditor

Engagement Case: The company contacted us out as part of their annual outreach program. We wanted to enquire about audit tenure, which exceeds our threshold of 10 years by 63 years. Furthermore, the audit chair is not considered independent.
Engagement Targets: Communicate our expectations and aim for an audit form rotation within the next two years.
During our engagement activities, we monitor the progress on our precise objectives and develop them further. The company explained that there is no plan to change the audit company, saying that they are very happy with the current auditor who has deep experience in the utility industry and is the best in the region where the company is situated. The company argues that their current auditor serves the company well as independent auditor as they push back and show effective oversight, and actively look at issues. The company is satisfied that the auditor remains independent, although knowing that lead audit rotation mitigates entrenchment. We communicated our expectations and the implications of an audit firm tenure exceeding 10 years on our voting behaviour: no change expected. In addition, according to the DWS guidelines, the audit committee chair was not independent. The company informed us that the chair has already been refreshed following shareholder feedback. More case studies are elaborated in the latest DWS Active Ownership Reports for 2019, & 2020, and 2021 with practical applications of the above engagement methods. Please find the report here: https://www.dws.com/en-gb/solutions/esg/corporate-governance/

Reasons for our chosen approach, with reference to their disclosure under context for Principle 1 and 6

As mentioned in Principles 1 and 6 as well as in DWS's Engagement Policy 2020 and Corporate Governance and Proxy Voting Policy 2021, DWS takes its fiduciary duty very seriously and acts in the best interest of its clients. Please find the policy here:
https://www.dws.com/en-gb/solutions/esg/corporate-governance/.

With over 25 years of experience as a responsible investor, we believe that good corporate governance is an important source of higher relative (shareholder) risk-adjusted returns over the long-term. Our approach and framework have been developed in a consistent and collaborative fashion, incorporating viewpoints and insights from various parties ranging from contractual and prospective clients, industry working groups, international associations, and regulatory bodies. DWS has always advocated for transparency and effective disclosure and we have continuously improved our engagement approach.

In 2021, we continued to enhance our processes and capabilities. Since 2018, we have worked towards enhancing all aspects of our processes and capabilities, with the purpose of covering important general meetings with our proxy voting activities as well as increasing our general meeting attendance. For us, proxy voting activities go beyond our fiduciary duty to exercise our voting rights and play an important role in our engagement approach. In 2019, we accelerated our voting and engagement activities and saw a significant increase in the companies we could engage with. Building on our dialogue and experience from previous years, we also initiated new engagements on fundamental and new key topics in responsible investing.

We were able to improve our ranking in the 'Voting Matters' report by UK campaign group ShareAction from position 21 in 2020 to 15 in 2021. This was based on our overall support for shareholder resolutions related to environmental and social topics which increased from 66% to 85% over the same period.

Moreover, our communication on corporate governance with investors has also improved, evidenced by more interactive and detailed disclosures as discussed in Principle 6.

At DWS, we believe companies should take more responsibility in the way in which goods are produced, services are provided, and resources are used. We act as a trusting fiduciary for our clients when protecting their investments and perceive corporate boards as our partners who cautiously and prudently supervise the companies in which we are invested.

Building on our philosophy as an active owner and to ensure effective and meaningful execution, our engagement activities are governed and structured following some key documents, among them our Engagement Policy, our ESG Integration Policy as well as our Corporate Governance and Proxy Voting Policy. They are based on our objective to induce improvement in our investees' behaviour on environmental, social and / or corporate governance aspects with the aim of improving their long-term performance, resulting in a favourable and sustainable risk return profile of our clients' investments.

Our Corporate Governance Center shares important insights with our clients on the relevance of investment stewardship, investors' expectations on executive remuneration following the implementation of the new Shareholders' Rights Directive (SRD II) and communication from the Board in times of crisis.

Our ESG specialists also participated in various conferences as speakers and panellists and spoke as guest lecturers at universities and authors of publications, sharing our views to wider audiences.

Engagement outcomes: Ongoing or concluded engagements of the last 12 months undertaken directly or by others on our behalf

The outcome of the engagement process plays a role in risk / return analysis as well as in the conviction of the investment recommendation. During 2021, we were able to measure the successful outcome of engagement via the success of specific shareholder resolutions that we have supported through the degree of improved transparency we were able to achieve via our ESG-specific engagements.

We document our engagement activities via a proprietary Engagement database and follow up with companies where necessary, including the status of engagement or the outcome, which is tracked with the following categories:

– Successful / closed – engagement targets were met
– Ongoing – engagement continues on all or part of the engagement targets
– In escalation stage – engagement escalation steps initiated
– Failed – engagement targets were not met for a continuous amount of engagement escalations

Additionally, to better monitor progress on engagement targets and corresponding developments, we introduced an enhanced version of our engagement database at the end of 2021 that is accessible to all of DWS's ESG and investment professionals in EMEA. This new interactive tool enables a better flow of information between colleagues working across different asset classes. The upgraded database facilitates greater collaboration between different teams and improves documentation capacity according to a greater number of data points.

Thanks to the engagement database, and our enhanced engagement approach in 2021, we are now in a better position to start preparing more comprehensive engagement plans (including KPIs, deadlines as well as mapping with PAI (Principal Adverse Impacts) and SDGs). We will further develop this approach in in 2022 so that we can better measure our engagement outcomes over the next few years.

Engagement overview for funds, assets, and regions in 2021

In 2021, we reported 581 engagements including 481 one-on-one engagements, 4 investor group calls and 96 written engagements with 472 companies, which represented an increase of 28% compared to 2020. Most of our engagements were held with portfolio companies in the US, Germany, and in Asia Pacific region, followed by the Nordics and Benelux companies. Our engagements in the Asian market continue to increase and we have also enhanced our outreach in certain emerging markets.

Chart 9.1 Outreach letters to our investee companies 2021

2718
companies contacted via engagement letters

Pre-season letter on governance expectations
Post-season letter on governance issues, where we voted Against Manegement
Thematic engagement letters on net zero and human rights

In our engagements with portfolio companies, we discuss a variety of ESG related topics. Out of an overall 581 engagements in 2021, 431 included governance related topics, for 174 meetings we discussed social topics and in 379 meetings environmental issues were raised. Most of the companies we engaged with were from the communication services, financial, energy, consumer discretionary or industrial sectors.

Table 9.1 Engagement Statistics 2021

Sector	Number of engagements	Relative percentage
Financials	97	17%
Industrials	85	15%
Materials	71	12%
Utilities	57	10%
Consumer Discretionary	56	10%
Energy	54	9%
Consumer Staples	41	7%
Health Care	35	6%
Information Technology	34	6%
Communication Services	28	5%
Real Estate	22	4%
Sovereign/Supranational	1	0%
Total	**581**	**100%**

Among our most discussed topics in 2021 were climate change and net zero, board composition, executive compensation, followed by ESG oversight and risk management, as well as disclosure in line with TCFD/SASB/impact reporting. Our strong activities with regard to net zero are clearly reflected in our engagement topics. This demonstrates our emphasis on environmental topics, specifically climate issues. Other topics included environmental footprint of products and services, green innovation, and water risk. Although the individual ESG elements are interconnected, the 'S' of ESG has traditionally been more challenging to outline and quantify than 'E' and 'G' factors. Social issues appear to be less tangible and reporting social impacts has lagged due to challenges around the definition, scope, and measurement of social performance. There is no single framework that supports companies to achieve social targets holistically, but rather a number of global frameworks and standards on social topics. However, we believe that the social pillar can make a huge difference to a company's overall performance, confidence, brand image, and stakeholder engagement. The most discussed social topics in our 2021 engagements were health and safety, society relations, human rights, diversity and inclusion and supply chain/contractor-related topics.

Table 9.2 Top 6 engagement topics by each ESG pillar in 2021

Environment	Number of engagement activies
Climate Change / Net Zero	334
Environmental Footprint of production process	88
Environmental Footprint of products	75
Green innovation (new products, circular economy, etc.)	41
Water	27
Hazardous Waste/Toxic Emissions	9
Social	
Health & Safety (incl.) Product/Service Safety	64
Society Relations (regulators, communities, etc.)	37
Human Rights	23
Employee Satisfaction and Human Capital Management	22
Diversity	21
Supply Chain/Contractors	18
Governance	
Board Composition	276
Executive Compensation	270
ESG Oversight & Risk Management (incl. COVID-19)	188
Disclosure with TCFD/SASB/EU Taxonomy/ SDGs	153
Board Independence	147
Overboarding	95

In terms of asset class, our engagement activities do not systematically differentiate between equity and fixed income. However, for individual cases and specific strategies, the topics we need to discuss might differ. While bondholders do not have voting rights, they do have the opportunity to hold discussions with management. That being said, our credit research analysts and portfolio managers are convinced that material ESG factors have a fundamental impact on credit quality and therefore are an important component of the research and investment process at DWS. For example, during our meetings with several green instruments' issuers, topics such as cash flow assignment of green assets to capital notes were discussed with the management of the issuing entity. In 2021,we reported 125 engagements on ESG matters for our fixed income portfolios, of which 62 were written engagements. For information on potential Conflicts of Interests, please also refer to Principle 3.

Examples for Equities

Example 1: Executive Remuneration

A company in Materials Sector | Country: Germany | Area of Engagement: Governance: Executive Remuneration

Engagement Case: We discussed the pay-for-performance ratio within the annual bonus with this company

Engagement Targets: Review the latest draft of the executive remuneration system

Engagement Status and Responsiveness: Successful

Key Takeaways: We recognized the material changes that were made throughout the two-year period of in-depth engagements, namely elimination of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) as target for both the short-term Incentive (STI) and the long-term incentive (LTI) as well as the abolishment of discretionary elements which are now limited to a maximum of 20% of the STI and cannot exceed any caps. The chosen dimension for sustainability also fits into the strategic direction of the company which has a 40% weighting within the long-term performance plan (e.g., CO2 emissions). After an intense dialogue with the company for nearly two years, this remuneration system presents true development and can be regarded as a successful engagement leading to a more sustainable, transparent, and shareholder-friendly remuneration system.

Example 2: Overboarding, Board Composition, Independence

A company in the Health Care sector | Country: Thailand | Area of Engagement: G| Sub-Area of Engagement: Overboarding, Board Composition, Independence

Engagement Case: At the company's previous AGM, DWS voted against the election of non-independent directors due to overboarding, long tenure and lack of majority independence in key board committees. There are also concerns regarding the nomination of the former CEO.

Engagement Targets: The company to elect more independent directors to the board and appoint independent directors in the key board committees.

Engagement Status and Responsiveness: Ongoing

Key Takeaways: The company will consider improving on these issues. The company mentioned that it is difficult to find suitable candidates as the market is very small. DWS raised concerns regarding the appointment of the former CEO as he was involved in a stock manipulation case. The company mentioned that the former CEO has already paid the penalty. He is elected as non-executive director now. The company mentioned that as per local law, he was suspended for one year time which is already over. We will closely monitor the developments.

Example 3: Diversity and Inclusion

A Company in the Health Care sector | Country: USA | Area of Engagement: Governance: Diversity; Social: Diversity and Inclusion

Engagement Case: Discuss how the company is addressing social issues, such as diversity and inclusion.

Engagement Targets: Follow-up on improvements regarding the topic of diversity

Engagement Status and Responsiveness: Responsive

Key Takeaways: The company recognizes that building an inclusive and diverse workforce is critical to enabling their mission and executing their strategy. A number of efforts were implemented in 2021:

- Created an inclusion and diversity action plan focusing on attracting, developing, and retaining people of diverse backgrounds
- Launched blueprint for change to create processes and partnerships to increase recruitment of diverse candidates
- Launched two new inclusion and diversity learning programs, designed to augment broader efforts, including four self-paced, anti-bias e-learnings and a virtual workshop on combating bias in the workplace
- Established Advancing Black Leadership strategy which provides access and opportunities for Black employees across the company
- Committed to continuing to disclose consolidated EEO-1 report for a second year in a row
- Appointment of four new directors in 2020, and ongoing focus on advancing Board diversity

Example 4: Initiating thematic engagement on human rights

38 Companies (non-sector specific) | Country: not country-specific | Area of Engagement: Social: Human Rights

Engagement Case: Portfolios are constantly screened for human rights-related risks potentially associated with our portfolio companies. The significant deterioration of the human rights situation in Myanmar and Belarus is of great concern to DWS. The authorities' policies of repressing and ideologically controlling the society also poses an increased risk to the private sector. Accordingly, it is all the more important that corporations with direct operations, supply chains or other business relationships put heightened emphasis on these issues to ensure compliance with UN and OECD (Organization for Economic Co-operation and Development) principles and guidance on human rights and responsible business conduct.

Engagement Targets: Our thematic engagement activities aim at hearing about the companies' established human rights due diligence processes, including the assessment of adverse human rights impacts and how violations are

addressed, mitigated, and prevented through their actions. It is important for us to have transparency on how they protect their employees in particular and support the exercise of human rights by the people of the countries in general. We have deliberately chosen this way of engagement as we expect companies to take social responsibility in such countries.
Engagement Status and Responsiveness: In progress. In November 2021, letters were sent to 21 companies in in Myanmar and to 17 companies in Belarus. We received a couple of initial replies, with companies primarily outlining their general policies and commitments in place (e.g., International Bill of Human Rights European Convention on Human Rights, United Nations Guiding Principles on Business and Human Rights, OECD guidance on responsible business conduct and human rights UN Global Compact principles, to which we are a signatory, etc.). Follow-up engagement calls are scheduled for Q1 2022.

Example 5: Human Rights
A company in the Materials sector | Country: United Kingdom/Australia | Area of Engagement: S | Sub-Area of Engagement: Social: Human Rights
Engagement Case: The company is responsible for one of the most severe destructions of cultural heritage sites in recent history after two significant indigenous sites were destroyed to extract iron ore in May 2020. Before the AGM we reached out to the company to discuss the re-election of the sustainability committee chair in light of the recent controversies
Engagement Targets: Appropriate consequences to be taken to better assess social and environmental risks
Key Takeaways: As a result of the destruction, the CEO had to leave the company. Additionally, the chair of the board has taken consequences by not standing up for re-election at the upcoming AGM in 2022. According to the chair of the board, the chair of the sustainability committee is the most senior director and next to him the only one with mining experience. Furthermore in 2014, when the status for the destruction of the caves was changed to "cleared", none of the current board members were on the board. According to the company, there were no early indications of the cultural importance of the area. Further, the company argues that due to changes in the management as well as closed departments, the knowledge of the significance of the sites was lost. Therefore, the destruction of the caves continued. The main argument is stability as three new directors were elected and none of them had visited the mines due to travel restrictions during the pandemic and there were no face-to-face board meetings in 2020. Nevertheless, it is a failure to not see the risk system weaknesses. As the company is one of the largest employers of indigenous people, the company already has many initiatives in place but will work on better engagement with societal communities. We continue to monitor the situation closely.

Examples for Fixed Income

Example 1: Strategy update, Energy efficiency and Green Certified Buildings
A company in the Real Estate sector | Country: Nordics | Area of Engagement: E | Sub-Area of Engagement: Business model
Engagement Case: A residential real estate company had announced its intention to sell EUR 7 billion of Pan-European residential assets, representing approximately 60% of their current asset base.
The proceeds were expected to be used for an extraordinary dividend, debt reduction, as well as the acquisition of residential real estate assets in less-regulated residential markets such as the UK, US, and Canada.
Given the already unclear strategy towards Green Buildings and modernization as well as this unexpected announcement, we continued our engagement with the company.
Engagement Targets: Better clarity towards restructuring
1. Strategy – set up clear targets
2. Set up clear KPIs for green certified buildings and energy efficiency
3. Better ESG disclosure

Engagement Status and Responsiveness: In progress
Key Takeaways: Since the announcement of the restructuring, the company delivered on the disposal of the sale of its Pan-European residential assets, and gave somewhat better clarity on the business strategy going forward
Not yet tangible progress on the ESG disclosure/green buildings KPIs.

Example 2: Update on norm controversies
A company in the Utilities sector | Country: Spain | Area of Engagement: E, S | Sub-Area of Engagement: Deforestation, Water, Human Rights
Engagement Case: A company faced severe human rights controversies with regards to two hydropower projects in Brazil - environmental damage and the violation of indigenous rights.
Engagement Targets:
To get an update on the human rights norm controversies with regards to two hydropower projects in Brazil via 52%-owned subsidiary
Engagement Status and Responsiveness: In progress
Key Takeaways:
The company's view remains that they are treated unfairly by ESG agencies as red flags on Brazil government related to the projects have been lifted, but the same criticism is still being held against the company itself.
They remain in contact with the agencies to continue to explain their point of view

Example 3: ESG disclosure
A company in the Financial sector | Country: Luxembourg | Area of Engagement: E, S, G | Sub-Area of Engagement: ESG disclosure
Engagement Case: We regularly engage with a diversified financials company, convincing them of the need to enhance their public ESG disclosure and to engage with ESG rating agencies. Up until then, ESG ratings for the company had been weak due to a lack of ESG disclosures. The company made it a priority on their part and commenced conversations with major ESG vendors and then broadly disclosed ESG-related information.
Engagement Targets:
Encourage ESG disclosure to improve ESG vendors' ratings of the company
Engagement Status and Responsiveness: Successful
Key Takeaways: The company engaged with a major ESG rating agency, convincing them that their ESG commitments were compatible with internationally recognized frameworks. As a result, the ESG rating agency re-assessed the company and issued an updated report with a high rating.
The company appreciated DWS's support in this process.
The company continues engagement efforts with other ESG vendors.

10 Engagement: Collaboration

Context

Signatories, where necessary, participate in collaborative engagement to influence issuers.

DWS acknowledges that collaborative engagement is an essential and influential instrument of effective stewardship. To achieve common aims, DWS considers it helpful to collaborate with other long-term investors and key stakeholders, when talking about systematic risks and downsides. Thus, DWS holds itself to its commitment to working with other like-minded investors, e.g., by participating in investor networks, industry initiatives, trade associations and working groups to benefit from each other, raise industry and investment standards to best practices and to ensure that the voice of the asset management industry is heard.
Before engaging in initiatives driven collaborative action, DWS considers whether it is permitted by law and regulation. If so, DWS works hand in hand with other stakeholders to address their common concern and align views among the collaborative engagement group. Thus, DWS is an active member of several groups and initiatives that facilitate communication between shareholders and companies on ESG and corporate governance matters
Our already longer commitment to combat climate change has driven not just our commitment to the Net Zero Asset Manager initiative in 2020 but also our support to the Climate Action 100+ initiative a few years ago, which we view as an efficient engagement method for generating sustainable outcomes and fulfil better our client`s expectations. Our engagement on these collaborative initiatives has a heightened importance given that in some jurisdictions, e.g., the EU and particularly Germany, there are regulatory hurdles and barriers that prevent asset managers from participating in engagements with each other on company-specific topics or company-related issues. As DWS's engagement activities are centralized and conducted mainly out of the Frankfurt-based Active Investment Division– which forms part of the German regulated entity DWS Investment GmbH – the German regulatory regime as implemented by the local regulator, BaFin, prevails. In the past, BaFin has taken a strict view on any engagement activities that could be regarded as "Acting in Concert" and does not acknowledge the ESMA Whitelist. As a result, DWS is limited to engaging on its own instead of joining engagement initiatives that might be classified and sanctioned as "Acting in Concert".
Naturally, DWS recognises the importance of such collaboration to achieve meaningful change, which is why we are continuously advocating for a more level playing field in our home market of Germany. We have joined several initiatives, e.g., via the German Investment Fund Association (Bundesverband Investment und Asset Management) (BVI) and the German Association for Financial Analysis and Asset Management (Deutsche Vereinigung für Finanzanalyse und Asset Management e.V.) (DVFA) and are using our position in trade associations and working groups to improve the terms and conditions of collaborative engagement in Germany. In addition, DWS takes an active role in shaping investor industry association reports that set out expectations for companies on different ESG issues and works with other asset managers in policy advocacy and other related areas.

Activity

Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf.

Due to regulatory restrictions in its home market in Germany, DWS has not been able to undertake collaborative engagement with individual portfolio companies besides our role as lead investor for one company in the Climate Action 100+ Initiative. However, we have been able to champion collaborative engagement in other ways. Throughout our engagement activities we look to prioritise engagements where we feel we have the most influence and the best opportunity to drive progress and change.
To demonstrate our commitment to sustainable investing, we are part of several sustainability initiatives.

- DWS signed the PRI in 2008 as one of the early signatories and submitted our PRI report annually accordingly. We have been a member of the CDP (formerly known as Carbon Disclosure Project) since 2008 and a member of their Science-Based Targets campaign since 2020. In addition, we are a supporter (not a member) of the Task Force on Climate-Related Financial Disclosures since 2017.
- Additionally, we have been members of the US Investors Network on Climate Risk (INCR) and the International Corporate Governance Network (ICGN) since 2017, the Forum Nachhaltige Geldanlagen (FNG), and the Institutional Investors Group on Climate Change (IIGCC) since 2015 and the Ceres Investor Network on Climate Risk and Sustainability since 2008, both of which are sister organizations of the Investor Group on Climate Change (IGCC). Since 2020, we are also members of the UK Investment Association (IA).
- We signed the Global Investor Statement on Climate Change, the Climate Action 100+ (in 2017) and Deutsche Bank Group signed the Paris Pledge. Additionally, DWS has been a signatory of UN Global Compact since 2000 (via the signature of Deutsche Bank, the major shareholder of DWS Group GmbH & Co. KGaA). We are one of the founding members of the Net Zero Asset Managers initiative in 2020 and became a signatory to the Science-Based Targets initiative in 2021.
- Globally, we have continued our participation in the Ceres Investor Network on Climate and Sustainability (SICS) to stay informed on climate sustainability issues facing companies through proxy voting advisory circulars, key shareholder proposals and engagements. Additionally, we are part of the Ceres Investor Water Hub, a working group that aims to drive greater consideration of water investment decision-making by assessing water risks and opportunities as well as the Investor Policy working group that discusses global, federal, regional, and state policies once a month.
- We also participate in the consultation on changes to the Global Governance Principles (GGPs) as a member of the International Corporate Governance Network (ICGN). Through our participation we aim to promote effective standards of corporate governance across all global companies. Since September 2021, we have been a member of the ICGN Global Governance Committee. As a member of the European Fund and Asset Management Association (EFAMA), we are part of the ESG & Stewardship Standing Committee as well as the Stewardship and Sustainable Finance workstreams.
- Another member of the DWS Research Institute team is a member of the IA's Sustainable and Responsible Investment Committee since 2019 and Climate Change working group since 2020.

Further information on our activities and other memberships and affiliations can be found in our answer to Principle 4.
A more comprehensive list of memberships and affiliation regarding ESG and sustainability topics can be found on our website https://www.dws.com/en-gb/solutions/esg/ with the full list begin included in the annex of our annual report https://group.dws.com/ir/reports-and-events/annual-report/

Outcome

Signatories should describe the outcomes of collaborative engagement.

With a strong focus on our home market in Germany, we regularly participate in consultations on upcoming legislation relevant to us. During 2021, the German parliament passed a bill to strengthen the integrity of financial markets (Financial Market Integrity Strengthening Act) which included changes to the auditors' regime, as well as requiring more financial expertise at Board level, in which we had to provide our position through a consultation paper filed by local trade associations BVI and DVFA. As a member of DVFA, we continue to promote the DVFA Scorecard on Corporate Governance as a measure of governance quality for German companies. As co-authors of the DVFA Stewardship Guidelines for Germany, we aim to have regular discussions with the German regulator BaFin and the UN PRI (Principle for Responsible Investment) on collaborative engagement. In 2021, a position paper on collaborative engagement was co-authored by a representative from our Corporate Governance Center, who presented during a conference in December 2021. Furthermore, the DVFA Commission held an expert roundtable in September 2021 to discuss the future of Annual General Meetings in Germany with local board and management representatives, asset managers, auditors, and academic experts. In December 2021, the DVFA Commission convened its fourth annual conference on Governance and Stewardship, discussing the latest DVFA-Scorecard results, the current status of debate regarding AGMs and sustainable corporate governance during which the position paper on collaborative engagement was also presented.
A DWS representative from our Corporate Governance Center is a member of the UK's Investment Association's (IA) Stewardship Committee. As this high-level committee reports directly to the IA's Executive Board, we regard this as an opportunity to increase DWS's involvement in the UK-specific discussion about the future of corporate governance, stewardship, regulatory developments, and the implications for the local asset management industry. In this capacity, we participated in the IA's consultations as well as regular discussions on stewardship topics (i.e., directed voting, diversity (gender and ethnic), say-on-climate, Stewardship Code reporting). We also assumed our membership in a sub-working group on how to establish an efficient and effective process to (co-) file requisitioned resolutions.
DWS also participates in several other working groups where a concrete outcome is not measurable in the short-term or is ongoing. For example, prior to the federal elections in Germany in September 2021, the German government extended the option to hold AGMs purely virtually until the end of

August 2022. The limitations on shareholders' rights (e.g., on the ability to raise questions, physically attend meetings, filing of resolutions and appeals against motions) therefore continued and the new government agreed to facilitate virtual AGMs permanently. DWS, together with other German asset managers, continues to engage through the DVFA and the BVI with representatives of the Ministry of Justice to ensure that changes to the AGM format still guarantee shareholders the full exercise of their rights. For a more complete list of activities, please refer to Principle 4.

Case Study: Climate Action 100 + Engagement in 2021

A company in the Utilities sector | Country: Italy | Area of Engagement: E | Sub-Area of Engagement: specifically, net zero/ science-based targets

Engagement Case: In 2017 we joined the Climate Action 100+ initiative, a five-year investor-led initiative to engage the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures, and improve governance on climate change risks. Each investor focuses its discussions on one of the companies in scope. For DWS, our focus company is part of the utilities sector and is based in Italy.

Engagement Targets:

1. Science-Based Targets initiative (SBTi):): We asked to increase transparency on SBTi targets within a 5 year period and to provide yearly disclosure on the progress against those targets
2. Carbon Intensity Measures: We asked the company to not only focus on carbon intensity measures (scope 1) but also to manage and disclose on absolute emission targets (scope 3)
3. Net Zero: Intensive discussions on how the company can reach net zero in 2050 and what challenges they may face. We asked for more disclosure and to accelerate completion of the net zero target before 2050.
5. Remuneration: We requested the company to consider including scope 3 emissions in its remuneration framework over the next few years.
6. Lobbying: We requested the company to increase its disclosure on lobbying. Waiting for the publication of the company's climate lobbying policy
7. TCFD: We requested the company to expand their scenario analysis to other countries beyond Brazil, Italy, and Spain.

Engagement Status and Responsiveness: Ongoing | Responsive

Company's progress so far: We continue our one-on-one engagements and sent our questions to the board of the investee company before its AGM in 2021. The company nominated a climate expert to the board based on a shareholder proposal by a group of investors.

In November 2019, the company presented its 2020-2022 Strategic Plan which explicitly integrates the UN's SDG (Sustainable Development Goals) objectives into its financial strategy while confirming the strategic direction already set. New targets (certified by Science-Based Targets initiative) already have been disclosed

- Reduction of direct CO2 emissions per kWh by 70% by 2030, compared with 2017 levels.
- Reduction of indirect emissions associated with the consumption of gas by end users by 16% by 2030.

Additional climate goals:

- Targets for phasing out of coal production-2022, 2024, 2030
- Company already published targets for renewables deployment, scope 3 figures,

links to the SDGs in its strategy and discloses its emissions intensity. As part of its long-term goals for emissions reductions and net zero, the company made a net zero 2050 commitment.

We note that, due to the current regulatory landscape described earlier in this principle, we cover our engagement in line with our individual engagement process.

Case Study: DWS's Climate Actions in 2021

In December 2020 DWS was the only German asset manager to become a founding signatory of the Net Zero Asset Managers Initiative. Through this initiative, asset managers commit to decarbonising their investment portfolios and accelerating their contribution to achieving net zero emissions and limiting climate change to 1.5°C. In December 2020, DWS was amongst the leading group of 30 global asset managers that committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner The founding signatory group also commits to support investing aligned with the Paris Agreement and net zero emissions by 2050 or sooner. This This commitment includes prioritising the achievement of real economy emissions reductions within the sectors and companies in which the asset managers invest.

As part of the initiative, all signatories have committed to:

- Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all Assets under Management
- Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner
- Review their interim target at least every five years, with a view to ratcheting up the proportion of AuM covered until 100% of assets are included

In accordance with this commitment, we disclosed our interim net zero target framework for 2030 ahead of the UN Climate Change Conference UK 2021 (COP26) on 1 November 2021. As such, we put 35.4% (or € 281.3 billion) of our total global Assets under Management (as of 31 December 2020) in scope to be managed towards net zero[64] by 2030. This means in practice that, with respect to these in-scope assets, we seek to achieve a 50% reduction in Weighted Average inflation-adjusted financial Carbon Intensity (WACI adj.) related to Scope 1 + 2 emissions[65] by 2030, compared to base year 2019.

The Science Based Targets Initiative (SBTi) provides the reference framework for us on the path to net zero. We utilise this framework, which is considered a credible and robust foundation, providing clear guidance on expected assets in scope and target ambition levels. The initial asset scope to be managed towards net zero was defined based on SBTi guidance – including the required activities / asset classes as well as many of those which are still "optional" under SBTi guidance. Overall, this includes certain financial instruments (equities, corporate bonds, liquid real assets (LRA) and many direct real estate and infrastructure investments) primarily in mutual funds, but also in selected individually managed institutional accounts. As new methodologies and emission data become available, additional financial instruments can be included and we aim to further increase the initial asset scope of 35.4% over time[66].

In addition to this commitment, DWS will continue to work with existing and also new standards, specifically with IIGCC (Institutional Investors Group on Climate Change) and NZAO (Net Zero Asset Owner Alliance).

This decision was in line with DWS's decision to join the Carbon Disclosure Project (CDP) Science-Based Targets (SBT) Campaign in September 2020, calling on 1,800 corporates globally to commit to science-based targets to reduce their carbon footprint, in line with the 1.5°C goal and to achieve net-zero emissions by 2050. This initiative is supported by 137 financial institutions globally representing nearly USD 20 trillion in AuM. We regard our commitment to this initiative as essential for our engagements and for holding companies accountable.

Furthermore, DWS joined the Asia Investor Group on Climate Change (AIGCC) which is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and net zero investing.

[64] Subject to the consent of clients, legal entities and fund boards.
[65] Standard for measuring greenhouse gas emissions: Scope 1 includes all direct emissions from the company's own operations; Scope 2 includes all indirect emissions associated with purchased energy.
[66] Subject to the consent of clients, legal entities and fund boards.

⁄ 11 Engagement: Escalation

Context

Signatories, where necessary, escalate stewardship activities to influence issuers.

The alignment of interests between portfolio companies and their shareholders should be managed through effective governance measures and sound structures to preserve and enhance company value and build shareholder confidence. Furthermore, we believe that management should regularly engage with all relevant stakeholders to gain more diverse perspectives. As a responsible investor, we are always willing to share our expectations on ESG matters in an on-going and constructive dialogue with executive and non-executive directors.
There are various ways in which we engage with our portfolio companies depending on the company itself, the sector, and the issue in question. However, in cases where we identify gaps between our expectations regarding financial and non-financial topics and the company's attitude towards it, we will start a direct engagement process with the company representatives and its management board. We regard active engagement as an essential part of our commitment to supporting good sustainable and corporate governance practices.
In 2021, our engagement approach followed a detailed step-by-step escalation for non-financial issues. The process started with a pre-season letter to more than 1800 portfolio companies forming part of our core listCore list. In the pre-season letter, we informed the companies about our key focus areas, i.e., governance expectations including several environmental and social considerations and updated Corporate Governance and Proxy Voting Policy, as well as inviting our Focus List companies for a dialogue. This is then followed in many cases by engagements with the companies. During regular management meetings, we may also raise governance issues. The next step is the call for extraordinary meetings with executive management and the supervisory board Chairperson. Subsequently, we send letters to members of both boards. In our view, direct participation in Annual General Meetings combined with a statement addressing shareholders and boards publicly is a very extensive means of engagement. When appropriate, we may also decide to file shareholder proposals. As a last measure, we will vote accordingly and against management proposals, in line with our Corporate Governance and Proxy Voting Policy.

Towards the end of the year, we also sent out individual post-season letters to over 660 of our portfolio companies, where we had identified issues with particular items on their agenda and voted against management recommendations. This opens up the floor for a dialogue with the companies in order to discuss the reasoning behind our voting decisions and to better understand the company's perspective.
In 2021, our key areas of focus for the letter were changing board members, combining CEO / Chairman roles, lack of female representation on boards, inadequate board independence, auditing transparency and executive remuneration. We also sent letters to companies where we did not support the elections of at least one director of the board as the company was facing significant risks stemming from involvement in ESG controversies according to internationally recognized ESG principles such as the UN Global Compact Principles, and the OECD Guidelines for Multinationals.
In 2021, DWS also introduced an enhanced engagement framework for Europe and is considering a similar framework for the US, subject to applicable approvals (for more details please read our answer to Principle 5).
In our enhanced engagement framework launched inin 2021, DWS aims to constantly measure the outcome of the engagement with issuers on a case-by-case basis. In case concerns have not been sufficiently addressed, the company is not responsive or fails to meet our expectations within the regular engagement process or there are concerns regarding the reporting of ESG and other sustainability topics, DWS will consider the escalation of the engagement in the best interests of DWS clients as follows.
When assessing whether an engagement with an investee should be escalated to the Engagement Council or escalated by the Engagement Council based on the results of its monitoring process, we consider how the company has responded towards meeting our engagement issues. This can be via individual engagement, thematic engagements or proxy voting, the circumstances which have led to our concern, the materiality of the relevant potential negative impact, and best practice standards, including national guidelines. Any explanation provided by the issuer on their lack of responsiveness, any pattern of concerns over a period of time and the likelihood of success are further determinants.

The Engagement Council will perform a review of the engagement progress and the engagement documentation and will then decide on next steps together with the respective engagement lead. We aim to choose the relevant escalation measure that we deem to be in the best interests of our clients. For example, as a last step of engagement, we may resort to closing dialogue that comprises a final intensive discussion with the issuer prior to potentially escalating our concerns publicly and/or excluding the issuer from the respective investment universe if applicable.

Activity

Signatories should explain:
– the expectations they have set for asset managers that escalate stewardship activities on their behalf;
OR
– how they have selected and prioritised issues, and developed well-informed objectives for escalation;
– when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and
– how escalation has differed for funds, assets, or geographies.

The integration of ESG criteria in a company's strategy is a key factor to the ability of an organization to create value over time. For DWS, sound corporate governance centres on a clearly defined and stress-resilient business model with the corresponding corporate structure in place.
We strongly believe that integrating ESG criteria into our investment process contributes to a better understanding of the environment in which companies are operating in. It enables us to identify risks and opportunities that traditional financial analysis might not reveal. Our aim is to identify and assess material ESG criteria that may impact the value of our investments in order to achieve the best possible risk adjusted investment returns for our clients.
As mentioned in Principle 6, DWS aims to have strong voting and engagement policies to ensure consistent behaviour, for both Active and Passive investments. During 2021, DWS prioritised its investment stewardship activities according to key issues and size of holdings. Please refer to Principle 9 for further information on our enhanced engagement framework.

Key portfolio companies

At the beginning of 2021, DWS screened for the most relevant equity holdings held by our funds, in terms of percentage of market capitalization, Assets under Management and several ESG criteria. This list was continuously updated throughout the year and by year-end, encompassed over 2,400 companies globally.

Committee for Responsible Investments

The Committee for Responsible Investments (CRI) covers our Smart Integration strategies for certain actively managed mutual funds that are domiciled in Germany and Luxembourg. The CRI is responsible for managing certain investment restrictions or triggering binding exclusion decisions[67]. The CRI's activities in 2021 focussed on newly emerged issuers which are F-rated by either Climate and Transition Risk Rating (CTRR) or as a result of norm violations. The Committee waived certain investment restrictions conditional upon close monitoring of norm violations and engaging for improved disclosure. At the same time, DWS continued to engage with an online retailer on labour rights issues and growing controversies around human rights. North American, South American and Emerging Markets (partly) state-owned oil and gas and mining companies were also analysed, with a focus on occupational health and safety. In some cases, this led to certain divestments from the funds within scope of the CRI.

Scope of application across asset classes

Our engagement approach applies to assets we hold across equity, credit, and sovereigns. We define core ESG topics based on particular industry mega trends such as climate change, digitalisation, biodiversity, as well as our understanding of good corporate governance as defined in our Corporate Governance and Proxy Voting Policy. Our engagement approach also focuses on our passive investments, where we believe it is even more important to engage on governance and encourage positive change through voting as we are effectively "permanently" invested and thus, have the fiduciary responsibility to foster changes so that we can increase shareholder value in the longer-term.
For more details on our approach to Alternatives, please refer to Principle 7.

Please note that for some companies we engaged with are not explicitly named as they have either required that their names not to be disclosed, or we have not received a timely confirmation for the purposes of publication. In addition to the information below, please refer to Principle 9 and our Active Ownership Report for further examples of our engagement activities from 2021.

[67] As a result of the enhanced ESG Framework, the Smart Integration approach and the CRI will cease to exist in 2022 for funds that have previously applied the Smart Integration approach. More details can be found in Principle 2.

Case Study: Executive Compensation

Sector: Energy | Country: Netherlands | Area of Engagement: G | Sub-Area of Engagement: Executive Compensation

Engagement Case: We followed-up on the post-season letter and the ESG-controversies causing us to vote against agenda items at the 2020 AGM, we held an engagement in 2021

Engagement Targets: Replace production-related KPIs in the remuneration system, LNG (Liquefied Natural Gas) liquefaction volumes and cash flow with growth-neutral incentives that focus on value and returns. Increase the weighting of the energy transition metric in the LTIP (Long-Term-Incentive-Plan) so that it can be a change agent at the executive level and drive performance to match the company's long-term net-zero ambition.

Engagement Status and Responsiveness: Ongoing

Company's progress so far: The company mentioned the following aspects to address our concerns:

– Focus of the short-term incentive (STI) is the business plan, and it is based on a scorecard, applied to a lot of managers within the company; no clarity over the growth metrics and whether they will be reduced going forward
– The Remuneration Committee is looking for other KPIs to better capture the energy transition such as clean energy business as a percentage of total capital expenditure
– Q3 2020 update: more than doubled the growth pillar in low-carbon investments; increased to 25% from 11%-
– in April 2021- investor conference- there will be further announcements on increasing this ratio.

We followed up on this conversation in order to get an update on executive remuneration and the decisions made by the remuneration committee.

Key Takeaways:

– There was a re-allocation of weightings for the annual bonus: financial delivery 35%; operational excellence: 35% (down from 50%); progress in energy transition: 15% (up from 10%); Injury and Fatality Frequency: 15% (up from 10%).
– We generally appreciated the development but discussed why the energy transition progress was only increased by 5% and not further. We also discussed how the Serious Injury and Fatality Frequency could be regarded as a "bottom-line" target that should not need an incentive.
– The remuneration committee chair was very appreciative of our comments and agreed to take them on board and to also bring up these ideas during the next review-cycle of the policy.
– Generally, the CEO received 41% less remuneration for 2020 compared to the year before. The vesting outcome is only 90% (compared to a maximum of 200%). This also shows that the remuneration system generally works and reacts to dynamic developments.

Further case studies

More case studies are elaborated in the DWS Active Ownership Report 2021 which can be found here: www.dws.com/solutions/esg/corporate-governance

DWS' Questions to portfolio companies at AGMs

We have continued to publicly communicate our concerns with a select group of companies by submitting questions to their boards, which are also published on our website (https://www.dws.com/solutions/esg/corporate-governance/). We choose to submit questions to the companies which we feel have not responded adequately to our previous efforts to engage on certain topics, including operational performance, executive remuneration, board independence, health, and safety conditions for employees during the pandemic or decarbonisation.

McDonald's AGM MAY 20, 2021

Question 1:
In order to achieve a proper diversity and independence level, how do you plan to ensure that also a tenure balance is achieved within the Board as well as the Nominating Committee?

Question 2:
How are material and relevant environmental and/or social key performance indicators reflected in the short- and long-term incentive plans of executive directors? Do you consider adding specific metrics to both components of executive pay?

Question 3:
The current audit firm's tenure is 57 years. How do you evaluate and ensure the objectivity and independence of the audit firm, in particular after a long tenure? Do you consider a rotation of the audit firm in the near term?

Question 4:
Despite the introduction of supplier standards, incidents of forced labour and human rights violations continue to occur within the fragmented supply chain – most recently in the context of compulsory labour of Uyghurs in China. What additional procedures will be implemented to improve compliance with international norms and standards in the supply chain?

Question 5:
What measures are planned within the franchise concept to improve the protection of workers' rights and to avoid discrimination in the future?

Question 6:
What measures do you take to act on your supply chain with regards to goods linked to environmental deforestation in the Amazon and across Brazil?

Volkswagen's AGM July 22, 2021

Question 1:
How do you plan to better meet the demand for electrified vehicles in the future and in a timely manner?

Question 2:
How badly are Volkswagen and its brands affected by the global chip shortage?

Question 3:
What conclusions were drawn from the launch failure of the ID.4 in China and how will things be remedied there – also in view of the start of the next production lines (ID.6 and Audi Q4-e-tron)?
In view of this launch failure and the resulting brand damage, as well as the growing competition, are the ambitious targets really sustainable or do we have to prepare ourselves for the fact that the sales targets for China will have to be conceded and corrected in the course of the coming months?

Question 4:
How high is the annual financing requirement that has to be financed from the ongoing business of e-mobility and hybridisation? What is the current debt structure including maturities and new annual capital requirements?

Question 5:
After the successful first Green Bond issue in September 2020, what other debt issues are you planning and what sustainability factors will be decisive in these?

Question 6:
After we pointed out the urgency to revise the remuneration system for the executive board and seek for dialogue with the investors in the last year and the previous years. What was your response to this question at last year's AGM? Which investors did you talk to and when? What comments were considered? How much fee was paid to the appointed consultant, Prof. Michael Bursee, for this system?

Question 7:
Why do the parameters operating results (incl. Chinese joint ventures), profit margin and earnings per share apply equally to all members of the executive board, when the responsibilities on the executive board could have been meaningfully reflected in individual focal points?

Question 8:
Why do you not use differentiated E- or S-KPIs, which you also use in the context of group management to measure sustainability, and which are presented in the non-financial report on the pages 83 – 93? Why do you consider sustainability to be relevant only on an annual basis? What are the objectives for this year? How do you reflect your ambitions regarding the expansion of e-mobility and of corporate average CO2 emissions in the remuneration? What fleet targets have you set in order to be able to comply with the EU limit values on a sustainable basis?

Question 9:
Why do you classify the multi-year component as a share-performance-plan if it is paid entirely in cash? Why do you waive the obligation for board members to acquire equity stakes during their mandate, which they must hold beyond the end of their term of office?

Question 10:
Why did the supervisory board allow itself to agree on special bonuses? What can these special bonuses be? Why did the supervisory board decide to admit this possibility when the compensation? consultant himself has already publicly criticized this in 2019 (Lecture at the supervisory board day 2019: https://www.adar.info/fileadmin/AdAR/Bilder/Veranstaltungen/2019/03_Vortrag_Bursee_V1.0.pdf)?

Question 11:
When do you expect to be able to fill the IT department and what is the current status of the discussions on this?
Are there any concrete candidates?

Question 12:
Will you continue to anchor responsibility for compliance at board level? If so, what is the current status regarding the extension of Dr. Werner's contract?

Question 13:
How many candidates did the supervisory board look at in preparation for the composition of the supervisory board members?
How is the nomination process structured?
How long was the only meeting of the supervisory board's nomination committee in 2020?

Question 14:
What were the reasons for the conspicuous absences of members of the supervisory board for meetings?
Were these absences also discussed regarding potential replacements in the nomination committee?
The chairman of the supervisory board is also chairman of the presiding committee and the nomination committee, but he only attended 17 of 21 committee meetings. What were the reasons for these absences?

Question 15:
How did the supervisory board conclude that the liability settlements are in the interest of the company?

Question 16:
What are the risk-specific measures for the companies assigned to the categories ''medium'' and ''high'' in the human rights-based risk analysis and what monitoring processes will apply from 2022?
Do you also have a mandate for your Chinese business partners to conduct and monitor human rights-related risk analysis?

Question 17:
What is the methodology of the rating system for suppliers and what assessment criteria determine an A rating?

We welcome the goal of 85% of audited suppliers receiving an A rating by 2025, based on turnover. In the sustainability report, you state that 4,093 suppliers have already received an A rating. How many suppliers still need to improve to reach the target?
How does Volkswagen support its suppliers to improve and reach the target?
Question 18:
More than half of the auditor's services in the past financial year were provided for non-audit services, mostly tax consultancy services. This violates the principle that the auditor is not subject to conflicts of interest arising from consulting activities. How did the audit committee discuss this matter? What conclusions did the committee reach?
How will you ensure that this imbalance between advisory and audit services is resolved by the next AGM?

Asset classes other than listed equities

In terms of asset class, our engagement activities do not differentiate between equity and fixed income, however for individual cases and specific strategies, the topics we need to discuss might differ. We find engagement to be an important feedback circle to allow us to gain a more comprehensive understanding of the underlying companies. To learn more about how we manage and mitigate potential conflicts of interests, please refer to Principle 3.
While bondholders do not have voting rights, as capital providers to companies, they do have the opportunity to hold discussions with management. That being said, our credit research analysts and portfolio managers are convinced that material ESG factors have an essential impact on credit quality and are therefore an important component of the research and investment process at DWS. Thus, they regularly raise ESG questions in their discussions with the management of the issuers. For example, during our meetings with several green instrument issuers, topics such as cash flow assignment of green assets to capital notes were discussed with the management of the issuing entity. While there is some dialogue, engagement is limited to a communicated "no investment" decision as we are only debt owners and have no voting rights.
In 2021, we held 60 engagements with companies on various ESG matters (please see selected examples given in Principle 9), which are related to our fixed income portfolios. We also sent a questionnaire to 62 banks to understand their planned alignment with the Paris Climate Agreement and to learn about improvements made in recent years. This included questions on greenhouse gas emissions by scope, CO2 reduction targets per sector, and the banks' general strategies going forward in connection with Paris 2050 goals. Information about sustainable debt issuance was also of interest for us.

We were also in contact with the Treasury of Spain and Ireland, to discuss their environmental ambitions on how to become a climate neutral economy in line with the Paris Agreement and UN SDGs (Sustainable Development Goals).). Furthermore, we encouraged the European Union to include a Do No Significant Harm (DNSH) principle in its Green Bond Framework. At the same time, we expressed our surprise at the fact that their own green bonds did not meet the requirements of the EU Green Bond Standard (EUGBS) – a voluntary standard that borrowers can choose to follow when issuing green bonds in the future. Other than that, we also recommended that some agencies should improve their ESG disclosure and engage with ESG rating providers.

Outcome

Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.

As described above, the CRI's activities focussed on newly emerged issuers which are F-rated by either Climate and Transition Risk Rating (CTRR) or as a result of norm violations in 2021. The Committee engaged with corporates on issues such as improved disclosure, labour rights issues, growing controversies around human rights, and occupational health and safety. In some cases, our engagement led to an escalation with the final result being that certain investments were divested from the funds within scope of the CRI.

⁄ 12 Exercising Rights and Responsibilities

Activity

Signatories should:
- **state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf;**

OR
- **explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets, or geographies.**

In addition, for listed equity assets, signatories should:
- **disclose their voting policy, including any house policies and the extent to which funds set their own policies;**
- **state the extent to which they use default recommendations of proxy advisors;**
- **report the extent to which clients may override a house policy;**
- **disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and**
- **state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate "empty voting".**

As a global Asset Manager, DWS is bound by the regulation of various jurisdictions. In some jurisdictions the exercise of active ownership, i.e., voting, is impeded due to documentary and legislative obstacles (e.g., Power-of-Attorney requirements on a fund basis) that have to be weighed against the economic interests of our clients. These hurdles are especially observed in the Nordics, Poland, and Brazil. Our Corporate Governance and Proxy Voting Policy is generally applied globally and does not differ geographically. We, however, also acknowledge different levels of governance-performance and progress, especially in Asian markets. As an example, we reflect different independence level criteria more suitable to the local environment for our Japanese holdings, but also have raised the bar over the course of the past years. Also driven by the availability of data for our proxy voting research providers, a higher standard on issues such as diversity is applied in more developed markets.
The exercise of voting rights for holdings in US-domiciled funds is overseen by the US Fund Boards, due to regulatory requirements and in line with local practices. In general, it is our aim to apply our corporate governance understanding consistently across our portfolio companies (regardless of their place of incorporation).
As a responsible investor and fiduciary, DWS is obliged to exercise equity voting rights in clients' best interest. This is achieved by our dedicated, consistent transparent proxy voting process and centres on our detailed expectations and Proxy Voting Guidelines laid out in the Corporate Governance and Proxy Voting Policy of DWS Investment GmbH, to which DWS International GmbH, DWS Luxembourg SA, and SICAVs have delegated the voting rights. The primary responsibility for the exercise of our Corporate Governance and Proxy Voting Policy lies with the staff of DWS Investment GmbH's Chief Investment Office in Frankfurt, Germany. All relevant items on the agenda of shareholder meetings of companies, which are part of our Core List[68] are examined individually and, where necessary, issues are decided on a case-by-case basis in the interest of our clients. We endeavour to vote across all markets where feasible and if the available voting infrastructure of each market so permits.
More specifically, the voting process for equities does not differentiate between actively and passively managed funds - both are in scope for voting. For passively managed funds, our Core List has specific criteria in place in order to ensure proper coverage of passive holdings in terms of voting and engagement. For example, for our dedicated ESG passive funds, we strive to cover at least 75% of the holdings. There are also processes in place for corporate actions and the exercise of creditors' rights, with fixed income portfolio managers using different third-party tools to exercise these rights.
The signatory entity, DWS Investments UK Limited, does not have a house voting policy. Generally, funds in respect of which DWS Investments UK Limited is the portfolio manager, sub-delegate voting responsibility to the DWS entity in Germany, DWS Investment GmbH. Please find the voting policy of DWS Investment GmbH at the following link: https://www.dws.com/en-gb/solutions/esg/corporate-governance/

[68] Focus list is now referred to as the Core List for 2022.

DWS Corporate Governance and Proxy Voting Policy

The Corporate Governance and Proxy Voting Policy consists of two parts – expectations and guidelines. Our understanding of good Corporate Governance is based on four core values, which form our expectations towards our portfolio companies:

Chart 12.1 DWS's corporate governance core values

Boards – Structure, Composition, and Special Responsibilities

There are multiple aspects we take into account when evaluating boards, their structures, processes, and candidates:

– Clear separation of powers through a two-tier board-structure or separation of CEO and Chairman
– Adequate internal organisation through set-up of committees (i.e., audit, risk, remuneration, nomination)
– Holistic and meaningful diversity that encompasses age, gender, experience, special expertise (e.g., sector, business, academic, sustainability, digitalisation), internationalization, leadership, tenure
– Succession-planning and board refreshment processes that are transparent and reflect the identified competencies and seek for a thorough and effective board-composition through e.g., a competence matrix
– In case a Lead or Senior Independent Director is appointed we expect this person to be fully independent following our standards and to be equipped with meaningful powers to effectively perform his/her duties
– Special roles and responsibilities (i.e., the Chair of the board or the audit committee) require increased scrutiny, qualifications, experience and knowledge, their expertise and independence shall be recognizable, as these roles are more time-consuming, we also attribute an additional mandate to those
– Level of independence (at least majority of the board and committees) and identification of independent members
– Transparency about the work of the board, incl. individualized attendance and remuneration

Executive Remuneration – Structure and Transparency

We expect appropriate, comprehensible management compensation packages that include transparent and sustainable remuneration policies with ambitious targets and transparent and reasonable key performance criteria and relevant peer group comparisons. Our key expectations are:

– Ex-ante transparency on qualitative and quantitative key performance indicators (including ESG/non-financial KPIs) and target-levels

– Reflection of CEO-Pay-Ratio in the preparation of a new executive remuneration system
– integration of material ESG factors and disclosure of a clear link between stated ESG targets/non-financial KPIs and Remuneration systems.
– Disclosure of the Board's assessment of the performance for Executives at the end of a reporting period that allows investors to i.e., assess how the targets were in alignment with the strategic goals, how the target-levels were met, incl. the chosen methodology for assessing the performance for extra-financial KPIs.
– Relevant and adequate bonus-malus mechanisms (incl. clawbacks) and reasonable deferral periods to ensure for a sustainable, long-term oriented compensation structure.
– Alignment of the interests of shareholders and management.
– A regular vote on an executive remuneration system (at least every four years)

Auditors – Independence and Transparency

We place high value on the quality and the independence of the auditor, as such, we assess the following:

– Transparency regarding the audit fees and the balance between audit and non-audit fees,
– Disclosure on the tenure of the audit firm and the lead audit partner, including clear identification
– Frequent Frequent/regular rotation of both, the audit firm, and the lead audit partner, (no longer than ten years for audit firms, no longer than five years for partners)
– Information about findings related to the key audit matters and how the non-financial reporting is accompanied by the auditors.

Shareholder and Stakeholder Rights – Treatment and Focus

The adequate treatment of (minority) shareholders' interests and proposals needs to be ensured.
As such we are supportive of:
– The 'one-share-one-vote' principle
– Shareholder proposals that request stronger transparency
– Shareholder proposals that enhance shareholder rights
However, we are critical of:
– The existence or creation of different share classes that deny the equal treatment of shareholders
– Insufficient action by boards as a response to shareholder proposals

In case a company fails to demonstrate appropriate willingness to respond to criticism expressed through shareholder proposals, we may hold the Board accountable. Based on these expectations the guideline-part of our Corporate Governance and Proxy Voting Policy formulates clearly when we are supportive of proposals or when we will reject them.
A company's relationships with its stakeholders can have a significant impact on its ability to achieve its goals. As such, boards should oversee the process of engagement with their internal and external stakeholders, taking into account how these are impacted by relevant decisions and having regard to their needs and expectations.
Our policy can be found under this link:
https://www.dws.com/solutions/esg/corporate-governance/

Voting Guidelines

As we aim to be as transparent as possible towards our portfolio companies about our expected voting behaviour, our policy includes a very detailed guideline-section. As a result, we present some examples when we would generally reject a proposal, noting that these include but are not limited to:
Boards – (Re-) Appointment and/or Discharge:
– Insufficient qualification or unsuitability of candidate due to e.g., restatements, questionable transactions, abuses against minority shareholders, involvement in severe ESG-controversies, failure to adequately address ESG risk and opportunities or to respond to thematic engagement requests
– Insufficient disclosure and transparency about suitability and qualification
– The election would cause the board to become insufficiently balanced, i.e., diverse, independent, or qualified,
– The discharge is called into question
– The position of CEO and Chairman are combined for more than 2 years and there is no Lead Independent Director established who also fulfils our independence criteria
– A former executive board member is proposed to become member of the supervisory board without a reasonable cooling-off period that is at least two years
– The election causes the candidate to hold more than three (for executives) or five (for purely non-executives) mandates, positions as Chairperson, Chairperson of the Audit Committee and CEO are attributed with two mandates
Executive Remuneration – System and Report:
– missing link to strategy,
– Insufficient long-term orientation,
– Insufficient disclosure about KPIs, including non-financial KPIs,
– Missing malus and claw-back rules,
– Excessive and/or disproportionate elements, such as golden handshakes/parachutes etc.
Auditors – Recertification:
– Missing disclosure about terms of appointment,
– Appointment of the audit firm for more than ten years,
– Appointment of the Lead Audit Partner for more than five years,
– Fees for non-audit services exceed audit fees as set by reasonable standards,
– There are doubts about the appropriateness and capabilities of the audit firm.

Treatment of Shareholder Rights:
– Violation of applied thresholds in use of profits and/or capital management,
– Exceeding our limits of rights issuance in terms of volume (cumulative max. 40% of outstanding share capital) or duration (one to max. three years),
– Amendment of by-laws would limit proxy access, lengthen the term of office of directors, or result in any other form of limitation of shareholders' rights
– Substantial M&A-transactions are not put up for vote at the AGM or do not consider ESG-risks,
– Related Party Transactions (RPTs) that are not conducted at arms' length or approved by fully independent directors.

Particular circumstances in Japan

Independence:

According to our policy on Board composition, we expect companies whose Boards are framed as having a supervisory function instead of an executive function, to have at least two external directors and we strongly encourage them to ensure that at least one third of their Board members are considered independent. According to our policy on defining independence as outlined earlier in this document, we will consider those who are in the top ten shareholders in Japan, even if their holding represents a share of less than 10%, mainly due to the market practice in Japan for business partners to own a certain percentage of each other's shares as cross-shareholders.

Board Composition:

According to our policy on separating the role and responsibilities of the CEO and Chairperson, we strongly encourage our Japanese investees to disclose the member who chairs the Board as well as the member who is considered to chair the company, the so-called "Kaicho", if these roles are separated. We also expect and foster the establishment by our investees in Japan of relevant formal committees – e.g., nomination, remuneration and audit committees.

Capital Management and Cross-Shareholdings:

We expect companies to foster sustainable long-term value creation by efficient capital management. Measures that support this include reduction of cross-shareholdings, conversion of excess cash-position into efficient investments. In case of repeated proof of inefficient capital management and an underperformance on Return of Equity (RoE), i.e., below 5 % over the last five fiscal years we vote against the election of Executive directors.
For further details, please refer to the relevant sections of our Corporate Governance and Proxy Voting Policy.

Special Cases with respect to voting

Delegated Voting Rights

Voting rights, in respect of those funds for which the signatory entity DWS Investments UK Limited provides portfolio management services, have been sub-delegated to DWS Investment GmbH. These funds do not use default recommendations of proxy advisors when exercising the voting rights but are based solely on the proprietary DWS Investment GmbH policy.
The current voting processes for funds and separately managed accounts, i.e., segregated accounts, where the signatory entity has delegated the exercise of voting rights to DWS Investment GmbH, rely only on the discretion of DWS Investment GmbH. Due to various regulatory requirements, the overriding of voting recommendations is currently not possible. The current processes do not allow for clients to override the voting recommendations where the voting rights lie with DWS Investment GmbH.
DWS does not currently have the capability to offer directed voting in segregated accounts. We are mindful of the growing client appetite for this and also note the current discussions about an "expression of wish".

Securities Lending and Empty Voting

When lending a security, the associated voting rights are also loaned. This has the potential to weaken the voting power of clients and fund investors in pursuit of increasing income.
Within our active strategies, DWS manages this by ensuring securities lent as part of the program are recalled seven to ten days in advance of proxy voting events, enabling us to vote for our entire position at each event. This protects against the dilution of voting power whilst affording clients and fund investors the opportunity to increase income derived from the investment in the fund.
Within our Passive strategies, we retain a small holding of each position (i.e., we do not lend out an entire position). This allows the Passive team to vote on items where the full weight of holdings is not required. The team will only recall stocks ahead of a vote if there is a stipulation in the voting item that requires the full weight of a holding to be voted on. This is to ensure that the revenue from stock lending is maximised, as well as good relations with lending counterparties maintained, thus balancing the conflict of interest between fiduciary and engagement responsibilities.
In the voting rights notifications, the shares lent are flagged with the "right to return" and thus remain in the voting rights report. One of the daily tasks of the Securities Lending Desk is to review the proxy voting report. This process includes checks and balances to verify and / or confirm that this task has been completed correctly on a daily basis.

Outcome

For listed equity assets, signatories should:
– disclose the proportion of shares that were voted in the past year and why;
– provide a link to their voting records, including votes withheld if applicable;
– explain their rationale for some or all voting decisions, particularly where:
– there was a vote against the board;
– there were votes against shareholder resolutions;
– a vote was withheld;
– the vote was not in line with voting policy.
– Explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and
– explain how they have monitored what shares and voting rights they have.
For fixed income assets, signatories should explain their approach to:
– seeking amendments to terms and conditions in indentures or contracts;
– seeking access to information provided in trust deeds;
– impairment rights; and
– reviewing prospectus and transaction documents.

In 2021, we voted at a total of 3,242 general meetings of more than 2,426 companies in 63 markets of listing. We continued to gradually increase the number of meetings voted per year, making sure not to compromise the quality of the analysis. These meetings represented approximately 89% of the equity Assets under Management (AuM) of our funds domiciled in Europe.[69] The majority of the voted meetings was for companies listed in the United States, followed by Asia-Pacific including Japan and in Germany.
Due to the DWS Corporate Governance and Proxy Voting Policy, which requires deep analysis and critical decision making, we define our Core List according to selected criteria in order to ensure sufficient quality and effectiveness. The DWS Core List includes a certain part of the relevant holdings, screening based on:
a) Percentage of AuM and percentage of position in the company
b) Relevant ESG ratings
c) Relevant market regulatory requirements, which entail voting for all companies held in a given market (e.g., Germany and Spain).
The Core List may not contain and cover all equities held by the relevant DWS entities and therefore DWS Investment GmbH may not exercise the voting rights of all equities for which it has the proxy voting rights. DWS Investment GmbH may change and amend this list in its own discretion from time to time. We strive to continuously increase the number of meetings we cover in our voting universe. In 2021 we increased the number of meetings by 37.7% to reach 3,242. Further details of our 2021 proxy voting activity are outlined below and in the Voting Results section under the following link: https://www.dws.com/solutions/esg/corporate-governance/

Proxy voting activities in 2021

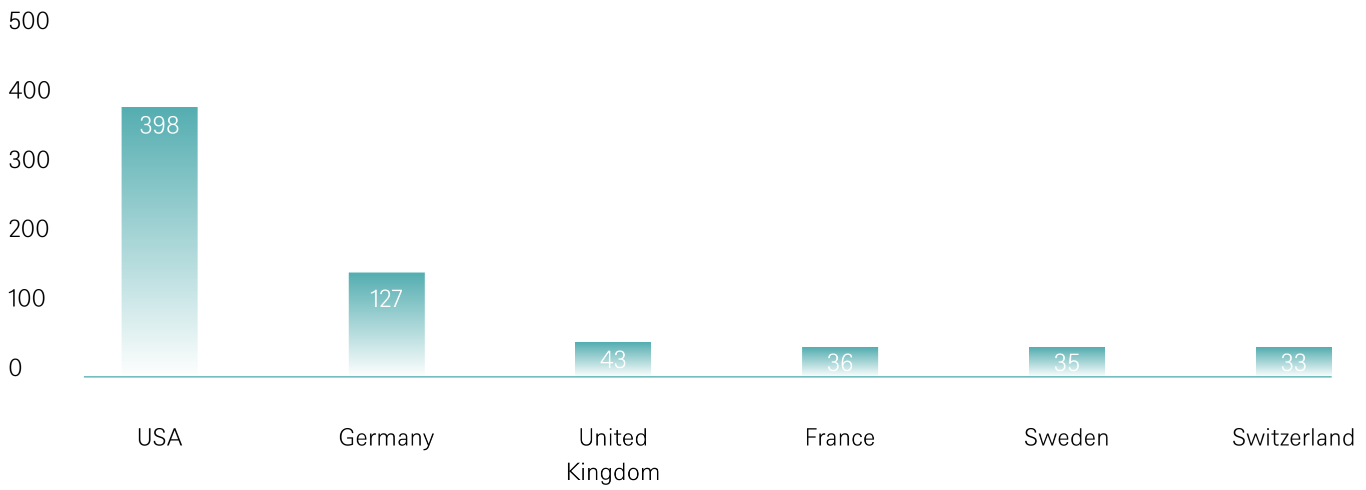
We voted against management recommendations in 27% of the total number of items voted in 2021. The proposals we most commonly opposed were director-related and particularly related to the election /re-election or discharge of directors (57%).
The most common reasons for not supporting the discharge of non-executive members of the boards were due to among others:
– Failure to address existing material ESG controversies (e.g., climate risk management, human rights violations, etc.) appropriately and/or a severe ESG rating
– Failure to address diversity issues such as a lack of mandatory age limit for supervisory board members
– Lack of transparency on individual board members such as information on qualifications, nationality, individualized board attendance
– Failure to provide a regular say-on-pay vote for shareholders
Regarding the election/re-election of directors, most votes that did not get our support were concerning:
– Failure to ensure majority independence on the supervisory board and key board committees
– "Overboarding" issues such as excessive board mandates held by directors
– Combined CEO/chairman roles without a corresponding lead independent director as per the DWS independence criteria
– Failure to adequately address existing material ESG controversies (e.g., climate risk management, human rights violations, etc.) and/or has a poor ESG rating;
– Failure to address relevant diversity issues.

[69] Funds of legal entities in scope: DWS Investment GmbH (with discretion to vote for certain assets under management of DWS International GmbH, DWS Investment S.A. (incl. SICAVs and PLCs) based on delegation agreements)

Chart 12.2 DWS Votes against Executive Compensation Proposals in 2021 by Country

Executive Compensation

Of all companies that proposed executive remuneration items in 2021, we did not support 57% with the following top six market breakdown:



Source: DWS Investment GmbH, ISS Proxy Exchange, 12/31/2021

Similar to previous voting seasons, executive compensation plans were one of the most critical items for us at general meetings in 2021; 15% of votes were cast against management, a two-percentage point increase compared to 2020 and a four percentage points increase compared to 2019. Looking only at the 1,750 companies that have put proposals related to executive remuneration up for vote in 2021, we opposed 57% of them. This is a slight increase compared to last year as we expect companies to integrate ESG targets/ non-financial KPIs into their remuneration systems and include a shareholding requirement for executives to align shareholder interests. Common issues with executive remuneration were:

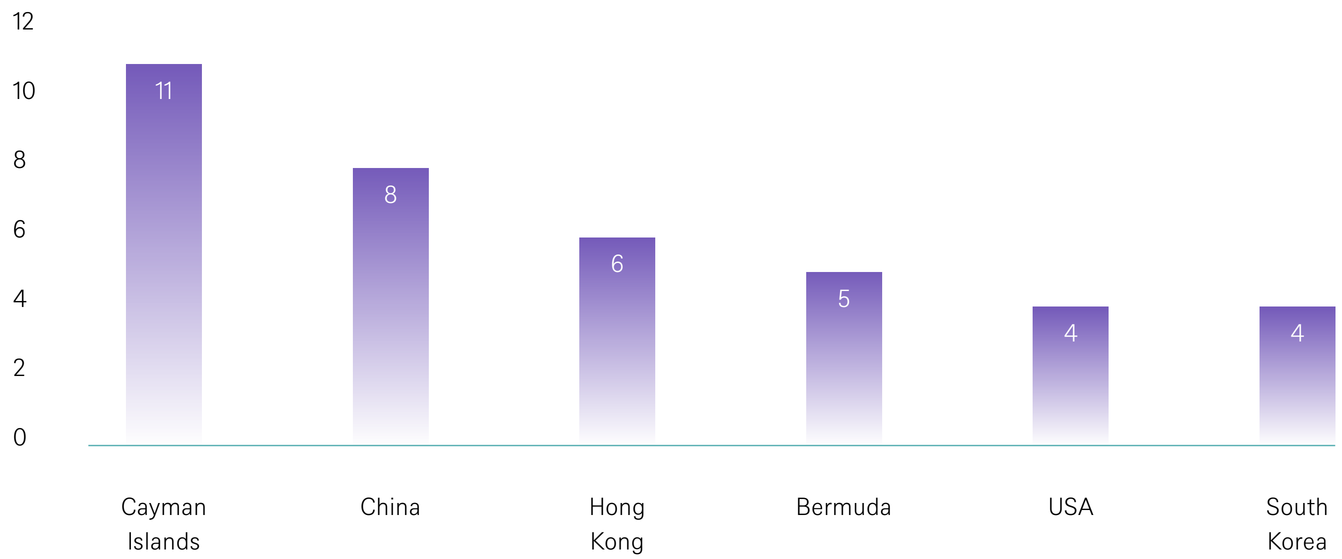
– A misalignment between pay and performance
– There were components which were not considered good governance practices such as allowing for post-mandate vesting or extensive pension benefits for certain board members
– No clear ESG targets/non-financial KPIs and the remuneration system
– A lack of transparency and comprehensiveness such as on the relevant maximum levels of compensation, key performance indicators and their weighting
– No bonus-malus and/or clawback mechanisms

Insufficient disclosure surrounding external auditors and, in particular, the lead audit partners and their internal rotation periods, caused the auditor-related items proposed by our investees to be one of the most opposed items. Since 2021, we expect a rotation of the audit firm at least every ten years to ensure a critical and independent view on the company which could lead to an increase of votes against management by four percentage points compared to last year (2021: 15%, 2020: 11%). Audit firm refreshment is especially problematic for the US market.

Chart 12.3 DWS Votes in the Context of Board Diversity by Country in 2021

Board Diversity

We voted against the re-election of directors or the discharge of the board at 50 companies because the board lacks at least one female member. Below is a breakdown of the top six markets:



Case Study: Considering Diversity Topics in our Stewardship Activities

Externally, DWS promotes diverse boards and balanced representation also through our engagement and voting behaviour. DWS has a holistic understanding of diversity that encompasses various factors such as age, gender, qualifications, international experience, independence, sector experience and tenure. We believe that diverse and balanced boards work more efficiently and are better positioned to make better decisions. DWS engages actively with its portfolio companies and monitors their progress in achieving the appropriate level of diversity in their boards. DWS also expects its portfolio companies to actively incorporate gender diversity into their composition and refreshment processes. Furthermore, to ensure reasonable board refreshment and succession planning, DWS expects an adequate age range to ensure a balance between experience and new perspectives. We expect our portfolio companies to be transparent about professional background and experiences of their individual board members. We also demand that boards disclose their mechanisms on how competencies and candidates are identified (e.g., via a competency matrix and qualification profiles).

These expectations are explicitly described and embedded in our bespoke Corporate Governance and Proxy Voting Policy and are reflected in our voting behaviour, and we are opposing the re-appointment of candidates that would cause the board to become insufficiently diverse, i.e., lacking at least one female director or – where applicable – to oppose the discharge of the board.

While DWS is making progress to create a more inclusive workforce as laid out in Principle 2, we are equally committed to promoting diversity in the companies in which we invest. Therefore, diversity topics still remain important in our stewardship activities in 2021. In this context, we voted against the re-election of directors or the discharge of the board at 50 companies because the board lacked at least one female member in 2021 (see Chart 12.2 Board Diversity). As our expectations remained unchanged, the decrease compared to 2020 (60) may result from an overall improved gender diversity.

Compared to 2020, when 17 South Korean companies received dissenting votes in relation to board diversity, only four companies in this country received votes against the re-election of directors on this topic in 2021. This improvement was mainly driven by the revision of the South Korean Financial Investment Services and Capital Markets Act that took effect in October 2021. We saw similar positive developments in other countries, such as Japan. The Cayman Islands led the statistics with eleven companies in 2021 – this is an increase of two companies compared to last year. The respective companies are listed in the Cayman Islands, but the primary business assets are based in China and Hong Kong.

Even though, we notice improvements in many countries, the proportion of women at board level and in senior management remains comparatively low, and the issue remains an important topic. In our view, gender diversity provides for a more dynamic, well rounded board of directors, bringing unique perspectives, experience, talents, and expertise. Due to markets varying on this topic, we factor in market best practice for both gender and ethnic diversity, and although our policy has a minimum of one female at board level hard coded, we regard this as an absolute minimum and strongly prefer and encourage higher levels of diversity.

Furthermore, we supported 27 out of 29 shareholder proposals in 2021 dealing with gender diversity. These shareholder proposals included, among other things, gender pay gap, promotion, and board/executive-level diversity. Two of the proposals addressed issues that were already taken up and resolved by the companies, thus, a support was not considered as appropriate. As part of our engagement approach, we are accelerating our efforts to urge boards to address these issues by taking action.

Shareholder proposals

Voting on shareholder proposals is an important tool to convey shareholder sentiment, particularly on environmental and social topics, which generally address important material topics for company development.

In 2021, governance shareholder proposals often raised topics on executive compensation, shareholder rights, lobbying disclosures, transparency, or company bylaws. The environmental shareholder proposals largely focused on the management of climate risk – including the definition of emission reduction targets. The majority of social shareholder proposals focused on human rights and diversity in 2021. Overall, shareholder proposals are becoming more complex. Therefore, we carefully review all shareholder proposals on a case-by-case basis and support reasonable proposals that promote principles such as enhanced shareholder rights, and improved disclosure. Shareholder proposals vary widely in terms of feasibility, materiality, and reasoning, for which we focus on practicability and meaningfulness. In some cases, proposals might not be taking into consideration previous steps and progress of the company. In those cases where companies already announced corresponding policies and procedures, we give the company a certain amount of time for implementation. With this, we strive not to undermine the companies' efforts as well as our dialogue with them. As we are in close engagements with a number of our portfolio companies, we seek to follow their developments closely or work with them on a commitment to achieve the goals that we have identified together. If we have the impression that the ambitions of a company are lacking, we consider voting against the management. In 2021, we supported 74% of all shareholder proposals; 86% of environmental shareholder proposals and 84% of social proposals. Furthermore, we were able to improve our ranking from 25th to 14th (first quintile) in the ShareAction Impact Matters Report 2021, which analyses how 65 of the world's largest asset managers voted on 146 environmental and social shareholder resolutions during the 2021 proxy season. As the quality and variety of topics diverge specifically in the area of governance proposals, we could support 71% in 2021.

Case Study: Examples of Key Shareholder Proposals we supported in 2021

Sector: Materials; **Country:** Australia; **Proposal:** Approve Paris-aligned Targets
Rationale: Shareholders requisitioned a resolution seeking disclosure of the carbon reduction targets for the company, how its capital expenditure will align with these targets and how its remuneration policy will incentivise progress against these targets.

Sector: Consumer Staples; **Country:** USA; **Proposal:** Report on Human Rights Due Diligence
Rationale: The proponent requested the Board of Directors prepare a report, at reasonable cost and omitting proprietary information, on the company's human rights due diligence process to assess, identify, prevent, mitigate, and remedy actual and potential human rights impacts.

Sector: Energy; **Country:** USA; **Proposal:** Report on Impacts of Net Zero 2050 Scenario
Rationale: The proponent requested that the company's board of directors issue an audited report to shareholders on whether and how a significant reduction in fossil fuel demand, envisioned in the International Energy Agency (IEA) Net Zero 2050 scenario, would affect its financial position and underlying assumptions.

Sector: Automobile; **Country:** USA; **Proposal:** Approve Recapitalization Plan for all Stock to Have One-vote per Share
Rationale: A shareholder proposed that the board take steps to ensure that all of the company's outstanding stock has an equal one-vote per share in each voting situation.

Votes not in line with Policy

Our proxy voting approach allows the escalation and overruling of voting recommendations so that we can act prudently in the best interest of our clients and reflect the stage of progress of our engagements accordingly. The Proxy Voting Group (PVG) is the ultimate decision-making body and is composed of senior managers from the Portfolio Management, the Equity Research, and Corporate Governance Center to ensure an effective, timely and consistent voting process. Portfolio managers and analysts can file a PVG-case and propose to vote differently than the received research. The PVG will evaluate the case and will come to a conclusion by simple majority.

In 2021, 20 cases were raised with the PVG of which 19 resulted in deviations from the original voting recommendation, two of them resulting in votes against a proposal, five in abstentions and 13 in votes for the respective proposals. In four out of six cases, the discharge of the board was supported, in two cases an abstain was warranted, in three out of four cases the election of directors was supported, in one case the PVG-case was rejected. Out of five cases regarding the approval of executive remuneration, two were supported, two were abstained and one was rejected.

Special cases were:

- The rejection of a proposed M&A transaction due to concerns about economic benefits
- The abstention for remuneration system for a board, the support for a capital issuance after having received confirmation about the shortening of the terms
- The approval of the recertification of the auditors after having ensured additional transparency about the terms of appointment.

For more details, refer to our Active Ownership Report at the following link: https://www.dws.com/en-gb/solutions/esg/corporate-governance/

Depending on the fund domicile, different entities of DWS act as the capital management firm thus controlling the voting rights for the relevant fund and therefore have intra-group level agreements in place with DWS Investment GmbH under which the discretion to exercise voting rights is delegated to the latter. In respect of those funds for which the signatory entity, DWS Investments UK Limited provides portfolio management services, voting rights have also been sub-delegated to DWS Investment GmbH. There are internal agreements in place to ensure oversight and monitoring.

As mentioned in Principle 2, our engagement and proxy voting are exercised and monitored by DWS Corporate Governance Center.

Fixed Income

The objective of our active ownership activities is to facilitate improvement in our investees' behaviour on ESG and to improve our investees' long-term performance. Our engagement activities do not systematically differentiate between fixed income and equity asset classes; however, the topics we discuss might differ for individual cases and strategies. We believe that good governance has the potential to benefit both fixed income and equity holders.

For our fixed income investments and related bondholder meetings, a dedicated and separate process has been set up by the Fixed Income platform in order to avoid any potential for conflicts of interest. Fixed income engagement is limited to a communicated "no investment" decision as we are only debt owners and, by virtue of that, have no voting rights.

For further case-studies also on fixed income engagements, please refer to Principle 11.

Appendix

Glossary

Term	Meaning
AG	German stock corporation (Aktiengesellschaft)
AGM	Annual General Meeting
AIF	Alternative Investment Fund
AIFMD	Alternative Investment Fund Managers Directive
AktG	German Stock Corporation Act (Aktiengesetz)
APAC	Asia-Pacific
AuM	Assets under Management
B2B	Business to business
B2C	Business to client
BaFin	German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
BVI	German Investment Fund Association (Bundesverband Investment und Asset Management e.V.)
CCD	Client Coverage Division
CDP	Carbon Disclosure Project
CEEF	Clean Energy and Environment Fund
CEO	Chief Executive Officer
Ceres	Coalition for Environmentally Responsible Economies
CESGA	Certified ESG Analyst
CFO	Chief Financial Officer
CIO	Chief Investment Officer
Company	DWS Group GmbH & Co. KGaA, a German partnership limited by shares (Kommanditgesellschaft auf Aktien)
COO	Chief Operating Officer
COP26	UN Climate Change Conference UK 2021
CREF	China Renewable Energy Fund
CRI	Committee for Responsible Investments
CRO	Chief Risk Officer
CROCI	Cash Return on Capital Invested
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
CTRR	Climate and Transition Risk Rating
D&O insurance	Directors' and Officers' Liability Insurance
DAX	German Stock Index (Deutscher Aktienindex)
DB	Deutsche Bank
Deutsche Bank Group	Deutsche Bank AG and its subsidiaries
GCGC	German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK)
DEI	Diversity, Equity, and Inclusion
DNA	Desoxyribo Nucleic Acid - carrier of the genetic information of humans and almost all other organisms
DVFA	German Association for Financial Analysis and Asset Management (Deutsche Vereinigung für Finanzanalyse und Asset Management)
DWS Group	DWS Group GmbH & Co. KGaA and its subsidiaries
DWS IHC	DWS Intermediate Holding Company
DWS KGaA	DWS Group GmbH & Co. KGaA
DWSM GmbH	DWS Management GmbH
EEEF	The European Energy Efficiency Fund SA, SICAV-SIF

UK Stewardship Code Report 2021

Term	Meaning
EFAMA	European Fund and Asset Management Association
EIN	Employee Inclusion Network
EIP	Employee Investment Plan
EKPIs	ESG Key Performance Indicators
Elected EIP Award	Employee Investment Plan Award
EMEA	Europe, Middle East, and Africa
ESG	Environmental, Social and Governance
ESG Framework	ESG Product Classification Framework
ESMA	European Securities and Markets Authority
ESMS	Environmental and Social Management System
ETF	Exchange traded fund
ETP	Exchange traded products
EU	European Union
EUR	Euro
FTE	Full-time Equivalent
FTSE4GooD	The FTSE4Good Index Series is a series of ESG equity indexes that include companies with positive ESG reputations
FVC	Franchise Variable Compensation
GCGC	German Corporate Governance Code
GHG	Greenhouse Gas
GmbH	German company with limited liability (Gesellschaft mit beschränkter Haftung)
GMF III	Global Microfinance Funds III
GRESB	Global Real Estate Sustainability Benchmark
Group	DWS Group GmbH & Co. KGaA and its subsidiaries
GSC	Group Sustainability Council
GSIA	Global Sustainable Investment Alliance
GSPP	Global Share Purchase Plan
GVC	Group Variable Compensation
HR	Human Resources
ID	Investment Division
IIGCC	Institutional Investors Group on Climate Change
IPO	Initial Public Offering
IVC	Individual Variable Compensation
KGaA	German partnership limited by shares (Kommanditgesellschaft auf Aktien)
KPI	Key Performance Indicator
KPMG	KPMG AG Wirtschaftsprüfungsgesellschaft (Berlin)
LEED	Leadership in Energy and Environmental Design
LGBTQ	Lesbian, Gay, Bi, Trans and Queer
LGBTQI	Lesbian, Gay, Bi, Trans, Queer, and Intersex
LoD	Line(s) of Defence
LRA	Liquid Real Assets
LTA	Long-Term Award
MESGS	Minimum ESG Standard
MiFID	Markets in Financial Instruments Directive
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
MSCI	MSCI Inc.
N/A	Not applicable
N/M	Not meaningful (in the management report)
NFR	Non-Financial Risk
NFRD	Non-Financial Reporting Directive
NGO	Non-governmental Organisation
NZAM	Net Zero Asset Managers Initiative

Term	Meaning
OECD	Organisation for Economic Co-operation and Development
OPIM	Operating Principles for Impact Management
ORMF	Operational Risk Management Framework
PAI	Principal Adverse Impacts
PLC	Public limited company: A type of public company established under the company laws of England, some Commonwealth jurisdictions, and the Republic of Ireland.
PRI	Principles for Responsible Investment
RCC	Risk and Control Committee
RI	Responsible Investment
RMF	Risk Management Framework
RRC	Reputational Risk Committee
S&P	Standard & Poor's
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal (overview of SDGs: https://sustainabledevelopment.un.org/sdgs)
SEC	Securities and Exchange Commission
SFDR	Sustainable Finance Disclosure Regulation
SI	Sustainable Investments
SIC	Strategic Investment Committee
SICAV	Société d'investissement à Capital Variable (Investment company with variable capital)
SRI	Sustainable and Responsible Investment
STA	Short-Term Award
TCFD	Task Force on Climate-related Financial Disclosures
TPI	Transition Pathway Initiative
UCITS	Undertakings for Collective Investments in Transferable Securities
UK	United Kingdom
UN	United Nations
UNGC	United Nations Global Compact
US / USA	United States (of America)
USD	US-Dollar
VBDO	Dutch Association of Investors for Sustainable Development
WACI adj.	Weighted Average inflation-adjusted financial Carbon Intensity
WEF	World Economic Forum
WHO	World Health Organisation
WWF	World Wide Fund For Nature
Xtrackers (ETFs)	Exchange Traded Funds offered by DWS

Cautionary statement regarding forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of DWS Group GmbH & Co. KGaA. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks.

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