INFORMATION ABOUT POLICIES ON THE INTEGRATION OF SUSTAINABILITY RISKS

DWS International GmbH

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1 / Introduction[1]

This statement provides a summary of internal policies and procedures applied by DWS International GmbH [LEI-Code 549300TPJCLC0OHGM008] – DWS – as a member of DWS Group regarding the integration of sustainability risks into investment decisions for financial products, namely UCITS, AIFs and mandates. In addition, it provides a summary of internal policies and procedures applied by DWS regarding the integration of sustainability risks when providing investment advice. This information shall be published to comply with the disclosure requirements laid down in Article 3 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector, the so-called Disclosure Regulation.

[1] Terms are defined in the glossary.

2 / Sustainability risk definition

2.1 Sustainability risk definition

Sustainability risk is an event or a condition relating to environmental, social or governance factors whose occurrence can have actual or potential material negative effects on the value of an investment. A sustainability risk can either be a standalone risk or influence other risks and materially contribute to risk, e.g., price risks, liquidity risks or counterparty risks, or operational risks.

2.2 Sustainability events or conditions

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

Environment

- Climate mitigation including reduction of greenhouse gas emissions
- Climate change adaption
- Protection of biodiversity
- Sustainable use and protection of water and maritime resources
- Transition to a circular economy, avoidance of waste, and recycling
- Avoidance and reduction of environmental pollution
- Protection of healthy ecosystems
- Sustainable land use

Social affairs

- Compliance with recognised labour law standards (no child and forced labour, no discrimination)
- Compliance with employment safety and health protection
- Appropriate remuneration, fair working conditions, diversity, and training and development opportunities
- Trade union rights and freedom of assembly
- Guarantee of adequate product safety, including health protection
- Application of the same requirements to entities in the supply chain
- Inclusive projects or consideration of the interests of communities and social minorities

Corporate Governance

- Tax honesty Anti-corruption measures,
- Anti-fraud measures
- Sustainability management by the Board
- Board diversity
- Board remuneration based on sustainability criteria
- Risk management and compliance practices
- The facilitation of whistleblowing
- Employee rights guarantees
- Data protection guarantees
- Information disclosure

As part of the consideration of environmental issues, DWS considers especially the following aspects related to climate change:

Physical climate events or conditions

- Extreme weather events
  - Heatwaves, Drought, Floods and Storms
  - Hail, Forest fires or Avalanches
- Long-term climate change
  - Decreasing amounts of snow or
  - Changed precipitation frequency and volumes
  - Volatile weather conditions
  - Rising sea levels
  - Changes in ocean currents
  - Changes in winds
  - Changes in land and soil productivity
  - Reduced water availability (water risk)
  - Global warming including regional extremes

Transition events or conditions

- Exit from fossil fuels
- Exit from specific technologies (e.g. combustion engines)
- Industry driven technology change related to the change to a low-carbon economy
- Bans and/or restrictions impacting specific sectors
- Changes in client preferences and client behaviour
- Other political or regulatory measures related to the transition to a low-carbon economy

2.3. Likely impacts of sustainability risk on the return of a financial product

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

2.4. Relevance of sustainability risk for DWS ‘s financial products

The relevance of sustainability risks for DWS's financial products depends among others on the investment strategies applied. While section 2.2 provides an overview of sustainability events and condition, practical examples of such sustainability events or conditions and their potential effects on a financial product are listed below:

Sustainability event / conditions	Sustainability risk – potential impact materialisation
Environmental events or conditions	A financial product invests in a company that does not comply with recognised water safety standards. An accident involving the release of toxic substances leads to environmental damage as well as reputational damage to the investee company. Consequently, reputational, and financial implications lead to a devaluation of the company.
Social events or conditions	A financial product invests in companies that do not comply with recognised labour standards. It becomes known that one of the companies makes use of child labour. The reputational damage for the company leads to a devaluation of the company.
Governance events or conditions	A financial product invests in a company that does not have a sound corporate governance. A corruption scandal and its implications to the business model and reputation of the company leads to a devaluation of the company.
Physical climate events or conditions	A financial product invests in a company with a business strategy that depends highly on physical assets. The assets are at risk of floods due to rising sea levels. The values of the shares decrease as soon as the physical climate risk for the assets is priced, or flood damage is incurred.
Transition climate events or conditions	A financial product invests in companies that are not operating their business in a way that is aligned with the "well below 2-degree path". An abrupt change in the financial market view on importance of climate related aspects (e.g., due to the pricing in of expected regulatory measures) leads to declines of the stock price of the financial product’s assets.

3 / Sustainability risk governance, roles, and responsibilities

Within this section, key aspects on roles and responsibilities of main functions or units of DWS that are involved in the integration of sustainability risks in investment decisions and investment advice are being described.

The **Executive Board** has the overall responsibility for managing sustainability at DWS. In 2021, DWS established the Group Sustainability Council (GSC) to assist the CEO to drive alignment and assume oversight of our cross-divisional sustainability strategy and climate-related activities.

The responsibilities of the **Investment Division** include in particular setting up and maintaining suitable processes for the integration of sustainability risk in the investment decision process. Furthermore, the Investment Division is responsible for designing and implementing controls to manage sustainability risks as part of the investment management processes.

The **Engagement Lead** is responsible for exercising shareholder rights to influence the behaviour of companies in relation to sustainability risks. This includes among others attending annual general meetings, proxy voting or communication with investee company management.

The responsibility of **Client Coverage Division** regarding sustainability risk is the appropriate consideration of sustainability risk aspects in investment advice processes.

With regards to the oversight of sustainability risk, the **Risk Management function** as well as other control functions are responsible for integrate sustainability risks within the implementation of risk management processes and minimum control standards and for regularly assessing the potential impacts of sustainability risks.

4 / Sustainability risk integration in investment decision-making process

The integration of sustainability risk in the investment decision-making process depends on the types of financial products of DWS consisting of:

- Actively managed Investment Funds (UCITS and AIFs) and Mandates - the “Actively Managed Portfolio Business” spanning all major asset classes including equity, fixed income fixed-income securities, cash, investment funds and alternative investments in form of tradable investments,

- Passively managed investment funds (UCITS and AIFs) and Mandates - the “Passively Managed Portfolio Business” spanning all major asset classes,

4.1. Actively Managed Portfolio Business

4.1.1. Integration of sustainability risks through ESG integration

The "ESG Integration Policy for Active Investment Management"[2] is the general framework for the integration of ESG factors and the integration of sustainability risks into DWS's investment analysis and investment decisions.

When incorporating sustainability risks into the investment decision-making process of actively managed portfolio business, DWS applies the ESG integration approach.

The ESG integration approach encompasses the following:

In its investment decisions, DWS considers, in addition to financial data, sustainability risks. This consideration applies to the entire investment process, both in the fundamental analysis of investments and in the decision-making process.

DWS investment approach continues to be influenced by, for example, the EU’s (non-binding) guidelines on reporting information, recommending an “outside in” (financial materiality) and an “inside out” (impact materiality) perspective. In order to account for the required ‘double materiality’ principle, DWS assesses the business relevance of each global topic for us as well as the potential impact we, as providers of financial products could have on the topic. Both our investment approach and engagement activities seek to embed both perspectives of materiality (financial and impact).

Sustainability risk assessment is a central part in the fundamental analysis of companies and sovereigns. The integration of ESG factors and sustainability risks starts with the identification of material global sustainability trends, and financially relevant ESG themes and issues (Key Performance Indicators analysis - KPI) and is continued with the assessment of sustainability risks & and opportunities arising from those material ESG aspects.

In addition, risks that may arise from the consequences of climate change or risks arising from the violation of internationally recognised guidelines are subject to special examination. The internationally recognised guidelines include, above all, the

[2] Information on sustainability (dws.com)

ten principles of the United Nations Global Compact, ILO core labour standards or and UN guiding principles for business and human rights and the OECD guidelines for multinational companies.

To take sustainability risks into account, information from DWS's proprietary ESG database – ESG Engine – is available to all analysts and portfolio managers via the Aladdin portfolio management system. The ESG engine derives key ESG ratings for liquid assets, which form the basis for ESG integration and ESG investment strategies in all regions.

ESG database uses data from multiple ESG data providers, public sources and internal assessments (based on a defined assessment and classification methodology) to derive combined scores. The ESG database is therefore constituted by 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, an issuer's willingness to engage in dialogues on ESG matters or corporate decisions.

The ESG database derives "A" to "F" letter coded assessments within different categories. Within each category, issuers receive one of six possible scores, with "A" being the highest score and "F" being the lowest score. If an issuer's score in one category is deemed insufficient, the portfolio management is prohibited from investing in that issuer, even if it is eligible according to other categories. For exclusion purposes, each letter score in a category is considered individually and may result in exclusion of an issuer.

4.1.2 Engagement, Corporate Governance and Proxy Voting

In addition, DWS commits to a corporate governance and to active ownership practices with investee companies worldwide across the equity and fixed income securities. DWS regards active ownership as a powerful force in promoting improved (in the context of DWS's ESG understanding) policies and practices of investee companies and, in turn, reducing sustainability risks and driving superior long-term performance. DWS has two policies that outline our engagement process and specifically our proxy voting process and governance core values.

Both policies are summarized below:

The objective of the "Engagement Policy"[3] is to establish a strategic framework to fulfil the fiduciary and stewardship duties acting in our clients' best interests by engaging in a dialogue with investee companies on strategy, financial performance, risk, capital structure and relevant corporate governance, environmental, social and impact topics. The Policy applies to our equity and fixed income securities we hold in funds offered and mandates managed, with delegated voting authority, by any of the above-mentioned entities.

The "Corporate Governance and Proxy Voting Policy"[4] details DWS's engagement framework in relation to corporate governance and proxy voting process. It contains the core governance understanding, governance values and expectations including ESG relating to investee companies in line with the framework and principles as set out in the Engagement Policy as well as proxy voting guidelines. It includes guidelines on how to vote in relation to ESG topics such as ESG-related shareholder proposals.

[3] Information on sustainability (dws.com)
[4] Information on sustainability (dws.com)

4.2. Passively Managed Portfolio Business

4.2.1 Integration of sustainability risks through two approaches

The "ESG Integration Policy for Passive Investment Management"[5] sets out the general framework for the integration of sustainability risks into the investment process for the Passively Managed Portfolio Business. It establishes minimum standards with relation to the selection of new indices, as well as detailing the approach regarding removal of securities with involvement in controversial conventional weapons.

In the Passively Managed Portfolio Business, DWS integrates sustainability risks through two main approaches:

Removal of securities involved in Controversial Conventional Weapons "CCW"

DWS generally seeks to remove securities involved in CCW and considers the sustainability risks posed by entities involved in the production of CCW, as determined in the methodology described in the "DWS Controversial Weapons Policy"[6]

For financial products within the Passively Managed Portfolio Business with a Direct Investment Policy, DWS excludes securities identified by DWS as per the aforementioned policy as being involved in CCW, subject to a materiality calculation (or in the case of passively managed accounts subject to investment management agreements with the client) which determines the importance of those securities to the achievement of the investment objective of the financial product. The materiality calculation involves quantifying the impact of removing the security(ies) on the ex-ante tracking error of the financial product's assets against the reference index. If a security, or securities, are not adjudged as being material contributors to reflecting the performance of the reference index, they will be removed from the financial product's assets. The materiality calculations are repeated at each index review and/or index rebalance.

For financial products within the Passively Managed Portfolio Business with an Indirect Investment Policy, securities identified by the DWS Controversial Weapons Policy will not be eligible as transferable securities for the invested assets.

Selection of Indices

With regards to the selection of any new reference indices for the Passively Managed Portfolio Business, DWS conducts a due diligence process that includes the assessment of sustainability risks. DWS also works in conjunction with index administrators and index calculation agents to embed rules relating to certain sustainability risks into the construction of new indexes for financial products specifically set up for clients, DWS encourages the consideration of ESG factors when selecting indices and investment policies

4.2.2 Engagement, Corporate Governance and Proxy Voting

The "Corporate Governance and Proxy Voting Policy" and the "Engagement Policy" described in section 4.1.2 on the Actively Managed Portfolio Business are equally applicable to the Passively Managed Portfolio Business.

[5] https://etf.dws.com/en-lu/AssetDownload/Index/c90c541f-b3d0-45ee-964f-3fd6e97b5da0/ESG-Integration-Policy-for-Passive-Investment-Management.pdf/
[6] Information on sustainability (dws.com)

5 / Sustainability risk integration in investment advice

5.1. Classic ongoing investment advice mandates and investment advice using model portfolios

Within its classic mandates business of ongoing investment advice, DWS provides ongoing investment advice in accordance with the advisory agreement concluded with the respective client. The investment advisory universe of DWS for classic ongoing investment advice includes a broad range of financial instruments, e.g., equities, fixed-income securities, structured securities as well as UCITS and AIFs. DWS provides ongoing investment advice based on so-called model portfolios consisting of UCITS and Exchange Traded Funds (ETFs) as well as Exchange Traded Commodities.

DWS considers sustainability risks when providing ongoing investment advice (i.e. classic ongoing investment advice mandate and investment advice using model portfolios) in addition to financial data. This consideration applies to the entire ongoing investment advice process. Within this advisory process, sustainability risks are defined and identified using the data from the DWS ESG Engine.

The effects of sustainability risks on other parameters (such as return) are decisive. Sustainability risks are taken into account through binding elements (e.g. exclusion of controversial sectors or violations of norms) in the ESG filters for the different investments or the selection of investments that reduce ESG risks and practice active ESG integration.

Furthermore, risks that may arise due to climate change or risks arising from the violation of internationally recognised guidelines are subject to a special assessment. The internationally recognised guidelines include, above all, the ten principles of the UN Global Compact, ILO core labour standards, or UN Guiding Principles on Business and Human Rights, and the OECD guidelines for multinational companies.

5.2. Ongoing investment advice mandates for sustainable funds

DWS provides ongoing investment advice to investment funds and fund managers managing investment funds which have a sustainable investment as their objective.

Within this business, DWS provides investment advice in accordance with internationally recognised impact principles and sustainability standards. These principles and standards (which apply also at the fund level) form a fundamental part of the analysis when providing investment advice.

Sustainability risks are identified during the pre-assessment phase and due diligence process before providing investment advice to clients and will be monitored during the lifetime of the sustainable investment.

Internationally recognised impact principles and sustainability standards which are considered in the investment advice include, above all, the ten principles of the UN Global Compact, ILO core labour standards, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the Impact Operating Principles led by IFC.

5.3. Investment advice on a case-by-case basis

DWS provides investment advice on a case-by-case or on-off basis. The investment advisory universe for on-off investment includes various financial instruments in principle issued by DWS Group, including UCITS and AIFs. Material sustainability risks are already considered in the risk class system of DWS because those risks are included in the other risk types applicable to the financial instruments of the DWS advisory universe. DWS has defined seven risk classes in order to make the risk content of different financial instruments comparable so that DWS can recommend suitable financial instruments (including considering the client's risk tolerance).

6 / Sustainability Risk integration in the risk management process

6.1 Approach and Objective

Complementary to sustainability-related investment guidelines the risk management function of DWS has established independent oversight processes related to sustainability risks. The framework for traditional liquid investments aims to provide additional governance which is integrated into overall investment risk management policies and procedures within DWS Group. It aims to raise sustainability risk awareness across involved parties and to provide transparency through highlighting identified sources of elevated levels of sustainability risk. To achieve this, selected sustainability-related sources of risk per fund are identified, and observations are made transparent and where deemed required evaluated with all relevant stakeholders.

6.2 Risk Analysis and Reporting

For each fund, based on its investment objective and risk profile, sustainability risk appetite levels related to selected sustainability risk indicators are defined. Such indicators may amongst others include high concentrations of issuers showing a poor sustainability risk profile or the exposure of such issuers in comparison with the relevant reference benchmark.

The risk management function monitors and reports the risk indicators related to the individual funds and identified exceedances or other relevant observations are reviewed regularly with stakeholders from the investment and product divisions. The reports include sustainability risk metrics as well as selected market risk metrics to provide a holistic overview for each fund.

Where deemed necessary, fund managers or asset class responsible are informed, and corresponding investment rationale or actions may be requested by the risk management function. Key results of the oversight process are also reported to the Risk and Control Committee of DWS Group as well as the impacted legal entity boards.

6.3 Integration in other investment risk management processes

In addition to the above, selected sustainability risk indicators are also integrated in other investment risk management processes, such as the counterparty risk management or concentration risk management. Within such processes, selected sustainability risk indicators are considered as additional indicators in the evaluation of the individual issuers.

7 / Glossary

Term	Definition
AIF	Alternative investment fund within the meaning of the AIFM-D
AIFM-D	Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Managers as amended from time to time
Direct Investment Policy	(Sub)-Fund or passive institutional portfolio management mandate with a Direct Investment Policy seek exposure to an index by investing in all, a substantial number of, or a sample of securities that provide a return similar to the Index
DWS Group	DWS Group means DWS Group GmbH & Co. KGaA and its subsidiaries consisting of any companies of which DWS Group GmbH & Co. KGaA is the direct or indirect parent company with majority participations (equity or voting capital share of more than 50 %), including branches and representative offices
ESG	Environmental, social and governance – a collective term referring to all aspects considered conducive to sustainability
IFC	International Finance Corporation
Indirect Investment Policy	(Sub)-Fund or passive institutional portfolio management mandate with an Indirect Investment Policy seek exposure to an index by entering into OTC swap transactions with one or more swap counterparties
Investment Fund	A UCITS or an AIF
Mandate	Portfolio management within the meaning of Directive 2014/65/EU on Markets in Financial Instruments (MiFID II), as amended.
OECD	Organisation for Economic Co-Operation and Development
Sustainable Finance Disclosure Regulation (SFDR)	Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector
UCITS	Fund set-up in compliance with the UCITS-D
UCITS-D	Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as amended from time to time
UN	United Nations, an intergovernmental organisation whose sustainability- related initiatives include the Sustainable Development Goals, the Global Compact and the Principles for Responsible Investment

Version history

Date	**Explanation of changes**
08.05.2023	Deletion of section 4.1.2 Smart Integration, 4.1.3. Specifics for financial products according to Art. 8 Disclosure Regulation, 4.1.4. Specifics for financial products according to Art. 9 Disclosure Regulation. Inclusion of the section 6. Sustainability Risk integration in the risk management process.
10.03.2021	Initial disclosure pursuant to Art. 3 of the regulation (EU) 2019/2088.