Stewardship Code 2020

March 2021

DWS

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Dear Reader

When 2020 began, few of us could have imagined what was coming. What began as a localized viral outbreak developed into a devastating global pandemic, which in turn altered economic and social life around the world. The pandemic helped accelerate what was already inevitable: sustainability and stewardship emerged under the global spotlight. This crisis has shown us first-hand the direct impact that humans can have on the environment and society, and attitudes are increasingly changing worldwide. We can and must take new paths toward a more responsible way of life. We are at the beginning of the decade of sustainability.

At DWS, our aim is to be a leading global asset manager in this environment. An asset manager that recognizes the signs of the times and is prepared to lead the way for our stakeholders, including clients, shareholders, employees, and the communities in which we live and work. An asset manager that puts sustainability and stewardship at the core of its activities.

For us, stewardship carries a dual meaning. It entails the careful, responsible management of our clients' capital, and also the mindful creation of positive impact on our society and environment. Traditionally, these two aspects of stewardship were widely regarded as mutually exclusive, perhaps even contradictory, but we believe they are integral to one another. Indeed, we have conducted highly respected research that supports this notion. This double materiality approach means that ESG is fully embedded into our corporate DNA and our investment process. It is important to providing our clients with a fair risk-adjusted return on both invested and natural capital, and it is integrated into our extensive engagement activities with investee companies. We do this because our clients – for whom we work in a fiduciary capacity – and other stakeholders expect this from us.

ESG has been a key part of DWS' heritage for over 25 years, and in 2005 we identified climate change as the 'defining issue of our time' and a major economic and financial risk. Today, we place ESG at the heart of everything we do. When the COVID-19 pandemic took hold, DWS took immediate action, donating more than EUR 1 million to charitable organizations in countries where DWS operates. The focus of our aid was on organizations that provide basic services for socially disadvantaged people, especially the homeless and children, and these efforts will continue. We also worked intensively to implement a comprehensive ESG strategy, as we believe it has already become a dominant theme for our investors, clients and regulators alike. We established a Group Sustainability Office to oversee a coherent and holistic ESG strategy firm-wide. We secured the support of high-calibre external experts for our new ESG Advisory Board. We enhanced both our ESG integration as well as our stewardship efforts with the introduction of Smart Integration into our investment process. Using our proprietary DWS ESG Engine, this is a pioneering approach to ESG integration that we believe far surpasses industry standards. And we publicly committed to becoming climate-neutral in our actions as a corporate and a fiduciary, becoming a founding signatory of the Net Zero Emissions initiative of the Institutional Investors Group on Climate Change.

We are all about to embark on a new era of sustainability and stewardship together, and the next 10 years will determine how generations will live and work over the next 50 years and beyond. This presents both an opportunity and a challenge on which DWS is proud to lead.

Stefan Kreuzkamp
Global Chief Investment Officer and Head of Investment Division: Frankfurt

Stefan Kreuzkamp

Member of the Executive Board of DWS Group, Chief Investment Officer and Head of Investment Division: Frankfurt

Joined the Company in 1998 with 3 years of industry experience. Prior to his current role, Stefan served as Global Chief Investment Officer, previous positions include Co-Head Investment Group, Global Head of Active & Passive, Chief Investment Officer EMEA and Head of Fixed Income EMEA, Head of Fixed Income for the retail business in Europe and Head of Money Market for Europe and Asia. Before this, he was a portfolio manager for money market funds in Luxembourg. Stefan started his career as a researcher at DekaBank in Frankfurt.

Master's Degree in Economics ("Diplom-Kaufmann") from University of Trier.

Petra Pflaum

ESG CIO

Joined the firm in 1999 with three years of industry experience. 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. Previously, she was Head of Research for equities, fixed income and macro research as well as 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 for the institutional business. Before joining, Petra was a research analyst at BHF-BANK.

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 Corporate Governance

Joined the firm in 1999 with eight years of industry experience. Prior to his current role, Nicolas served as the Head of ESG Initiatives and in the ESG Head Office. Previously, he was the Head of Green Investments. Before joining, he held a number of senior portfolio management and research roles at Zurich Invest (acquired by Deutsche Bank), Nordinvest and at CRM Capital Research and Management. Earlier, Nicolas worked for a stockbroker and at Berliner Bank.

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)

Principle 1 – Purpose and Governance: Purpose, Strategy and Culture

Principle 1 – Purpose and Governance: Purpose, Strategy and Culture

Context

Signatories should explain:
_ the purpose of the organisation 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 organisation

DWS Group GmbH & Co. KGaA was listed via an IPO in 2018, when the Deutsche Bank Group listed a minority investment on the Frankfurt Stock Exchange. As of December 31, 2020, DWS Group is held 79.49% by Deutsche Bank Group, with 20.51% by external investors. The IPO was an important step towards strengthening our independence from the Deutsche Bank Group.

DWS Group GmbH & Co. KGaA is organised as a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA) with a German limited liability firm (Gesellschaft mit beschränkter Haftung) as our general partner (Komplementär). DWS Group GmbH & Co. KGaA (DWS KGaA) is the direct or indirect financial holding firm for the Group’s subsidiaries. As at December 31, 2020, DWS Group consists of 76 consolidated entities, comprising of 50 subsidiaries and 26 consolidated structured entities.

We, DWS[1], provide this report on behalf of DWS Investments UK Limited (DWS UK), an entity which is an integral part of the DWS Group. It should be noted that many of the stewardship activities referred to in this report are conducted by other entities in the DWS Group and not by DWS UK and that some references are of an exemplary nature.

DWS purpose

At DWS, our fiduciary duty is to safeguard and enhance the investments of our clients – we are investors entrusted to build the best foundation for our clients’ future. 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 by our investments and our 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. It is our responsibility as an investment manager to publicly disclose relevant policies related to our investment stewardship responsibilities; this includes our Conflicts of Interest Policy, Global Real Estate ESG & Sustainability Policy, Policy on Controversial Conventional Weapons, Engagement Policy, ESG Integration Policy, as well as a Corporate Governance & Proxy Voting Policy. We also believe that active investment stewardship, exercised via a constructive dialogue and engagement with investee companies combined with the appropriate exercise of voting rights, can play an important role to fulfil our fiduciary responsibilities for our clients. We publish our voting and engagement results in our annual corporate governance proxy voting and engagement report. Effective oversight is a key component of our investment stewardship responsibilities. We ensure that monitoring and disclosure of transactions and our voting activities is performed in line with local jurisdictions.

DWS culture

DWS is a leading European investment manager with a global reach. We value teamwork, partnership and inclusion, trusting that each of us will deliver to the high standards expected by our clients, people and communities. Responsible Investing is a key part of our heritage – stretching back over a 25 years – because we firmly believe it is in the best interests of our clients. We embed ESG principles fully in our culture, making it core to everything we do. 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 with regard to ESG factors.

[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.

DWS 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. To achieve this, we strive for excellence in everything we do. Our fully integrated investment platform – based on outstanding proprietary research, a unique decision-making process and exceptional levels of precision – allow us to apply this principle.

Inspiring sustainability

Forward thinking demands a long-term view, and a sense of consciousness and responsibility for the society of which we are part. 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 every step of our investment decisions.

Please view our website here: https://www.dws.com/en-gb/ for more details.

DWS business model and strategy

With EUR 793 billion of assets under management globally (as of 31st December 2020), DWS Group GmbH & Co. KGaA (DWS, formerly Deutsche Asset Management) is one of Europe's leading investment organisations, offering traditional and alternative investment services across all major asset classes.

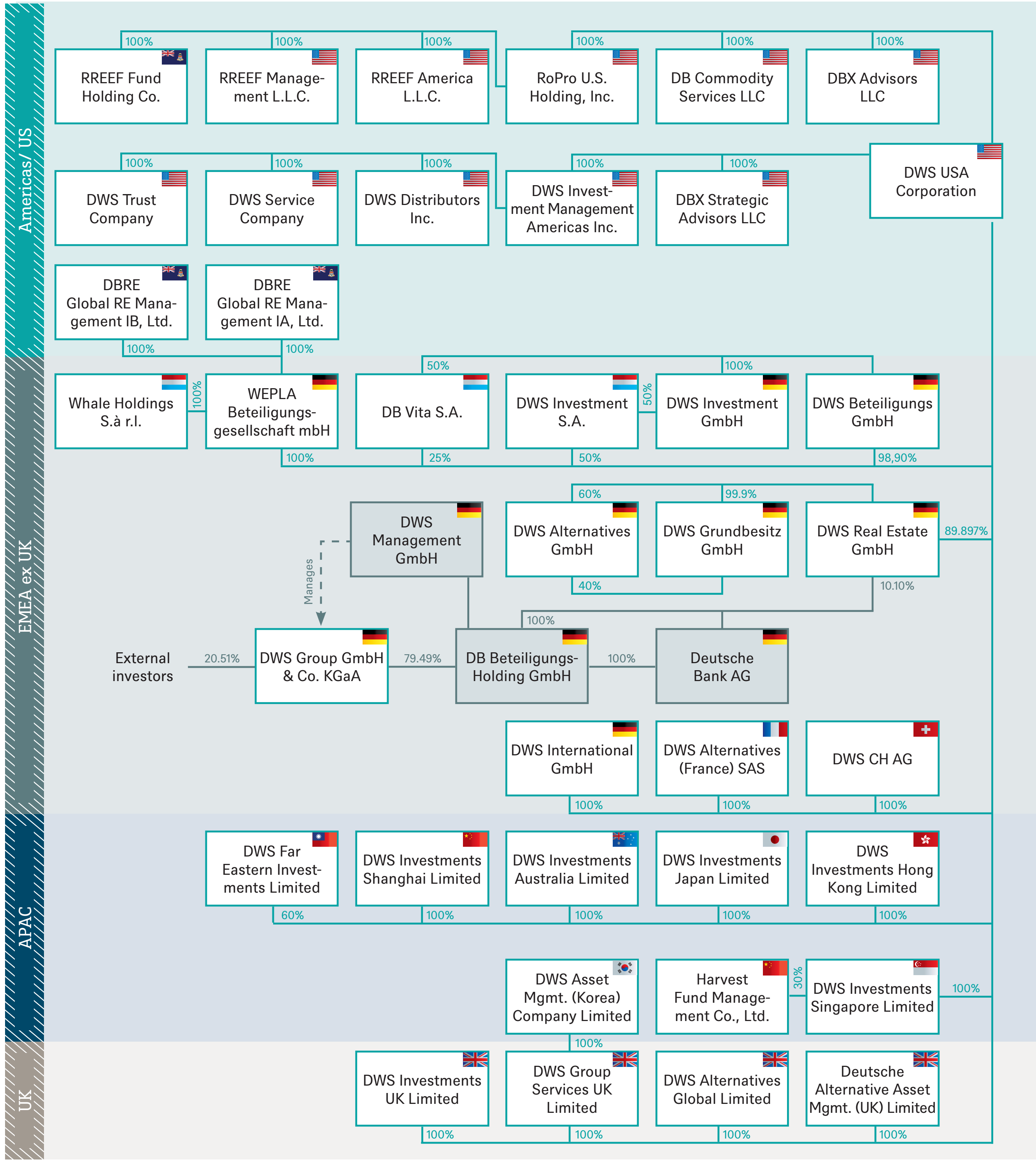
Within DWS, three UK investment entities are wholly owned by DWS Group GmbH & Co. KGaA. Specifically, DWS Investments UK Limited, Deutsche Alternatives Asset Management (UK) Limited and DWS Alternatives Global Limited are the entities within scope of the FRC. Similar to other asset managers, investment stewardship activities are performed by other entities within the group, based on our established global centres of excellence model. DWS Investments UK Limited retains overall responsibility for services provided to its client base, including monitoring and oversight of all delegated activities.

This report also refers to investment stewardship activities, which are currently not being provided by DWS Investments UK Limited to their direct investment clients, in particular governance and proxy voting activities, engagement with issuers and ESG Smart Integration. The process 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.

Please find below a group organisational chart.

Principle 1 – Purpose and Governance: Purpose, Strategy and Culture

CORPORATE STRUCTURE: DWS GROUP – MAJOR OPERATING LEGAL ENTITIES



DWS Group perimeter legal entities   Legal Entities outside DWS Group perimeter

Source: DWS. As of December 31, 2020.

Embedding sustainability criteria into DWS' corporate DNA and putting it at its core, is not only aimed at future-proofing our franchise but also enables DWS to participate in the global growth of sustainable and responsible investing. As part of our firm-wide Sustainability Strategy, we have initiated a review of our entire operating model and formulated a comprehensive DWS-wide Sustainability Strategy complemented by a clear execution plan, to be implemented between 2021 and 2023.

These strategic ambitions encompass four priorities:

1. Embed ESG into the corporate DNA of DWS: We established a Group Sustainability Office to fully embed ESG into all corporate processes, including in the finance, risk, HR, and COO divisions. This has resulted, for example, in reviews of our supply chain, travel policy and real estate policy.

2. Enhance ESG integration and provide top analytics for ESG assessment and reporting: We have been strengthening the consideration of ESG risks and opportunities in the investment process across all asset classes.

3. Develop market leading products: We have further built-out our global ESG product suite by developing ESG versions of our most relevant funds and new generation ESG products and solutions.

4. Lead and engage to promote best sustainable practices: We have enhanced our engagement activities and accelerated our contributions in public and private initiatives to drive sustainability practices.

In 2020, we have made significant progress across all four priorities:

The Group Sustainability Office (GSO) manages our sustainability activities across the entire organization and value chain. The GSO is part of the Executive Division, reporting up to the CEO. A Group Sustainability Council (GSC) supports the CEO to coordinate and advise on the group sustainability strategy and initiatives. Additionally we launched an external ESG Advisory Board to provide advice and recommendations to the CEO and the Executive Board. Furthermore, a new Committee for Responsible Investments (CRI) was established to guide the investment platform on material ESG risks and opportunities.

We also set new standards for ESG integration. For non-ESG mutual funds in Germany, we introduced "Smart Integration", an approach of enhanced due diligence to manage sustainability risks and opportunities across the active investment portfolios. This process will be rolled out further in 2021.

We also launched two new ESG ETFs and converted five non-ESG funds into ESG dedicated funds[2]. Two of these are next generation ESG funds: DWS Invest ESG Next Generation Infrastructure and DWS Invest Qi Global Equity. The DWS Invest ESG Next Generation Infrastructure fund invests in liquid infrastructure and real estate securities, enabling investors to sustainably connect and advance economies through their investments. DWS Invest Qi Global Equity provides clients with a carbon-reducing portfolio. We also launched two new ESG ETFs and converted five non-ESG funds in ESG dedicated funds.

In our engagements with our investee companies, we intensified our focus on climate action. We supported the CDP (Climate Disclosure Project) initiative for enhanced climate related disclosure (Science Based Targets (SBT)). Over 1450 companies received our letters of engagement where we set out our expectations for good corporate governance and thematic engagement on climate risk. We held more than 440 individual engagements with companies on key E, S and G issues. We also became a founding signatory to the "Net Zero Asset Managers Initiative", which was launched in December 2020, to galvanise asset managers to commit to net zero in accordance with the Paris Agreement.

In 2021 we aim to make further progress towards our sustainability goals. We will be placing a particular focus on detailing our roadmap to achieving climate neutrality. 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/

[2] Included as information only for the purposes of the 2020 Stewardship Code report by DWS Investments UK Limited.

DWS Investment Beliefs

In our Responsible Investment Statement, 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 investee 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.

DWS has long recognised the importance of ESG factors for investors. The growing importance of ESG is verified by legal opinion, regulatory trends, and our own experience, which reveals 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.

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

We incorporate ESG factors into our investment analysis and investment decisions to the greatest extent possible. This approach helps us to assess the risks and opportunities of specific investments much more comprehensively.

5. Active ownership

It is our fiduciary duty to deliver active ownership of our investee companies by engaging in constructive dialogue with companies and exercising our voting rights at annual shareholder meetings. We also aim to comply with and assist our clients in local stewardship codes given the increasing pace and scope of regulation.

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 Corporations, 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 Chief Investment Officer (CIO) Office for Responsible Investments supports the investment platform with responsible investment policies and procedures and also chairs the Responsible Investment Committee, which can make binding decisions on excluding companies from our investment universe, based on norm violations and climate transition risk exposure.

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 Stewardship: we strive to improve Corporate Governance across our investee companies.

4. Industry Initiatives: we are part of both local and global multi-stakeholder initiatives, which we published in our integrated 2020 Annual Report and Climate Report.

Putting ESG at the core of our fiduciary responsibilities towards our clients implies fully embedding ESG into the investment process.

Activity

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

Our Global CIO and Head of the Global Investment Platform expects our investment professionals, where appropriate and in line with client investment guidelines, to fully integrate ESG factors into our investment process, in accordance with the ESG Integration Policy framework by asset class. All asset class teams are responsible for implementing our ESG Integration policy and supplemental ESG related policies, such as the DWS Corporate Governance and Proxy Voting Policy, DWS Engagement Policy, and the DWS Controversial Conventional Weapons Policy, in their respective business units and supervisory procedures. Individual investment professionals must comply with the requirements of our ESG Integration Policy and supervisors are responsible for ensuring strict compliance.

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

_ Quality of the integration of ESG in fundamental analysis (e.g. research notes, etc.)
_ ESG quality of portfolio managers' funds, which are also reviewed in frequent investment performance review meetings

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

In addition, we are working to intensify our focus on engagement and stewardship activities.

Investee companies with critical issues (e.g. strategy, financial and non-financial performance, risk, capital structure, as well as ESG factors) that may result in actual or potentially negative effects on the company and its financials, reputation and / or on society and environment, may trigger an engagement activity. These activities may reflect poor financial / non-financial performance, (ESG) disclosures, strategy, or risk management, but also include issues such as high climate transition risk and serious violations of international norms. Our engagement activities are documented in our Engagement Database for tracking and accountability.

This database empowers our investment professionals and reporting teams with a centralised repository for engagement activities, status, areas of concern and the latest updates to our engagement activities, enabling client outcomes and improved transparency.

ESG integration is a key feature of our investment process; not only is this important to comply with regulations, it is also imperative to fulfil our fiduciary responsibility to our clients, improve risk-adjusted returns and reduce reputational risks. ESG integration enhances the quality of our research and will be used as a key performance indicator for variable compensation on our investment platform from 2021 onwards.

Our ESG integration activities are annually assessed by the PRI. They measure and understand our progress in implementing and improving our responsible investment practices. We are proud to report that DWS continued to excel and maintained our overall score of A+ in 2020.

Principle 1 – Purpose and Governance: Purpose, Strategy and Culture

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.

2020 Developments

During 2020 we made further progress towards our sustainability and stewardship goals implementing a number of changes to our structure and investment process. Highlights are as follows, with more detail in later sections of this report:
_ Created a Group Sustainability Office , reporting into the DWS Executive Division and Group Sustainability Council (see Principle 2)
_ Launched the ESG Advisory Board (see Principle 2)
_ Established Sustainability KPIs and ongoing monitoring activities (see Principle 2)
_ Enhanced the DWS ESG Engine KPIs (key to delivering ESG integration) and streamlined our data vendors (see Principle 2)
_ Strengthened ESG Integration practices, including expanding use of the Engagement Database by active investment professionals (see Principle 2)
_ Deepened integration of climate risk into our investment framework (see Principle 4)
_ Introduced Smart Integration for actively managed mutual funds in Germany in 2020 and in Luxembourg in 2021 to complement our ESG integration framework

During 2020, DWS further enhanced ESG integration in the active investment process with the following improvements:
_ Research: enhanced our research policy framework and handbook and started tracking ESG integration formally in our internal research process and archive.
_ Portfolio management: Our investment professionals are expected to be aware of any exposures to critical ESG issues and act accordingly to mitigate unattended sustainability risks at portfolio levels. During 2020 this process has been further enhanced with our "Smart Integration" strategy and compliance with the newly established Committee for Responsible Investments. The CRI requires an additional level of due diligence for company investments with regards to both norm violations and climate transition risk issues. If companies are in violation of these policies they will be excluded from our investment universe. This is currently binding for all our German- and Luxembourg-based mutual funds.
_ Monitoring: We developed an ESG integration framework and reporting process to track progress on our ESG integration activities and to develop further investment manager training.
_ Client reporting: We launched the so-called 'EKPI' report for DWS ESG Retail funds and have extended ESG reporting to include a performance attribution based on violation of international norms and our Climate Transition Risk Rating. This EKPI report is now publicly available for all DWS-labelled ESG funds on the respective DWS websites and has been well received by our clients.

In 2020, we developed a methodology which considers water risks and opportunities which became part of our minimum ESG investment standards (MESGS) for our ESG funds and strategies. These risks now contribute to our overall climate and transition risk (CTRR) score. The DWS ESG Engine team has also developed a total carbon intensity score which approximates an aggregated carbon footprint, which is used for client reporting and product development. These scores will enable portfolio managers to measure the carbon footprint of their client portfolios.

Our proprietary DWS ESG Engine, which includes data from five external ESG data providers, is central to our ESG Integration and Smart Integration across both active and passive portfolios.

The enhancements that we have made to our processes enable our investment professionals to work closely with our clients, understanding their risk-adjusted return objectives and ESG objectives to build customized investment solutions that meet their demands. Improved ESG reporting, active ownership, engagement with investee companies, new and more transparent data and increased ESG reporting all contribute to improving our clients' investment outcomes.

Additionally, we further developed our Sustainable Development Goal (SDG) framework to include climate change, natural capital, basic needs and empowerment.

Sub-categories like alternative energy, energy efficiency, green buildings, sustainable water, pollution prevention, nutrition, major disease treatment, sanitation, affordable real estate, SME finance and education were all included in specific SDG strategies we created for clients. An example is the Global Equity SDG strategy.

In 2020, DWS saw a strong increase in our dedicated ESG AuM, demonstrating that our clients are increasingly investing in DWS ESG strategies and funds. Across our Active and Passive portfolios, our ESG AuM increased by 47% to €75.5bn. Our AuM in real estate, infrastructure and sustainable funds and strategies has remained stable at €18bn AuM.

The DWS ESG Advisory Team, advising our clients on all ESG related issues and opportunities, saw strong demand for their services with over 100 client requests. We observed a rising demand for climate solutions. The flexibility and quality of data provided by the DWS ESG Engine is viewed positively by clients as a key differentiator.

Below are external assessments of our effectiveness in serving the best interests of our clients:

External publication – proxy voting – a ranking of the 75 world's largest asset managers approaches to responsible investment. Please find the 2020 report here: https://shareaction.org/wp-content/uploads/2020/06/ShareAction-Climate-Report-III-Final.pdf

External publication – proxy voting – MajorityAction. How Asset Manager Voting Shaped Corporate Climate Action in 2019. Please find the 2020 report (noting DWS were not included as the 2020 report focused on only 12 managers) here: https://static1.squarespace.com/static/5d4df99c531b6d0001b48264/t/5f6976e5f6b47e5e50c11430/1600747275103/MA_ClimateintheBoardroom_2020.pdf

External publication – proxy voting – Morningstar Proxy Voting by 50 U.S Fund Families in 2019. Please find the report here: https://www.morningstar.com/lp/proxy-voting-esg

External publication – proxy voting – Morningstar Shareholder Engagement Oct 2019. Please find the report here: https://www.morningstar.com/articles/959379/10-sustainable-investing-stories-of-2019

Sustainability Rating by Teleos. Please find the link here: https://www.dws.com/AssetDownload/Index?assetGuid=4e94d7e4-a09e-4fb5-a920-935a102931d1)

Majority Action results. Please find the link here: https://static1.squarespace.com/static/5d4df99c531b6d0001b48264/t/5d8006692e5b035cf0d2b17f/1568674165939/assetmanagerreport2019.pdf

Our ambition to become a leading European ESG Asset Manager continues to be recognised externally. For two years in a row (2018 and 2019), we have been named "Responsible Investor of the Year" at the Insurance Asset Risk Awards and we continued to score well in the PRI's annual assessment. In 2019 and 2020, we were able to improve our scores while maintaining the highest possible rating for Strategy & Governance with an A+ rating.

In 2020, Morningstar[3] conducted new ESG specific assessments for strategies and asset managers which were published as the Morningstar Commitment level. We obtained a 'basic rating'. Morningstar assessed all of our ESG policies and procedures, as well as our DWS ESG Engine, and rated both very advanced. However, Morningstar's analysis found that DWS is still in the midst of its ESG transition, hence the basic rating. Overall, Morningstar highlighted that "DWS has made a concerted effort over recent years to put in place the resources and framework for ESG integration, which has become one of the firm's major strategic initiatives". We aim to receive an "Advanced" score in the next assessment cycle in 2022.

Other organisations continue to recognise the good efforts we are making within ESG investment and investment stewardship. In 2020 we won two awards at the Mutual Fund Industry & ETF Awards: ETF Suite of the Year and the Newcomer ESG / Impact ETF of the Year. Also in 2020, we were finalists in the ESG Investing Best ESG ETF Provider category.

[3] Morningstar 2020 Morningstar ESG Commitment Level for Strategies and Morningstar ESG Commitment Level for Asset Managers.https://newsroom.morningstar.com/newsroom/news-archive/press-release-details/2020/Morningstar-Formally-Integrates-ESG-into-Its-Analysis-of-Stocks-Funds-and-Asset-Managers/default.aspx

Principle 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.

ESG integration: 2020 structure update

At the start of 2020, DWS already had initiatives and measures under way to prepare the DWS Investment Division for upcoming requirements stemming from the SFDR (Sustainable Finance Disclosure Regulation). In addition, we intensified ESG integration across the active investment process in 2020, including the following improvements:

Corporate structure: We integrated the CIO for Responsible Investments into the DWS Research House[4] to strengthen analysis for ESG risks and opportunities in active investment processes. This change also meant that the responsibility for our governance and stewardship practice now also resides within our Research House. Realizing that we still have further work to do to improve our stewardship activities, a number of further enhancements were made.

Guidelines: We tightened our internal ESG Integration Policy for Active portfolio managers, standardized ESG integration in our fund prospectuses and formalized investment management agreements for our European domiciled strategies to be prepared for SFDR. We also made Smart Integration – our enhanced ESG integration process – mandatory for German-domiciled actively managed mutual funds and established an operational framework around this process.

CIO View[5]: We expanded our analysis of material ESG global trends into our CIO View, primarily focused on Norms / Climate Transition Risk Ratings (CTRR) and the Sustainable Development Goals (SDGs) with implications for sector allocation and year-to-date performance. In the third quarter of 2020, we focused on CTRR, carbon and water implications for sector allocation and year-to-date performance.

Training: In 2020 we continued to engage investment professionals on ESG integration, offering sixteen global courses on how to use ESG ratings within the DWS ESG Engine. In addition, we focused on ESG integration for Sovereigns and quasi-Sovereigns through an additional nine training courses. We conducted meetings with ESG specialists from various investment teams and provided six training courses on how investment professionals should use the newly developed corporate engagement database. We held many sector materiality workshops and plan to offer more workshops to strengthen our investment professionals' understanding and use of engagement activities with investee companies. Since 2017, DWS employees have been given the opportunity to register for the EFFAS (European Federation of Financial Analysts Societies) ESG exam for certification to build their professional skills with regards to ESG integration, stewardship and materiality. All these activities support our investment professionals in their engagement and stewardship activities with our investee companies, enabling them to focus on the most material financial and non-financial engagement topics.

Research and Portfolio Management: We enhanced our ESG policy framework for our investment professionals to prepare them better for their engagement with investee companies, including access to research notes and the engagement database.

[4] DWS division responsible for internal research
[5] 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.

Engagement: DWS enhanced its Engagement Policy in 2020 to take into account new ESG issues such as poor ESG profiles measured by the DWS Climate Risk Transition Rating (CTRR) and (non-)compliance with international norms. We also developed and implemented the new engagement database to track and prioritize engagements on financial and non-financial topics. We held several courses to introduce the Engagement Policy and the functionality of the new engagement database.

Overall sustainability governance structure

To set up the right governance framework, we have established new responsibilities and strengthened existing responsibilities for sustainability across our organization.

The overall responsibility for sustainability lies with our CEO, and is also shared by our Executive Board and Supervisory Board. In 2020, we created a Group Sustainability Office (GSO), reporting to the DWS Executive Division, and a new Group Sustainability Council (GSC). The GSC consists of senior representatives from all businesses and functions and is consulted on cross-divisional sustainability topics.

To provide new outside-in perspectives and expertise, we established an external ESG Advisory Board (EAB) which actively advises our CEO and Executive Board on sustainability issues. The EAB consists of six highly recognized international sustainability experts from diverse disciplines including: Peter Damgaard Jensen, ex-Chairman of the Institutional Investor Group on Climate Change; Marie Haga, Associate Vice President of the International Fund for Agricultural Development; Ioannis Ioannou, Professor of Strategy and Entrepreneurship at London Business School; and Lisa P. Jackson, Vice President of Environment, Policy and Social Initiatives at Apple. The Co-Chairs are Georg Kell, Founding Executive Director of UN Global Compact and DWS's Global ESG Client Officer, Roelfien Kuijpers. Further information on DWS's EAB can be found in our 2020 Integrated Annual Report.

Our investment stewardship governance structure

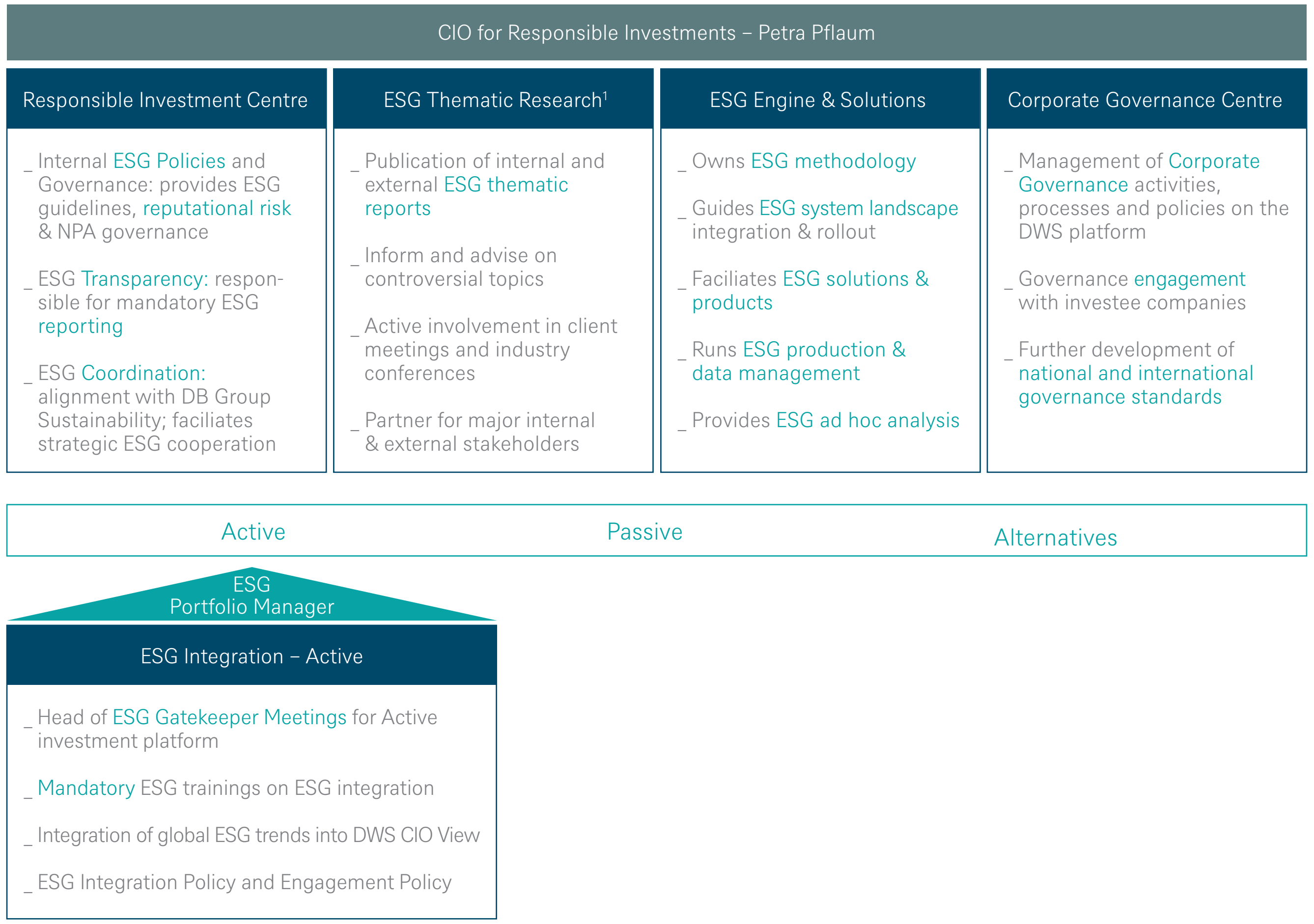
Our Global Head of Stewardship reports to the CIO of Responsible Investments, who reports to our Global Head of Research. The Global Head of Research in turn reports to our Global CIO and Global Head of the Investment Platform, who is also a member of the Executive Board and reports directly to the DWS CEO. The DWS Executive Board is held accountable by the DWS Supervisory Board.

The Global Head of Stewardship works with the investment platform in identifying the corporate governance issues at our investee companies and coordinates our engagement and proxy voting process. A small team assists in preparing and documenting engagement reports, proxy voting and training.

In 2021 and beyond we envision broadening out the team and delegating some of the engagement tasks more to the investment professionals themselves, as they are the ultimate stewards of the investments on behalf of our clients. This will also make our engagement activities with investee companies more impactful over time.

This approach 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.

GRAPHIC 2.1



[1] Direct reporting line into Global Head of Research.
Source: DWS International GmbH. As of August 2020.

CIO For Responsible Investments

The Office of the CIO for Responsible Investments covers the investment platform across all asset classes. It is organized across five responsibilities: ESG Thematic Research, Responsible Investment Centre, DWS ESG Engine and Solutions team, Corporate Governance Centre and ESG Integration for Active Investments.

The CIO Office for Responsible Investments supports our ESG integration activities, our ESG investment solutions and product offering. The Corporate Governance Centre enables active ownership through the exercise of proxy voting and governance engagement for our Active and Passive investments. Complementing these activities, we also have dedicated ESG specialist investment professionals to support our ESG activities. This includes an ESG Gatekeeper in every major investment team on the Active platform, senior ESG portfolio managers as well as our dedicated Impact Investments team. In 2020, DWS's CIO for Responsible Investments was appointed as a member of the Sustainable Finance Committee of the German Federal Government. The CIO for Responsible Investments is also a member of the DWS Group Sustainability Council. In addition, the CIO for Responsible Investments chairs the Committee for Responsible Investments and is a member of the "Ausschuss Nachhaltigkeit" of German trade association BVI Bundesverband Investment und Asset Management e.V. (BVI).

Corporate Governance Centre

Our Corporate Governance Centre is part of DWS's Research House and provides 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. The Corporate Governance Centre acts as a trusted partner for our clients in the review, monitoring and implementation of the relevant stewardship codes, where necessary and feasible.

Given our two-decade long heritage 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)

As part of our governance function for our clients we also work with clients to cover individual claims for damages worldwide. The CAAM discusses each individual claim for damages and decides on a recommendation on whether to file a lawsuit on behalf of the affected management boards. Multiple data sources are used to identify potential class actions and to provide the CAAM with sufficient information to perform their legal and financial assessment. The team then prepares a management board presentation for each new case. The Class Actions team holds the CAAM with all relevant stakeholders on an ad-hoc basis to discuss recent developments for each claim and to review all new potential cases.

ESG Thematic Research Team

The ESG Thematic Research Team is part of the DWS Research Institute, and is responsible for producing research on sustainability themes that are of interest to our clients. Examples include in depth reports on the impact of climate change, biodiversity, water, and microfinance on the investing landscape.

Publications in 2020 (please find these, and other publications, here: https://www.dws.com/en-gb/solutions/esg/research/)
_ How COVID-19 could shape the ESG landscape for years to come
_ Healthy buildings as economic stimulus
_ Why corporate CAPEX spells trouble for climate risk
_ Economic consequences of biodiversity loss and the role of financial regulators
_ A transformational framework for Water Risk
_ How best to measure asset managers' credentials when it comes to ESG
_ Stakeholders and shareholders and why Milton Friedman got it wrong

Industry workshops and initiatives in 2020 that the ESG Research Team was part of
_ Co-founder and steering committee member of the EU Commission / UNEP FI's Energy Efficiency Financial Institutions Group (EEFIG) and led recommendations to EU Energy Commissioner on Renovation Wave strategy
_ Co-chair of IIGCC (Institutional Investors Group on Climate Change) real estate Paris aligned investment initiative
_ DWS' Global ESG Client Officer is also co-Chair of the DWS ESG Advisory Board and serves on the Board of the International Investor Group on Climate Change (IIGCC)

ESG Engine & Solutions Team

The ESG Engine & Solutions Team has developed a proprietary in-house software solution to analyse, assess and rank corporations and sovereigns on a wide range of ESG indicators. The approach is modern, applying algorithms and data management techniques to source, combine and integrate ESG information from leading external ESG agencies.

With the data and methodologies of the DWS ESG Engine, DWS is even more equipped to deliver value to clients: first, by forging bespoke ESG solutions which follow dedicated ESG investment guidelines, and second, by facilitating the integration of ESG information into our standard investment process. This empowers all investment managers to assess risk and opportunities from ESG factors in a consistent, reliable, convenient and timely manner.

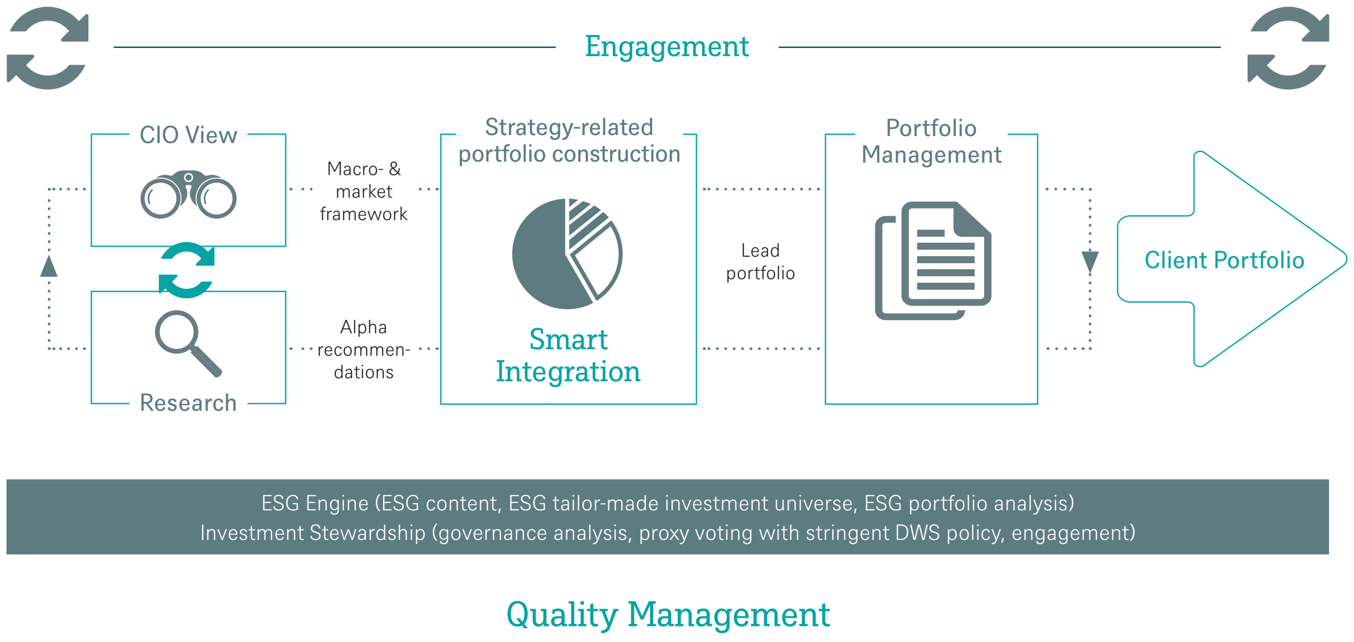
DWS ESG Engine changes in 2020

In 2020, we enhanced and implemented our ESG KPIs (EKPIs), which we publish on DWS' website for dedicated ESG retail strategies. We have also developed a methodology which considers water risks and opportunities and this new score is now part of our minimum ESG investment standards (MESGS). The ESG Engine & Solutions Team also developed a total carbon intensity score, which takes avoided carbon emissions into account and aggregates carbon footprint figures to be used for client reporting and product development.

In 2020, we streamlined the use of external ESG data vendors to five providers: ISS-ESG, MSCI ESG, Morningstar Sustainalytics, S&P TruCost and Arabesque S-Ray.

In terms of ESG data on norm compliance (including human rights), DWS updated its norm rating by on-boarding Arabesque S-Ray to replace the existing provider (with the previous RRI or RiskRep Index score) subscription. While there was no material impact from this change, the new S-Ray GC Score is better at differentiating reputational risk as it is more granular compared to RRI. The GC score provides a normative assessment of companies based on the four core principles of the UN Global Compact: human rights, labour rights, the environment and anti-corruption.

ESG GUIDELINES, CORPORATE GOVERNANCE & PROXY VOTING POLICY, ENGAGEMENT POLICY, CONTROVERSIAL CONVENTIONAL WAPONS POLICY



Principle 2 – Purpose and Governance: Governance, Resources and Incentives

Seniority and experience

The Global CIO, Global Head of Research, Global RI CIO and Global Head of Stewardship all have over 20+ years of investment management experience. Before taking their current roles and responsibilities they were portfolio managers and research specialists deeply steeped within the DWS culture and investment processes. They work collabouratively amongst each other and their teams. They are culturally diverse and 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.

Qualifications and training

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

In 2020, 60 DWS employees participated in the Certified ESG Analyst (CESGA) exam, in addition to the 175 employees that were certified in 2018 / 2019. In 2020 we have continued to engage investment professionals for ESG training through multiple global training sessions on how to use ESG tools and processes in the investment process. Since 2017, DWS employees have taken the EFFAS ESG exam for certification. We will continue these training sessions in 2021, with a focus on a further roll-out of sector materiality workshops and consideration of principal adverse impacts in investment decisions. All of these activities support our investment professionals to engage with our investee companies efficiently and to focus on the most material financial and non-financial engagement topics.

Diversity

DWS is committed to an inclusive culture that respects and embraces the diversity of our employees, clients, and communities in which we operate. Our CEO is German, and of Sri Lankan descent, and our CFO is female. Diversity leadership starts at the top. As diversity and inclusion are central to the firm's culture, our continuous focus is to:

_ Build talented and diverse teams to make better investment decisions and drive business results
_ Create a respectful and inclusive environment where all employees can thrive
_ Strengthen our relationship with clients, partners, regulators, communities, and potential employees.

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	22	25	5
Global Head of Research	22	22	3
CIO for Respon-sible Investments	20	23	9

We released a diversity and inclusion survey in May 2020 assessing the extent to which employees are thriving across different diversity dimensions. This helps us to understand where we need to focus our efforts in driving inclusivity and diversity initiatives.

It is important to note that DWS has limitations in capturing data as we are prevented by laws in certain countries from doing so (e.g. Germany). As a result, we cannot by law capture a broader set of diversity data (e.g. ethnicity or disability) consistently across the organization and we do not have any explicit diversity targets beyond gender that are disclosed externally or included in performance management tools.

Throughout 2020, DWS continued its journey to embed diversity and inclusion in our business and people engagement practices. Key focus areas in 2020 were:

_ Progressing our commitment to improve gender diversity. DWS set voluntary goals at the Supervisory Board and Executive Board-1 and Executive Board-2 levels per the German Gender Quota Law in 2019. Gender diversity is one of the KPIs that we are tracking internally with continued success in meeting our voluntary goals

_ Improving diversity through talent attraction: Embedding diversity into the renewed Employee Value Proposition which will be implemented in 2021, targeting campaigns to attract more diverse talent, including people across multiple generations
_ Strengthening cross-generational collaboration and contribution: Established the DWS Next Generation Advisory Group, including its own ESG taskforce, to ensure a constructive two-way dialogue between the junior population and senior management on key strategic initiatives for DWS
_ Taking important steps to making our workforce more diverse: in the UK, we committed to the #100blackinterns initiative and established a Black Leadership Alliance initiative. In the Americas, we introduced a development programme for Black and Latin American talent, and created Employee Inclusion Networks (EINS) as well as an Employee Inclusion Engagement Council of senior leaders to further our progress in building a diverse and inclusive culture
_ Highlighting the contributions and achievements of employees inside and outside of our firm as part of our "We are DWS" campaign. Articles have been very well received internally as well as on our social media channels with topics including LGBTQI, mentoring, Black Lives Matter, gender diversity and CSR volunteering.

Working together to create a diverse and inclusive workforce at DWS

DWS has developed a number of key external partnerships to drive our agenda, enabling us to share good practices and positively impact the societies in which we are operate. Examples include:
_ Partnership and sponsorship with the 30% Club and the Diversity Project with the goal of increasing our female talent in senior leadership roles
_ Membership in New Financial, a UK diversity think tank specific to the asset management industry, to further drive and create an inclusive culture
_ Leading the diversity pillar of a European Asset Management CFO forum hosted by Ernst & Young
_ Sponsoring the Fondsfrauen initiative in Germany, a business network for women in asset management and finance
_ Membership in the Diversity & Inclusion Working Group of the US Institute, a think tank for leading investment management firms
_ Financially supporting Level20, a non-profit organisation dedicated to improving gender diversity in the European Private Equity industry
_ One of the first organisations to be certified in accordance with Human Capital Reporting Standards, which provide guidance on the core HR metrics on which companies should report both internally and externally.

DWS hosts a number of employee-driven initiatives globally, many linked to our People Engagement Group (PEG) that spans all of our locations. Following the IPO of DWS in March 2018, the UK entities have made good progress in identifying initiatives to develop, with a view to rolling these out in 2021. The program is entitled "Belonging at Work" and will start with a staff survey to highlight the most appropriate items to focus on for the UK population. This approach will also be developed within EMEA and APAC.

TABLE 2.2

Geographic Region	DWS Diversity Group	Date of Establishment
ALL	DWS People Engagement Group	2018
ALL	DWS NextGen Advisory Group	2019
EMEA & UK	Black History Month	2020
US	Black Leadership Alliance	2019, 2020
US	DWS Asian Inclusion Network	2020
US	DWS Pride	2020
US	DWS Pathways	2020
US	LatinX	2020
US	DWS V.E.T.	2020
US	WIN – Women's Initiative Network	2020

Case Study: Continuing our focus on gender diversity

DWS has been focused on gender diversity and flexible working initiatives for women for the past two decades. We have embedded these into our culture through balanced scorecards where our board members are accountable for specific targets in hiring practices and the establishment of diverse project teams. We have also embedded gender diversity into our approach on career progression.

Our Chief Financial Officer was recognised among Financial News' list of Top 100 Most Influential Women in European Finance in both 2018 and 2020, and chairs a forum of 12 European asset management and investment firms' CFOs. Our CFO also sponsors our diversity and inclusion initiatives and helps drive the effort for greater gender diversity across the industry.

TABLE 2.3: IMPLEMENTING GERMAN GENDER QUOTA LEGISLATION AT DWS GROUP

	Status as of Dec 31, 2019	Target for Dec 31, 2021
Supervisory Board of DWS KGaA	36%	30%[1]
First management level below the Executive Board	22%	26%
Second level below the Executive Board	27%	29%

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

DWS aims to improve gender diversity by adding specific targets to committee terms of reference and promoting flexible working in training. FTE planning and forecasting meetings are held quarterly with Human Resources and our divisions to track diversity metrics at all levels of seniority, to analyse positive and negative progress, and to track responses. Gender diversity goals are linked to executive board member scorecards, as noted above.

DWS has been a UK market leader over the past 15 years with our 'Executive Coaching' program, which helps reintegrate women into the firm following maternity leave. We have onsite nurseries across many of our regions and offer flexible working arrangements to all colleagues, both male and female.

To ensure a healthy pipeline of talent in the future, the DWS Executive Board is launching a new initiative in which each Board Member will nominate colleagues from all divisions to participate in an emerging talent programme. This will include talent from all genders, but will have a strong emphasis and focus on the female talent pipeline, as well as ethnic diversity. Criteria for nomination will be based on the individual's qualities and characteristics as professionals.

Emerging talent development will be embedded into the DWS working environment. The Executive Board will set assignments to be solved through project work and agile working methods to increase personal growth and organisational development. This will include psychometrics and mentoring. Additionally, our Global Alternatives Female Talent Sponsorship pilot program will support our high performing female employees to help them develop through sponsorship from the senior leadership team.

Considering diversity topics in our stewardship activities

While DWS is making progress to create a more inclusive workforce, we are equally committed to promoting diversity in the companies in which we invest. In 2020, we voted against the re-elections of incumbent board members at the general meetings of around 60 portfolio companies, which did not have female directors on their boards or were involved in social / gender discrimination controversies. In addition, we supported approximately 100 shareholder proposals demanding enhanced transparency on the companies' gender discrimination policies and specific targets on gender diversity, where we believed the companies need to increase their attention to diversity. As part of our engagement approach, we are accelerating our efforts to urge boards to address these issues by taking action.

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 investee 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 investee 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).

DWS has invested heavily in building its ESG capabilities. Instead of building up in-house ESG specialist teams in numbers, we have partnered with the leading external ESG specialists in the field and subscribe to five trusted commercial ESG suppliers for our proprietary DWS ESG Engine. With this approach, DWS can leverage more than 700 external specialists committed to ESG respectively, the equivalent of 2,500 years of ESG experience. Additionally, publicly available information is taken into account. Often requested by clients are, for example, Freedom House (political and civil liberties) or the Transition Pathway Initiative (TPI).

Investment in our Systems and Processes

We use a number of ESG specialists and data vendors as it increases reliability to 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, 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). In 2019, DWS acquired a stake in a high-tech ESG data provider, Arabesque, which uses quant models and machine learning to provide ESG information on over 7,000 listed companies. 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.

The ability to process, integrate, combine and analyse multiple data sources automatically is we believe a unique differentiator for DWS. There are few competitors in the market with this variety, breadth and access to algorithmic and data-driven ESG information.

The DWS ESG Engine is our in-house business-managed application software that empowers our employees to meet client demand on ESG solutions. 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 a six-week 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.

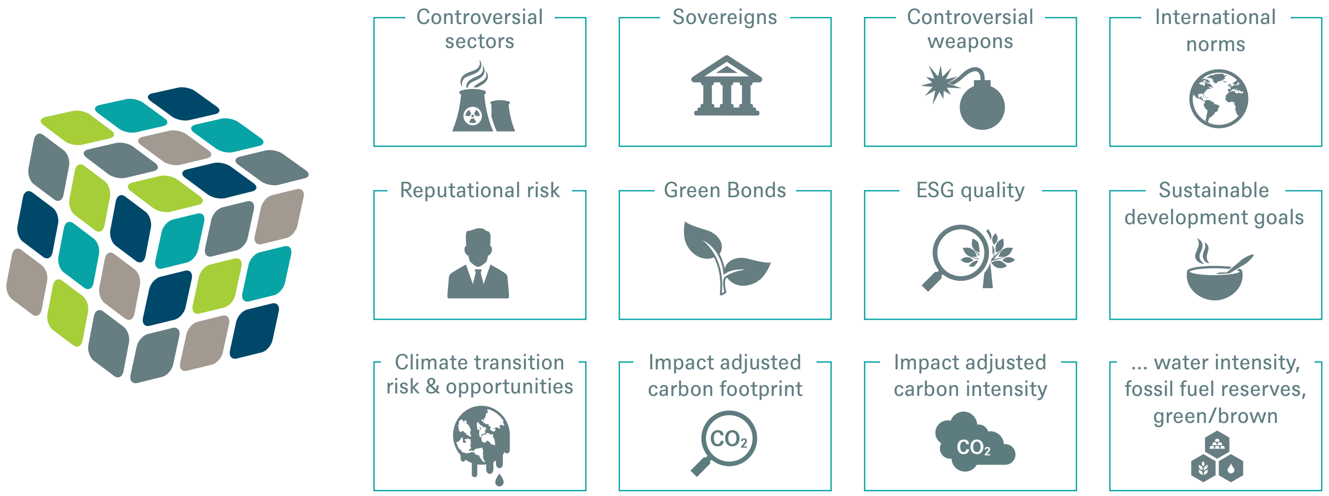
The resulting ESG signals are published into BRS® Aladdin for easy and flexible integration into DWS's investment platform, including its research platform, and consumption by DWS's investment professionals. Thereby, the DWS ESG Engine allows DWS's investment professionals to conduct a 360 degree assessment of almost 13,000 issuers on its platform.

Principle 2 – Purpose and Governance: Governance, Resources and Incentives

Analysis

While ratings such as our proprietary SynRating and Climate Transition Risk Rating aim to assess a company's ESG performance and climate transition risk, respectively, from a 360 degree perspective, a more granular assessment is possible, too. The following provides an overview of some of the ESG facets for which the ESG Engine can provide signals:

AVAILABLE SIGNAL MENU



Source: DWS Group GmbH & Co. KGaA. As of June 2020.

Our ESG vendors and service providers

DWS contracts with ISS-ESG (formerly known as Oekom / Ethics; sector tests, norm tests, ESG ratings, climate transition risk, water risk, green bonds), MSCI ESG (sector tests, norm tests, ESG ratings, climate transition risk, water risk), Morningstar Sustainalytics (norm tests, ESG ratings; for funds: sector tests, norm tests, ESG ratings), S&P TruCost (sector tests, climate transition risk, water risk), and Arabesque S-Ray (sector tests, norm tests, ESG ratings, climate transition risk, water risk). With this data-driven and capital intensive approach, DWS is in a position to forge ESG solutions based on more than 2,500 person-years of ESG experience, 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.

For the purposes of exercising our voting rights at general meetings, our entities use the services of two service providers: Institutional Shareholder Services Europe Limited ("ISS") and IVOX Glass Lewis GmbH. Both service providers analyse general meetings and their agendas based on our proprietary voting policy and provide us with voting recommendations and their rationale. IVOX Glass Lewis is responsible for the German general meetings, while ISS covers international general meetings and also provides us with a sophisticated online platform to support our proxy voting process.

Furthermore, we receive data from the ISS Governance Quality Score 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 for good corporate governance.

Underlying all of our investment activities is our core system. DWS uses BRS® Aladdin Solutions as a fully integrated environment. Investment views (including ESG and stewardship criteria), and changes to them, are communicated directly to investment professionals, as well as being centrally housed within BRS® Aladdin.

With the introduction and subsequent roll-out of BRS® Aladdin Solutions in 2014, 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 also to incorporate requirements like proprietary ESG data.

During 2020, we have enhanced our Equity Research Handbook to feature ESG integration. This also includes a description of guiding policies, main sources of ESG data, key factors to be considered during the research process, and information about the engagement and proxy voting process. The goal for the investment professional is to understand any mismatch between financially relevant ESG issues and the company's strategy to manage these opportunities and risks. The investment professional captures the insights from their company research in the DWS equity company financial short note and long note. In every section (including sustainability of business model, quality of governance, risk assessment and valuation) of the company long note, ESG information is to be integrated into the assessment. Our Credit Research Handbook highlights ESG analysis as part of the initiation report whenever a new issuer is added to the research platform. It also highlights that corporate bonds with the worst overall ESG rating require a higher credit spread to compensate any risks arising from this adverse sustainability profile.

Whilst there is no specific remuneration policy focused solely on ESG and stewardship activities, the way that these functions have been embedded as core responsibilities within our investment teams means that there is ongoing and formal commitment and these requirements are taken into account when evaluating the teams' effectiveness in these areas.

ESG performance measures have been included in the DWS Executive Board's long-term incentive award structure. Going forward, certain ESG Key Performance Indicators (EKPIs) will feature on the Balanced Scorecards of the Executive Board members of DWS in 2021. The results of these KPIs will have an impact on the compensation of the DWS Executive Board.

DWS seeks to integrate responsible / sustainable criteria into its corporate processes and for several years has set out firm-specific ESG priorities in the overall organisational objectives communicated to all employees. These ESG priorities are taken into account by relevant employees in setting their own individual performance objectives, thereby linking their performance on ESG priorities to their variable compensation evaluation. Sustainability principles in the Group-wide Code of Conduct are also taken into account in compensation considerations. Furthermore, from 2020, every employee involved in the investment functions is obliged to have at minimum one ESG-related objective defined within the annual objective setting process against which they will be measured within performance review processes.

Principle 2 – Purpose and Governance: Governance, Resources and Incentives

Outcome

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

Sustainability KPIs

During 2020, DWS successfully embedded sustainability KPIs providing greater transparency in the delivery of our sustainability strategy. Through the establishment of the Group Sustainability Office and the Group Sustainability Council, we are able to provide further transparency and increase awareness within DWS of how we are performing against our KPI ambitions.

We have made good progress against our stated KPI ambitions in 2020, achieving 7 out of 7 of our stated goals this year:

Corporate Engagements

ESG AuM

We demonstrated strong dedicated ESG AuM growth in 2020 with a 43% increase over 2019. This was driven by significant inflows into our sustainability focused strategies and our passive ESG strategies

PRI – Strategy & Governance

We maintained our A+ score for Strategy and Governance. We also saw an improvement in Securitized Fixed Income.

Global emissions

2020 has been an exceptional year due to COVID-19, and this has had an impact on our firm's emissions, most notably with our staff working from home and travelling less. Consequently, our emissions levels were far below those of 2019 levels. Irrespective of the impact from COVID-19, ongoing efforts are being made to ensure that we continue to manage and reduce our operational emissions over time

TABLE 2.4

KPI	Near term ambition	2019 Result	2020 Result
Dedicated ESG AuM	Grow our ESG AuM through a combination of flows into existing products, flows into new products and enabling the transfer of existing client assets from non-ESG products into ESG dedicated products	69.7bn	93.6bn
PRI rating for Strategy & Governance[1]	Maintain 2019 result of A+	A+	A+
Global emissions - scope 1, 2 and 3[2]	Reduce scope 1 and scope 2 as well as our scope 3 emissions at which we have influence on such as business travel	11,982	6,822
Sustainability Rating	Achieve a CDP rating in 2020	N/A	C
Gender diversity	Progress towards our 2021 target 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	21.5% – 1st level 26.8% – 2nd level	27.0% – 1st level 28.2% – 2nd level
Corporate engagements	Increase the number of corporate engagements	250	454
Proxy voting	Increase the number of companies whose shareholder meetings we vote at, for portfolios domiciled in Europe and Asia[3]	1,722	1,859

[1] Due to methodology change in PRI ratings we will not be disclosing an updated ambition in this report.

[2] In t/CO2e. Includes Scope 3 emissions from Real Estate, Air Travel and Car Fleet/Leased Vehicles. DWS Real Estate emissions for 2020 are determined on a pro-rata average FTE basis from DB Group emissions (natural gas, liquid fossil fuels, renewable and grid electricity, district heating, cooling and steam) and relate to the period October 1, 2019 to September 30, 2020. Q4 2019 is used as a proxy for activity in Q4 2020. 2020 Air Travel and Leased vehicles based on January 1, 2020 to December 31, 2020 DWS data. All 2019 emissions results based upon the calendar year. Air travel derived from actual DWS flight data and Leased vehicles from driven kilometres with diesel or gasoline cars. The most appropriate emission factors have been used for each activity data type from internationally recognised sources e.g. DEFRA (2018 and 19), GHG Protocol, eGRID (2018) and IEA (2019), RE-DISS (2018) or if more relevant from country or contract specific sources. The factors include all GHGs where possible and the gases' Global Warming Potential as per the IPCC AR5 assessments.

[3] Ambition restated to reflect number of companies whose meetings we vote at instead of number of meetings voted disclosed in 2019 NFR.

Sustainability Rating
We achieved a C rating from CDP in 2020, a score we had targeted as a first time responder to CDP as a listed asset manager. We intend to improve on this score in the future

Gender diversity
Through a number of initiatives we have improved the gender diversity in our senior management and remain on track to achieve our 2021 voluntary targets

Proxy voting
The table above summarises our 2020 results against the near-term ambitions DWS announced in the 2019 Non-Financial Report.

We have refreshed our KPI ambitions, where appropriate, as well as expanded the list of KPIs we will track going forward. The Sustainability KPIs that will be tracked internally in 2021 include:

TABLE 2.5

KPI	Near term ambition
ESG AuM[1]	Continue to grow our AuM through a combination of flows into existing products, flows into new products and enabling the transfer of existing client 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	Reduce total energy consumption by 20% by 2025 compared to 2019
Electricity from renewable sources	Source 100% renewable electricity by 2025, with an interim target of 85% by 2022
Travel[3]	Reduce Travel Emissions by 25% by 2022 compared to 2019
Sustainability Rating	Achieve an improvement in our 2020 CDP rating
Gender diversity	Achieve our 2021 target 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
Volunteer hours per employee	Commence DWS Corporate Volunteering activities with partner organisations and seek widespread involvement of DWS employees
Corporate engagements	Increase the number of corporate engagements
Proxy voting	Increase the number of companies whose shareholder meetings we vote at, for portfolios domiciled in Europe and Asia by >5%

[1] The classification of ESG AuM and Net Flows generally follows industry standards and guidelines. Through regional organisations such as the European Sustainable Investment Forum (EuroSIF), the US Forum for Sustainable and Responsible Investment (USSIF) and UK Sustainable Investment and Finance Association (UKSIF), investor reporting to the Global Sustainable Investment Association (GSIA) has become a global standard for categorising ESG assets and flows. In 2020, DWS has worked towards a classification of its investment products towards Article 6, Article 8 or Article 9 of the Sustainable Finance Disclosure Regulation (SFDR) for those products in scope of the regulation which we will apply going-forward

[2] % of BoP AuM on average in the medium-term

[3] Air & Rail

We made further progress toward reaching our gender diversity targets for our Supervisory Board, and for our executive management levels below the Executive Board. We included ESG in our standard interview procedures to ensure it is a regular consideration in the hiring of new talent.

Additionally, we formulated a dedicated Sustainability Risk Policy and completed the integration of sustainability risks into the DWS risk taxonomy. In 2020, for the first time, DWS was rated by ESG rating agencies such as CDP, FTSE Russel and Vigeo Eiris.

How our process is effective in supporting stewardship
In 2020, our governance structure and processes have allowed us to vote and apply our stewardship policy at a total of 11,725 general meetings globally. These meetings represented approximately 88% of the equity assets under management globally. For strategies domiciled in EMEA, we voted at a total of 1,859 companies in 59 markets of listing, which represented an increase of 14% in the meetings voted compared to last year and represents approximately 86% of the equities under management. For strategies domiciled in the US, we voted at a total of 9,355 meetings in 61 markets of listing, which represented 99% of votable meetings. The majority of the voted meetings globally were for companies listed in the United States, followed by Asia-Pacific countries and Germany.

We continue to improve our engagement approach and investment outcomes. In Principle 5 we further assess the effectiveness of, and future development of, our policies and processes.

Room for improvement
We continue to find that expansion of our ESG and stewardship activities is somewhat hampered by a lack of ESG information, such as company disclosures, sustainability of loans and so on. This particularly impacts asset classes like high yield, emerging markets and securitised CLOs. This lack of disclosure makes it difficult to achieve a consistently high level of quality ESG integration.

We therefore continue to drive for process improvements, such as ensuring that financially material ESG data is fully integrated into company valuation models. We are currently seeking to improve our process further with regard to the assessment and evaluation of our climate scenario analysis tool.

From a stewardship and engagement perspective, issues that we continue to seek to improve upon include:

_ Our engagement activities should focus even more on impact (measurement of sustainability outcomes) and follow a more stringent process to monitor and execute on specific engagement targets, such as metrics, timeline and next steps
_ Due to existing German "acting in concert" regulations (see Principle 10 for more details), DWS is prevented from undertaking collabourative engagements, though we continue to work with the German regulator on this issue
_ Engagement with supranationals and sovereigns regarding ESG related issues is currently considered most effective when undertaken by international institutions.
_ While we follow the same stewardship and engagement approach globally, companies in the Americas and Asia lag behind in data disclosures, but expected to catch up quickly to what has been implemented in Europe

Principle 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 in the DWS business. 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.

DWS has therefore set out in the policy "Conflicts of Interest Policy – DWS Group" principles, arrangements and procedures in connection with the identification, documentation, escalation and management of conflicts of interest for the group. This policy is, as are all our policies, reviewed annually and updated where required.

Please find the policy here:
https://www.dws.com/globalassets/cio/dam-us/pdfs/conflicts-of-interest-policy.pdf

Framework and arrangements

DWS uses a number of means (which may be used individually or in combination) 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 the associated risk of damage
_ 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://download.dws.com/download?elib-assetguid=2321711c2ec24a80b523c62580fa31c3/).

DWS applies this ethos to all aspects of its activities including investment stewardship.

The Management Board of DWS Group GmbH & Co KGaA is 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.

DWS Group Management Board members' appointments and board changes are subject to German key 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 function constitute jointly the internal control framework of DWS – the "Three Lines of Defence". Compliance, as a second Line of Defence function, is the "Risk Type Controller" for the conflicts of interest risk types assigned to it under DWS's risk governance framework and is responsible for the design of the risk management framework, especially for risk appetite setting (in conjunction with the business and Management 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 the local legal entity level, conflicts of interest reviews are organised by business lines and by region. In this way 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 representative and compliance.

For escalation within the business line, the global conflicts of interest (CoI) representative and the Corporate Operations Office (COO) are responsible for ensuring that conflicts are reviewed and reported to the relevant business line fora. 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

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 Group Management Board in managing conflicts

The DWS Risk and Control Committee (RCC), which is mandated by the Group Management Board to deal with conflicts of interest, meets on a monthly basis or ad hoc as necessary. Conflicts of interest that are rated as posing a greater risk are reported/escalated into the RCC on group board level. The Group Management board has responsibility over the conflicts faced by its 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.

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.

Principle 3 – Purpose and Governance: Conflicts of Interest

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. We do not currently offer client-directed voting, though this is currently under review.

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 security lending. The security 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 security 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 Centre 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 towards 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
For DWS' debt investments and related bondholder meetings, a dedicated and separate process is set up and owned by the fixed Income platform in order to avoid and manage any potential conflicts of interest.

Since company and board meetings are communicated internally to both the fixed income and equity platforms, analysts from both sides have the opportunity to participate in these if relevant for their investment decision. When there are governance topics involved, analysts of the Corporate Governance Centre also attend these meetings or initiate a governance engagement. In case of different expectations from an equity and fixed income perspective on issues to be raised during the engagement activity, two separate meetings will be organized.

Our engagement activities do not systematically differentiate between the two asset classes, however for individual cases and specific strategies, the topics we need to discuss might differ. We do generally believe however that good governance benefits 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.

Outcome

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

Examples of management of actual conflicts in 2020

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 where DWS has invested in as a fiduciary.

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
Funds distributed by DWS invest in other investment funds (target funds) which could be DWS (managed) funds. Through this investment DWS would be able to proxy vote for SICAV funds, funds organized as Trusts (or any other kind of funds that give shareholders voting rights). This could result in reputational conflicts. In addition, at general meetings with a low level of participation from investors, DWS votes might dominate voting results.

Control / Mitigation
DWS did not vote at meetings of DWS fund entities.

In the DWS Americas group of companies, DWS fund shares held by another DWS fund in a fund of funds structure will be voted in the same proportion as the vote of other shareholders (i.e., "mirror" or "echo" voting) in accordance with the US DWS funds policy as set forth in Proxy Voting Policy and Guidelines, unless otherwise instructed by the DWS funds boards.

Example of conflict management as assessed in the New Product Approval process in 2020
Activity
Investor directed voting rights: New service was proposed by DWS to allow pooled fund investors to take control of the voting of assets and exercise voting preferences.

Conflict description
A potential conflict / disconnect between DWS's fiduciary responsibilities for investors and individual investor voting preferences; potential dilution of impact of DWS's engagement activities.

It is possible that a conflict of interest exists / occurs where the investor's preference for proxy voting could compromise DWS's fiduciary duty to the investor. It is possible that individual investor preferences could diverge from DWS's policy and dilute DWS's ability to drive successful engagements.

Control / Mitigation
DWS is appointed by an external entity to provide passive investment management strategies, plus engagement activities. The external entity manages the investor voting preferences, with the DWS proxy voting policy as the default option. DWS's policy will be used for capital position events. DWS finds that the balance between empowering investor voting choices and fiduciary management does not present a conflict of interest and that the structure established provides sufficient transparency to investors.

Principle 4 – Purpose and Governance: Promoting Well-functioning Markets

Principle 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.

DWS has structures and processes in place which systematically identify, measure, assess, model, aggregate, mitigate, and monitor risks. These processes occur across the organisation in the regions, 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 (please find this document here: https://group.dws.com/ir/reports-and-events/annual-report/).

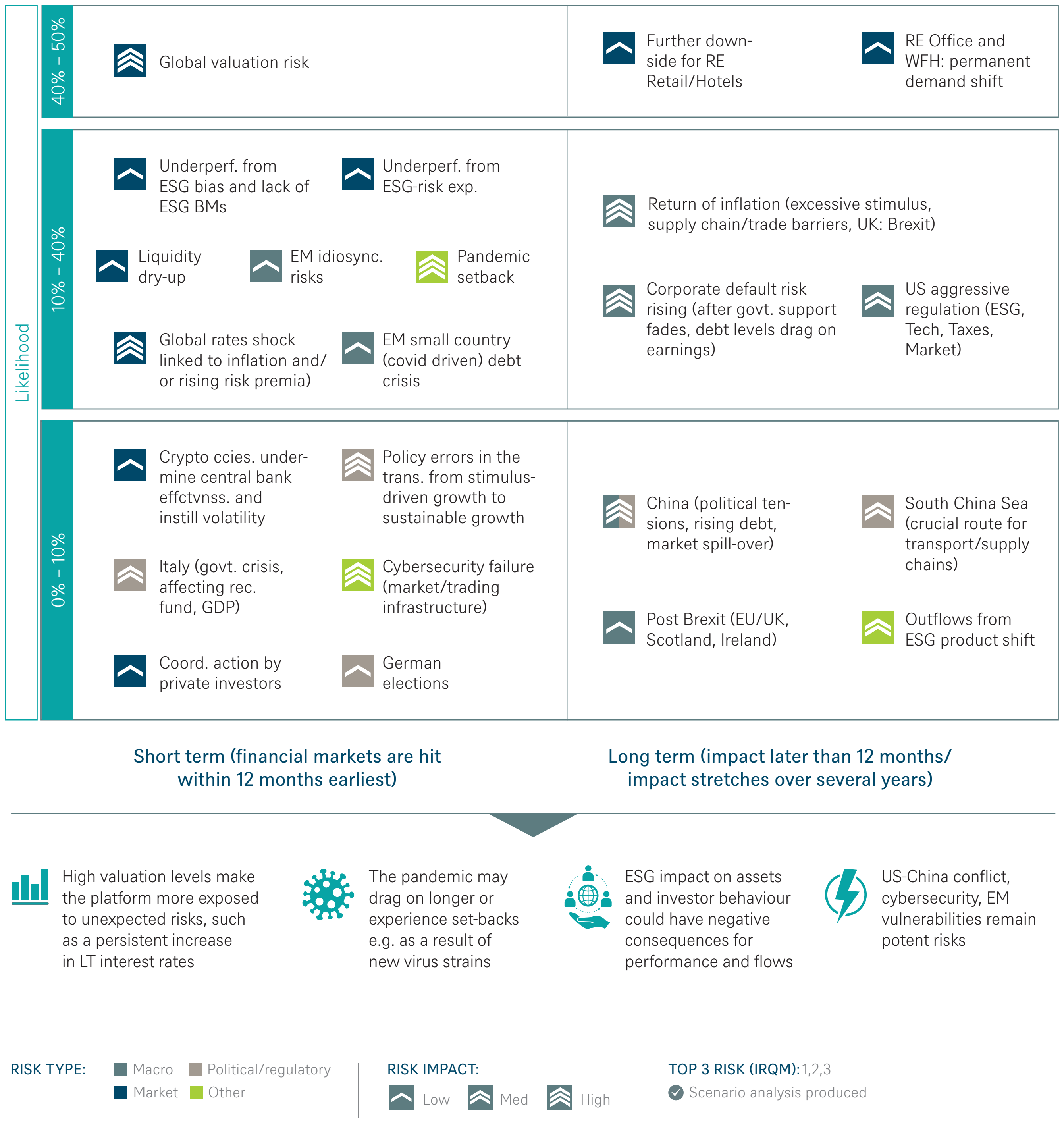
Key elements to identify systemic risks are the Forward Looking Risk Council, the CIO View generation process and Liquidity Risk management. A number of ESG and stewardship initiatives focus on helping society respond to market-wide and systemic risks.

Forward Looking Risk Council and scenario analysis

The Finance and Risk division together with DWS's Research House[6] run a regular process (Forward Looking Risk Council) with the purpose of identifying key investment platform risks which 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, disorderly Brexit, 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.

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

ILLUSTRATION OF KEY INVESTMENT PLATFORM RISKS



Source: DWS Group GmbH & Co. KGaA. As of June 2020.

Each of the risks highlighted in the illustration are based on a more detailed description of the risks, as shown by examples below:

TABLE 4.1

Category	Topic/Region	Risk / Rationale / Implications	Impact	Time	Probabll.
Alternatives	RE Office and WFH: permanent demand shift	Increased Home Office as 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
Alternatives	Further downside for RE Retail /Hotels	Negative impact from Covid-related lockdowns, travel bans, online shopping may drag on longer than expected as a result of new virus strains and the reckoning of delayed defaults when fiscal policy support measures and reserves fade	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 (CO_2-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	ST	Medium
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 be considered	Med	MT	Low
Market	Global valuation risk	A sense of complacency permeating financial markets as investors seem to bet on a persistent policy backstop and uniform market reviews 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 long-term interest rates – could be particularly pemicious should such tightening interact with financial vulnerabilites	High	ST	High
Market	Liquidity dry-up	Funds face outflows while liquidity dries up in relevant market segments _ ETFs and funds become forced sellers in the event of market-wide outflows _ Volcker rule regulation "took away" bank balance sheet buyers _ Central banks reduce tradable volumes	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

Especially for those risks with significant likelihood and impact, DWS runs 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 should be initiated:

1. Scenario description
In this step a narrative is created providing a realistic outline of the risk event as it may turn out at some point in the future. This step is supported by Research analysts of the Investment Management division to ensure that the risk outcomes and implications are based on sound fundamental analysis, considering the limitations of projections about the future.

2. Translation of scenario into factor shocks
Next 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
The factor shocks are used to derive potential client portfolio performance impact both for individual portfolios and across asset classes.

For example, pertaining to the risk of persistently higher inflation, DWS's Macro team formulated a narrative of an economic scenario leading to sustained higher prices as well potential policy reactions.

Based on the scenario description, asset class specialists provided impact estimates on factors such as treasury yields, investment grade credit spreads, equity markets, covering Europe, USA and Emerging Markets; consistent with the main exposures of the investment platform. The Risk team used these estimates, vetted them for consistency and applied the refined inputs to run the according impact analysis across portfolios.

The results provided insights about the portfolios', strategies' and asset classes' gain / loss drivers. Based on these results, the Investment Management division was put in a position to review and optimize exposure, while the Finance and Risk division could identify pockets of risks which deserved further scrutiny or even potentially mitigation action.

This framework was implemented throughout the COVID-19 pandemic. After the news of a new virus in January 2020, DWS started to prepare an analysis 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 has been used within both DWS's Investment and Finance and Risk divisions to assess where significant effects might require mitigating action.

ILLUSTRATION OF THE SCENARIO ANALYSIS PROCESS

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

What is going to happen if inflation turns out to be materially higher than projected in our CIO View? Together with Research and Portfolio Management we modelled the following risk scenario (20%-25% probability):

In Europe, tighter labour markets drive inflation to 1.9% in 2018 and 2.4% in 2019 (core inflation 1.5% in 2018 and around 2% in 2019) – clearly overshooting its long term trend. Headline inflation would peak at 2.4% in Q3 2018 and at 2.8% in Q4 2019. Oil price moves to 70 end of 2018 and even higher in 2019, towards 80.

As a consequence, ECB takes a hawkish stance already in 2018. Guidance would include a stop of additional QE buying in Sep 2018 and later (as "transitional effects" fade out and inflation stays high) markets are prepared for a first hike already by the end of 2018, say an increase of the depo rate from actual -40 to -20bps. As inflation pressure remains, an additional tightening by March 2019 increases depo rate to 0 and a 25bps increase in the refi rate takes place, kicking off a tightening cycle.

In the US, we see core PCE inflation rising up to 3%, and headline up to 3.5% in the next two years, as a result of one or a combination of the following catalysts: aggregate demand accelerating further, labour costs and inflation becoming more responsive to diminished slack, robust global demand beginning to pressure resources outside the US too, or longer-term inflation expectations rising meaningfully.

The Fed responds to such an overshoot in inflation by raising the funds rate to 4% in a total of 10 steps (base case is 6 rate hikes) by end of 2019 with balance sheet reduction continuing or even stepped up, raising the risks of a classic "overheating-economy-Fed-tightening-included" recession on a 2020 horizon.

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

Tsy 2Y USD_2yr – Yield	155.00 bps	DEM 2Y EUR_2yr – Yield	50.00 bps	MS Emerging Mkts MXEF – Index Level	-25.00 pct
Tsy 10Y USD_10yr – Yield	125.00 bps	DEM 10Y EUR_10yr – Yield	100.00 bps	EU Credit IG EUR_LEH_CREDIT – Spread Yield	65.00 bps
CPI 1yr USD_CPI_1yr – Yield	-90.00 bps	EUR/USD EUR_FX_USD – FX	-6.00 pct	US HY Market USD_HY_MARKET – Spread Yield	100.00 bps
Crude Oil NYME 1 USD_COMD_CL_1 – Price Level	13.50 pct	S&P 500 SPX – Index Level	-20.00 pct	Middle East and Africa USD_EM_CORP_MIDAF – Spread Yield	100.00 bps
US Cash Bonds IG USD_LEH_CREDIT3 – Spread Yield	65.00 bps	MSCI EUROPE (EUR) MXEU – Index Level	-25.00 pct		

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

Top 10 – Multi Asset Portfolios Relative

Top	Portfolio Impact	BM Impact	Active Impact	Portfolio ID	Portfolio Name	PM Name	BM Name	Market Value	Portfolio Currency
1	-919	-2463	1544	017_0062	Deutsche Global Macro Fund	Henning Potstada	MSCIACWIN	18,052,001	USD
2	-1957	-2553	596	0110134S16	Portfolio_0110134S16	Gerd Kirsten	MS_EU_NET	220,254,420	EUR
3	-1200	-1770	570	12_6103	Portfolio_12_6103	Tobias Spaeti	MSCIWRDNET	55,894,444	CHF
4	-772	-1244	472	12_6000	Portfolio_12_6000	Tobias Spaeti	SBSPCGMSX	203,925,895	CHF
5	-1139	-1558	419	12_6035	Portfolio_12_6035	Tobias Spaeti	MSWXCHFCO	523,830,718	CHF
6	-1836	-2208	372	001_0049	L wen Aktienfonds	Klaus Kaldemorgen	MSCINREUR	49,739,495	EUR
7	-843	-1167	324	011_0290	Portfolio_011_0290	Stefan Strugies	CG_STEEUR	55,109,814	EUR
8	-752	-1071	319	011_0670	Portfolio_011_0670	Christian Bouton	CG_STZEUR	14,066,151	EUR
9	-764	-1071	307	011_0311	Portfolio_011_0311	Christian Bouton	CG_STZEUR	26,461,429	EUR
10	-902	-1183	281	011_0464	Portfolio_011_0464	Martin Rother	CGBGSTXEUR	195,117,264	EUR

Bottom 10 – Multi Asset Portfolios Relative

Bot-tom	Portfolio Impact	BM Impact	Active Impact	Portfolio ID	Portfolio Name	PM Name	BM Name	Market Value	Portfolio Currency
1	-1645	-5	-1640	011_0229	Portfolio_011_0229	Diego Sapaico	EURIB3M250	101,070,971	EUR
2	-1011	-5	-1006	0110396S01	Portfolio_0110396S01	Marion Krimmel	EURIBOR3MO	126,443,127	EUR
3	-844	-5	-838	011_0237	Portfolio_011_0237	Diego Sapaico	EUBOR3M150	6,129,613	EUR
4	-773	-5	-768	12_0515	Portfolio_12_0515	Martin Rother	EURIBOR275	96,433,892	EUR
5	-747	-5	-741	12_0876	Portfolio_12_0876	Sascha Halicki	EURIB3M400	45,473,511	EUR
6	-1659	-858	-676	011_1173	Portfolio_011_1173	Marion Krimmel	SNPMSBUSD	107,933,624	USD
7	-1258	-654	-604	011_1006	Portfolio_011_1006	Stefan Strugies	JPSTXMSPCO	34,492,053	EUR
8	-1313	-891	-422	38_008	USD Inv. Grade Corporate Bonds	Jens Lindhout	B28624EUR	332,661,822	EUR
9	-791	-483	-419	12_1135	Portfolio_12_1135	Hans-Joachim Web	RCBGFSINGH	63,181,562	EUR
10	-954	-634	-361	03_323	DWS Invest Convertibles	Christian Hille	UBSGFIEURH	1,601,966,444	EUR

Pictures for illustrative purposes only. Source: DWS Investment GmbH.

Principle 4 – Purpose and Governance: Promoting Well-functioning Markets

CIO View generation process

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

Strategic process

In the course of the top-down process, the investment universe is divided 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 in turn 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.

These qualitative and quantitative estimates are presented by the analyst in an asset class meeting for each area and compared with the assessments from the other alpha sources. The collected findings are then presented simultaneously for all asset classes in a large meeting called "CIO Day", at the end 'of which the house view (the DWS CIO View) is decided.

This integrated and cross-asset class process is designed to ensure that insights from one asset class are available to 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, or insights from commodity research with the priced-in or expected default rates of high-yield bonds.

Example: Application of the CIO View generation process during the Corona crisis

In the spring of 2020, when oil prices were briefly trading in negative territory, default risks were flagged by the High Yield team, while Commodity Research viewed the turmoil in oil prices as caused by market-specific factors (the delivery of futures contracts) and projected a recovery. This framework is intended to provide early detection of systemic risks that threaten to spill over from one part of the economy or market to other areas.

Tactical process

The strategic process is complemented by a tactical process in which the same research analysts formulate in real time 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 particularly 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.

In addition to the implications for the demand side of the economy which are typical of recessions, the COVID 19 crisis involved an unprecedented shock to the supply side. As a result, all economic forecasting models that focus on the demand side of the economy turned out to be inadequate. DWS Macro Research) thus developed a model which focused on the supply side, which was calibrated with expected shortfalls in activity for all sectors, in coordination with bottom-up research. This model was then used to generate economic scenarios depending on different trajectories of the pandemic, which in turn formed the basis for forecasts of the impact on countries and sectors.

DWS has instigated a Long Term Capital Markets Assumptions research agenda[7], to complement our existing 12 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 latest development, is the integration of ESG and climate transition risk into our Strategic Asset Allocation process, published in December 2020[8]. The team that developed this process provided input to the IIGCC Paris Alignment workstream on SAA.

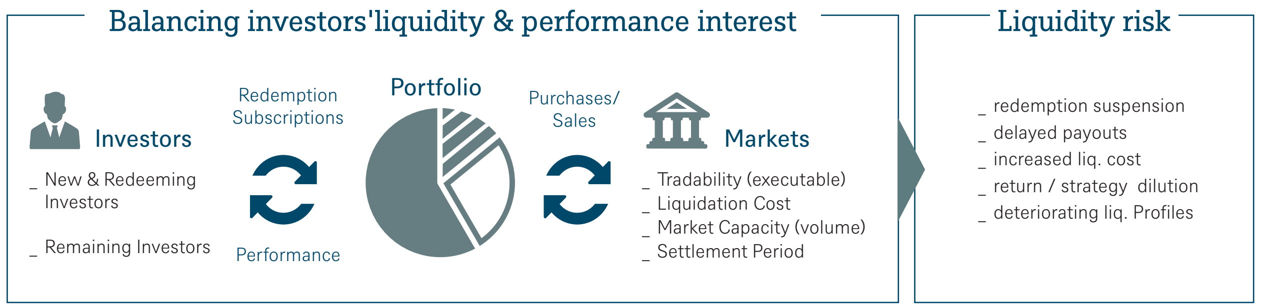
[7] dws.com/en-gb/insights/global-research-institute/dws-long-view-2020-Q1/
[8] www.dws.com/en-gb/insights/global-research-institute/esg-in-strategic-asset-allocation-saa-a-practical-implementation-framework/

Liquidity risk management

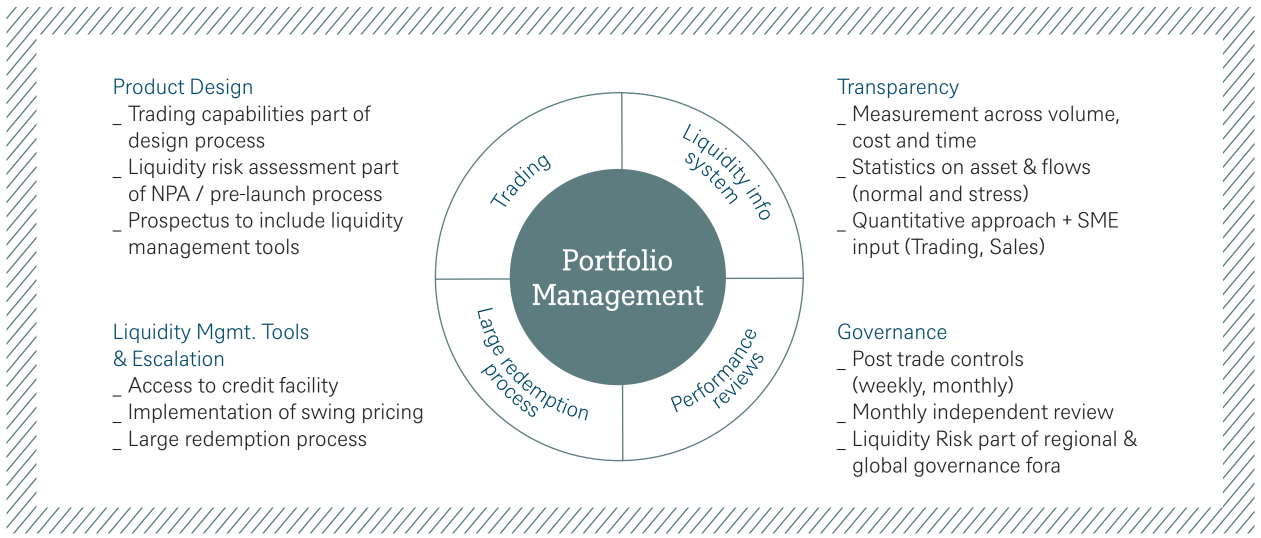
DWS considers liquidity risks as a potential source of systemic risks. Hence, a thorough liquidity risk management proess has been put in place to make the firm and client portfolios more resilient against the risk of unexpected changes in the capacity of markets to absorb transactions without significant price distortions. These steps include, where applicable:

_ Weekly liquidity analysis of portfolios and monitoring as well as escalation of observations of portfolios with below-target liquidity metrics
_ Specific redemption conditions as well as fees consistent with transaction costs of underlying assets and investment horizon of the investment strategy to support market stability and protect investors in the fund. This includes in particular swing pricing to better align transaction costs with redemption activity by the redeeming investor
_ Deferred redemption as well as gating mechanisms to ensure equal treatment of investors in situations of severe illiquidity and significant redemption pressure in certain markets
_ Availability of committed credit facilities to bridge cash demands during times of limited ability to sell assets

ILLUSTRATION OF DWS LIQUIDITY RISK MANAGEMENT FRAMEWORK



DWS manages liquidity risk via a Liquidity Risk Management framework based on 4 key elements, supporting and complementing PM's management of liquidity risk



COVID-19 related stewardship

As the COVID-19 crisis is having extraordinary effects across all sectors of the economy globally it is also reflected in numerous areas of engagement. These include, for example, the virtual Annual General Meeting, in which in our view the shareholders' right to ask questions, make proposals and contest resolutions is significantly restricted. We also addressed the issue of dividend payments, hygiene measures and pandemic-related uncertainties regarding the management guidance for the coming months in many of our engagements.

As standard in our 2020 engagements, we have asked the following questions of investee companies:

_ What measures are you taking with regards to your employees and other stakeholders?
_ Which explicit impacts / effects can you identify in relation to the crisis so far and how have you reacted to these?
_ What implications does the COVID-19-pandemic have on your mid- to long-term targets?
_ What implications for your global supply chain have you identified and how will you strengthen your business regarding these issues in the future?

We additionally sent specific questions in writing to the boards of directors of 23 portfolio companies on our Focus List and made these available on our website[9]. For example, in many of our engagements, we questioned the pricing of certain products in high demand, such as respirators, and the progress of vaccine and treatment development. Next to our engagement calls, we also submitted COVID-19 related questions to the Annual General Meeting of twelve companies, which are also published on our website.

In addition, a serious case arose in which employees accused a large French listed digital service provider of failing to implement adequate hygiene regulations and of severe human rights violations in the context of the COVID-19. In a subsequent engagement call, the company gave an overview of the situation and the measures it has taken to protect its employees globally. We will closely monitor further developments and continue to have regular engagements with the company.

In 2020, in light of the COVID-19-pandemic, the German government diminished shareholder rights, listed companies were allowed to hold their AGMs virtually and limited the ability for shareholders to ask questions, participate in the meeting, file resolutions and appeal against motions. As a responsible investor, DWS acknowledged the necessity for such emergency legislation. However, we expressed our concerns about the possibility to extend these measures for the full year 2021 early on in position papers by the DVFA and the BVI. We also developed and presented proposals how the shortcomings could be overcome in the future and invited other trade associations for a round table discussion. In Q3 2020, pressure from CEOs of 60 listed companies led to a prolonging of the aforementioned measures. We started to engage actively with legislators from the German parliament (Bundestag) and the Ministry of Justice and Consumer Protection to initiate changes to the legislation that would restore at least some of the shareholder rights. This process and exchange is ongoing.

Identifying sustainability related market-wide and systemic risks

Our identification of sustainability related market-wide and systemic risks, included in our annual report, are an assessment of material Sustainable Development Goals (SDGs), efforts to develop a 2030 vision and analysis of key industry trends.

In DWS's 2019 Sustainability Report[10], we published the findings of an analysis of the SDGs, based on likelihood, influence and magnitude of positive and negative impacts upon 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.

In September 2020, DWS senior management started a scenario planning process "DWS 2030", focused on six key macro-economic, non-asset management specific trends (excluding 'black swan' events). During 2021, small groups of 'young talent at DWS' across all divisions and regions will examine each trend and potential impacts/actions for DWS, with each group sponsored by an Executive Board member.

[9] https://www.dws.com/solutions/esg/corporate-governance/
[10] group.dws.com/responsibility/sustainability-report/

In November 2020, DWS announced the establishment of an ESG Advisory Board of six international sustainability experts from diverse disciplines who actively advise the CEO and the Executive Board of DWS on the acceleration of our ESG strategy. This includes identifying and helping DWS senior management to address market-wide and systemic issues.

System-wide stewardship towards sustainability related market-wide systemic risks

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

_ Since 2009, DWS has continuously signed the annual investor letter to governments calling for stronger climate policies[11] Only four of the largest twenty asset managers (by AuM) signed the 2020 letter
_ Our CEO signed an investor and business letter[12] sent in September 2020 to European Heads of State, calling for stronger climate targets before a European Council meeting
_ DWS signed an investor letter to the UK Prime Minister, calling for a planned coal mine to be cancelled in light of COP26[13]
_ DWS signed a letter from the UK Green Finance Institute, sent to the UK Prime Minister, calling for a green home grant program to be strengthened and funding maintained
_ We responded to the IFRS' consultation on ESG disclosures
_ Through a number of trade associations, DWS experts also contributed to a number of diverse consultation responses from different governments and regulators.

DWS's most substantive contribution to public policy development is regarding energy efficiency. Through the management of DWS's real estate portfolios and the management of the European Energy Efficiency Fund[14] for the European Commission and European Investment Bank DWS is well positioned to comment on energy efficiency.

A DWS expert was a founding member of the European Energy Efficiency Financial Institutions Group[15] (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. DWS is currently contributing to a working group on financial risk and value of energy efficient loans. In parallel, DWS's Research Institute published a report[16] 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[17].

Showing the effectiveness of our activities in this area, the European Commission's response to the EEFIG steering committee letter[18] 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".

We recognise that the broad financial industry is not doing enough to use its influence and capabilities to help society manage market-wide and systemic risks. Converting systemic risks into investment opportunities, is the objective of the World Economic Forum's Transformational Investments working group[19], which DWS's Global Head of Research joined. This initiative identified systemic risks including climate, water, population growth, geopolitical uncertainty negative interest rates, technology disruption and inequality. DWS published "A Transformational framework for water risk[20]" (As water is one of the risks that has seen the least amount of progress but where investors can play an important role). The report identifies that addressing systemic risks requires investors to move from an 'outside-in' approach focussing on how sustainability issues affect financial risk management, to an 'inside out' approach of using investor influence for a positive, transformational change.

While Stewardship Codes and client pressure are encouraging the asset management industry to step up its stewardship efforts and action on systemic risks, the Transformational Framework report concludes that this is not sufficient. One of the report's suggestions is that there should be a tax on ESG 'do nothing' funds, an intermediate tax on ESG risk integration funds and no tax on funds fully focused on engagement / impact and addressing systemic risks. We intend to further develop this idea with other stakeholders.

To promote well-functioning financial markets, DWS experts are involved with a number of organisations. For example, in Germany the head of the DWS Product Division is a board member of the German Investment Funds Association (BVI) with the mission to promote sensible regulation and fair competitive conditions for the fund industry with politicians, supervisory bodies and international institutions. On working level, DWS is actively participating in most of the ongoing working groups of BVI. Similarly, DWS is represented at ALFI, the Association of the Luxembourg Funds Industry, and DWS employees are among the chairpersons of working groups. In 2020, our CIO for Responsible Investment became a member of the German Government's Sustainable Financial Advisory Council.

_ Institute and Faculty of Actuaries – Finance and Investment Board
_ DVFA (German Association for Financial Analysis and Asset Management) – Board and Several Commissions, providing input to the German Corporate Governance Scorecard, DVFA Stewardship Guidelines, Position Papers on numerous legislative initiatives, including the Shareholder Rights Directive II, German Corporate Governance Code, COVID-19-measures regarding AGMs and shareholder rights, discussions with German regulator BaFin regarding Acting in Concert vs. Collabourative Engagements
_ BVI – providing input to Corporate Governance Guidelines for analysing German AGMs ("German Best Practice")
_ Investment Association (IA) – Stewardship Reporting
_ Chair of the UK Investment Association – ETF committee
_ Chair of EFAMA (European Fund & Asset Management Association) committee
_ Member of ICI (Investment Company Institute) committee
_ On the "panel of experts" that IOSCO (International Organisation of Securities Commissions) and FSB (Financial Stability Board) consult on wider capital markets related issues. Invited by IOSCO and FSB this year and last year for a closed door meeting with 50 global regulators to discuss risks in capital markets and looking at ways to enhance operation
_ Regularly consulted by global regulators and authorities (e.g. IOSCO, ECB, European Commission, CBI, CSSF, BoE, FCA) to discuss developments in the capital markets and fund industry.
_ Exchanges and other capital markets participants approach for periodic / regular inputs for prudential oversight.

The development of new investment industry best practices and tools is another way that we can help society manage systemic risks. For instance, DWS:

_ Is cooperatively developing investment practices to respond to the mispricing of physical climate risk in infrastructure investment decision-making: DWS co-founded the Coalition for Climate Resilient Investment (CCRI) and DWS's Head of Infrastructure Research is actively participating in the Asset Design and Structuring working group. We expect that this initiative will define new market standard methods for infrastructure investors
_ Is supporting the creation of investor guidance on Paris Alignment / net zero: Through the IIGCC, DWS was asked to co-chair the real estate work-stream and also contributes to all other work-streams (equities / bonds, sovereign bonds, Strategic Asset Allocation)
_ Is a founding signatory to the IIGCC's Net Zero Asset Managers Alliance launched in December 2020, helping to advance investor action in this area. DWS' ESG Client Officer serves on the Board of IIGCC
_ Is contributing to education and capacity building of asset owners and pension fund trustees about climate and sustainability risks and opportunities through our client webinars and publications (described under Principle 6)

[11] www.dws.com/insights/global-research-institute/stakeholders-and-shareholders/ theinvestoragenda.org/focus-areas/policy-advocacy/
[12] www.corporateleadersgroup.com/reports-evidence-and-insights/ceos-urge-eu-to-raise-emissions-targets
[13] www.dws.com/en-gb/Our-Profile/media/media-releases/dws-pushes-ifrs-to-introduce-a-coherent-esg-reporting-standard-based-on-double-materiality/
[14] www.eeef.eu Included as information only for the purposes of the 2020 Stewardship Code report by DWS Investments UK Limited
[15] http://eefig.eu/
[16] www.dws.com/insights/global-research-institute/green-healthy-buildings-as-economic-stimulus/
[17] www.greenfinanceinstitute.co.uk/ceeb/
[18] Source: European Commission, June 2020
[19] www.weforum.org/whitepapers/transformational-investment-converting-global-systemic-risks-into-sustainable-returns
[20] www.dws.com/insights/global-research-institute/a-transformational-framework-for-water-risk/

Principle 4 – Purpose and Governance: Promoting Well-functioning Markets

_ Is the only asset manager to provide input to the UNEP FI background paper for the Global Commission on Adaptation: "Driving Finance Today for the Climate Resilient Society of Tomorrow", which made recommendations for policy makers and financial regulators to manage physical climate risk and improve resilience
_ Provided input to the Bank of England and Financial Conduct Authority's Climate Financial Risk Forum through the Scenario Analysis Working Group.

Our Integrated 2020 Annual Report and our 2020 Climate Report provide an overview of all industry initiative engagements and related activities and contributions also listed under Principle 1.

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.

Evaluating the effectiveness of any financial institution's response to market-wide and systemic risks is very difficult as society's response to any risk is shaped by a multitude of institutions.

We recognise that we have not carried out a full review of the strengths and weaknesses of our response to market-wide and systemic risks. Our external ESG Advisory Board, Sustainability Office and "DWS 2030" scenario analysis initiative are likely to spur such a review. However, we suggest the following example of where our efforts have contributed to addressing market-wide and systemic risks.

Over the past nine 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"[21]

One of these three reviews was co-written by DWS's Head of ESG for Multi-Asset and 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 other related research has contributed to this investor perception shift.

[21] www.dws.com/insights/global-research-institute/stakeholders-and-shareholders/

Principle 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 cross-check as frequently as necessary whether the local regulatory requirements of the different markets in which we operate are met by our policies and processes. Externally, the transparency and effectiveness of our proxy voting process is regularly reviewed by our external auditors. 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 PRI, 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 polices are reviewed annually using both external assurance and internal analysis in order to maintain effectiveness and further improve.

For our Corporate Governance and Proxy Voting Policy reviews, we seek to ensure that our corporate governance expectations reflect relevant regulatory changes and remain robust against market standards and developments based on our experience from 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.

Our proxy voting process was reviewed by external auditors in 2020. Additionally, we published the latest version of our Engagement Policy which was reassessed to meet the requirements of the European Union Second Shareholders' Rights Directive (SRD II). Our Sustainability Report has also been reviewed by our Supervisory Board, as well as our external auditors in 2019 and 2020. In light of the Non-Financial Reporting Directive, we are also reviewing our policies and processes to address these requirements.

Corporate governance and proxy voting policy developments in 2020

Key changes in our policies addressed:

Board Elections / Discharge

We extended our majority independence requirement to the main board committees and the Audit Committee Chair. In addition, we introduced new guidelines on gender diversity within the board - our expectation is to have at least one female representative on the board.

Chair of the Remuneration Committee

As of 2020, we consider holding the Chairs of the remuneration committees accountable when the remuneration system receives less than 80% support at the latest general meeting.

Japanese companies

We will consider holding boards in Japan accountable when the company's RoA (return on assets) is less than 5%.

Environmental Risks and Compliance with Responsible Investment and Sustainability Standards

We expect Boards and Management to adequately assess and address risks and impacts arising from or associated with environmental developments. We expect companies to align their business practices with internationally accepted and

Principle 5 – Purpose and Governance: Review and Assurance

established standards such as the UN Global Compact Principles, TCFD (Task Force on Climate-related Financial Disclosures) recommendations, SASB (Sustainability Accounting Standards Board), CDP etc., and report on these accordingly. We also communicated our intention to carefully evaluate these aspects and hold boards accountable in case they fail to address these accordingly and do not act in an environmentally and socially responsible manner.

Transparency on Lobbying Expenditure and Political Contributions

In 2020, we elaborated on our expectation towards companies to be transparent about their lobbying activities. This includes transparency about direct and indirect expenditures on lobbying, donations to political parties, memberships and payments to industry bodies and tax-exempt organizations that seek to influence legislative acts, comparable financial contributions
or contributions in kind.

Climate policy and report 2020

Our commitment to climate neutrality was one of our most important milestones in 2020. To detail our net zero commitment (via the Net Zero Asset Managers Initiative), we are in the process of formulating our climate strategy in line with TCFD guidelines. Our first climate report is fundamental to ensuring that we provide transparent disclosure on climate action on a regular basis. The lens for our climate strategy focuses on both the financial risks and opportunities we need to manage as well as the climate impact we have as an organization.

As fiduciaries, it is our duty to measure, analyse and manage all material risks and opportunities for our investments – including those related to climate. TCFD has effectively changed how organisations view and tackle these. As a TCFD supporter, we are driving the implementation of the recommendations and incorporating climate related risks and opportunities into our governance structure, strategy and risk management processes. We have underpinned these efforts with additional analysis, including climate related scenario analysis, with the aim of further developing our analysis tool kit and understanding climate related risks.

The European Commission has consulted on expanding the definition of fiduciary duty to include responsibility for the environmental and social impacts of investment decisions. We have set a target of reaching climate neutrality ahead of the timeline in the Paris Agreement. We will set our (interim) targets and action plan by the time of the COP26 in November 2021 and will report against them in our future TCFD report.

In recent years we have significantly improved our understanding of climate related risks and opportunities, through the integration of ESG criteria into our CIO View and the development and calibration of value-add climate related data. In 2020 we continued this work by understanding the financial impacts on our investments as well as the climate footprint of our own corporate activities. We see three important levers available to us to drive this transition:

_ Work actively with our clients on decarbonisation goals for their portfolios
_ Anchor climate related targets even more firmly in our engagement approach
_ Further collabourate with other stakeholders and investor initiatives

For full details of the report please access it here:
https://download.dws.com/download?elib-assetguid=eb072f20af4c432cacf8f1fd6d8f71b3

At this point in the evolution of stewardship standards globally, we do not believe that external audit firms have a sufficiently detailed understanding of stewardship issues and best practices. Therefore, we decided not to engage an external auditor to review our stewardship processes and policies specifically. We continue to engage with audit firms and will keep the level of expertise available under review.

DWS has been a signatory to the PRI (Principles for Responsible Investment) since 2008 and is subject to the annual PRI assessment. In 2020, we maintained an A+ (highest possible) rating for our strategy and governance and also achieved an A rating for our active ownership activities. Over the past two reporting cycles, DWS was able to improve in selected areas of ESG Integration (especially ESG integration in securitised assets) and Active Ownership. Most notably, improvements were possible in the section focused on Reporting and Transparency to Clients. In other modules we were able to maintain our existing strong ratings. Please see the chart below for a breakdown of the PRI ratings and a comparison with the previous results.

TABLE 5.1

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
	10b. 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 – Collabourative Engagement	maintained	A+	A+	A	better
	11c. 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	A	B	better
10–50%	16. Property	maintained	A	A	A	in line
< 10%	17. Infrastructure	maintained	A	A	A	in line

TABLE 5.2

	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	

In other developments, we welcome the new ESG rating approach recently introduced by Morningstar, which will help investors understand manager capabilities and skills in ESG. We expect this sort of rating to be adopted by traditional rating agencies and believe that ESG ratings will become as important as credit ratings over time. Please refer to Principle 1 for additional detail on the Morningstar review.

We finished among the Top 10 global asset managers voting on shareholder proposals linked to climate change, according to a 2020 report published by CERES, with 88% support.

Please find the report here: https://www.ceres.org/resources/reports

Principle 5 – Purpose and Governance: Review and Assurance

Our engagement report focuses on our voting and engagement activities in more detail. These include for example, the reasons why we voted against management recommendations and the trends we see in companies' behaviour on specific topics. We generally describe for which aspects of our expectations in our Corporate Governance & Proxy Voting Policy we have seen improvement in companies' practices and which aspects we still see as critical and continue opposing. 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". Thus, we provide details on our successful but also failed engagement efforts. Our engagement report also discloses our public policy engagements, where we have the possibility to report on challenges we are facing and also successful contributions to different external policies or initiatives.

Within client reporting, where requested, we provide the following data points:
_ Instrument type
_ ISIN
_ Company name
_ Counterparty at the investee company
_ Method of engagement
_ Engagement topics (E,S & G)
_ Engagement commentary

Reporting developments in 2020

_ Monitoring: we developed an ESG integration framework and reporting tool.
_ EKPI reporting: we improved transparency to our clients on the ESG characteristics of our strategies via the establishment of EKPI reports. We continue to develop further reporting enhancements for our clients.

Regulatory limitations around stewardship reporting

As a global asset manager, DWS is bound by the 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 our voting rights, there are limitations to our approach. Due to the level of detail in our voting policy, company-individual voting research would require further in-depth analysis which is limited.

External assurance

As a signatory to the PRI, DWS annually 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: strategy and governance, climate change reporting, and asset class specific information. The PRI also conducts a data validation exercise on the information submitted in its transparency report to ensure accuracy and fairness.

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 Engagement Report[22]. In the Engagement Report we clearly describe and graphically represent 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 in order to gain external assurance from our auditor that ensures all our data is fair, balanced and factually correct.

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

Outcome

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

The 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 to 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.

In addition, we also internally analyse the level of our engagement with companies. This analysis can be found in our annual Engagement Report which has led to a year-on-year increase in the number of companies engaged with, in an increasing number of regions.

Our Engagement database has developed into a centralised point accessible for use by all DWS investment staff. The review of our Sustainability 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. By publishing our reports (both the Sustainability and Engagement Reports) we have made our Engagement Database more detailed. We are now able to track our activities in a more systematic manner and report on these in greater detail, adding transparency.

DWS also 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. A yearly audit is performed by an external auditor for the different business areas. In the past three years, the corporate actions team has been externally audited with their processes and controls always being approved. In addition, our operations teams also support the business in making well informed decisions, contributing to good stewardship for our clients.

Principle 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.

Product Strategy Framework

Our products and investment solutions are designed to meet current and future clients' needs, including their investment horizons. We seek to ensure that our products are designed in such a way that their features (return expectations, liquidity, diversification or hedging benefits) provide value to our clients. When formulating a product strategy it is essential to proactively address clients' needs and trends, and to position a suitable product range where our clients can benefit from these investment strategies. More 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 flow situation, risk preferences, objectives and constraints. Our SAA 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 is integrated with top-down and bottom-up approaches to set out suitable implementation of investment strategies of different time horizons.

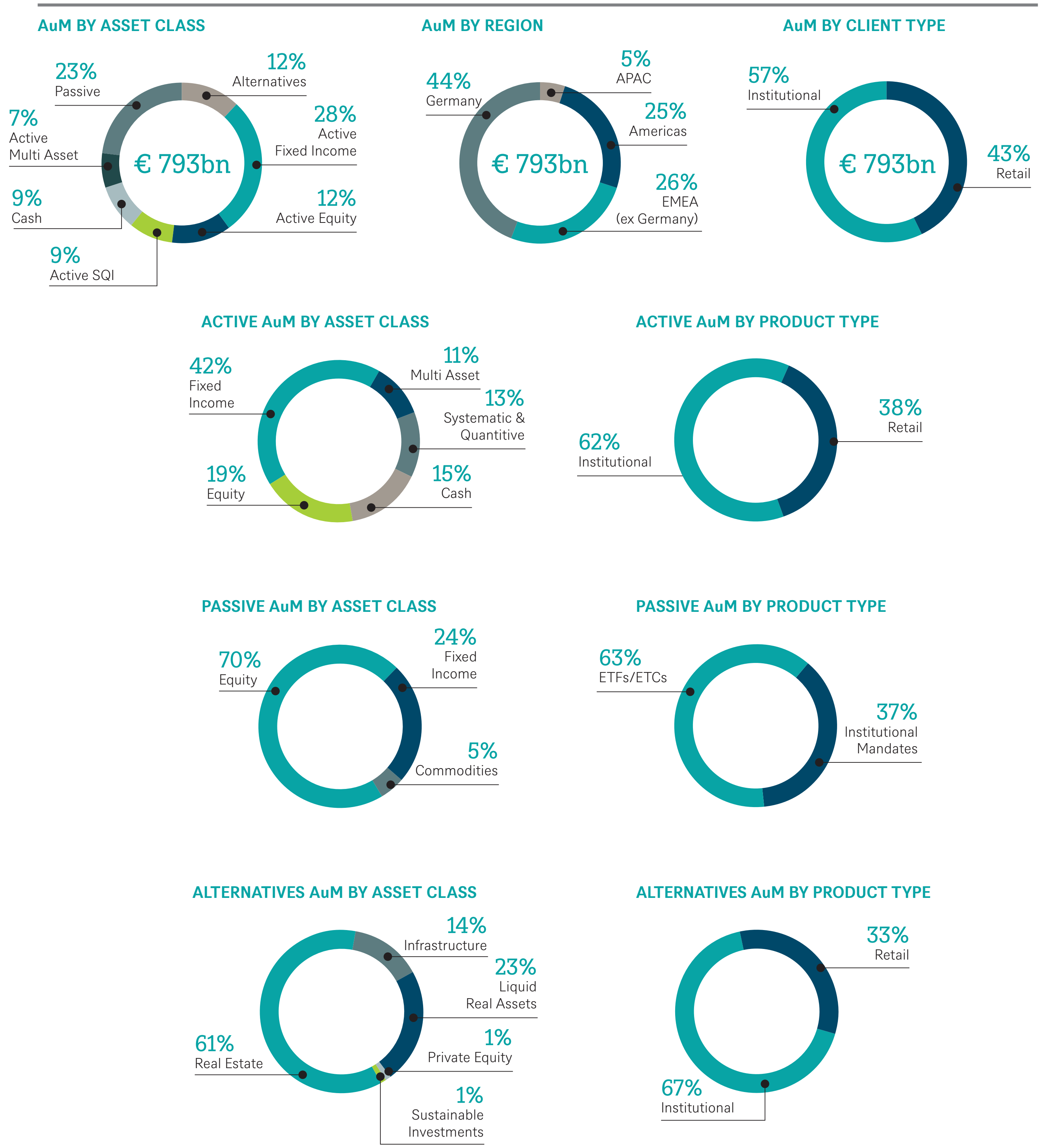
_ DWS CIO View - provides and releases our House View on asset return forecasts for different time horizons, ranging from 1-3 months to 10 years[23]
_ Portfolio Construction Team – comprising senior investment professionals, sector specialists and lead portfolio managers – is assigned to each core strategy. Lead Portfolio Managers are accountable for ensuring investments meet time horizon and other strategy requirements
_ Portfolio Managers - use the Lead Portfolio as anchor to implement attached portfolios within one core strategy in a consistent manner. The team follows investment guidelines and policies of the particular fund or of the client mandate, and implements tactical investment opportunities aligning with the long-term strategy. A rigorous risk management system is in place to ensure continuous monitoring of investment practice. For each client mandate, an Investment Management Agreement (IMA) is in place to clarify various investment parameters, including time horizon.

As of 31st December, 2020, DWS has reported € 793 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.

The length of investment horizon lays the groundwork for each investment strategy, both for fund products and for 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 a comprehensive Product Strategy Framework for fund products, collabourative Strategic Asset Allocation for institutional mandates, and a rigorous Investment Process for investment practice.

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



Source: DWS Group GmbH & Co. KGaA. As of June 2020.

Principle 6 – Investment Approach: Client and Beneficiary Needs

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 company policies

DWS publicly discloses its Corporate Governance & Voting Policy, Engagement Policy, Proxy Voting Policy and Conflicts of Interests Policy on an annual basis on our website[24]:

Engagement approach, process and reporting

DWS's Corporate Governance Centre (CGC), supported by our investment teams, implements our ongoing active ownership for our equity holdings, in a centralized manner.

Additionally, to continue our engagement efforts during unprecedented times of COVID-19 and to help investors better understand our work, we have prepared a written list of questions sent to the boards of some of our portfolio companies, considering that many annual general meetings in 2020 would take place online. The question list is also available publicly on our website.

Voting results

DWS Corporate Governance Centre 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 current proxy voting record is for the period from July 1, 2019 to June 30, 2020. This information is updated annually as of June 30 and becomes publicly available no later than August 31. The current report can be found here: https://www.dws.de/das-unternehmen/corporate-governance//?wt_eid=2154651681500304096&wt_t=1588874415904

Annual reporting

DWS publishes a Proxy Voting and Engagement Report on an annual basis[25]. The latest edition, covering 2019 voting, engagement and stewardship activities has been available since May 2020 with the next report due to be published in Q1 2021. The report provides clients with policy details, proxy voting positions and expectations on important issues as well as voting results by regions, topics, and so on. Additionally, it provides 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 also produce an annual Sustainability Report (Non-Financial Report)[26]. Starting in 2020 this has been combined with our financial reporting into a single report.

[24] www.dws.com/en-gb/solutions/esg/corporate-governance/
[25] www.dws.com/resources/proxy-voting
[26] group.dws.com/responsibility/sustainability-report/

Client reporting

In 2020, we delivered more specific and standardized ESG reporting for dedicated ESG mutual funds, thereby improving transparency to our clients on the ESG quality of those funds. The goal is to make the ESG quality of a fund more transparent. The framework provides understandable, well-defined and transparent measures for various ESG attributes. This new ESG Key Performance Indicators (EKPIs) report allows a broader audience (e.g. retail clients / public) to access a more simplified and user-friendly report. Each ESG attribute is represented in a single rating in the EKPI report. The EKPI report for each ESG facet is one-figure only, which is easier to understand without the need of previous ESG expertise.

Additionally, if requested by the client, DWS sends bespoke ESG client reports on the ESG quality of their respective portfolios to its institutional clients.

DWS also prepares engagement reporting for some institutional mandate 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.

Seeking clients' views

DWS has been working to launch a pilot ESG Client Questionnaire in the UK and Nordic regions to receive feedback and better understand clients' needs, especially for those for whom investment stewardship plays a key role. Similar surveys are also in the pipeline for other countries.

In February 2021, DWS and the Asset Management Exchange (AMX), working in partnership with Minerva Analytics and Northern Trust, announced[27] the development of an investment solution that allows pension schemes to express their stewardship preferences in pooled funds.

The new pooled fund service aggregates investor stewardship preferences and seeks to execute votes in alignment with their expressions of wish. Where aggregate investor preferences conflict within a pooled fund, voting instructions can be split accordingly.

Institutional investors in pooled funds have historically relied on the investment manager to execute a voting policy for the pooled fund. However, when investor preferences have diverged from the manager's policy, they have been forced to accept the votes placed by the manager. With this new Investor Stewardship Service, companies across the world can now receive proxy votes from the AMX-DWS pooled funds aligned with investor preferences where possible on key topics such as climate change, executive compensation, and board diversity.

The launch of the new service follows the UK Government announcement in December 2020 of the establishment of the Taskforce on Pension Scheme Voting Implementation to encourage industry solutions linking investor preferences to corporate voting actions.

Broader client communication on ESG stewardship topics

DWS hosts online webinars and publishes themed papers[28] to provide more information and education for clients on topics including stewardship and responsible investments. One example is "How Best to Assess Asset Managers' ESG Credentials"[29] published by the DWS Research Institute and presented online via BrightTALK[30], which aims to clarify certain pitfalls in ESG KPIs (including stewardship KPI) and to help clients measure and fulfil their governance responsibilities. The corporate governance team has also published "Taking Climate Stewardship to the Next Level"[31] in May 2020, to highlight themes that the team has been raising with relevant investee companies.

Other key presentations via the BrightTALK[32] platform in 2020 include:

_ The implications of COVID-19 on ESG, the macro impact of the pandemic, ESG index performance during the sell-off, risks and opportunities from an environmental and social perspective and the corporate and investor response to COVID-19
_ Our ESG Research and Corporate Governance Centre teams discussed how DWS is fulfilling its stewardship role during COVID 19 and why corporate governance remains the key for achieving meaningful progress in E & S topics
_ Our Sustainable Investments Asia team discussed China's policy response to COVID-19 and the investment risks and opportunities
_ Our ESG Research team and special guest speaker Georg Kell, Chairman of Arabesque Partners, founding director of the UN Global Compact, alongside our Chief ESG Client Officer, explored how the coronavirus pandemic will affect the drivers of ESG investing and the important role the investor community can play

We also produce a series of podcast events to support our client base in German-speaking markets. Podcasts in 2020 included the following subjects:

_ Importance and meaning of corporate governance in light of sustainable investing
_ DWS's understanding of good corporate governance in general, including core values
_ Our engagement approach and activities, including examples
_ Integration of ESG data into the investment process
_ Involvement in market-wide (industry-) initiatives
_ Climate stewardship
_ Implications of COVID-19 on governance and sustainability in general

A client ESG newsletter has also been developed for EU and UK clients which provides updates on DWS's responsible investment practices, reports and events. Approximately every two weeks, an internal 'ESG Champions' call takes place to brief Client Coverage staff on major ESG developments that could be highlighted to clients in meetings. This has included several briefings from the Corporate Governance team on stewardship-related developments.

We also present bite-sized educational and informational short films via YouTube[33], entitled "Mr Braun explains", including a focus on ESG topics.

Our social media presence includes LinkedIn, Facebook, Twitter, YouTube and Notify Germany.
In 2020 client events were reduced from typical levels due to COVID-19. However, we were able to:

_ Host 3 virtual conference events
_ Host 13 webinar events
_ Work with 11 organisations as event and content sponsors
_ Write 25 thought leadership reports
_ Present 47 posts on social media related to ESG and stewardship topics
_ 5 client awareness campaigns on ESG topics

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.

Our home (and most significant) market is Germany. The service centre for our proprietary investment platform is based in Germany, servicing our clients using DWS Direct service offerings. This offering enables our German clients and advisors to have personal access to the investment platform via telephone or email (but is not available in the Americas or Asia Pacific). Since 2008, we have commissioned an external service provider to conduct client satisfaction surveys in order to improve our service quality and client experience.

27 www.dws.com/en-gb/Our-Profile/media/media-releases/amx-and-dws-develop-new-pooled-funds-service-that-allows-pension-schemes-to-express-stewardship-preferences/
28 www.dws.com/en-gb/solutions/esg/research/
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32 www.brighttalk.com/webcast/14277/
33 www.youtube.com/c/DWSGroup/search?query=esg

Clients and advisors can rate their satisfaction on issues such as friendliness of staff, response rate, professional competence, comprehensibility and solution orientation as well as sales-specific questions. The results are communicated internally by our service centre quality management and training team to relevant internal stakeholders, i.e. senior management, service centre staff, and the workers' council. Based on the respective feedback, steps for improvement are formulated and incorporated into employee training, internal knowledge tools, client correspondence, and client- and advisor-related processes. We maintained excellent ratings in advisor satisfaction regarding 'recommended solutions', 'professional competence' and 'friendliness'. Furthermore, our advisors rated us as 'likely to recommend our telephone services to colleagues', which we view as evidence for client loyalty.

For our U.S. insurance and institutional business, we conduct an annual client satisfaction survey focusing on investment performance and other areas of improvement, such as relationship management, innovation and overall satisfaction. Following our intentions from last year, client feedback is now fully embedded in senior management sessions with the US Fund Boards. Regular client satisfaction surveys are also conducted on a monthly basis by a third party vendor (DST) who services our direct retail client base in the U.S. The survey covers knowledge, sincerity, problem solving and overall client satisfaction.

In order to achieve a 360-degree view of our services for distribution partners, we also rely on third party quality assessments. Our institutional business is evaluated by TELOS, a representative survey for institutional investors, which – amongst other topics – assesses client satisfaction and loyalty, quality of product suite, service, and reporting. Asset managers are not only assessed in comparison to their individual peer group but also within the wider industry. In line with the results from the previous year, DWS again achieved very good scores in the TELOS 2020 survey, with an AA+ rating for DWS overall and AAA- for our liquid assets investment process. Telos noted in particular that DWS reporting shows a high degree of transparency with regard to sustainability activities.

We also work with a number of partner organisations focused on identifying client needs and requests for specific client segments and incorporate their views into our internal review processes. For example, in the UK we work closely with Pensions for Purpose, Savvy Investor, EPFIF and the PLSA, among others.

Continuous dialogues between clients and DWS investment professionals and ESG team representatives have rendered us more insights into clients' evolving needs and expectations, helping us navigate the path to effective stewardship. We take the views of clients not only from regular investment meetings, but also from industry events, training webinars, due diligence feedback and others on an ad-hoc basis. Client requirements in relation to stewardship activities is a main point of discussion within IMA negotiations at the onset of relationships. Ongoing dialogue with clients is captured via regular client review meetings and changing requirements or expectations are communicated back to the relevant teams.

Finally, and by no means least, one of our main conduits for client feedback is through our RFP process. Feedback from clients to our RFP documents gives us clear guidance on client expectations of DWS and their views on our capabilities and processes. This feedback is documented and disseminated throughout the organisation to improve data and submissions and feeds into ongoing policy and process reviews. In particular, we note the increased focus on ESG and stewardship within these client feedback responses.

Please refer to the example cited earlier in this section with regard to pooled fund voting.

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 to increasingly focus our engagement efforts on. 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 takes an active part in these discussions and these usually represent a constructive dialogue, whereby valuable views and feedback are exchanged. Last year, the feedback helped us increase the integration of our engagement activities into our core investment process.

Principle 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 investee companies to integrate their environmental and social impacts and the possible reaction of their relevant stakeholders into their thinking, strategy and remuneration systems, in order to secure sustainable value creation.

Following our Engagement Policy, we define core environmental, social and governance topics based on particular mega trends (such as climate change, digitalisation, deforestation, water etc.) as well as our understanding of good corporate governance defined in our Corporate Governance and Proxy Voting Policy for both equity and bond holdings.

CIO View

The DWS CIO View forms the starting point of our investment process. Since 2018 we have integrated global ESG trends into our DWS CIO View. By including ESG information, we aim to reduce our investment risks, put investment flows to work for financial return but also to make important contributions to society. We consider this step as a valuable addition to our investment process by integrating ESG impacts into our asset 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 also tilt investments towards entities that promote the low carbon transition and contribute positively to the SDGs.

ESG integration and analysis

Our approach to ESG integration is based on different facets of ESG analysis and does not rely just on one single ESG element. We start our approach with the analysis of ESG global trends and their impact on the industry and 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 ESG SynRating, which combines ESG data from the DWS ESG Engine and focusses on the position of the company versus 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 or public policies. The second building block is a peer group comparison. Corporations are ranked against their respective peers. The DWS ESG Engine Team 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 2.0 methodology. DWS subscribes to the 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 schemes. Our norm methodology considers not only the company's operations itself, but also incidents within the corporate's supply chain.

Furthermore, we analyse the exposure of company activities to controversial sectors and contribution to the SDGs. This may indicate a reduced demand for that company in the market in the future. On the other hand, a higher contribution of the 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 CCW policy generally prohibits any investments in CCW related companies in actively managed portfolios. Our DWS ESG Engine Team identifies CCW corporations based on an internal methodology which was designed to meet international standards and to comply with the most conservative legislation.

Finally, we explicitly analyse and rank the exposure of the companies (independently from the sector in which they operate) to Climate Transition Risk by using our proprietary Climate 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 short-comings:

_ 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

For ESG dedicated products, we also apply Minimum ESG Standards (MESGS) that acts as a filter on the available investment universe. 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 will then take this a step further to have specific ESG criteria they are aiming to achieve. For example, as well as adhering to the MESGS identified above:

_ The DWS Green Bonds Fund[34] invests at least 70% of its assets in Green Bonds that meet the DWS Minimum Green Bond Standards
_ The DWS SDG Global Equities Fund[35] aims to achieve an aggregate revenue contribution relating to the Sustainable Development Goals of at least 50%

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 our ESG integration efforts in our internal research notes has been 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 have established an additional due diligence process to monitor and manage severe sustainability risks, such as norm violators and severe climate transition risks

Stewardship and engagement overview

1. We have set up an engagement database that enables us to monitor and report on our engagement activities.
2. 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. 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.
3. 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 need to discuss might differ. We do 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.

Integration of stewardship in traditional asset classes

Equities

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

Fixed Interest

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 1-on-1 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, Americas and Asia might be a bit behind, though expected to catch up quickly in 2021 on what has been implemented in Europe.

We support the corporate governance achievements of recent years in Japan, in particular the introduction of the Corporate Governance and Stewardship codes. We aspire to be in 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, which define the role of the board to have a supervisory function instead of an executive function, to have at least two outside directors and strongly encourage them to ensure that at least 1/3 of the board members are considered independent.

[34] Included as information only for the purposes of the 2020 Stewardship Code report by DWS Investments UK Limited
[35] Included as information only for the purposes of the 2020 Stewardship Code report by DWS Investments UK Limited

Principle 7 – Investment Approach: Stewardship, Investment and ESG Integration

With reference to our policy of defining independence, in Japan, as significant shareholders, we will review those who are in the top ten shareholders, 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.

With reference to our policy on the separation of the CEO and Chairperson roles and responsibilities, 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.

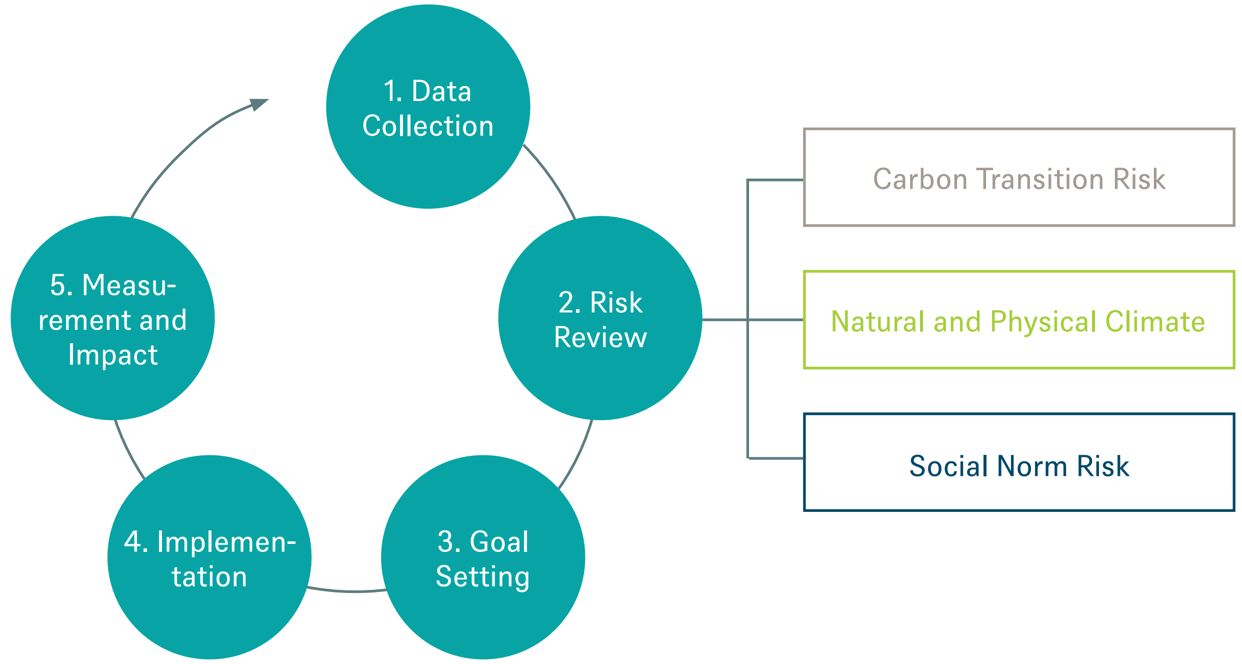
Integration for Alternatives

ESG is integrated into the investment process primarily during investment due diligence and active portfolio management. Integration of ESG into the investment process enables us to identify the risks and opportunities that a traditional analysis would miss, or fail to systematically address, potentially resulting in a significant impact on long-term investment performance. The approach to ESG integration applied across alternatives is thematically consistent with the "Smart Integration" approach that DWS applies to the active asset classes. However, the inherent differences between the liquid and illiquid asset classes require that the approach to ESG integration for alternatives be tailored specifically to the relevant alternatives asset classes as outlined in the sections below.

ESG in Real Estate

In 2020, we executed the regional 2019 sustainability action plans and adopted the global 2020 Real Estate ESG House View. The 2020 Real Estate ESG House View builds on the existing ESG program framework and consists of the following five-stage ESG program for our real estate assets managed from Europe and the Americas:

GRAPHIC 7.1



Data Collection

Actively collect a broad and robust asset-level ESG dataset on a regular basis. The collection of asset-level ESG data begins prior to all acquisitions during due diligence and continues throughout the holding period of all portfolio assets.

Risk Review

Perform an ESG risk review on each asset prior to acquisition and on all portfolio assets on an annual basis with a focus on key ESG risks and opportunities in the following areas:

_ Carbon transition risk
_ Natural and physical climate risk
_ Social norms risk

Goal Setting

Set platform and portfolio-level performance goals based upon bottom-up asset-level action planning and top-down investor and industry drivers..

Implementation

Create and execute asset-level action plans that represent the best value in terms of improving sustainability performance, decreasing operating costs, and increasing tenant satisfaction.

Measurement and Impact

Based on the implementation activities, track progress in project implementation relative to our goals and evaluate the value created for the asset, portfolio and platform. Compare performance with peers using industry standards and benchmarks such as the Global Real Estate Sustainability Benchmark (GRESB) and UN PRI.

During 2020, we gathered energy and carbon data on 9.7 million square metres of the global portfolio. We manage €16.6bn of real estate investments in certified green-labelled business and €990m of infrastructure investments in renewable assets. In addition to our energy efficiency programming, we have also commenced programs to address other ESG topics critical to real estate including smart buildings, health & wellbeing, and resilience. In 2020, we created and formally adopted the new Real Estate ESG House View as the global standardized framework for all relevant ESG topics pertaining to data collection, risk reviews, goal setting, implementation, and measurement and impact.

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 of 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 of 2019, we also became one of the founding signatories of the Better Buildings Partnership Climate Change Commitment, and recently published our first pathway to net zero emissions on their website.

2030 energy reduction goal (U.S. offices): In 2011, we first committed to the US Department of Energy's Better Buildings Challenge, where we set a goal of improving the energy efficiency of five million square feet of properties by 20% before 2020. We met this objective four years ahead of schedule at the end of 2016. Since then we have renewed our commitment to the challenge to achieve another 20% energy intensity reduction by 2030 across our entire U.S. office portfolio. In 2020, this goal was updated to a 25% reduction in energy and carbon intensity by 2030 across our landlord controlled U.S. office portfolio with the intent that this target will serve as the foundation for a future carbon reduction target that also includes decarbonization[36].

2030 water reduction goal (U.S. offices): As part of our renewed commitment to the Better Buildings Challenge we added a water reduction goal of 20% by 2030 for our entire U.S. office portfolio.

In order to provide transparency to our investors, we report into the GRESB, which provides an independent assessment of portfolios and funds using a peer-based approach and scoring based on several ESG metrics. In addition to our participation in GRESB we have a seat on its Real Estate Benchmarking Committee to help drive the continued refinement of the

[36] Carbon intensity measured in kilograms of CO_2 emissions equivalent per square meter.

survey. In 2020, we reported on 15 of our portfolios (worth €36.0 billion of AuM out of €55.6 billion in global AuM for DWS Direct Real Estate in 2019, representing 64.7% of the total global real estate AuM for the 2020 reporting period ending 31 December 2019), and 14 of the 15 portfolios achieved Green Star recognition through the GRESB assessment.

ESG Assessment process

For all new prospective property acquisitions, we complete an ESG Acquisition Checklist during the ESG risk review portion of the due diligence process, a requirement we made mandatory in all regions in 2019. The ESG risk review performed on prospective acquisitions is also performed on all portfolio assets on an annual basis. ESG risks and opportunities identified during the annual risk review are documented in the portfolio's Sustainability Action Plan along with any recommendations relating to ESG risks and opportunities identified during the annual risk review.

Monitoring

We monitor properties and portfolios around key ESG metrics to identify potential ESG initiatives we want to engage in at the property level. This information feeds into the capital plans and rolls up into the annual Sustainability Action Plans for each portfolio and the business respectively.

ESG in Infrastructure

During the holding period, we monitor the ESG attributes of the investments through quarterly reporting of three sector-specific key performance indicators (KPIs), discussion at management meetings, and integration of those issues into business plans. Our due diligence will also consider 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 for consideration.

The infrastructure business also places emphasis on reporting, producing an annual Sustainable and Responsible Investment (SRI) report for investors in two of our infrastructure funds. This report address issues such as health & safety and security; community service; labour and diversity issues; transparency, communication and governance; and environmental issues at the fund's underlying investments. The infrastructure business also manages a portfolio of €1,244.35 million[37] in sustainability themed renewable energy and energy transition assets, both in debt and equity investments, including solar, wind and waste-to-energy.

We take part in the GRESB infrastructure assessment at both 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. We also report to PRI and achieved an A rating in 2020.

During 2020 we continued to operate in line with the Environmental and Social Management System (ESMS).

Policies

The Infrastructure business is governed by an Environmental and Social Management System (ESMS), which provides the overarching framework, processes and governance for our ESG integration approach in Infrastructure.

ESG Assessment process

Similar to real estate, we have an ESG checklist which is implemented during the acquisitions process. The findings are then incorporated in the Investment Committee (IC) memo.

Monitoring

We 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. Additionally, we report into GRESB for both our PEIF I and II funds and are planning to report into GRESB for PEIF III in 2021.

The infrastructure debt business, has developed a bespoke proprietary ESG scoring methodology applicable to private infrastructure debt investments. This methodology assigns an ESG rating to each potential investment, based on a predefined set of ESG KPIs. A summary of the ESG rating is

[37] As of 31st December, 2020. Source: DWS Investment GmbH.

Principle 7 – Investment Approach: Stewardship, Investment and ESG Integration

incorporated into IC memos, to form part of the investment decision making process. ESG scores are updated every year based on periodic ESG KPIs reported by borrowers.

As a result of our commitments, policies, procedures, and monitoring of ESG quality, DWS's Infrastructure business integrates ESG information for a business volume covering € 11.5 billion of AuM excluding sustainability themed infrastructure investments.

ESG in Private Equity

Screening

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 & safety issues and accident track record.

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. Findings are then documented in the Investment Committee memorandum, which will then be submitted to the Investment Committee for consideration as part of the deal evaluation.

Sustainable Investments

DWS has a twenty plus year track-record in sustainable investing (private debt / private equity), which began when it became the first international financial institution to establish a microfinance fund. Over the past 20+ years we have lent ~USD400 million to 150+ microfinance institutions and alternative financial services companies, helping millions of entrepreneurs in 50+ developing countries.

Holding period

For investment products regulated under MiFID, we capture and review a recommended holding period for investors and subject this to the Product Governance processes within DWS. 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 2018 we integrated global ESG trends into the DWS CIO View, which is our in-house market view that supports our investment decisions. Our CIO View consists of a consistent, transparent and repeatable decision-making process to ensure one global house view on macroeconomic topics, our financial market forecasts, our outlooks for individual asset classes or our views on market risks. By including ESG information, we aim to reduce our investment risks, explore business areas with growing demand and leverage our central role in the investment process in order to make important contributions to society.

Suppliers and vendors

DWS' supplier portfolio comprises approximately 2,500 vendors and we have procedures in place to manage our vendor population. All our vendors are subject to a risk-based segmentation and 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 DWS' Sustainability function's assessment of environmental and social factors. In addition to VRM, all 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 (TPRM)

ESG risks could arise in third parties that would traditionally be seen as 'low risk' or 'not applicable to the TPRM process:

_ Distributor / middle man supplier that relies on manufactures with highly pollutant production processes
_ Small or medium size enterprise which has multiple workplace or labour related violations
_ Non-business critical provider which has board members involved in questionable ethical practices

As a result, DWS cannot expect to 'catch' potential ESG risk exposure through an inherent risk questionnaire that, for the

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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 (business of all sizes) for their CSR / ESG metrics:
_ Require all third-parties to register with third-party 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 third-party ratings provider rating reaches the desired score

The benefits of layering ESG across the third-party base, instead of as a component risk domain, allows a wider net to be cast in assessing DWS's total ESG positioning, as well as a single and universally understood rating that can be defended 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.

We differentiate between two types of engagements: Individual Engagement and Thematic Engagement.

It is our belief that exclusion and disinvestment alone are insufficient to drive the change we seek. Change will only occur through using a full range of stewardship and engagement approaches. Exclusion should only be applied as a last resort for ESG integrated strategies, since we prefer driving change and assuming stewardship responsibilities through engagement.

Individual engagement: requirements

Our investment professionals have constructive dialogue with the management to address matters such as strategy, financial and non-financial performance, risk, capital structure, as well as material ESG factors. These factors need to be consequently integrated into the financial analysis, valuation, investment recommendation and investment decision.

Where we identify gaps or differences between our expectations and the company's behaviour, we may decide to engage via emails, letters to the boards, conference calls, management meetings or at the annual and extraordinary shareholders meetings in accordance with this Policy and our Corporate Governance & Proxy Voting Policy. In selective cases, filing shareholder proposals or publishing public statements may be another measure we may choose to undertake.

Investment professionals initiate and document in an internal research note an Engagement activity in the following cases:
_ Investee companies with issues (e.g. strategy, financial and non-financial performance, risk, capital structure, as well as ESG factors) that may result in actual or potentially negative effects on the financial position, results of operations and the reputation of a company
_ Investee companies that have severely and structurally breached international standards such as the UN Global Compact (Norm 2.0 rating of "D" to "F"), OECD Guidelines for Multinational Corporations, Cluster Munitions Conventions as well as our internal DWS Responsible Investment Statement, DWS ESG Integration Policy for Active Investment, Controversial Conventional Weapons Guidelines or standards laid out in our Corporate Governance & Proxy Voting Policy
_ Investee companies that score poorly ("D" to "F") in DWS` Climate Transition Risk Rating
_ Investee companies with business involvement in any E SG controversial activity as defined by DWS
_ Investee companies with a lack of disclosure, in their regulatory mandated reporting or their voluntary reporting on material ESG issues and / or the impact of ESG factors on their financials
_ Investee companies that are in the process of integrating ESG factors into their strategy, but are still not compliant with best practices in the market (GRI, SASB, TCFD, etc.).

The engagement process is initiated by the responsible investment professional. The members of our Corporate Governance Centre are also involved, as the engagements particularly on environmental and social topics may also have voting implications (e.g. shareholder proposals, governance of "E" and "S" issues). The dedicated corporate governance engagements are supported by the Corporate Governance Centre. Once the engagement activity has been undertaken, the investment professional will inform the investment platform on the engagement activity.

Thematic engagement: requirements

We may detect a group of investee companies that, among others:
_ Have severely and structurally breached international standards as well as our internal DWS ESG related policies
_ Have business involvement in any ESG controversial activity according to DWS
_ Have a lack of disclosure on material ESG issues and / or the impact of ESG factors on their financials and / or
_ Score poorly ("D" to "F") in DWS` Climate Transition Risk Rating and are in the process of integrating ESG aspects into their strategy but are still not applying best practices

In such cases, we may decide to undertake a "Thematic Engagement", which usually will be focused on a specific theme and will be addressed to a group of investee companies and in writing.

Our ESG engagement process is led by our ESG specialists (Head of ESG Integration and / or our Corporate Governance Centre), and is initially discussed between the two, the respective analysts and / or the ESG Gatekeeper of the relevant investment teams. Once the engagement activity has been defined and agreed, a detailed escalation starts with us informing the investee company about our ESG expectations. A detailed update for our investment platform and next steps would follow:
_ Proactive engagements initiated by investee companies, who approach the investment professional or our ESG specialists, or
_ Proactive engagement activity by our responsible analyst / portfolio manager, who will be establishing a constructive dialogue with the investee company (e.g. via management meetings, conference calls, etc.).

After starting the constructive dialogue with the investee company, we may decide to further engage via calls for extraordinary meetings with executive management and the supervisory board chairman. This process would be initiated by the ESG specialists and the Equity and Fixed Income investment professionals, who are actively covering the company / sector. Subsequently, the ESG specialists may:
_ Send letters to members of management and supervisory boards of the investee company
_ Participate directly in annual general meetings combined with a speech addressing shareholders and boards publicly or
_ Decide to file shareholder proposals, or
_ Vote accordingly as a last measure, and in certain instances, vote against management proposals, in line with our engagement as well as Corporate Governance & Proxy Voting Policy

The performance of the investee company will be regularly evaluated and if necessary another engagement interaction will be initiated.

In 2019 we teamed up with CREATE-Research to write a paper "Passive investing and the rise of Stewardship". This report surveyed 127 pension schemes in 20 countries, with an AuM of €2.2tn. 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 to stewardship within passive investments. The insights gained via this report have been instrumental in designing our new strategy allowing passive investors greater control over passive voting within pooled funds. For more information on this strategy please see Principle 6.

Please also read the report here: https://etf.dws.com/de-de/AssetDownload/Index/33a35496-e2f0-4652-86f9-e7cc63ce6553/Passive-Investing-2019-The-rise-of-stewardship.pdf/

Principle 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.

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

Outsourced service relationships are regularly reviewed in a risk-based assessment regulated by our Intra-Group and Vendor 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 annually to cover various areas such as corporate structure, risk management, compliance, operations, corporate security and IT.

Proxy Voting
We use the proxy voting services of two providers: Institutional Shareholder Services Europe Limited ("ISS") and IVOX Glass Lewis GmbH. Both service providers analyse general meetings and their agendas based on our proprietary voting policies and provide us with voting recommendations and rationales. IVOX Glass Lewis is responsible for the general meetings of German entities, while ISS covers international general meetings and also provides us with a sophisticated online platform to support our proxy voting process.

Our vendors are state-of-the-art proxy advisors with proven capabilities to service our global needs for thorough analysis and best execution. ISS and Glass Lewis – along with all of our vendors – are subject to risk-based segmentation and 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 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. This process also 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 tolerate no discrimination or harassment.

Furthermore, we review how our external providers apply our policies and processes on a regular basis, including two half-day meetings organized in our offices 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 framework – which has been detailed below –we currently review every single meeting which is in scope for voting and thus, do not automate any voting instructions using the service providers' analysis.

For example, the Corporate Actions team uses external vendor services from DTCC, WMI and Bloomberg. Additional information is received from the respective custodians of the funds and information is compared and questioned when setting up events.

ISS has regular meetings with the Corporate Governance Team to ensure good oversight.

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.

With the DWS ESG Engine, DWS has a tool that enables a broad-based analysis of all ESG factors. To ensure maximum flexibility and data quality, DWS bases its sustainability analyses not only on the data of one provider, but 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 (e.g. Amnesty International, Freedom House, Transparency International). With this multi-vendor approach, the DWS ESG Engine yields a robust coverage of its investment universe. Vendors apply a rolling update scheme, including a comprehensive review once a year or when triggered by a specific event. In addition, the DWS ESG Engine takes a snapshot of the latest ESG vendor data once a month, and performs calculations and updates our internal portfolio management system, Aladdin, on a regular basis.

Methodology and criteria are constantly reviewed and enhanced by DWS's ESG Methodology Panel (EMP), which meets weekly. Fundamental changes are conveyed to or discussed individually with the client case by case, and with the investment platform through our ESG Gatekeepers network. ESG information calculated by the DWS ESG Engine is uploaded into DWS's portfolio management system to provide access to research analysts, portfolio management and supporting functions. The Compliance team performs compliance 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 way.

Analysts help to secure robust ESG data, discussing findings in company meetings and communicating 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, the EMP has the possibility to overrule the data provider, in rare, exceptional cases.

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 the analysts and portfolio managers. With this process in place, we are able to continue finding solutions that can close any existing data gaps and improve our ESG analysis.

Case study – relocating our office in London
Real estate acquisitions for the Group are a significant item within DWS strategy and go through a provisioning process, similarly as for our other external providers. In 2020 we made the decision to relocate our office in London. During this search, ESG considerations became an important part of the decision-making process.

When looking to acquire a building, we screen for a variety of ESG factors including:
_ EPC (energy performance certificate) – minimum levels stipulated in UK law
_ Flood risk
_ Environmental risks (for example contaminated land, deleterious materials, asbestos)
We also look for climate positive attributes such as:
_ Green building certifications (typically BREEAM or LEED Certifications)
_ Wellness certifications (WELL Standard and Fitwel)
_ Sustainable features of the asset (e.g. on-site renewables)

Once we own an asset, we carry out sustainability audits (especially on energy consumption, water use and waste generated) and put a capital expenditure plan in place to improve the sustainability performance of the asset.

Energy consumption is the main indicator we measure, with the intention to reduce our energy use by 50% by 2030.

Principle 9 – Engagement

Principle 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.

DWS' engagement approach follows a detailed step-by-step approach that commences with our annual letter to our investee companies, part of our Proxy Voting Focus List, in which we inform them of our governance expectations and updated Corporate Governance & Proxy Voting Policy. A number of criteria determine which of our investee companies would be prioritized for our engagement approach. These include:
_ Degree of exposure in terms of holdings
_ Significant ownership in terms of market capitalization
_ Exposure to ESG risks, including high climate transition risk
_ Involvement in norm controversies.

Focus list

The members of the Corporate Governance Centre seek to constructively engage with our investees, not only to elabourate on our key expectations in terms of governance but also to gain a better understanding of their existing strategies with regards to ESG risks and opportunities and thereby ring-fence the investment decisions. In terms of selection and prioritization of engagements, they focus on a list of companies, screened at the beginning of the year and updated where necessary based on criteria such as percent of assets under management, percent ownership of market capitalization, 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. Thus, the Focus List acts as a first good indicator of identifying the most relevant holdings where we would like to focus our dedicated engagement efforts. The Focus List consisted of approximately 1900 companies in 2020.

In addition, the investment professionals of our active investments meet regularly with the management of the companies in their research coverage or portfolios.

Key issues

The members of the Corporate Governance Centre focus on our 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 as well as sufficient 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

Shareholder Rights

General support for:
_ '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
_ Proposals in line with recognized ESG standards (e.g. UN Global Compact)

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

Other topics

_ Climate change, circular economy, water consumption, deforestation
_ Supply chain management, human rights (labour matters / child labour)
_ Gender diversity

DWS started its corporate governance activities in 1994. 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 legal 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.

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).

We review our Corporate Governance and Proxy Voting Policy to ensure that our corporate governance expectations mentioned in the previous section 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, the 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 terms of objectives on governance issues at a broad level, below are some examples taken from DWS' Corporate Governance and Proxy Voting Policy 2020, which look to demonstrate how DWS has developed well-informed objectives for engagement on both thematic issues and specific companies.

Example 1: Thematic Engagement on Climate Change

One of the areas we prioritized in 2020 was climate change and the risks arising from it. Corporations and investors, as owners and lenders, have a key role to play in emissions reduction. Climate changes have already impacted the energy sector in particular, and the effects are expected to be amplified as greenhouse gas emissions continue to rise. Thus, we expect energy companies to accelerate their efforts in setting ambitious targets and providing enhanced transparency on their long-term strategies to tackle the crisis. Companies that face substantial climate transition risks or seriously contravene internationally recognized ESG standards (e.g. the UN Global Compact Principles, core principles of the International Labour Organization and OECD Guidelines for Multinationals) are subject to heightened scrutiny from DWS. We have analysed our investees in the energy sector and have identified several common E, S and G issues, which are causing or might cause reputational risks and might have material implications if not properly addressed:
_ Environmental: pollution, oil spills, emissions
_ Social: impact on local communities and their heritage, human rights violations
_ Governance: bribery, corruption, poor oversight

As a result of our analysis, we sent a thematic engagement letter to 53 companies facing risks in the above mentioned

Principle 9 – Engagement

areas, requesting specific and ambitious actions and inviting them for an engagement.

Example 2: Controversial Weapons

Involvement in the manufacturing of controversial weapons, most notably nuclear weapons or depleted uranium weapons remained a key challenge in 2020. The upcoming Treaty on the Prohibition of Nuclear Weapons (TPNW) will further aggravate this controversial business activity. The goal is to negotiate a legally binding treaty to prohibit nuclear weapons leading towards their total elimination.

Addressing our concerns that some of our investees could be involved in the manufacturing of products that in aworst case scenario do not comply with treaties or legal bans on controversial weapons, we sent five aerospace / defence companies an engagement letter with our expectations on their current involvement, future strategy and possibly necessary measures to accommodate changes arising from the TPNW that came into force January 22, 2021.

Example 3: Independent Board issue with a Company in electric sector in Asia Pacific

Engagement Case

The company has low independence in its board as some directors are not considered independent due to long tenure. Insufficient disclosure on executive compensation in terms of performance criteria.

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: responsive

Company's progress so far

The company is aware of long tenure and will consider it for future board refreshment. While the company wants to retain a family representative as board chair in the long run, it will consider having majority independent representation in the nomination committee. The company has started reporting in compliance with TCFD and will improve its reporting on sustainability. It will take regular feedback from external stakeholders regarding reporting and initiatives and will work on setting up more ESG related targets at group level. We will continue our constructive dialogue in 2021 and monitor progress on engagement targets.

Our engagement approach commences with our annual letter to our investees, where we inform them about our governance expectations and updated Corporate Governance & Proxy Voting Policy. A number of criteria determine which of our investee companies would be prioritized for our engagement approach.

Our annual letter is then followed by pro-active one-on-one engagements. During the regular management meetings of our investment professionals, we also raise ESG issues. The next step is the call for extraordinary meetings with Management and the Supervisory Boards. Subsequently, we may send escalation letters directly to the members of both boards. Our direct participation in annual general meetings combined with a speech addressing shareholders and boards publicly is also a very extensive means we apply. Where appropriate, we may also decide to file shareholder proposals. As a last measure, we will use our voting rights and vote against management proposals, in line with our voting policy. Throughout the year we also send escalation letters to the boards' of companies as a result of them not being responsive to our engagement efforts and / or expectations in terms of good corporate governance. Additionally, at the end of the year, we send our individualized post-season letters to selected investees, where we had issues with particular items of their agenda and voted against those.

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.

More case studies are elabourated in the DWS Proxy Voting and Engagement Report 2019 & 2020, with practical applications of the above engagement methods.

Please find the report here: https://www.dws.com/en-gb/solutions/esg/corporate-governance/

Source: DWS Investment GmbH, 12/31/2020.

As mentioned in Principle 1 and 6 and in DWS' Corporate Governance and Proxy Voting Policy 2020, DWS takes its fiduciary duty very seriously and acts in the sole interest of our 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) returns on equity and fixed income investments over the long-term. Our approach and framework have been developed in a consistent and collabourative 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.

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 general meeting attendance. 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. In the past year, we finished among the top 10 global asset managers voting on shareholder resolutions linked to climate change, according to UK campaign group ShareAction2 (based on our funds globally).

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.

Our engagement activities are a key part of 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 Centre 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 the new German Corporate Governance Code, communication by the Board in times of crisis, the overall governance quality of German listed companies according to the DVFA-Scorecard, etc. Members of the Corporate Governance Centre also participated in various conferences as speakers and panellists, including our own DWS "ESG BUZZ" podcast series and "ESG BrightTALK" sessions. A member of our Corporate Governance Centre published her view on the need for investors to maintain focus and bring climate stewardship to a higher level in their dialogues with companies (For additional details, see the investment insight published on our website - "Taking Climate Stewardship to the Next Level").

Our engagement activities do not systematically differentiate between equity and bond holdings, however, for individual cases and specific strategies, the topics we need to discuss might differ. Our active ownership activities focus also on our passive investments, where it is even more important to engage in terms of governance and encourage positive change through voting. As we are effectively "permanently" invested, we have a fiduciary duty to foster changes aiming to increase shareholder value in the longer term.

For the funds domiciled in the United States, we strive to exercise the voting rights for all equity holdings, given that the market does not have any restrictions or requirements, which deem the voting process not feasible. Thus in 2020, we voted at a total number of 9,355 meetings in 61 markets of listing, which represented 99% of all votable meetings. The majority of the voted meetings were for companies listed in the United States and China, followed by other Asia-Pacific countries and Japan.

In 2020, we continued our efforts in active ownership and made progress in the companies we could reach for a dialogue. We managed to initiate a number of engagements and follow up on our existing cases, by holding more than 440 one-on-one engagements and sending more than 1450 companies an engagement letter, both as part of our individual and thematic engagements. For more detail on our engagement across the group, please see our Proxy Voting and Engagement Report at this link: https://www.dws.com/en-gb/solutions/esg/corporate-governance/

In 2020, in light of the COVID-19 pandemic, the German government diminished shareholder rights and listed companies were allowed to hold their AGMs purely virtually and to limit the ability for shareholders to ask questions, participate in the meeting, file resolutions and appeal against motions. As a responsible investor, DWS acknowledged the necessity for such emergency legislation. However, early on we expressed our concerns about the possibility to extend these measures for the full year 2021 in position papers by the DVFA and the BVI. We also developed and presented proposals as to how the shortcomings could be overcome in the future and invited other trade associations for a roundtable discussion. In Q3 2020, pressure from CEOs of 60 listed companies lead to a prolonging of the aforementioned measures. We started to engage actively with legislators from the German parliament (Bundestag) and the Ministry of Justice and Consumer Protection to initiate changes to the legislation that would restore at least some of the shareholder rights. This process and exchange is ongoing.

Outcome

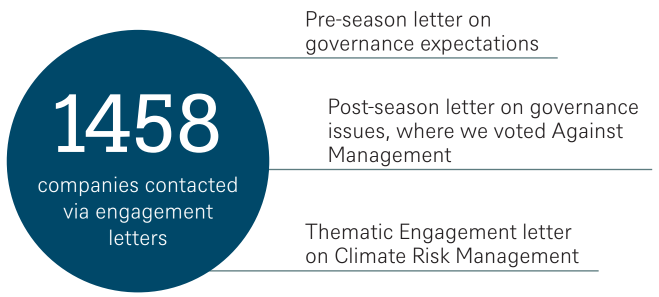
Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.

Given the analyst and / or portfolio manager is actively involved in the engagement process, the outcome of the engagement plays a role in the risk / return analysis, and therefore in the conviction of the investment recommendation. We are able to measure the successful outcome of engagement via the success of concrete shareholder resolutions that we have supported and / or via the degree of improved transparency we were able to achieve via our governance-specific engagement.

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.

If a company consistently violates international norms or standards and does not respond to DWS's engagement efforts, DWS will follow certain escalation steps as outlined in the engagement policy and eventually mark the engagement as either "successful" or "failed".

2020 ENGAGEMENT OVERVIEW



One-on-one engagements in 2020

In 2020, we held 454 engagements with 353 companies, which represented an increase of more than 82% to last year. Most of our engagement were held with US, German or Asia Pacific companies, followed by the Nordics and Benelux companies. Our engagements with Asian companies continue to increase. We have also enhanced our outreach in certain other emerging markets and Middle East regions.

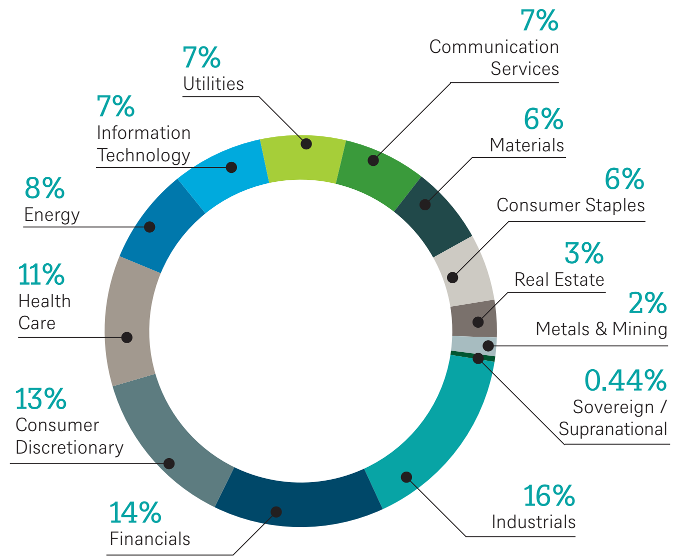
TABLE 9.1

	Number
United States	105
Germany	101
Asia Pacific	57
Nordics	40
Benelux	28
Spain	21
France	21
Switzerland	16
United Kingdom	16
Canada	14
Italy	14
CEE Region	13
Brazil	2
Mexico	2
Portugal	2
Middle East	2

On a sector level, most of the companies we engaged with were part of the industrials, consumer discretionary, health care and energy sectors. This is largely due to our increased focus on the commitment of our investee companies to the achievement of the SDGs as well as their commitments and plan for a lower carbon future. Changes in population, age, income, relative prices, technology, lifestyle, regulations and many other aspects of socioeconomic development will have an impact on the supply and demand of economic goods and services.

The correlation of the businesses of some of these investees with the delivery on specific SDGs – such as SDG 7 for affordable and clean energy or SDG 12 for responsible consumption and production – is relatively strong. However, with the existing "way of doing things" there are also significant risks to consider such as the extraction and production of raw materials or use of water, energy and waste, which may lead to these sectors' negative contribution to these SDGs. Thus, it is important to focus our engagements on systemic change and understand how our investees are managing their SDG commitments and whether these are ambitious and innovative enough for a sustainable contribution to these.

SECTOR BREAKDOWN OF ENGAGEMENTS

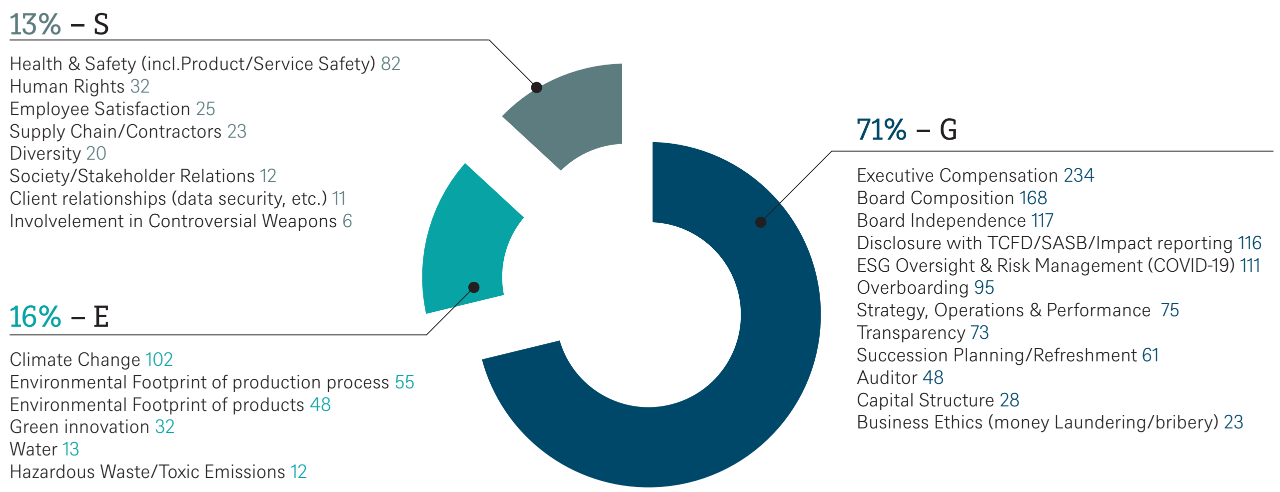


When we look at the spectrum of engagement topics in 2020, executive compensation, board composition, independence as well as disclosure in line with TCFD / SASB / Impact reporting as well as ESG risks and management related issues were among our most discussed engagement topics.

Our engagements around ESG risk management and oversight at board level have continued to keep up with our most prominent focus areas on governance aspects. Climate change is undoubtedly the most eminent ESG issue. Assessing the impact of climate change on a company's business model and competitive position is an integral part of our corporate analysis at DWS. With regard to the E in ESG, climate change, the environmental footprint of products and services, green innovation and water risk were among the most engaged themes.

The 'S' in ESG has been more challenging to outline and quantify than the 'E' and 'G' factors. Social issues appear to be less tangible and there is historically less data to demonstrate their impact on financial performance. However, we believe their range has deepened over the past few years as the business environment is quickly evolving. The COVID-19 pandemic has shown an unprecedented societal impact, which made companies re-think their operations and lend them to pay increased attention to their employees' wellbeing. Engagements on social topics represented 13% of our overall discussions and COVID-19 was only one of the factors. The Just Transition notion, which calls for the protection of societies' sources of revenue as we shift to a low-carbon economy, was another focus area.

ENAGEMENTS PER E, S, G TOPICS



Example 1: Companies in Oil & Gas Sector | Country: Global | Area of Engagement: Environment: Climate Change; Social: Stakeholder Relations

Engagement Case
We engaged 28 of the largest oil and gas companies globally, ranging from US to European to emerging market players in the sector to understand how their business models are linked to a just transition to a lower carbon economy.

Engagement Targets
Set ambitious Scope 1, 2 and 3 greenhouse gas emission reduction targets. Establish board oversight of climate risk; link executive compensation to the business relevant climate or other sustainability metrics.

Engagement Status and Responsiveness: range from responsive to no real interest

Progress so far (as of 31 December 2020)
A number of companies have already set targets for Scope 1 and 2 emission reductions in the long-term, however, the quality of Scope 3 emission targets is still very weak. There is significant room for improvement in executive compensation plans. We expect in particular this group of our investees to

integrate relevant climate risk metrics into their executive remuneration plans to link their long-term strategy to management's incentives. Furthermore, with regard to stakeholder engagement processes, companies are expected to provide enhanced transparency and accelerate their efforts to avoid future controversies. There are existing controversies that have still not been resolved and we expect companies to step up their policies, monitoring, compliance and auditing processes of these.

Example 2: A company in Industrials sector| Country: France | Area of Engagement: Social: Labour Controversies; COVID-19 Management

Engagement Case
UNI Global Union filed a complaint under the OECD Guidelines for Multinational Enterprises regarding the company's COVID-19 response with the National Contact Point in France. The main concerns were over alleged poor working conditions and slow reaction in the time of COVID-19, mainly based on their interviews with workers in the Philippines, Greece and Colombia. As these allegations raise potential reputational, operational and legal risks for the company, we held a call with the Deputy CEO and IR to hear the company's response.

Engagement Targets
Appropriate measures taken to address allegations and potential reputational, operational and legal risks.

Engagement Status and Responsiveness: responsive

Company's progress so far (as of 31 December 2020)
The company mentioned that they were in contact with the UNI Global Union and have been working with them. The Deputy CEO claimed the allegations are based on false information and that they have been implementing extensive efforts to deal with the health, safety and job security of their employees. The company also elabourated on their CSR efforts and programs in terms of employee engagement but also environmental impact aspects. They are publishing an integrated report based on GRI. The Executive compensation includes relevant qualitative metrics, among which are Crisis Management as well as Employee Engagement, which is key in linking their long-term strategy to the incentives of Management.

Example 3: A company in Insurance sector| Country: Switzerland | Area of Engagement: Governance: Board Composition, Diversity

Engagement Case
The approval rates for the management proposals at the company's AGM were considerably lower compared to previous years. In our view, one important aspect is diversity at board level. The company's board is composed of 1 female and 9 male directors. The corporate executive committee is 100% male and at the various management boards of the company's entities consisting of 32 people,
only one person is female.

Engagement Targets
Address our view of diversity and an inclusive environment

Engagement Status and Responsiveness: responsive

Company's progress so far (as of 31 December 2020)
The company is well aware that there is room to improve. The company plans to nominate a second female director to the board in 2021 and by 2025 25% of all managers should be female. To achieve this 1/3 of all new hires will be female going forward. Follow up to continue our constructive dialogue in 2021 and monitor progress on engagement targets.

Principle 10 – Engagement: Collaboration

Context

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

DWS acknowledges that collabourative engagement is an essential and influential instrument of effective stewardship. We therefore engage in initiatives such as the Climate Action 100+ to fulfil our fiduciary obligations and clients' expectations. However, in some jurisdictions, like the EU and especially in Germany, there are regulatory hurdles and barriers that prevent asset managers from effectively joining engagement activities with other asset managers. As DWS's engagement activities are centralized and conducted out of the Frankfurt-based Corporate Governance Centre – which forms part of the German regulated entity DWS Investment GmbH – the German regulatory regime represented by the local regulator, the BaFin, is prevalent. 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 White List. 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".

However DWS recognises the importance of such collaboration to achieve meaningful change, which is why we are advocating for a more level playing field in our home market of Germany. We have joined several initiatives and we are using our position in trade associations and working groups to improve the terms and conditions of collabourative engagement in Germany. In addition, DWS takes on 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 collabourative engagement they have participated in and why, including those undertaken directly or by others on their behalf.

As referred to above in the "Context" section, due to regulatory restrictions, DWS has not been able to undertake collabourative engagement with individual investee companies. However, we have been able to champion collabourative engagement in other ways, which we outline in more detail in the following sections. 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 seventh PRI report for the year 2019 at the end of March 2020. Additionally, we are members of the US Investors Network on Climate Risk (INCR), the International Corporate Governance Network (ICGN), the Forum Nachhaltige Geldanlagen (FNG) and the Institutional Investors Group on Climate Change (IIGCC). We signed the Global Investor Statement on Climate Change 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).

Provided below is a list of sustainability initiatives of which DWS is a member or a public supporter:

TABLE 10.1

Sustainability initiatives	Role (Member or Public supporter of)	Date of such membership / public support
CDP (formerly known as Carbon Disclosure Project)	Member	Since 2008
CERES Investor Network on Climate Risk	Member	Since 2008
Institutional Investors Group on Climate Change (IIGCC)	Member	Since 2015
International Corporate Governance Network (ICGN)	Yes	Since 2017
Investor Group on Climate Change (IGCC)	No. However, we work closely with their sister organizations i.e. IIGCC and CERES INCR.	Not applicable
Japanese Stewardship Code	Public Supporter	Since 2014
Task Force on Climate-Related Financial Disclosures	We were not a member of the Task Force but we have been supporters of its aims and will work to implement its recommendations internally and promote with investees and governments.	Supporter since 2017
TWSE Stewardship Principles for Institutional Investors	Given the similarity to the UK Stewardship Code we broadly support the aims of the TWSE Stewardship Principles.	Not applicable
UK Stewardship Code	Public Supporter	Since 2016
UN Global Compact (UN GC)	Signatory	Since 2000
Principles for Responsible Investment (PRI)	Member	Since 2008
Harvard Law School Corporate Governance Roundtable	Member	Since 2019
CDP SBT Campaign	Member	Since 2020
Investment Association Stewardship Committee	Committee Member	Since 2020
Climate Action 100+	Member	Since 2017

Source: DWS.

Outcome

Signatories should describe the outcomes of collaborative engagement.

In Germany, we participated in the consultation on changes to the German Corporate Governance Code and the implementation of SRD (Shareholders Rights Directive) II into national law (ARUG II). As a member of the German Association for Financial Analysis and Asset Management (Deutsche Vereinigung für Finanzanalyse und Asset Management e.V., DVFA), we continue to promote the DVFA Scorecard on Corporate Governance as a measure of governance quality for German companies. We have co-developed the DVFA Stewardship Guidelines for Germany that provide guidance for German asset managers on how to implement Stewardship. One of the members of our DWS Corporate Governance Centre also used his active position in the DVFA Commission on Governance & Stewardship to initiate discussions on the topic of collabourative engagement with the German regulator, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). These discussions were complemented by regular discussions with representatives from the PRI on the regulatory hurdles associated with collabourative engagement. Furthermore, the DVFA Commission held an expert roundtable in February 2020 to discuss the DVFA-Stewardship Guidelines that were well received by practitioners, asset owners, auditors and academic experts. In addition, the DVFA Commission held a conference on Purpose, Sustainability and Stewardship that was primarily organized by a member of the DWS Corporate Governance Centre.

We have also contributed to discussions with the German Investment Fund Association (Bundesverband Investment und Asset Management, BVI) on the implementation of the Shareholders' Rights Directive II (SRDII) in Germany, as well as the annual review of guidelines on analysing German AGM agendas. We have participated in other consultations, such as the EC (European Commission) consultations on Sustainable Corporate Governance, the Sustainable Finance Strategy of the European Commission and the Deutsche Börse / Stoxx consultation on the criteria for listings in German DAX indices.

In light of the COVID-19 pandemic in 2020, the German government allowed listed companies to hold AGMs virtually and to limit shareholders' questions, meeting participation, filing of resolutions and appeals against motions. As a responsible investor, DWS acknowledged the necessity for such emergency legislation, however, we expressed our concerns early on about the possibility of extending these measures for the full year 2021 in position papers by the DVFA and the BVI, so as not to unduly affect engagement activities. We also developed and presented proposals on how these shortcomings could be resolved in the future and invited other trade associations to join these discussions. In Q3 2020, pressure from CEOs of 60 listed companies in Germany led to prolonging the aforementioned measures. In response to this, DWS started to engage proactively with legislators from the German parliament (Bundestag) and the Ministry of Justice and Consumer Protection to initiate changes to the legislation that would restore at least some of the shareholder rights. This process is still ongoing.

On a European level, DWS has used its membership in the European Fund and Asset Management Association (EFAMA), to actively participate in discussions around the development of a new EU Regulation on Sustainable Finance. In particular we are contributing to the development of several reports setting out climate-related expectations for companies through the Institutional Investors Group on Climate Change (IIGCC):

_ In 2020, DWS signed IIGCC's letter on investor expectations for Paris Aligned Accounting[38], which was sent to 36 of Europe's largest carbon-emitting companies
_ In late 2020, DWS started to provide input to the chairs of the IIGCC working group on investor expectations for companies on physical climate risk and resilience, drawing on a DWS Research Institute report
_ In 2019, DWS co-chaired and played a major role in drafting climate-related investor expectations for listed real estate companies[39].

Globally, we have continued our active participation in the Ceres Investor Network on Climate Risk and Sustainability and we also started to participate in the Ceres Investor Water Hub.

As a member of the International Corporate Governance Network (ICGN), we are also contributing to the consultation on changes to the Global Governance Principles (GGPs) with the aim of promoting effective standards of corporate governance across all companies globally.

A DWS representative from our Corporate Governance Centre has become a board member of the Stewardship Committee launched by the UK's "Investment Association" (IA). This is a high-level committee that reports directly into the IA's Executive Board. We regard this as an opportunity to increase DWS' involvement in the UK-specific discussion about the future of stewardship, regulatory developments in this field and the implications for the asset management industry. A member of the DWS Research Institute team also became a member of the IA's Sustainable and Responsible Investment Committee in 2019 and Climate Change working group in 2020. In this role, DWS provided input to the IA's climate change position[40].

[38] www.iigcc.org/news/leading-investors-call-on-europes-largest-companies-to-address-missing-climate-change-costs-in-financial-accounts/
[39] www.iigcc.org/resource/investor-expectations-for-listed-real-estate-companies/
[40] www.theia.org/sites/default/files/2020-11/IA%20Climate%20Change%20Position%2011.11.20%20.pdf

In September 2020, DWS joined the CDP SBT Campaign[41] calling 1,800 corporates globally to commit to science-based targets for reducing 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.

Case Study: Climate Action 100+ & DWS activity in 2020

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

Board: Nomination of an independent director candidate that will enhance the board's expertise on climate related issues.

Long-term goals for emissions reductions and net zero, while ensuring a just transition for workers in sectors vulnerable to climate disruption.

Engagement Status and Responsiveness: Ongoing | Responsive

Company's progress so far

We continued our one-on-one engagements and sent our questions to the board before the AGM of the company in 2020. 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 United Nation's SDG (Sustainable Development Goals) objectives into its financial strategy while confirming the strategic direction already set. New targets (certified by science-based initiative) were also disclosed in addition to Scope 3 figures, the link to the SDGs, as well as emissions intensity. As part of its long-term goals for emissions reductions and net zero, the company made a 2050 commitment.

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

In December 2020 DWS became the only German asset manager to be a founding signatory of the IIGCC's Net Zero Emission Asset Manager Alliance. Through this initiative asset managers commit to decarbonise investment portfolios and accelerate their contribution to achieving net zero emissions and limiting climate change to 1.5°C. DWS is amongst the leading group of 30 global asset managers that commit 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 net zero emissions by 2050 or sooner. Delivery of the commitment includes prioritising the achievement of real economy emissions reductions within the sectors and companies in which the asset managers invests.

As part of the initiative, all asset manager 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.

[41] www.cdp.net/en/investor/engage-with-companies/cdp-science-based-targets-campaign

Principle 11 – Engagement: Escalation

Context

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

The sound alignment of the interests of the companies' boards of directors with those of shareholders through effective governance measures and sound structures should preserve and enhance the company value and is crucial to building confidence among investors.

Furthermore, we believe that management should pursue regular active engagement with all relevant stakeholders to benefit from alternative perspectives. As a responsible investor, we are always willing to share our expectations on matters of corporate governance in an on-going and constructive dialogue with executive and non-executive directors.

There are various ways in which we engage with our investee companies depending on the company itself, the sector and the issue in question. However, in cases where we identify gaps between our expectations regarding corporate governance and the company's attitude towards it, we will start a direct engagement process with the company representatives and management board. We regard active engagement as an essential part of our commitment to supporting good corporate governance.

Our engagement approach follows a detailed step-by-step escalation that commences with our annual letter to our investee companies, which is part of our Proxy Voting Focus List. In the letter, we inform them about our governance expectations and updated Corporate Governance and Proxy Voting Policy. This is then in some cases followed by pro-active engagements by companies who approach us. During the regular management meetings, we 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. Our direct participation in annual general meetings combined with a speech addressing shareholders and boards publicly is in our view 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 vote against management proposals, in line with our Proxy Voting Guidelines.

In 2020, the Corporate Governance Centre sent a pre-season letter of engagement to more than 1300 investees, which were part of the Proxy Voting Focus List for 2020. Our pre-season letter represents an important first step into our engagement activities throughout the year by elabourating on our key focus areas as well as inviting our Focus List companies for a dialogue.

Towards the end of the year, we also sent our individualized post-season letters to 390 of our investees, where we had issues with particular items of their agenda and voted against management recommendations. In 2020, our key areas of focus for the letter were overboarding of board members, combined CEO / Chairman-role, lack of female representation on the board, inadequate board independence as well as companies facing severe ESG controversies. We also sent letters to the companies where we did not support the elections of at least one director at 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 OECD Guidelines for Multinationals, etc.

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 environmental, social and good corporate governance factors in a company strategy is a key factor to the ability of an organization to create value over time. For us, 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. 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.

OFFERING CORPORATE GOVERNANCE THOUGHT LEADERSHIP TO OUR CLIENTS

Stringent voting process, based on a thorough analysis ...
_ Acting as fiduciary, we exercise our voting rights in our clients' best interests across active, passive and alternatives
_ Customized research for general meeting agendas following DWS's Corporate Governance & Proxy Voting Policy
_ Thorough analysis by DWS's Corporate Governance Centre and discussions with the analysts/portfolio managers
_ Strong expertise on governance topics (e.g. Board composition, executive remuneration, equity issuance etc.)

Proprietary Corporate Governance & Proxy Voting Policy and Watchlist ...
_ Stringent policy, reviewed annually and centred around DWS's proprietary Corporate Governance understanding
_ Dedicated Proxy Voting Watchlist (incl. most relevant holdings globally, based on stringent set of criteria)

Governance engagement ...
_ Annual letter of engagement sent to all investees on Watchlist elabourating on updated policy, core values and expectations
_ On-going and contructive dialogue with executive and non-executive directors of our investees
_ Post-season engagement letter sent to selected companies on selected governance issues
_ Monitoring and documentation of engagement outcomes and reflection in voting behaviour

Environmental and social topics reflected in the voting and engagement activities ...
_ Critical evaluation of participation in the Carbon Disclosure Project in relevant industries (i.e. utilities, energy)
_ Evaluation of ESG-related shareholder proposals on the basis of recognized standards, i.e. The Ceres Roadmap for Sustainability, The Ceres Blueprint for Sustainable Investing, the Sustainability Development Goals and the UN Global Compact
_ Consideration of company-specific ESG controversies and their materiality as part of the analysis (with a possibility of a negative vote on the discharge of directors)

Strong positioning on global governance topics ...
_ Participation in relevant international:
  _ working groups (EFAMA CG Working Group, BVI CG Working Group)
  _ commissions (DVFA CG Commission)
  _ networks (Ceres, ICGN)
_ Review of local stewardship codes, local and global regulations and EU directives on corporate governance matters

Source: DWS.

Engagement is also a key part of our new strategic approach of Smart Integration at DWS. Smart Integration was created to identify and manage risks stemming from ESG factors more effectively and explicitly.

In December 2019, the Executive Board approved a new ESG Integration policy of "Smart Integration". DWS has deliberately decided against an approach of implementing top-down sector-based exclusions. In doing so, DWS has introduced an overarching process of enhanced due diligence, when there is evidence that issuers face excessive climate transition risks or severe and confirmed violations of international norms.

In July 2020, DWS formalized this approach with the effective date of fund prospectuses of German-domiciled mutual funds. This approach rules out new investments in corporates and sovereigns in these mutual funds, unless the Committee for Responsible Investments (CRI) performs due diligence and waives the investment restrictions conditional upon action items such as intensified engagement. This due diligence process can also lead to a potential exclusion from the investment universe, in cases when there is evidence of severe sustainability risks or non-responsiveness of issuers on engagement.

Starting in Q4 2020, the Committee also focusses on water risk and opportunities (as part of Climate Transition Risk) and severe climate and transition risks for investments in sovereign bonds. Luxembourg-domiciled mutual funds will also sequentially adopt the new Smart Integration wording in their respective fund prospectuses. Exclusion should only be applied as a last resort since we generally believe more in driving change and assuming stewardship responsibilities through engagement rather than using exclusions. Issuers which receive a waiver for ongoing investment during the process should be engaged with on a mandatory basis. The CIO for Responsible Investments chairs the Committee and the meetings takes place on a weekly basis with the frequency adjusted based on the number of cases registered. The Committee includes members of the CIO Office for Responsible Investments, Equity and Micro Research, and Investment Risk Management and Compliance.

Following the Smart Integration approach we have reviewed several companies in 2020 and decided to initiate or intensify existing engagements in several cases with regular follow ups and milestone setting. Furthermore, we have decided to reduce and divest our holdings for various companies due to excessive climate transition risks or severe violation of international norms without foreseeable improvement.

As mentioned in Principle 6, DWS has very stringent voting and engagement policies to ensure consistent behaviour (for both active and passive assets). Meanwhile, DWS has also prioritised our investment stewardship activities according to key issues and size of holdings.

Key issues considered

DWS pays particular attention to five issues, including Boards of Directors, Executive Remuneration, Auditors, Shareholders rights, and ESG Issues, which correspond to DWS corporate governance core values: adequate board composition, comprehensible and ambitious executive remuneration, transparency on auditors and appropriate treatment of shareholder proposals. Apart from our core values on good governance, climate change will continue playing a central role in our engagement activities. We will continue to focus on three important aspects:

_ Enhanced disclosure and reporting (for example, in line with the TCFD and SASB frameworks)
_ Proper governance / oversight of climate change related risks and opportunities at Management and Board level
_ Management of and delivering on targets in line with SDG commitments
_ Linking of relevant ESG targets to executive compensation to align strategic roadmap with incentives
_ Proper and effective consideration of relevant shareholder proposals on climate change topics.

In case companies' responsiveness to our engagement efforts is not adequate and we believe there is a material risk to our investment, which is not properly addressed, we will consider reflecting this in our voting decisions and hold board members accountable. That is why reporting on the proper management of environmental risks can provide us as an investor with an increased visibility and confidence to build up our investment cases. Furthermore, we will continue our qualitative analysis of shareholder proposals on climate issues. Our voting decisions are determined by our evaluation of how best to support long-term sustainable performance, taking into consideration the progress the company has already made and also the specific details of the proposal in terms of their relevance. Especially in light of the national implementation of the second Shareholders' Rights Directive in 2019, we are actively following and monitoring the developments around the implementation. Our expectation is that shareholders are given a regular say on executive remuneration at least every four years.

We will also observe how our investees are ensuring gender diversity in their succession planning and board refreshment and reflect it in our voting decisions where we deem the company is not meeting our expectations. We would like to see significant progress in this aspect and encourage companies to accelerate their efforts to ensure well balanced boards for a more effective decision-making process.

Key investees

DWS has created a Proxy Voting Focus List, which represents a list of the most relevant equity holdings held by our funds, screened regularly in terms of percentage of market capitalization, assets under management and several ESG criteria. The list currently encompasses over 1900 companies globally.

Please note that some companies engaged with are not explicitly named as they have either chosen that their names are not disclosed or we have not received a timely confirmation for the purposes of publication.

Board Composition

The topic of board composition was part of the agenda for 81% of all one-on-one engagements in 2020. Four key topics were central in our engagements in terms of governance:

_ Do business models need re-defining to be more resilient in the longer-term and in crisis situations
_ What would that mean for board composition going forward – is there a need for new skillsets and diverse perspectives
_ How will executive compensation plans be affected
_ How can the board allocate time effectively to ensure that both pressing issues and future strategic matters are sufficiently attended to

Case Study: board

Case Study A | Sector: Electric | Country: Hong Kong | Area of Engagement: G

Sub-Area of Engagement
Governance: Board Composition, Independence, Succession Planning / Refreshment

Engagement Case
The company has low independence in the board as some directors are not considered independent due to long tenure. Insufficient disclosure on executive compensation in terms of performance criteria.

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 | Responsive

Company's progress so far
The company is aware of the long tenure and it will consider that for board refreshment in the future. While the company wants to retain family representative as board chair in the long run, it will consider having a majority independent representation in the nomination committee. The company has started reporting in compliance with TCFD and would improve its reporting on sustainability. It will take regular feedback from external stakeholders regarding reporting and initiatives and will work on setting up more ESG related targets at group level. We will continue our constructive dialogue in 2021 and monitor progress on engagement targets.

Source: DWS Investment GmbH, 12/31/2020.

Principle 11 – Engagement: Escalation

Case Study: overboarding

Case Study B | Sector: Chemicals | Country: Germany | Area of Engagement: G
Sub-Area of Engagement
Overboarding

Engagement Case
The Chairman was up for re-election but due to the extensive number of outside board seats we flagged early that we would not be able to support it

Engagement Targets
We aimed to start an in-depth dialogue with the Chairman to understand his commitments and to achieve transparency about his perspective mandates.

Engagement Status and Responsiveness: Closed | Responsive

Company's progress so far
The Chairman explained in one of the calls his intention to reduce the number of his external board mandates in the coming 12 months. We encouraged the company to provide sufficient transparency early enough prior to the AGM so that investors can evaluate this information. Consequently, the Chairman issued a letter to the shareholders one month prior to the AGM, announcing that he would give up two of his external board mandates over the course of the coming 12 months.

Additionally, the Chairman announced the mandates he would give up in his AGM speech.

Source: DWS Investment GmbH, 12/31/2020.

Case study: executive compensation

52% of our engagements included executive compensation, 32 of which were with the Chairperson of the Board or Remuneration Committee Chair on the revisions of the executive policy or the introduction of a new policy. The main issues we engaged on were a lack of sustainability / non-financial KPIs in executive compensation structures, lack of transparency, discretionary payments and lack of clawback mechanisms. An example of an engagement in this topic is included below.

Case Study C | Sector: Industrials | Country: USA | Area of Engagement: G
Sub-Area of Engagement
Executive Compensation / Say-on-Pay

Engagement Case
Following historical concerns over the structure of the executive compensation policy, we met with the company to provide feedback due to low say-on-pay support in previous years. The annual incentive program had a large discretionary element and the company provided limited details on the pay-out determinations. The long-term program was predominately time-based, a practice which is increasingly uncommon among large-cap companies.

Engagement Targets
For the company to achieve improvements to the executive compensation structure in terms of transparency and longer-term sustainable ambition of performance metrics.

Engagement Status and Responsiveness: Closed | Responsive

Company's progress so far
The Company committed to providing enhanced disclosures including thresholds, targets and maximum levels for financial goals. They also increased the rigour of the strategic objectives, incorporated ESG oversight responsibility into CEO objectives and implemented a comprehensive clawback structure. As they put it, we are now providing additional transparency without giving away company secrets". As result, "we were able to support the say-on-pay for 2020.

Source: DWS Investment GmbH, 12/31/2020.

Case study: shareholder rights

COVID-19 has increased the need for sensibility around the transparency of capital allocations as an important governance matter, particularly as it is creating serious pressures on companies and forcing difficult capital-related decisions. Companies were faced with the challenge of achieving an adequate balance between the needs and sustainability of the company itself, its providers of capital (both shareholders and creditors) and other key stakeholders. From an investor perspective, the challenge is to ensure that companies develop and provide enough transparency on a sustainable capital allocation program to support positive long-term company development.

We expect the board to demonstrate critical analysis and carefully scrutiny share repurchases with regard to the company's specific business and financial risks. They should assess their capital structures and financial solvency to ensure a resilient approach to capital allocation that is robust under different planning scenarios. Beyond financial reserves, there are also other forms of capital such as social and human capital to be considered as critical to long term sustainable value creation. This requires deep consideration about what levels and forms of capital are required, particularly in times of a crisis. We find each company's situation unique in that regard and evaluate their plans on a case-by-case basis. Therefore, we expect sufficient transparency and open communication during our engagements with our investees on these aspects.

We include below an example of an engagement concerning this topic.

Case Study D | Sector: Industrials | Country: Germany | Area of Engagement: G
Sub-Area of Engagement
Capital Structure

Engagement Case
The company proposed equity issuances at their AGM that were exceeding our maximum thresholds in our Corporate Governance and Proxy Voting Policy and we voted against those. Ultimately, these proposals did not achieve an AGM approval. The company approached us to solve this matter constructively at an EGM some weeks later.

Engagement Targets
We understood the need for the equity issuance given the planned acquisitions and worked on an improved proposal that we were able to at least partially support.

Engagement Status and Responsiveness: Closed | Responsive

Company's progress so far
Following the AGM and the missing support for the equity issuance, we engaged constructively with the CFO, the Chairman of the Board as well as the Legal and IR departments to discuss a different structure of the capital measure. Ultimately, an EGM was called shortly after we agreed to split the equity issuance into three smaller packages, of which two we were able to support. Amendments included not only proportional reduction of the amount but also a reduction of the duration from five to three years as well as a public acknowledgement by the company to use the approved capital only up to a limit of 40% of the share capital.

Source: DWS Investment GmbH, 12/31/2020.

Environmental and social responsibility

Climate change

In January 2020, we communicated our intention to increase our scrutiny on the accountability of management and boards when it comes to their companies' compliance with internationally accepted ESG standards, such as UN Global Compact principles, the OECD Guidelines for Multinationals, TCFD recommendations, etc. and with regards to their management of climate and other sustainability-related risks. As a result, we have accelerated our engagements with our investees companies in 2020 on climate change and how they ensure their business models are aligned with a low carbon future.

135 of our engagements addressed questions on the companies' management of climate risk.

Principle 11 – Engagement: Escalation

Case Study E | Sector: Financials | Country: Japan |
Area of Engagement: E,S
Sub-Area of Engagement
Social – Environment: Deforestation

Engagement Case
In April 2018, the company and other financial institutions received criticisms from a report over the continuous financing of palm oil extraction businesses linked to allegations of severe deforestation. The company is known for investments in palm oil refineries which do not control suppliers and therefore enable non-compliant suppliers to sell their products. These kinds of "leakages" weaken attempts by other market players to boycott non-compliant suppliers.

Engagement Targets
Appropriate measures taken to avoid similar incidents in the future.

Engagement Status and Responsiveness: Ongoing | No real interest

Company's progress so far
The company denies that these businesses are their clients. They claim to be holding engagements to encourage high ES standards. However, the company does not require any certifications in their palm oil business. There is currently no intention to further pressure such refiners. Next, we will follow up with escalation measures and monitor progress on engagement targets.

Source: DWS Investment GmbH, 12/31/2020.

Case Study G| Sector: Utilities | Country: Italy | Area of Engagement: E
Sub-Area of Engagement
Climate Risk

Engagement Case
We joined the Climate Action 100+ initiative in 2017, it was launched in 2018. It is a five-year investor-led initiative to engage more 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 with one of the companies in scope. Our focus company is part of the utilities sector and is based in Italy.

Engagement Targets: Board
Nomination of an independent director candidate that will enhance the board's expertise on climate related issues.

Long-term goals for emissions reductions and net zero, while ensuring a just transition for workers in sectors vulnerable to climate disruption.

Engagement Status and Responsiveness: Ongoing | Responsive

Company's progress so far
We continued our one-on-one engagements and sent our questions to the board before the AGM of the company in 2020. 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 the 2020-2022 Strategic Plan, which, while confirming the strategic direction already set explicitly integrates the SDG objectives into the financial strategy. New targets (certified by Science-based initiative) disclosed. The company also disclosed Scope 3 figures and link to SDGs as well as emission intensity. Long-term goals for emissions reductions and net zero: the company made a 2050 commitment.

Source: DWS Investment GmbH, 12/31/2020.

Labour rights

Companies can affect the human rights of their employees and workers along their value chain as well as local communities, in a negative or positive way.

Companies can also affect employees in a positive way by implementing strong policies and procedures around health, safety, training, compensation, incentives and well-being into their competitive strategy. Integrating human rights and responsible human capital management into the company's strategy is of utmost importance to create sustainable value for multiple stakeholders.

As a result, human rights and human capital management is an integral part of our engagements. We expect companies to:
_ Identify human rights risks along the value chain and take appropriate measures to ensure compliance with international human rights standards
_ Establish an appropriate culture and procedures to ensure robust management of human rights risks
_ Conduct regular audits
_ Provide consistent and transparent disclosure on human rights risks and human capital management
_ Strengthen board oversight of human capital and talent
_ Engage in regular engagement with all stakeholders
_ Implement employee satisfaction surveys and anonymous whistle-blower hotlines

Below we present an example of our engagement on this issue.

Case Study H | Sector: Industrials | Country: France |
Area of Engagement: S
Sub-Area of Engagement
Social – Labour: COVID-19 Management

Engagement Case
UNI Global Union filed a complaint under the OECD Guidelines for Multinational Enterprises regarding the company's COVID-19 response with the National Contact Point in France. The main concerns were over alleged poor working conditions and slow reaction in the time of COVID-19, mainly based on their interviews with workers in the Philippines, Greece and Colombia. As these allegations raise potential reputational, operational and legal risks for the company, we held a call with the Deputy CEO and IR to hear the company's response.

Engagement Targets
Appropriate measures taken to address allegations and potential reputational, operational and legal risks.

Engagement Status and Responsiveness: Ongoing | Responsive

Company's progress so far
The company mentioned that they were in contact with the UNI Global Union and have been working with them. The Deputy CEO claimed the allegations are based on false information and that they have been putting extensive efforts in dealing with the health, safety and job security of their employees. The company also elabourated on their CSR efforts and programs in terms of employee engagement but also environmental impact aspects. They are publishing an integrated report based on GRI. The Executive compensation includes relevant qualitative metrics, among which also Crisis Management as well as Employee Engagement, which is key in linking their long-term strategy to the incentives of Management.

Source: DWS Investment GmbH, 12/31/2020.

Product safety

The safety of a product is normally given if, when handled responsibly, no hazards arise for the user from that product. For companies that manufacture or produce goods, managing product safety risks is of high importance, starting with the resources they use through the production, engineering, sale and consumption of their products.

We expect companies to identify potential risks, to implement effective product safety management programs / processes, and to conduct regular audits as well as to comply with applicable product safety laws and regulations to avoid product recalls and potential accidents. If accidents or injuries have occurred for example due to poor quality management, companies should react as quickly as possible and recall the affected products. In addition, a transparent disclosure is necessary and possible claims for damages by customers should be negotiated.

Case Study I | Sector: Industrials | Country: Japan |
Area of Engagement: S
Sub-Area of Engagement
Social – Product Safety

Principle 11 – Engagement: Escalation

Engagement Case
In January 2020 a car manufacturer announced the recall of 500,000 vehicles in the U.S. due to potentially harmful airbag inflators, manufactured by one of its suppliers. The issue with the airbags is part of a bigger recall, affecting 19 companies whose cars were equipped with the faulty airbags.

Engagement Targets
Appropriate measures taken to avoid similar incidents in the future

Engagement Status and Responsiveness: Ongoing | Responsive

Company's progress so far
We initiated an engagement with the company. They immediately recalled the affected cars and no other accidents emerged. They engage with their suppliers on a regular basis and try to identify the risks associated with their products. The company certified its operations to ISO9001 standard and the company's products perform well in crash tests.

Source: DWS Investment GmbH, 12/31/2020.

Diversity

We expect Boards to enhance their diversity by taking intentional actions to expand the pool of women and minority candidates, including reaching out to a broader set of professional networks and considering candidates with a variety of skills, racial / ethnic backgrounds, and experiences. Nevertheless, simply hiring diverse employees or including a symbolic woman to the board is not enough to create sustainable business value. We expect companies to make diversity and inclusion a part of their business culture and strategy. The chair and the CEO of a company play a critical role in driving diversity and inclusion.

30 of our engagements addressed questions on diversity

Case Study J | Sector: Insurance | Country: Switzerland |
Area of Engagement: Governance
Sub-Area of Engagement
Governance – Board Composition, Diversity

Engagement Case
The approval rates for the management proposals at the corporate's AGM were considerably lower compared to other years. In our view, one important aspect is diversity at board level. Its board is composed of 1 female and 9 male directors. The corporate executive committee is 100% male and at the different management boards of the corporate's entities consisting of 32 people, only one person is female.

Engagement Targets
Address our view of diversity and an inclusive environment.

Engagement Status and Responsiveness: Ongoing | Responsive

Company's progress so far: The corporate is well aware that there is room to improve. They plan to nominate a second female director to the board in 2021 and by 2025 25% of all managers should be female. To achieve this 1/3 of all new hires will be female going forward. Follow up to continue our constructive dialogue in 2021 and monitor progress on engagement targets.

Source: DWS Investment GmbH, 12/31/2020.

More case studies are elabourated in DWS Proxy Voting and Engagement Report 2020 with practical applications of above engagement methods and their extent. Please find this report here: https://www.dws.com/en-gb/solutions/esg/corporate-governance/

Our engagement approach applies equally to assets we hold across equity, credit and sovereigns. We define core environmental, social and governance topics based on particular mega trends (such as climate change, digitalisation, deforestation, water etc.) as well as our understanding of good corporate governance defined in our Corporate Governance and Proxy Voting Policy for both actively and passively managed funds. They also focus on our passive investments, where we believe it is even more important to engage in terms of governance and encourage positive change through voting as we are effectively "permanently" invested and thus, have the fiduciary duty to foster changes aiming to increase shareholder value in the longer-term.

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. We find engagement to be an important feedback circle to allow us to gain a more comprehensive understanding of the underlying companies.
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 therefore are 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 instruments issuers topics such as cash flow assignment of green assets to capital notes were discussed with the management of the issuing entity. That being said, engagement is limited to a communicated "no investment" decision as we are only debt owners and have no voting rights. In 2020, we held 23 engagements on ESG matters, which were dedicated for our fixed income portfolios, including with corporates, a supranational organization as well as a sovereign.

Engagement activities with sovereign issuers can be a very challenging concept, as change is slower at the country level than at the company level. In addition, we were part of the bondholder group which worked together with restructuring experts to protect the bondholder rights. We include below examples of our engagements with a Brazilian and Mexican corporate that are part of our fixed income portfolios.

With regard to geographic differences, our engagement and proxy voting does not necessarily differ geographically, although we do carve out a few jurisdictions. An example would be Japan, where we reflect different independence level criteria more suitable to the local environment. In the US, proxy voting is overseen by the US Fund Board, again in line with local practices. In general, we apply a similar corporate governance understanding across the board (regardless of where the investee is located).

Case Study K | Sector: Energy | Country: Brazil |
Area of Engagement: E, G
Sub-Area of Engagement
Governance – ESG Oversight, Risk Management;
Environment – Climate Change; net zero/ science-based targets and disclosure on Climate Change, Resource consumption/ scarcity; Green innovation

Engagement Case
The company has low independence in the board as some directors are not considered independent due to long tenure. Insufficient disclosure on executive compensation in terms of performance criteria.

Engagement Targets
Understand the company's approach towards the management and disclosure of environmental and governance risks and potential financial implications.

Engagement Status and Responsiveness: Ongoing | Responsive

Company's progress so far
The company outlined its ESG management and reporting structure on the Management and Supervisory Board level as well as the emission-linked remuneration scheme. The company explained its Risk Management framework based on high-frequency dynamic scenario analysis, including carbon transition risk metrics as key factors. The company representatives highlighted management's strategic focus on effectively preserving asset quality in oil & gas production as well as to increasingly diversify into renewables, bio fuels and electricity generation. A follow-up call on social and further governance aspects is planned as a next step.

Source: DWS Investment GmbH, 12/31/2020.

Case Study L | Sector: Industrials | Country: Mexico |
Area of Engagement: S, G
Sub-Area of Engagement
Governance – Operations; Risk Management; Capital Structure
Social – Product/Service Safety; Supply Chain

Principle 11 – Engagement: Escalation

Engagement Case
Management announced a strategic re-profiling of the group's key operating subsidiaries, which might have implications to its ESG profile. We initiated an engagement to gain a more comprehensive understanding and also get an update on the COVID-19 operational resilience as well as the downgrade by S&P to sub-investment grade.

Engagement Targets
Receive an update from management on 1H2020 operating, financial and ESG performance, in particular regarding the announced strategic re-profiling of the group's key operating subsidiaries.

Engagement Status and Responsiveness: Ongoing | Neutral, update meeting

Company's progress so far
Management gave us an update on the spin-off of some of its subsidiaries, including the timeline for completion. Proceeds are earmarked to be used for deleveraging via addressing outstanding bank debt as well as potentially shorter-dated bonds in order to approach the long-term leverage target after recent downgrade by S&P. From management's point of view, the target structure makes sense from a strategic perspective as their food-processing entity has proven to be the most resilient operationally and financially during the COVID-19 pandemic due to its focus on non-discretionary consumer products and contribution to food security. On the other hand, the plan would encompass certain divestments, which rank among the most cyclical of the company's subsidiaries due to their focus on industrial products, thereby significantly reducing ESG risks related to activities in the petrochemical and auto supplier industry, respectively.

Source: DWS Investment GmbH, 12/31/2020.

Outcome

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

Since the analyst and / or portfolio managers of DWS Investment GmbH are also actively involved in the voting and engagement processes, the outcomes of engagements might play a role in the risk / return analysis and therefore, in the conviction of the investment recommendations. Currently, we are able to measure the success of engagement via the success of concrete shareholder resolutions that we have supported and / or via the degree of improved transparency we were able to achieve via our governance-specific engagement. As a reference, as a result of our engagement, a number of our investees have enhanced their transparency by disclosing more information on their Board members, executive remuneration as well as auditors, which we regard as an improvement to their corporate governance practices. We track our governance engagement activities via an Engagement database and follow up with companies where necessary. As mentioned, we send a letter of governance engagement to our investees, elabourating on our Corporate Governance and Proxy Voting Policy, its values and expectations, at the beginning of the proxy voting season and also post-season letters to selected investees, where we opposed relevant agenda items throughout the season as a sign of escalation.

Please find below a specific example of an engagement case undertaken by the Corporate Governance Centre of DWS and the outcome of this engagement.

The investee company was seeking to re-elect its chairman and we flagged that we had concerns over the number of other board appointments they had and would not be able to support their re-election. The Chairman indicated that he intended to reduce the number of other appointments - we requested transparency on this so that investors had sufficient information at the AGM to make their decision. Before the AGM, the chairman sent a letter to shareholders that he would resign two of his other appointments.

As one of the world's largest retailers, one of the companies we engaged with in 2020, was facing concerns over the management of labour and supply chain related issues: standards, safety measures, working conditions of its employees and throughout the supply chain. The company is aware of the criticism but is somewhat dismissive due to their size. We expect that the company sets, and reports on, a clear strategy for how they are managing their supply chain and ensuring labour controversies are mitigated with strong supplier policies and commitments for avoiding future complaints.

We held discussions with the company on these issues, including its initiatives, targets, risks. Given its size as one of the world's largest retailers, hence one of the largest buyers, there remains work to do, but the company seems to be on the right path and progress is visible (e.g. key examples as sourcing of fish). The company published a 2020 Sustainability Report, which sets standards and is more precise in many respects like targets, details etc. The company is applying a risk based compliance program, trying to identify the areas of greatest risk. We continue to monitor the company and encourage them to increase board oversight as well as risk management of labour controversies.

Another example of an outcome was in relation to climate change. We continued one-to-one engagements in 2020 with an investee company on climate change issues. The company nominated a climate change expert on the board following a shareholder proposal.

Please find below further examples of engagement.

Case Study | Sector: Financials | Country: United States | Topics: Executive Compensation

Engagement Case
The executive compensation structure was not in line with DWS's Corporate Governance and Proxy Voting Policy.

Engagement Objective
Foster improvements in the executive compensation structure.

Engagement Targets
The company to improve executive compensation structure in terms of transparency, in particular around the targets of the plan. Achieve improvements in the stock ownership guidelines, the appropriateness of maximum payout percentage as well as the longer-term sustainable ambition of the performance metrics.

Engagement Status and Responsiveness: Ongoing | Responsive

Company's progress so far
The Compensation and Benefits Committee of the Board of Directors took a number of significant steps after a disappointing level of say on pay support in 2018 by engaging with shareholders, including DWS. As a result of the feedback from institutional investors, the total direct compensation of the CEO declined by 23% and the cash incentives declined by 43% over the prior year. Additional changes to the program included:

_ Reducing the maximum pay-out percentage for the total incentive pool
_ Disclosing CEO target incentive
_ Improved disclosure to emphasize targets are established at the start of performance cycle
_ Increased stock ownership threshold for CEO.

Next steps
We will continue our constructive dialogue with the company as it continues to respond to shareholder feedback on its executive compensation program and monitor progress on engagement rights.

Source: DWS Investment GmbH, 12/31/2020.

Principle 12 – Exercising Rights and Responsibilities

Principle 12 – Exercising Rights and Responsibilities

Context

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 ow 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 of them 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 would also have to be weighed against the economic interests of our clients. These hurdles are especially observed in the Nordics, Poland and Brazil. Our proxy voting criteria and approach do not necessarily differ geographically, although we do carve out a few jurisdictions. An example would be Japan, where we reflect different independence level criteria more suitable to the local environment. In the US, proxy voting is overseen by the US Fund Board, again in line with local practices. In general, we apply a similar corporate governance understanding across the board (regardless of where the investee is located).

As a responsible investor and fiduciary, DWS is obliged to exercise clients' equity voting rights in their best interest. This is achieved by our dedicated, uniform and transparent proxy voting process that is approved by our external auditor and centres on our detailed expectations and Proxy Voting Guidelines that are laid out in the Corporate Governance and Proxy Voting Policy of DWS Investment GmbH, to which the signatory entity delegates the voting rights. The primary responsibility for the conduct of company dialogues and 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 Proxy Voting Focus List, are examined individually and, where necessary, we decide on issues 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. The Proxy Voting Guidelines expressed in our Corporate Governance and Proxy Voting Policy apply to our investees, which are part of our Proxy Voting Focus List, globally.

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 Proxy Voting Focus 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 approximately 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 policy. Its portfolios, depending on their domicile, generally sub-delegate the voting responsibility to the 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/

For details on our strategy to allow pooled fund investors to direct their own voting policy and activity, please refer to our comments in Principle 6.

The funds managed by the signatory entity, DWS Investments UK Limited, where the voting rights belong to that entity and have been sub-delegated to DWS Investment GmbH, do not use default recommendations of proxy advisors, but are based solely on the proprietary DWS Investment GmbH policy.

The current voting processes for the funds and separately managed accounts, to which the signatory entity has delegated the exercise of voting rights to DWS investment GmbH, rely only on the discretion of DWS Investment GmbH. They do not allow for clients to override the voting recommendations, as the voting rights lie with DWS Investment GmbH. However, this is currently under review.

DWS does not currently have the capability to offer directed voting in segregated accounts. We have recently launched a service to allow clients to direct voting in our passive funds (see our comments in Principle 6). We are mindful of the increasing client appetite for this and are currently reviewing the potential to offer this service across other investment strategies and segregated accounts.

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 the 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.

Within our passive strategies, we retain a small holding of each position (i.e. we don't 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.

Activity

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.

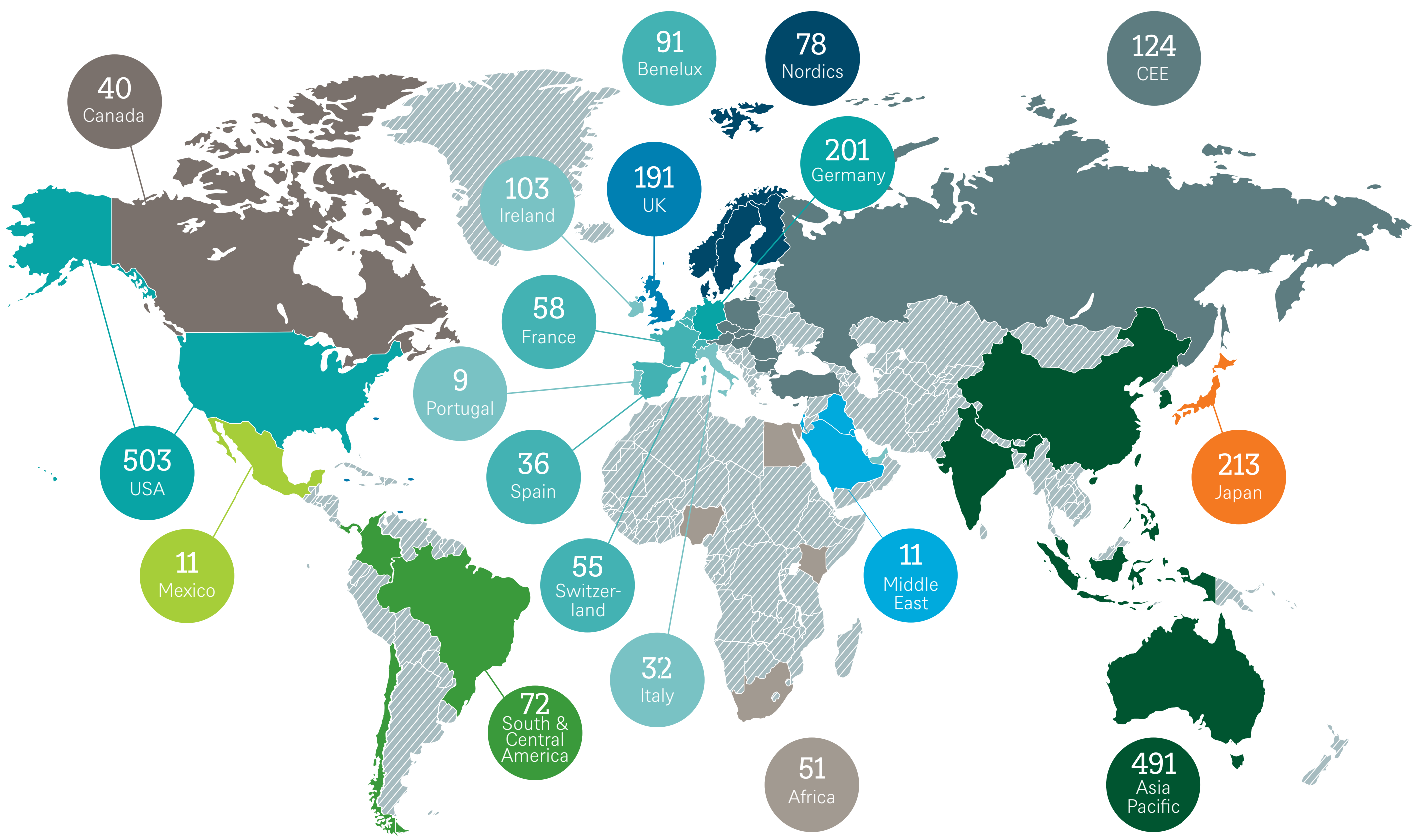
For fixed income assets, signatories should explain their approach to:
_ seeking amendments to terms and conditions in indentures or contracts;
_ seeking access to information provided in trust deeds;
_ impairment rights; and
_ reviewing prospectus and transaction documents.

In 2020, we voted at a total of 2,355 general meetings of more than 1,850 companies in 59 markets of listing. 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 86% of the equity assets under management of our funds domiciled in Europe[42]. The majority of the voted meetings was for companies listed in the United States, followed by Asia-Pacific countries, Japan and Germany.

Please find further details of 2020 proxy voting activity later in this Principle.

Please use the following link, under the section Voting Results, of the following web-page: https://www.dws.com/solutions/esg/corporate-governance/

MEETING VOTED PER MARKET



Africa	Egypt, Kenya, Nigeria, South Africa
Asia Pacific	Australia, South Korea, China, Taiwan, India, Indonesia, Malaysia, Philippines, Singapore, Hong Kong, New Zealand
Benelux	Belgium, Luxembourg, Netherlands
CEE	Austria, Czech Republic, Hungary, Poland, Russia, Turkey, Greece
Nordics	Denmark, Finland, Norway, Sweden, Iceland, Faroe Islands
South & Central America	Brazil, Colombia, Chile, Panama, Curacao
Middle East	Saudi Arabia, United Arab Emirates, Israel

Source: ISS Proxy Exchange; Corporate Governance Centre, data as of 12/31/2020.

[42] 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)

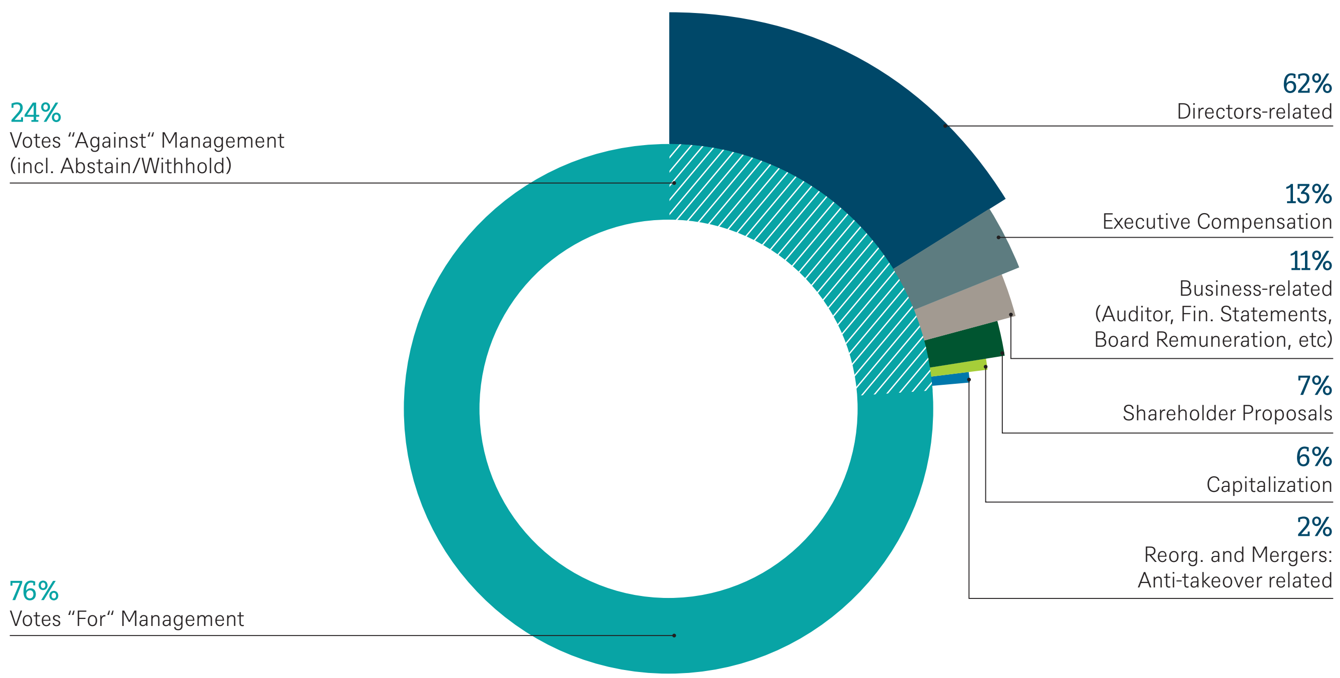
Proxy voting activities in 2020

We voted "against" management recommendations in 24% of the total number of items voted in 2020. The proposals we most commonly opposed were director-related and particularly related to the election / re-election or discharge of directors (62%). When evaluating the discharge and / or (re)-election of non-executive directors of our investees, we paid particular attention to:
_ The level of independence of the board and key board committees
_ The level of diversity of the board
_ Whether board members had any over-boarding situations
_ The level of transparency on the individual directors
_ The board's oversight and management of relevant and material ESG risks

Among others, the most common reasons for not supporting the discharge of non-executive members of the boards were due to:
_ Failure to address existing material ESG controversies (e.g. climate risk management, human rights violations, etc.) appropriately and / or violating these repeatedly
_ 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 due to:

BREAKDOWN OF VOTES "AGAINST" MANAGEMENT RECOMMENDATION VOTES "FOR" OR "AGAINST" MANAGEMENT

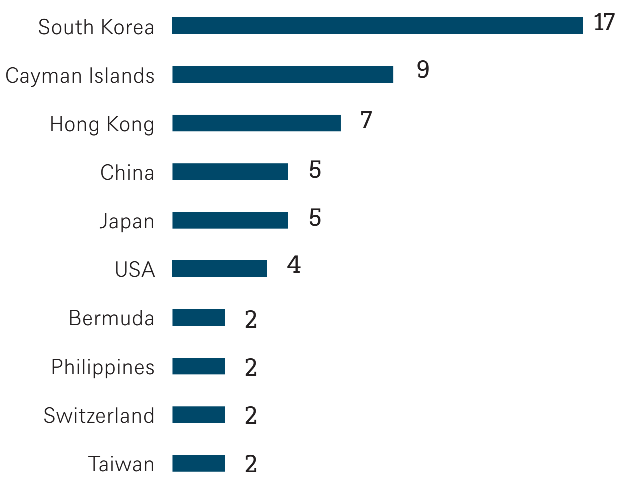


Source: ISS Proxy Exchange; data as of 12/31/2020.

_ Failure to ensure majority independence in the (supervisory) board and in key board committees
_ "Over-boarding" issues: the excessive number of board seats held by directors
_ Combined CEO / Chair with a lead independent director, who was not classified by DWS as independent
_ Failure to adequately address existing material ESG controversies (e.g. climate risk management, human rights violations) and / or violating these repeatedly or failure to hold board members accountable for the mismanagement of such issues
_ Failure to address relevant diversity issues such as a lack of a female representation at board / supervisory board level

BOARD DIVERSITY

We voted against the re-election of directors or the discharge of the board at 68 companies because none of the board members is female. Please see the below top ten market breakdown:

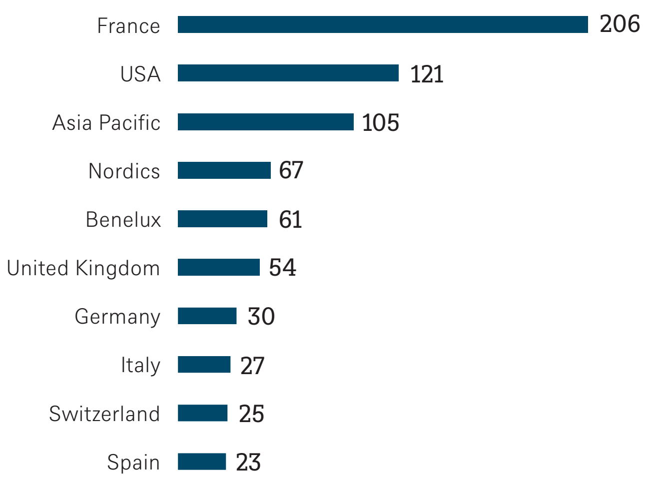


Source: DWS Investment GmbH, 12/31/2020.

Similar to previous voting seasons, executive compensation plans were the second most critical item for us at general meetings in 2020 (13% of votes against management recommendation, a 2% increase compared to last year). However, looking at only the executive compensation related proposals, we opposed 32% of all at which we voted. Adequate, comprehensible, and transparent executive compensation represents one of our core governance values, and as a result we have stringent standards for assessing these items. For the compensation policies that we opposed, we found that:
_ There was a misalignment between pay and performance
_ There were components that were not considered good governance practices such as allowing for post-mandate vesting or extensive pension benefits for certain board members
_ There was a lack of transparency and comprehensiveness (e.g. on the relevant maximum levels of compensation, key performance indicators and their weighting, etc.)
_ There were no bonus-malus or claw-back mechanisms

EXECUTIVE COMPENSATION

We could not support 32% of all the executive compensation items in 2020 with the following top 10 market breakdown:



Source: DWS Investment GmbH, ISS Proxy Exchanger, 12/31/2020.

Insufficient transparency surrounding the external auditors and, in particular, the lead partners/auditors and their internal rotation periods, caused the auditor-related items proposed by our investees to be one of the opposed items in our voting against management (11%). However, it must be noted that we saw a strong improvement in particular on this as the transparency of the external auditor is getting considerably better. We also opposed some of the items related to capitalization / equity issuances in the 2020 season (6% of votes against management recommendation) due mainly to an extensive

cumulative amount of authorized equity issuance levels (with and / or without pre-emptive rights). We do analyse such cases individually, however, we do expect our investees to comply with the best practice standards for each individual market, which, in certain cases, may be stricter than the maximum limits set by law. We see capital measures, i.e. equity issuances and share repurchases are in the interest of shareholders as long as they strengthen the long-term success of the company. However, to be able to evaluate this, we expect that our investees provide adequate information about their financing strategies, especially when they are requesting both a share repurchase and equity issuance at the same general meeting.

Voting on shareholder proposals is an important tool, which allows asset managers to exercise their ownership rights by holding the board accountable and promoting improved disclosure, effective board oversight, and commitments to address company-specific risks and opportunities.

Shareholder proposals can be broadly divided into two categories – those that address standard corporate governance issues and those pertaining to environmental and social topics. The governance proposals generally focus mostly on the division of responsibilities between shareholders and management, executive compensation, shareholder rights or company bylaws. The E&S proposals generally address the broader environmental and social impact of company operations, ranging from management of climate risk to human rights or diversity policies to lobbying disclosure on these aspects. However, the proposals are becoming more complex in nature and it is not always straightforward what topics they want to address from their category. Some governance proposals, such as requiring an independent chair to the board, could have reasons related to poor oversight of climate risk, for example, and thus fall into both the G and E categories.

Therefore, we review all shareholder proposals carefully on a case-by-case basis, but generally support proposals that are reasonable and promote enhanced shareholder rights, improved disclosure of a real risk or opportunity for the company. Shareholder proposals vary widely in terms of feasibility, materiality and rationale and in some cases they might not be taking into consideration all the previous achievements and progress of the company. In 2020, we have supported 69% out of all the shareholder proposals. When it comes to specific E&S proposals, we supported 84% of all the shareholder proposals we voted for. When analysing these proposals, we strived not to undermine the companies' existing practices / efforts as well as our discussions with them. As we are in close engagements with a number of our investee companies, we are able to follow their development in individual aspects or work with them on a commitment to achieve the goals we identify for our engagements. We believe that even though it is challenging to directly link the value of shareholder proposals to company value, these generally address important material topics for company development. Recent research also finds that companies with an enhanced disclosure of material sustainability information display a greater stock price "informativeness", with stronger results for companies with higher exposure to sustainability issues, poorer sustainability ratings and greater institutional and socially responsible investment fund ownership[43].

Case Study | Examples of key shareholder proposals we supported in 2020

Sector: Consumer Discretionary (Online Retail) | Country: United States | Proposal: Human Rights Risk Assessment
Rationale: The shareholder proposal requested the company to publish a Human Rights Risk Assessment examining the actual and potential impacts of one or more high-risk products sold by it or its subsidiaries. An Assessment should evaluate human rights impacts throughout the supply chain.

Sector: Technology | Country: United States | Proposal: Report on Freedom of Expression and Access to Information Policies
Rationale: Shareholders requested the company to disclose an enterprise-wide human rights policy or a policy regarding freedom of expression or free access to information except to say that it is an important value to the company.

[43] "Material Sustainability Information and Stock Price Informativeness"; Journal of Business Ethics, by Jody Grewal, Clarissa Hauptmann & George Serafeim, 2020

Sector: Utilities | Country: Finland | Proposal: Include Paris Agreement 1.5-degree Celsius Target in Articles of Association
Rationale: Shareholders requested the company to publish a scheduled science-based plan for aligning the operations of the company and the group with the Paris Agreement maximum warming limit of 1.5 degrees Celsius. Climate risks, the alignment plan and its implementation shall be reported annual for the first time at the AGM 2021.

Sector: Energy | Country: Netherlands | Proposal: Request the Company to Set and Publish Targets for Greenhouse Gas (GHG) Emissions
Rationale: The shareholder proposal called for more ambitious and far-reaching GHG targets in order to reduce GHG emissions to levels compatible with the global consensus specified by the Paris Agreement. Moreover, the current ambitions have not resulted in an adequate change in investments beyond oil and gas.

Sector: Consumer Staples | Country: United States | Proposal: Report on Deforestation Impacts in Company's Supply Chain
Rationale: Shareholders requested the company issue a report to investors by July 30, 2020 at reasonable expense and excluding proprietary information, including quantitative data on its global supply chain impacts on deforestation, and assessing if and how the company could increase the scale, pace, and rigor of its efforts to eliminate deforestation from its supply chains.

Source: DWS Investment GmbH, 12/31/2020.

Ceres also recognized DWS proxy voting policy and guidelines as a best practice example "worthy of emulation". Enhancing lobbying disclosure and expenditures proposals were among those for which we showed our support.

For more details, please refer to our Proxy Voting and Engagement Report at the following link: https://www.dws.com/en-gb/solutions/esg/corporate-governance/

Depending on the fund domicile (e.g. Germany, Luxembourg, etc.), different entities of DWS act as the capital management firm and own the relevant voting rights for the funds and therefore have intra-group level agreements between DWS UK entities and DWS Investment GmbH, to which they delegate the discretion of exercising voting rights. The funds managed by the signatory entity, DWS Investments UK Limited, where the voting rights belong to that entity, 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 Centre.

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. In 2020, we held 23 engagements on ESG matters, which were dedicated to our fixed income portfolios, including engagements with corporates, a supranational organization as well as a sovereign wealth fund. Engagement activities with sovereign issuers can be very challenging, as change is slower at a country level than at a company level. In addition, we are part of a bondholder group which works together with restructuring experts to protect bondholder rights.

Case Study: Fixed Income
Case Study Sector: Energy | Country: Brazil |
Area of Engagement: E, G

Sub-Area of Engagement
Governance – ESG Oversight, Risk Management; Environment: Climate Change, Net Zero / Science-Based Targets and Disclosure on Climate Change, Resource Consumption / Scarcity, Green Innovation

Engagement Case
The company under review has low independence in its board because some directors are not considered independent due to their long tenure. In addition, there is insufficient disclosure on executive compensation in terms of performance criteria. Engagement Targets: Understand the company's approach towards management and disclosure of environmental and governance risks as well as potential financial implications.

Engagement Status and Responsiveness: Ongoing / Responsive

Company's progress so far
The company outlined its ESG management and reporting structure for the Management and Supervisory Board level as well as the emission-linked remuneration scheme. The company explained its Risk Management framework based on high-frequency dynamic scenario analysis, including carbon transition risk metrics as key factors. The company's representatives highlighted management's strategic focus on effectively preserving asset quality in oil and gas production as well as to increasingly diversify into renewables, bio fuels and electricity generation. A follow-up call on social and further governance aspects is planned as a next step.

Source: DWS Investment GmbH, 12/31/2020.

Case Study: Fixed Income
Case Study Sector: Industrials | Country: Mexico |
Area of Engagement: S, G

Sub-Area of Engagement
Governance – Operations, Risk Management, Capital Structure
Social – Product / Service Safety; Supply Chain

Engagement Case
Management announced a strategic re-profiling of the group's key operating subsidiaries, which might have implications on its ESG profile. We initiated an engagement to gain a more comprehensive understanding and to obtain an update on the COVID-19 operational resilience as well as the downgrade by S&P to sub-investment grade.

Engagement Targets
Receive an update from management on H1 2020 operating, financial and ESG performance, in particular regarding the announced strategic re-profiling of the group's key operating subsidiaries.

Engagement Status and Responsiveness: Ongoing / Neutral, update meeting

Company's progress so far
Management provided an update on the spin-off of some of its subsidiaries, including the timeline for completion. Proceeds are earmarked to be used for deleveraging via addressing outstanding bank debt as well as potentially shorter-dated bonds in order to approach the long-term leverage target after recent downgrade by S&P. From management's point of view, the target structure makes sense from a strategic perspective as their food-processing entity has proven to be the most resilient operationally and financially during the COVID-19 pandemic due to its focus on non-discretionary consumer products and contribution to food security. On the other hand, the plan would encompass certain divestments, which rank among the most cyclical of the company's subsidiaries due to their focus on industrial products, thereby significantly reducing ESG risks related to activities in the petrochemical and auto supplier industry, respectively.

Source: DWS Investment GmbH, 12/31/2020.

Important Information

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The information in this document has been produced by DWS UK to demonstrate its adherence to the Principles under the UK Stewardship Code 2020.

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