Adverse sustainability impacts statement for financial adviser – DWS International GmbH

A. Introduction and summary

On 10 March 2021, the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector (Disclosure Regulation) entered into force. This regulation aims to support sustainable investments by requiring Financial Market Participants (FMPs) and Financial Advisers (FAs) to disclose information regarding their approaches to the integration of sustainability risks and adverse sustainability impacts to investors and clients.

Sustainability or ESG factors ("ESG Factors") as defined in the Disclosure Regulation mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse sustainability impacts mean significant negative effects of investments on ESG Factors. The implementing legislative acts of the Disclosure Regulation establishing detailed reporting standards for the principal adverse impacts have at the time of publication of this statement not yet entered into force and are not fully implemented in this statement.

With this statement, DWS International GmbH (LEI code 549300TPJCLC0OHGM008) – **DWS** – a member of DWS Group[1], wishes to disclose its approach on the consideration of principal adverse impacts on ESG Factors when providing investment advice.

This principal adverse impact statement covers the following investment advisory services of DWS provided to professional and institutional clients only:

- **Investment advice on a case-by-case basis:** DWS provides investment advice on a case-by-case or on-off basis. The investment advisory universe for on-off investment includes various financial instruments primarily issued by DWS Group, including undertaking for collective investments in transferable securities (UCITS[2]) and alternative investment funds (AIFs[3]).
- **Classic ongoing investment advice mandates**: DWS provides ongoing investment advice in accordance with an advisory agreement concluded with the relevant client. The investment advisory universe of DWS for classic ongoing investment advice includes a broad range of financial instruments, e.g. shares, bonds, structured securities as well as UCITS and AIFs.
- **Investment advice using model portfolios**: DWS provides ongoing investment advice based on so-called model portfolios consisting of UCITS and Exchange Traded Funds (ETFs) and Exchange Traded Commodities.
- **Ongoing investment advice mandates for sustainable funds:** DWS provides ongoing investment advice to investment funds and fund managers managing investment funds which have a sustainable investment as its objective.

As investment adviser, DWS is obliged to assess suitability to enable DWS to act in the client's best interest. The assessment of suitability encompasses collecting information about a client and the subsequent assessment of the suitability of a given financial instrument for that client. The range of financial instruments generally included in DWS's investment advisory universe may be further specified and individually agreed with the relevant client. DWS encourages clients to take into account ESG Factors when agreeing on the relevant investment advisory universe. Principal adverse impacts on ESG Factors are an additional factor in the process of agreeing on an individual advisory universe which meets the investment objectives of the client in question.

B. Description of selection process for investment advisory universe

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

DWS considers as of 10 March 2021 the principal adverse impacts on ESG Factors when selecting financial products in scope of the Disclosure Regulation for its investment advisory universe for on-off investment advice, namely UCITS and AIFs. If the relevant FMP making available the UCITS and AIF

[1] DWS Group means DWS Group GmbH & Co. KGaA and its subsidiaries consisting of any companies of which DWS Group GmbH & Co. KGaA is the direct or indirect parent company with majority participations (equity or voting capital share of more than 50 %), including branches and representative offices.

[2] UCITS means undertakings for collective investment in transferable securities according to the Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as amended from time to time.

[3] Alternative investment funds according to the Directive 2011/61/EU on Alternative Investment Fund Managers as amended from time to time.

declares to not consider principal adverse impacts for the relevant UCITS or AIF, this financial product will not be included in DWS's investment advisory universe for investment advice on a case-by-case basis.

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

DWS encourages clients to take into account ESG Factors when agreeing on the relevant investment advisory universe. In agreement with the client, DWS considers as of 10 March 2021 the principal adverse impacts on ESG Factors in the selection process for financial instruments to be included in the investment advisory universe.

This selection process is based on a specific database ("ESG Engine") which contains data on principal adverse impacts on ESG Factors. In the ESG engine ESG data from external research companies as well as proprietary research results of DWS Group on sovereign, quasi-sovereign, corporate issuers, and investment funds is incorporated.

The methodology of the ESG Engine consists of an assignment of one out of six possible proprietary scores or ratings to issuers. Available ESG data include for instance:

- exposure to fossil fuels[4] and estimate on possible asset stranding risks;
- carbon emissions: the ESG Engine calculates portfolio carbon footprint data, measured in volume and in carbon intensity;
- further data on greenhouse gas emissions, energy performance, biodiversity, water, and waste,
- data on social and employee matters, human rights, anti-corruption, and anti-bribery;
- information on whether an issuer is involved in the development, manufacturing, procurement, distribution, and use of several types of controversial conventional weapon (CCW) systems or components; and
- data on human rights including information on the existence of a human rights policy, appropriate due diligence, on measures to prevent human trafficking or to identify severe human rights issues and incidents.

The ESG data also encompasses an assessment of scope, severity, probability of occurrence and potentially irremediable character of ESG Factors.

3. Ongoing investment advice mandates for sustainable investment funds

DWS considers as of 10 March 2021 principal adverse impacts on ESG Factors when providing investment advice to investment funds and fund managers managing investment funds which have a sustainable investment as their objective. DWS advises investment funds following policies and guidelines that take into consideration adverse sustainability impacts. Principal adverse impacts are identified during the pre-assessment phase and due diligence process before providing investment advice. Relevant principal adverse impacts indicators are investment funds specific but include for example total carbon emissions, carbon footprint, energy production from non-renewable resources, and implementation of fundamental ILO conventions. The investment funds' strategy aims at avoiding or reducing principal adverse impacts. Investments are also continuously monitored with the aim to reduce or avoid identified principal adverse impacts.

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[4] Industries that derive revenues from the exploration, mining, extraction, distribution or refining of hard, liquid or gaseous fuels (i.e. coal, oil, natural gas).