INFORMATION ABOUT POLICIES ON THE INTEGRATION OF SUSTAINABILITY RISKS

DWS INVESTMENT S.A

15.03.2024

Table of Contents

1 / Introduction

This statement provides a summary of internal policies and procedures applied by DWS Investment SA [LEI-Code 549300L70BS183Y6ML67] – DWS – as a member of DWS Group[1] regarding the integration of sustainability risks into investment decisions for financial products, namely UCITS[2], AIFs[3] and portfolio management mandates[4]. In addition, it provides a summary of internal policies and procedures applied by DWS regarding the integration of sustainability risks when providing investment advice. This information shall be published to comply with the disclosure requirements laid down in Article 3 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector, the so-called Disclosure Regulation.

[1] 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.
[4] Portfolio management (as defined in the Directive 2014/65/EU on Markets in Financial Instruments as amended from time to time) managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.

2 / Sustainability risk definition

2.1 Sustainability risk definition

Sustainability risk is a potential negative impact to the value of an investment induced by sustainability factors. Hereby, sustainability factors include environmental, social and governance events or conditions that could either be of an "outside-in" nature (such as physical climate or transition matters) or be in direct relation to the financial impact of "inside-out" effects caused by DWS group, its employees, investee companies or any other related stakeholder.

2.2 Sustainability events or conditions

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

Environment

- Failure to contribute to climate mitigation including reduction of greenhouse gas emissions
- Failure to protect biodiversity
- Non-sustainable use and protection of water and maritime resources
- Failure to transition to a circular economy, to avoid waste, and use recycling
- Exports and imports of waste violating of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
- Failure of avoidance and reduction of environmental pollution, including violations of the Minamata Convention on Mercury, the Stockholm Convention on Persistent Organic Pollutants
- Failure of protection of healthy ecosystems
- Non-sustainable land use

Social affairs

- Incompliance with recognized labour standards
- Incompliance with employment safety and health protection
- No reasonable remuneration or unfair working conditions
- Low level and no promotion of diversity and lack of inclusiveness
- Insufficient training and development opportunities
- Incompliance with trade union rights and freedom of assembly
- Failure to guarantee adequate product safety, including health protection
- Application of different requirements to entities in the supply chain
- Disregard of the interests of communities and social minorities
- Environmental damages impairing the natural bases of food and drinking water, preventing sanitary access or harming human health
- Unlawful eviction; unlawful taking of land, forest or water; use of land, forest or water securing human livelihood
- Use of security forces involved in torture; cruel, inhumane or degrading treatment; damage of life or limb; or impairing the right to organize and the freedom of association
- Other violation of general norm standards impacting employees or stakeholders

Corporate Governance

- Insufficient consideration of E&S factors by the Board / management
- Insufficient Board diversity
- Insufficient anti-corruption measures
- Insufficient anti-fraud measures
- Insufficient risk management and compliance practices related to E&S factors
- Board remuneration does not consider ESG criteria or matters
- Insufficient or wrong information disclosure – in particular those related to E&S factors
- Violation of employee rights
- Violation of data protection standards
- Tax fraud
- Failure to facilitate whistle blowing

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

Physical climate events or conditions

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

Transition events or conditions

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

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

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

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

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

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

3 / Sustainability risk governance, roles, and responsibilities

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

3.1 Central Roles and Responsibilities

Executive Board

The Executive Board has overall responsibility for managing our business activities with the objective of creating long-term value. This includes the management of sustainability-related opportunities and risks. It is responsible for approving our sustainability strategy, targets and KPIs. It also signs off on group-wide external sustainability disclosures and is responsible for embedding ESG criteria in the remuneration framework. In 2023, the Executive Board reviewed various climate-related topics, including the approval of our updated sustainability strategy and the discussion of our net zero approach. Our Supervisory Board advises and maintains oversight of the Executive Board's activities, including those relating to climate matters.

Group Sustainability Committee

The Executive Board has delegated its authority for the implementation of the sustainability strategy to the Group Sustainability Committee. The Committee is mandated with implementing the sustainability strategy as approved by the Executive Board on both fiduciary and corporate levels across all divisions and legal entities. This includes facilitating sustainability-related discussions, overseeing climate-related opportunities and risks, and allocating further responsibilities with regards to sustainability activities across the organisation.

In 2023, decisions made by the Group Sustainability Committee included the approval of an execution program for our updated sustainability strategy and adjustments to our ESG product filters. Furthermore, the Group Sustainability Committee designated roles and responsibilities for key sustainability activities across the organisation. The Group Sustainability Committee is chaired by the Head of the Product Division, who is a member of the Executive Board, and has representation from all divisions and relevant infrastructure functions. Relevant legal entities are regularly informed about discussions and decisions of the Group Sustainability Committee.

Risk and Control Committee

The responsibility for approving key risk management principles, risk appetite metrics, and thresholds related to sustainability risks and adverse impacts has been assigned to the Risk and Control Committee. Further information on governance of climate-related risks, including relevant policies and details on how climate change is managed within our risk function, can be found in the sections 'Strategy' and 'Risk Management' of the Climate Report, as well as the 'Risk Report' in the 'Summarised Management Report' of the Annual Report 2023.

Reputational Risk Committee

The Reputational Risk Committee is responsible for evaluating and monitoring matters which might trigger potential reputational risk.

Sustainability Oversight Office

The Sustainability Oversight Office supports the Group Sustainability Committee with its activities and aims to ensure effective sustainability governance. This includes maintaining oversight of our key sustainability activities and managing the sustainability strategy execution program. In addition, the Sustainability Oversight Office is responsible for our central sustainability training framework.

Platform Sustainability

To further strengthen our sustainability governance structure and adequately respond to a continuously evolving regulatory environment, we established a new Platform Sustainability function in October 2023 within the Product Division. This function coordinates and steers the implementation of our sustainability strategy as well as sustainability-related regulatory requirements within the Investment and Product Divisions with a focus on the liquid product range.

Sustainability Strategy

The Sustainability Strategy team supports the Chief Executive Officer in developing the sustainability strategy and ensures that it is embedded in our wider corporate strategy.

Sustainability Risk

The Sustainability Risk team, which is part of the Chief Risk Office, is responsible for integrating sustainability risks and adverse impacts on the environment and society into our risk management framework. Sustainability risk formulates our ESG-related risk strategy and develops qualitative risk appetite statements and corresponding quantitative indicators relating to identified ESG themes.

ESG Advisory Board

The ESG Advisory Board advises the Executive Board on a range of long-term sustainability trends, challenges, and opportunities. It consists of internationally recognized sustainability experts from diverse disciplines.

During 2023 the ESG Advisory Board met three times and amongst others covered the following topics:

– our sustainability strategy,

– ESG engagement,

– biodiversity,

– clean energy financing financial.

No changes were made to the composition of the ESG Advisory Board in 2023.

3.2 Divisional Sustainability Governance

Investment Division

The Investment Division has responsibility for the integration, where required by policy, of sustainability factors and sustainability risks, including climate-related opportunities and risk, in the investment process. The CIO Office for Responsible Investments supports such integration for the investment platforms for Active, Passive including Xtrackers, and Alternatives. The Chief Investment Office is responsible for monitoring developments and delivering market and economic views, including those relating to sustainability, to internal and external stakeholders via our CIO view publications and the internal CIO daily newsletter.

Product Division

The Product Division is responsible for processes along the lifecycle of products, ranging from product-specific strategic planning processes over the development and launch of products to the administration and steering of the product suite. The Head of the Product Division oversees climate-related topics in the launch of new products and manages the product suite in a way that both aligns with our sustainability strategy and reflects client demand. Dedicated ESG product teams support our investment teams and external clients in providing ESG and climate-related information, analysis, and investment solutions.

Client Coverage Division

The Client Coverage Division markets investment products and provides advice to our clients on suitable investment solutions. These include delivering sustainable and climate-related investment strategies, as many of our clients seek sustainability-oriented and climate-related investments. Across the Client Coverage Division, 25 so-called “ESG Ambassadors”, across all regions and client segments, continuously discuss sustainability trends and developments, and how these may impact our clients. The information is then shared with the wider Client Coverage Division organisation. These ambassadors are guided by the Global ESG Client Officer and they work closely with the investment professionals.

Executive Division

In addition to the Sustainability Strategy team within the Corporate Strategy and M&A function, our Communications, Brand and CSR team is responsible for the management of our sustainability-related communication, corporate marketing, and CSR activities.

Chief Financial Office Division

Within the Chief Financial Office Division, four functions are responsible for sustainability related matters: the Sustainability Oversight Office, the Sustainability Risk team (both described above), the Finance Sustainability team, and Procurement. The Finance Sustainability team is responsible for managing all regulatory-driven group sustainability disclosures, including the Climate Report. It is also responsible for sustainability ratings, including the CDP questionnaire, and the tracking of sustainability KPIs.In line with requirements for the management of human rights- and environment-related risks in our supply chain, Procurement is responsible for implementing the criteria for evaluation of new vendors, standards in contract terms and the assessment of vendor risk ratings. For more information, please see the section ‘Summarised Management Report – Our Responsibility – Human Rights’ in the Annual Report 2023.

Chief Operating Office Division

The Chief Operating Office Division leads our objective to achieve operational net zero. For further details please refer to the section ‘Becoming and Maintaining Operational Net Zero’.

Chief Administrative Office Division

The Chief Administrative Office Division has set up an ESG Change Programme that supervises and coordinates the implementation of selected sustainability-related regulatory requirements in relevant DWS divisions. In addition, Legal and Compliance advise on legal and regulatory issues in the context of sustainability, and Human Resources is responsible for the incorporation of sustainability-related KPIs in our compensation framework.

4 / Sustainability risk integration in investment decision-making process

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

- Actively managed investment funds (UCITS and AIFs) and portfolio management mandates - the "Actively Managed Portfolio Business" spanning all major asset classes including equity, fixed income fixed-income securities, cash, investment funds and alternative investments in form of tradable investments,

- Passively managed investment funds (UCITS and AIFs) and portfolio management mandates - the "Passively Managed Portfolio Business" spanning all major asset classes,

- Investment funds (AIFs) which have a sustainable investment as their objective – the "Sustainable Investments Business", and

- Investment funds (AIFs) with illiquid assets such as real estate, infrastructure, and private debt – the "Illiquid Business".

4.1. Actively Managed Portfolio Business

4.1.1. Integration of sustainability risks through ESG integration

The "ESG Integration Policy for Active Investment Management"[5] is the general framework for the integration of ESG factors and the integration of sustainability risks into DWS's investment analysis and investment decisions.

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

The ESG integration approach encompasses the following:

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

The assessment of material sustainability risks and opportunities is part of the research analysis of companies and sovereigns/government-related issuers. Each sector, company and sovereign/government-related issuer may be impacted by different sustainability factors.

The information sources for ESG research analysis include the ESG Engine, information from ESG vendors, company disclosures, ESG broker research, sector and sovereign-related materially assessments and the respective regional Engagement Database.

[5] Available here for more information

If sustainability factors are considered material by the research analyst, an assessment of their impact on the overall research assessment is carried out. Therefore, analysts' research notes are required to describe and assess identified materially relevant sustainability risks and opportunities and their impact on credit trend (in case of Fixed Income) and valuation. If sustainability factors are analyzed and found not to be material, an assessment on the impact does not need to be carried out. In the case of sovereigns, ESG analysis primarily refers to assessing the impact on macroeconomic developments the credit trend and the investment recommendation. Furhermore, analysts are required to integrate in their research analysis key takeaways from engagement activities, where relevant.

Material risks that may arise from the consequences of climate change or risks arising from the violation of internationally recognized guidelines (e.g., human rights, child labor, etc.) should be transparently outlined in the research notes. The internationally recognized guidelines include, amongst others, the ten principles of the United Nations Global Compact, International Labor Organisation (ILO) core labor standards or United Nations (UN) Guiding Principles for Business and Human Rights and the Organisation for Economic Co-Operation and Development (OECD) Guidelines for Multinational Companies.

The oversight on the integration of the above-described (minimum) standards in the research process is to be carried out by the ESG Integration function. ESG database uses data from multiple ESG data providers, public sources and internal assessments (based on a defined assessment and classification methodology) to derive combined scores. The ESG database is therefore constituted by data and figures as well as on internal assessments that take into account factors beyond the processed data and figures, such as an issuer's future expected ESG development, plausibility of the data with regard to past or future events, an issuer's willingness to engage in dialogues on ESG matters or corporate decisions.

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

The ESG Integration Policy for Active Investment Management is focused on the general due diligence process and activities that Investment Professionals (IP´s) have to follow to integrate relevant sustainability factors in investment decisions. For many products, there are in addition specific ESG investment guidelines IPs have to comply with, that are also supported by information contained within the ESG Engine. Relevant ESG exclusions or limitations depend on the promoted environmental and/or social characteristics of a product, i.e. the product investment strategy as per pre-contractual disclosure. Depending on the product design, a wide range of ESG Assessments and different thresholds or limitations may be applied across funds or mandates. While several products may follow similar or identical ESG-related investment guidelines, such ESG investment guidelines are defined on a product-by-product level. These guidelines are a key tool to integrate sustainability risks and some principle adverse impacts into the individual product characteristics and are therefore also a key factor to be considered in the investment process.

The definition of the individual investment policy, and therefore also the investment guidelines defined for an individual fund, may also be impacted DWS-wide policies, such as the DWS Coal Policy. In case such policies are applicable for the individual fund or portfolio, as specified within the individual investment policy, companies that do not comply with DWS Coal Policy are excluded as investments.

The consideration of sustainability factors in portfolio construction starts with the eligible investment universe, after exclusion criteria via ESG Engine Grades, exclusion lists, and/or client-specific guidelines are applied. Depending on the product type managed PMs are obliged to integrate material sustainability risks and opportunities in the portfolio construction and monitoring process within the eligible investment universe.

4.1.2 Engagement, Corporate Governance and Proxy Voting

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

Both policies are summarized below:

The objective of the "Engagement Policy" [6] is to establish a strategic framework to fulfil the fiduciary and stewardship duties acting in our clients' best interests by engaging in a dialogue with investee companies on strategy, financial performance, risk, capital structure and relevant corporate governance, environmental, social and impact topics. The Policy applies to our equity and fixed income securities we hold in funds offered and mandates managed, with delegated voting authority, by any of the above-mentioned entities.

The "Corporate Governance and Proxy Voting Policy"[7] details DWS's engagement framework in relation to corporate governance and proxy voting process. It contains the core governance understanding, governance values and expectations including ESG relating to investee companies in line with the framework and principles as set out in the Engagement Policy as well as proxy voting guidelines. It includes guidelines on how to vote in relation to ESG topics such as ESG-related shareholder proposals.

4.2. Passively Managed Portfolio Business

4.2.1 Integration of sustainability risks through two approaches

The "ESG Integration Policy for Passive Investment Management"[8] sets out the general framework for the integration of sustainability risks into the investment process for the Passively Managed Portfolio Business. It establishes minimum standards with relation to the selection of new indices, as well as detailing the approach regarding removal of securities with involvement in controversial conventional weapons.

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

Removal of securities involved in Controversial Conventional Weapons "CCW"

DWS generally seeks to remove securities involved in CCW and considers the sustainability risks posed by entities involved in the production of CCW, as determined in the methodology described in the "DWS Controversial Weapons Policy"[9]. For financial products within the Passively Managed Portfolio Business with a Direct Investment Policy, DWS excludes securities identified by DWS as per the aforementioned policy as being involved in CCW, subject to a materiality calculation (or in the case of passively managed accounts subject to investment management agreements with the client) which determines the importance of those securities to the achievement of the investment objective of the financial product. The materiality calculation involves quantifying the impact of removing the security(ies) on the ex-ante tracking error of the financial product's assets against the reference index. If a security, or securities, are not adjudged as being material contributors to reflecting the performance of the reference index, they will be removed from the financial product's assets. The materiality calculations are repeated at each index review and/or index rebalance.

[6] Available here for more information
[7] Available here for more information
[8] Available here for more information
[9] Available here for more information

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

Selection of Indices

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

4.2.2 Engagement, Corporate Governance and Proxy Voting

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

4.3 Illiquid Business and Sustainable Investments Business

The Illiquid Business, including Real Estate, Infrastructure, Direct Lending, and the **Sustainable Investments Business** integrate sustainability risks into the entire investment life cycle.

During due diligence, the respective business seeks to identify and assess, and upon investment or during portfolio phase mitigate and/or manage sustainability risks. Policies and processes are defined within the fund documentation and an environmental & social management system (ESMS) for each respective business or fund, which highlight integration of sustainability risks into the entire investment life cycle and over 100% of the investment portfolio of each financial product.

Across the businesses, initial screening and due diligence reviews are set up to identify and assess relevant sustainability risks. This is conducted using dedicated checklists or matrices, bespoke to the business line, developed in-house or through the engagement of externally provided services, utilizing industry best practices and internationally recognized sustainability standards, as and where appropriate. The initial assessments identify where additional investigation or due diligence into sustainability risks may be required. If such risks are identified, this may lead to a decision being taken not to proceed with an investment, should it be concluded that Sustainability risks cannot be adequately managed or mitigated through appropriate measures.

Sustainability risks are not only considered during the screening, due diligence and investment decision and documentation phases. They are also monitored over the life of the investment, where data exists to do so. Once an investment has been made or an asset acquired, DWS monitors and reports on sustainability risks on a regular basis, where possible and in line with the investment objectives of the financial product.

Across the business lines various monitoring systems, processes and reporting protocols are in use, which align with industry best practice as appropriate. As a result of regular reporting and engagement, the financial product managers aim to add value and mitigate sustainability risk through the implementation of sustainability measures.

The **Real Estate** Business’ Environmental and Social Management System (ESMS) sets out strategic framework for use during acquisition and ongoing monitoring. Due diligence and screening utilize an ESG matrix tool or checklist to assess sustainability risks. Industry standards are utilized within portfolio planning and assessment, as well as during asset level planning and performance monitoring.

When making **infrastructure equity investments**, DWS considers sustainability risks by applying an Environmental and Social Management System (ESMS) which sets out the general framework for the integration of Sustainability Risks the investment lifecycle. It considers identifying and mitigating sustainability risks, integrating ESG criteria into sourcing, acquisition processes, and asset management and investment processes.

In the **direct lending business**, key operating procedures laid out for each fund define bespoke ESG frameworks that ensure sustainability risks are assessed during screening and due diligence and in ongoing monitoring processes in alignment with the DWS Sustainability Risk Management Policy.

For the **Sustainable Investments Business**, specific policies and guidelines are defined for sustainable & impact investing as well as sustainability risk assessment in the fund documentation and the fund specific Social and Environment Management System (ESMS) guidelines. These ESMS are guided by the Operating Principles of Impact Management (OPIM) hosted by the Global Impact Investing Network (GIIN), which are a set of guiding principles to design and implement impact considerations into the product and investment life cycle from the initial screening and due diligence to portfolio monitoring phase and exit of investments.

5 / Sustainability risk integration in investment advice

Within its classic ongoing investment advice mandates business, 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., equities, fixed-income securities, structured securities as well as UCITS and AIFs.

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

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

Furthermore, risks that may arise due to climate change or risks arising from the violation of internationally recognized guidelines are subject to special assessment. The internationally recognized guidelines include, above all, the ten principles of the UN Global Compact, ILO core labour standards, or UN guiding principles for business and human rights, and the OECD guidelines for multinational companies.

The DWS ESG Engine forms part of the DWS ESG assessment methodology of the funds. The DWS ESG Engine, which is a proprietary software tool, is the centrepiece in the process to integrate ESG into the investment decisions for all funds in scope. It is a multi-source ESG data aggregation, structuring and processing device, which allows a consolidated and qualified ESG analysis, based on the ESG inputs from several ESG data providers, public sources and/or DWS internal assessments and research.

6 / Sustainability Risk integration in the risk management process

6.1 Integration of sustainability risks in the Risk Management processes for Liquid funds

6.1.1 Approach and Objective

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

6.1.2 Risk Analysis and Reporting

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

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

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

6.1.3 Integration in other investment risk management processes

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

6.2 Integration of sustainability risks in the Risk Management processes for Illiquid funds

Risk management identifies and assesses the level of sustainability risk taken by illiquid alternatives funds based on individual asset level risk scores or ratings, which are formed by both quantitative and qualitative data points These assessments are based on both quantitative and qualitative data. These can be based on external ESG data providers (e.g., Measurable for Real Estate, Global Real Estate Sustainability Benchmark for infrastructure), on ESG information gathered and assessed by investment managers as well as on internal subject-matter experts (e.g., ESG specialists). Risk assessments are reported to internal stakeholders on a quarterly basis. The results will also be discussed with the respective investment committee and/or fund Board/advisory committees. if deemed necessary measures can be defined to reduce the current level of risk through engagement for corrective actions.

Version history

Date	**Explanation of changes**
15.03.2024	Amendments in the content and depth of section 3 and section 4.1.1 based on an updated version of the ESG Integration Policy for Active Investment Management.
15.05.2023	Deletion of section 4.1.2 Smart Integration, 4.1.3. Specifics for financial products according to Art. 8 Disclosure Regulation, 4.1.4. Specifics for financial products according to Art. 9 Disclosure Regulation and 5. DWS Direkt. Inclusion of the section 5. Sustainability risk integration in investment advice and section 6. Sustainability risk integration in the risk management process