

# ESG Screening Policy and Procedures

DWS Invest ESG Climate Tech

March 2021



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# 1. Sustainability at DWS

## Mission Statement

Being a UN PRI signatory since 2008, DWS is convinced that putting ESG at the core of our fiduciary actions implies embedding ESG in the investment process more firmly. In our view, integrating ESG factors into the investment process contributes to a better understanding of businesses and the environments in which issuers operate. The integration of ESG factors helps us to identify the risks and opportunities that a traditional financial analysis may miss, or fail to systematically address, with potentially significant impact on long-term investment performance. It is important to us that in addition to aligning our clients' investments with their personal values, striving to improve risk-adjusted returns or diversifying their portfolios, we can also help them to achieve a positive environmental or social contribution.

The following provides an overview of DWS's Responsible Investment Statement:

<b>OUR PHILOSOPHY</b> 	<ul style="list-style-type: none"> <li>_ The integration of ESG factors and dedicated active ownership activities are crucial to fulfil our fiduciary duty</li> <li>_ We believe that responsible investment can deliver improved capital allocation decisions as well as enhanced financial market stability</li> </ul>
<b>OUR PRINCIPLES</b> 	<ul style="list-style-type: none"> <li>_ Since 2008 we have been a signatory to and abide by the UN supported Principles for Responsible Investment</li> <li>_ International standards such as the UN Global Compact, the OECD Guidelines for Multinational Corporations, Convention on Cluster Munitions and CERES amongst others are our guiding principles for our respective businesses</li> </ul>
<b>OUR APPROACH</b> 	<ul style="list-style-type: none"> <li>_ We have trained our investment professionals on ESG aspects and we have been increasing the ESG integration across all steps of our investment process over the last eight years</li> <li>_ Our proprietary ESG Engine helps to deepen the inclusion of ESG criteria into our investment processes and deliver customized ESG Solutions</li> <li>_ We strive to improve Corporate Governance across our holdings. Consequently, exercising our voting rights and active involvement in shareholder meetings are key responsibilities for DWS</li> <li>_ Dedicated responsible investment research team producing thematic reports on major ESG &amp; sustainability topics</li> </ul>

As of end of December 2020. Source: DWS Investment GmbH.

As indicated above, financially material ESG topics and global trends are integrated into our investment processes in all asset classes across our Active, Passive, and Alternatives investment decisions and we support the growth of a wide array of dedicated ESG products and solutions.

Also, our commitment to good governance is an integral part of our investment process and goes beyond our fiduciary duty to exercise our voting rights as an important means to ring-fence our investments. We regard active ownership as a powerful force in promoting better (in the context of our ESG understanding) policies and practices of our investees and, in turn, driving superior long-term performance. We believe that good Corporate Governance is an important source of higher relative returns on equity and fixed income investments in the long-term.

### DWS's approach to ESG Investing

The key pillars of the fund's ESG policy are as follows:

- **Exclusions:** Not investing in companies involved in controversial activities and conduct, high ESG risks and excessive climate transition risks.
- **ESG Integration:** Integrating ESG factors into the investment process to ensure that risks and opportunities are fully considered in all portfolio management activities.
- **Active Ownership:** Engaging on ESG matters where companies should take more responsibility in the way in which goods are produced, services are provided, and resources are used.
- **Contribution:** Investing in companies that support the U.N. Sustainable Development Goals with their services and products.

## 2. ESG Exclusion and Integration Criteria

The fund applies an ESG integration approach as well as a certain set of mandatory ESG standards. Those encompass the exclusion of issuers from controversial sectors or activities and of issuers that violate international norms such as the UN Global Compact. Further, an ESG best in class approach is applied in order to prevent the investment in issuers with low ESG and climate performance. The criteria screened and their applicable thresholds are compliant with the Belgian Febelfin Quality Standard (FQS) requirements.

### ESG Best-in-Class Approach

Themes	Guideline and Framework	Criteria
Environment	DWS's ESG SynRating seeks to identify the true ESG leaders and ESG laggards by peer group, consistently assessed as such by the top ESG agencies in a 360 degree review. Broad band ESG assessments from 3 data providers are taken into account, those being Morningstar Sustainalytics, MSCI ESG and ISS-ESG.	(True) ESG laggards, i.e. those with a <b>DWS SynRating of E and F</b> are not investable for the fund. Furthermore, a portfolio <b>concentration rule of 15% and 5%</b> applies to those with a <b>SynRating of D and M</b> , respectively.
Social		The rating scale goes from A to F:
Governance		Corporations are ranked against their peers. The ESG Engine defines the peer group by sector and region.

## Controversial Weapons

Themes	Guideline and Framework	Criteria
Nuclear Weapons	Controversial weapons are widely banned by investors due to their harm to civilians and significant reputational risk.  DWS screens investments for involvement in weapons banned by international treaties (e.g., Oslo & Ottawa convention), but also for non-banned weapons such as nuclear weapons and depleted uranium weapons. Data providers include MSCI and ISS-ESG, as well as internal assessments.	We exclude issuers with a <b>Controversial Weapon Rating of D, E and F.</b>
Cluster Munition		The rating scale goes from A to F:
Anti-Personnel Mines		A = Confirmed non-involvement B = Alleged C = Dual purpose D = Owning <sup>1</sup> / Owned <sup>2</sup> E = Component producer F = Weapon producer
Depleted Uranium Weapons		
Biological Weapons		
Chemical Weapons		

## Controversial Sectors

Themes	Guideline and Framework	Criteria
Adult Entertainment	Controversial sectors are identified by harmful products or services to people or the environment (e.g. tobacco, coal) and if the product or service is considered being sinful (e.g. gambling, adult entertainment).  Involvement in controversial sectors is identified by a company's revenue share from a controversial sector. If a company exceeds its revenue share with activities mentioned in this table, it is excluded from the investment universe.	Exclusions are triggered by the following thresholds:
Coal		<ul style="list-style-type: none"> <li>_ Adult entertainment: ≥5%</li> <li>_ Gambling: ≥5%</li> <li>_ Military defense: ≥5%</li> <li>_ Nuclear power: ≥5%</li> <li>_ Tobacco production: ≥5%</li> <li>_ Tobacco production &amp; trading: ≥10%</li> <li>_ Coal extraction: ≥10%</li> <li>_ Coal extraction &amp; processing: ≥15%</li> <li>_ Unconventional oil &amp; gas extraction: ≥ 10%</li> <li>_ Conventional oil &amp; gas extraction: Min. % revenue based on natural gas or renewable energy &gt;40%</li> </ul>
Gambling		
Military Defence		
Nuclear Power		
Tobacco		
Conventional Oil & Gas Extraction		
Unconventional Oil & Gas Extraction <sup>3</sup>		

<sup>1</sup> Owning more than 20% equity in a company involved in grade E or F.

<sup>2</sup> Being owned by more than 50% of company involved in grade E or F.

<sup>3</sup> It is meant the extraction of tar/oil sands, shale oil, shale gas and Arctic drilling

## Norm Controversies

Themes	Guideline and Framework	Criteria
Human rights	When controversies are assessed, international norms are applied, whereby the guiding principles are codified in the United Nations Global Compact (UNGC). Other important norms are manifested by the International Labour Organisation (ILO) and the OECD guidelines.  DWS has created a holistic <b>Norm Controversy Rating</b> which seeks for a reconfirmed assessment of norm controversies from 3 leading ESG data providers (MSCI, ISS-ESG, Morningstar Sustainalytics).	We exclude issuers with a <b>Norm Controversy Rating F</b> and limit those with a <b>Norm Controversy Rating E</b> to 5% on portfolio level.  The rating scale goes from A to F: A = Confirmed no Issues B = Minor Severity C = Moderate Severity D = Serious Severity E = High Severity F = Highest Severity/Global Compact Violation
Employment rights		
Child Labour		
Forced Labour		
Environment		
Business Ethics & Corruption		
Governance		
Product Safety		

## Climate

Themes	Guideline and Framework	Criteria
Carbon Footprint	In order to assess a company's risks and opportunities which arise from the transition into a sustainable business world, DWS pays particular attention on two exposures: carbon and water.	Issuers with a <b>DWS Climate &amp; Transition Risk Rating of F</b> are excluded from the investment universe and those with a rating of <b>E and M</b> are limited to 5% each on portfolio level.
Carbon Transition Risk	Instead of simply using backward-looking measures such as carbon and water intensity, <b>DWS's Climate &amp; Transition Risk Rating</b> also incorporates qualitative expert options on how a company has already taken action to tackle its transition risks, hence it includes also a forward-looking component.	The rating scale goes from A to F: A = True climate leader B = Climate solution provider C = Low transition risk D = Moderate transition risk E = High transition risk F = Excessive transition risk M = No rating available
Water Risks & Opportunities		
Power Generation Carbon Intensity	Electric utility companies that are not on a transition path in line with the Paris Agreement pose environmental risk.	Max. carbon emission intensity: 393 gCO <sub>2</sub> /kWh.

### 3. Data and Methodology

#### ESG Data

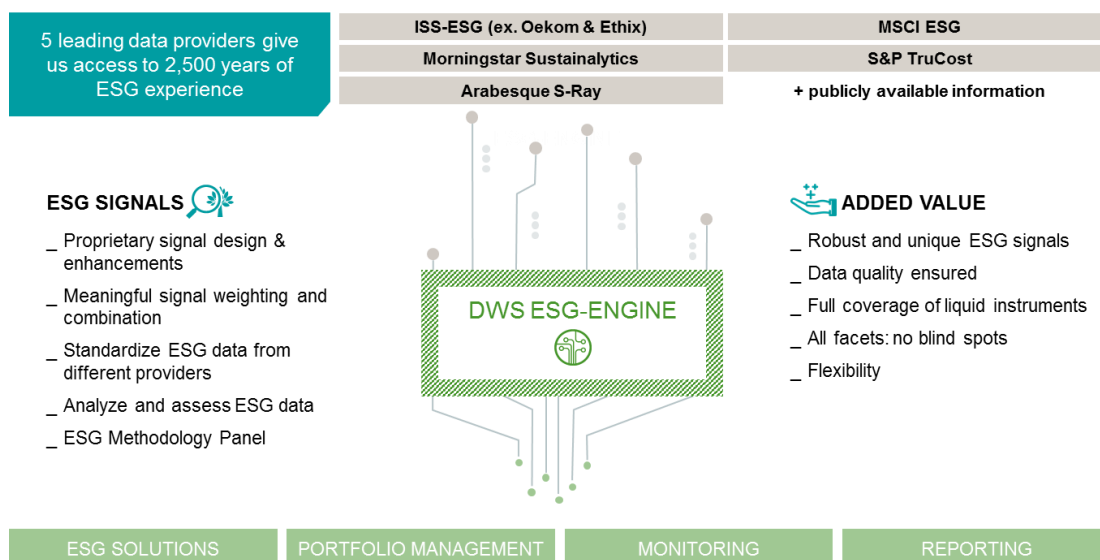
DWS acknowledges that different ESG specialists will come to different conclusions when assessing one and the same company. But, in our view, that diversity constitutes a strength. If different ESG data providers with different ESG indicators and different ESG methodologies come to the same or a similar ESG assessment, and if they are concordant or even consensual on their view, it is more likely that the assessment is objectively correct.

Why using multiple ESG data specialists? First, it increases reliability. Asking for multiple opinions means that an ESG assessment is based on the consensus, or the re-confirmation, of different specialists, providing valuable insights before making an investment decision. Second, it increases coverage. Third, it allows DWS to create unique and meaningful ESG ratings that are developed in-house.

As of now DWS contracts with ISS-ESG (formerly known as Oekom/Ethics; sector tests, norm tests, ESG ratings, climate transition 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), Arabesque S-Ray (ESG ratings, norm tests, water risk) as well as S&P TruCost (sector tests, climate transition risk).

#### DWS ESG Engine

At the core of ESG integration is our ESG Engine. For our analysis of relative ESG performance, we rely on a proprietary ESG rating methodology. The ESG Engine is a proprietary software system that represents a centerpiece in our efforts to integrate ESG into our investment processes for all liquid asset classes (equity, fixed income). It is a data aggregation, structuring and processing device, which allows an objective data driven ESG analysis, based on the ESG expertise from five leading ESG data providers. Using those data sources, DWS’s ESG Engine calculates and delivers ESG signals into DWS’s investment process.



For illustrative purposes only. Source: DWS Investment GmbH.



DWS's ESG Engine supports the automated analysis of multiple ESG facets, those being overall ESG quality, exposure to controversial sectors and weapons, violations of international norms such as the UN Global Compact, climate transition risks, and carbon footprint, among others.

### Rating methodology

DWS's ESG rating methodology is owned by the ESG methodology panel (under the lead of the ESG Engine & solutions team; reporting into the CIO for Responsible Investments), which meets weekly. This includes as well considerations on on-and off boarding of new data providers. At the same time there is a continuous feedback loop with the contracted data providers to improve and extent the data sets used by the DWS ESG Engine.

## 4. Active Ownership

In our view, sound Corporate Governance centers on a clearly defined and stress-resilient business model with a corresponding corporate structure in place. We believe companies should take more responsibility in the way in which goods are produced, services are provided, and resources are used. Therefore, 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 a sustainable value creation. The way that investors could ‘impact the world’ is by encouraging companies to change their policies and practices. We have more than 25 years of experience in engaging with companies on governance topics. In the past few years, we have been leading dedicated engagements on ESG matters and expanding our expertise in the area. Our experience is helping us ask the right questions to bring our investment stewardship to the next level and encourage companies to pursue change and accelerate investments for a sustainable future.

DWS’s approach to good Corporate Governance is based on four core values, as described below:

- adequate board composition,
- comprehensible and ambitious executive remuneration,
- transparency on auditors, and
- appropriate treatment of shareholder proposals, which are reflected in the following governance expectations together with our overarching awareness for relevant ESG-matters:

These values are described in detail in DWS’s section II. (“Our Core Governance Values and Expectations”) of [DWS’s Corporate Governance and Proxy Voting Policy](#).

In cases where we identify gaps between our expectations and a company’s attitude towards it, we seek to start a direct engagement process with the company representatives and/or management/supervisory board. DWS’s dedicated governance engagements are undertaken based on a thorough analysis of the independence and composition of boards, executive compensation practices, transparency on auditors (e.g., selection and engagement), overall company structure and transparency, and reporting practices, pursuant to our Core Governance Values and Expectations as describe in our Corporate Governance and Proxy Voting Policy.

### Important Information

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DWS Investment GmbH, June 2021.

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