

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS - SUMMARY

DWS Investment GmbH



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A / Summary

DWS Investment GmbH (LEI code 549300K0BHJ9BX9J8J87) – “DWS” – a member of DWS Group¹, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of DWS Investment GmbH.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

Sustainability factors as defined in the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (Disclosure Regulation) mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impacts mean negative effects of investments on those sustainability factors.

On 1 January 2023, the regulatory technical standards (RTS) of the Disclosure Regulation entered into force in the form of the Delegated Regulation (EU) 2022/1288 of 6 April 2022. The RTS set forth a table of mandatory indicators the respective financial market participant (the latter as defined in the Disclosure Regulation (FMP)) must use to measure and disclose principal adverse impacts of investment decisions. The RTS differentiate between indicators for investments in (i) investee companies, (ii) sovereigns and supranationals, and (iii) real estate assets. In addition, the FMP must select and disclose information on at least two additional principal adverse impacts indicators which it deems relevant in the context of its business.

The financial products in scope of the Disclosure Regulation of DWS (namely undertakings for collective investments in transferable securities (UCITS²), alternative investment funds (AIFs³), portfolio management mandates⁴, and pension products⁵) covered by this statement are the following:

- 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, cash, investment funds and alternative investments in form of tradable investments;
- Passively managed investment funds (AIFs) and portfolio management mandates encompassing delegated fund management (for UCITS) and managed account set-ups - the “Passively Managed Portfolio Business” spanning all major asset classes;
- Investment funds (AIFs) with illiquid assets such as private debt – the “Illiquid Business”;
- Certified Old Age Provision (OAP) products, i.e. pension products, for retail clients – the “OAP Business”.

DWS makes investments in companies, sovereigns and supranationals, and discloses information on its impact, and – where applicable – its targets and measures regarding

- 14 mandatory principal adverse impacts indicators applicable to investments in investee companies

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

⁵ Pension products (pursuant to Article 2 para. 2 lit. (e) of Regulation (EU) No. 1286/2014) are products which, under national law, are recognized as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits.

- 2 mandatory principal adverse impacts indicators applicable to investments in sovereigns and supranationals
- 2 additional principal adverse impacts indicators applicable to investments in investee companies, namely the 'Number of identified cases of severe human rights issues and incidents' and 'Investments in companies without carbon emission reduction initiatives'

Based on the aforementioned indicators, DWS identifies principal adverse impacts of investment decisions across its financial products. DWS selected the additional PAIs for disclosure in accordance with the group-wide overall sustainability strategy. This strategy is reflected in DWS Group's commitments, e.g. with regard to net zero, as well as in its Responsible Investment Framework, e.g. with regards to human rights. These are operationalised in further policies and activities to identify and mitigate principal adverse impacts.

In consistency with the individual investment policies of the individual financial products, DWS aims to consider principal adverse impacts on sustainability factors in the corresponding investment process. The consideration of principal adverse impacts in the investment process is supported by the availability of data on adverse impacts attributed to existing and planned investments. To determine the principal adverse impacts of its investments in listed corporate issuers as well as in sovereigns and supranationals, DWS uses data from external commercial ESG data providers as well as DWS proprietary research. Limitations regarding the availability and quality of data as provided by each of the external vendors are aimed to be mitigated by DWS's utilisation of multiple vendors. In those parts of the Illiquid Business which are investing in companies, DWS obtains data on adverse impacts by actively reaching out to its investees. Despite best efforts being undertaken to maximize the coverage of the data disclosed in this principal adverse impact statement, data gaps remain. DWS is aiming at further improving data availability, e.g. by actively engaging with its investees.

As fiduciary, it is of the utmost importance for DWS to make all investment decisions in the best interest of its clients, considering relevant financial and non-financial risk factors. Principal adverse impacts will thus not automatically outweigh other relevant factors, especially for financial products managed specifically for individual clients. For guaranteed OAP contracts, DWS in its capacity as OAP manufacturer considers principal adverse impacts in line with the policies applicable to the Actively Managed Portfolio Business as set out in this statement. For non-guaranteed OAP contracts of DWS, DWS does not make any investment decisions and thus is not in a position to consider principal adverse impacts. It is the client who chooses the investment funds underlying for the relevant non-guaranteed OAP contract.

Depending on clients' interest and their business objectives, DWS mitigates principal adverse impacts of investment decisions through the application of exclusion filters on portfolio level, for example with regard to investments in companies active in the fossil fuel sector and companies involved in violations of international norms. DWS is further acting as an active owner by exercising voting rights on behalf of its clients and by engaging in a dialogue with investee companies on various sustainability-related topics, such as the reduction of greenhouse gas emissions, human rights, and workers' rights.⁶

Where DWS has outsourced the portfolio management to an external third party, DWS aims to ensure that principal adverse impacts are considered in the investment process. Products for which portfolios management is delegated are included in the principal adverse impacts data disclosed for 2022. However, DWS's policies to identify and prioritise principal adverse impacts as described in the present statement do currently not cover products where portfolio management is delegated to external third parties outside of DWS Group.

⁶ A pooled voting rights agreement is in place between DWS Group's largest management companies in Europe – DWS Investment GmbH, DWS Investment S.A., and for specific portfolio management mandates of DWS International GmbH – and executed by DWS Investment GmbH. These entities also pool their engagement activities, executed by DWS Investment GmbH.