Key Operating Document (KOD)

Environmental, Social, Governance (ESG) Integration KOD for EMEA Xtrackers

(Formerly named Environmental, Social, Governance (ESG) Integration Policy for EMEA Passive Investment Management)

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1. KEY DATA

Summary A material issue that contributes to sustainable risk-adjusted returns is the integration of material environmental, social and good corporate governance (“ESG”) in the investment decision. This ESG KOD defines and regulates the incorporation of ESG factors, principal adverse impact on sustainability factors and sustainability risks into our investment process in general and investment analysis, possible due diligence circumstances and investment decisions in particular.
Implementation Date Last updated as of 13 October 2023

2. INTRODUCTION

As a global asset manager, DWS Group GmbH & Co. KGaA and its legal entities (DWS) act as a fiduciary for its clients. Their interests come first and we are guided by our obligation to preserve and grow our clients' money, in a sustainable manner. The ESG Integration KOD for EMEA Xtrackers ("ESG KOD" for the purpose of this document) implements DWS's Responsible Investment Statement and is part of our responsibility as an early signatory (since 2008) to the UN-supported Principles for Responsible Investment (PRI). DWS reports on its approach towards ESG integration in the context of the annual reporting to the Principles for Responsible Investments (PRI) and DWS Group Annual Report. Under Sustainable Finance Disclosure Regulation (SFDR (EU) 2019-2088 Regulation), sustainability risks and principal adverse impacts need to be incorporated into the investment decision-making process. This ESG KOD sets the framework to address this regulatory requirement.

The goal of this document is to set out minimum standards on how to undertake a comprehensive assessment of investment risks and opportunities by incorporating ESG factors into portfolio managers' investment process, analysis and decisions and product specialists' underlying index ("Reference Index") due diligence and selection processes. This ESG KOD also sets out the approach taken to engage and vote on passively managed assets. This includes the principal adverse impacts, regulatory sustainability assessment and EU Taxonomy eligibility / alignment and the approach taken to engage and vote on these passively managed assets.

3. SCOPE

This ESG KOD defines the consideration of ESG factors and Sustainability Risks into the Xtrackers Investment Management investment process and is applicable for all EMEA Passively Managed Portfolios across all asset-classes, including:

1. Xtrackers UCITS ETFs;
2. DWS Passively Managed Portfolio Mandates;

together, the "**Passively Managed Portfolio Business**" or "**Xtrackers Portfolio Business**"; and

3. Xtrackers ETCs.

This ESG KOD is supplemented by DWS Controversial Weapons Policy, Controversial Weapons Procedure –Xtrackers Business, Engagement Policy as well as Proxy Voting and Corporate Governance Policy and DWS Coal Policy. Those documents and other affiliated documents (altogether "Affiliated Documents") take precedence over this document in case of any inconsistency.

4. DEFINITION OF SUSTAINABILITY RISKS AND SUSTAINABILITY FACTORS

In response to regulatory and strategic developments, applicable DWS legal entities have published internal policies on sustainability risk and external statements on the integration of sustainability risk into the investment process as well as a statement on principal adverse impacts. Please keep yourselves informed on developments of those policies and definitions.

- Sustainability Risk Management Policy
- Information on Policies on the Integration of Sustainability risk pursuant to Article 3 of Sustainable Finance Disclosure Regulation (SFDR)

- Adverse sustainability impacts statement for financial market participant pursuant to Article 4 of SFDR

On 20 December 2019 the German financial regulator (BaFin), the financial regulator of DWS Group GmbH & Co KGaA, the DWS Group investment holding company, has issued a guidance notice on dealing with sustainability risks as described below.

4.1. Sustainability Risks

As per SFDR and for the scope defined therein, sustainability risk shall generically be defined as any "environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment." On the other side, BaFin sees within its Guidance Notice sustainability risks as factors of the types of risk already known and managed.

Both definitions seem to differ at a first glance: While in the Disclosure Regulation sustainability risk seems to be defined as a "stand-alone" risk, within the BaFin Guidance Notice sustainability risk is described as a subtype of existing risk types.

Within DWS Group our ambition is to establish a definition which covers both perspectives on sustainability risk simultaneously. This can be achieved by considering different types of "investments" when applying the definition suggested within the disclosure regulation. Therefore, at DWS, sustainability risk shall be defined as:

"The potential negative impact to the value of an investment induced by sustainability factors. Hereby, sustainability factors include environmental, social and governance events or conditions which could either be of an exogenous nature (such as physical climate or transition matters) but can also be in direct relation to the activity of any issuer or company related to the investment (such as environmental impacts of the company's activity)."

Considering this general definition of sustainability risk, DWS Group differentiates between "corporate sustainability risk" applicable for investors of shares of DWS Group and "portfolio sustainability risks" impacting investors of portfolios or products managed by DWS Group.

Within DWS Group, sustainability risk is not considered to be one individual risk type, but sustainability factors are considered to be risk drivers of existing risk types being managed. This is for example motivated by the fact that individual sustainability factors can have an effect on several of the already known risk types as well as corresponding risk management processes.

4.2. Sustainability Factors

Sustainability factors to be used at DWS Group are defined centrally in this ESG KOD and applied uniformly across all risk types. DWS group distinguishes two main groups of sustainability factors, exogenous (outside-in) and endogenous (inside-out) factors. These two sets of factors differ by definition in one important aspect:

(1) Is the matter "exogenously" observed or induced, does it directly or indirectly affect simultaneously the market, the society or any actors therein, or

(2) Is the respective matter under consideration "endogenously" induced by an individual participant in the market?

Some factors belonging to these two groups can and might also be highly correlated (e.g.: an oil company has a significant carbon footprint (endogenous factor) which exposes itself naturally also to a climate transition risk due to regulatory changes expected (exogenous factor)).

-Exogenous Sustainability Factors

Exogenous (outside-in) sustainability factors are physical climate matters and climate transition matters. None of these factors can be directly influenced by one individual or organization alone but still every individual or organization within the economy can be impacted by them.

A. Physical Climate Factors

Human-caused climate change causes a wide variety of physical impacts on the earth's climate system. Physical climate matters comprise individual extreme weather events as well as long-term climate changes. The following shall be a non-exhaustive list of physical climate factors being considered within DWS Group:

Individual extreme weather events
- Heatwaves
- Drought
- Floods
- Storms
- Hail
- Forest fires
- Avalanches

long-term climate changes

- Decreasing amounts of snow
- Rainfall frequency and volume
- Volatile weather conditions
- Rising sea levels
- Changes in sea currents
- Changes in winds
- Changes in land and soil productivity
- Reduced water availability (water risk)
- Ocean acidification
- Global warming with regional extremes

B. Transition Climate Factors

Transition climate factors are factors which are directly or indirectly caused by the transition to a low- carbon economy. DWS group considers the following list as a non-exhaustive list of transition climate factors:

- Bans/ restrictions
- Exit from fossil fuels
- Other political measures related to the change to a low-carbon economy
- Technology Change related to the change to a low-carbon economy
- Changes in client preferences and behavior

- Endogenous Sustainability Factors

Endogenous (inside-out) Sustainability Factors comprise Environmental, Social and Governance factors. They are directly influenced by a person or organization given its own activity and/or behavior.

A. Environmental Factors

The "E" in ESG focuses on environmental issues and especially the contribution to climate change by companies or actors. The following list shall be a non-exhaustive list of environmental factors to be considered:

- Failure to contribute to climate mitigation including reduction of greenhouse gas emissions

- Failure to adjust to climate change
- 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
- Failure of avoidance and reduction of environmental pollution
- Failure of protection of healthy ecosystems
- Non-sustainable land use

B. Social Factors

The “S” in ESG refers to social aspects. At DWS Group, the following non-exhaustive list of social factors shall be considered:

- Incompliance with recognised labour standards (child labour, forced labour or discrimination)
- Incompliance with employment safety and health protection
- No reasonable remuneration
- Unfair working conditions
- Low level and no promotion of diversity
- 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
- No inclusiveness
- Disregard of the interests of communities and social minorities
- No accessibility of buildings to people with disabilities

C. Governance Factors

The “G” in ESG deals with corporate governance and everything related to it. The following list shall be a non-exhaustive list of governance factors to be considered:

- Tax fraud
- Insufficient anti-corruption measures
- Insufficient anti-fraud measures
- No sustainability management by the board
- Insufficient board diversity
- No sound risk management and compliance
- Board remuneration not based on sustainability criteria
- Failure to facilitate whistle blowing
- No guarantees of employee rights
- No guarantees of data protection
- Insufficient or wrong information disclosure

- Litigation Factors

Litigation factors the third and much smaller group of factors are events or conditions which materialize as a result of an observation of a combination of exogenous and endogenous sustainability factors. More precisely, this can be the case when a company or actor is sued and penalized for damage caused by physical impacts of climate change (exogenous factor) in combination with the company’s or actor’s failure to avoid or minimize adverse impacts on the climate, or failure to adapt to climate change (endogenous factor). This implies for example also that within a risk factor identification process, such factors are also identified implicitly when looking at exogenous and endogenous factors individually.

If the sustainability risks were not already expected and taken into account in the valuations of the investments, they can 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 fund.

-Principal Adverse Impacts Indicators

Identification and Prioritization of Principal Adverse Impacts in the Investment Decision Making Process.

5. INTEGRATION OF SUSTAINABILITY RISKS

DWS considers Sustainability Risks through a variety of measures for its Xtrackers Portfolio Business. This includes, but is not limited to, the regular measurement of Sustainability Risks, the removal of Controversial Weapons where applicable according to the policy, minimum standards regarding the selection of new indices, and commitment to strong corporate governance and voting practices in relation to both equity and debt investments.

DWS constantly collects and monitors data relating to the Sustainability Risks and profile of its products, including adverse sustainability impacts. The monitoring includes, for example, identifying securities with high climate and transition risks (stemming from high carbon intensity or carbon emissions and fossil fuel holdings) or violation of international norms driven by human rights or labour rights violations. Securities identified by this process, and which violate the sustainability related rules of a specific product are investigated with a view to be removed, where applicable, in subsequent rebalances.

For Xtrackers ETCs, DWS endeavours to adhere to relevant responsible sourcing guidelines, where appropriate and possible, based on considerations such as liquidity. Examples include the London Bullion Metal Association (LBMA) Responsible Sourcing Programme, which is aimed at tackling money laundering, terrorist financing and human rights abuses relating to precious metals markets.

Removal of Controversial Weapons

DWS generally seeks to remove securities involved in the controversial weapons business, as determined by the DWS controversial weapons identification methodology.

For Xtrackers Portfolios with a Direct Investment Policy, securities identified by DWS as being involved in controversial weapons will be removed, subject to a materiality calculation which determines the importance of those securities to the achievement of the Investment Objective of the ETF or Mandate. The materiality calculation will involve quantifying the impact of removing the security(ies) on ex-ante Tracking Error of the sub-fund holdings against the Reference Index. If a security, or securities, are not adjudged as being material contributors to reflecting the performance of the Reference index, then they will be removed from the Sub-Fund holdings. The materiality calculations are repeated at each Index review and/or Index rebalance.

For Xtrackers Portfolios with an Indirect Investment Policy, securities identified by the CW policy will not be eligible securities for the Invested Assets for that Sub-Fund's portfolio.

Please note that the identification and removal of these securities is independent of the index methodology.

Adherence to DWS Coal Policy

DWS generally seeks to reduce its investments in and funding of coal-related activities, as determined by the DWS Coal Policy (Link: here).

In Xtrackers Portfolios with an indirect investment policy ("synthetic products"), securities identified for divestment by the Coal Policy shall not be eligible securities for the invested assets for a sub-fund's portfolio. The identification and removal of these securities is independent of the index methodology which governs the synthetic exposure of the product and such index may contain names that do not comply with the DWS Coal Policy.

DWS is committed to, and already engaging with index providers on excluding coal developers and phasing out coal companies from climate, ESG and, wherever possible, mainstream benchmarks, improving disclosure and expanding Net Zero index solutions. The existence of suitable indices and good quality data is a pre-requisite to converting existing and offering new passive funds in line with this ESG KOD.

Selection of Indices

With regards to the selection of any new reference indices for Xtrackers ETFs (excluding commodity indices), DWS will conduct a due diligence process that includes the assessment of Sustainability Risks, and endeavour to work in conjunction with benchmark providers to embed certain Sustainability Risks into the construction of new indexes for both new Sub-Funds and also Reference Indexes considered as a potential reference index in case of substitution for an existing Sub-Fund. As part of this process, minimum ESG standards will be applied, with different approaches dependent on the target disclosure under SFDR.

However, exceptions may apply in certain circumstances, where these standards are not applied. These exceptions are in line with DWS product minimum sustainability launch principles. This includes, but is not limited to, cases of broadly recognised indices, such as the Standard & Poor's 500 Index or the Nasdaq 100 index, and cases where there is no or insufficient ESG data available, or where ESG filters may lead to insufficient diversification of the index, amongst others.

The standards will act as a minimum, and additional exclusions or sustainability related rules may be included in the Index Methodology. These standards should be taken into account whilst also considering any other relevant sustainability criteria, including necessary regulatory requirements, such as the intended SFDR disclosure requirements.

For Passively Managed Portfolio Mandates, DWS encourages clients to account for sustainability factors (ESG factors) when selecting indices or designing investment strategies based on the client's individual preferences, where appropriate.

Minimum Standards for Indices for Article 6 / Mainstream Products
Please refer to the Affiliated Documents.

Minimum Standards for Indices for SFDR Article 8 / Products that Promote ESG Characteristics

The removal of securities with:

- Any involvement in controversial weapons, including cluster munitions, landmines, nuclear weapons, biological and chemical weapons or production of tobacco-related products
- The most serious violations of the UNGC or the OECD Guidelines for Multinational Enterprises
- Certain Involvement in the distribution, supply or retailing of tobacco-related products
- Certain Involvement in thermal coal mining and power generation
- Certain Involvement in oil sands extraction
- Certain Involvement in weapons (including weapons for civilian and military use)
- Worst in class ESG Ratings or equivalent

Minimum Standards for Indices for Article 9 / Products with a Sustainable Investment Objective

The removal of securities with:

- Any involvement in controversial weapons, including cluster munitions, landmines, nuclear weapons, biological and chemical weapons or production of tobacco-related products
- The most serious violations of the UNGC or the OECD Guidelines for Multinational Enterprises
- Certain Involvement in the distribution, supply or retailing of tobacco-related products
- Certain Involvement in thermal coal mining and power generation
- Certain Involvement in oil sands extraction
- Certain Involvement in weapons (including weapons for civilian and military use)
- Worst in class ESG Ratings

For Xtrackers ETFs, regardless of the Investment Objective or Index Methodology, DWS also commits to strong corporate governance and to active ownership practices with investee companies worldwide across equity and fixed income holdings. DWS also applies these practices to Passively Managed Portfolio Mandates where a client delegates voting rights to DWS. Both approaches are summarized below:

Corporate Governance and Proxy Voting

This policy details the DWS engagement framework in relation to its equity investments. 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.

More information on Corporate Governance and Proxy Voting can be found in the “Corporate Governance and Proxy Voting policy” as well as the DWS annual reports.

Engagement

The Engagement Policy establishes the engagement framework and outlines the roles and responsibilities on how DWS engages with its investee companies in relation to equity as well as debt investments in the Actively and Passively Managed Portfolio Business of three EMEA legal entities (DWS Investment GmbH, DWS International GmbH and DWS Investment SA).

According to the policy, an engagement activity refers to purposeful interactions between the investor and current or potential issuers to influence OR identify the need to influence on matters such as strategy, financial and non-financial performance, risk, capital structure, social and environmental impact as well as corporate governance including disclosure, culture and remuneration.

The objective of the Engagement Policy (currently for DWS Investment GmbH, DWS International GmbH and DWS Investment SA and in the following referred to as ‘Policy’) is to establish a strategic framework to fulfil the fiduciary and stewardship duties acting in our clients’ best interests by engaging in a two-way 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 assets held in Xtrackers Portfolios, with delegated voting authority, by any of the above-mentioned entities. No single set of guidelines or procedures can address every situation, but every effort is made to identify specific action steps. Moreover, related and complementary policies or procedures are referenced in each section if required.

The Engagement Policy outlines the overall engagement process, illustrating identification and prioritization criteria, the decision process for each engagement form, preparation, implementation, documentation, and respective escalation measures. In general, DWS groups engagement activities with issuers into three categories: “core”, “focus” and “strategic” engagements based on our identification and prioritization process. There is a distinct framework for the selection of core for proxy voting activities as well as for focus and strategic companies for engagements that is explained in the DWS Engagement Policy. For each focus and strategic company, an engagement lead and an ESG specialist are allocated to. The engagement lead is ultimately responsible for every step of the engagement process and is accountable for the achievement of sustainability outcomes. Once the key issues have been identified and analysed, the engagement lead decides which topics will be prioritized for engagement, linking them to a sub-area of engagement and appropriate KPI which, if available, will be linked to a specific target SDG and PAI (principal adverse impact indicator). Timeline for the achievement of every targeted KPI needs to be specified and documented in the DWS engagement database. Changes to the priority topics for engagement may be made based on market and issuer developments. Additionally, it should be specified the value of those KPIs (if it is a qualitative or a quantitative KPI) at the time the first engagement activity starts. With this approach we aim to measure the impact of our engagements based on targeted financial and non-financial KPIs as well as SDGs/PAIs. In case we may have opposite targets for the engagement activity from the fixed income and equity side, the engagement lead will communicate it to the Engagement Council, who decides on the establishment of two engagement leads for the engagement with that specific issuer. The Engagement Council will review the engagement reports and inviting the respective engagement lead to join the discussion. The Engagement Council may give recommendations on e.g. priorities setting, specific KPIs, timelines and mapping to SDG and PAIs, etc., if necessary. The engagement activity will be conducted via a meeting (in person or virtual for the foreseen top engagement priorities) and if necessary, via an E-mail to the issuer´s representatives for additional issues and/ or to communicate additional disclosure.

DWS uses the following engagement types to approach issuers. Issuer **Individual engagement** is the most common form of engagement and includes direct communication with representatives of the investee, either active (DWS approaches first) or reactive. Mostly conducted by issuer meetings (virtual or in-person) and direct dialogue. **Thematic engagement**, in contrast, targets a universe of issuers where a concentration of high potential risk (according the “principal adverse impacts”, SDG obstructers, etc..) around a specific theme appears. Potential themes are climate change, human rights, gender and diversity, ethics and controversies.
Another form of engagement is **collaborative engagement** where we, jointly with other investors, communicate with other stakeholders where it is permitted by law and regulation, for example in form of initiatives. This type of approach is used in rare occasions (i.e. Climate Action 100 + initiative) due to “acting in concert” regulation.

More information on Engagement can be found in the “Engagement Policy” as well as the DWS annual reports. Please refer to the latest engagement policy on dws.com.

Usage of ESG Engine (methodology and data sources)

A specific database (“**ESG Engine**”) is available to DWS’s investment professionals for the assessment of principal adverse impacts on ESG factors. ESG data from external research companies as well as proprietary research results of DWS Group on sovereign, quasi-sovereign, corporate issuers, and investment funds are incorporated into the ESG Engine. The availability of ESG data and the integration into relevant DWS Group’s internal systems constitutes a starting point for considering and integrating ESG factors into various decision-making processes, including the selection of new indices for the Xtrackers Portfolio Business, and the screening of passively managed accounts, where applicable.

Additional (i.e. outside the ESG Engine) external or internal ESG data sources may also be used, where appropriate.

6. APPLICABLE PRINCIPLES

Principles guiding this ESG KOD and therefore ESG integration in any step of the investment process are: the UN Global Compact, the OECD Guidelines for Multinational Corporations, Cluster Munitions Convention, IIRC integrated Reporting Framework, Anti-personnel Mine Ban Treaty, Biological Weapons Convention, Chemical Weapons Convention, Treaty on the Non-Proliferation of Nuclear Weapons and CERES amongst others are our guiding principles for our respective businesses. Additionally, since 2008 we have been a signatory and abide by the UN supported Principles for Responsible Investment (PRI).

7. ASSOCIATED POLICIES

Responsible Investment Framework

DWS's approach to responsible investing in general and ESG Integration in particular is outlined in our Responsible Investment Framework[2]. This statement introduces our position on central aspects, formulates corresponding principles that guide our investment, the engagement with companies, and provides a reference on how these principles influence DWS’s Voting decisions on the active and passive businesses. Last but not least, it explains briefly how we implement our philosophy and where we stand on controversial issues.

Corporate Governance and Proxy Voting

This policy details the DWS engagement framework in relation to its equity investments. 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 (Link: here).

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The Engagement Policy establishes the engagement framework and outlines the roles and responsibilities on how DWS engages with its investee companies in relation to equity as well as debt investments in the Actively and Passively Managed Portfolio Business of three EMEA legal entities (DWS Investment GmbH, DWS International GmbH and DWS Investment SA).

8. GLOSSARY

Term	Definition
ESG	Environmental, Social, Governance
ETF	Exchange Traded Funds
ETC	Exchange Traded Commodities
UCITS	Undertakings for Collective Investment in Transferable Securities
CWs	Controversial Weapons
SFDR	Sustainable Financial Disclosure Regulation
UNGC	United Nations Global Compact
OECD	Organisation for Economic Cooperation and Development

[2] This can be found here: Responsible Investment Framework (dws.com)

Annex: Principles guiding our ESG KOD

- Our latest DWS Sustainability Report can be found here: https://group.dws.com/responsibility/sustainability-report/
- the UN Global Compact (https://www.unglobalcompact.org/what-is-gc/mission/principles)
- the OECD Guidelines for Multinational Corporations (http://www.oecd.org/corporate/mne/1922428.pdf)
- Cluster Munitions Convention (https://www.clusterconvention.org/convention-text/)
- IIRC integrated Reporting Framework (https://www.integratedreporting.org/wp-content/uploads/2021/01/InternationalIntegratedReportingFramework.pdf)
- CERES (https://www.ceres.org/)
- Additionally, since 2008 we have been a signatory and abide by the UN supported Principles for Responsible Investment (PRI). (https://www.unpri.org/about/the-six-principles)