



01/01/2023

Publication pursuant to SFDR - Details

DWS Invest ESG Equity Income

This financial product promotes environmental and social characteristics and qualifies as product in accordance with article 8(1) of Regulation (EU) 2019/2088.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The sub-fund commits to partially invest in sustainable investments. To ensure those sustainable investments do not cause significant harm to any environmental or social sustainable investment objective following processes are implemented:

DNSH Assessment

The DNSH assessment is integral part of the sustainability investment assessment and evaluates whether an economic activity with a contribution to an UN SDG causes significant harm to any of these objectives. In case that a significant harm is identified, the economic activity fails the DNSH assessment and cannot be considered as sustainable economic activity.

Integration of adverse impacts on sustainability factors

As part of the DNSH assessment under article 2(17) SFDR, the sustainability investment assessment systematically integrates all mandatory principal adverse indicators from Table 1 and relevant indicators from Tables 2 and 3 of Annex I of the Commission Delegated Regulation (EU) 2022/1288 supplementing the Sustainable Finance Disclosure Regulation (SFDR). Taking into account these adverse impacts, DWS has established quantitative thresholds and/or qualitative values to determine if an investment significantly harms any of the environmental or social objectives. These values are set based upon various external and internal factors, such as data availability or market developments and may be adapted going forward.

Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

As part of its sustainability investment assessment, DWS further evaluates through its safeguard assessment the alignment of a company with international norms. This includes checks in relation to adherence to international norms, for example, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the principles of the United Nations Global Compact and the standards of the International Labour Organization. Companies with assessed and reconfirmed highest violations of one of the international norms are considered as non-compliant to the

safeguards and their economic activities cannot be considered sustainable.

Environmental or social characteristics of the financial product

This sub-fund promotes environmental and social characteristics related to climate, governance and social norms as well as general ESG quality through the avoidance of issuers (1) exposed to high or excessive climate and transition risks, (2) exposed to high or highest severity of norm issues (i.e. as regards compliance with international standards of corporate governance, human rights and labour rights, customer and environment safety and business ethics), (3) exposed to high or excessive environmental, social and governance risks compared to their peer group, (4) moderately, highly or excessively exposed to controversial sectors and controversial activities, and/or (5) involved in controversial weapons.

This sub-fund further promotes a minimum proportion of sustainable investments with a positive contribution to one or several of the United Nations Sustainable Development Goals (UN SDGs).

This sub-fund has not designated a reference benchmark for the purpose of attaining the environmental and/or social characteristics promoted.

Investment strategy

This sub-fund pursues a strategy based on equities as main investment strategy. At least 70% of the sub-fund's assets are invested in equities from international issuers that are expected to deliver an above-average dividend yield. Up to 30% of the sub-fund's assets may be invested in money market instruments and bank balances.

Further details regarding the main investment strategy are specified in the Special Section of the Sales Prospectus.

The sub-fund's assets are predominantly allocated into investments that comply with the defined standards in respect to the promoted environmental and social characteristics as described in the following sections. The sub-fund's strategy in relation to the promoted environmental or social characteristics is integral part of the ESG assessment methodology, which is continuously monitored via the sub-fund's investment guidelines.

ESG assessment methodology

The portfolio management of this sub-fund seeks to attain the promoted environmental and social characteristics by assessing potential investments via a proprietary ESG assessment methodology irrespective of economic prospects of success. This methodology is based on the ESG database, which 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 as further detailed below. 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 database uses a variety of assessment categories to assess the attainment of the promoted environmental and social characteristics, including amongst others:

DWS Climate and Transition Risk Assessment

The DWS Climate and Transition Risk Assessment evaluates issuers in relation to climate change and environmental changes, e.g., in respect to greenhouse gas reduction and water conservation. Issuers that contribute less to climate change and other negative environmental changes or are less exposed to such risks receive better evaluations. Issuers with excessive climate risk profile (i.e., a letter score of "F") are excluded as an investment. Issuers with high climate risk profile (i.e., a letter score of "E") are limited to 5% of the sub-fund's net assets.

DWS Norm Assessment

The DWS Norm Assessment evaluates the behaviour of issuers, e.g., within the framework of the principles of the United Nations Global Compact, the standards of the International Labour Organization and behaviour within generally accepted international standards and principles. The Norm Assessment examines, e.g., human rights violations, violations of workers' rights, child or forced labour, adverse environmental impacts, and business ethics. Issuers with highest severity of norm issues (i.e., a letter score of "F") are excluded as an investment. Issuers with high severity of norm issues (i.e., a letter score of "E") are limited to 5% of the sub-fund's net assets.

DWS ESG Quality Assessment

The DWS ESG Quality Assessment distinguishes between corporate and sovereign issuers.

For corporate issuers, the DWS ESG Quality Assessment allows for a peer group comparison based on cross vendor consensus on overall ESG assessment (best-in-class approach), for example concerning the handling of environmental changes, product safety, employee management or corporate ethics. The peer group is composed of issuers from the same sector in the same region. Issuers rated better in this peer group comparison receive a better score, while issuers rated worse in the comparison receive a worse score. Corporate issuers rated poorly compared to their peer group (i.e., a letter score of "E" or "F") are excluded as an investment.

For sovereign issuers, the DWS ESG Quality Assessment evaluates a countries' governance from a holistic perspective taking into account, among other things, the assessment of political and civil liberties. Sovereign issuers with high or excessive controversies regarding governance (i.e., a letter score of "E" or "F") are excluded as an investment.

Further, issuers with a letter score of "D" in the DWS ESG Quality Assessment are limited to 15% of the sub-fund's net assets.

Exposure to controversial sectors

The ESG database defines certain business areas and business activities as relevant. Business areas and business activities are defined as relevant if they involve the production or distribution of products in a controversial area ("controversial sectors"). Controversial sectors are defined, for example, as the civil firearms industry, military defence, tobacco and adult entertainment. Other business sectors and business activities that affect the production or distribution of products in other sectors are defined as relevant. Other relevant sectors are, for example, nuclear energy or coal mining and coal-based power generation.

Issuers are evaluated according to the share of total revenues they generate in controversial business areas and controversial business activities. The lower the percentage of revenues from the controversial business areas and controversial business activities, the better the score. Issuers (excluding target funds) with a moderate, high or excessive exposure (i.e., a letter score of "D", "E" or "F") are excluded as an investment. As regards the involvement in coal mining and coal-based power generation, issuers (excluding target funds) with high or excessive exposure (i.e., a letter score of "E" or "F") are excluded as an investment.

Involvement in controversial weapons

The ESG database assesses a company's involvement in the business of controversial weapons. Controversial weapons include for example anti-personnel mines, cluster munitions, depleted uranium weapons, nuclear weapons, chemical and biological weapons.

Issuers are assessed based on their degree of involvement (production of controversial weapons, component production, etc) in the manufacturing of controversial weapons, regardless of total revenues they generate from controversial weapons. Issuers (with the exception of target funds) with medium, high or excessive involvement (i.e., a letter score of "D", "E" or "F") are excluded as an investment.

DWS Use of Proceed Bond Assessment

By way of derogation from the above, bonds that comply with DWS' Use-of-proceeds bond assessment are investable also in cases where the bond issuer does not fully comply with the ESG assessment methodology.

The financing of use of proceeds bonds will be assessed via a two-stage process.

In the first stage DWS assesses whether a bond qualifies as a Use of Proceeds Bond. A key element is checking for compliance with the ICMA Green Bond Principles, the ICMA Social Bond Principles or the ICMA Sustainability Bond Principles. The assessment focuses on the use of proceeds, the selection of the projects financed by these proceeds, the management of the proceeds spending as well as the annual reporting on the use of proceeds to investors.

If a bond complies with these principles, the second stage assesses the ESG quality of the issuer of that bond in relation to defined minimum standards in respect to environmental, social, and corporate governance factors. This assessment is based on the ESG assessment methodology as described above and excludes

- corporate issuers with poor ESG quality compared to their peer group (i.e. a letter score of "E" or "F"),
- sovereign issuers with high or excessive controversies regarding governance (i.e. a letter score of "E" or "F"),
- issuers with highest severity of norm issues (i.e. a letter score "F"), or
- issuers with excessive exposure to controversial weapons (i.e. a letter score of "D", "E" or "F")."

To the extent that the sub-fund seeks to attain the promoted environmental and social characteristics as well as corporate governance practices by means of an investment in target funds, the latter must meet the DWS standards on Climate and Transition Risk, Norm- and DWS ESG Quality Assessment (excluding the assessment of sovereigns) outlined above.

Sustainability investment assessment methodology

Further, for the proportion of sustainable investments DWS will measure the contribution to one or several UN SDGs via its sustainability investment assessment which evaluates potential investments in relation to different criteria to conclude that an economic activity can be considered as sustainable as further detailed in section “What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?” (Pre-contractual disclosure according to Annex II of the Commission Delegated Regulation (EU)2022/1288 supplementing the Sustainable Finance Disclosure Regulation.)

Policy to assess Good Governance

The procedure to assess the good governance practices of the investee companies is based on the DWS Norm Assessment, as further detailed in the dedicated section “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”. Accordingly, the assessed investee companies follow good governance practices.

Further, the management company considers active ownership as a strong driver to improve governance, policies and practices, and thus for a better long-term performance of investee companies. Active ownership means using the position as shareholders to influence the activities or behaviour of the investee companies. An engagement activity can be initiated with the investee companies regarding matters such as strategy, financial and non-financial performance, risk, capital structure, social and environmental impact as well as corporate governance including topics like disclosure, culture and remuneration. The engagement activity can be undertaken via, e.g., issuer meetings or engagement letters. Furthermore, for equity investments it could also be an interaction with the company resulting from proxy voting activities or participation at general meetings.

(Pre-contractual disclosure according to Annex II of the Commission Delegated Regulation (EU)2022/1288 supplementing the Sustainable Finance Disclosure Regulation.)

Proportion of investments

This sub-fund invests at least 51% of its net assets in investments that are aligned with the promoted environmental and social characteristics. At least 15% of the sub-fund’s assets qualify as sustainable investments in the sense of article 2(17) SFDR. Up to 49% of the investments are not aligned with these environmental or social characteristics. A more detailed description of the specific asset allocation of this sub-fund can be found in the Special Section of the Sales Prospectus.

Derivatives are currently not used to attain the environmental or social characteristics promoted by the sub-fund.

Monitoring of environmental or social characteristics

For the purpose of the investment guideline monitoring, a coding process is established in which the investment policy as described in the prospectus and the investment limits contained therein are coded in accordance into the Investment Management System. This applies in particular to the respective ESG investment limits. The investment limits are monitored daily pre- and post-trade in the investment management system to ensure compliance with the investment guidelines. In pre-trade monitoring, it is ensured that the investment limits are complied with before trading. However, if a breach has been detected, the breach will be investigated for its cause and scope, addressed and corrected in accordance with legal/regulatory requirements and guidelines.

Methodologies

The attainment of the promoted environmental and social characteristics as well as the sustainable investment is assessed via the application of a proprietary ESG assessment methodology as further described in section “What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?”. The methodology applies a variety of assessment categories that are used as sustainability indicators to assess the attainment of the promoted environmental and social characteristics, which are as follows:

- **DWS Climate and Transition Risk Assessment** is used as indicator for an issuer’s exposure to climate and transition risks
- **DWS Norm Assessment** is used as indicator for an issuer’s exposure to norm-related issues
- **DWS ESG Quality Assessment** is used as indicator for comparison of an issuer’s environmental, social and governance risks in relation to their peer group
- **Exposure to controversial sectors** is used as indicator for an issuer’s involvement in controversial sectors and controversial activities
- **Involvement in controversial weapons** is used as indicator for an issuer’s involvement in controversial weapons
- **Sustainability Investment Assessment** is used as indicator to measure the proportion of sustainable investments

(Pre-contractual disclosure according to Annex II of the Commission Delegated Regulation (EU)2022/1288 supplementing the Sustainable Finance Disclosure Regulation.)

Data sources and processing

DWS sources sustainability information from commercial data vendors: Information concerning involvement in sectors from ISS-ESG, MSCI ESG, S&P TruCost; concerning norm violations and controversy issues from ISS-ESG, MSCI ESG, Morningstar Sustainalytics; concerning general ESG quality of corporates, sovereigns and/or funds from ISS-ESG, MSCI ESG, Morningstar Sustainalytics; concerning specific carbon and water data from ISS-ESG, MSCI ESG, S&P TruCost, ESG Book; concerning specific data on sustainable development goals (SDG), SFDR and EU taxonomy from ISS-ESG, MSCI ESG. Furthermore, information from non-commercial sources is considered, most notably from Urgewald, transition pathway initiative (TPI) and Science Based Targets (SBTI). There may be limited information on certain asset classes. Each of the commercial data vendors established upstream controls to ensure quality of their processes and of the data that is being provided to DWS. DWS as data users has set up processes to monitor the quality of the inbound data. This concerns checks on availability and integrity of the data as well as scrutiny towards cases where inbound data changes impact investment eligibility of assets under the sustainability criteria of the fund. Regular meetings with the ESG data providers are held to discuss issues and challenged cases when necessary. From the inbound data described above DWS derives ESG assessments, which then are used by the DWS investment professionals to make their investment recommendations or - decisions taking into account sustainability considerations. To that end, DWS employs an in-house developed software solution, the DWS ESG Engine. This tool standardizes and aggregates data across various sources. The resulting ESG assessments carry sustainability information concerning involvement in sectors; general ESG quality; specific water and carbon topics and concerning SDG, SFDR and EU taxonomy. DWS predominantly bases its ESG assessments on external vendor data in the aforementioned fully automated process. The ESG assessments may be corrected from internal control functions, in this case the information is sourced from the DWS research process. To that end, DWS itself does not estimate ESG data

on their own. Where it concerns the EU taxonomy aligned assets, DWS utilizes a vendor package which offers non-estimated numbers. The ESG database is therefore based on 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.

Limitations to methodologies and data

DWS bases its ESG assessments on external vendor data. The consumed data is of both quantitative (e.g. carbon intensities or share of sustainable activity) as well as qualitative nature (e.g. ESG assessments or assessment of possible violations of international norms). In both cases, the latter more than the former, potential expert-based subjectivity weighs in. Qualitative measures like general purpose ESG assessments may be subjective by construction; quantitative measures may originate from estimations or be based on certain assumption (e.g. determining the share of revenues from the share of produced energy). The prevalence of potential subjectivity constitutes a limitation if not properly mitigated. DWS mitigates this potential challenge by using multiple data vendors rather than only one in its ESG investment process. With this approach the potential subjectivity of each vendor is mitigated and turned into a diversity of information. Further, DWS has implemented automated plausibility checks. An additional layer of scrutiny is employed which may choose to adjust challenged assessments. Assessments may go beyond the processing of external vendor data and may reflect internal assessments based on e.g. recent developments, engagement potential and progress.

Due Dilligence

The due diligence carried out on the underlying assets of a financial product is governed by relevant internal policies, key operating documents and handbooks. The due diligence is founded on the availability of ESG data which the management company sources from external ESG data vendors. In addition to the external quality assurance by the vendors, the management company has processes and governance bodies in place that control the quality of the ESG signals.

Engagement policies

An engagement activity can be initiated with the individual issuers regarding matters such as strategy, financial and non-financial performance, risk, capital structure, social and environmental impact as well as corporate governance including topics like disclosure, culture and remuneration. The engagement activity can be exercised by, for example, proxy voting, company meetings or engagement letters.

Designated reference benchmark

This sub-fund has not designated a reference benchmark to determine whether it is aligned with the environmental and/or social characteristics that it promotes.