

# DWS Invest Euro High Yield Corporates

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

## Summary

This document shall give investors among other things a concise overview about Environmental, Social and Corporate Governance (ESG) characteristics that the investment strategy is targeting, the functioning of the ESG database including its data sources and screening criteria for the underlying assets, as well as how the database is integrated in the investment guideline monitoring process.

## Investment policy

The sub-fund invests globally in corporate bonds. The focus here is on high-yield bonds. When selecting investments, ESG aspects are taken into consideration alongside the financial performance.

The fund is managed in reference to a benchmark (ML Euro BB-B Non-Financial Fixed & FRN High Yield Constrained). The reference benchmark of this sub-fund is not consistent with the environmental and social characteristics promoted by this sub-fund. Information on the reference benchmark can be found on [www.theice.com](http://www.theice.com).

## Environmental or social characteristics of the financial product

The sub-fund's assets are predominantly invested in securities from issuers that comply with defined minimum standards in respect to environmental, social and corporate governance characteristics.

The ESG performance of an issuer is evaluated independently from financial success based on a variety of characteristics. These characteristics include, for example, the following fields of interest:

Environment:

- Conservation of flora and fauna;

- Protection of natural resources, atmosphere and inshore waters;
- Limitation of land degradation and climate change;
- Avoidance of encroachment on ecosystems and loss of biodiversity.

Social:

- General human rights;
- Prohibition of child labour and forced labour;
- Imperative Non-discrimination;
- Workplace health and safety;
- Fair workplace and appropriate remuneration.

Corporate Governance:

- Corporate Governance Principles by the International Corporate Governance Network;
- Global Compact Anti-Corruption Principles.

## Methodologies used to assess, measure and monitor ESG characteristics

The sub-fund management seeks to attain a variety of the environmental, social and corporate governance characteristics by assessing potential investments via proprietary ESG investment methodology. This methodology incorporates portfolio investment standards according to an ESG database, which uses data from multiple leading ESG data providers as well as internal and public sources to derive proprietary combined scores for various environmental, social and corporate governance characteristics.

These encompass assessments for (i) controversial sectors (which include coal, tobacco, defence industry, pornography, gambling and nuclear power), (ii) involvement in controversial weapons (nuclear weapons, depleted uranium, cluster munitions and anti-personnel mines) or (iii) violation of internationally accepted norms, but also allow for an active issuer selection based on categories such as climate and transition risk, norm compliance or best-in-class ESG evaluations. The

methodology assigns one of six possible proprietary scores to each possible issuer based on a letter scoring from A to F, whereby issuers with A and B scores are considered as leading in their categories and issuers with C scores are considered as within the upper midfield of their category. These letter scoring can originate from revenues generated from controversial sectors or the degree of involvement in controversial weapons, the degree of severity that an issuer may be involved in the violation of international norms, the assessment on climate and transition risk, which is based on for example carbon intensity or the risk of stranded assets, or from best-in-class ESG evaluations.

The sub-fund manager considers in its asset allocation the resulting scores from the ESG database.

Criteria	Involvement in controversial sectors	Involvement in controversial weapons	Norm controversies	DWS ESG Ratings "SynRatings"	DWS SDG Ratings	DWS Climate and Transition Risk Rating	DWS Climate and Transition Risk Rating
Measurement	Revenues from controversial sector <sup>(1)</sup>	Nuclear weapons, cluster munitions, anti-personnel mines etc.	Reconfirmed UN global compact <sup>(2)</sup> issues	Cross vendor consensus best in class	Contributing to the UN Sustainable Development Goals	Risks and opportunities from carbon	Risks and opportunities from water
A	non-involvement	confirmed non-involvement	confirmed no issues	true leader in ESG (0-17.5 SynRatings)	true SDG leader (0-87.5 SDG points)	true climate leaders (0-17.5 points)	true water leaders (0-17.5 points)
B	minor involvement	alleged	minor severity	ESG leader (17.5-35 SynRatings)	SDG leader (35-52.5 SDG points)	climate solutions (17-35 points)	water leaders (17-35 points)
C	1% - 5%	dual purpose	moderate severity	ESG upper midfield (35-52.5 SynRatings)	SDG upper midfield (52.5-70 SDG points)	managed / low risk (35-52.5 points)	managed / low risk (35-52.5 points)
D	5% - 10% (coal: 5% - 15%)	owning <sup>(3)</sup> / owned <sup>(3)</sup>	serious severity	ESG lower midfield (52.5-70 SynRatings)	SDG neutral (70-87.5 SDG points)	moderate risk (52-70 points)	moderate risk (52-70 points)
E	10% - 25% (coal: 15% - 25%)	component <sup>(4)</sup> producer	high severity	ESG laggard (70-87.5 SynRatings)	SDG obstruction (87.5-100 SDG points)	high risk (87-100 points)	high risk (87-100 points)
F	> 25%	weapon producer	highest severity / violation <sup>(5)</sup>	true laggard in ESG (87.5-100 SynRatings)	excessive SDG obstruction (100-100 SDG points)	excessive risk (100-100 points)	excessive risk (100-100 points)
M	no involvement reported	no involvement reported	no issue reported	no ESG rating assigned	no SDG rating assigned	no rating assigned	no rating assigned
X			no applicable / out of scope				

Note: (1) Revenue share thresholds as per standard scheme. Sub-Standardly available. Thresholds can be individually set. (2) Owing more than 20% equity. (3) Being owned by more than 50% of company involved in global E or F. (4) Single process key component. (5) Includes SDG controversies. Can be limited to include corporate governance issues. (6) An 'F' rating can be considered a reconfirmed violation of the United Nations Global Compact risk framework for approved behavior. SynRatings are the 0-100-point score underlying the SynRating. As of end of December 2021. Source: DWS International GmbH.

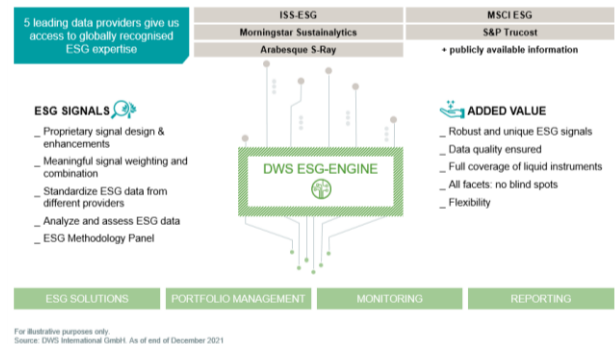
The sub-fund's investment in low scored issuers (scores D, E and F) can be limited or excluded depending on the ESG filter applied (for more information please refer to the sales prospectus).

The sub-fund's investment strategy with its specific limitations regarding controversial sectors, controversial business practices and weapons etc. is coded in the investment guidelines and embedded in the monitoring process.

## Data sources, processing, and due diligence

Our proprietary ESG database uses data from three generalist providers – MSCI ESG, ISS-ESG and Morningstar Sustainalytics – and supplements these inputs with further information from two specialized providers: S&P TruCost (focus on climate transition risk, water risk) and Arabesque S-Ray (various ESG metrics based on AI analysis).

Additionally, publicly available information is taken into account.



For illustrative purposes only. Source: DWS International GmbH. As of end of December 2021.

The software of the ESG database translates the available data into a consistent evaluation process to derive proprietary ESG Best-In-Class Ratings, the SynRatings. The ESG SynRatings seek to identify the true ESG leaders and ESG laggards by peer group, consistently assessed as such by the top ESG data vendors in a 360-degree review.

Before implementing any new rules, overwriting vendor input in exceptional circumstances or doing enhancements to the algorithm, the ESG methodology panel (EMP) examines and approves the amendments to the ESG database at first. This process is documented and externally audited.

## 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 dialogue can be exercised by, for example, proxy voting, company meetings or engagement letters.

## Limitations to methodologies and data

ESG signals that DWS uses in its investment management are sourced or derived from data that DWS receives pursuant to licenses with third-party commercial ESG data providers. Sources: ISS ESG, Morningstar Sustainalytics, S&P TruCost Limited, MSCI ESG

Research Inc. and Arabesque S-Ray as well as information publicly available. These signals do not constitute investment advice or recommendations by such providers. All rights in the data and reports provided by third-party licensors vest in such licensors and/or their content providers. None of such licensors or their affiliates, or their content providers, accept any liability for any errors, omissions or interruptions in such data/reports as to completeness, accuracy or timeliness. No copying or further distribution of such data/reports is permitted without such third-party licensors' express written consent.