

# Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** DWS German Small/Mid Cap  
**Legal entity identifier:** 549300KX4VD3RSDNCE14

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** \_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** \_\_%

**It promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 15% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



What environmental and/or social characteristics are promoted by this financial product?

Through this fund, the Company promotes environmental and social characteristics in that it generally considers ESG criteria, for example, by excluding investments in companies with the lowest score with respect to norm-related controversies and/or investments in companies whose activities in controversial sectors generate more than a specific revenue threshold.

In addition, through this fund the Company promotes a minimum proportion of sustainable investments as defined in article 2 (17) of Regulation (EU) on sustainability-related disclosures in the financial services sector (SFDR).

For this fund, the Company has not designated a reference benchmark for the attainment of the promoted environmental and social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Attainment of the promoted environmental and social characteristics as well as the sustainability of the investments is assessed by applying an internal ESG assessment methodology and ESG-specific exclusion threshold values as described in more detail in the section entitled "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?". With this methodology, various assessment categories are used as sustainability indicators:

- The **Assessment of norm controversies** serves as an indicator for the extent to which norm-related controversies with respect to international standards arise at a company.
- The **Freedom House Status** serves as an indicator for the political rights and civil liberties of a country.
- The **Exclusion Assessment for controversial sectors** serves as an indicator for determining the extent of a company's involvement in controversial sectors.
- **Exposure to controversial weapons** serves as an indicator for determining the extent of a company's exposure to controversial weapons.
- The **Sustainability Investment Assessment** serves as an indicator for measuring the proportion of sustainable investments as defined in article 2 (17) SFDR.

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?

The sustainable investments contribute (i) to at least one of the United Nations Sustainable Development Goals (UN SDGs) that have environmental and/or social objectives, such as No poverty, Zero hunger, Good health and well-being, Quality education, Gender equality, Clean water and sanitation, Affordable and clean energy, Decent work and economic growth, Reduced inequalities, Sustainable cities and communities, Responsible consumption and production, Climate action, Life below water and/or Life on land, and/or (ii) to at least one other environmental objective, such as climate change adaptation, climate change mitigation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and/or protection and restoration of biodiversity and ecosystems (as defined in the EU taxonomy).

The extent of the contribution to the individual sustainable investment objectives varies depending on the actual investments in the portfolio.

The Company determines the contribution to a sustainable investment objective on the basis of the proprietary Sustainability Investment Assessment, which uses data from one or more ESG data providers, public sources and/or internal assessments. The positive contribution of an investment to an environmental and/or social objective is measured based on the revenues that a company generates with the actual economic activities that make this contribution (activity-based approach). Where a contribution is determined to be positive, the investment is deemed sustainable if the issuer is positively rated in the DNSH assessment (Do No Significant Harm) and the company follows good governance practices.

The proportion of sustainable investments as defined by article 2 (17) SFDR in the portfolio is thus calculated in proportion to the issuers' economic activities that are classed as sustainable (activity-based approach). In a departure from the above, in the event of use-of-proceeds bonds that are classed as sustainable investments, the value of the entire bond is counted towards the proportion of sustainable investments in the portfolio.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The sustainable investments that are made for this fund are assessed to determine that they do not cause significant harm to an environmental or social sustainable investment objective. To this end, the indicators for the principal adverse impacts on sustainability factors (by relevance) described below are considered. Where significant harm is identified, the investment cannot be classed as sustainable.

How have the indicators for adverse impacts on sustainability factors been taken into account?

With the Sustainability Investment Assessment, the mandatory PAI indicators (by relevance) from Table 1 and the relevant indicators from Tables 2 and 3 in Annex I of the Commission Delegated Regulation (EU) 2022/1288 supplementing the Disclosure Regulation are systematically integrated. Taking these principal adverse impacts into account, the Company has set quantitative thresholds and/or defined qualitative values to determine whether environmental or social sustainable investment objectives are significantly harmed. These values are defined based on various external and internal factors, such as data availability or market trends, and may be adjusted over time.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Sustainable investments' compliance with, for example, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is evaluated using the Assessment of norm controversies (described in more detail below). Companies with the lowest score ("F") in norm controversies are excluded as an investment.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, for the fund, the Company considers the following principal adverse impacts on sustainability factors from Annex I of the Commission Delegated Regulation (EU) 2022/1288 supplementing the Disclosure Regulation:
- Exposure to companies active in the fossil fuel sector (no. 4)
  - Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (no. 10)
  - Exposure to controversial weapons (no. 14)

The above principal adverse impacts are taken into account through the application of exclusions, as described in more detail in the section entitled "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 investment strategy does not provide for a dedicated control mechanism for the values of the PAI indicators at overall portfolio level.

Further information on the principal adverse impacts on sustainability factors will be disclosed in an annex to the annual report of the fund.

No



**The Investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

This fund follows a strategy based on equities.

Further details of the investment strategy can be found in the special section of the sales prospectus and the Special Terms and Conditions of Investment.

At least 51% of the fund's assets are invested in assets that comply with the promoted environmental and social characteristics and/or the criteria for sustainable investments described in the following sections. The portfolio's compliance with the binding elements of the investment strategy for the attainment of the promoted environmental and social characteristics is continually examined within the framework of the monitoring of the investment guidelines of the fund.

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?

### **ESG assessment methodology**

The Company seeks to attain the promoted environmental and social characteristics for the fund by assessing potential investments with a proprietary ESG assessment methodology irrespective of their economic prospects of success and by applying exclusion criteria based on this assessment.

The ESG assessment methodology uses a proprietary data processing program that uses the data from one or multiple ESG data providers, public sources and/or internal assessments to derive combined scores. The methodology for determining these combined scores may be based on various approaches. For example, a particular data provider may be prioritized. Alternatively, the assessment may be based on the lowest value (“worst-of” principle) or on an average approach. The internal assessments may take into account factors such as an issuer’s expected future ESG development, the plausibility of the data with respect to past or future events, the willingness to engage in dialogue on ESG matters and/or a company’s ESG-related decisions. In addition, internal ESG assessments for investee companies may consider the relevance of the exclusion criteria for the company’s specific market sector.

The data processing program uses, for example, the following assessment categories to evaluate compliance with the promoted ESG characteristics and to determine whether the investee companies follow good governance practices. The assessment categories include, for example, the use of exclusions on the basis of the revenue earned from controversial sectors or on the basis of the exposure to these controversial sectors. With some assessment categories, issuers receive one of six possible scores, with “A” being the highest score and “F” being the lowest score on the scale. If one of the assessment categories results in the exclusion of an issuer, the Company may not invest in this issuer.

Depending on the investment universe, the portfolio composition and the positioning in certain sectors, the assessment categories described below may be more or less relevant; this is reflected in the number of actually excluded issuers.

#### **• Exclusion Assessment for controversial sectors**

Companies that are active in particular branches of industry and are exposed to business activities in controversial areas (“controversial sectors”) are excluded as follows, depending on the proportion of total revenues that the companies generate in controversial sectors:

- a. Production and/or sale of civil handguns or munition: 5% or more,
- b. Production of tobacco products: 5% or more,
- c. Mining of oil sands: 5% or more,
- d. Companies that generate 25% or more of their revenues from the mining of thermal coal and from coal-based power generation as well as companies with thermal coal expansion plans, such as additional coal generation, production or use. Companies with thermal coal expansion plans are excluded based on an internal identification methodology. In the event of exceptional circumstances, such as measures imposed by a government to overcome challenges in the energy sector, the Company may decide to temporarily suspend applying the coal-related exclusions to individual companies/geographical regions.

#### **• Assessment of norm controversies**

The assessment of norm controversies involves evaluating the behavior of companies with regard to generally accepted international standards and principles for responsible business practices, including in relation to the principles of the United Nations Global Compact, the UN Guiding Principles for Business and Human Rights, the standards of the International Labour Organization, and the OECD Guidelines for Multinational Enterprises. Among other things, these standards and principles address human rights violations, workers’ rights violations, child or forced labor, negative environmental impacts, and ethical business conduct. The assessment of norm controversies evaluates reported infringements of the international standards mentioned above. Companies with the lowest score (“F”) in norm controversies are excluded as an investment.

#### **• Freedom House Status**

Freedom House is an international non-governmental organization that classifies countries by their degree of political freedoms and civil liberties. Based on the Freedom House Status, countries rated as “not free” are excluded as an investment.

#### **• Exclusion Assessment for controversial weapons**

Companies are excluded if they are identified as being involved in the manufacture or distribution of controversial weapons or key components of controversial weapons (anti-personnel mines, cluster munitions and/or chemical and biological weapons). The exposures within a Group structure may also be taken into account for the exclusions.

#### • Assessment of use-of-proceeds bonds

This assessment is specially designed for this type of financial instrument. An investment in use-of-proceeds bonds is only permitted if the following criteria are complied with. Firstly, all use-of-proceeds bonds are checked for compliance with the Climate Bonds Standards, comparable industry standards for green bonds, social bonds or sustainability bonds, such as the ICMA Principles, or the EU standard for green bonds, or for whether the bonds have undergone an independent audit. Secondly, certain ESG criteria are applied in relation to the issuer of the bond. This may result in issuers and their bonds being excluded as an investment.

[In particular, investments in use-of-proceeds bonds are prohibited if the following criteria apply to the issuers:

- a. Sovereign issuers classed as “not free” by Freedom House;
- b. Companies with the lowest score (“F”) in norm controversies, as stated above;
- c. Companies that produce tobacco products: 5% or more;
- d. Companies that have an exposure to controversial weapons, as stated above; or
- e. Companies with identified thermal coal expansion plans, as stated above.

#### • Assessment of investment fund units (target fund)

Target funds are assessed based on the companies within the target fund and are permitted if these companies meet the criteria for the assessment of norm issues and the exposure to controversial weapons (anti-personnel mines, cluster munitions and/or chemical and biological weapons). Investments in companies with the lowest score (“F”) in norm controversies are permitted up to a certain threshold. In view of the tolerance threshold, the variety of data providers and methods, the available data coverage and the regular rebalancing of the target fund portfolio, this fund may have an indirect position in certain assets that would be excluded from direct investment or for which there is no data coverage or incomplete data coverage.

### **Sustainability Investment Assessment**

In addition, the Company measures the contribution to one or multiple UN SDGs and/or other environmentally sustainable objectives in order to determine the proportion of sustainable investments. This is carried out via the proprietary Sustainability Investment Assessment, with which potential investments are assessed on the basis of various criteria regarding whether an investment can be classed as sustainable, as described in more detail in the section entitled “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?”.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The ESG investment strategy used does not provide for a mandatory minimum reduction of the scope of the investments.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

What is the policy to assess good governance practices of the investee companies?

The assessment of good governance practices of the investee companies (including assessments with respect to sound management structures, employee relations, remuneration of staff and tax compliance) is a component of the assessment of norm controversies that evaluates whether the behavior of a company complies with generally accepted international standards and principles for responsible business practices. More information is provided in the section entitled “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?”. Companies with the lowest score (“F”) in norm controversies are excluded as an investment.



## What is the asset allocation planned for this financial product?

This fund invests at least 51% of its assets in investments that are aligned with the promoted environmental and social characteristics and/or comply with the criteria for sustainable investments (#1 Aligned with E/S characteristics).

Up to 49% of the fund's assets may be invested in assets that are not assessed with the ESG assessment methodology or for which ESG data coverage is not complete (#2 Other), as described in more detail in the section entitled "What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?".

Please refer to the special section of the sales prospectus and the Special Terms and Conditions of Investment for a more detailed description of the exact asset allocation of this fund.

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

#### - turnover

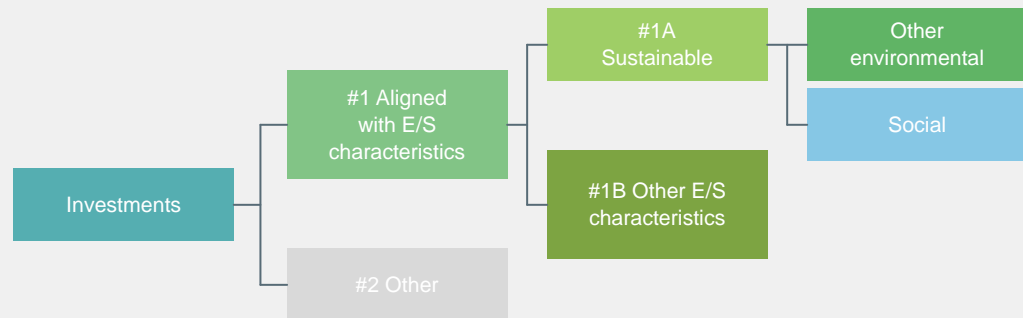
reflecting the share of revenue from green activities of investee companies

#### - capital expenditure

(CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

#### - operational expenditure

(OpEx) reflecting green operational activities of investee companies.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives are not used to attain the environmental and social characteristics promoted by the fund.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

For the fund, the Company does not commit to targeting a minimum percentage of E/S investments aligned with the EU Taxonomy. Therefore, the promoted minimum percentage of E/S investments aligned with the EU Taxonomy is 0% of the fund's assets. However, some of the economic activities that the investments are based on may be aligned with the EU Taxonomy.

Does the financial product invest in fossil gas and/or nuclear energy<sup>1</sup> related activities that comply with the EU Taxonomy?

Yes:

In fossil gas

In nuclear energy

No

For the fund, the Company does not take into account the Taxonomy alignment of companies that are active in the fossil gas and nuclear energy sectors. Further information on such investments, where relevant, will be disclosed in the annual report.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

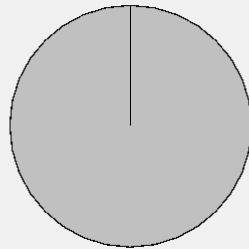
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

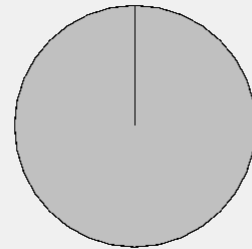
**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**

1. Taxonomy-alignment of investments including sovereign bonds\*



<input type="checkbox"/> Taxonomy-aligned: Fossil gas	0.00%
<input type="checkbox"/> Taxonomy-aligned: Nuclear	0.00%
<input type="checkbox"/> Taxonomy-aligned (no fossil gas and nuclear)	0.00%
<input type="checkbox"/> Taxonomy-aligned	0.00%
<input type="checkbox"/> Non Taxonomy-aligned	100.00%

2. Taxonomy-alignment of investments excluding sovereign bonds\*



<input type="checkbox"/> Taxonomy-aligned: Fossil gas	0.00%
<input type="checkbox"/> Taxonomy-aligned: Nuclear	0.00%
<input type="checkbox"/> Taxonomy-aligned (no fossil gas and nuclear)	0.00%
<input type="checkbox"/> Taxonomy-aligned	0.00%
<input type="checkbox"/> Non Taxonomy-aligned	100.00%

This graph represents 100% of the total investments.

\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What is the minimum share of investments in transitional and enabling activities?

For the fund, the Company does not commit to a minimum proportion of investments in transitional activities and enabling activities.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

For the fund, the Company has not defined a minimum percentage for environmentally or socially sustainable investments. The total proportion of environmentally and socially sustainable investments should, however, amount to at least 15% of the fund's assets.



What is the minimum share of socially sustainable investments?

For the fund, the Company has not defined a minimum percentage for environmentally or socially sustainable investments. The total proportion of environmentally and socially sustainable investments should, however, amount to at least 15% of the fund's assets.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

At least 51% of the fund's assets are aligned with the promoted environmental and social characteristics and/or comply with the criteria for sustainable investments (#1 Aligned with E/S characteristics). Up to 49% of the fund's assets may be invested in assets that cannot be assessed via the ESG assessment methodology or for which ESG data coverage is not complete (#2 Other). Complete ESG data coverage is required to assess direct investments in companies with respect to good governance practices.

The investments under “#2 Other” may comprise all the asset classes provided for in the relevant investment policy, such as bank balances and derivatives. These investments may be used by the portfolio management to optimize the investment performance and for risk diversification, liquidity and hedging purposes.

For the fund's investments classified as “#2 Other”, environmental or social minimum safeguards are not taken into account or are only taken into account partially.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

For this fund, the Company has not defined a reference benchmark for establishing whether it is aligned with the environmental and social characteristics it promotes.



Where can I find more product specific information online?

**More product-specific information can be found on the website:**

<https://www.dws.de/aktienfonds/DE0005152409/> as well as on your local country website [www.dws.com/fundinformation](http://www.dws.com/fundinformation).