



REGULATION AND IMPACT MEASUREMENT IN PRACTICE

Trends Investment Summit Luxembourg, September 2020

Theresa Boettger, CESGA, Investment Specialist DWS

ESG AND SDG

Both are outcome-oriented objectives that focus on...

ESG	SDG
<p>...how do companies operate?</p> <p>Does the company operate responsibly and embed sustainable principles into its strategic actions?</p> <p>Primarily focused on how companies produce their products and perform their services, not on the impact the service or product has.</p>	<p>...what do companies produce?</p> <p>Do the products & services generate a measurable impact on the sustainable development goals?</p> <p>Considers the impact the produced good or performed service has, even outside the company's business scope.</p>

Reduce negative outcomes

Reduce risks

Enhance positive outcomes

Engage in opportunities

THE SDG CHALLENGES INVESTORS ARE FACING

And the Design Principles we apply



SDG CHALLENGES

How to map the SDGs?

What's the right measure?

Contributor or Obstructor?

How are impact revenues generated?

DESIGN PRINCIPLES

Multi vendor approach

Revenue based impact measure

Revenue quality assessment

Evaluation of business conduct and ESG risks

SUSTAINABLE CONTRIBUTION

ESG – Key Performance Indicators

DWS ESG Portfolio Quality



Excellent

Based on 360° in-depth assessment by proprietary DWS ESG Engine

SDG Total Revenue Share



Funds has

61% exposure

Average revenue share towards SDGs, reference had 16%

SDG 13 Climate Action



Fund holdings had a

24%

revenue share towards SDG-13, reference had 3.7%

Controversial Weapons



Funds has

0% exposure

to controversial weapons, broad market has 1.8%

Tobacco*



Funds has

0% exposure

to tobacco companies, broad market has 0.8%

Carbon Emissions of Reserves



Fund holdings had

100% less

CO2 emissions of reserved fossil fuels than the reference

Proxy Voting



DWS voted for

76%

of 1st equity AuM worldwide

Carbon Laggards



Funds has

0% exposure

to carbon laggards, reference had 5.0%

Renewable Energy



Fund holdings generated

331% more

renewable energies than the reference index MSCI World

SDG STRATEGY

Opportunities and risks

OPPORTUNITIES

- _ Market-, sector- and company-specific price gains
- _ Possible exchange- rate chances
- _ Above-average dividend yields



RISKS

- _ Market-, sector- and company-specific price volatility
- _ Possible exchange-rate risk
- _ Possible dividend cuts
- _ Because of its composition or the techniques used by its managers, the fund is subject to heightened volatility. Consequently, unit prices may fluctuate sharply in either direction within short periods of time.
- _ The value of the fund's shares may fall below the price at which the client originally bought them.



GLOSSARY



Best-In-Class-Approach: Active screening for companies that are leading with regard to ESG criteria in their respective industry sector.

Cash-Flow: Is used to describe the cash inflows (before investments and financing) in the cash flow statement.

CIO Office: CIO = Chief Investment Officer. DWS's Chief Investment Office prepares our forecasts for the global economy and the financial markets.

Climate Action 100+: Initiative to encourage the largest emitters of greenhouse gases to take measures to limit them. More than 320 investors with an investment capital of more than 33 trillion euros.

Corporate Governance: Corporate governance is the legal and factual regulatory framework for the management and supervision of companies for the benefit of all relevant stakeholders. As a stakeholder approach, it goes beyond the narrower shareholder approach, but encompasses it.

CSR (Corporate Social Responsibility): The company's social responsibility towards its associated groups and individuals such as shareholders, creditors, employees, suppliers, customers and society as a whole.

DCF: Discounted Cash-Flow describes an investment theoretical procedure for determining the value, especially in the context of investment projects, company valuation and the determination of the market value of real estate.

Engagement: Long-term dialogue between investors and companies with the aim of aligning corporate management sustainably with the ESG criteria or improving their behaviour with regard to ESG criteria.

ESG Integration: Integration involves the explicit inclusion of ESG criteria (environmental, social, governance) alongside financial results in traditional financial analysis. The investment universe is not filtered purely by sustainability criteria, but by focusing on the potential (positive or negative) impact of ESG issues on the financial data of companies or debtors.

ESG Engine: In-house ESG data analysis tool from DWS, which is used for the entire investment platform.

ESG Scores: The in-house ESG engine of DWS calculates ESG scores from A-F (A are ESG leaders, F are ESG laggards).

EV/EBITDA: The Enterprise Value (EV) expresses in summary how high the total enterprise value is taking into account the individual debt situation. EBITDA stands for earnings before interest, taxes, depreciation and amortization. The ratio of the two parameters thus reflects how many years a company needs to generate the total value of the company, provided that the EBITDA level remains constant.

Exclusion Criteria: This approach systematically excludes certain investments or asset classes such as companies, industries or countries from the investment universe if they do not meet specific social, environmental or governance criteria (example: controversial weapons and sectors).

GLOSSARY



Forum Nachhaltige Geldanlage (FNG): The Forum Nachhaltige Geldanlagen (FNG) has been the professional association for sustainable investments in Germany, Austria, Liechtenstein and Switzerland since 2001. Its more than 170 members include banks, investment companies, insurance companies, rating agencies, investment companies, asset managers, financial advisors and NGOs, as well as around 30 interested private individuals.

Global Compact: The United Nations Global Compact is the world's largest and most important initiative for responsible corporate governance. Based on its 10 universal principles, it pursues the vision of an inclusive and sustainable global economy for the benefit of all people, communities and markets, today and in the future. (Source: Global Compact Network Germany).

Green Bonds: By issuing green bonds, issuers raise funds for environmental and social projects, for example in the areas of renewable energies, energy efficiency and water pollution control. Green bonds are mainly issued by multilateral organisations such as the World Bank, but increasingly also by companies.

IGCC (Institutional Investors Group on Climate Change): European initiative to mobilise capital to reduce carbon dioxide emissions. More than 170 members with more than 23 trillion euros of investment capital. Linked to Climate Action 100+.

Impact Investing: Investment in companies and organisations that make a positive contribution with their products with the aim of achieving social and/or ecological impact in addition to financial success.

International Labour Organization (ILO): The International Labour Organization is a specialized agency of the United Nations and has been campaigning for the rights of workers all over the world since 1919. Its aim is to introduce minimum social standards that apply worldwide. They are intended to prevent individual countries or companies from gaining competitive advantages by disregarding workers' rights. The core labour standards of the ILO are internationally recognised as "qualitative social standards" and have the character of universal human rights which are valid for all countries - irrespective of the state of economic development (source: Federal Ministry for Economic Cooperation and Development).

MDG: The United Nations Millennium Development Goals (MDGs) were eight development goals for 2015 formulated in 2000 by a working group of representatives of the United Nations, the World Bank, the IMF and the Development Assistance Committee of the OECD. They were derived from the Millennium Declaration adopted by the United Nations at the Millennium Summit.

MSCI Sustainable Impact Metrics: MSCI ESG Research has developed a new framework that enables investors to measure their current exposure to listed companies that offer sustainable solutions. Based on the SDGs, the 17 objectives have been grouped into five realizable areas of action: Basic needs, empowerment, climate change, natural capital and governance.

NGO: A non-governmental organisation (NGO) is an interest group formed by civil society and not legitimised by a public mandate.[1] The World Bank defines NGOs as private organisations whose activities seek to alleviate suffering, represent the interests of the poor in public, protect the environment, provide basic social services or initiate actions for development projects. This definition was deliberately blurred, as NGOs can take on all kinds of tasks.

GLOSSARY



Norm based Screening: Verification of investments according to their conformity with certain international standards and norms, e.g. the Global Compact, the OECD Guidelines for Multinational Enterprises or the core labour standards of the International Labour Organization (ILO).

OECD: The Organisation for Economic Co-operation and Development is an international organisation with 35 member states committed to democracy and a market economy. The OECD Guidelines are, alongside the ILO Core Labour Standards and the UN Global Compact, the world's most important instrument for promoting responsible corporate governance. For companies, they offer a code of conduct for foreign investments and for cooperation with foreign suppliers. They describe what is expected of companies in their worldwide activities in dealing with trade unions, environmental protection, combating corruption or protecting consumer interests (source: OECD).

Principles for Responsible Investing (UNPRI): Principles for Responsible Investments (PRI) of the United Nations (UN). An investor initiative in partnership with the Financial Initiative of the United Nations Environment Programme (UNEP FI) and the United Nations Global Compact. Together with its international network of signatories, the PRI Initiative is dedicated to the practical implementation of the six Principles for Responsible Investment. The aim is to gain a better understanding of the impact of investment activities on environmental, social and corporate governance issues and to support signatories in integrating these issues into their investment decisions (Source: PRI, Brochure 2016).

SDG: The 17 Sustainable Development Goals (SDGs) are policy objectives of the United Nations (UN) to ensure sustainable development at the economic, social and environmental levels. 1] The MDGs were designed on the basis of the development process of the Millennium Development Goals (MDGs) and entered into force on 1 January 2016 for a period of 15 years (until 2030). 2] In contrast to the MDGs, which applied in particular to developing countries, the SDGs apply to all states.

Social Impact Bonds: The Social Impact Bond, Pay for Success Bond and Social Benefit Bond, is a policy and financing instrument in which social services are privately pre-financed and, if successful, publicly reimbursed.

Special assets (Sondervermögen): Investment capital of fund investors that is legally separated from the assets of the investment company.

SRI (Socially Responsible Investment): SRI include, amongst others, strict sustainable investments, which in some cases check 200-300 ecological, social and ethical criteria, i.e. also responsible investments in which only individual controversial sectors such as the defence industry are excluded or other concepts apply in order not to contribute to breaches of international standards and to influence companies accordingly. The generic term SRI has now been extended to "Sustainable and Responsible Investment". The European industry association for sustainable investment Eurosif has long distinguished between "core SRI", which includes stricter concepts, and "broad SRI", which includes less stringent concepts from large, predominantly conventional investors. However, this distinction was controversial. In the Eurosif Market Report of 2112, the association presented the market development only in relation to the individual investment strategies.

Sustainability Office of DWS: Responsible for internal ESG guidelines (provision of ESG guidelines, RepRisk & NPA guidelines); ESG transparency (responsible for mandatory ESG reporting and public engagement strategy); ESG coordination (geared to DB Group sustainability; simplifies strategic ESG cooperation).

IMPORTANT INFORMATION



DWS is the brand name of DWS Group GmbH & Co. KGaA and its subsidiaries under which they operate their business activities. The respective legal entities offering products or services under the DWS brand are specified in the respective contracts, sales materials and other product information documents. DWS, through DWS Group GmbH & Co. KGaA, its affiliated companies and its officers and employees (collectively "DWS") are communicating this document in good faith and on the following basis.

This document has been prepared without consideration of the investment needs, objectives or financial circumstances of any investor. Before making an investment decision, investors need to consider, with or without the assistance of an investment adviser, whether the investments and strategies described or provided by DWS Group, are appropriate, in light of their particular investment needs, objectives and financial circumstances. Furthermore, this document is for information/discussion purposes only and does not constitute an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice.

The document was not produced, reviewed or edited by any research department within DWS and is not investment research. Therefore, laws and regulations relating to investment research do not apply to it. Any opinions expressed herein may differ from the opinions expressed by other legal entities of DWS or their departments including research departments.

The information contained in this document does not constitute a financial analysis but qualifies as marketing communication. This marketing communication is neither subject to all legal provisions ensuring the impartiality of financial analysis nor to any prohibition on trading prior to the publication of financial analyses.

This document contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. The forward looking statements expressed constitute the author's judgment as of the date of this document. Forward looking statements involve significant elements of subjective judgments and analyses and changes thereto and/or consideration of different or additional factors could have a material impact on the results indicated. Therefore, actual results may vary, perhaps materially, from the results contained herein. No representation or warranty is made by DWS as to the reasonableness or completeness of such forward looking statements or to any other financial information contained in this document. Past performance is not guarantee of future results.

We have gathered the information contained in this document from sources we believe to be reliable; but we do not guarantee the accuracy, completeness or fairness of such information. All third party data are copyrighted by and proprietary to the provider. DWS has no obligation to update, modify or amend this document or to otherwise notify the recipient in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Investments are subject to various risks, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time. Furthermore, substantial fluctuations of the value of any investment are possible even over short periods of time. The terms of any investment will be exclusively subject to the detailed provisions, including risk considerations, contained in the offering documents. When making an investment decision, you should rely on the final documentation relating to any transaction.

No liability for any error or omission is accepted by DWS. Opinions and estimates may be changed without notice and involve a number of assumptions which may not prove valid. DWS or persons associated with it may (i) maintain a long or short position in securities referred to herein, or in related futures or options, and (ii) purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation.

DWS does not give taxation or legal advice. Prospective investors should seek advice from their own taxation agents and lawyers regarding the tax consequences on the purchase, ownership, disposal, redemption or transfer of the investments and strategies suggested by DWS. The relevant tax laws or regulations of the tax authorities may change at any time. DWS is not responsible for and has no obligation with respect to any tax implications on the investment suggested.

This document may not be reproduced or circulated without DWS written authority. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States.

IMPORTANT INFORMATION



This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, including the United States, where such distribution, publication, availability or use would be contrary to law or regulation or which would subject DWS to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions.

© 2020 DWS International GmbH

DWS 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, Sustainalytics, S&P Trucost Limited, MSCI ESG Research Inc. and Morningstar, Inc., Arabesque S-RAY as well as information publicly available. These signals do not constitute investment advice or recommendations by such Licensors. All rights in the data and reports provided by third-party licensors vest in such licensors and/or their content providers/licensors. None of such licensors or their affiliates, or their licensors/content providers, accept any liability for any errors, omissions or interruptions in such data/reports and none warrants their data as to completeness, accuracy or timeliness. No copying or further distribution of such data/reports is permitted.

© 2020 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

CRC 078636

30.09.2020