



DWS AGM Q&A

Wednesday, 18th of November 2020

Q&A

Karl von Rohr: We will now start answering the questions. And for that purpose, we have decided for the sake of a smooth process to have the questions being read out by a presenter named Ms. Anita Schneider. In her main job, Ms. Schneider is a corporate consultant in the area of Investor Relations, and we are pleased that she's going to support us today. Ms. Schneider, I now would like to ask you to start with the first question.

Anita Schneider: Well, thank you very much for the kind introduction, Mr. von Rohr. Shareholders, welcome to the DWS AGM 2020. The first question is by shareholder Alexander Lankhorst. And it's a question for you, Mr. von Rohr. It's as follows, how many shareholders have registered for the AGM and how many of them are now following the current AGM on the internet?

Karl von Rohr: Well, all in all is the answer, 465 voting cards were distributed for our virtual AGM, 360 of them for so called private shareholders. The AGM is transmitted live and is available to the general public via a webcasting, and counting the number of tickets in our website link, we can tell you that about 281 persons are currently following our live broadcast.

Anita Schneider: Thank you very much. Mr. von Rohr. Mr. Lankhorst also wanted to know which rough cost do you expect for this virtual AGM?

Karl von Rohr: The overall cost for this year's AGM have not been fully calculated yet. At present, we expect an amount of about €400,000.

Anita Schneider: Thank you very much. Now, there's a question from Andrea Schmidt from the [inaudible] Deutsche Capital and Legal SDK. He has posted the following question for you, Mr. Woehrmann. Compared to other investment companies, in my view, the new net assets was rather below average, did you lose market shares? And if so, in which areas, and did you potentially also gain market shares in other areas?

Asoka Woehrmann: In 2019, we were able to reverse the trend related to new net assets. With more than €26 billion of new net inflows, we were excellently positioned on a European scale. Thus, we were able to maintain our position as number two with exchange traded funds in Europe and as number one in own home market Germany, with mutual retail funds in 2019 and also in 2020.

Our business in the area of alternatives also turned out to be highly resilient. The trends, which had already become obvious in our funds business, have once again also been confirmed in a volatile market face due to COVID-19.

Anita Schneider: Thank you very much, Mr. Woehrmann. The next question is also for you. It is as follows. What was the reason for you having lost some major mandates more recently? That's also a question by Mr. Schmidt from SDK.

Asoka Woehrmann: Now, we generally do not comment on individual customer relationships. In spring 2020, the COVID-19 situation has resulted in a short-term liquidity demand for some of our clients. In the second quarter already, we once again recorded significant influence also in the number of mandates. And this trend has further continued in the third quarter.

Anita Schneider: Thank you very much. Next question is by Ms. Harper from the Shareholders Association [inaudible]. The question is as follows. Mr. Woehrmann, you say that this year, one third of new net inflows went into sustainable funds to what extent is this an increase and to what extent compared to the previous years?

Asoka Woehrmann: In the first three quarters of the year 2020, we recorded net asset inflows to the amount of €5.7 billion into sustainable or sustainability funds that is EGS funds. In the year 2018, this amount had been only €1.6 billion. In 2019, it had increased to a total of €1.9 billion. This means that in the current year 2020 we will already increased increase our inflows after three quarters only by a factor of three over the previous year. And this shows the increasing dynamic development and our strength of the products in the area of sustainability investments.

Anita Schneider: Now Ms. Harper also asked how many percent of your assets under management are being managed in a sustainable manner?

Asoka Woehrmann: Now, as of the 31st of December 2019, the total assets under management managed under sustainability criteria of DWS has amounted to €69.7 billion. During the course of the first nine months of this year, we were able to increase this amount by 16% to €89.9 billion.

Anita Schneider: Now, Mr. Schmidt from SDK also has got a question for you, Mr. Woehrmann. How can it be that, for example, in the second quarter 2020, compensation costs increased by 21%, or 35 million to 200 million. Now, you wrote that this is also due to higher compensation in connection with the DWS share price. I thought that the bonus of the fund managers depends on the performance of the funds and not the share price.

Asoka Woehrmann: Well, in general, the computation of portfolio managers is linked to the performance of the fund's product. Now, as part of the group wide compensation strategy, the DWS Group, as part of the DWS share plan, grants part of our workforce, a deferred share-based compensation.

This plan represents a conditional right to obtain a cash payment, which refers to the value of the DWS share in a certain period. And this effect can lead to fluctuations in compensation costs in individual quarters. Now, let me once again emphasize that these are parts of the compensation that have already been granted, which are evaluated on a continuous basis on the basis of the share price.

Anita Schneider: Well, thank you very much, Mr. Woehrmann. There's another question from Mr. Schmidt for you, Mr. Woehrmann. Now, is there a risk that everybody will earn profits with increasing share prices, although no actual net profit for the year will not be generated and thus the dividend will stagnate?

Asoka Woehrmann: Well, the share-based compensation components are tied to certain KPIs, key performance indicators, being reached in order to make sure that this part of the compensation is paid out only if the certain profitability level of the company is reached.

Anita Schneider: Next question from Mr. Schmidt for you, Mr. Kreuzkamp. In 2019, margins were 29 basis points. In the third quarter 2020, they were 27.8 basis points. Now which margins do you expect roughly on average in the current year in the year 2021 and in three to four years?

Stefan Kreuzkamp: The entire asset management industry is facing an increasing pressure onto margins. In the current year, we expect the average margin to be reduced by about 1 basis point to about 28 basis points. We expect this continue – this development unfortunately to continue over the next three to four years in the entire industry.

Anita Schneider: Thank you very much Mr. Kreuzkamp. The representative of SDK also had another question for you Mr. Kreuzkamp, namely, what were the margins for the passives business in 2019 and what are the current margins in this business?

Stefan Kreuzkamp: In 2019, the average margin in our passives business was 21 basis points. In the first nine months 2020, the average passive margin amounted to 19 basis points.

Anita Schneider: Thank you very much. Next question. Once again for you Mr. Kreuzkamp. Now you did record major inflows in the area of passive funds. What is the share of passive assets under management in the entire volume and what is the percentage in new inflows?

Stefan Kreuzkamp: In 2019, we recorded an overall new net inflow of €26.1 billion. Now €19.1 billion of this were into passive investments. In the first nine months of the year 2020, €10.7 billion of the total of €16.7 billion of new net inflows were assigned to all passive products, which corresponds to a share of 64%. As of the 30th of September 2020, DWS is holding passive investments to the amount of €161 billion, which corresponds to share of 21% of the total assets under management to the amount of €759 billion.

Anita Schneider: Thank you very much, Mr. Kreuzkamp. Next question is also for you from Mr. Schmidt. The question is as follows. Does DWS have the cost structures for a share of 50% of passives, for example? What is the potential for further cost reductions?

Stefan Kreuzkamp: DWS is clearly committed to the passive business and has developed a growth and investment plan in order to further extend its strong market position. The passives business is particularly sensitive in terms of scalability that is why we continue investing in technology in order to ensure an efficient implementation.

Anita Schneider: Thank you very much. Also question from Mr. Schmidt. Question to you, Mr. Kreuzkamp. By which percentage would you, theoretically speaking, have to bring down costs if passive net assets are higher than 50%, so that you can achieve both targets. This is the adjusted cost income ledger and net assets of 3% to 5%.

Stefan Kreuzkamp: In the first nine months of 2020, DWS managed to reduce its adjusted cost base by 12% year-on-year. As of the 30th of September, we had net new assets or inflows of all-in-all €17 billion, two thirds of them generated by our passive product. Thus we are already – we currently are already above 50% in passive investments that you mentioned.

Independent from these developments, we also have strong new inflows in our high margin business series, which are actives and alternatives. This development shows very clearly that in spite of the difficult market environment, we can be optimistic and confident that for the year of 2020, we can achieve both targets. This is an adjusted cost-to-income ratio of below 65% and an average net new assets of between 3% and 5%.

Anita Schneider: Thank you very much. Mr. Kreuzkamp. Mr. Woehrmann, we continue with you. Mr. Schmidt is asking in the third quarter, you achieved an outstanding 61.4% of cost-to-income ratio, is this sustainable? Can this be maintained?

Asoka Woehrmann: Thank you much Mr. Schmidt from SDK. The cost-to-income ratio was positively influenced by various factors in the third quarter. For the full year of 2020, we expect our adjusted cost-to-income ratio to be below 65%, a target which we had set ourselves for the end of 2021. In order to achieve the long-term improvement of the cost-to-income ratio, we will invest into additional growth and in transformation. Thank you very much Mr. Schmidt. Most welcome.

Anita Schneider: Next question is from SDK and it's also to you Mr. Woehrmann, why do you write in your quarterly form that the firm's management is able and committed to identify and realize further saving potential if the revenue situation should make this necessary in the further course of the year? Now, if there is savings potential, wouldn't it be necessary, in any case, to use this and not if it's necessary, it's always necessary, isn't it?

Asoka Woehrmann: We set ourselves a target of savings potential of €150 million which we wanted to leverage and achieve by 2021 and we are on a good track. Over and above this, we have possibilities to take additional cost cutting matters if the market environment requires this. This will be tactical measures such as lower marketing spend, reduced variable compensation, or postponement of investment projects. Investments that we would actually make in a positive environment in order to further the successful implementation of the company's strategy.

Anita Schneider: Mr. Woehrmann, another question from Mr. Schmidt to you. I have my doubts that you will achieve your aims. If net assets, for example, are to be increased by 3% to 5% and if you do this by passive investments or mainly about passive investments, it will be difficult actually to bring down your cost-to-income ratio to below 65% in a sustainable fashion. What would – if you have to make – if you would have to decide, what would be your priority, asset growth or cost-to-income ratio?

Asoka Woehrmann: Now with our medium term objectives, we have a clear priority on achieving the adjusted cost-to-income ratio of below 65% by the end of '21. Now for the first nine months of 2020, this is already below our stated objective, namely at 64.3% and we do expect that this aim will already achieved for the full year of 2020. In the future, we will focus on generating additional growth by at least maintaining the same high profitability, and doing so by targeted investment.

To this end, we defined a growth strategy, which focuses on the scalable business with exchange traded index fund and at the same time, the high margin business was active and alternative investments. Now, the combination of this will mean that the growth strategy will have a positive effect on the net new assets or net inflows, and this will have a positive effect on our revenues. So, we don't believe that there's competition between those two targets.

Anita Schneider: Thank you so much, Mr. Woehrmann. Another topic, also first question from SDK to you, Mr. Woehrmann, how far have you proceeded with the separation of IT from Deutsche Bank? Is this relatively smooth? What are the costs that were created for the separation of IT and when will the process be completed? Will you have lower costs in the

future as an independent unit and what in addition to IT would be needed if you were completely independent?

Asoka Woehrmann: As we announced in December of last year, we want to have our own technology platform, which is tailor made for an asset manager and its clients. Now, this has been a multi-year project and planned as multi-year project right from the start, and we are totally on track. This project is being implemented by DWS in cooperation with Deutsche Bank whose technology platform we are currently using, and we do this in very close cooperation.

In the long term, we do believe that after successful implementation of this transformation project, we will also see an efficiency increase and reduction of costs due to the lower complexity, while at the same time improving our agility and potential and ability to act. In – when – of course, preparing and implementing this project, there are external costs as is usual for projects of this size. Currently, however, they're in a low one digit millions area.

Anita Schneider: Thank you very much. Mr. Woehrmann, the representative of SDK also wants to know from you as to whether you're suffering from the negative image of Deutsche Bank.

Asoka Woehrmann: DWS Group has been an independent stock listed asset manager since the March of 2018. And as an independent asset manager, this is what we are perceived by our customers. Now, of course, we are connected to Deutsche Bank in various aspects and in various ways. It is not only – Deutsche Bank is not only our majority shareholders, but at the same time, it's also one of our most important clients and an important service provider.

Now, what connects us with Deutsche Bank or what we have in common with Deutsche Bank is a successful long term partnership based on trust in the context of the sale of our fund products. The image of Deutsche Bank actually is a positive factor for several different clients and regions.

Anita Schneider: Mr. Schmidt also asked, in the past or in the more distant past, DWS was the clear market leader in Germany, stood for intensive returns to German thoroughness, and security of the investment. What is the image or branding that you have today and which image or branding do you aspire to, Mr. Woehrmann?

Asoka Woehrmann: DWS is an asset manager with a mandate to provide the best possible financial basis for our clients when it comes to their future. It is our ambition to make DWS one of the leading asset managers globally with a clear lead in Europe. We aspire to be an asset manager who sells and who offers right products and solutions to its clients in a demanding and challenging market and interest rate environment and asset manager who has ESG at the core of everything it does and asset management that uses technology in order to make its business efficient and innovative and an asset manager who with thanks to a modern and performance oriented organization structure attracts the best talent, the best people and retains them. This is and remains the core of the DWS brand, with which we want to identify also in the future, and also position ourselves in the future.

Anita Schneider: Thank you very much, Mr. Woehrmann. We now get to a different topic. This is Wirecard. Next question to you, Mr. Kreuzkamp from [inaudible]. Did you initiate legal proceedings against Wirecard, Ernst & Young and others, what were the traditional steps

that were assessed or reviewed by DWS against other players at Wirecard AG? For example, Executive Board Members and Supervisory Board Members and the Auditor and why and to claim damages.

Stefan Kreuzkamp: DWS takes all promising measures in order to gain compensation for the damages that were caused in the wake of the Wirecard fraud. We also mandated an external law firm that serves as counsel. We also made claims in the insolvency proceedings against members of the management board and also other members of senior management. We just launched and initiated criminal claims and also civil claims. We are also reviewing raising claims against other parties. This includes the former supervisory board members of my Wirecard as the auditor E&Y.

Anita Schneider: Thank you very much, Mr. Kreuzkamp. The next question from Mr. Lankhorst is also for you. What is the total amount of losses from the investment in Wirecard AG and how do you assess the opportunity – the potential of regaining at least part of those responsible through legal recourse?

Stefan Kreuzkamp: For all active and passive DWS funds worldwide, we have already registered claims worth more than €600 million in the insolvency proceedings. This calculation is based on misconduct by Wirecard all the way back to 2014 and includes corresponding interest claims. A potential refund will depend on the insolvency dividend. It is yet too early at this point in time to make any clear statements regarding their dividend.

In addition, we've also bought civil claims against former executives of Wirecard. Here, too, it is too early at this point to make any definitive comments on potential refunds. We therefore are not able at this point to assess the actual damage to our funds that will ultimately arise.

Anita Schneider: Thank you very much. The SDK representative asks you Mr. Kreuzkamp, how much the Wirecard portfolios worth at the beginning of 2020 and in the course of the crisis?

Stefan Kreuzkamp: In early January 2020, our Wirecard share portfolio comprises 10.4 million units. This covered both stocks in active and passive investment funds as well as mandates in our finance portfolio management. With the publication of the KPMG special report on Wirecard at the end of April 2020, we reduced these stocks to about 5.3 million. Further, shares from our active portfolios were sold in May and June 2020. Following the application of the ad hoc information on agents in June 2020 by Wirecard AG, DWS sold the Wirecard AG shares in the actively managed German and Luxembourgian mutual funds in the course of that day.

Anita Schneider: Thank you very much, Mr. Kreuzkamp. Mr. Lankhorst wants to ask you the following question. With the announcement of 19th of June 2020, you announced that you no longer held any shares in Wirecard AG in your funds. In the previous months, however, some funds were heavily weighted in these shares. What were the consequences regarding the weighting of Wirecard shares after the presentation of the expert opinion mandated by KPMG itself on Wirecard AG as at 27th of April 2020?

Stefan Kreuzkamp: DWS' portfolio management re-evaluated our investment after the presentation of the KPMG special report and reduced the weighting in Wirecard shares in the

active funds affected by around 60% by the end of April. In addition, the database fund managers fully sold all Wirecard shares from our sustainability funds.

Anita Schneider: Thank you Mr. Kreuzkamp. Alexander Lankhorst has also submitted a question for you Mr. Kreuzkamp. Since when have the Wirecard shares in the funds only been included with a maximum of the weighting of the share in the DAX index?

Stefan Kreuzkamp: Until 17th of June 2020, the Wirecard weighting in the Germany and Luxembourgian funds invested were above the weighting of the relative reference index, including the DAX. From the 18th of June 2020, the weighting was below the relative benchmark. Funds replicating indices continued to retain their weightings unamended.

Anita Schneider: Thank you very much. Mr. Lankhorst also has a following question for you Mr. Kreuzkamp. What communication took place upon presentation of the expert report with the persons acting in Wirecard AG and what was the impact on the weighting and the funds.

Stefan Kreuzkamp: On 30th of April 2020, our share portfolio management met Wirecard management for the first time after the publication of the KPMG special report. At the meeting, the CEO, Marcus Brown, was unreservedly confident that the final KPMG report was going to be positive and that EY was going to make a corresponding statement in the audit opinion.

This assessment was confirmed on 6th of May 2020 after phone call between our portfolio management team with the Supervisory Board Chairman, Thomas Eichelmann. Nevertheless, it is already explained, DWS reassessed the situation after the publication of the report and clearly reduced the weighting of Wirecard shares in the active funds concerned by the end of April.

Anita Schneider: Thank you very much, Mr. Kreuzkamp. Mr. Schmidt has the following question for you. Have you been taken to court by any clients in connection with Wirecard?

Stefan Kreuzkamp: No, we have not been taken to court in connection with Wirecard.

Anita Schneider: Thank you Mr. Kreuzkamp. Mr. Lankhorst also asked question for you. Mr. Kreuzkamp, in the market, there have been voices time and again, demanding or indicating that potentially there might also be claim for liability vis-a-vis the government buffing that is true? In this respect, SDK also recently submitted a corresponding expert report on European law. Is DWS also checking this and taking any legal action accordingly?

Stefan Kreuzkamp: DWS is taking all promising measures that may be taken in order to obtain a compensation for the losses or funds have suffered as a result of the Wirecard fraud. In this context, we also check whether we can claim damages from any other party involved.

Anita Schneider: Thank you very much. SDK has also submitted another question for you Mr. Kreuzkamp. What are the measures you have taken in order to prevent cases such as the Wirecard case from happening again in future as best you can. I am thinking of the use of artificial intelligence or other early warning systems.

Stefan Kreuzkamp: The Wirecard case seems to be a case of systematic, extensive and comprehensive fraud. This is also the view held by the public prosecutor. Nevertheless, in the framework of the Wirecard insolvency, we have subjected our processes and controls for risk monitoring to several tests. As a matter of principle, DWS investment decisions are

based on a resilient investment process supported by DWS' internal view on views and sectors as well as excellent internal research and specific tests.

In addition, engage in regular dialogue with the management of the respective companies, the corresponding risk monitoring processes and controls that DWS are effective, appropriate and meet all regulatory requirements, as well as customary processes typically in the industry.

In addition, we also continually work to improve our risk burning systems, including with the support of external consultants. In the framework of the development of our investment approach, we have already developed the first processes, including AI and we are planning to further expand them in our research area.

Anita Schneider: Thank you. Mr. Lankhorst has another question for you, Mr. Kreuzkamp regarding Rocket Internet. According to an article in [inaudible] on 22nd of September 2020, DWS had to clearly reduce the items held in the form of stocks – share, in the light of the delisting of Rocket Internet SE. USEG [inaudible] number of critical comments in this regard, what consequences for your investment process will you be drawing with regard to this type of surprising delisting steps by index companies?

Stefan Kreuzkamp: Index changes and the composition of indexes are handled in the fabric of our investment processes at DWS on a standardized level. This is a useful process as global indices keep changing, and this is immediately taking into account in the portfolio structure of replication.

Anita Schneider: Thank you. Another question from Mr. Lankhorst for you Mr. Kreuzkamp. How are you going to handle other investment vehicles by parties or players that take similar activities in their capital markets history?

Stefan Kreuzkamp: DWS is taking a very close look at the governance and ownership structures of all companies in the framework of its fundamental analysis and assesses both current and past capital market transactions.

Anita Schneider: Thank you. Mr. Lankhorst also asks you Mr. Kreuzkamp, what are the activities DWS is going to launch in order to ensure that similar events will not happen again?

Stefan Kreuzkamp: As an asset manager must have a vital interest in a well functioning capital market just as all others investors in the German stock market. But generally, it is for every company for itself to decide whether or not they remain the capital markets. In the framework of its membership and relevant associations and working group, DWS works to protect the resilience and integrity of the capital markets and protect shareholder rights.

Anita Schneider: Thank you, Mr. Kreuzkamp. Let us now turn to a different topic. Mr. Woehrmann, Ms. Harper has a funny question for you. DWS is seeking to become climate neutral and significantly ahead of the official timeframe set out in the agreement. What does this mean specifically? By when does DWS plan to be climate neutral? What is your current timing on the way towards climate neutrality? And when are you going to do it?

Asoka Woehrmann: As I explained in my speech, this is not going to happen overnight. It will only happen in close and continuous dialogue and exchange with clients, regulators and stakeholders. We will achieve the Paris Climate Agreement significantly ahead of the target date of 2050 and we commit to meeting its objectives. In the next step, we will formulate a

number of interim goals that will be in line with our fiduciary duties. We will regularly report about our progress regarding the achievement of these targets.

Anita Schneider: Thank you, Mr. Woehrmann. Ms. Harper also asks you, do you have internal discussions about how to achieve climate neutrality without exiting particularly climate damaging sectors? If so, are you going to achieve climate neutrality through emission vouchers – emission credits, sorry, if so, how – what do you think of the criticism regarding these credits, in particular from the forestry sector?

Asoka Woehrmann: Our goal of reaching climate neutrality is fully in line with the goals of the Paris Climate Agreement. This means that we will achieve net zero emissions by 2050. Our plan to timeline is more ambitious. So use of emission credits for our investment activities is currently not part of our plans.

Anita Schneider: Thank you, Mr. Woehrmann. Ms. Harper, also have a question for you, Mr. Kreuzkamp. You have said that regarding corporate dialogue, you primarily focus on companies with high risks due to climate change, and others that do not comply with international standards. How many engagements with companies, from what sectors does DWS currently has with regards to the topics of climate change and violations of standards or controversies.

Stefan Kreuzkamp: DWS currently engages in active dialogue with more than 130 companies regarding these topics. These companies have formed a range of sectors such as energy, raw materials, armaments, transportation and automotive sector. DWS also works on a number of working groups to promote these topics.

Anita Schneider: Thank you Mr. Kreuzkamp. The next question from Ms. Harper for [inaudible] is as follows. Of the last few years, the number of fund asset managers who have adopted coal reduction policies has continually risen. At the beginning of the year two important German fund asset managers Legal Investment and Union investment have also published corresponding policies.

DWS has so far done without specific benchmark data to divest from such coal producing companies or companies that generated substantial part of their revenues from coal extraction or power generation from coal. Why does DWS has not seen a need to follow suit and fix a clear final date for coal investments for its active funds?

Stefan Kreuzkamp: Our ESG funds already exclude companies that generate a certain part of their revenues from coal extraction or power generation from coal. At the same time, these funds avoid companies that are subject to business risks from climate change. In most cases, we work in direct dialogue with these parties. We do not believe that excluding entire sectors would be an efficient way to handle this because this would deprive us of the possibility of helping to shape change by exercising influence on these companies.

Anita Schneider: Thank you. Ms. Harper has another question for you. Have you already excluded carbon intensive companies that have not yet responded to your engagement? If so, how many?

Stefan Kreuzkamp: In 2020, DWS launched its smart integration approach. In July 2020, we included this approach in the sales brochures for our German retail funds – mutual retail funds. As a result, criterias such as increased business risks arising from climate change has

been an integral element in our investment decision for new investments. In individual cases, our Committee for Responsible investment has already sold certain shares or decided not to invest in certain shares in individual cases.

Anita Schneider: Thank you. Ms. Harper has another question for you Mr. Kreuzkamp. What types of concessions have already been achieved through your dialogue with companies regarding carbon intensive sectors?

Stefan Kreuzkamp: Over the last few years, we have engaged in dialogue with several companies operating in carbon intensive sectors. We have achieved a number of concessions that these companies have already implemented or are currently planning to implement them. For about three years now, we have supported the Climate Action 100+ initiative. This is an initiative of investors with a five year horizon, aiming to push the worldwide energy transformation further ahead.

In the framework of this initiative, DWS, for example, has dialogue with a big European utility. Over the last two years, this company has already substantially improved its ESG governance. The company, for example, also increased transparency regarding its reporting on non-financial aspects, following the recommendations of the Task Force on climate related financial disclosures TCFD. These topics are monitored at board level through a specific corporate governance and sustainability committee.

Moreover, the company has set itself very ambitious goals regarding its scope one, two and three ambitions as well as clear and transparent exit plans for coal production. Our claim of establishing a climate expert at board level was also fulfilled by the company following this year's AGM. As a rule, we try to ensure that sustainability targets such as CO2 reduction targets are anchored in board remuneration, the interests of owners and management are to be offset in this manner. And we also try to improve reporting to support enhanced transparency.

Anita Schneider: Thank you. Ms. Harper has another question. Are you discussing or do you require, in the framework of engagement dialogues, that carbon intensive companies follow certain exit plans? If so, what are the timelines? If not, why not?

Stefan Kreuzkamp: Our ESG funds have already excluded companies that generate a certain part of their revenues from coal extraction or the production of power from coal. A lack of exit plans or an incorporation of sustainability factors into the corporate strategy and board remuneration are already taken into account in our existing internal analysis and are actively raised in our dialogue with the companies. Companies that do not respond to our engagement and/or do not take action run the risk of being excluded from DWS' investment universe.

Anita Schneider: Thank you. Mr. Kreuzkamp, Ms. Harper has another question for you. If an exit plan is not submitted, what are the criteria used to evaluate – in particular, gas and oil companies, what are the specific requirements that are posed regarding such companies and under what conditions would you divest from these companies?

Stefan Kreuzkamp: As presented in our sustainability reports, our ESG mutual funds already only invest to a limited extent or not at all into companies with severe business risks resulting from climate change. Criteria that we use in the framework of our analysis as part of our

smart integration approach comprise CO2 intensity reduction targets, responsibility for ESG at board level and supervisory board level, and the linking of board remuneration to sustainability targets. Companies that do not respond to our engagement or do not take action run the risk of being excluded from DWS' investment universe.

Anita Schneider: Thank you very much, Mr. Kreuzkamp. At this point, I would like to pass the floor back to Mr. von Rohr, who chairs this year's AGM.

Karl von Rohr: Thank you very much. Yes, we are approaching the end of the Q&A session. I would therefore ask or inform you that the possibility granted to you of voting through the shoulders' portal or exercising your proxies or exercising instructions to the companies provided by the company will end soon. We have a few minutes left. Afterwards, the shareholders portal will be closed, and the data will be covered to determine the result of the vote.

We will continue with the questions and answers. Ms. Schneider, If you could continue, please. Thank you very much.

Anita Schneider: Thank you very much, Mr. von Rohr. This brings us to the next question by Ms. Harper. At the last AGM you Mr. Woehrmann emphasized that you basically aim to avoid investment in controversial weapons, controversial business practices and revenues from controversial industries in line and to the best of your knowledge with your fiduciary responsibility. Now, which are the specific consequences resulting from your statement in the last fiscal year?

Asoka Woehrmann: In the year 2020, DWS introduced its so called Smart integration approach. In July 2020, we then also incorporated this approach into the sales prospectuses of the German retail funds. Thus for new investments criteria such as breaches of standards, and increased business risks resulting from climate change will be taken into consideration and the decision in favour or against an investment.

In individual cases, the review by our committee for sustainable investment resulted in the sale of stocks or the decision not to go forward with certain investments. Our voting behaviour and our engagement activities also take a controversial business practices account in accordance with our publicly available decision policy.

Anita Schneider: Next question by Ms. Harper. Once again for you Mr. Kreuzkamp, what are our specific business practices which you try to avoid?

Stefan Kreuzkamp: Now, DWS does not define controversial business practices on the level of individual industries but on the level of potential breaches of international standards. And our reviews of compliance with standards include a large number of criteria such as human rights violations, adverse ecological effects, as well as market manipulation, fraud and corruption.

Anita Schneider: Next question also for you Mr. Kreuzkamp from Ms. Harper. Do nuclear weapons, in this context, represent controversial weapons in your view? Union investment, an important competitor of yours on the German market last year announced that exclusion is the best way of defence and has removed nuclear weapon manufacturers from its retail funds.

And the question now for you is to what extent DWS sees the need to take an action here because next year the international treaty on the ban of nuclear weapons will enter into force.

UN Secretary General Antonio Guterres explained that the document represents an important step towards an obligation to fully eliminate nuclear weapons.

Stefan Kreuzkamp: Now, DWS has got its own policy on controversial weapons. Manufacturers of cluster ammunition and landmines are excluded by us. Now, however, there is no binding policy or international convention yet for nuclear weapons. The new UN Treaty on the ban of nuclear weapons will enter into effect in January 2020. However, all nuclear weapon states so far have neither supported nor signed that treaty. Irrespective of this DWS has already taken action. Our ESG fund does not invest in companies which are involved in the production of nuclear weapons.

Anita Schneider: Thank you very much. The next question by Ms. Harper is also for you Mr. Kreuzkamp. At the last AGM you have also emphasized that you do not want to generally exclude armament companies but that you want to enter into a constructive dialogue with such companies? How many of such dialogues have taken place by now?

Stefan Kreuzkamp: Of course, DWS is in a close and regular exchange with armament companies. For example, DWS entered into dialogue with an armament company in order to clarify allegations of corruption and bribery. Further details on our corporate dialogues from the year 2019 can be found in our proxy voting and engagement report 2019 on pages 34 and following in the appendix, and this report is also available publicly on our website. And in 2020, we will also have further engagements with armament companies and will of course also publicly report on them.

Anita Schneider: Thank you very much. Mr. Kreuzkamp, question by Ms. Harper for you. To what extent did this include armament companies who supplied their weapons to parties involved in wars or involved in human right violations?

For example, a group of human right lawyers in 2019 filed a criminal lawsuit at the International Court of Justice in The Hague against some armament companies, because they were accused of aiding and abetting war crimes in German through their arms exports. Now, our engagement also includes armament companies, which were mentioned in the connection of armament exports into the war region of German.

Ms. Harper also asks the following question, to what extent can you tell us that through such dialogues, you reached your goal of improving the conditions and situations, which kind of concessions were specifically made by the partner to talk to?

Stefan Kreuzkamp: Now with one European armament company for example, DWS was able to achieve an increase in transparency. Furthermore, through our activities, we also made it possible that the existing allegations of corruption were processed and explored internally by an independent body and that the development was then presented publicly.

Anita Schneider: Now one last question on armament by the [inaudible] for you, Mr. Kreuzkamp. To what extent have you already excluded armament companies who have not responded to your engagement? To what extent have you excluded them from your investment universe?

Stefan Kreuzkamp: In 2020, DWS introduced its smart integrated approach. In July 2020, we incorporated this approach into the sales perspectives of the German retail funds. This means that for new investments, criteria, such as breaches of standards are taken into

account as part and parcel for the decision making of an investment. In individual cases, a review by our committee for sustained investment resulted in the sale of existing shareholdings or the decision not to invest in certain cases.

Anita Schneider: Thank you very much. This brings us to a new topic. Mr. Kreuzkamp, SDK would like to know which potential risks can be identified in your guaranteed product?

Stefan Kreuzkamp: The development of the value of guaranteed product is significantly influenced by the current zero interest rate or negative interest rate environment. Now, our guaranteed products are primarily funds with a long tenor. Now depending on the interest rate level of long term bonds, which is currently negative as well, now, for that reason, there is the risk that on the guarantee date in the future, the value of investment is below the guaranteed amount. In addition the continuous paid in contributions of our clients, which we can only invest in negative returns, also contributed to an increase of the guarantee risk.

Anita Schneider: The next question by Mr. Schmidt from Mr. Schmidt is also for you Mr. Kreuzkamp. How high are your assets in guaranteed products and did you provide for guaranteed products?

Stefan Kreuzkamp: Now as of the 31st of December 2019, the assets under management in guaranteed product amounted to €23.6 billion. And yes, we do set up corresponding provisions, which are aligned on a monthly basis to the long term maturity of the underlying guarantees.

Anita Schneider: Thank you very much. Mr. Schmidt also asked the following question. On which basis, do you calculate the risks for the guaranteed product? Is it today's interest rate or is it an estimated interest rate in five years, or maybe even in 25 to 30 years? And when will these risks then actually materialize Mr. Kreuzkamp?

Stefan Kreuzkamp: The risks for guaranteed products are identified with the help of a simulation model and this simulation is based upon the yield curve at the respective calculation date. So the ultimate criterion is the coverage of the guarantee at the end of the tenor of the individual contract.

Anita Schneider: Thank you very much. Furthermore, Mr. Schmidt also has got the following question for you. Please give us roughly the numbers and amounts of guaranteed products becoming due for payment in which years?

Stefan Kreuzkamp: Now the contract terms of the so-called registered products, the guaranteed products, extend to the next couple of years and decades. In the next three years, about €450 million are to be paid out per year. Contracts with the tenure of more than 30 years represent about €2 billion in the current investment volume. The exact payout amounts at maturity depend on development on the share and bonds market and also on the paying behaviour of our customers and the number of early contract terminations.

Anita Schneider: Thank you very much, Mr. Kreuzkamp. Now, coming back to a question from SDK for you Mr. Woehrmann. Some competitors have the share of more than 50% in passives with a trend to further increase. Probably DWS is also going to move into this direction and probably this will also go to the detriment of active funds. Do we all agree with that?

Asoka Woehrmann: Well, and I'm going strong trend in the passives business is definitely a trend in the industry. Against this backdrop, DWS has developed a clear growth strategy and investment plan in order to extend and further extend our strong market position in this business.

In addition, we also have got a strategy which is just as clear, namely to further develop our existing active funds business, especially in the areas of theme funds, multi-assets, and comprehensive solutions. These are the areas in which we will invest into specifically in order to solidify our strong position.

Anita Schneider: Thank you very much, Mr. Woehrmann. There is a question from Mr. Schmidt from SDK for you. Now, it's no secret that the fees in the passives business are significantly below the margins in the active business. Now, doesn't this mean that we will see a further decrease of management fee margins on a group level?

Asoka Woehrmann: Now margin erosion is affecting the entire industry, which of course is further enhanced in this zero interest rate environment. Fees in the area of active and alternative assets, of course, are higher than in the passive business. Asset classes such as shares, alternatives, and multi-assets, of course, show strong margins and fees.

Nevertheless, the overall average margin is impacted negatively by the trend in the market towards passives. Now as I already stated in my address, we expect an ongoing margin compression for the entire market. Now therefore, it is our task to counter the effect of pressure onto margins through scaling, product diversity, product innovation and product quality.

Anita Schneider: Thank you very much. The next question is by Mr. Schmidt and it once again goes to you Mr. Woehrmann. Now, would you maybe need a new name for certain funds or categories?

Asoka Woehrmann: Now in the wake of the IPO of DWS Group, all asset management activities were bundled under the DWS brand. This applies to the majority of the company names and legal units and also for many of our funds. Only in those areas where rebranding would have resulted in disproportionate costs, have been so far refrained from such a renaming and rebranding. We also offer our passive products under the DWS brand, combined with the product name extractors, which has been well established and known for many years.

Anita Schneider: Mr. Woehrmann, next question by Mr. Schmidt. Could you benefit from the good performance of many funds without becoming dependent from star managers, top managers?

Asoka Woehrmann: Now, DWS attaches great priority to having their funds managed by well established and well interactive teams. Now this does not exclude the possibility of personalizing and positioning funds via successful funds managers. However, we do not have a habit of adoring individual persons. Quite in contrast, we are successful as a team, as one DWS.

Anita Schneider: This brings us to another question. Mr. Schmidt says Mr. Woehrmann, in order to succeed as an independent funds company, you also need an independent culture

and branding, but also a real culture lift and applied within the company. You also agree and if so, what should the new DWS culture look like?

Asoka Woehrmann: Well, thank you very much for this question Mr. Schmidt. DWS has always had a well pronounced culture as a fiduciary asset manager. Now in the wake of the IPS, we have bundled various businesses and divisions under the umbrella brand DWS. Now, what we all have got in common is a culture based upon performance, innovativeness, and entrepreneurial spirit, which we apply in order to offer our clients the best basis for their future.

And to this aim, we are also working on a new function based framework of roles. This replaces the structure of titles, which is rather customary in the banking environment, and it does also produce flat hierarchies. The culture and this fiduciary task will then be established and anchored even more strongly in the DWS brand in the next step. And this means that in external perception, we will be perceived in more strongly as an independent asset manager, and it also supports the possibility of our staff to identify themselves with this with our company.

Ladies and gentlemen, there's one thing that I have to correct. I've heard that I misread one number, ladies and gentlemen. Now, I was asked a question of – there was a question about the assets under management according to sustainability criteria. And here I had a misspelling, it currently is about €80.9 billion and not, as I wrongly said, 89.9. So I apologize for this mistake.

Anita Schneider: Thank you very much, Mr. Woehrmann and also, thank you very much for this correction. Thus, all questions of the shareholders which were submitted for the AGM have been addressed. And with that, I now would like to hand back to Mr. von Rohr again.

Karl von Rohr: Well, thank you very much. I would like to thank all of the persons who asked their questions, because this means that you have manifested your strong interest in our company. I would like to thank you Ms. Schneider for reading the questions to us and I would like to thank you Ms. Woehrmann, Mr. Kreuzkamp for answering.

[END OF TRANSCRIPT]