


# Latest Trends in Global ESG Investments

Where we are now and where we are heading

Simon Klein | Global Head Xtrackers Sales

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「地球は私たちのものではなく、  
子供たちから借りているものです」

*"The earth is not ours; we borrow it from our  
children"*





## Simon Klein

**Global Head Xtrackers Sales**

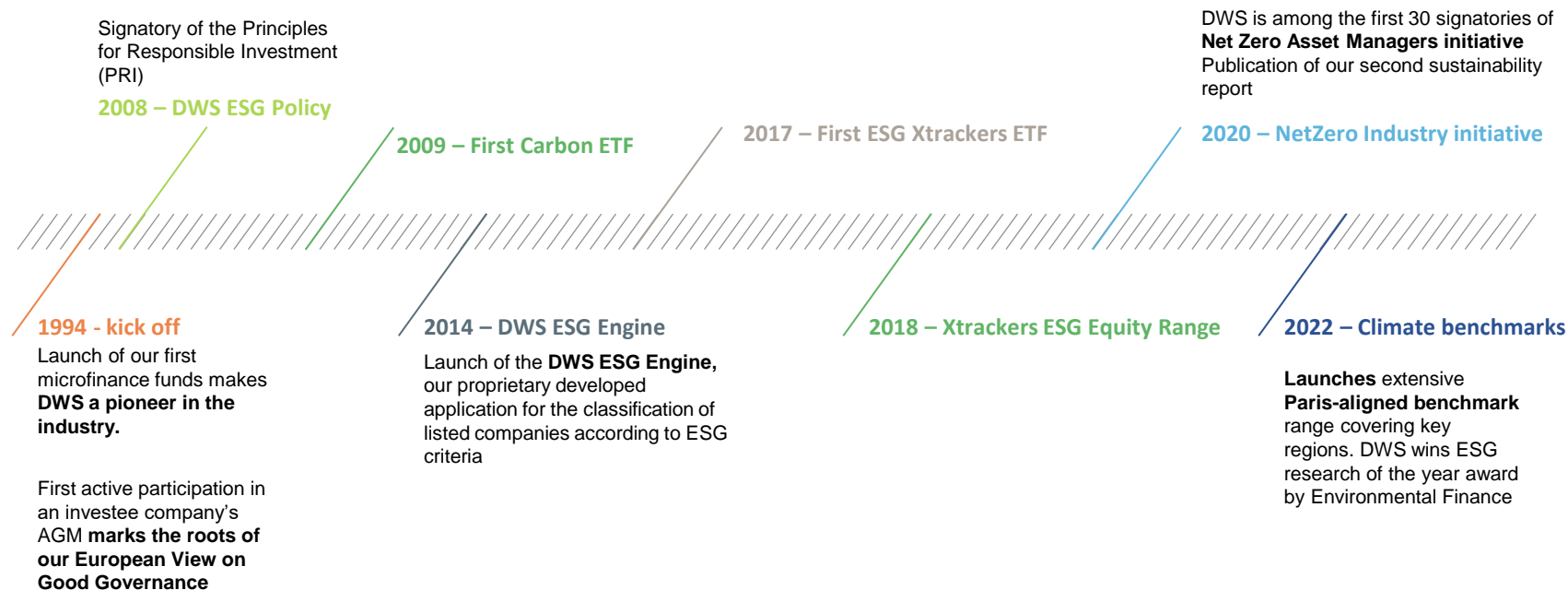
**DWS Xtrackers**

# Agenda

- 01 ESG, where we are
- 02 Sustainability trends in Europe
- 03 Climate in the spotlight
- 04 We are the right partner on your side

# DWS History in Responsible Investments


## Key milestones in a nutshell



Source: DWS International GmbH as of 24.01. 2023

# Factors Driving Growth in ESG Assets


## Financial Performance, Regulatory Aspects & Investor Demand



**Financial Performance**  
Risk mitigation by means of including non-financial information



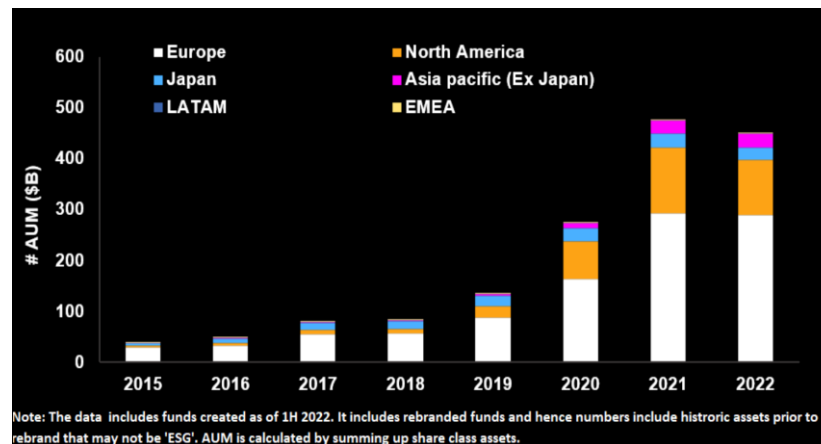
**Regulatory Aspects**  
Growth of ESG related policies worldwide



**Investor Demand**  
Increased awareness of sustainable investing, especially on the institutional side

### ESG ETF Assets by Fund Domicile

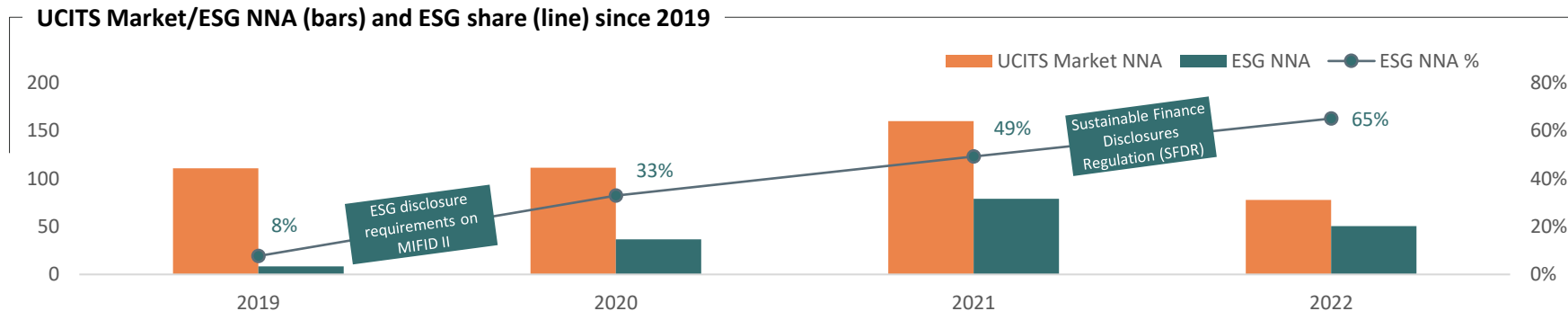
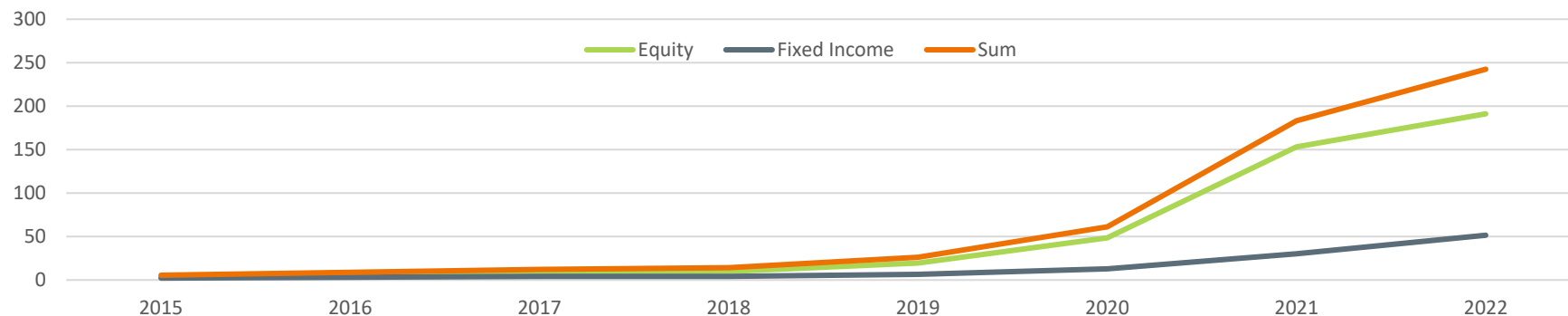
Europe Retains ESG ETF Crown as North America Wavers



The decline in ESG and values-based ETF assets in 2022 was driven largely by the US, as Europe showed support, a trend we see continuing on favorable regulations such as MiFID II in Europe.

# ESG | Investor Demand

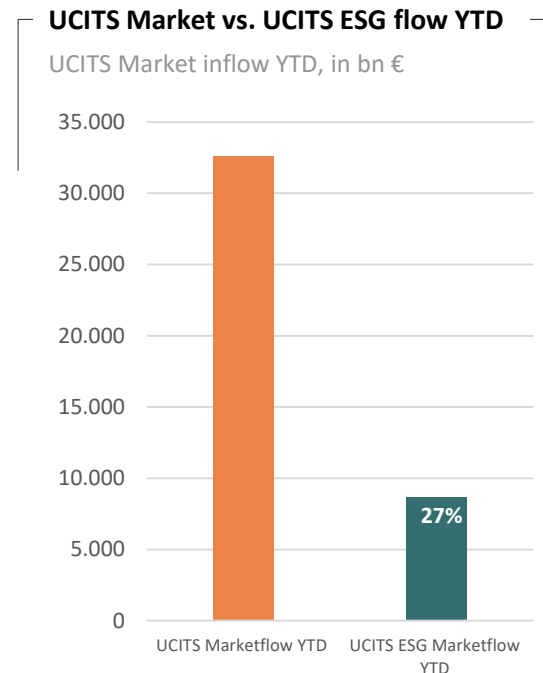
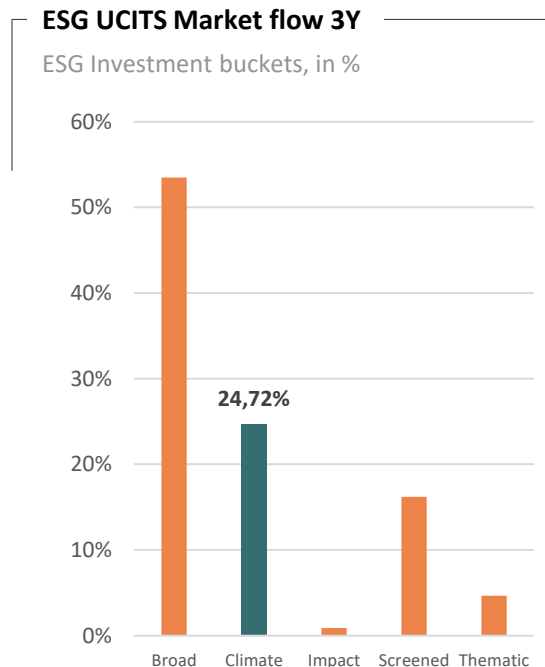
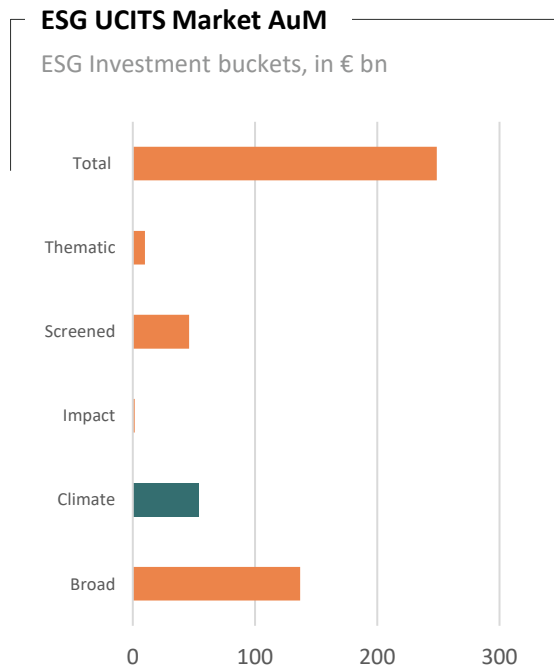
## Rapid Acceleration of ESG ETF Assets due to EU regulatory



Source: Bloomberg L.P.; DWS International GmbH as of Dec 2022.

# UCITS ESG Market flow picture

Climate is growing in importance and is the largest dedicated ESG investment area



Source: DWS International GmbH, as of 21.03.2023





### Negative Exclusion

Exclusion of companies based on specific ESG criteria. The oldest and most traditional route, and generally based on business involvement or revenue screens.



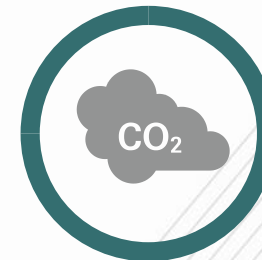
### Positive | Best-in-class

Focus on investing in stocks with superior ESG performance, relative to their regional, industry, and sector peers.



### Thematic Investing

Targeted investments focusing on specific problems related to ESG. Generally, require certain amounts of revenue to be derived from specific areas, or carry weightings dependent on certain ESG criteria.



### Climate Investing

Carbon emissions are a major driver of global warming. Dedicated climate-related investment strategies are supporting keeping global warming below 1.5°C. Reducing carbon emissions and setting a decarbonization trajectory are at the basis of climate-related investments.

# Evolution of ESG in Europe

## Strategic grids for Portfolio managers

Art.8 MIFID aligned

Art.9 MIFID aligned



- Distinct ESG Integration and risk reduction
- Best in Class ESG ratings
- SRI business filters



- Basic ESG Risk Mitigation with low Active Share
- ESG screens most serious norm violations, controversial activities and ESG ratings



- Achieve alignment with Paris Objectives
- Apply EU Paris-aligned Benchmark rules from EU
- Climate Transition / IIGCCC recommendations

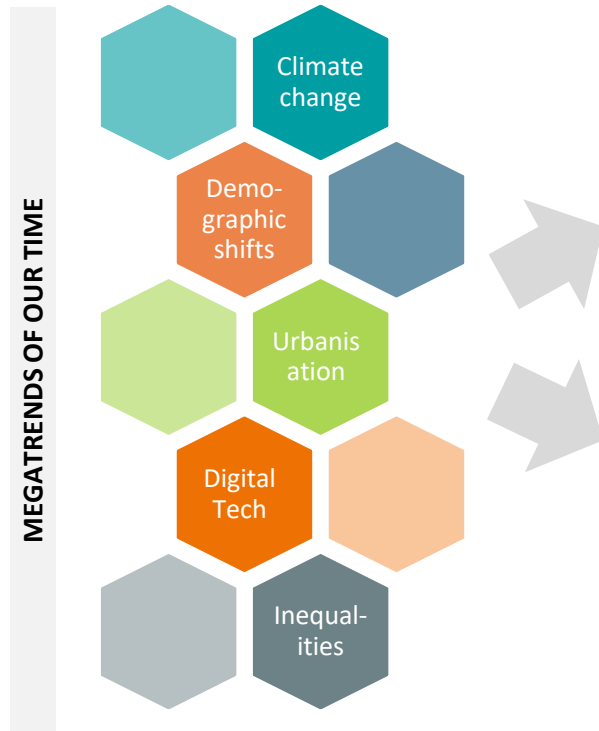


- Have a significant contribution to sustainability through investments in solution providers
- Additional ESG screens to ensure good governance practices
- Do No Significant Harm principle

Source: DWS International GmbH as of March 2023

# Capturing the SDGs through a thematic lens

A new angle for focused portfolio construction



## SDG Investing

- Investing in companies that align with the United Nations SDGs
- Addressing needs of the present by targeting selected goals
- Focusing on net positive contribution



## Innovation Investing

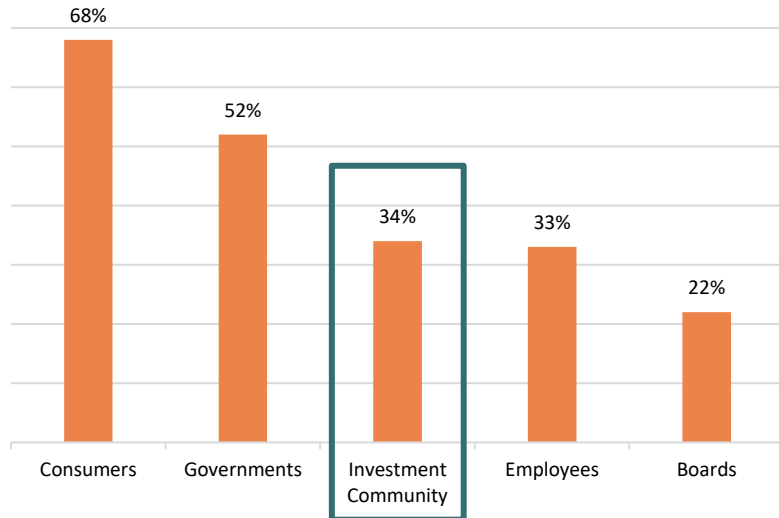
- Investing in companies or projects that are at the forefront of new and emerging technologies or industries
- Forward-looking company selection
- Focusing on purity and relevance

# Market perspectives on SDGs

## Rising importance of sustainability for corporates and investors alike

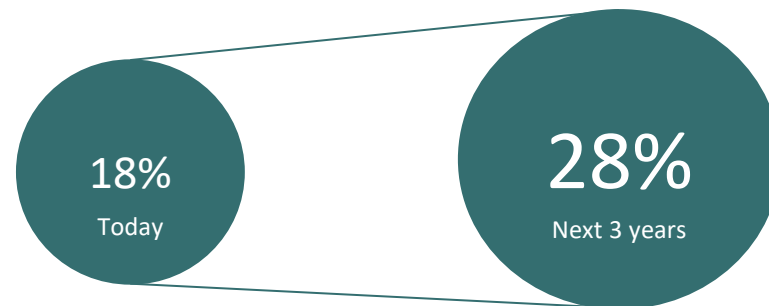
### CEO view: Who influences corporate sustainability?

Most important stakeholder group to influence sustainability management, by % of respondents



### Investor view: Do you use SDG-related vehicles?

% of respondents



The growing demand for SDG-aligned investments can influence companies in their sustainability behaviour

Source: UN Global Compact, Accenture, as of January 2023, CREATE Research Survey 2022

# The UN Sustainable Development Goals

A globally agreed sustainability framework – the most ambitious global agenda to date

## Why is the timing relevant ?

- Annual funding gap of **\$4 trillion USD**
- **OECD** states that index investing by institutional investors can be one meaningful way to re-direct capital towards firms that are in line with the SDGs
- Data availability, company coverage and assessments of different issues have **drastically improved** over the last years, allowing us to observe a majority of **publicly listed companies through an SDG lens** and **consider the full value chain** from a product perspective as well as with their corporate behavior

## 17 Sustainable Development Goals

Part of the **2030 Agenda for Sustainable Development** of the United Nations – Adopted by all 193 member states of the UN



Source: DWS International GmbH, SDG investing, A dual purpose for investors and society, Investment Insights February 2023

# The time for action is now

## Meeting the Paris goals will be a challenge

With less than 11% of public companies aligned with a 1.5°C temperature rise threshold, the global carbon budget to limit global warming to 1.5°C will be exhausted by November 2026

# 44

**Months left to keep warming  
below 1.5°C**

*Time remaining until listed companies deplete the emissions budget for keeping global temperature rise below 1.5°C this century*

# 228

**Months left to keep warming  
below 2°C**

*Time remaining until listed companies deplete the emissions budget for keeping global temperature rise below 2°C this century*

Source: MSCI, based on the emissions trajectory of the MSCI ACWI IMI, as of May 2022. The MSCI Net-Zero Tracker is a quarterly gauge of climate change progress across a global universe of 9,300 public companies based on the MSCI All Country World Investable Market Index (ACWI IMI). Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

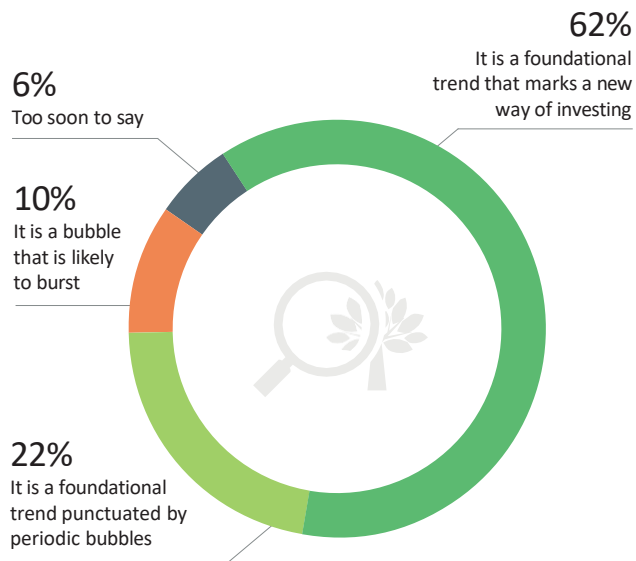


# Paris-aligned indices are recognised as a tool...

## DWS & Create Research Survey 2022 – „Net Zero: Going beyond the hype“

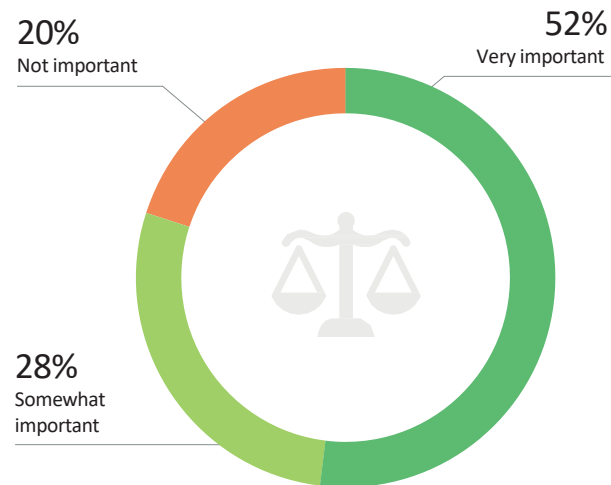
### Importance of climate investing

% of respondents



### Importance of PACT indices in delivering on net zero targets

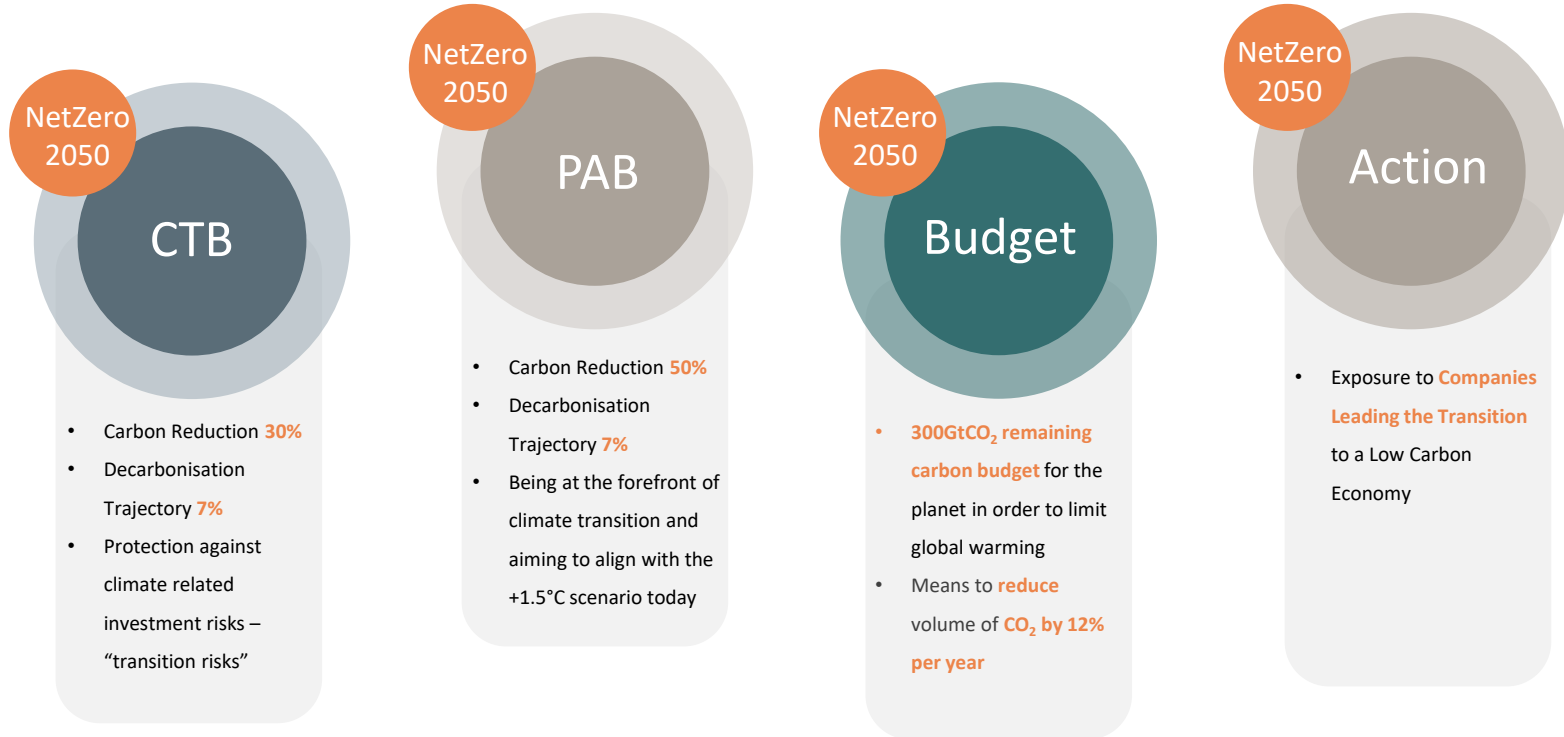
% of respondents



Source: CREATE-Research Survey 2022

# Climate benchmarks

Different types of Climate Benchmarks; one shared objective



# CREATE-RESEARCH REPORTS ON PASSIVE INVESTING

2022 reports launch into key topics

Xtrackers by //dws

**PASSIVE  
2018**



Reshaping the global  
Investment Landscape

**ENVIRONMENT  
2020**



Addressing Climate  
Change in Investment  
Portfolios

**SOCIAL  
2021**



Rise of the  
Social Pillar of ESG

**GOVERNANCE  
2019**



The Rise  
of Stewardship

**NET ZERO  
2022**



Going beyond  
the Hype

**IMPACT INVESTING  
2022**



Advancing into  
Public Markets

As of: August 2022. Source: CREATE-Research, DWS International GmbH



## DWS improves significantly in Share Action Report 2023

ShareAction is an NGO working globally to define the highest standards for responsible investment and drive change until these standards are adopted worldwide



**#12**  
*out of 77*

**2020-2023**  
from #19 to #12

Improved especially in Climate, Biodiversity, Human Rights since 2020 and is the best-rated German asset manager

ありがとうございました

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Many thanks for having me in Tokyo