Claudio de Sanctis – International Private Bank

- My name is Claudio de Sanctis and I am excited today to introduce the sustainability strategy for our International Private Bank. The topic of ESG has been very close to my heart for many years, as I spent the better part of my youth in and around the sea and developed a deep passion for the oceans.

- As I grew older, I became increasingly concerned about the damage I was seeing to our marine ecosystem not just close to home but around the world, and I made it a personal mission to do what I could to help make a difference.

- It’s with this passion – but also with an understanding of the opportunities that ESG investing offers individuals, societies and the private banking industry -- that I aim to make our International Private Bank the house of choice for clients who wish to make positive social change.

- The growing demand for sustainable investing is driven by a fundamental structural shift. More and more clients expect strategies that both reflect their personal values and produce attractive returns.

- A study by Boston Consulting Group found that sustainable investments owned by private wealth investors reached around 14 trillion US dollars in 2019 and are expected to more than double over the next five years.[1] No less than three quarters of our clients agreed in our most recent ESG survey that their investments should “have a positive impact on the world”. [2] And we expect significantly higher demand from the Next Generation, with two thirds of them already taking part in some form of sustainable investing.

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1 BCG (2020), Making ESG your DNA.
2 CIO Special (2021) Biodiversity loss: recognising economic and climate threats, Survey of investor attitudes to ESG.
Capturing this incredible opportunity poses some challenges:

First, there is the challenge of data. Despite digital advances, there is still some way to go to improve the quality, accessibility, and most importantly, interpretation of data for sustainability purposes.\(^3\)

Second, although recent studies show that ESG investors do not have to compromise on returns, clients still fear that they will face a disadvantage in comparison to traditional investments.\(^4\)

Lastly, ESG investing requires enhanced advice and orientation, with more than 50% of our clients expecting us to provide more insight on risks and investments from a sustainability perspective.\(^5\)

The International Private Bank is uniquely positioned to support our clients’ ESG objectives. We have a strong track record. Over the last 12 years our ESG discretionary portfolio mandates recorded an average annual outperformance of over 1% compared with our traditional benchmark.\(^6\)

We have also placed sustainable investments at the center of our client service model. This includes integrating ESG-related information into our investment processes and product platform. It also includes developing products across all asset classes, and building extended research capabilities through our Chief Investment Office and its network of partners.

Risk management is also a very important feature in ESG. Our leading Risk Return Engineering capabilities have been further enhanced to mitigate downside risks.

With the accelerating demand for sustainable investing and ESG becoming our default proposition, we expect to have at least 60 billion euros of sustainable finance volumes by 2023. This will represent a CAGR of more than 100% over the next three years.

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3 OECD ESG Investing (2020): Practices, Progress and challenges
4 NYU Stern Met Study: ESG and Financial Performance, 2020
5 CIO Special (2021) Biodiversity loss: recognising economic and climate threats, Survey of investor attitudes to ESG.
6 DB Vermögensmandat Nachhaltigkeit. Performance as of 30.04.2021 since inception (30.10.2009): +65.00% (= 4.45% p.a.); 5 years Performance as of 30.04.2021: +18.23% (= +3.40% p.a.). Reference-Index since inception until 31.03.2017: EuroStoxx50 11%, S&P500 6%, MSCI Asia 3%, JPM EMU 1-10 60%, Euribor (1M) 20%; Reference-Index since 01.04.2017: S&P500 5%, EuroStoxx50 13.5%, TOPIX 1.5%, JPM EMU 1-10 44%, iBoxx Corp. 26% EBF EONIA 10%. The volatility of this product can vary year on year dependent on market development.
Let me now give you a few examples of how we have been able to offer innovative ESG solutions to our clients already.

We’re currently translating more than 3 billion euros of investments that we manage actively for our European Wealth Management clients into dedicated managed ESG solutions. In Belgium, we have launched a structured “Green Note Fund Opportunity”. Part of the profits of the sale are donated to a non-profit organisation whose main mission is to help Belgian farmers to transition towards more sustainable agricultural practices.

In APAC and Germany, we have launched Green Deposits supporting projects focused on renewable energy and green commercial buildings. And also in Spain we have been growing “Avanza Credit”, which supports activities such as enhancing healthcare equipment and energy-efficient building renovations. I am also particularly excited that our friends in DWS have now developed a blue economy fund which will soon be available to all of our clients.

So how do we intend to develop into the house of choice for clients who wish to make positive social change? First, on the advisory side, our clients will no longer need to opt into sustainable products. We will now make ESG the default across our International Private Bank from 2022. Our aspiration is to convert at least one million of our IPB clients to ESG over the next few years. To support this transition, we are developing new solutions to include in our core Portfolio Management offering and we are launching also dedicated ESG reporting.

We are continuing to innovate and will launch at least one product under strict sustainability criteria in each of our categories by the end of 2022.

Our flagship investment will be ESG Strategic Asset Allocation, with simple, cost-effective, long-term investment portfolios. We will also roll out our ESG training for our 7,000 staff globally by end of this year and enable all of our product experts to earn an ESG certification.

In addition, we will bring greater awareness of the most critical issues to our clients and demonstrate how they can make an impact via their investments and action. Despite the reduction of our carbon footprint being the current focus, we recognize that it is far from the only challenge in fighting climate change and securing a sustainable future.

In that spirit, we will particularly focus on biodiversity and our oceans. Why? More than
half of global GDP depends directly on biodiversity, and the so-called Blue Economy of our oceans ranks on a par with the 8th largest economy in the world.

- Both topics are important UN Sustainable Development Goals which need to be addressed in order to combat climate change effectively and maintain social stability. I am also pleased to share with you our biodiversity report, which calls for us banks to play our part to protect the planet’s biodiversity ahead of the upcoming UN Convention of Biological Diversity.

- We will also actively engage in global partnerships to become a driving force for change and in that context are delighted to announce that we are the first bank to join the Ocean Risk and Resilience Action Alliance (ORRAA) – as a full member. In partnering with ORRAA, we will work to scale up global action and private client investments to preserve our oceans, restore our blue economy and strive to make a tangible impact in ocean conservation. This will offer new areas of engagement and impact to our clients -- for example through ocean resilience research which we will develop in close collaboration with ORRAA.

- To conclude, the scale of threats such as biodiversity loss and deterioration of the oceans requires urgent action, requires investment and requires transformation – and we can play our part in this. We want to be the house of choice for clients who wish to make a positive social impact.

- ESG is not just a must-have, but an opportunity to shift to a more sustainable world. ESG will be the default client proposition. And we are strongly committed to being agents of positive social change, working with ORRAA and other partners to find a way forward to this existential crisis.

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