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DWS Group GmbH & Co KGaA

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Dear shareholders, ladies and gentlemen

On behalf of the entire DWS Executive Board, I would like to warmly welcome you to the second Annual General Meeting of the DWS Group.

There is no doubt: We are experiencing extraordinary times this year. What began as a viral outbreak has developed into a pandemic, which in turn has influenced and changed economic and social life around the world – in ways that would have been hard for most of us to imagine.

And today, as a consequence of the Coronavirus pandemic, we are also experiencing a first for our second Annual General Meeting. After our very first Annual General Meeting last year, we are welcoming you virtually today. As our Supervisory Board Chairman Karl von Rohr has already explained, there was unfortunately no alternative this year for DWS either.

This is particularly painful for us. As a fiduciary asset manager, we naturally attach great importance to active dialogue, the exchange between companies and their investors.

That is why, despite these circumstances, I'm glad that some of you have submitted questions and are entering into a virtual dialogue with us at our Annual General Meeting. I very much look forward to giving you our answers later.

In spite of the pandemic, we tried to organize an event in-person this year, postponing our Annual General Meeting originally scheduled for June. This now puts us in a special situation with almost 90 percent of this year already over.

Therefore, in addition to the obligatory reporting on the past financial year of 2019, I would also like to focus on 2020, the pandemic, and the questions that we, our industry and the entire market will have to face. I will outline DWS' strategic responses and plans for the future today.

Before I do so dear shareholders, I must first briefly explain for legal reasons the amended domination and profit pooling agreement with DWS International GmbH. The agreement concluded with our wholly-owned subsidiary in 2017 has to be adapted to the EU Capital Requirements Regulation.

In future, and with certain restrictions, our subsidiary will be able to decide at its own discretion on how to allocate part of its net income to revenue reserves. In addition, the contract can be terminated at the end of the year but only for important reasons. The other changes are of a purely formal nature. We ask you to approve this amendment agreement, which we are putting to the vote today under agenda item 7.

At our Annual General Meeting last year, I described 2018 as a year of change for DWS. That was not an exaggeration. There were positive developments in that year of the IPO, but there were also sensitive net outflows and a high cost base.

On the contrary – and this should not be forgotten –, 2019 was a strong year for DWS and its shareholders, despite the difficult market conditions. In this first full year as a listed company, we achieved a substantial turnaround, accomplishing all of our goals and putting our company back on track.

Net inflows increased for four quarters in a row, leading to an impressive total of over EUR 26 billion of net inflows in full year 2019. These were our highest annual net inflows since 2014 and represent a total swing of more than EUR 48 billion of net inflows from 2018 to 2019.

This reversal was achieved through a crystal-clear management plan, which we implemented with conviction. We identified asset classes for growth and attracted net inflows into precisely these businesses. We improved our product performance. We also reported net inflows in all three regions worldwide – EMEA, Asia Pacific and the Americas. And in our home market in Germany, we successfully reaffirmed our leading position in mutual funds.

Our strategic partnerships, such as Deutsche Bank Privatkundenbank, DVAG, Zurich, Nippon Life and Generali, contributed enormously to our success in 2019. They accounted for one quarter of our annual net inflows. And our product innovations and ESG products helped us gather more momentum in 2019.

While focusing on net inflows and product performance, we also accelerated our cost initiatives to make us more efficient and powerful. As a result, we had already reached the upper end of our medium-term cost-saving target in 2019, one year earlier than planned.

Ladies and gentlemen, our intensive efforts paid off last year: Our financial results improved considerably year-on-year. Our cost-saving measures were complemented by a positive revenue situation. In addition to strong net inflows, we also benefited from constructive market conditions.

Our adjusted cost-income ratio improved to below 68 percent in 2019, enabling us to clearly beat our target of around 70 percent for the year as a whole. Our adjusted profit before taxes rose by almost a quarter last year to EUR 774 million. After tax, we generated a consolidated profit of EUR 512 million. This represents an increase of more than 30 percent compared to 2018.

We – and I personally – are proud to let our shareholders share in the success of DWS in 2019 – and especially so in spite of the pandemic. The DWS Executive Board and Supervisory Board propose a dividend of 1 Euro and 67 cents per share for the financial year 2019 at today's Annual General Meeting. This represents an increase of more than 20 percent compared to 2018.

Dear shareholders, we can all be very satisfied with our 2019 financial results. But 2019 was also a year in which we on the Executive Board, together with the Supervisory Board and the broader management circle of DWS, gave intensive consideration to the strategic, long-term direction of our company: to the future of DWS.

An objective view of the market and our industry revealed a clear picture to us in 2019: there are mega-trends that are pushing the asset management industry out of its comfort zone.

Let me outline these seven trends.

First: secular stagnation. Loose monetary policy and growing fiscal policy in large parts of the world are keeping interest rates at record lows. And this has been the case for years. The consequences are immense. Traditional savers in particular are already being punished – and probably even more so in the future.

Second: ESG. The topic has not only become part of the zeitgeist. It has developed enormously and strongly, especially in the fund management business. While sustainable investment products were inferior in performance to their non-sustainable mirror products just a few years ago, we no longer see this in the data today. On the contrary.

Third: Digitization. The 21st century is already marked by the fundamental disruption caused by digitization. This trend will not slow down, but will rather strengthen. In an increasingly automated society and economy, it will be a challenge for people to prove their added value in all types of value chains and processes. This also applies to the asset management industry.

Fourth: The tectonic shift in the economic and political balance of power towards Asia – especially towards China with its huge new middle class and its global political aspirations.

Fifth: The already high and still rising expectations of clients. In this complex market and interest rate environment, investors are looking for returns and customized solutions. This poses challenges for our entire industry.

Sixth: With an ever wider range of products, the rising client expectations just described and the high level of competition, margin pressure is increasing for the entire industry. No asset manager will be able to escape this trend. The task at hand is to counter the effect of margin pressure through scaling, product variety, product innovation and product quality.

And seventh: We see a continued – and growing – trend towards consolidation in our industry, driven by all six of the factors just mentioned.

On the basis of these formative mega-trends, we finally presented DWS' strategic direction in the fall of 2019 – including at our Investors' Day at the end of the year.

Dear shareholders, it is our ambition to make DWS one of the leading asset managers of the world.

An asset manager that not only recognizes the mega trends, but knows how to use them in its fiduciary duty to its clients.

An asset manager that offers a wide range of investment solutions and products to all types of clients around the world.

An asset manager, as already mentioned last year, that makes ESG the core of its activities. Not because we are altruists, but because our clients, for whom we work in a fiduciary capacity, expect this from us.

An asset manager that does not see digital disruption as a threat, but rather as an opportunity to use algorithms and automation to improve investment processes and decisions.

An asset manager that takes advantage of the enormous growth opportunities on the Asian continent, especially in China.

And an asset manager that is actively positioning itself in a consolidating market in order to strengthen itself also inorganically through M&A activities.

With this commitment and positive momentum of a successful 2019 behind us, DWS then entered a new decade.

With a clear program for 2020: with cost efficiency measures, product innovations, a continuation and strengthening of our distribution partnerships – and of course with an unbroken focus on product performance.

But after two positive months at the start of 2020, COVID-19 changed everything.

The virus turned into a worldwide pandemic – a serious health crisis – which also infected the economy and finally dragged the capital markets down with it.

And we must also say in all honesty that it was fortunate for all market participants that the shock lasted only for a short time and that the markets recovered quicker than expected in record time. At this point I would like to highlight the work of the political decision-makers, especially in Germany, who calmly but surely averted the worst from the people and from the German economy.

And DWS also performed very well during the pandemic. With a comprehensive and quickly implemented contingency plan, we succeeded in fulfilling our duty as an asset manager for our clients without any changes, while at the same time ensuring the health and well-being of our employees.

In record time, we set up the technical conditions required to enable more than 90 percent of our employees to work from home at the peak of the pandemic. At the same time, we continued to provide the same best-in-class services to our clients. We increased our use of audio and video formats. This enabled us to successfully meet increased demand for competent solutions and assessments of opportunities and risks in this unprecedented situation.

Thanks to our diverse range of investment products and solutions, and the calming markets, in spite of the ongoing pandemic, we were able to successfully close the first nine months of 2020 with net inflows of around EUR 17 billion. With these results, we have clearly beaten all professional market expectations. ESG-dedicated funds accounted for more than a third of this total. And as we reported in full year 2019, we also reported net inflows across all three regions – the Americas, EMEA and Asia Pacific – in the first nine months of 2020. Of course, our product performance also contributed to this.

On the cost side, we took advantage of the efficiency initiatives we introduced in 2019. When the pandemic hit, we were in a position to further reduce our adjusted cost base by 12 percent year-on-year in the first nine months of 2020.

In the same period and ahead of schedule, our adjusted cost-income ratio also improved below 65 percent – our medium-term target we wanted to achieve by the end of 2021. Instead, we now expect to reach the target one year earlier in 2020.

We increased our adjusted profit before taxes by 15 percent to EUR 583 million in the first nine months of 2020. The bottom line is a net profit of EUR 394 million. This is almost a fifth higher than the same period last year.

I think that these figures speak for themselves. DWS has come through the Corona crisis strongly and successfully so far to date.

Ladies and gentlemen, to achieve all these successes, various elements are needed:

A clear business model that is robust and agile.

A management team that does not lose its compass and collective head, but works highly professionally and single-mindedly to implement what is planned and what is necessary.

Above all, it needs a staff that is passionate and dedicated to its fiduciary mission. No matter how difficult the conditions are. The employees of the DWS Group globally have succeeded in doing this. What was achieved in this crisis situation under the given circumstances cannot be appreciated highly enough. On behalf of the entire Executive Board, I would like to thank you very much for this! In this unique year in 2020, we have once again demonstrated that we are a family at DWS. And the Corona crisis has brought us even closer together.

And we came together to make an immediate impact to mitigating the effects of the Coronavirus pandemic in the places where we live and where we work. We have donated a total of more than EUR 1 million to charitable organizations in countries where DWS is operating. The focus of our charitable aid was on organizations that provide basic services for socially disadvantaged people – especially the homeless and children. In Germany, for example, we supported “Die Tafel” and “Die Arche”, whose work in this pandemic has become even more difficult but also even more important.

Dear shareholders, COVID-19 was present in our day-to-day work for almost all of 2020. But nevertheless, we have remained focused on implementing our strategic priorities, which we have been pursuing incessantly for two years since the end of 2018. And we also continue to consistently implement the strategic direction we adopted in the fall of 2019.

In particular, we simplified our global business structure this summer to become even more client-focused, flexible, efficient and effective. We have made the DWS Executive Board leaner by introducing globally integrated responsibilities, and decreasing the number of board members from eight to six. We have improved collaboration between the units and eliminated silos.

For the first time, we have brought together our Product-related teams to create a dedicated Product Division, with Manfred Bauer appointed as the divisional head and as the newest member of the DWS Executive Board. The new Product Division is responsible for the entire product life cycle across the entire value chain. It will also make our product range even more client-oriented, agile and innovative.

Dear Shareholders, our new organizational structure is therefore a significant milestone for DWS to continue its success in the future and to deliver the best results for you.

We have also achieved further important milestones in the area ESG. We have worked intensively to introduce and implement an ESG strategy that enables us to embed sustainability into our corporate DNA.

To this end, we have appointed a Group Sustainability Officer – our GSO – as Karl von Rohr briefly mentioned. The GSO and her team will ensure that we implement a consistent ESG strategy across all regions. A strategy that fully lives up to our responsibilities both as a fiduciary and as a corporate. And, of course, the GSO will continuously develop this strategy. Especially because sustainability is a dominant theme for our clients. We see this across all investor groups, with clients showing an increased interest in ESG products.

Another milestone in our ESG strategy was the introduction of “Smart Integration”. This is a pioneering approach to ESG integration; it goes far beyond previous industry standards. We use our proprietary ESG Engine to use research data and artificial intelligence to identify potential portfolio risks in our investment platform, and to actively campaign for more sustainability. These risks are primarily companies with high climate transition risks and those that violate international standards.

And I will say this very clearly at this point: Companies that do not react and act on our commitment risk being excluded from the DWS investment universe. Against this background, in my opinion, the content of the counterproposal to item 3 of the agenda is inconclusive.

Ladies and gentlemen, we have also made further strategic progress since the last Annual General Meeting. At our first Annual General Meeting in 2019, I promised you that we would invest to strengthen our capabilities in the important fields of digitization and ESG. Here, too, we have kept our word.

In January, we acquired a minority stake of almost 25 percent in Arabesque AI. Arabesque AI is a company that focuses on artificial intelligence in portfolio management and finance. And our strategic partnership with them is the next step in the digitization of DWS because it strengthens our digital skills, and in particular, our knowledge of artificial intelligence. In addition, we are jointly developing innovative investment products and services.

Last year, we had already invested in a minority stake in data provider Arabesque S-Ray, which specializes in ESG research data. With Arabesque S-Ray we are also developing new ESG data products and services.

Strategic partnerships are also particularly important for our sales success. We are therefore pleased to have recently concluded important agreements here.

First and foremost, our partnership with Zurich. In September, we extended our long-standing co-operation ahead of schedule by 10 years until 2032. This will allow us to continue our successful collaboration in the distribution of funds and the development of unit-linked insurance products in the future.

In Italy, we have intensified our partnership with insurer Eurovita. We intend to make optimum use of our joint sales capabilities and develop innovative products in the areas of unit-linked insurance and life insurance.

We have also entered into a strategic partnership with the Private Markets Division of Northwestern Mutual Capital in the U.S. This will allow us to further expand our investment platform in alternative investments. Together, we intend to identify and take advantage of the opportunities that arise in this space.

Ladies and gentlemen, you see: We have achieved a lot since we met in Frankfurt last year. This applies both to our financial results and to the implementation of our strategy. But we are not resting. We cannot and must not do that.

After all, the trends I mentioned earlier as the foundation of our strategy process in the fall of 2019 have by no means been overridden by the Coronavirus pandemic. On the contrary. They have been reinforced by the pandemic.

Secular stagnation will continue. Loose monetary policy will remain unchanged with an equally loose fiscal policy to minimize and survive the economic consequences of the pandemic. We are at the beginning of the decade of zero interest rates.

Sustainability has come under the global spotlight and is increasingly changing the attitude of our society. Especially during the Corona crisis, we have seen first-hand the direct impact that humans can have on the environment – but also that we can and must take alternative paths to become more environmentally friendly. We are at the beginning of the decade of sustainability.

COVID-19 has also contributed to major advances in the acceptance and dissemination of digital technologies. The term of the year, “working from home”, would have been inconceivable without digitization. Haptic digital tools have finally been accepted. It is now time to explore what progress we can achieve throughout the economy, for example through the use of artificial intelligence, which can develop into a universal technology over the next decade. We are at the beginning of the decade of algorithms.

Dear shareholders, we are about to embark on a new era. Economically and probably also socially. I am strongly convinced that the next decade will be a turning point. The next 10 years will determine how generations will live and work over the next 50 years.

This is by no means just meant anthropologically or philosophically. The next decade is both an opportunity and a challenge, particularly for the asset management industry. This was the case before the pandemic and will remain so afterwards.

At DWS, our aim is to be a leading global asset manager in this environment. An asset manager that recognizes the signs of the times, is prepared for a new age and knows how to use this for its clients.

Ladies and gentlemen, we have a clear roadmap to shape this next decade in the asset management industry. DWS will transform itself. This includes doing everything we can to ensure that we continue to develop into a stand-alone asset manager. With our own technology platform, as well as the use of technologies tailored to asset managers and their clients.

Above all, this includes integrating artificial intelligence into our work. The enrichment of data will form a better basis for fund managers to make investment decisions in the future and – with the help of automation – will also ensure better and more efficient processes. We have denied ourselves of this for too long but that is now over.

Our transformation also includes an organizational structure that is tailored to our business, and at the same time, helps us to attract the best talent – whether these are profiles with traditional education and experience, or those from more progressive areas such as data science or IT.

The introduction of our new functional role framework and its flat hierarchies will help us here, as quality and performance of the employee will count more than years of service. With us, the forward-thinking voices will have their say – no matter how old they are or what experience they come to us with. We no longer need anachronistic titles like Managing Director or Vice President.

Dear shareholders, DWS will grow. Above all, in areas where we can be a leader in our industry. And while maintaining an adjusted cost-income ratio already achieved of a maximum of 65 percent.

For a broad-based provider of fund products and solutions like DWS, this means showing our colours and setting priorities. The trends of the next decade will show us the way. In this environment, we have clearly focused our business strategy on what our clients demand.

With our Passive business, especially in ETFs, we are strongly positioned with our Xtrackers brand as the largest European institution to benefit from the growth potential in this scalable business.

At the same time, many of our clients, both institutional and retail, demand products from the Active and Alternative investment businesses that offer higher yield opportunities. Here, too, we are excellently positioned in such key growth areas such as Real Estate and Infrastructure as well as Multi-Asset and Thematic Equity funds.

We will invest in these areas because we are convinced that we can grow and become a leader in these asset classes. This is and will remain our ambition.

We are equally committed to invest in the growth region of Asia. Although the Coronavirus pandemic may have slowed us down a little here, our view of this market remains unchanged. In Asia, especially in China, DWS has great growth potential thanks to its expertise and business model.

Ladies and gentlemen, one last area of investment remains to be mentioned. It has already been spoken about several times in my speech. It is about ESG.

We do not see ourselves as evangelists. Sustainability is a moral imperative – no question. But as fiduciary asset manager, we always look first at our clients. And they signal to us more and more: The subject of sustainability has become an indispensable part of the zeitgeist. It was therefore a serious statement for me last year when I said at the Annual General Meeting: We will make ESG the core of DWS' activities.

I have already outlined the steps we have taken to achieve this. Now I would like to make a very clear promise to you.

DWS is committed to becoming climate-neutral in its actions – in line with the Paris Agreement – and well ahead of the timeline officially set out in the Agreement. This will not happen overnight, but will only succeed in close and ongoing dialogue and exchange with clients, regulators and stakeholders.

It is also clear that our definition of sustainability encompasses more than just climate action; it includes topics of good corporate governance and social justice. However, tackling climate change is a collective task for this generation, and one to which we are happy to commit ourselves. This is also because we believe in growth potential for DWS and because we want to be a leader among asset managers in the field of ESG.

Dear Shareholders, we are experiencing truly extraordinary times. We are at the beginning of a new era. I assure you that the Executive Board and the employees of DWS will do everything in their power to assert themselves in this new era. We will transform ourselves to grow and to make DWS a leading global asset manager.

Successful for its shareholders, successful for its clients, successful for its employees.
Stay with us on this path.

Thank you for your attention! Stay healthy.