Greens’ convention – closing the ranks but little new impetus

- The Greens displayed strong unity at their party convention over the weekend. The delegates confirmed the nomination of Annalena Baerbock as chancellor candidate and party leader (in tandem with Robert Habeck) with 98.5% and approved the election manifesto by the same margin.

- An ambitious climate policy lies at the heart of the Green election manifesto. As the current government has recently adjusted CO2 reduction targets and introduced a national CO2-price, this is hardly a unique selling point anymore. Overall, the Greens do not believe too much in the “green invisible hand” of the free market (i.e. price signals), but in a set of administrative and regulatory measures (e.g. ban of the combustion engine by 2030).

- To finance their policy proposals the Greens put forward a three-fold proposal: reform of the debt brake, abandoning environmentally harmful subsidies and higher taxes for top earners and wealthy. All of them are politically difficult to realize and unlikely to provide sufficient funding.

- We stick to our baseline call of a conservative-green coalition after the September elections. Although in the final months of the election campaign differences are emphasized, both parties have come a lot closer over the past few years. Nevertheless, a black-green coalition will require compromises on both sides, most likely on climate policy for the CDU/CSU and tax policy for the Greens.

Insights from the party convention

Baerbock – still the darling of the party base but electorate somewhat disenchanted. The Green party convention over the weekend confirmed Annalena Baerbock’s candidacy for chancellorship, announced in mid-April. She (in tandem with co-frontrunner Habeck) received 98.5% of the delegate votes. The party (incl. senior people such as Baden-Wuerttemberg’s PM Kretschmann) stands firmly behind her and wants to seize the historical chance of beating the Conservatives in the quest for the chancellorship. The impressive long-term rise of the party in the polls is the result of the Greens’ programmatic shift towards the political centre. Still, the goal of leading the next government seems to have become harder to reach over the last couple of weeks as polls suggest a certain disenchancement of the electorate with the party and its frontrunner (see Figure 1). A mere 28% still regard Baerbock a suitable candidate for chancellorship (versus 43% in May, Politbarometer). The intensifying election campaign, in which Baerbock has become the centre of criticism because of inconsistencies in her CV and retrospectively declared allowances from her party, left its mark in the Greens’

Figure 1: Baerbock’s recent loss in popularity
"What do you think about...?", scale from +5 (highest opinion) to -5 (lowest opinion)

Source: FG Wahlen, Politbarometer
polling results. The current trajectory of their approval rates matches the historical pattern of short-term spikes in voter preferences as analyzed in our recent report: approval rates tend to mean-revert back to trend within a couple of weeks (see Figure 2 and 3). Baerbock delivered a solid speech at the convention, but observers and media deemed Habeck’s speech the day before more impressive and chancellor-like – which confirms that Habeck will play a pivotal role in the Greens’ election campaign (and beyond that). Still, 77% of the Greens’ supporters regard her as a good candidate (85% in May). The Greens’ overall profile has been raised by the debate about them potentially leading the next government. While 33% of voters thought they would be fit for this role last November, the share has now risen to 44% (Politbarometer).

Green election manifesto – more left than center. The genesis of the final election manifesto has led to expectations that the chasm between the more left-wing party base and the more pragmatic leadership could resurface. This was fueled by the 3,280 amendments that the party base has proposed ahead of the convention. But in the end, the party displayed strong unity and adopted the election manifesto with 98% and only minor changes. More “radical” suggestions such as an unconditional basic income, no more repatriation of migrants, the abolition of the debt break or a higher CO2 price fell short of support or were voted against providing relief for the pragmatic party leadership. Moreover, compromises on other points (e.g. the possibility of introducing a rent cap in regions with particularly tight housing markets), had been hammered out ahead of the convention and included in the draft manifesto. Still, the Greens’ election campaign and coalition negotiations will remain a balancing act between pursing their core policy proposals while avoiding to scare the political mainstream (as was recently the case with gasoline prices). Baerbock’s speech emphasized the social elements of the manifesto such as a minimum wage of EUR 12, higher Hartz IV and a basic income for children. She promised to compensate not only households but also corporates for the costs of becoming climate-neutral (“pact with the industry”). Probably that was also meant as response to allegations from political competitors (incl. FDP and CDU/CSU) that the Greens’ proposal would imply too high social costs. A recent ARD Deutschlandtrend revealed that voters broadly support climate goals but few want to shoulder the extra costs those measures will bring.

Climate change remains focus ...

Green climate policies: sticking to very ambitious timeline and pricing. The transformation towards an eco-social market economy lies at the heart of the Green election manifesto. The proposed tools to reach that target are public investment programs, state subsidies and regulation (bans, limits, quotas, production standards). The Greens deliberately do not focus too much on the efficient instrument of (higher) CO2 prices. Moreover, they almost completely neglect the trade angle of climate policies, i.e. how to address potential carbon and investment leakage in an export-oriented economy like Germany.

In more detail, the Greens are sticking to their already very ambitious timeline/pricing with respect to climate and energy policy measures such as:

- Reducing GHG emissions by at least 70 per cent in 2030 relative to 1990 level (more than -50% versus the low level of corona year 2020) and raising the CO2 price in Germany to EUR 60 already by 2023 for emissions outside the EU ETS. As the current government has recently adjusted the reduction target to -65% this is hardly a unique selling point anymore. The same holds true for the CO2 price increases. The current system started at the
beginning of this year with a current price of EUR 25, which is envisaged to increase to EUR 55/ton by 2025.

- A plethora of administrative and regulatory measures (like the compulsive installation of solar panels on all new buildings). Overall, the Greens do not believe too much in the “green invisible hand” of the free market and have a clear bias towards electrification (as opposed to other technologies like hydrogen).

- Heating and transportation account for the bulk of energy consumption and emissions. How to quickly electrify the stock of buildings and large parts of the existing fleet of vehicles (without restraining mobility and demand for heating) remains largely unanswered. This holds true for all the other parties as well. Concrete plans by the Greens (e.g. 2m new heat pumps, ban of combustion engines until 2030) would lead to reductions falling massively short of the ones needed to comply with the ambitious 2030 targets.

How to mitigate the distributional aspects of climate policies will remain a hotly debated issue among all parties. The Greens propose per capita payouts of CO2-price earnings to the tune of EUR 75 per year and lower electricity prices for households via a reduction of the renewables mark-up “EEG-Umlage”. The Conservatives, however, want to abandon the EEG altogether and keep the existing compensation of commuters (“Pendlerpauschale”). The SPD is calling for a measured pace with respect to the lifting of the CO2-price in the first place. So far, there are no signs of a German “gilet jaunes” movement emerging, but the recent debate about gasoline prices has shown how sensitive the topic is amongst the electorate and could turn out to be quite explosive in the years to come.

... and related fiscal questions remain unanswered

**Reform of debt rules on national and EU level.** In her 40-minute-speech Baerbock did not touch upon the issue of how to finance the ambitious investment, climate and social targets a single time. This is quite remarkable given that state support in the wake of the pandemic has left the coffers of the finance ministry empty. Co-chair Habeck addressed some of the fiscal-related topics in his speech on the convention, though. The election manifesto entails a tri-fold proposal, which is likely to face resistance when it comes to actual implementation:

- Reform of the debt brake, allowing for more investments in the sense of a golden rule. This is not only a theoretically difficult concept as has been proven in the past and in the end led to new debt rules. It is also difficult to achieve given that constitutional change requires a 2/3 majority in the Bundestag and the Greens are the lacking support from other major parties incl. the SPD.

- Removing environmentally harmful subsidies (e.g. for Diesel or in aviation) which the Greens estimate to amount to around EUR 50bn per year.1 That will face resistance and will, if politically feasible at all, take time. The Greens count on freeing up EUR 10bn in a first step.

- Introduction of a wealth tax of 1% for disposable assets exceeding EUR 2m (with the exception of entrepreneurs). Also top earners should contribute more through higher taxes (see box) which Habeck defended in a TV interview (ZDF June 14) as being applied only to a smaller extent to

---

1 That corresponds with data from the Umwelt Bundesamt (Federal Environment Agency) that report environmentally harmful subventions of EUR 57bn for 2012 (latest data).
individuals (but self-employed and firms). He pointed out that revenues will be used to finance tax reliefs for small and middle incomes (higher tax allowance) which the Greens propose in their election manifesto. Thus question marks remain over how much additional funds can be tapped in the end to finance climate change investment and distributional policy.

With respect to EU fiscal policies, the Greens support the reform of the fiscal rules of the SGP and additional efforts on the EU level for investments. In addition, they call for the transformation of the NGEU into a permanent fiscal capacity, more resources for the EU budget (incl. digital tax, FTT, CBAM) and majority decisions in the Council for fiscal matters (for more details see recently published Green paper on EU fiscal policy). In our view, it will be rather challenging for the Greens to win coalition partners at home (or foster unanimity at EU level), let alone convince the general public for such a drastic change in Germany’s fiscal stance and solidarity on EU level (see Figure 7).

The Comeback of the Conservatives, coalition options remain stable
Greens falling behind the Conservatives in polls – but don’t write them off. After a flying start into the election campaign, the Greens (21%) have lost their temporary lead over the CDU/CSU (27%) in the polls (see Figure 8). The stronger scrutiny by political competitors, media and the public alike has made the road into the next federal government bumpier than hoped. But the Greens can still regain momentum over the next few months, for example due to a hot summer, the resurgence of climate protests and a public perception that change is a precondition to modernisation. However, the competitors of the Greens are also depicting themselves as champions of modernisation. Despite being in power for the past 16 years, the CDU/CSU seems to be trying to portray themselves as modernizers, too. Last week its parliamentary group in the Bundestag published a position paper calling for a “new start” of the German state. It is expected that some of the ideas will resonate in the long awaited CDU/CSU election manifesto, likely to be presented around June 21. The FDP considers itself among the progressive forces, too. Selling itself as a viable centre-right alternative, the party has continuously moved up in the polls over the last months, now polling at 12.5%. Tellingly, the recent movements in the polls took place between these three parties, for example quite a large share of CDU/CSU supporters considering to vote for the Greens (25%) or FDP (18%) instead. In turn, 38% of FDP voters would also vote for the CDU/CSU, whereas the Green voters would rather turn to the SPD (29%).

Interesting, though, that the Greens’ setback did not benefit the SPD but the Greens (25%) or FDP (18%) instead. In turn, 38% of FDP voters would also vote for the CDU/CSU, whereas the Green voters would rather turn to the SPD (29%).

Black-green coalition remains most popular and most likely. We stick to our baseline call of a black-green coalition after the September elections. This is still the most popular option among the electorate (see Figure 9), though a little bit less so. Although both parties have come a lot closer in terms of their policy platforms, forming a black-green coalition would require painful compromises on both sides. In particular, the implementation of climate targets (market-based instruments vs. focus on regulation), fiscal policy (stick to or reform the idea of a debt brake, taxes) and social policy (cost-effective reforms vs. expansionary policies) will likely remain the bone of contention. By the way, the same holds true for a coalition of the Greens-

SPD-FDP, the dream scenario for the Greens. Both the SPD and FDP would find it difficult to compromise given the diametrically different expectations of their voter base. While the FDP would be expected to be the liberal, market-focused counterbalance to the two more centrist-left partners, the SPD would probably insist on a strong social element. Based on current polling results, the left-wing coalition with the SPD and the Left (favoured by Green voters) is no longer a realistic option. In the aftermath of the Greens’ convention, the Conservatives’ chancellor candidate Laschet again voiced his preference for a CDU/CSU-FDP coalition, presumably to avoid the impression that a black-green coalition is a foregone conclusion. This preference might not be shared by all party members, though, and it is lacking 10ppt in the polls to become a realistic option. We also attach a very low probability to the recently debated new form of a centre-right “Germany coalition” (CDU/CSU-SPD-FDP). One should also bear in mind that party manifestos should foster coherence of a party and above all serve as a vehicle for election campaign - a negotiated coalition agreement is a completely different story. It is the nature of election campaigning to emphasize differences rather than similarities.

We would like to thank Ursula Walther and Jenny Franke for their valuable contribution.
Appendix 1

Important Disclosures

*Other information available upon request

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at https://research.db.com/Research/Disclosures/CompanySearch. Aside from within this report, important risk and conflict disclosures can also be found at https://research.db.com/Research/Topics/Equities?topicId=RB0002. Investors are strongly encouraged to review this information before investing.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Barbara Boettcher, Marion Muehlberger.
Deutsche Bank AG

Derivative transactions involve numerous risks including market, counterparty default and illiquidity risk. The appropriateness of swaptions the risks typical to options in addition to the risks related to rates movements. Funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Options on swaps coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating emerging markets. The index fixings may – by construction – lag or mis-measure the actual move in the underlying variables indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in also important risk factors. The sensitivity of fixed-income instruments to macroeconomic shocks may be mitigated by conversion, repatriation of profits and/or liquidation of positions), and settlement issues related to local clearing houses are also important risk factors. The sensitivity of fixed-income instruments to macroeconomic shocks may be mitigated by

The Deutsche Bank Research Department is independent of other business divisions of the Bank. Details regarding our organizational arrangements and information barriers we have to prevent and avoid conflicts of interest with respect to our research are available on our website (https://research.db.com/Research/) under Disclaimer.

Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor who is long fixed-rate instruments (thus receiving these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or liquidation of positions), and settlement issues related to local clearing houses are also important risk factors. The sensitivity of fixed-income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. The index fixings may – by construction – lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. Funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Options on swaps (swaptions) the risks typical to options in addition to the risks related to rates movements.

Derivative transactions involve numerous risks including market, counterparty default and illiquidity risk. The appropriateness
of these products for use by investors depends on the investors’ own circumstances, including their tax position, their regulatory environment and the nature of their other assets and liabilities; as such, investors should take expert legal and financial advice before entering into any transaction similar to or inspired by the contents of this publication. The risk of loss in futures trading and options, foreign or domestic, can be substantial. As a result of the high degree of leverage obtainable in futures and options trading, losses may be incurred that are greater than the amount of funds initially deposited – up to theoretically unlimited losses. Trading in options involves risk and is not suitable for all investors. Prior to buying or selling an option, investors must review the ‘Characteristics and Risks of Standardized Options’, at http://www.optionsclearing.com/about/publications/character-risks.jsp. If you are unable to access the website, please contact your Deutsche Bank representative for a copy of this important document.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government-imposed exchange controls, which could affect the value of the currency. Investors in securities such as ADRs, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor’s home jurisdiction. Aside from within this report, important conflict disclosures can also be found at https://research.db.com/Research/ on each company’s research page. Investors are strongly encouraged to review this information before investing.

Deutsche Bank (which includes Deutsche Bank AG, its branches and affiliated companies) is not acting as a financial adviser, consultant or fiduciary to you or any of your agents (collectively, “You” or “Your”) with respect to any information provided in this report. Deutsche Bank does not provide investment, legal, tax or accounting advice, Deutsche Bank is not acting as your impartial adviser, and does not express any opinion or recommendation whatsoever as to any strategies, products or any other information presented in the materials. Information contained herein is being provided solely on the basis that the recipient will make an independent assessment of the merits of any investment decision, and it does not constitute a recommendation of, or express an opinion on, any product or service or any trading strategy.

The information presented is general in nature and is not directed to retirement accounts or any specific person or account type, and is therefore provided to You on the express basis that it is not advice, and You may not rely upon it in making Your decision. The information we provide is being directed only to persons we believe to be financially sophisticated, who are capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, and who understand that Deutsche Bank has financial interests in the offering of its products and services. If this is not the case, or if You are an IRA or other retail investor receiving this directly from us, we ask that you inform us immediately.

In July 2018, Deutsche Bank revised its rating system for short term ideas whereby the branding has been changed to Catalyst Calls (“CC”) from SOLAR ideas; the rating categories for Catalyst Calls originated in the Americas region have been consistent with the categories used by Analysts globally; and the effective time period for CCs has been reduced from a maximum of 180 days to 90 days.

United States: Approved and/or distributed by Deutsche Bank Securities Incorporated, a member of FINRA, NFA and SIPIC. Analysts located outside of the United States are employed by non-US affiliates that are not subject to FINRA regulations.

European Economic Area (exc. United Kingdom): Approved and/or distributed by Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany with its principal office in Frankfurt am Main. Deutsche Bank AG is authorized under German Banking Law and is subject to supervision by the European Central Bank and by BaFin, Germany’s Federal Financial Supervisory Authority.

United Kingdom: Approved and/or distributed by Deutsche Bank AG acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG in the United Kingdom is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation are available on request.

Hong Kong SAR: Distributed by Deutsche Bank AG, Hong Kong Branch, except for any research content relating to futures contracts within the meaning of the Hong Kong Securities and Futures Ordinance Cap. 571. Research reports on such futures contracts are not intended for access by persons who are located, incorporated, constituted or resident in Hong Kong. The author(s) of a research report may not be licensed to carry on regulated activities in Hong Kong, and if not licensed, do not hold themselves out as being able to do so. The provisions set out above in the ‘Additional Information’ section shall apply to the fullest extent permissible by local laws and regulations, including without limitation the Code of Conduct for Persons Licensed or Registered with the Securities and Futures Commission. This report is intended for distribution only to ‘professional investors’ as defined in Part 1 of Schedule of the SFO. This document must not be acted or relied on by persons who are not professional investors. Any investment or investment activity to which this document relates is only available to professional investors and will be engaged only with professional investors.

India: Prepared by Deutsche Equities India Private Limited (DEIPL) having CIN: U65990MH2002PTC137431 and registered office at 14th Floor, The Capital, C-70, G Block, Bandra Kurla Complex Mumbai (India) 400051. Tel: + 91 22 7180 4444. It is registered by the Securities and Exchange Board of India (SEBI) as a Stock broker bearing registration no.: INZ000252437;
Merchant Banker bearing SEBI Registration no.: INM000010833 and Research Analyst bearing SEBI Registration no.: INH00001741. DEIPL may have received administrative warnings from the SEBI for breaches of Indian regulations. Deutsche Bank and/or its affiliate(s) may have debt holdings or positions in the subject company. With regard to information on associates, please refer to the “Shareholdings” section in the Annual Report at: https://www.db.com/ir/en/annual-reports.htm.

Japan: Approved and/or distributed by Deutsche Securities Inc.(DSI). Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association and The Financial Futures Association of Japan. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. We may also charge commissions and fees for certain categories of investment advice, products and services. Recommended investment strategies, products and services carry the risk of losses to principal and other losses as a result of changes in market and/or economic trends, and/or fluctuations in market value. Before deciding on the purchase of financial products and/or services, customers should carefully read the relevant disclosures, prospectuses and other documentation. 'Moody's', 'Standard Poor's', and 'Fitch' mentioned in this report are not registered credit rating agencies in Japan unless Japan or 'Nippon' is specifically designated in the name of the entity. Reports on Japanese listed companies not written by analysts of DSI are written by Deutsche Bank Group’s analysts with the coverage companies specified by DSI. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan. Target prices set by Deutsche Bank’s equity analysts are based on a 12-month forecast period.

Korea: Distributed by Deutsche Securities Korea Co.

South Africa: Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 199/003298/10).

Singapore: This report is issued by Deutsche Bank AG, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, 65 6423 8001), which may be contacted in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated by Deutsche Bank in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), they accept legal responsibility to such person for its contents.

Taiwan: Information on securities/investments that trade in Taiwan is for your reference only. Readers should independently evaluate investment risks and are solely responsible for their investment decisions. Deutsche Bank research may not be distributed to the Taiwan public media or quoted or used by the Taiwan public media without written consent. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation to trade in such securities/instruments. Deutsche Securities Asia Limited, Taipei Branch may not execute transactions for clients in these securities/instruments.

Qatar: Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may undertake only the financial services activities that fall within the scope of its existing QFCA license. Its principal place of business in the QFC. Qatar Financial Centre, Tower, West Bay, Level 5, P.O. Box 14929, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available only to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Russia: The information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Kingdom of Saudi Arabia: Deutsche Securities Saudi Arabia LLC Company (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may undertake only the financial services activities that fall within the scope of its existing CMA license. Its principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

United Arab Emirates: Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may only undertake the financial services activities that fall within the scope of its existing DFSA license. Principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, P.O Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are available only to Professional Clients, as defined by the Dubai Financial Services Authority.

Australia and New Zealand: This research is intended only for 'wholesale clients' within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act, respectively. Please refer to Australia-specific research disclosures and related information at https://australia.db.com/australia/content/research-information.html Where research refers to any particular financial product recipients of the research should consider any product disclosure statement, prospectus or other applicable disclosure document before making any decision about whether to acquire the product. In preparing this report, the primary analyst or an individual who assisted in the preparation of this report has likely been in contact with the company that is the subject of this research for confirmation/clarification of data, facts, statements, permission to use company-sourced material in the report, and/or site-visit attendance. Without prior approval from Research Management, analysts may not
accept from current or potential Banking clients the costs of travel, accommodations, or other expenses incurred by analysts attending site visits, conferences, social events, and the like. Similarly, without prior approval from Research Management and Anti-Bribery and Corruption (“ABC”) team, analysts may not accept perks or other items of value for their personal use from issuers they cover.

Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published without Deutsche Bank’s prior written consent.

Backtested, hypothetical or simulated performance results have inherent limitations. Unlike an actual performance record based on trading actual client portfolios, simulated results are achieved by means of the retroactive application of a backtested model itself designed with the benefit of hindsight. Taking into account historical events the backtesting of performance also differs from actual account performance because an actual investment strategy may be adjusted any time, for any reason, including a response to material, economic or market factors. The backtested performance includes hypothetical results that do not reflect the reinvestment of dividends and other earnings or the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid or actually paid. No representation is made that any trading strategy or account will or is likely to achieve profits or losses similar to those shown. Alternative modeling techniques or assumptions might produce significantly different results and prove to be more appropriate. Past hypothetical backtest results are neither an indicator nor guarantee of future returns. Actual results will vary, perhaps materially, from the analysis.

The method for computing individual E,S,G and composite ESG scores set forth herein is a novel method developed by the Research department within Deutsche Bank AG, computed using a systematic approach without human intervention. Different data providers, market sectors and geographies approach ESG analysis and incorporate the findings in a variety of ways. As such, the ESG scores referred to herein may differ from equivalent ratings developed and implemented by other ESG data providers in the market and may also differ from equivalent ratings developed and implemented by other divisions within the Deutsche Bank Group. Such ESG scores also differ from other ratings and rankings that have historically been applied in research reports published by Deutsche Bank AG. Further, such ESG scores do not represent a formal or official view of Deutsche Bank AG.

It should be noted that the decision to incorporate ESG factors into any investment strategy may inhibit the ability to participate in certain investment opportunities that otherwise would be consistent with your investment objective and other principal investment strategies. The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered, and the investment opportunities available to such portfolios may differ. Companies may not necessarily meet high performance standards on all aspects of ESG or sustainable investing issues; there is also no guarantee that any company will meet expectations in connection with corporate responsibility, sustainability, and/or impact performance.

Copyright © 2021 Deutsche Bank AG