







# DAX<sup>®</sup> ESG Target

## An ESG enhanced version of the flagship German benchmark index

The flagship DAX Index has been a reliable indicator of the German equity market for over 30 years. The DAX ESG Target Index provides investors with a sustainable version of the DAX. It aims to reflect the risk and return characteristics of the original DAX Index while applying ESG screens, integrating ESG scores and reducing carbon intensity by at least 30%.

### Key benefits

 <b>ENHANCED SUSTAINABILITY INVESTING</b>	The index can help investors navigate towards more sustainable German equity portfolios
 <b>DAX CHARACTERISTICS</b>	The DAX ESG Target Index has an ex-ante tracking error versus the DAX of < 1.5%, therefore it offers a similar risk/return profile to the flagship benchmark
 <b>FOCUS ON EUROPE'S LEADING ECONOMY</b>	The index represents 40 of the largest German companies (30 companies up to September 20, 2021)
 <b>INNOVATIVE OPTIMIZATION</b>	The proprietary index optimization process maximizes the index' ESG score and reduces carbon intensity
 <b>TRANSPARENCY</b>	DAX indices are calculated in a completely transparent and rules-based manner; the index is reviewed quarterly
 <b>BEST-IN-CLASS ESG DATA</b>	ESG data is provided by Sustainalytics, a global leader in ESG and corporate governance research and ratings

### Quick facts

<b>Name</b>	DAX ESG Target
<b>Versions</b>	Net Return, Price Return, Total Return
<b>Rebalancing</b>	Quarterly
<b>Components</b>	40 (30 components up until September 20, 2021)
<b>Component capping</b>	10%
<b>Currencies</b>	EUR, USD
<b>Launch date</b>	March 31, 2021
<b>History</b>	Available since September 24, 2012

## Methodology

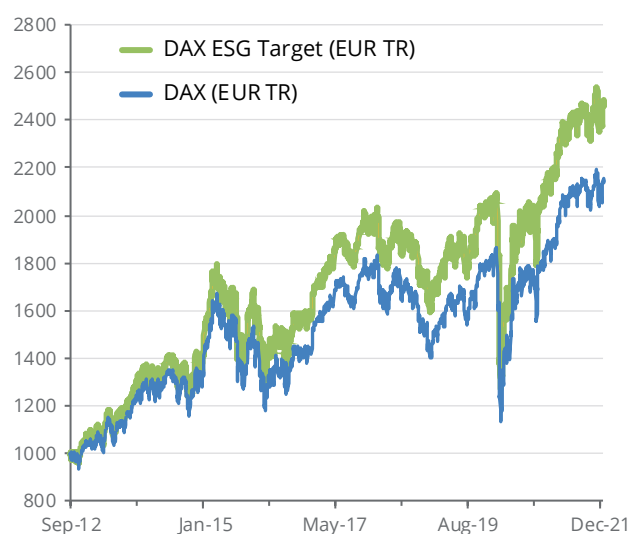
Index construction starts with the DAX Index and excludes companies that do not pass the ESG screening process. This is based on Sustainalytics' Global Standard Screening and product involvement screening for controversial weapons, nuclear power, thermal coal, military contracting, tobacco production, small arms and oil sands.

In the next step, the universe of the HDAX® – comprised of all companies in the DAX, MDAX® and TecDAX® – is used to replace the excluded companies to complete the number of 40 index constituents (up to September 20, 2021 30 index constituents). This is achieved by ranking the screened HDAX companies in terms of free-float market capitalization and ESG score. The component weights are derived through an optimization process with the goal of maximizing the portfolio ESG Score, meeting tracking error constraints (ex-ante tracking error versus DAX < 1.5%) and carbon reduction goals. Securities are capped at 10% on a component level.

## Risk and return characteristics

EUR TR	DAX® ESG TARGET	DAX®
Since inception return	10.54%	8.83%
1y return	15.96%	16.12%
3y return	15.46%	14.99%
5y return	7.93%	6.91%
Since inception volatility	19.16%	19.37%
1y volatility	14.44%	14.60%
3y volatility	22.49%	22.62%
5y volatility	19.31%	19.51%
Maximum drawdown <sup>2</sup>	39.20%	38.78%
Sharpe ratio (overall) <sup>2,3</sup>	0.63	0.55
Tracking error vs. DAX (overall)	1.72%	—

## Performance



1. Qontigo data as of Dec 30, 2021. Annualized returns and annualized volatility (standard deviation) figures are used
2. Computed for the period Sep 24, 2012 to Dec 30, 2021
3. EONIA used as riskless asset to calculate Sharpe ratio

## Norms-based and product-based ESG screening

The DAX ESG Target Index makes use of Sustainalytics' Global Standards Screening that assesses companies in violation of international norms and standards. Specifically, companies that are non-compliant in relation to the UN Global Compact, UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises are not included in the index. In addition, product involvement exclusions are applied.

### The following companies are excluded from the DAX ESG Target Index\*

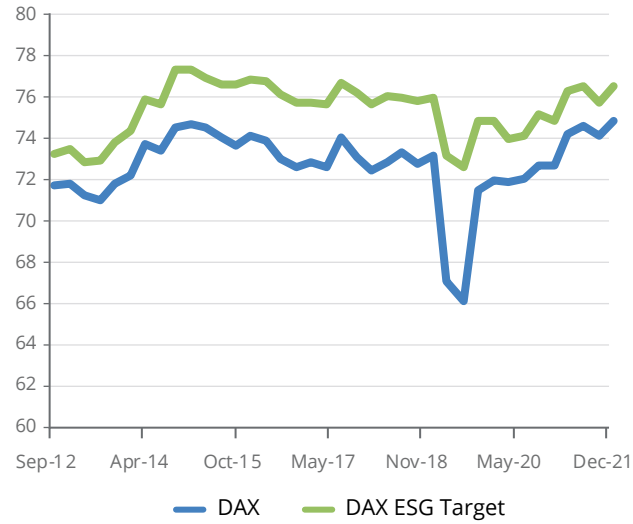
<b>Controversial weapons</b>	> 0% internal production or sale of controversial weapons (anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium, nuclear weapons and white phosphorus weapons)
<b>Nuclear power</b>	> 5% revenues from nuclear power production > 5% revenues from nuclear power distribution from resale or distribution of such electricity
<b>Thermal coal</b>	> 5% revenue from thermal coal extraction > 5% coal fired power generation
<b>Military contracting</b>	> 5% revenues from manufacturing military weapons
<b>Tobacco production</b>	> 0% revenues from manufacturing tobacco products
<b>Small arms</b>	> 0% revenues from manufacturing and selling small arms to civilian customers
<b>Oil sands</b>	> 5% revenues from extracting oil sands

\*High-level presentation, further exclusion parameters apply.

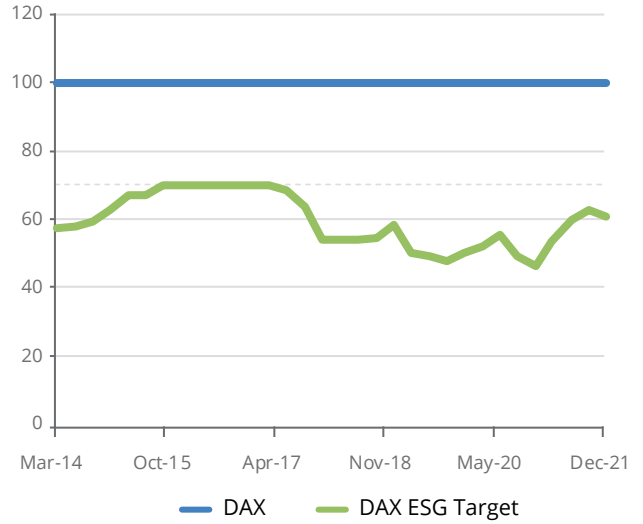
## Sustainability profile

Historical data shows that the DAX ESG Target Index offered a significantly better ESG profile than the DAX Index and the constituents demonstrated substantially reduced carbon intensity, averaging approximately 60% of the emissions of those companies in the DAX.

**Average ESG Score<sup>1</sup>**



**Average Carbon Emissions<sup>2</sup> (as % of DAX Emissions)**



1. Source: Sustainalytics, Qontigo

2. Source: ISS-ESG, Qontigo

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