ESG integration policy

Sustainability investing is integral to ESG Portfolio Management's strategy. We are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions which should result in higher risk adjusted returns. We aim to have a measurable positive impact on the United Nations Sustainable Development Goals (SDGs) and are working intensively to further reduce climate risks. The focus is particularly on the goals "No Hunger" (#2), "Good health and well-being" (#3), "Quality education" (#4), "Affordable and clean energy" (#7), "Responsible consumption and production" (#12) and "Climate action" (#13). We report on these important dimensions in our monthly reports.

The policies outlined in this document apply to all classes of securities such as equities, fixed income and alternatives. Our integration approach spans the breadth of the investment process, from identifying trends, analysing securities, constructing portfolios, through to engagement, voting and reporting.

Exclusion criteria

We do not invest in companies and countries that violate our comprehensive exclusion criteria:

1. Companies
   The companies we select must be on the positive list compiled by our analysis partner ESG Screen17 using strict exclusion criteria and excluding controversies. This procedure excludes violations against the UN Global Compact Principles and, among others, generally excludes companies with activities in the following business areas:

exclusion criterion	Maximum share of turnover
- Weapons of mass destruction and controversial weapons - Coal mining, processing & services - High risk oil & gas (Fracking, Arctic Drilling, Oil Sands) - Nuclear power generation - Uranium mining - Embryonic stem cell research and cloning technology	0%
- Coal-fired power generation - Oil extraction, processing and power generation - High risk oil & gas (services) - Production and distribution of key components for nuclear power plants - Biocides - Animal testing - Genetic engineering in food production - Civilian weapons - Conventional tobacco products and alcohol - Entertainment media (gambling, gaming, pornography)	5%

2. Countries

Countries are excluded in case of serious controversies, death penalty, human rights violations, lack of labour rights, child labour, corruption (according to Transparency International), violation of the Nuclear Non-Proliferation Treaty, high military budget, authoritarian regime (according to Freedom House Ranking), non-ratification of the Biosafety Protocol.

Integration of sustainability risks into the asset selection process

As part of our investment selection process, we consider sustainability risks and their impact on the value of assets. For us, a sustainability risk is an event or situation in the areas of environmental, social or governance (ESG), whose occurrence could actually or potentially have a significant negative impact on the value of our investments. A sustainability risk does not only have a direct impact, but influences the known risk types such as market risk, credit risk and liquidity risk.

Sustainability risks are integrated into our selection process through various procedures. We analyse sustainability factors in a structured manner through our sustainability approach and can thus achieve a reduction in sustainability risks in addition to a positive impact.

In addition to the application of exclusion criteria, we include ESG criteria in the assessment of economic quality via security analyses and selection. In doing so, we try to achieve measurable positive effects on the United Nations Sustainable Development Goals (SDGs) and to reduce sustainability risks in all funds. For this purpose, we use publicly available information, internal research, as well as data and ESG ratings from established providers. This is how we ensure that a wide range of criteria are taken into account, such as product quality, contribution to the Paris Climate Agreement and fair treatment of employees. The minimum ESG rating of our positions is BBB. We also use the results of the sustainability assessments in our return and risk assessment. This is done both in the analysis of potential investment opportunities and in the ongoing monitoring of existing investments.

Consideration of sustainability risks in the remuneration policy

In our exclusively sustainable funds, we always observe the procedures described above for dealing with sustainability risks. Our sustainable investment approach is also reflected in our company's remuneration policy. We do not offer our employees any incentives that are not in line with the interests of our clients and our sustainable asset selection.

We encourage and promote ESG education and training for all employees. Relevant ESG targets, such as MSCI ESG ratings of AAA for all funds and the achievement of the FNG label with three stars each, are bonus-relevant.

Consideration of adverse impacts at the corporate level

Our funds consider principal adverse impacts on sustainability factors (environmental, social, labour rights, human rights, corruption, bribery and corporate governance) to maintain due diligence. This ensures that the funds' investment objective is not achieved through adverse impacts on other sustainability areas.

The consideration of adverse sustainability impacts is incorporated into the investment process of the funds through various procedures. First of all, exclusion criteria have been defined. This ensures that investments are not made in companies or countries with particularly high adverse sustainability impacts, or that these are removed from the investment universe as a measure in the event of an increase in adverse impacts.

The associated adverse sustainability impacts to be taken into account in an investment decision are determined on a monthly basis. Data from ESG Screen 17, MSCI ESG, CDP and right. based on science are used for this purpose. In order to reduce the adverse sustainability impacts, we will not only sell positions, but also seek an active dialogue with the companies in order to express constructive criticism and support them in aligning their business more sustainably and complying with international standards.

The fund management uses active engagement and proxy voting to improve the ESG quality and SDG impact of the companies. Through constructive dialogue with the management of the companies, the risk of the investment should decrease and the performance opportunities increase. The fund management uses active engagement to improve the ESG quality of the companies. Through a constructive dialogue with the management of the companies, the risk of the investment is to be reduced, the performance opportunities increased and the positive impact for society increased. We report on this transparently in our Engagement Report.

ESG Portfolio Management GmbH is committed to the German Sustainability Code, is a signatory to the Principles for Responsible Investment (PRI) initiative and the Carbon Disclosure Project (CDP), and aligns its activities with the goals of the Paris Climate Agreement and the Sustainable Development Goals (SDGs).