

Engagement policy

We believe that our engagement with companies on financially material sustainability issues will have a positive impact on our investment results and on society. For this reason, we enter a dialogue with companies using constructive critique to push for improving weak ESG factors and for increasing positive impact towards the SDGs. We focus in particular on reducing carbon emissions and plastic packaging, but also on treating employees and local residents well.

Our mission statement expects us to thoroughly assess how sustainable companies are operating. We continuously update our findings and actively engage to make improvements.

The fund management uses active engagement to improve the ESG quality and SDG impact of the companies. The policies outlined in this document apply to investments across equities, fixed income and alternatives. We usually start our engagement by writing to the company. If there is no response after about three weeks, we write again. If there is still no reply, we call the company. If our engagement remains unsuccessful, or if the company's answers are unsatisfactory according to our own assessment, we use our voting rights against the discharge of the management in the case of share investments (see also proxy voting) and/or sell our position (share or bond) in a timely manner. If we want to achieve an improvement despite resistance, we use platforms such as UN PRI for further engagement. If the company responds positively, we monitor the real implementation or compliance with the improvements in the long term.

We expect companies to take immediate action when environmental damage, corruption or controversies such as human rights violations occur. We expect the introduction of measures to avoid such cases in the future or to reduce the damage. Furthermore, we expect companies to train employees regularly on environmental health and safety matters. We demand that companies continuously examine the materiality of important ESG factors and the SDG impact in order to significantly increase their sustainability. Measurable qualitative and quantitative targets, such as group-wide carbon emissions, should be set in order to effectively achieve improvements. Companies should publish a sustainability report that contains the development process regarding material issues - optimally integrated into the annual business report. The sustainability report should be an efficient tool for communicating sustainability performance and

impacts, both positive and negative. We are committed to ensuring that companies apply for and receive meaningful ESG ratings from recognised agencies.

In some cases, we will collaborate with other institutional investors and use platforms such as the United Nations Principles for Responsible Investment (UN PRI). For example, in 2019 we launched an initiative with Kelloggs Co. to achieve a significant reduction in plastic packaging globally.

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).