



MEAG ESG Strategy

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1 Scope of Application

The MEAG ESG Strategy describes the ESG Strategy of MEAG MUNICH ERGO AssetManagement GmbH and MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH (hereinafter “MEAG KAG”) (jointly hereinafter “ESG Strategy”). Unless MEAG MUNICH ERGO AssetManagement GmbH or MEAG KAG is explicitly specified, MEAG refers to both entities in this document. MEAG’s business activities are subject to key sustainability standards of Munich Re Group, such as the Group-wide Code of Conduct, which takes reference to various international frameworks, among others the UN Guiding Principles on Business and Human Rights or the UN Global Compact principles. Further information on the sustainability initiatives at Munich Re is published on the Munich Re website¹.

The content of the present ESG Strategy is covered and protected by the copyright of MEAG. The ESG Strategy pursues the purpose of specifying and outlining the internal and procedural sustainability-related concept of MEAG. Its contents do neither confer any rights or claims, regardless of their nature, to nor impose any obligations on third parties. Nothing in this document shall create any civil liability of MEAG towards any party or stakeholder.

The MEAG ESG Strategy is authorised by the MEAG Board AMG and KAG and reviewed annually as part of the annual strategy review.

In the event of discrepancies between the German and English version of this document, the English version shall prevail.

2 Motivation for ESG

MEAG’s objective is to generate long-term outperformance for its clients while striving to contribute to a more sustainable world by thinking ahead into the future and systematically considering sustainability (hereinafter also environmental, social and governance – “ESG”) aspects in all relevant asset classes. As the global asset manager of Munich Re, MEAG focuses on long-term value-managed investments. Its core competence lies in the sustainable management of liquid and illiquid assets, bringing together market insights, deep investment and risk management expertise and a profound understanding of liability-driven investors. MEAG is a signatory of the Principles for Responsible Investment, providing the company with an overall framework that guides the ESG Strategy. MEAG’s integration of ESG issues into investment analysis and decision-making processes pursues three overarching objectives:

- Management of financial risks and opportunities driven by ESG aspects
- Consideration of principal adverse environmental and social impacts of its investments
- Supporting sustainability-related objectives of MEAG or its clients

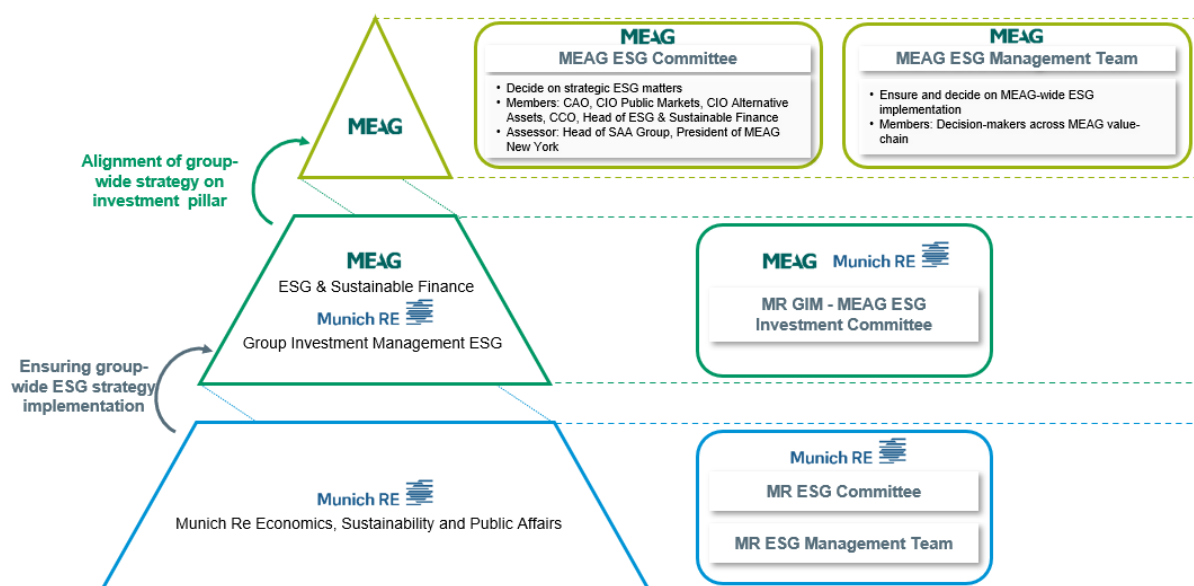
In that regard, MEAG focuses particularly on the sustainability aspects of climate change, human rights and biodiversity. MEAG engages directly or indirectly through investment associations with other market participants, regulators and investee companies to enhance transparency on ESG and facilitate progress with respect to the integration of ESG within the

¹ <https://www.munichre.com/en/company/corporate-responsibility.html>

investment industry. For this end, MEAG is a member of Climate Action 100+ and an endorser of 'Advance', a PRI stewardship initiative on human rights and social issues.

3 ESG Governance

To ensure company-wide alignment with and implementation of the ESG strategy, MEAG has set up an ESG Governance. Overall responsibility for the ESG strategy lies with MEAG's Board of Management. The MEAG ESG Committee (voting members: Chief Administration Officer, CIO Alternative Assets, CIO Public Markets, Chief Customer Officer, Head of ESG & Sustainable Finance; non-voting members: Head of SAA Group, President of MEAG New York) decides on strategic ESG matters, while the MEAG ESG Management Team is responsible for the MEAG-wide ESG implementation. A dedicated ESG & Sustainable Finance Department with a direct reporting line to the Chief Administration Officer is responsible for advising MEAG's various business units on ESG issues, helping them to implement the ESG Strategy and enabling compliance with the regulatory framework on sustainability matters in cooperation with the legal department. The legal department is staffed with ESG specialists. Furthermore, the ESG & Sustainable Finance Department develops ESG guidelines as well as implementation measures and empowers ESG product development and communication.



The MEAG ESG & Sustainable Finance department is supported by ESG multipliers across the different investment and portfolio management teams. ESG multipliers actively share their knowledge on ESG integration within their own department and act as sparring partner for implementation as well as continuous development of asset-class-specific ESG expertise.

MEAG offers regular awareness raising and training sessions on ESG for all employees, addressing topics such as ESG trends and regulation. In addition, relevant employees from MEAG's investment management, portfolio management and credit research teams are offered supplementary in-house training on ESG in cooperation with MEAG's external ESG

data providers MSCI ESG Research LLC (hereinafter “MSCI”) and International Shareholder Solutions Inc. or have been trained to become certified ESG analysts.

4 ESG Integration in investment processes

MEAG investment professionals consider ESG criteria throughout the whole investment process, in addition to conventional financial indicators. This integration of ESG criteria is designed to achieve the objectives of MEAG’s ESG approach outlined in section “Motivation for ESG” (see section 2). Approaches and tools deployed in that regard differ to account for asset class-specific characteristics and are regulated by dedicated ESG guidelines and processes.

4.1 Management of financial risks and opportunities driven by ESG aspects

ESG incidents or conditions can impact the performance and value of investments. Therefore, MEAG has adapted or implemented processes to manage these sustainability risks² and opportunities. MEAG believes that the consideration of sustainability risks may lead to higher risk-adjusted returns over a market cycle.

In the public markets segment, MEAG’s credit and equity analysts consider ESG aspects in their research and incorporate those aspects that are deemed to be financially material into the issuer assessment. In addition, portfolio managers have access to ESG data and ESG ratings from external service providers to enable an informed investment decision. Issuers of securities, associated with high ESG risks based on the ESG assessment provided by MSCI, are flagged within the central investment platform of MEAG, whereby any investment into those requires a justification from portfolio managers (so-called “comply-or-explain-approach”).

For alternative assets, such as real estate, infrastructure, forestry and agriculture, MEAG investment professionals, supported by MEAG ESG experts, integrate ESG aspects into the due diligence process as part of the acquisition. With regards to their materiality to underlying assets, asset class-specific ESG criteria have been defined by MEAG’s ESG experts and are applied to assess every new investment. Further, the risk management and especially climate expertise of Munich Re is used to complement the ESG assessment, which forms part of the decision-making documents submitted to the Investment Committee. This enables MEAG to identify sustainability-related risks and opportunities comprehensively early on, and to act accordingly.

² Sustainability risks as defined by Art. 2 (22) of the Sustainable Finance Disclosure Regulation (EU) 2019/2088: “Sustainability risk’ means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.”

4.2 Consideration of principal adverse environmental and social impacts of its investment

MEAG considers adverse environmental and social impacts of investment decisions regardless of whether they affect the value of the investment. As part of MEAG's forward-looking, prudent, and responsible approach to business, MEAG takes into account such impacts and aims to mitigate most severe ones, e.g., by implementing certain restrictions to MEAG's investment universe. Approaches differ depending on asset classes and data availability.

MEAG KAG's approach to consider adverse environmental and social impacts, i.e. in the meaning of sustainability factors³, is in line with the requirements of considering principal adverse impacts (hereinafter "PAI") of investment decisions as provided for pursuant to Art. 4 of Regulation (EU) 2019/2088⁴. As part of MEAG KAG's management of PAI, certain business models or issuers are excluded from the investment universe based on sustainability factors. Further details are outlined in the MEAG KAG Exclusion Policy.⁵

In the public market segment, MEAG's portfolio managers have access to all data on PAI indicators⁶, provided by external ESG data services, via the key MEAG investment management software solution. Issuers of securities, associated with violations of the UN Global Compact /OECD Guidelines for Multinational Enterprises and negative impact on biodiversity-sensitive areas are flagged within the central investment management software solution, whereby any investment into those requires a justification from portfolio managers.

For alternative assets, available PAI indicators are integrated into the ESG assessment which forms an integral part of the investment due diligence process. The ESG assessment is provided to and considered by the Investment Committee.

On a quarterly basis selected PAI indicators of MEAG KAG are reported to the ESG Committee which discusses on a case-by-case approach specific issues and counterparties and decides on follow-up actions, such as engagement, close monitoring or investment restrictions at its discretion.

In line with regulatory requirements on sustainability-related disclosures in the financial services sector, MEAG KAG discloses annually on its website its PAI statement on entity-level that outlines the approach to considering PAI indicators, their development over time as well actions taken or planned and targets set for the next reference period.⁷

4.3 Supporting sustainability-related objectives of MEAG or its clients

MEAG aims, to the extent possible and feasible, to support the transition to more sustainable economies and societies. To do so, MEAG seeks to identify economically sound investment

³ 'Sustainability factors' mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, according to Art. 2 (24) of Regulation (EU) 2019/2088

⁴ Regulation (EU) 2019/2088 of the European Parliament and of the COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector.

⁵ MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH Exclusion Policy is publicly available at:

https://www.meag.com/en/inform/media/20231227_MEAG%20KAG%20Exclusion%20Policy_external%20version_ENG.pdf

⁶ Indicators as specified by Annex I, tables 1-3 of delegated regulation (EU) 2088/1288, More information is available in MEAG's statement on principal adverse impacts of investment decisions on sustainability factors (declaration as provided for by Art. 4 para. 1 of Regulation (EU) 2019/2088)

⁷ MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH disclosure on principal adverse impacts in accordance to Art. 4 (1) of (EU) 2019/2088 is publicly available at: <https://www.meag.com/de/informieren/nachhaltigkeit.html>

opportunities that are aligned with the UN Sustainable Development Goals or even have the potential for generating positive impact, in light of individually defined investment objectives.

In the public markets segment, MEAG increasingly invests in green and/or social bonds in compliance with the respective criteria of market initiatives (e.g. ICMA principles), issued by companies or sovereigns to finance specific green and/or social projects or activities. Another lever MEAG uses, is to allocate investments to companies developing products or offering services supporting the UN Sustainable Development Goals.

Within alternative assets, MEAG manages a broad portfolio of “green buildings”, i.e. real estate properties that are certified according to sustainability standards⁸ or infrastructure projects around the world, such as solar power plants and wind farms, forests, low-carbon mobility.

5 Stewardship

As part of MEAG’s commitment to responsible investment, it aspires to be an active steward and to incorporate ESG issues into its stewardship policies and practices. Doing so, MEAG supports its clients to be active owners and leverages its capabilities for achieving the overarching objectives of the ESG strategy. MEAG considers ESG aspects in:

- the management of assets where MEAG has and exercises decision-making power,
- in engagements with issuers, and
- when exercising voting rights.

In the management of assets MEAG seeks to put its commitment to sustainable business into practice. It considers ESG aspects when planning the long-term development of its assets and when contracting service providers. For real estate investments, MEAG focuses on energy efficiency and “green buildings” and aims to obtain certifications for the properties in accordance with industry sustainability standards. Likewise, with regards to forest investments, it focuses on those where management of the forest is certified regarding sustainability, in accordance to the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification Schemes (PEFC), or an equivalent organization.

The active dialogue (engagement) with issuers of securities, which MEAG manages is an essential part of achieving its three ESG objectives as outlined in section “Motivation for ESG” (see section 2). MEAG’s internal experts analyse and engage with issuers to ensure that sustainability risks are identified and considered by investees in order to mitigate actual or potential material negative impacts on the value of portfolios. MEAG’s dedicated Center of Competence for Stewardship engages in a structured and systematic way regarding issuers’ environmental and social performance. Where this leads to an improvement of the engaged issuer’s ESG performance, MEAG positively influences change on sustainability-related issues.

⁸ MEAG aims to obtain certifications for properties in accordance with the EU Green Building standard, the Building Research Establishment’s Environmental Assessment Method (BREEAM), Leadership in Energy and Environmental Design (LEED), the German Sustainable Building Council (DGNB), or equivalent certifications that contribute to sustainability.

Furthermore, MEAG leverages voting rights to achieve its ESG objectives. The voting behavior is aligned with ongoing engagements and is used to reinforce MEAG's interests. For this end, MEAG leverages the expertise of external voting advisors.

MEAG's proxy voting policy, participation policy and engagement policy are available online on the MEAG website⁹.

6 Products

MEAG provides to its clients comprehensive support when integrating sustainability preferences in their investment strategy. MEAG offers, among others, investment products and strategies with an ESG focus to institutional investors and retail clients in the mutual fund segment. Such investment strategies include, *inter alia*, Best-in-class-concepts, norm-based exclusions and the objective of a certain share of sustainable investments¹⁰. MEAG continuously works on extending the ESG product offering and enhancing the underlying investment strategies, e.g., more active steering of certain ESG indicators.

7 Disclosure and Reporting

MEAG has drawn up and implemented an internal guideline with respect to the preparation and review process of sustainability-related information on the sustainability profile of MEAG and its products and services that is communicated externally. The established process includes, in particular, alignment with relevant subject matter experts and requires mandatory sign-off from the legal department and the ESG & Sustainable Finance department.

To provide transparency on ESG matters, the following documents are publicly available:

- MunichRe annual sustainability report:
<https://www.munichre.com/en/company/sustainability.html>
- MunichRe combined non-financial statement within its annual report:
<https://www.munichre.com/en/company/investors/reports-and-presentations/annual-report.html>
- MEAG KAG PAI Statement:
<https://www.meag.com/en/inform/media/MEAG%20PAI%20Statement.pdf>
- Annual Report of MEAG KAG on exercising voting rights:
<https://www.meag.com/en/inform/1241.html>

MEAG also provides ESG-related information to clients via various formats, including mandatory disclosures pursuant to the regulatory framework or based on contractual

⁹ MEAG Participation Policy: <https://www.meag.com/en/inform/1241.html>; MEAG Proxy Voting Policy: https://www.meag.com/en/inform/media/230116_PVP%202023%20englishfinal.pdf

¹⁰ Sustainable investment within the meaning of the definition pursuant to Art. 2 (17) Regulation 2019/2088.

agreements. For mutual funds offered by MEAG, these reports are accessible on our website at:

<https://www.meag.com/de/investieren/privatkunden/aufeinenblick.html>