

Metzler Asset Management

ESG Policy

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1. Significance of ESG at Metzler Asset Management

1.1. ESG philosophy

ESG is short for “Environmental, Social and Governance”.

For us, sustainability includes a clear commitment to developing concepts that are feasible in the long term. This relates first and foremost to products and services, but also to providing long-term support to our clients in all matters relating to financial markets. The commitment to a sustainable business focus is thus a core component of how Metzler Asset Management GmbH sees itself.

In the investment process for our equity, corporate bond and multi-asset funds, we not only consider financial criteria but also how companies integrate ecological, social and governance aspects. In particular, the aim is to further enhance the risk-return profile* of our portfolios.

If portfolio management for funds or individual fund segments of Metzler Asset Management GmbH is outsourced to companies outside the Group, it is the responsibility of the respective fund manager to implement a strategy for the inclusion of sustainability criteria as part of its pre-investment process.

The content presented in this document does not apply to the asset classes of the Metzler Premium Funds and the assets managed as part of an advisory service. These funds follow a different strategy in dealing with sustainability risks.

1.2. Initiatives, associations and cooperation partners

Metzler Asset Management GmbH is a signatory and/or supporter of various initiatives and associations. We also work with different cooperation partners in the area of ESG data and analysis.

■ Initiatives and associations

As a member of the **Bundesverband Investment und Asset Management e.V. (BVI)**, Metzler Asset Management GmbH consults regularly on ESG issues with other members of the **BVI’s** ESG Working Group and is a member of the Sustainability Committee.

In 2012, Metzler Asset Management GmbH became one of the first German asset managers to sign the **Principles for Responsible Investment (PRI)**, a voluntary commitment by signatories established in 2005 on the initiative of the United Nations.

In November of 2021, Metzler Asset Management GmbH joined the **Net Zero Asset Managers Initiative**. Signatories of the initiative commit to support the goal of net zero greenhouse gas emissions by 2050 or sooner by developing appropriate investment products and promoting investments in climate protection technologies and solutions. The

* Not warranted or guaranteed

initiative is managed by the United Nations-backed Principles for Responsible Investment (UN PRI) and five other founding partner investor networks.

Since 2002, Metzler has been a member of the **Forum für Nachhaltige Geldanlagen (FNG)**, an association promoting sustainable investment. Its aims include raising awareness for sustainable solutions in investing in order to have a positive impact on the direction of investments. Through FNG, Metzler is also a member of **EuroSiF** and a signatory of the **Carbon Disclosure Project (CDP)** and the **Water and Forestry Disclosure Project**.

In addition, Metzler Asset Management GmbH is a founding member and sponsor of the **sustainability initiative "Green and Sustainable Finance Cluster Germany"**. This new cluster was formed in April of 2018 when the initiative "Accelerating Sustainable Finance" was combined with the Green Finance Cluster of the Hessian Ministry of Economics.

The new cluster aims to further advance sustainable development and the associated transformation process in the financial sector. It utilizes its bundled financial market expertise to make financial market structures fit for the future – at both national and European levels. Through the cluster, Metzler Asset Management can exert political influence on the issue of sustainability in an appropriate manner.

Furthermore, Metzler Asset Management GmbH is a supporter of the **Task Force on Climate-Related Financial Disclosures (TCFD)** which was established by the Financial Stability Board (FSB) and is committed to disclosing climate change-related information and data from companies. Companies are required to analyze and evaluate the opportunities and risks arising from climate change and this additional information is intended to help investors make informed decisions. As a supporter of the TCFD, Metzler Asset Management GmbH is committed to greater transparency in climate reporting.

■ **Cooperation partners**

Metzler Asset Management GmbH procures ESG data primarily from **MSCI ESG Research**. For ESG integration purposes, data from the **CDP** and the **Science-Based Targets initiative (SBTi)** is also used. For client-specific exclusion criteria and/or "best-in-class" approaches to managing special AIFs, Metzler Asset Management GmbH works with **ISS ESG**. On matters of proxy voting and engagement, Metzler Asset Management GmbH cooperates with **Columbia Threadneedle Investments** (please see chapter 3).

1.3. Organs and control mechanisms

The topic of sustainability is anchored in the regularly updated business strategy of Metzler Asset Management GmbH. The ESG strategy is implemented decentrally in the individual divisions.

All strategic and coordination topics related to sustainability are managed by the **Sustainable Investment Office (SIO)**, which reports to the CIO of Metzler Asset Management GmbH. The SIO also deals with ESG advisory and ESG integration in portfolio management.

An **ESG Board** at Metzler Asset Management meets regularly to discuss sustainability issues. Participants include ESG specialists from the Sustainable Investment Office, the CIO, portfolio managers for equities and fixed income as well as representatives from client relationship management, reporting and the Compliance team.

Besides the controlling tasks performed by our portfolio management team, our **Fund Risk Controlling team** carries out additional (ex-post) risk controls. ESG topics are monitored in regular review meetings.

Metzler's **group-wide Compliance team** bears the ultimate responsibility for supervising and examining all compliance-related issues in the Metzler Group. This team is organizationally independent from the other departments and is not involved in any business, trading or other operational activities of the company. Due to this functional segregation, Metzler is able to avoid all conflicts of interests. The Management Board of Metzler Asset Management GmbH, ESG experts and the Compliance team hold regular meetings to ensure continuous exchange on ESG topics. The Compliance team also participates in the ESG Board meetings of Metzler Asset Management GmbH.

2. ESG in portfolio management

The goal of ESG integration at Metzler Asset Management is to improve the risk-return profile* of our funds by including all relevant sustainability aspects in traditional investment analysis. Sustainability aspects are taken into account throughout the entire investment process. Our team of ESG experts and portfolio managers attend regular events and conferences on how to invest more sustainably.

2.1. Exclusion criteria and ESG integration for equity, corporate bond and multi-asset portfolios

2.1.1. Exclusion criteria for all equity, corporate bond and multi-asset portfolios

For all of Metzler Asset Management GmbH's equity, corporate bond and multi-asset funds, exclusion criteria are applied based on 120 international norms and conventions. The data stems mostly from MSCI ESG Research. In case of an infringement of one of these standards, we exclude the company from our investment universe. In MSCI ESG Research's controversy scheme, this corresponds to a "red flag".

Companies that produce and/or distribute banned weapons are also excluded from our investment universe. The United Nations classifies various weapon systems as an extreme violation against humankind and has thus adopted several conventions to ban these weapons. Banned weapons include anti-personnel landmines, nuclear weapons, biological and chemical weapons, and cluster munitions. Manufacturers of uranium munitions are also excluded, although they are not yet explicitly banned by conventions.

We do not invest in derivative financial instruments on agricultural commodities.

2.1.2. Selecting individual stocks and issuers for equity, corporate bond and multi-asset portfolios

The valuation takes into account how the different general and industry-specific key ESG indicators impact business performance. Financial analysis, supported by economic valuation models, is rounded off by extensive ESG analysis which provides more comprehensive information for the investment decisions made by the portfolio managers. ESG analysis is comprised of four steps:

- Identify controversial business practices, e.g. serious cases of corruption or bribery
- Analyze key ESG indicators, e.g. ESG ratings or the ability to attract, develop and retain skilled employees

* Not warranted or guaranteed

- Evaluate climate risks, e.g. in terms of 1.5-°C compliance
- Identify and measure sales in structural, topical areas, e.g. renewable energies, energy efficiency and waste prevention.

Despite currently rapid growth in the ESG sector, specialized rating agencies do not fully cover the small and mid cap universe or all IPOs and spin-offs. For cases where we have no ESG rating for a specific company, Metzler Asset Management has developed an internal ESG research assessment procedure that is conducted by the Sustainable Investment Office. The results of this analysis determine whether a specific security makes a suitable investment or not. In this process, we assess a company's ESG profile, including ESG risks and opportunities, based on publicly available information. For these analyses, information from various sources can be considered, including official prospectuses, sell-side research, financial news, CSR reports, company website information and financial data from providers like FactSet or Bloomberg – in addition to direct exchange with the companies themselves.

ESG analysis of issuers by external research agencies or by our Sustainable Investment Office is monitored by our internal Fund Risk Controlling department. Our MIG21 monitoring system (GX Compliance) is linked to the front office and reviews ex-ante instructions to traders in order to ensure compliance with contractual or client-specific restrictions.

2.2. Selecting issuers of government bonds

As part of a holistic ESG approach, sustainability factors are used to reduce risks and identify opportunities. Investments are made only in countries that are deemed sustainable according to a sustainability filter. This filter covers the following criteria:

- a. Management of ESG risk factors based on ESG ratings for individual countries. Data is provided primarily by MSCI ESG Research
- b. Access to political rights and civil liberties
- c. Extent of corruption
- d. Peace status
- e. Frequency of money laundering cases.

2.3. Integration of climate risks and fossil fuel guidelines

On November 1, 2021, Metzler Asset Management GmbH joined the "Net Zero Asset Managers Initiative". As a signatory to the initiative, Metzler Asset Management GmbH is committed to contributing to the goal of net zero greenhouse gas emissions by 2050 or earlier by developing appropriate investment products and promoting investments in climate protection technologies and solutions. This is also in line with global efforts to limit global warming to 1.5

degrees Celsius and is a clear sign that the asset management industry attaches high priority to climate protection.

As part of ESG integration, ESG analysis takes climate risks and opportunities into account (see chapter 2.1.2). For the actively discretionary mutual funds of Metzler Asset Management GmbH's "sustainability" family, companies that generate more than 5% of their turnover from thermal coal mining or more than 5% of their turnover from electricity generation based on thermal coal are excluded. In addition, companies that generate more than 5% of their sales through the extraction of oil or gas using fracking technology are excluded.

In May of 2023, Metzler Asset Management introduced a comprehensive policy on climate-friendly management of coal, oil and gas companies.

Climate risks play a significant role in the engagement and voting process. The results of the engagement and voting are published annually on Metzler Asset Management GmbH's website.

2.4. Methodology for measuring sustainable investments within the meaning of Article 2(17) of the Disclosure Regulation

Investments that contribute to the achievement of one or more of the following objectives are considered environmentally and/or socially sustainable economic activities within the meaning of Article 2(17) of the Disclosure Regulation:

- Financing of economic activities that are consistent with one or more of the 17 United Nations Sustainable Development Goals. Companies that generate at least 20% of their revenue from products or services targeted at fulfilling one or more of these goals are consistent with an explicit corporate focus on meeting environmental or societal needs.
- Mitigation of climate change and transition to a low-carbon economy. Such companies have committed to CO₂ reduction targets and have an implied temperature increase of below 2 degrees Celsius.
- Positive contribution to equality and human capital by promoting more diversity in the workplace. Companies must meet all of the following requirements to qualify as making a positive contribution:
 - They must have diversity programs in place
 - They must have a labor rights and diversity score of > 3 on a 10-point scale
 - At least 50% of Executive Board members must be female.

In the investment process, the investment manager takes these indicators into account based on a positive list of companies that have developed a strategy in line with the aforementioned key indicators and have a track record of pursuing environmental and/or five social objectives. This positive list is based on information from MSCI ESG Research for each key indicator. For the 17 United Nations Goals, sales in products and services that are in line with the Sustainable Development Goals are considered. Sustainable impact data from MSCI ESG Research is used for this purpose. The contribution of sustainable investments is determined based on a share ratio, specifically the ratio of market value in sustainable companies to the market value of all investments in the fund.

2.5. Minimum protection, investments to be made using the financial product, avoiding significant impairment to any of the environmental or social investment objectives

By selecting sustainable investments, none of the environmental and social objectives referred to in Article 2(17) of the Disclosure Regulation or the environmental objectives referred to in Article 9 of Regulation (EU) 2020/852 shall be significantly compromised. Significant impairment exists if the adverse sustainability indicators are seriously impacted or if the minimum protection as laid down in Article 18 of Regulation (EU) 2020/852 has been breached. Furthermore, the fund shall invest in securities of issuers or companies that observe the governance aspects referred to in Article 2(17) of Regulation (EU) 2019/2088 in the course of their business activities. This is ensured and documented by the exclusions defined by the internationally recognized standards.

Companies with an MSCI ESG rating of CCC are also excluded.

2.6. Consideration of adverse effects on sustainability factors

When selecting sustainable investments, the indicators for adverse impact on sustainability factors are used to determine significant impact. For this purpose, criteria for a significant impact are defined for environmental and social indicators. Investments that do not meet the investment manager's defined targets for the individual indicators cannot be classified as sustainable. If relevant data is not available, classification as a sustainable investment is also impossible.

Sustainable investments are in line with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. Investments are monitored on the basis of these guidelines, and the principles are rooted in international standards for human rights, labor rights, the environment and corruption. If a company is found to be abusing or violating these standards, it is excluded from the fund. Such investments already held by the fund are divested.

2.7. ESG portfolio construction tool QbrickS®

With QbrickS®, we offer our clients a complete concept that includes client-specific advisory services, customized implementation and comprehensive analysis. Using QbrickS®, we can integrate client preferences and specifications at portfolio level while considering sustainability, allocation and investment style criteria (risk premiums). For ESG integration, QbrickS® focuses on active risk management.

2.8. ESG portfolio controlling and risk management

As part of our **portfolio controlling**, we use our MIG21 monitoring system (GX Compliance), which is linked to our front office, to check orders ex-ante in order to ensure compliance with legal, contractual, client-specific and internal restrictions. Companies where exclusion criteria apply (e.g. because they do not comply with the generally recognized standards of the United Nations, the UN Global Compact and the International Labor Organization ILO) are blocked in our MIG21 system (GX Compliance) and are thus not eligible for investment.

The following ESG **meetings** are part of our ongoing **risk management**:

- Regular meetings of Metzler Asset Management GmbH's ESG Board
- Quarterly performance review meetings with portfolio management, CIO and the Fund Risk Controlling team. In addition to monthly portfolio analysis (i.e. comparison of return and risk ratios for all funds and their benchmarks), ESG indicators are also evaluated.

The Fund Risk Controlling team prepares a monthly ESG risk report that includes relevant ESG risk indicators on controversial business practices and violations of global norms, the quality of ESG risk management, as well as physical and transitory climate risks of the assets.

The implied "portfolio temperature"* of the funds and the so-called "climate value at risk"* help us examine the resilience of assets after an adverse event or scenario – caused by physical, transitory climate risks.

The fund risk report helps us to identify, assess, manage, monitor and report sustainability risks. A risk assessment of the funds is carried out as of the reporting date based on defined threshold values.

* Data is based on information provided by MSCI ESG Research

2.9. Quality assurance and certification of employees as CESGA® experts

To ensure quality, Metzler Asset Management GmbH has entered into a cooperation with the German Association for Financial Analysis and Asset Management (DVFA). All portfolio managers, sales staff and risk management staff are required to take a training program and pass the exam to become a Certified Environmental, Social and Governance Analyst (CESGA®). As of May 2023, more than 50 employees have passed the exam.

3. Proxy voting and engagement

Metzler Asset Management GmbH works with Columbia Threadneedle Investments, which we have specifically mandated for this task, to ensure that business-relevant ESG challenges are discussed with the companies represented in our portfolios in a process known as “**engagement**.” Columbia Threadneedle Investments was also appointed to exercise **voting rights** and prepare reports on its voting as well as on the engagement milestones reached, sections of which we include in our ESG reporting for our clients.

The current principles of ownership responsibility and details of the engagement procedure are available at all times on our website:

www.metzler.com/en/metzler/asset-management/esg
> **Dialogue and voting rights**

4. Reporting

4.1. Transparency and publications

Transparency of ESG topics is important for Metzler Asset Management GmbH. The following documents are publicly accessible:

- The fund price is published daily. The **composition of our mutual funds** is published monthly (master data, investment strategy, risk profile, performance, fund structure, industry composition, top 10 equities, top 10 industries, key figures, costs and fees)

www.metzler.com/en/metzler/asset-management/fund-prices-und-documents

- The Metzler Asset Management GmbH **PRI report** is accessible at

www.metzler.com/en/metzler/asset-management/esg

> Downloads

- The guidelines for exercising **voting rights** at annual general meetings by Metzler Asset Management GmbH, the principles and guidelines on owner responsibility, the Global Corporate Governance Guidelines, and the voting results of Columbia Threadneedle Investments from the shareholder meetings of the companies represented in our funds are accessible at

www.metzler.com/en/metzler/asset-management/esg

> Dialogue and voting rights

- Information provided by Columbia Threadneedle Investments about engagement can be found at:

www.metzler.com/en/metzler/asset-management/esg

> Dialogue and voting rights

4.2. ESG reporting

Metzler Asset Management GmbH provides extensive ESG reporting for all funds and mandates. This includes a detailed review of the portfolios according to social, environmental and governance factors. Reporting also covers the milestones achieved in engagement activities.

For Metzler's sustainability mutual funds, ESG reports are accessible on our website at

www.metzler.com/en/metzler/asset-management/fund-prices-und-documents

5. Social responsibility

Since the 1674 establishment of the Metzler Bank in Frankfurt/Main, several members of the Metzler family in all generations have been committed – both personally and financially – to promoting social, scientific and cultural causes in their home city. These Metzler family members have been among the founders of several public institutions or their sponsoring associations, e.g. the Städel Museum, the Senckenberg Nature Research Society, Goethe University or the Bürgerhospital, and are still committed to their further development.

In 1998, these initiatives by the Metzler family and Metzler Bank, some of which date back centuries, culminated in the establishment of the Metzler Foundation, which operates independently from the Group. The Metzler Foundation concentrates on the development of children and adolescents, primarily in the field of German language learning, and also helps resolve social problems. The Foundation's patronage of the arts and culture, health care, science and research, nature and the environment, and community development round off the "portfolio" of support. Its work extends to all of Germany and beyond, especially locations where Metzler has offices.

In addition to Metzler's own charitable activities, Metzler also persuades others to donate ("Anstiften zum Stiften"). This project is a cornerstone in Metzler's commitment to involve as many other people, companies or institutions as possible in order to secure project funding. Innovative fundraising concepts have been used since the beginning of the 21st century, e.g. the matching fund model "1 + 1 = 3". Furthermore, employee commitment is actively promoted as employees take on sponsorships for charity projects and get personally involved. Metzler employees can also submit their own applications for funding to the Metzler Foundation. Thus, social commitment is becoming more and more widespread and the Metzler network is constantly growing.

The work of the Metzler Foundation is non-profit and takes place in cooperation with other charitable or non-profit groups, scientific specialists and initiatives, and the public authorities in order to achieve the best results.

The Metzler family, the Foundation and Metzler Bank with its employees are all convinced of the importance of their chosen commitments and will surely remain committed "corporate citizens" full of ideas and zest.

Modification history:

March 2022: Service provider BMO Global Asset Management was renamed Columbia Threadneedle Investments after the acquisition.

April 2023: Supplement to 1.1. "The content presented in this document does not apply to the asset classes of the Metzler Premium Funds and the assets managed as part of an advisory service. These funds follow a different strategy in dealing with sustainability risks."

June 2023: Addition of chapters 2.4, 2.5 and 2.6, as well as stylistic adjustments to wording.