

# **Metzler Asset Management: ESG Policy**

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# 1. Significance of ESG at Metzler Asset Management

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## 1.1. ESG philosophy

ESG is short for “Environment, 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 equities and corporate bond 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.

## 1.2. Initiatives, associations and cooperation partners

### **Signatory of the UN PRI, FNG, EuroSIF, Carbon Disclosure Project, Water and Forestry Disclosure Project**

Metzler Asset Management GmbH is a signatory of the United Nations’ Principles for Responsible Investment (UN PRI) and a member of the forum Nachhaltige Geldanlagen (FNG). It is therefore also a signatory of EuroSIF, the Carbon Disclosure Project and the Water and Forestry Disclosure Project.

### **Membership in associations**

The team at Metzler Asset Management GmbH consults regularly on ESG issues with other members of the **BVI**’s ESG Working Group. This includes integrating the guidelines for responsible investing into the BVI Rules of Good Conduct.

In 2012, Metzler Asset Management GmbH was 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.

Since 2002, Metzler has been a member of **FNG**, an industry association promoting sustainable investment. Its aims include raising awareness of sustainable solutions in investing and thus to initiate a positive impact on the direction of investments.

### **Cooperation partners**

Concerning ESG, we work together with selected cooperation partners.

Metzler Asset Management GmbH procures ESG integration data and assessments of “very severe controversies” primarily from **MSCI ESG Research** and sector-specific key indicators “Sustainable Development Key Performance Indicators” (SD-KPIs) from **Sustainalytics**.

Metzler Asset Management GmbH works with **ISS-oekom** to develop ethical and/or sustainable exclusion criteria for individual clients and/or “best-in-class” approaches to the management of institutional funds.

On matters of proxy voting and engagement, Metzler Asset Management GmbH cooperates with **Bank of Montreal Global Asset Management** (please also refer to section 3).

### **1.3. Organs and control mechanisms**

Metzler Asset Management GmbH (MAM) has established a position for **ESG integration** reporting to a managing director. This expert coordinates and processes the ESG integration centrally for the portfolio management and also belongs to a special **MAM ESG Board**, where sustainability topics are regularly discussed.

Independent of risk controls in the portfolio management, **Fund Risk Controlling** accomplishes additional (ex-post) risk controls. ESG topics are reviewed in regular review meetings.

Metzler’s **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. Because of this functional segregation, Metzler avoids conflicts of interests. Metzler Asset Management GmbH’s Management Board, ESG expert and Compliance Officer hold regular meetings to ensure continuous exchange of ESG topics. The Compliance Officer also participates in the regular ESG Board meetings of Metzler Asset Management GmbH.

## 2. ESG in portfolio management

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ESG integration is a specific strategy for more sustainable investments, the goal being to improve the performance of our funds through inclusion of material sustainability aspects in traditional investment analysis. Accordingly, we evaluate, for example, the economic impact of ESG scores from MSCI ESG Research and/or sector-specific indicators (key performance indicators – KPIs) and/or ESG aspects of the business models of companies on their business success.

### 2.1. Exclusion criteria for all equity and corporate bond portfolios

For all equity and corporate bond funds, exclusion criteria are applied based on 120 international norms and conventions. The data mostly stems from MSCI ESG Research. In case of a “very severe controversy,” the most serious infringement of one of these standards, we exclude the company from the investment universe. If requested by the client, we integrate other criteria into the investment process using, for example, data from ISS-oekom.

### 2.2. ESG integration – selection of individual stocks

The integration of sustainability components is realized throughout the entire investment process. Systematic and sector-specific ESG research processes and screenings for a more sustainable choice of stocks aim to improve long-term risk-adjusted performance. Our team of ESG experts participates regularly in events and conferences on more sustainable investing.

### 2.3. ESG – portfolio controlling and risk management

The MIG system (MIG = Managing Investment Guidelines) that is linked with the front office system checks orders ex-ante 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 general recognized standards of the United Nations, the UN Global Compact and the International Labor Organization ILO) are blocked in our MIG system and are thus not eligible for investment.

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

- Regular meetings of Metzler Asset Management GmbH’s ESG Board
- Monthly performance review meetings with portfolio management, CIO and Fund Risk Controlling. 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 (companies with a red flag at MSCI ESG Research).

### 3. Proxy voting and engagement

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Metzler Asset Management GmbH works with Bank of Montreal Global Asset Management (BMO), 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.**” BMO was also appointed to exercise **voting rights** and to prepare reports on its voting, as well as on the engagement milestones reached, sections of which we include in the 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 (please find the corresponding link under 4.1).

## 4. Reporting

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### 4.1. Transparency and publications

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

- 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)

<https://www.metzler.com/en/metzler-en/asset-management/fund-prices-und-documents>

- The Metzler PRI report is accessible at

<https://www.metzler.com/en/metzler-en/asset-management/esg-integration>

Please refer to the bottom of the page to “reports and publications”.

- BMO’s Guidelines for Exercising Voting Rights at Annual General Meetings by Metzler Asset Management GmbH, BMO’s Global Corporate Governance Guidelines, BMO’s Responsible Ownership Policy and voting results from the shareholder meetings of companies held in our fund are accessible at

<https://www.metzler.com/en/metzler-en/asset-management/esg-integration>

Please refer to section “Engagement via dialog and voting rights”.

- BMO’s information about **engagement** can be found here:

[www.bmogam.com/documents/fc-responsible-investments-broschuere-de](http://www.bmogam.com/documents/fc-responsible-investments-broschuere-de)

#### **4.2. ESG reporting**

Metzler Asset Management GmbH is continuously expanding its ESG reporting. Currently, we provide a detailed review of the portfolios according to social, environmental and governance factors. In addition, Metzler Asset Management GmbH takes over some of BMO's reports on the milestones achieved in engagement.

## 5. Social responsibility

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Since establishment of the Metzler Bank in 1674, several members of the Metzler family in all generations have been committed – both personally and financially – to supporting Frankfurt’s public institutions such as museums, academic institutes and hospitals. The Metzler values – independence, entrepreneurial spirit and humanity – apply not only to our banking business but are also reflected in our charitable endeavors.

Social engagement takes place in cooperation with other charitable or non-profit groups, specialists or public authorities in order to achieve the best results. In addition to own donations, we also engage in persuading others to donate (“Anstiften zum Stiften”) in order to motivate as many people as possible to help secure project financing. Thus, Metzler’s network is always growing.

In 1998, Metzler’s commitments – some of them dating back centuries – led to the establishment of the “Albert und Barbara von Metzler-Stiftung” (Metzler Foundation) which concentrates primarily on the development of children and adolescents. It supports measures for German language learning and also provides help for social problems. Support for the arts and culture, health care, science and research, nature and the environment, and project financing round off the “portfolio” of offerings. The Foundation’s work extends to all of Germany and beyond. Innovative fund-raising concepts have been in use since the beginning of the 21st century and employee engagement has been actively promoted in order to react appropriately to societal challenges.

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 .

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