



MEAG ESG Strategy

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1 Scope of application

The MEAG ESG Strategy describes the ESG Strategy of MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH („MEAG“). MEAG is a 100% subsidiary of MEAG MUNICH ERGO AssetManagement GmbH („MEAG AMG“). Whereas MEAG AMG manages financial and real estate assets and provides investment advice exclusively for Munich Re Group companies, MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH manages special and mutual funds with varying investment focuses and provides individually tailored investment management and advisory services for non-Group institutional investors outside the USA. MEAG has outsourced central ESG and further functions to MEAG AMG, thus departments and functions described in this document may organizationally be part of MEAG AMG.

MEAG's business activities are subject to key sustainability standards of Munich Re Group, such as the Group-wide Code of Conduct, which refers 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.

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 (hereinafter “PRI”), 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

MEAG engages directly or indirectly through investment associations with other market participants, regulators and investee companies. By participating in working groups or providing input to policy consultations and position statements, MEAG seeks to enhance transparency on ESG and facilitate progress with respect to the integration of ESG within the investment industry. To this end, MEAG is an active member of:

- PRI, a UN-supported network of investors, working to promote sustainable investment through the incorporation of environmental, social and governance aspects,
- ‘Advance’, a PRI stewardship initiative on human rights and social issues in the extractives, utilities and renewables sectors.

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

MEAG focuses its efforts particularly on the sustainability aspects of climate change, human rights and biodiversity. The following sections provide further detail on these topics.

2.1 Climate change

Rising temperatures increase the likelihood of weather-related events occurring more frequently and with greater intensity. In addition to these physical changes in the global climate system, efforts to reduce greenhouse gases are changing prices, demand and technologies. MEAG works to account for the risks and opportunities arising from these change processes, and to put into practice Munich Re's Group-wide commitment to helping accomplish the goals of the Paris Agreement. In doing so, we recognize our responsibility, but are also aware of the limits of our influence as an asset manager in tackling a systemic problem like climate change. Further details on MEAG's approach to climate-related topics can be found in the [MEAG KAG and AMG Climate Strategy](#).

2.2 Human rights

As an asset manager, MEAG acknowledges a responsibility to support the protection and promotion of human rights, fair working and living conditions and equal opportunities.

MEAG takes human rights into account in its asset management activities and is aware of the influence it can have on the companies in which it invests. MEAG aims to ensure that the companies in which it invests respect the rights of their employees, their stakeholders and the societies in which they operate.

MEAG uses a range of tools and has implemented robust governance structures to integrate human rights into the investment process across asset classes.

More details on how MEAG integrates human rights considerations into its investment processes can be found in the [MEAG KAG Human Rights Declaration](#).

2.3 Biodiversity

MEAG has identified biodiversity as a topic of key importance to its investment activities, whereby the overarching objective is to manage dependencies of its investments on biodiversity, mitigate negative impacts on biodiversity and further its contribution to the preservation and restoration of biodiversity.

MEAG has set-up initial measures to consider biodiversity aspects in its investment activities. Portfolio managers in public markets are alerted through a pre-trade flag, when investing into companies associated with negative impacts on biodiversity sensitive areas (as defined by Principal Adverse Impact Indicator of the Regulatory Technical Standards supplementing the SFDR²). Investments into respective companies shall be avoided or need to be justified by the Portfolio Manager (so-called "comply-or-explain-approach"). Further, MEAG's ESG & Sustainable Finance department regularly analyses flagged companies and proposes follow-up actions, such as engagement, close monitoring or investment restrictions to the MEAG ESG Committee for assets managed by MEAG.

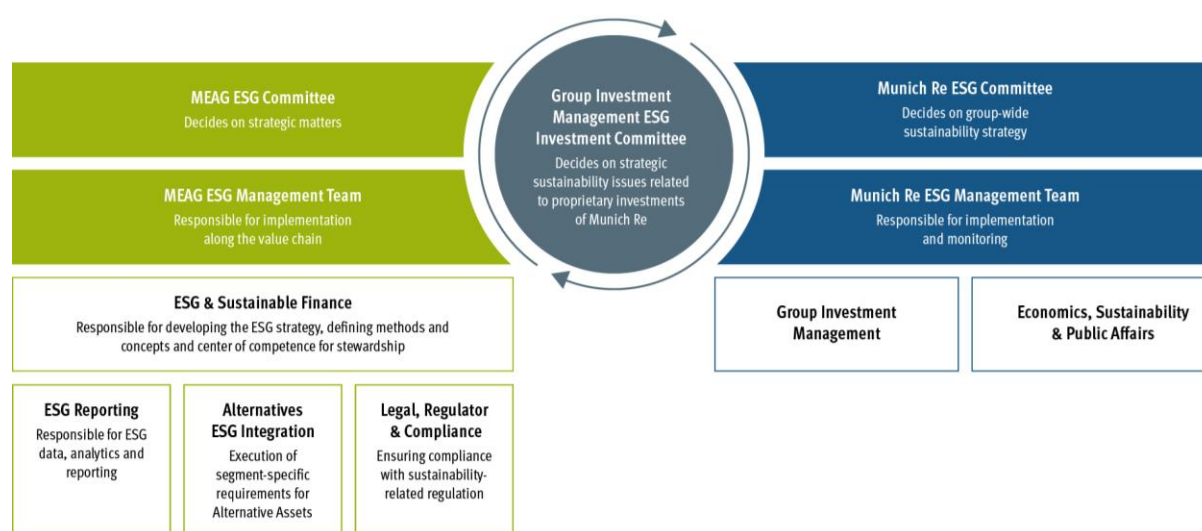
For direct investments in alternative assets, such as real estate, infrastructure, forestry and agriculture, a biodiversity screening based on the Integrated Biodiversity Assessment Tool (IBAT) is conducted during the due diligence process, where applicable. This serves to identify whether a potential investment is situated in or in close proximity to a biodiversity-sensitive area, such as UNESCO World Heritage Sites or key biodiversity areas. Furthermore, this analysis identifies whether red-listed species by the International Union for Conservation of Nature (IUCN) are expected in the area. In the event of actual or potential severe negative impacts, MEAG assesses the sufficiency of existing or planned mitigation measures and determines whether additional action is required. The

² Please see Table 1, No. 7 of Annex I Commission Delegated Regulation (EU) 2022/1288.

results of this assessment are part of the documents submitted to the Investment Committee, thereby informing the decision-making process. Within the scope specified in the MEAG KAG Exclusion Policy³, alternative investments into assets in natural or mixed UNESCO World Heritage sites are restricted.

3 ESG governance

To ensure company-wide alignment with and implementation of the ESG Strategy, MEAG has set up an ESG Governance structure. MEAG's ESG governance is aligned with and embedded in Munich Re's ESG governance. The Group Investment Management ESG Investment Committee is a committee with MEAG representation that decides on strategic ESG issues related to proprietary investments of Munich Re, thereby, serving as a forum that facilitates alignment between MEAG and Munich Re.



Note: This chart does not display the complete ESG Governance of Munich Re, but only the departments most relevant for MEAG.

Overall responsibility for the MEAG ESG Strategy lies with MEAG's Board of Management. The MEAG ESG Committee, a joint Committee of MEAG and MEAG AMG, (voting members: Chief Administration Officer/ Chief Operating Officer, CIO Public Markets, CIO Alternative Assets, Chief Sales 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/ Chief Operating Officer is responsible for the further development of the ESG Strategy and for key concepts relating to sustainability. ESG & Sustainable Finance develops ESG guidelines as well as implementation measures and empowers ESG product development and communication. In addition, engagement and proxy voting activities are bundled in the MEAG "Center of Competence for Stewardship" within ESG & Sustainable Finance.

³ MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH Exclusion Policy is publicly available at: <https://www.meag.com/en/esg/esg-governance.html>

Within the Legal, Regulatory & Compliance department, there are dedicated ESG specialists who, in collaboration with the ESG & Sustainable Finance department, ensure compliance with the relevant sustainability regulatory requirements and supervisory guidelines. An ESG Reporting unit is centrally responsible for the availability of ESG data, analysis and quality control of the data, as well as ESG reporting. The “Alternative ESG Integration” unit is responsible for implementing the segment-specific ESG requirements within alternative assets.

ESG multipliers in the different investment and portfolio management teams support the ESG implementation. They actively share their knowledge on integrating ESG within their own department and act as sparring partners for the ongoing 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 are regulated by dedicated internal ESG guidelines and processes and may differ to account for asset class-specific characteristics.

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 risks⁴ 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 rating provided by MSCI, are flagged within the central investment platform of MEAG, whereby any investment into those securities 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.

⁴ 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's approach to consider adverse environmental and social impacts, i.e. in the meaning of sustainability factors⁵, 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) 2019/2088⁶. As part of MEAG'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.⁷

In the public market segment, MEAG's portfolio managers have access to all data on PAI indicators⁸, provided by external ESG data services, via MEAG's central investment platform. Issuers of securities, associated with violations of the UN Global Compact /OECD Guidelines for Multinational Enterprises or 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 semi-annual basis selected PAI indicators of MEAG are reported to the MEAG 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 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.⁹

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 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

⁵ '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

⁶ 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.

⁷ MEAG KAG Exclusion Policy is publicly available at: <https://www.meag.com/en/esg/esg-governance.html>

⁸ 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 as provided for by Art. 4 (1) of Regulation (EU) 2019/2088.

⁹ MEAG KAG disclosure on principal adverse impacts in accordance with Art. 4 (1) of (EU) 2019/2088 is publicly available at: <https://www.meag.com/en/esg/disclosures.html>

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 considers ESG aspects when planning the long-term development of its assets and when contracting service providers. MEAG manages a broad portfolio of “green buildings”, i.e. real estate properties that are certified according to sustainability standards¹⁰ or infrastructure projects around the world, such as solar power plants and wind farms, low-carbon mobility. With regards to forest investments, it focuses on those where management of the forest is certified regarding sustainability, in accordance with the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification Schemes (PEFC), or an equivalent organization.

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,
- engagements with issuers, and
- when exercising voting rights.

The active dialogue (engagement) with issuers of securities, which MEAG manages is an essential part of achieving MEAG’s three ESG objectives as outlined in section “Motivation for ESG” (see section 2). MEAG’s internal experts in the Centre of Competence for Stewardship 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 stewardship experts engage 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.

Furthermore, MEAG leverages voting rights to achieve its ESG objectives. The voting behavior is aligned with ongoing issuer engagements and is used to further support MEAG’s goals. To this end, MEAG works with external proxy voting service providers, who implement the guidelines provided by MEAG’s proxy voting policy.

MEAG’s proxy voting policy, participation policy and engagement policy are available online on the MEAG website¹¹.

6 Products

MEAG provides its clients with 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 investments¹². MEAG continuously works on extending the ESG product

¹⁰ 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.

¹¹ MEAG Participation Policy: <https://www.meag.com/en/inform/1241.html>; MEAG Proxy Voting Policy: <https://www.meag.com/en/esg/esg-governance.html>

¹² Sustainable investment within the meaning of the definition pursuant to Art. 2 (17) Regulation 2019/2088.

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:

- Munich Re sustainability disclosures:
<https://www.munichre.com/en/company/investors/reports-and-presentations/annual-report.html>
- MEAG's PAI Statement: <https://www.meag.com/en/esg/disclosures.html>
- Annual Proxy Voting Report of MEAG as well as Quarterly Interim Reports:
<https://www.meag.com/en/esg/stewardship.html>

MEAG also provides ESG-related information to clients via various formats, including mandatory disclosures pursuant to the regulatory framework or based on contractual agreements. For mutual funds offered by MEAG, these reports are accessible on our website at:
<https://www.meag.com/de/investieren/privatkunden/aufeinenblick.html>.

Institutional clients have access to the European ESG Template (EET).