

Sustainability Policy



Flossbach von Storch

“Sustainability is not new to us, but it is rather an essential characteristic of a long-term investor and thus of a long-term investment strategy. A company can only operate successfully and sustainably over the long term if it serves its customers well; motivates its employees; treats its business partners fairly; invests sufficiently; pays taxes and does not cause any environmental damage. This is why we not only deal with business models and company balance sheets, but also with the people behind a company.”

Dr Bert Flossbach

Co-Founder and Board Member of Flossbach von Storch AG

Signatory of:



PRELIMINARY REMARK

The Sustainability Policy of Flossbach von Storch Invest S.A. (“FvS Invest S.A.”) describes how sustainability aspects relating to environmental, social and corporate governance issues, so-called ESG factors (Environmental, Social, Governance) are taken into account in the management of the investment funds managed by FvS Invest S.A. (the “Funds”) and are fully integrated into the investment policy. In this context, a close exchange of views will take place with the fund manager of the Funds, Flossbach von Storch AG.

The Sustainability Policy is available on the website of FvS Invest S.A. www.fvsinvest.lu. In connection with active participation as a shareholder, reference is made to the guidelines on the exercise of voting rights and participation of FvS Invest S.A., which are available on the above-mentioned website.



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1 MISSION STATEMENT

Sustainability has always been a key feature of the long-term-thinking fund managers at Flossbach von Storch AG and a fundamental component of their investment philosophy, which was designed for long-term investment. Flossbach von Storch defines sustainability with attributes such as: durable, consistent, stable, future-proof and successful in the long term. This describes a comprehensive understanding of sustainability that pursues the well-being of all stakeholders. A company can only be successful in the long term if it serves its customers well, motivates its employees, treats its business partners fairly, invests sufficiently, pays taxes and does not cause any environmental damage. Ecology and social responsibility are therefore prerequisites for long-term economic success. The one does not work without the other.

As a trustee of its clients' assets, Flossbach von Storch is committed to dealing responsibly with the associated rights and obligations. This is done in accordance with the principles of an active (non-activist) investor, who draws attention to and acts in an appropriate manner, in the event of abuses in companies in which they hold a stake.

2 PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

In January 2019, Flossbach von Storch AG signed the United Nations Principles for Responsible Investment (UN PRI) on behalf of the Flossbach von Storch Group. They commit the Flossbach von Storch Group to take ESG factors into account in the process of making investment decisions and to integrate active participation as a shareholder in the exercise of voting rights.

3 INTEGRATION OF SUSTAINABILITY INTO THE INVESTMENT DECISION PROCESS

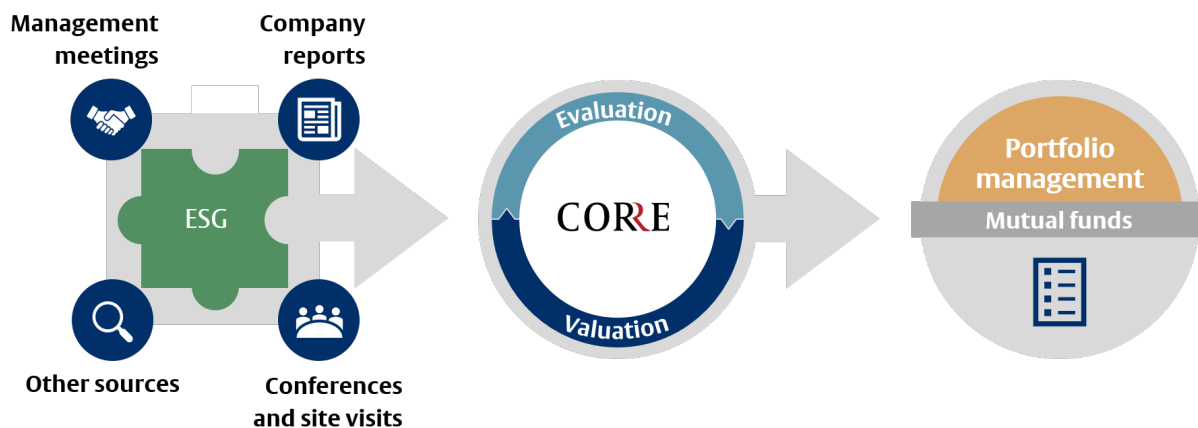
The fund manager of the Funds, Flossbach von Storch AG, integrates ESG factors firmly into its proprietary investment process. Starting with a fundamental company analysis conducted by independent research, every new investment idea is thoroughly examined for quality. Only if a company generates high and secure earnings over the long term and there are no serious ESG risks will an investment idea become a possible investment and thus be included in the so-called focus list. The fund manager of the Funds, Flossbach von Storch AG, can therefore only invest in companies on the internal focus list. This principle ensures that every invested security has gone through the in-house analysis process and corresponds to our own understanding of quality.

ESG factors are explicitly taken into account in the proprietary evaluation and assessed for opportunities and risks. Each of the three factors (E, S and G) is considered from the perspective of a long-term investor to ensure that none of the aspects leads to a potential conflict of interest for long-term value creation. Within the framework of the multi-level analysis, particular attention is paid to management integrity, which is important for the sustainable development of a company. This increases a company's long-term prospects of success and can only be achieved by taking environmental and social factors into account. ESG risks thus form an essential part of the investment process.

The team of analysts draws on various external data sources. These external sources can provide some useful information for assessing ESG risks, but they can never replace the team's own analysis.



Through a fundamental approach to ESG integration and the consideration of sustainability risks, Flossbach von Storch AG fulfils its fiduciary duties to the best of its ability to appropriately classify potential risks (and opportunities) of investment decisions. With regard to possible effects on investment performance, sustainability risks are considered part of the general price risk.



3.1 Active owners

The role as trustee does not stop at choosing the right investment. As a long-term investor, Flossbach von Storch is committed to actively representing clients' interests in portfolio companies (active ownership).

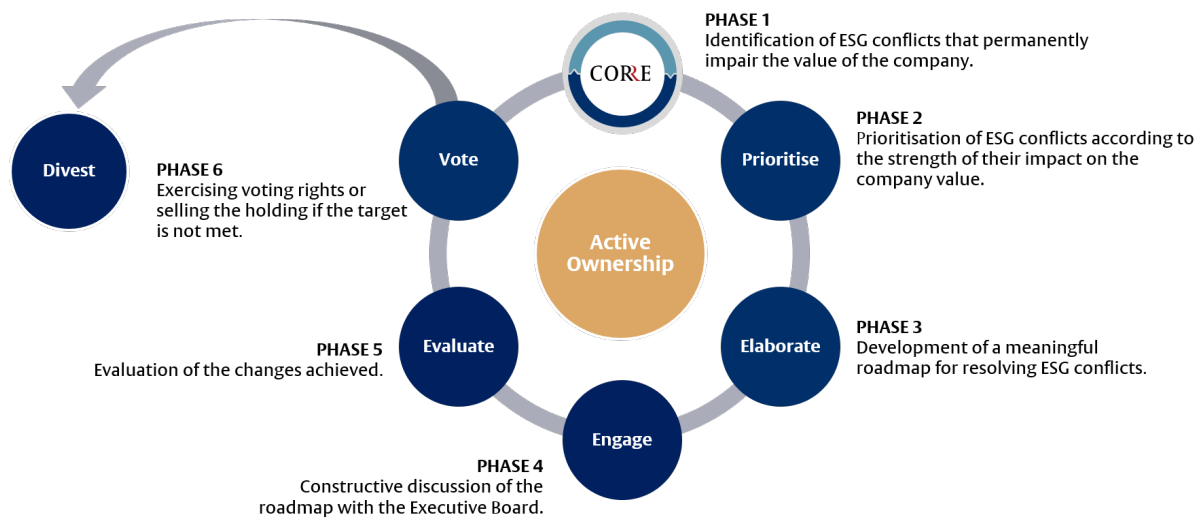
The interests of shareholders are taken into account in a stringent active ownership process and follow a fixed participation policy. Developments in the portfolio investments are continuously monitored and analysed. Potential risks affecting their business development can thus be identified at an early stage – including serious ESG conflicts. Critical points are discussed with management.

Flossbach von Storch sees itself as a constructive sparring partner that makes sensible suggestions and supports the management in implementing them. The analysts focus on a limited number of companies, which gives them both the opportunity and the time to ensure that companies' compliance with sustainability goals is pursued and progress is monitored. If the management does not take the necessary steps towards a sustainable business model sufficiently, the fund management uses its voting rights or sells its stake.

Flossbach von Storch AG takes the responsibility of exercising voting rights for its investors seriously and votes for the funds according to defined criteria. As a long-term investor, Flossbach von Storch AG supports all measures that sustainably increase the value of a company in the interests of investors and votes against, or allows votes to be taken against, those that oppose this goal.

In connection with active participation as a shareholder, reference is made to the guidelines on the exercise of voting rights and participation of FvS Invest S.A., which are available on the website www.fvsinvest.lu.





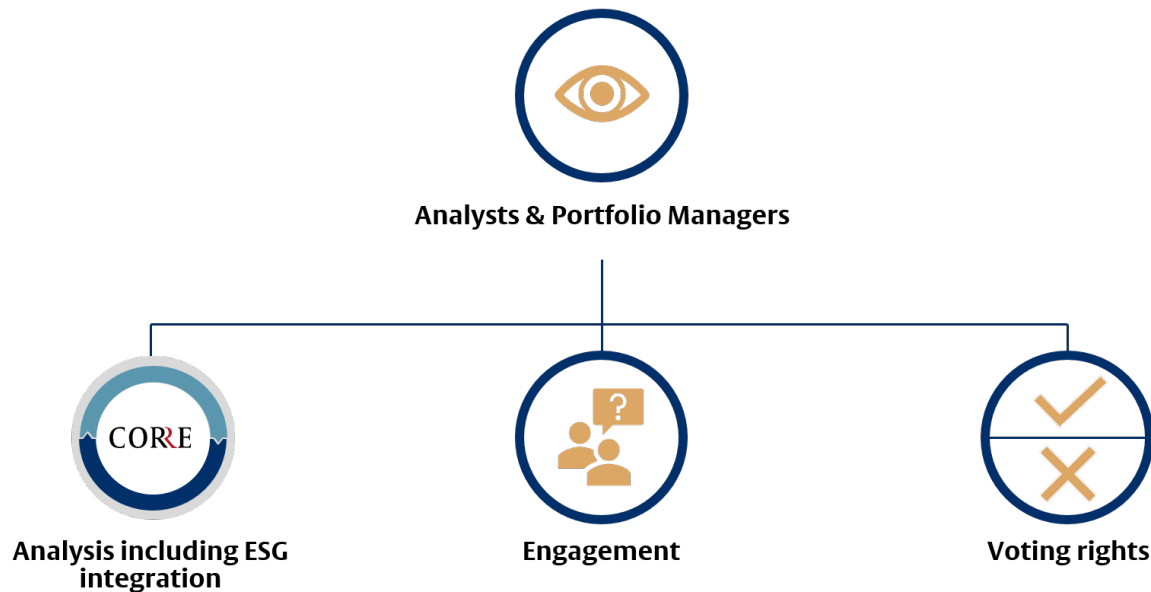
3.2 Organisational structure of the fund manager

The portfolio management does not apply rigid ESG filters; it decides on a case-by-case basis using the proprietary analysis process CORE whether or not a company stands out negatively with regard to its ESG activities. The basis for decisions is formed in internal meetings and in written form and is thoroughly reviewed in order to maintain the stringency, completeness and correctness of the chain of argumentation. This teamwork-based approach, anchored in the principles of the Flossbach von Storch Pentagram, is based on a shared understanding of the quality of an investment.

ESG integration is firmly anchored in the investment process and is monitored by the Chief Investment Officer (CIO) and the respective Heads of Equity Research and ESG Research at Flossbach von Storch AG. The implementation of ESG integration, the exchange of information with companies and the exercise of voting rights is carried out centrally by the responsible portfolio managers and analysts. Portfolio managers also work as analysts and thus gain a deep understanding of the investments – across asset classes.

Voting rights are generally exercised by the portfolio manager. The starting point for the decisions taken is the recommendations prepared by the analyst assigned to a portfolio or issuer in consultation with the portfolio manager prior to a general meeting or vote and which are consistent with the investment strategy of the investment fund concerned.





In connection with the organisational structure, reference is made to FvS Invest S.A.'s remuneration policy and guidelines on conflicts of interest, which are available on the website www.fvsinvest.lu. FvS Invest S.A. attaches importance to ensuring that the remuneration policy takes into account, inter alia, the long-term interests of investors and is consistent with the integration of sustainability risks in the investment decision process. Potential conflicts of interest related to sustainability aspects and risks are identified, mitigated and avoided by FvS Invest S.A.

3.3 Disclosure in the context of participation

The Funds' manager, Flossbach von Storch AG, supports the growing importance of sustainability in the financial sector. It engages in intensive discourse, not only with its clients but also with politicians, initiatives and through press releases, interviews, its own publications, etc., in order to underline the importance of the issue of participation in the context of sustainability and to accompany it in a constructive and critical manner.

Flossbach von Storch publishes an annual Active Ownership Report with excerpts from their voting activities and engagement activities in the previous calendar year. The latest Active Ownership Report is published on the Internet at www.fvsinvest.lu (or the Flossbach von Storch Group's country-specific websites) and at www.flossbachvonstorch.de/de/.



3.4 Exclusions for all funds

The Flossbach von Storch Group has committed itself to a group-wide corporate policy on controversial weapons. It ensures that no investments are made in companies associated with the manufacture and sale of cluster bombs or other controversial weapons.

The following different types of controversial weapons (non-exhaustive list) fall within the scope of this policy:

- Cluster munitions
- Anti-personnel landmines
- Biological and chemical weapons
- Nuclear weapons

3.5 Exclusions for Foundation sub-funds

The investment strategy of the Flossbach von Storch Foundation sub-funds is based on the generally applicable sustainability approach of ESG integration and the participation and voting rights of FvS Invest S.A. and also takes into account the exclusions on controversial weapons as described above.

In addition, the Foundation sub-funds reflect a broader consensus of values in the charitable sense. Taking into account ESG criteria for sustainable financial instruments, the sub-fund specific investment policy of the Foundation sub-funds defines categories of companies in which the Foundation sub-funds may not invest.

4 SPECIAL MANDATES

The investment strategy of individual mandates of Flossbach von Storch AG is based on the generally applicable sustainability approach of ESG integration and the participation and exercise of voting rights by FvS Invest S.A. and also takes into account the exclusions on controversial weapons as described above.

In addition, the composition of the special funds and portfolios can be adapted to the sustainability criteria of the clients. Ethical or moral standards are thus individually designed. Supplementary negative-list approaches are usually based on the exclusion of certain securities, sectors or even countries. Moreover, CO2 footprint benchmarking mandates are possible for individual securities mandates.

5 REVIEW OF SUSTAINABILITY POLICY

This Sustainability Policy is subject to regular review and will be updated as necessary depending on the development of business activities and adjustments to strategies to implement sustainability criteria and risks. The latest version of the Sustainability Policy is published on the FvS Invest S.A. website www.fvsinvest.lu.

