

Responsible Investment Policy

Gothaer Asset Management AG

March 2021

Table of contents

- 1. Purpose 3**
- 2. Scope..... 3**
- 3. ESG Governance..... 3**
- 4. Responsible Investment Implementation across Asset Classes..... 4**
- 5. ESG Integration..... 5**
 - 5.1 Due Diligence..... 5
 - 5.2 Monitoring and Engagement 6
 - 5.3 Training 6
- 6. Exclusion Policy..... 6**
- 7. Material ESG-issues..... 7**
- 8. Reporting 9**

1. Purpose

As an asset manager and investor, Gothaer Asset Management AG (hereinafter GoAM), is committed to conducting its business in a responsible manner and aims to have a positive impact on the society and environment. We believe that integrating environmental, social and governance (ESG) issues in our investment decisions and product development allows us to reduce risks, identify new opportunities and achieve better results.

As an investor in various companies, sectors and countries, GoAM takes its responsibility as an asset owner and steward seriously and commits to the Principles for Responsible Investment (PRI). We have developed procedures to ascertain that the companies we invest in meet our environmental, social and governance (ESG) expectations. Our aim is to contribute to sustainable development through various ESG strategies, such as integration, screening, engagement, active ownership and impact investing.

This Responsible Investment Policy provides the necessary information on GoAM's investment process across all asset classes and outlines what is expected from our external managers and what they in return can expect from us. This is followed by an outline on how we monitor and engage with external managers.

2. Scope

The RI policy only applies to investments of proprietary assets of Gothaer Group whether internally or externally managed irrespective of geography. We acknowledge that different investment approaches have different ESG risks and opportunities, hence the implementation of this policy depends on the investment instrument implemented.

The policy is subject to all applicable local laws as well as regulations. In cases where GoAM does not have a controlling interest in a particular investment, GoAM will use its position to encourage and influence appropriate ESG practices.

3. ESG Governance

GoAM has a dedicated ESG team that is responsible for coordinating all issues related to ESG at GoAM. Its primary task is working closely with the investment teams across all asset classes to integrate ESG into the analyses and decision making. In addition, the team works on further developing and implementing appropriate strategies and processes to incorporate material ESG risks in investment decisions, provides ongoing ESG staff training and engages with external managers on ESG issues. The ESG team reports directly to the Chief Executive Officer of GoAM.

ESG is an integral part of the investment process, hence, the front office staff is tasked with the integration of ESG aspects into their investment analyses and decisions while middle office monitors and reports on compliance with the implemented exclusion criteria.

GoAM has also set up an ESG Committee whose task is to make key decisions regarding the strategic handling of ESG matters that may arise from time to time. The committee serves as a contact point for employees to clarify ESG matters concerning individual investments, especially in cases where the ESG team cannot make such decisions. The ESG Committee consists of five voting members and permanent guests. The voting members include the Executive Board Front Office, the Executive Board Middle/Back Office, two members of the ESG team and one member responsible for equities. The Committee meet monthly and can convene whenever there is an urgent issue.

4. Responsible Investment Implementation across Asset Classes

Gothaer Asset Management (GoAM) responsible investing approach is rooted in both national and international regulations. These are, in the first instance, German law as well as international treaties and conventions. Besides being a signatory of the UN Principles for Responsible Investments (PRI), our responsible investment approach is influenced by the United Nations Global Compact (UNGC), the UN Guiding Principles on Business and Human Rights, The ILO conventions on labour standards, the Convention on Cluster Munitions as well as other standards for sound environmental, social and governance performance. We expect companies and funds we invest in to act in line with the above-mentioned principles and conventions. We have developed procedures to assess whether companies operate in line with the principles.

We seek to integrate ESG considerations to our overall investment decisions and across asset classes. However, we acknowledge that different asset classes, portfolio strategies and investment universes require different approaches to effectively strengthen decision making.

Private Capital and Infrastructure

The majority of GoAM's private capital and infrastructure investments is managed externally. As such investments are often made through funds with many other investors, GoAM has no direct influence on the selection of target investments and is dependent on the ESG strategies of the respective managers. It nevertheless strives to implement the existing ESG approaches in these investments to the best of its ability. Therefore, high importance is attached to the selection and monitoring of external managers. Prior to investing, a due diligence is carried out on each external manager which includes analysing the companies ESG strategies, processes and performance. Our ESG team alongside portfolio managers also regularly engage in dialogue with the external managers to gain more insight about ESG activities and to inform them of GoAM's ESG expectations.

In addition, we regularly review the ESG performance of the existing funds. For this purpose, GoAM analyses selected ESG performance indicators of the target investments using the database of our ESG data-provider RepRisk as well as ESG-reports sent by managers. Any material incidents are discussed in detail with the managers. Where serious violations are found and there is no sufficient response from the manager, the matter is brought to the ESG Committee which decides on the further course of action.

Real Estate

All our real estate investments are externally managed. Before investing we ensure that the fund managers are committed to ESG and have a vision on ESG issues that align to our responsible investment approach. In addition, it is important to us that external managers have sufficient processes to implement the ESG policies. As members of the European Association for Non-Listed Real Estate Vehicles (INREV) we have adopted the Due Diligence questionnaire which contains ESG sections and forms the basis of our investigation. The questionnaire is submitted to new potential funds with the aim of understanding the external manager's perception of ESG. Apart from sending the questionnaire, we are open to dialogue with funds to create more clarity regarding ESG processes.

To enable the assessment of our target investments in the real estate sector in terms of ESG, we joined GRESB in 2020 and strongly encourage our external fund managers to participate. GRESB is the world's leading rating system for measuring the sustainability performance of real estate funds. We intend to use GRESB throughout our real estate portfolio as an engagement tool to ensure our investments continuously become sustainable and to identify areas of improvement such as greenhouse gas (GHG) emissions, water and energy consumption and waste management.

Securities

Our ESG approach in securities embraces two main elements: integration and exclusion criteria. The aim of the ESG integration is to identify sustainability-related risks and opportunities prior to investment

decisions as many equity losses and credit events in the past can be attributed to issues such as bad governance, environmental issues and weak health and safety standards. We consider well informed investment decisions to include ESG factors that are material and could impact the financial performance of the issuer. Our portfolio managers implement data of our ESG data-providers MSCI ESG research, RepRisk and other external sources to analyse the issuers 'ESG performance. In cases where ESG ratings raise unclear issues and the ESG team cannot provide a definite answer, the matter is brought to the ESG committee for further discussion.

GoAM is convinced that good corporate governance standards are essential for sustainable capital investment. For this reason, GoAM attaches great importance to ensuring that voting rights in equity investments are exercised responsibly and with a strong focus on sustainable corporate development. At present, Gothaer's capital management company - HSBC INKA - exercises the voting rights of the equity investments.

Please refer to section 6 for explanations of our exclusion policy.

As no definitive market standard for ESG indices has yet developed, a wide range of different ESG ETFs are available on the market. The ESG strategies and criteria applied in ESG ETFs vary widely and are not entirely consistent with the Gothaer ESG exclusion criteria. The future handling of sustainability risks in ETFs is currently the subject of an ongoing review.

Sovereigns and State-related Issuers

While companies pursue a specific business purpose, government action is much more diverse and can vary greatly. It is almost impossible to engage with governments in order to influence change of behaviour. In this regard, we have developed an ESG sovereign index where the calculations incorporate environmental, social and governance fields. The aggregated scores derived from the different indicators such as civil liberties, child labour, political rights and democracy etc. allows us to rank the individual states. The scores are translated into a grading system with a scale from 1 to 5. Countries with a score of 1 to 3 are eligible for investment without restrictions while those with a score of 4 require a more in-depth sustainability analysis and a written justification by the portfolio management. Countries with a score of 5 are not eligible for investment. The assessment of sovereign issuers is based on the sovereign index and is supplemented by the analyses of our ESG data providers MSCI, RepRisk or other external sources. The index is also updated on an annual basis, with regular updates planned in future once clear processes have been established.

5. ESG Integration

We believe that ESG factors can have a material impact on investments, as a result we consider ESG integration a vital instrument in our investment analysis and decision making. Using ESG research as part of our due diligence process allows us to identify the risks and opportunities and provides input to engage with our external managers.

Our integration approach spans across the entire investment process from conducting due diligence, engaging with managers, continuous monitoring and reporting. We facilitate ESG integration into the overall process through the following:

5.1 Due Diligence

For each prospective investment we conduct due diligence to identify significant ESG risks. The process varies depending on whether the investment was made directly or through an external manager.

For all investments made via external managers, the process begins with extensive ESG research of the investment company. Thereafter, our portfolio managers send due diligence questionnaires to ex-

ternal managers in order to understand and evaluate how they integrate ESG factors into their investment practices. The due diligence questionnaires along with dedicated interviews help us to understand if the external managers' ESG integration is aligned with GoAM's approach.

The results of the analysis are documented and are incorporated into the investment decisions. The commissioning of a manager is only considered if a convincing ESG concept is presented.

For direct investments, detailed company and industry reports of our ESG data providers MSCI Research and RepRisk as well as other information sources such as Bloomberg, Fitch Ratings, Business and Human Rights Resource Centre, Sustainability Accounting Standards Board, Transition Pathway Initiative etc are used as a basis for evaluation by portfolio managers. In doing so, we follow a balanced approach in which environmental, social and governance-related sustainability risks are taken into account in equal measure. The analyses are carried out and documented for all new investments.

5.2 Monitoring and Engagement

Monitoring the investments is part of our stewardship responsibility and gives us an overview of how companies are run. Monitoring includes aspects that could affect a company's long-term value such as financial performance, capital structure, corporate governance, sustainability risks and opportunities. For this purpose, GoAM analyses ESG key figures of the target investments wherever possible using our ESG data-providers, GRESB tool and other publicly available information sources.

We place strong emphasis on active engagement after investment with our external managers. Transparency and influence of ESG performance is achieved through dialogue, strong relationships and contractual agreements. Our portfolio managers monitor and work with the fund managers to drive improved ESG performance. Monitoring of ESG activities is facilitated through dialogue with our external fund managers to gain a better understanding of our investments, the ESG risks involved and to communicate our objectives and expectations. Usually, appointments are made with fund managers to discuss ESG matters with participants drawn from various departments of the company including the investment team. The main objective of engagement is to encourage our external managers to uphold certain sustainability and governance standards. We expect the companies we invest in to demonstrate responsible behaviour and to react in a timely manner when particular behaviour falls short of those standards.

5.3 Training

ESG is embedded in our culture and the ESG team provides trainings on relevant topics to the employees in order to raise awareness of new developments in this rapidly evolving area of interest. In addition, employees take part in external ESG trainings and webinars.

6. Exclusion Policy

As part of our responsible investment, GoAM has defined exclusion criteria and companies that violate are either excluded from the investment universe or divested from as soon as practically possible. The exclusion criteria reflect our stance and enables us to filter for a number of risks. Thus various, environment, social and governance (ESG) risks are reduced prior to a financial analysis. In particular, transitory risks regarding climate change as well as risks related to violations of human and labour rights are significantly reduced. For all direct equity investments and corporate bonds, we apply business sector-based and norm-based exclusion criteria. This reduces the investment universe for investments by companies whose business activities are focused on:

- Conventional weapons (sales greater than 10%).
- Prohibited weapons (cluster bombs, land mines, etc.)

- ABC (atomic, biological and chemical) weapons
- Steam coal (production or conversion to electricity greater than 30% of sales or coal reserves greater than 1 billion tons).

We also exclude companies that violate the following standards:

- 10 principles of the United Nations Global Compact
- Core Labor Standards of the International Labor Organization
- UN Guiding Principles on Business and Human Rights.

Compliance with exclusion criteria for individual securities in Gothaer mutual funds and special funds is ensured by our capital management company (KVG). For investments in the direct portfolio, verification is carried out by the Middle Office. Companies that violate the exclusion criteria are identified monthly by our external data provider MSCI ESG Research.

7. Material ESG-issues

In line with our responsible investment principles GoAM especially focuses on the following issues in its exclusion policy and integration approach:

Controversial Weapons

We believe that every human has the right to live in peace and freedom from fear. However, we acknowledge that in certain circumstances, the use of weapons to maintain internationally accepted objectives such as peacekeeping, security and humanitarian missions is unavoidable.

It is also the duty of each sovereign nation to protect its citizens and ensure peace and security, hence, situations could occur where weapons become necessary to prevent war and maintain stability. However, there is a risk that the weapons and their trade can exacerbate destruction, promote or continue armed conflicts which will cause more human harm and violation of human rights.

In this regard, GoAM does not invest in companies that are involved in the production of controversial weapons. These are weapons whose large-scale use causes harm or suffering and are aimed at civilians or result in civilian casualties. We exclude companies involved in the production of cluster munitions, anti-personnel mines, nuclear, chemical or biological weapons. Involvement is defined as production or supply of the core weapons system and components or services for the use of the above-mentioned weapons.

For conventional weapons, we exclude companies that derive more than 10% of their total revenues from production of weapon systems, components and support systems and services.

Human Rights

GoAM believes that it is the duty of companies and governments to protect the rights and freedoms of individuals. The Universal Declaration of Human Rights in 1948 laid the foundation for a fairer and just world and the UN Guiding Principles for Business and Human Rights (2011) emphasizes the duty of corporates to respect human rights. In this case, GoAM expects the companies and governments we invest in to respect and adhere to the internationally proclaimed human rights and ensure they are not complicit to human rights abuses. The UN Guiding Principles for Business and Human Rights is perceived as an authoritative framework for companies and is endorsed by the UN Global Compact as a means through which companies can ensure they uphold human rights.

We believe human rights controversies can have a material impact on a company's reputation, which in turn could affect its operations and value. We therefore consider how external managers interact with their stakeholders e.g., suppliers, customers, employees, environment, community and regulators and

the impact this might have both positive and negative to their long-term success. We use MSCI ESG research to screen against companies that breach the UN Guiding Principles for Business and Human Rights and the UN Global Compact. Companies that have severe violations are divested from within a reasonable period. However, we believe that a large impact can be made on advancing human rights by stringent ESG management of our external managers on the topic. When engaging with external managers, we encourage investee companies to commit to human rights in line with the international conventions.

Labour Rights

GoAM expects investee companies to adhere to international labour rights. These include freedom of association, recognition of right to collective bargain, elimination of all forms of discrimination, no forced labour and the abolition of child labour. Labour standards are a subset of human rights and the majority of the labour standards are derived from human rights provisions listed in international human rights treaties. The International Labour organization (ILO) has laid a set of eight core conventions as covered in the ILO's Declaration on Fundamental Principles and Rights at work (1998). We want employees of companies we invest in to have good employment conditions, safe and healthy workplace and to have their labour rights protected and exclude any companies violating ILO fundamental conventions from our portfolio.

Climate Change

Climate change is one of the greatest challenges of our times and one of the highest priorities ESG issue facing investors. The United Nations Framework Convention on Climate Change (UNFCCC) defines climate change as change in climate occurring as a result of direct or indirect human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over a comparable time period. As investors we are exposed to the risks resulting from climate change which include direct physical impacts from frequent extreme weather events such as droughts, rising sea levels, floods etc. and the impacts of policy, technology and societal changes resulting from efforts directed at mitigating greenhouse gas emissions (GHG). GoAM supports the Paris Climate Agreement and is committed to contributing to holding the increase on global average temperature to well below 2°C of pre-industrial levels. It is therefore important that the companies and governments we invest in adequately assess and manage climate risks and opportunities.

In this regard we recognize that certain sectors such as thermal coal not only contribute most to GHG emissions but are also likely to be impacted by climate related regulations and run the risks of their assets being stranded. GoAM therefore excludes companies that generate more than 30 % of their turnover from coal extraction or coal-fired power generation and those with more than 1 billion tonnes of confirmed or probable coal reserves.

Biodiversity

The variety of plants including animals and their habitat are critical for human survival. The natural ecosystem they create provides us with water, food, clean air and medicine. The destruction of natural ecosystems through deforestation, extensive land use, encroachment on natural habitats and overexploitation of natural resources accelerates climate change as well as loss of biodiversity and increases the risk of diseases and loss of livelihoods in affected areas. We believe that companies and governments have a responsibility to protect nature and preserve biodiversity. Therefore, it is our expectation that the companies we invest in take the necessary measures where possible to preserve, protect and enhance nature over the long-term. UN Global Compact foresees a precautionary approach to the environment as one of its core principles for conducting business. By excluding any companies violating the UN Global Compact from our investment universe we aim to prevent serious harmful impacts to natural habitats and biodiversity by companies we invest in.

Water

According to the World Water Development Report (2012), by 2025 two thirds of the world's population will be subject to water stress. Thus, water crises have been identified as the global risk that can have impact in the next 10 years. The excessive water consumption driven by economic growth, population growth and changing consumption patterns are exerting extreme pressure on groundwater and renewable water resources. According to the United Nations (UN), global water use has increased by a factor of six over the last 100 years and it continues to grow steadily at a rate of 1% per year. At the same time the global water cycle is intensifying as a result of global warming, with wetter regions becoming wetter and drier regions experiencing more drought. These aspects illustrate the need for swift strategies, effective and reasonable measure to counter, against the deteriorating water security. In our ESG analyses we are keen to understand how the companies we invest in manage water risks in their operations and the scarcity in the regions they operate in as well as the strategies in place. By excluding any companies violating the UN Global Compact from our investment universe we aim to prevent serious harmful impacts to water resources.

Corruption & Transparency

Corrupt business practices can have a negative impact on the long-term financial return. Corruption not only induces great business-related costs but also hinders economic, social and political development. Corrupt practices include the use of opaque company and ownership structures, offshore companies and non-transparent jurisdictions. With recent global corruption scandals eroding trust and confidence in businesses, more countries are strengthening anti-corruption legislations and there is more international cooperation to combat corruption. In addition, business have become aware that they are responsible and can be held accountable for the actions of their employees, business partners and agents. All companies no matter their size are vulnerable to corruption, we therefore expect that the companies we get into business with have necessary anti-corruption mechanisms in place and adhere to high ethical standards. By applying UN Global Compact for our negative screening, we exclude any severe cases of corruption from our portfolio.

Transparency is at the core of good governance. Requirements both voluntary and involuntary are being developed which require companies to disclose more information regarding their business activities, ownership structure, future plans and the business risks involved. Companies that value transparency disclose accurate and clear information which helps their stakeholders make informed decisions regarding their business.

We also expect the companies we invest in to transparently report on material ESG issues and the impact on their businesses and stakeholders. This helps us to better understand how they are identifying and managing ESG risks that impact their businesses. Using this information, we can make informed investment decisions in the long-term.

8. Reporting

We strive to communicate our approach to responsible investing as transparently as possible.

Our overall group-wide sustainability strategy and approach is published in the annual non-financial declaration of Gothaer Group. Starting from 2021, Gothaer will apply Deutscher Nachhaltigkeitskodex (German Sustainability Code) for its sustainability reporting. Furthermore, a more detailed CSR-report will be published on a bi-annual basis. In addition, we will also provide comprehensive reporting to UN PRI on an annual basis. All information about our responsible investment approach and related activities are provided on our dedicated webpage.

The minutes of all ESG-Committee meetings are published in GoAM intranet and submitted to the full management board, the chairpersons of the investment committees, the chief risk officer as well as the head of group accounting and tax at the Gothaer Group. In addition, GoAM reports annually to the Gothaer supervisory board about the status of ESG activities in investments.