



FERI Sustainability Policy

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1 FERI Sustainability Principles

The FERI Sustainability Policy ("Policy") sets out the FERI Group's (hereinafter referred to as FERI) framework for dealing with sustainability. It explains FERI's strategies for dealing with the topic of sustainability as well as the strategies for including sustainability risks in investment decision-making processes and investment advisory activities. A sustainability risk is an environmental, social or governance ("ESG") event or condition, the occurrence of which could have an actual or potential material adverse effect on the value of an investment.

1.1 Principles and self-image

Sustainability is a social and socio-political imperative. Sustainable action is no longer only demanded by supranational organisations (e. g. United Nations, UN) or non-governmental organisations (e. g. World Wide Fund for Nature, WWF), but is now also a political focus. As a result, uniform European regulation has been (and is being) created and supervisory authorities are increasingly taking sustainability aspects into account in their supervisory activities. As a socially responsible company ("*good corporate citizen*"), FERI generally supports the goals of sustainable development. To this end, FERI pursues an active sustainability policy that takes into account important fields of action for sustainable action and meets the increasing requirements of society, politics and supervisory authorities.

In order to determine general guidelines and to concretise relevant sustainability goals, FERI is guided in particular, but not exclusively, by the format of the "*Sustainable Development Goals*" (SDG) defined by the United Nations.

The aim of the FERI Sustainability Policy is to define a clear basic understanding, associated standards and goals, as well as to derive compliant courses of action and rules of conduct on the topic of sustainability.

The translation of SDG logic into general guidelines ("*practices*") and active applications ("*use cases*") is a central element of a FERI-specific SDG philosophy.

1.2 Scope of application and regulatory framework

The fundamental principles of the FERI Sustainability Policy apply to the companies and business activities of the entire FERI Group. With regard to business activities, the focus is on portfolio management, consulting, investment advice and asset management services.

This document also serves to implement Article 3 to Article 5 of the EU Sustainable Finance Disclosure Regulation ("SFDR") 2019/2088. This includes the strategy for incorporating sustainability risks into portfolio management, asset management and investment advice. FERI Trust (Luxembourg) S.A. has issued its own policy to implement the SFDR obligations.

1.3 Commitment to sustainability

FERI has been working on issues of sustainability and *impact investment* at various levels for some time. Since 2016, the FERI Cognitive Finance Institute – as an internal "think tank" – has prepared and published various studies and analyses on these topics with renowned research partners.

From the perspective of capital market participants such as FERI, the topic of sustainability involves numerous risks that need to be reassessed, but also great opportunities for the future.

FERI takes the risks resulting from climate change seriously. The resulting economic and ecological damage could have a significant impact on the overall economic environment and on the capital markets if current developments continue.

All environmental, social and governance-related factors (hereinafter: ESG factors) have a significant influence on the investment conditions relevant to FERI. They determine – directly or indirectly – the structure, dynamics and stability of the economic systems in which both FERI and its business partners and clients operate.

Consequently, the topic of sustainability is a central imperative for FERI that directly affects important issues, decisions and behaviours. For FERI, this results in a clear commitment to social responsibility both internally and externally, specifically:

- in the internal corporate environment: to promote sustainable behaviours among employees and other stakeholders and generally to avoid or reduce ESG risks and adverse sustainability impacts;
- in the external corporate environment: to provide objective and fact-based advice to clients in the context of sustainability, to develop sustainability-compliant services and to offer compatible investment solutions;
- in the general environment: for the discussion and communication of sustainability-relevant topics, also in a broader public; with the aim of promoting increased awareness and discussion of sustainability-relevant problems and approaches to solutions, also in the public sphere, through meaningful information, expert education and visible action.

1.4 Up-to-dateness of the sustainability policy

FERI ensures that this document is up to date by regularly reviewing it. In the event of a change, the updated version will be promptly updated and published.

2 Sustainability at the corporate level

2.1 Principles of sustainability in the FERI Group

FERI's understanding of values is underlined by the following principles of sustainability, which form the basis of all activities and objectives:

- FERI stands for equal opportunities, diversity and the compatibility of career and family.
- FERI promotes and demands continuous learning.
- FERI makes a significant contribution to intergenerational financial education.
- FERI combines goal-oriented entrepreneurship with social commitment.
- Sustainable action is an essential part of the services and activities.
- FERI strives to enable all clients to make better investment decisions through access to comprehensive expertise. In doing so, FERI takes environmental and social aspects as well as the principles of good corporate governance into account.
- FERI maintains an open dialogue with all stakeholders and reports transparently on its sustainable engagement.

2.2 Regulatory framework (company level)

2.2.1 Integration of sustainability risks

Sustainability risks at the corporate level are basically understood as events or conditions from the environmental, social or corporate governance areas, the occurrence of which can actually or potentially have a significant negative impact on the net assets, financial position and results of operations as well as on the reputation of FERI; this includes climate-related risks in the form of physical risks and transition risks.

Within the framework of the group-wide risk management, an appropriate control and monitoring of the material risks at group level is ensured by corresponding procedures.

2.2.2 Integration of sustainability risks in the remuneration policy

FERI determines the principles of the remuneration system in accordance with the applicable legal and regulatory requirements, also taking into account the handling of sustainability risks and the corresponding requirements of the SFDR.

FERI's remuneration policy ensures that no conflicts of interest are created with client interests in making sustainable investments or by incentivising employees to increase their variable remuneration.

In particular, the remuneration policy is consistent with FERI's strategy for managing and being transparent about sustainability risks to clients, as required by Article 5 SFDR.¹ Sustainability risks reflect the relevant environmental, social and governance aspects as well as the main adverse impacts and are set in such a way that the remuneration structure does not encourage excessive risk-taking in relation to direct or indirect sustainability risks.

2.3 FERI Corporate SDG Philosophy

In accordance with the UN PRI, FERI promotes an open dialogue on issues of sustainability and sustainable investment policy as well as on SDG principles. This dialogue is led with clients and business partners, but is also conducted intensively with other market participants, representatives of the financial world and towards an interested public.

The 17 key goals of global sustainable development, the so-called *Sustainable Development Goals* (SDG), adopted in September 2015 by the global community, represented by all 193 UN member states, aim to create a viable model for the future for all of humanity against the backdrop of increasing climate, environmental, education and resource problems.

They thus offer a clearly formulated strategic perspective for the environment, society and politics.

The SDG also affect global capital markets in a variety of ways, with the following three lines of influence and impact being particularly relevant:

- 1) The SDG are a global consensus on long-term goals (with significant capital requirements); to achieve these goals, investors and their alignment play a major role.
- 2) The SDG serve as a "signpost" for future actions of policy makers and economic actors; this directly radiates to global capital markets and directs significant investments and capital flows into SDG-relevant areas.
- 3) The SDG provide a useful framework for defining specific investment objectives and measuring real impacts of investments at the investor and system level.

¹ The remuneration policy described here is laid down in the respective valid remuneration guideline of FERI Trust GmbH. The remuneration policy of the other legal entities of the FERI Group is based on this remuneration policy.



FERI looks at the alignment with the SDG from two different perspectives:

- 1) The *investment management context* and the relevance of sustainability goals for identifying and aligning impact-oriented investment and advisory solutions (**ESG/SDG investment approach**), as well as
- 2) the corporate perspective (FERI Corporate SDG Philosophy)

The investment decision-related aspects of the implementation of sustainability criteria and the corresponding SDG reference of investment solutions are described in detail in [chapter 5](#).

For the corporate perspective, FERI has defined a long-term orientation of Corporate Social Responsibility (CSR) activities in the **FERI Corporate SDG Philosophy**. (See chapter 2.3)

The SDG serve as central guideline for FERI's activities and decisions at the corporate level. Thus, all actions and measures are always based on the overarching principles of the Group, but are concretised and operationalised according to the necessities, customer requirements and legal or regulatory provisions in the individual business areas.

FERI is fundamentally committed to the 17 United Nations Sustainable Development Goals (SDG). To this end, corporate activities are continuously compared with the Sustainable Development Goals; FERI considers five of these goals to be particularly relevant:

- SDG 4 - Quality education
- SDG 5 - Gender equality
- SDG 7 - Affordable and clean energy
- SDG 8 - Decent work and economic growth
- SDG 13 - Climate action

All social and environmental corporate activities of FERI have the goal to be as directly related to these five factors as possible. The concrete implementation can be tracked in the annual sustainability reporting at group level.

The commitment and the fields of action – how and by which means FERI as a company makes a contribution – can be read on the FERI [sustainability page](#).

2.3.1 SDG 4 - Quality education



Goal: Ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all.

Education is a core value for FERI: as a knowledge-based service company, the qualification and further training of the employees is of great importance. A high quality of education is therefore an indispensable prerequisite for providing high-quality financial advice to clients. The promotion of education is a fundamental value as well as an essential prerequisite for global sustainable development and thus for securing the future.

For FERI, social responsibility also means giving people of all backgrounds access to education, social participation and a self-determined life. To this end, FERI develops special programmes to support education, further training, health and pension provision as well as the cultural commitment of its employees. In addition, FERI promotes the topic of sustainability and future opportunities in a variety of ways at various schools and universities with seminars and lectures.

2.3.2 SDG 5 - Gender equality



Goal: Achieve gender equality and self-determination for all women and girls

FERI benefits from the diversity of its employees, which is why FERI actively promotes diversity and equality as a matter of course and creates the necessary framework conditions for this.

The core of the corporate culture is always responsible action and respectful cooperation. FERI implements this in an open and team-oriented corporate culture.

This leads to the goal of having a balanced gender ratio at the management levels in the company as far as possible. This requires suitable concepts for its promotion within the individual companies in the FERI Group.

In order to make this more concrete, efforts to promote diversity in the filling of management positions have been intensified, with a particular focus on the inclusion of women at management levels in the company.

2.3.3 SDG 7 - Affordable and clean energy



Goal: Ensure access to affordable, reliable, sustainable and modern energy for all

Affordable and clean energy is an essential building block for countering global environmental and climate challenges.

FERI strives to use resources responsibly. Thus, efficient environmental and resource management is anchored in the sustainability strategy. Affordable and clean energy is closely related to climate protection.

FERI uses electricity from renewable sources throughout the Group and continues to work towards this goal with its own CO₂ neutrality.

2.3.4 SDG 8 - Decent work and economic growth



Goal: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Sustainability is a social and socio-political imperative. It must be the goal of companies to be economically successful in the long term while at the same time acting in an ecologically, socially and civically responsible manner.

FERI faces up to this responsibility out of conviction. Sustainability is an essential part of the corporate strategy. In addition to economic and social responsibility, FERI also assumes responsibility for the ecological impact of its actions. Thus, lasting, broad-based and sustainable economic growth is the foundation of FERI.

2.3.5 SDG 13 - Climate action



Goal: Take urgent action to combat climate change and its impacts

An important social goal of FERI is to act in the interest of climate protection and to consistently reduce its own CO₂ footprint. FERI's climate protection commitment consists of three parts. After the possible avoidance and reduction of its own CO₂ emissions, FERI supports various environmental measures through financial compensation with the help of the purchase of climate protection certificates from internationally certified and thus quality-assured climate protection projects and, in addition to the preservation of biodiversity, also promotes social aspects such as the education of local people.

FERI has been climate neutral since the 2020 financial year. The climate protection strategy provides the framework for the FERI Group's climate protection activities and is intended to set the necessary course for achieving or maintaining climate neutrality. The responsible use of resources is a key component of climate protection.

Selection criteria climate protection commitment

In principle, the following aspects are taken into account when selecting climate protection projects:

- The financial volume for offsetting is distributed among a small number of projects in order to achieve optimal effectiveness.
- The quality of the projects is to be ensured through audits that are tested and certified.
- The goals of the respective projects should reflect the SDG that are essential for the Group as far as possible.
- For the goal of climate neutrality, projects are selected in this framework where a direct impact on climate protection is directly evident and validly reported.

CO₂ balancing

FERI determines a CO₂ balance every year across the Group, on the basis of which measures to reduce CO₂ emissions are initiated. The FERI CO₂ balance sheet is based on the requirements of the Greenhouse Gas Protocol (GHG) Corporate Standard and covers the following areas, so-called scopes:

Scope 1 - Direct emissions

Capture all greenhouse gas (GHG) emissions that are directly generated in the organisation.

Scope 2 - Indirect emissions from energy

Capture all indirect greenhouse gas (GHG) emissions that result from the provision of energy outside the organisation.

Scope 3 - Other indirect emissions

Capture all other greenhouse gas (GHG) emissions caused by the organisation's activities.

2.4 Social commitment

FERI financially supports various local and Germany-wide foundations and aid projects and promotes the personal commitment of its employees. FERI sees a special social added value in supporting sustainable finance in its leading role as an independent economic and research institution as well as an advisor to large assets and especially institutional investors.

Through active engagement within various social groups and initiatives as well as comprehensive research work in the FERI Cognitive Finance Institute, FERI also makes a future-oriented contribution to knowledge transfer and to increased public awareness in the area of sustainability.

By participating in the Group-wide Sustainability Committee, FERI also makes extensive contributions to the content of the entire Group.

2.5 Sustainability commitment and standards

The following standards underpin FERI's self-image and public commitment to sustainability. The standards at Group level of the MLP Group are also presented.

2.5.1 UN Global Compact

UN Global Compact is the world's largest and most important initiative for sustainable and responsible corporate governance, through which companies commit to act responsibly based on ten principles and advance the 17 United Nations Development Goals (SDG).

In the next step, the MLP Group will make a contribution to addressing global social challenges by becoming a member of the United Nations Global Compact, thereby supporting the areas of human rights, labour standards, environmental protection and anti-corruption.

2.5.2 UN Principles of Responsible Investing (UNPRI)

The voluntary *UN Principles of Responsible Investing* ("UNPRI") provide a practical framework for integrating environmental, social and governance issues into mainstream business practices and investment decisions. UN PRI is an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact.

FERI has been "*Signatory*" of the UNPRI and thus supports the following principles of sustainable investment and business practices, in accordance with the UNPRI.

- *We will integrate ESG issues into the analysis and decision-making processes in the investment area.*
- *We will be active shareholders and consider ESG issues in our investment policies and practices.*
- *We will encourage companies and entities in which we invest to make appropriate disclosure on ESG issues.*
- *We will drive the acceptance and implementation of the Principles in the investment industry.*
- *We will work together to increase our effectiveness in implementing the Principles.*
- *We will report on our activities and progress in implementing the Principles.*

The detailed reporting that FERI produces annually as part of the PRI Reporting helps to transparently document and continuously monitor the embedding of sustainability strategies and risks in the investment processes of all asset classes and service areas.

2.5.3 German Sustainability Code (Deutscher Nachhaltigkeits Kodex; DNK) and Global Reporting Initiative (GRI)

Since 2017, the MLP Group's sustainability reporting has been based on the structure of the **DNK**. The DNK is a cross-sector transparency standard for reporting corporate sustainability performance, in which the legal requirements of the CSR Directive Implementation Act are integrated.

As the parent company of the FERI Group, MLP SE has been required to report on the aspects of environmental, employee and social issues as well as respect for human rights and combating corruption and bribery within the scope of legal requirements (CSR Directive Implementation Act) since the financial year 2017. Based on the underlying sustainability materiality analysis, these DNK criteria are supplemented by individual indicators of the Global Reporting Initiative (GRI) in the MLP Sustainability Report that are essential for MLP.

2.5.4 FERI Code of Conduct and Ethics

The FERI Code of Conduct and Ethics defines binding standards of conduct and principles for FERI companies. It promotes the awareness of our board members, employees and consultants with regard to responsible, sustainable, fair and professional business conduct among each other as well as towards clients, business partners and shareholders and supports them in performing business activities in accordance with the legal regulations and internal requirements relevant for FERI; this also includes an appropriate and conscious handling of opportunities and risks within the framework of the corporate and risk culture existing at FERI.

2.5.5 Commitment to Corporate Social Responsibility

Corporate Social Responsibility (CSR) as a comprehensive social responsibility is the responsibility for the impact of corporate activities on society and the environment. FERI as a "*good corporate citizen*" understands CSR as the company's contribution to sustainable development in a very broad sense.

Social responsibility in the sense of CSR basically covers a very broad range of topics; these include, for example, working conditions (incl. health protection), human rights, environmental protection, prevention of corruption, fair competition, appropriate consumer rights and fair taxation.

For FERI, business policy in terms of CSR must be in line with elementary sustainability goals. Consistent implementation of CSR makes significant contributions to sustainable development as well as to solving social challenges. At the same time, FERI believes that comprehensive CSR has a positive impact on the competitiveness of the company.

FERI is therefore expressly committed to the guiding principle of CSR and supports this through a variety of measures and activities. FERI pursues the goal of making a positive contribution as a company and giving something back to society. At the same time, FERI strives to further expand corporate commitment in the sense of CSR in the future. The explicit goal is to implement the commitment to sustainability as an integral part of business policy.

The Group-wide Sustainability Committee is the central steering unit with regard to all CSR-related corporate goals.

3 Research, initiatives and cooperation partners

3.1 FERI Cognitive Finance Institute

As a research-based investment house, FERI pursues a variety of different research approaches and initiatives. The *FERI Cognitive Finance Institute* ("FERI Institute"), which was founded in 2016, has a central role. The FERI Institute

acts as an independent think tank and strategic research centre for the entire FERI Group. Through numerous studies, publications, information and other activities, the FERI Institute contributes to a well-founded public perception of sustainability-relevant topics. It pursues a systematic, scientific and interdisciplinary approach, based on an independent and innovative analysis methodology ("*Cognitive Finance*").

Since the beginning, important research foci of the FERI Institute have been in the areas of "environment" and "society". By publishing and publicly communicating relevant research findings in these areas, the FERI Institute actively promotes an increased public awareness of sustainability-related issues.

Current publications on the topics of environment and society:

- Carbon Bubble and Decarbonisation - Underestimated risks for Investors and asset holders (Jan 2017)
- The transformation to a low-carbon economy (Apr 2018)
- Impact investing - concept, areas of tension and future perspectives (Feb 2019)
- Future trend "Alternative Food" - Disruption and transformation of global food systems (Oct 2020)
- Hydrogen as an energy source of the future - fundamentals, concepts and possible areas of application (Jan 2022)
- Sustainable Blue Economy - Transformation, value and potential of marine economic and ecosystems (Aug 2022)

(This and other content is available at: <https://www.feri-institut.de/en/>)

3.2 Support for public initiatives

FERI supports various initiatives and institutions in order to contribute to the further development and dissemination of public awareness on the topic of sustainability.

Education:

In order to make the topic of sustainability more tangible for young people and students in all its facets and to recognise their own future opportunities, FERI is implementing the project "FERI4Education" together with the non-profit association B.L.U.E. Germany.

In addition, FERI employees give numerous lectures, training courses and also take on teaching assignments on the topic of "Sustainable Investing" at the MLP Corporate University. A new course of study with a corresponding curriculum on the topic of "Impact Investing" was developed with the European Business Executive School in cooperation with the federal initiative Impact Investing. FERI employees are also active here as lecturers. All activities are published on the FERI sustainability website on an ongoing basis.

Memberships and working groups

FERI promotes the membership of various employees in the Sustainability Working Group of the German Association of Actuaries (Deutsche Aktuars-Vereinigung) and participates as an active member of the BVI in the committee or working groups on sustainability.

FERI is an active member in various working groups of the federal initiative for impact investing (Bundesinitiative Impact Investing).

Knowledge transfer and events

FERI regularly offers high-calibre events in its environment for the transfer of knowledge in various areas. FERI organises regular "*Science Talks*" on specific issues, often with a concrete link to sustainability, which are conducted by the FERI Cognitive Finance Institute and offer top-class knowledge transfer on relevant

topics. In addition, FERI has been organising industry-wide events for years or supporting them with its own expert contributions. Lectures, panel discussions and intensive exchanges between experts on sustainability topics and SDG-relevant content also take place as part of the annual FERI Conference (FERI Tagung), the FERI Trust Forum and special events for family offices.

3.3 Cooperation and networks

FERI attaches great importance to open discourse on topics of strategic relevance. For this reason, FERI maintains a lively exchange with economic leaders, researchers and thought leaders, especially within the framework of interdisciplinary networks. In addition, FERI maintains close contacts, often in the form of targeted cooperation and joint projects, with renowned institutions such as the UN, World Economic Forum (WEF), World Wildlife Fund (WWF), Club of Rome, St. Gallen University of Applied Sciences, Mannheim University of Economics and Business, European Business School (EBS), Frankfurt School of Finance and Management and many others. Numerous initiatives and network contacts are bundled in the FERI Cognitive Finance Institute.

4 Structures and control mechanisms

FERI has been advising private and institutional clients on sustainable investments for many years, taking into account a wide range of sustainability aspects. Furthermore, FERI has been managing investment portfolios with a sustainable orientation and corresponding ESG criteria for more than 12 years, including numerous private assets, foundation funds or assets of church institutions. FERI has its own cross-company competence team for the analysis and management of sustainable asset management mandates.

4.1 Primary level (SDG Office)

The definition of and compliance with the general sustainability policy, the embedding of sustainability risks and the implementation of voluntary or mandatory sustainability measures have high priority at FERI. Corresponding activities are relevant to the Group and are the direct responsibility of the management and the corresponding bodies. Various organisational structures, initiatives and responsibilities exist for this purpose.

At a primary level, there are concrete responsibilities for the sustainability policy and SDG projects:

- 1) **SDG Office:** As a central competence centre and to manage the internal implementation of the sustainability policy, FERI has already established an "SDG Office" in 2019, which reports directly to the Management Board of FERI AG. The SDG Office manages the internal implementation of the sustainability policy specifically for all investment-relevant areas and coordinates all related processes and interfaces (Research, Investment Management, Risk Management, Family Office, Private Clients, Institutional Investors, Consulting and Reporting). Furthermore, the SDG Office provides impulses and initiatives for sustainability-compliant further development of existing processes, services and investment concepts, in each case in line with the sustainability policy. The head of the SDG Office is also FERI's representative on the Sustainability Committee of the Group parent company MLP.
- 2) **SDG Steering Committee:** The SDG Steering Committee controls and monitors all activities and projects of the SDG Office and the downstream units. It consists of the FERI AG Board of Directors and meets monthly. The SDG Steering Committee defines and approves - with the support of the SDG Office - the foundations, principles and core elements of the sustainability policy.
- 3) **SDG task forces:** Various high-profile SDG task forces serve to integrate and implement the FERI sustainability policy in different areas of the company: these implement SDG-compliant principles, ESG-related sustainability risks, monitor any need for adjustment that arises and support and train employees.

Sustainability issues are regularly discussed in the project-related SDG task forces; SDG/ESG-relevant initiatives are defined and coordinated from within their circle. The SDG task forces are steered by the SDG Office; relevant projects are monitored by the SDG Steering Committee.

- 4) **Sustainability Policy:** The FERI Sustainability Policy is part of the public corporate communication. It serves, taking into account regulatory requirements (see [chapter 2.2](#)), to inform about the FERI strategy for the integration of ESG and SDG in investment decision-making processes and investment advisory activities as well as to concretise and communicate the sustainability philosophy pursued by FERI, especially with regard to the general business actions, conduct and investment activities as well as the risk policy of the FERI Group.

4.2 Secondary levels (specialist divisions)

Responsibilities for the practical application and implementation of sustainability-relevant aspects lie at various secondary levels; these are usually related to specific investments:

- 1) **Manager selection & due diligence:** In fund selection and manager selection, evaluations are continuously prepared on the basis of various ESG databases and in-house analysis systems, which enable a comprehensive assessment of external fund managers and their funds with regard to their sustainability profile. A qualified selection and assessment of the quality of sustainably operating managers is thus possible at any time.
- 2) **Stock selection:** The portfolio management teams that select individual stocks use extensive databases to select stocks and monitor sustainability risks.

The sustainability risks are included in the selection process of the securities as well as in the ongoing monitoring according to the requirements and possibilities of the different asset classes.

- 3) **Risk control:** In risk control, the mandates' set up according to sustainability factors are continuously monitored and controlled with regard to their conformity with the respective underlying sustainability factors. The sustainability risks defined by FERI as well as the relevant adverse sustainability impacts are analysed and monitored in the risk control area.
- 4) **Investment limit check:** The investment limit check team uses high-performance systems to check all orders for compliance with customer-specific, legal and internal restrictions. At this level, it is ensured that the corresponding sustainability requirements, risks and criteria are implemented in the investment process in full and in accordance with the objectives. The criteria of the ESG methodology are integrated into the investment limit check and thus automatically implemented and monitored in every sustainable investment product and mandate.
- 5) **Sustainability in the investment process:** see [chapter 5](#).

4.3 Superordinate level (Group)

On a higher level, other aspects of sustainable and responsible corporate governance are also monitored and pursued:

- 1) **Sustainability Committee:** The Group-wide Sustainability Committee consists of representatives from all relevant parts of the Group and fulfils defined core tasks and objectives for the coordination of sustainability activities between the different areas within the Group. The aim is, among other things, to discuss sustainability trends and stakeholder requirements/expectations and to update the materiality matrix accordingly. The development of proposals for the further development of the sustainability mission

statement and management as well as the continuous development of the sustainability programme and the monitoring of the implementation of the adopted measures are the core tasks of the Group-wide team. Central areas of responsibility are company-related CSR reporting and the joint efforts to comply with climate neutrality.

- 2) **Compliance Team:** The Group-wide Compliance Team is responsible for overseeing and reviewing all compliance-related issues as well as compliance with legal requirements for responsible advice and investment management of private assets. The Compliance Team works together with the Regulatory Team of the SDG Office. In this function, the Compliance Team monitors and controls all legal, regulatory and industry-internal projects and measures that have a concrete reference to the topic of sustainability and related aspects.

4.4 Personnel capacities

FERI considers the topic of sustainability to be an integral part of its investment and advisory approach. As part of the work of the above-mentioned three structural levels, all sub-areas of the FERI Group are involved in the implementation and realisation of sustainability aspects.

The SDG Office manages the internal implementation and further development of the sustainability policy and steers the activities in a targeted manner for all investment-relevant areas and coordinates all related processes and interfaces (Research, Investment Management, Risk Management, Family Office, Private Clients, Institutional Investors, Consulting and Reporting). So-called "SDG Task Forces" have been set up for the aforementioned business areas to ensure the implementation of new concepts and to guarantee a continuous learning process and exchange within the company.

As part of its investment management expertise and services, FERI conducts sustainability research and management in various areas of activity. ESG parameters are included and reviewed in the macroeconomic assessment of industries and countries in the FERI Research Team as well as in decisions across all asset classes.

In addition to the analysis team of the SDG Office, other staff members in portfolio management ensure the special ESG-related assessment and monitoring as well as investment controlling.

The sustainability mandates are analysed and managed by special portfolio managers. These managers participate in a continuous exchange and further development of sustainability research.

5 Sustainability in the investment process

FERI aims to play a visible role in the implementation and integration of sustainability in general and, in particular, the use of the SDG as guidelines in the financial industry.

As a signatory to the UN PRI, FERI is convinced that the integration of relevant corporate governance, environmental and social issues in the areas of strategy, risk management and asset allocation has a positive effect on the long-term performance of investments, leading to an improved risk-return profile of clients' investments.

FERI works to ensure that companies, asset managers and also clients recognise the challenges arising from social and ecological change as an opportunity, secure the long-term sustainability of their own business model and at the same time contribute to the prosperity of future generations in an environment worth living in out of responsibility for them. The SDG are to be understood as a strategic perspective for the development of long-term, targeted and sustainable investment strategies.

The **FERI Group's investment process** is generally characterised by two important principles:

1) Investment on behalf of clients:

This principle means that FERI mainly acts as an investment manager in the name and on behalf of clients. As a result, important principles and guidelines of the investment process are not determined by FERI, but are largely by the clients' specifications.

2) Delegation to external managers:

FERI's investment approach is largely based on the principle of delegating complex investment activities to external investment managers (via open-ended investment funds, ETFs or other investment vehicles), i. e. deliberately "delegating" investments. As a result, FERI does not have complete "access" to the investment philosophies and principles pursued by external managers, for example with regard to the aspect of sustainability.

Both basic principles have been valid since FERI was founded. They limit FERI's scope to fully introduce and directly implement sustainability aspects and risks in the investment process.

FERI places the highest value on transparency and credibility in the investment and evaluation processes, which is why the sustainability criteria and methods applied are always adapted to the corresponding investment instruments (funds and individual securities) in the implementation within the FERI ESG methodology (see chapter 5.2).

5.1 Integration of regulatory requirements

5.1.1 Understanding and integrating sustainability risks in the investment process

Sustainability risks are defined by FERI, in accordance with the SFDR, as environmental, social or governance events or conditions, the occurrence of which may have an actual or potential negative impact on the company or clients.

Sustainability risks can therefore lead to a material deterioration in the financial profile, liquidity, profitability or reputation of the underlying investment. In addition, there is a high degree of uncertainty about the time horizon and/or the extent of sustainability risks.

FERI aims to focus even more on these risks and to expand and further develop the strategies for incorporating sustainability risks in all investment decision-making processes.

Various sustainability indicators are taken into account as part of the consideration of sustainability risks in the investment process. In doing so, FERI is generally guided by the investment strategy pursued or the instruments used to implement the strategy.

5.1.2 Principal Adverse Impacts (PAI) in the investment process

The EU Commission has defined the *Principal Adverse Impacts* (PAI). These are negative impacts that investments in companies, government bonds and real estate trigger on environmental and social concerns, including for example issues such as greenhouse gas emissions or workers' rights.

FERI takes adverse sustainability impacts into account when making investment decisions and has implemented internal strategies for this purpose. Here, sustainability indicators from the three ESG sub-areas of environment, social affairs and corporate governance are used as filters and factors to measure and manage PAI. Of particular importance, for example, are the carbon footprint of companies (for the environmental sub-area) and the avoidance of controversies against the principles of the UN Global Compact (for the social and corporate governance sub-areas).

The ability to take into account the most important Principle Adverse Impacts depends significantly on the availability of corresponding information in the market. Not for all assets in which FERI invests via the managed funds and mandates is the required data currently available to a sufficient extent and in the required quality. This can influence the PAI measurements.

FERI considers the most important adverse effects of investment decisions in funds and management mandates with a sustainable investment strategy orientation. For this reason, the annual report (PAI Statement) only covers such funds and mandates. The FERI PAI Statement is prepared and published jointly for the two companies subject to the SFDR, FERI Trust AG and FERI Trust (Luxembourg) S.A.

The detailed explanation can be found on the FERI website: <https://www.feri.de/en/sustainability/>

5.1.3 Principal Adverse Impacts (PAI) in the advisory process

FERI asks clients about their sustainability preferences. One manifestation of these sustainability preferences are the PAI indicators to be taken into account in the investment strategy. The client can express preferences with regard to the PAI indicators listed in Table 1 of Annex I of Delegated Regulation (EU) 2022/1288. These are taken into account in the course of portfolio management and implemented by means of exclusions. Clients shall receive information on the consideration of their preferred PAI indicators and the other PAI indicators taken into account in the investment strategy in the course of a regular report.

5.2 Sustainability in the investment process - Liquid investment strategies

5.2.1 Sustainability as part of strategic asset allocation

Environmental, social and governance issues can have a significant impact on the financial performance of companies as well as numerous investment instruments. In strategic asset allocation and portfolio strategy, the long-term impact of risks related to environmental drivers, social change processes and corporate responsibility is of particular importance.

The implementation of sustainability factors and risks in both the internal strategic investment processes and the corresponding capital market analyses is an important aspect of the FERI sustainability strategy. FERI will add sustainability factors and risks to the corresponding analyses, forecasts and research results that flow into the allocation process and the strategic orientation of all investment portfolios. Furthermore, a systematic and continuous inclusion of SDG/ESG-related data in the internal research and forecast models is in the works.

5.2.2 Sustainability factors in the context of manager and fund selection

FERI has developed a proprietary selection and evaluation process for liquid mutual funds and investment managers (equities, bonds, other liquid asset classes). In the selection process, further positive and disqualifying components of each fund are used in relation to ESG factors in addition to the basic criteria contained in the implementation approach. Additional ESG factors (as well as parameters requested by the client) and an impact orientation can be considered and integrated into the selection process. The importance of ESG factors varies depending on the segment, strategy and region.

5.2.3 FERI ESG Integration (FERI ESG Methodology)

FERI has developed its own methodology for the implementation of sustainable asset management mandates and funds, which defines minimum requirements and methods and sets the guidelines for the management of sustainable investment mandates.

This methodology includes selection and assessment criteria from the environmental (including climate change, pollution), social (including human capital, social norms) and governance (including corporate governance and corporate behaviour) areas, as well as in the area of general ESG quality.

The minimum requirements for the selection and evaluation criteria can be supplemented or tightened on a mandate-specific basis. The criteria of the methodology are set out in an internal guideline that is binding for the investment management. The criteria are continuously reviewed and monitored for mandates with a sustainability orientation as investment limits.

The FERI ESG methodology includes the consideration of relevant adverse impacts on sustainability factors (PAI) using defined quantitative thresholds and/or qualitative values. It also includes binding elements of the investment strategy as well as exclusion criteria for shares, corporate bonds, government bonds and target funds as well as a review of the ESG quality and corresponding development of the invested companies, issuers or funds.

5.2.4 Method for classifying sustainable investments (FERI SDG Score)

FERI will identify and make sustainable investments in accordance with Article 2 No. 17 SFDR in various mandates and funds. In doing so, FERI pursues a holistic SDG approach. This means that, in principle, all 17 UN Sustainable Development Goals (SDG) can be considered as objectives of a sustainable investment. There is therefore no focus on specific SDG. Accordingly, the respective contribution to the individual SDG can vary depending on the portfolio composition. FERI reviews all companies and issuers in a comprehensive proprietary classification process.

The FERI review process for the classification of sustainable investments consists of five review steps and is divided into two basic levels: a risk review level and an impact review level.

FERI implements the above-mentioned ESG methodology for the concrete implementation of the risk assessment. In this way, FERI ensures that relevant industry standards are taken into account and that the minimum sustainability requirements formulated by FERI are met with regard to various investment instruments and at portfolio level. Within the risk assessment, the regulatory required damage test (DNSH test) is then additionally applied. Finally, a comprehensive proprietary assessment of the ESG profile of the investments (FERI ESG Score) is carried out.

The impact assessment consists of two factor models in which impact-related and SDG-related information of the target investments from two different data providers are reviewed and applied.

Only if all five test steps have been passed and the investment has fulfilled all specifications, criteria and threshold values, it may be designated as a "sustainable investment" according to the FERI methodology.

5.2.5 Data basis and monitoring

For the methodologies, FERI integrates external ESG and SDG data into the in-house selection and evaluation model "SUSEN" (= Sustainability Engine). As part of the investment processes and internal portfolio management systems, ESG data is used for risk monitoring, determination and analysis of adverse sustainability impacts as well as for the mandate-specific implementation of sustainability factors and SDG targets. FERI works with the following data providers in this area:

- MSCI ESG Manager
- Thomson Reuters Eikon
- Sustainalytics (via Morningstar Direct)
- ESG Screen17 (integrates raw data from MSCI, ISS, Refinitiv, FactSet, S&P GICS, SBTi, SDG Index)
- Freedom House
- Additional analysis of publicly available data via Bloomberg and Reuters

5.2.6 ESG Controlling and Reporting

The monitoring of the basic criteria and the mandate-specific ESG factors is carried out for all mandates and funds via the proprietary ESG analysis tools as well as in the group-wide portfolio management tool. Risk control and investment limit checks are carried out here on an ongoing basis to monitor the mandate specifications. Additional qualitative information on the investment instruments and funds used is regularly evaluated and monitored.

For FERI, the comprehensive and ongoing analysis of sustainability factors in all service areas is important in order to comprehensively and fully assess both the risk profile and the return potential of investment portfolios. Corresponding ESG-related mandate reporting can be implemented in the reporting documentation. The obligations under the SFDR are complied with.

5.2.7 Sustainability in the advisory process

Targeted advice to clients and interested parties with regard to sustainability issues takes place in various FERI units. Corresponding advisory approaches and service concepts have been established for some time in many cases. Through information, education and discussion on these topics, FERI creates a heightened awareness of sustainable investment solutions among clients. In this way, FERI actively promotes a targeted dialogue in the direction of sustainability and in the sense of the Principles of Responsible Investment (PRI), while providing information about sustainability risks.

FERI takes into account sustainability indicators in advisory activities on a product-specific basis, to the extent requested by the relevant client, and will explain these to the client and explain the impact that the relevant indicators have on the investment process. FERI shall inform clients about possible manifestations of sustainability preferences and integrate them into the ongoing advisory process, if applicable.

5.3 Sustainability in the investment process - Private Markets

In the area of private market investments, too, the focus is increasingly shifting to the topic of sustainability and the contribution to sustainability goals, in addition to the conventional trade-off between return and risk.

For sustainably managed mandates in the private markets sector, in particular private equity, private debt and infrastructure, FERI has developed its own methods and concepts in order to systematise the review and evaluation processes of the managers and funds to be selected and to be able to carry out a comprehensive review of the

sustainability quality and the sustainability approach as well as a downstream assessment and measurement of the impact profile.

The ESG/impact assessment in the area of private markets and other illiquid asset classes consists of two methodologically different parts:

- 1) A proprietary ESG & impact due diligence process
- 2) Measuring and evaluating the sustainability impact of the invested investment portfolio (SDG Mapping)
- 3)

FERI proactively addresses the challenges of ESG and impact-related valuation and analysis of funds in the illiquid/private market space, while seeking to pioneer measurement and analysis through the application of innovative methodologies.

Both methods are continuously reviewed, compared with current market standards and further developed.

5.3.1 FERI ESG & Impact Due Diligence Review

A comprehensive, upstream ESG & Impact Due Diligence process for investment vehicles and funds in the private markets is necessary, as these vehicles are mostly "blind pool" investments and thus no ex ante verifiable portfolio components exist. In addition, the long-term commitment and illiquidity require an in-depth review of all aspects and possible risks.

The systematic due diligence analysis checks the implementation of the long-term sustainability strategy, the sustainability risks as well as the seriousness and credibility of the fund manager.

5.3.2 SDG Mapping - Impact-based Monitoring & Reporting Private Markets

In order to specifically measure and evaluate investment instruments and funds in the private markets segment with regard to their ongoing sustainability impacts, FERI has developed the proprietary SDG Mapping.

SDG mapping looks at each individual project in the investment portfolio and analyses it according to a systematic process. The impact of the investment portfolio is to be assigned to the SDG in a systematic and comprehensible way. The aim of SDG mapping is to clarify the contribution to the achievement of the SDG, to make different target funds transparent and comparable in terms of their impact mechanisms, and to map and track the impact profile of the investment portfolio and its development over time.

The SDG mapping results can be aligned with the focus of the investor's sustainability strategy and compared to the SDG mapping results of funds with a similar sustainability strategy.

In this way, SDG Mapping offers a unique opportunity to target or continuously adjust the selection of investment instruments and funds, as well as to compare and align them with an investor's overall strategy at any time.

5.4 FERI Stewardship Strategy

In the context of assets held by FERI on behalf of clients, FERI sees the responsibility of a shareholder and stockholder as an integral part of its sustainable investment approach. FERI considers ownership rights in this

regard as part of its fiduciary duty, which requires prudent and responsible management of the assets entrusted to it. FERI actively seeks to work with companies and relevant stakeholders to address environmental, social and governance challenges while safeguarding clients' financial interests. These fundamental principles define FERI's ownership strategy (FERI Stewardship Strategy).

The following principles guide the FERI Stewardship Strategy:

- Stewardship activities aim to secure and enhance the safety and long-term value of investments.
- In addition, FERI supports activities to strengthen shareholder rights, promote transparency, reduce the impact of climate change and improve overall sustainability performance, as long as the financial interests of our products' clients and investors are safeguarded.
- Engagement activities must not incur unreasonable costs, neither direct costs nor depreciation of assets.
- FERI follows the recommendations of best practice codes such as the Stewardship Code of the International Corporate Governance Network ICGN or the Principles for Responsible Investment of the PRI Association.
- FERI reports publicly on its stewardship activities at regular intervals in appropriate formats, e. g. on the FERI website or in specific reports (UN PRI).

FERI's stewardship strategy generally includes

- a) active engagement, constructive dialogue with companies, fund managers and third parties, and collaborative improvements (Active Engagement); and
- b) voting behaviour at general meetings (proxy voting).

5.5 Active engagement - dialogue and governance

Engagement is an integral part of sustainable investing. The overarching goal of our engagement activities is to improve sustainability and thereby increase shareholder value. However, classic "shareholder engagement or proxy voting strategies", in the sense of directly influencing companies and their management in the capacity of shareholder, are only possible to a very limited extent for FERI, as only a small proportion of the company's holdings are held in its own name. Nevertheless, FERI pursues the principle of active engagement: as one of the most important fund investors and investment consultants in German-speaking Europe, FERI is both a significant market participant and an influential intermediary between investors and asset managers.

FERI uses its central role for clear dialogue and sets important impulses for the promotion of sustainability and SDG orientation, both within the asset management industry and among pension funds and pension schemes. By advising and actively supporting the realignment of large institutional investors, FERI can also indirectly influence asset managers' attitudes towards sustainability.

In addition, FERI has agreed a cooperation with *IVOX Glass Lewis* for active dialogue with the invested companies (in the area of direct equity and corporate bond positions). Glass Lewis addresses business-relevant ESG challenges in personal discussions with the companies. Glass Lewis also offers the opportunity to gain relevant information on the realities of companies, sectors and the market in general through contact with other industry stakeholders. Outside of each market's invitation period and proxy season, Glass Lewis actively contacts companies to request a meeting and offers public companies, shareholder advocates and other interested parties the opportunity to request a meeting via its website.

5.6 Proxy Voting - Exercise of shareholder rights

FERI promotes good corporate governance and sustainable corporate practices that contribute to long-term value creation for shareholders. The exercise of shareholder voting rights (proxy voting) is one of the most important strategies to safeguard the interests of owners and to protect the value of invested assets.

Due to the strategy, only a small part of the investments at FERI are implemented via individual shares or individual issuers. For fund products managed by its own investment management company, FERI Trust (Luxembourg) S.A. (FTL), the latter assumes the role of shareholder.

Thus, within the FERI Group, only FTL is entitled to exercise the shareholder voting right.

For the exercise of voting rights, FERI uses the analyses and services of *IVOX Glass Lewis* as external voting advisor. By exercising its voting rights, FERI aims to ensure that companies operate sustainably on an ongoing basis and adhere to good corporate governance standards.

The basis for corresponding voting behaviour at FERI is the current proxy voting policy of IVOX Glass Lewis. Reference is made here to their policy on the exercise of voting rights ([IVOX Glass Lewis Voting Guidelines](#)). Glass Lewis addresses corporate sustainability issues and monitors and reports on companies' progress on these key issues. This policy is translated into a voting recommendation by the voting advisor. The individual review and final decision on whether to follow the recommendation or deviate rests with the relevant portfolio management. Proposals not covered by the Proxy Voting Policy are subject to case-by-case review.

For this purpose, the FTL Stewardship Policy (<https://www.feri.lu/en/policies/>) as a supplement to the Glass Lewis Proxy Voting Policy. This is reviewed annually and updated as necessary.