Exclusion Policy

of the Flossbach von Storch Group

Flossbach von Storch

PRELIMINARY REMARKS

The Exclusion Policy of the Flossbach von Storch Group (Flossbach von Storch SE, Flossbach von Storch Invest S.A. (FvS Invest S.A.) and the other subsidiaries, also “FvS Group” or “Flossbach von Storch”) describes how exclusion criteria are taken into account and fully integrated into the investment policy in the management of the in-house public funds managed by FvS Invest S.A. (the “Funds”), as well as in the discretionary asset management mandates of Flossbach von Storch SE, which recognize the application of the exclusions set out below.

The Exclusion Policy can be found on the FvS Invest S.A. (www.fvsinvest.lu) website and on the Flossbach von Storch SE (www.flossbachvonstorch.de/en/) website. All fund-specific characteristics can be found in the respective sales prospectuses and are published on the respective country-specific websites of the Flossbach von Storch Group at www.fvsinvest.lu and www.flossbachvonstorch.de.

The explanations set out below and the definitions of selected exclusion criteria apply to the funds, unless the prospectus and the relevant sub-fund-specific appendix to a fund contain provisions to the contrary. In the event of any discrepancies in the translations of this document, the German version shall prevail, unless the legal systems of the countries in which the units in the public funds are sold or in which asset management is carried out stipulate otherwise.

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1 SCOPE OF APPLICATION

This Exclusion Policy applies to in-house mutual funds managed by Flossbach von Storch Invest S.A. as a capital management company, as well as to discretionary asset management mandates of Flossbach von Storch SE that recognise the application of the exclusions listed below.

2 EXCLUSION CRITERIA

The Flossbach von Storch Group applies the following exclusion criteria, which exclude direct investments[1] in companies with certain business models. Investments in companies with the following turnover thresholds are excluded:

- > 0 % of their turnover from controversial weapons,
- > 5 % of their turnover from tobacco production,
- > 30 % of their turnover is generated from the mining and/or distribution of coal.

Exclusion also applies to

- companies that have committed serious violations (without a positive perspective) of the principles of the UN Global Compact (see explanation below) and
- state issuers that are considered “not free” according to the Freedom House Index.

2.1 Definitions of selected exclusion criteria

Controversial Weapons

Flossbach von Storch is committed to supporting and complying with conventions aimed at banning the production and trade of controversial weapons (CW). Investments in companies that generate revenue from controversial weapons are excluded.

According to prevailing opinion, controversial weapons are weapons systems which are indiscriminate, cause disproportionate suffering, pose a danger to the civilian population long after a conflict has been resolved and consequently are outlawed by the international community.

Multiple international conventions, European legislations and national statutory provisions of various countries define and ban the manufacture, purchase, stockpiling, transfer, and use of the following types of weapons:

- The Convention on Cluster Munitions, which was signed in 2008 and came into force in 2010 banning cluster munitions (the “Oslo Convention”),
- The Convention on the Prohibition of Anti-Personnel Mines, which was signed in 1997 and came into force in 1999 prohibiting the use, stockpiling, production, and transfer of anti-personnel mines and is about their destruction (the “Ottawa Treaty”),

[1] In the case of investments in derivatives (e.g. index derivatives) or in target funds not managed by the FvS Group (“third-party funds”), the exclusion criteria mentioned above are not taken into account.

- The 1925 Geneva Protocol and the Biological Weapons Convention, which was signed in 1972 and came into force in 1975, prohibits the development, manufacture, and stockpiling of biological weapons,
- The Chemical Weapons Convention, which was signed in 1993 and came into force in 1997, prohibits the development, manufacture, stockpiling and use of chemical weapons and is about the destruction of such weapons,
- The Treaty on the Non-Proliferation of Nuclear Weapons, which was signed in 1968 and came into force in 1970.

Accordingly, the following types of weapons are considered controversial weapons within the meaning of the Exclusion Policy of the Flossbach von Storch Group:
- cluster munitions
- anti-personnel mines / land mines
- chemical and biological weapons
- nuclear weapons, provided that the company in question generates revenue from nuclear weapons and is based in a state that is not a signatory of the Treaty on the Non-Proliferation of Nuclear Weapons
- blinding laser weapons
- depleted uranium
- incendiary bombs.

Mining and/or distribution of coal

The exclusion covers the mining and/or distribution of thermal coal (steam coal), including lignite, bituminous coal, anthracite coal and steam coal. Companies that generate revenue from electricity generation from coal, metallurgical coal and/or intra-company coal trading are not included in this category.

Principles of the United Nations Global Compact (UN Global Compact or UNGC)

The principles of the UN Global Compact are the 10 principles of the United Nations Global Compact from the categories of human rights, labour standards, environment and corruption prevention. The UN Global Compact or other equivalent organisations do not keep an official record of whether and to what extent a company violates the principles. Companies can sign the principles of the UNGC and still commit violations.

In order to fulfil the exclusion obligation in the event of “serious violations of the UNGC without a positive outlook”, an internal analysis is carried out to assess the extent to which a company violates the principles of the UNGC with regard to controversies that arise and to evaluate whether a positive outlook exists.

If serious violations are identified in a company, the allegations are analysed further, and a dedicated active ownership process is initiated. The focus is on the company’s efforts to improve the situation. If there is no prospect of an improvement of the circumstances leading to the serious violation, the company is excluded from the investment universe, or a divestment will take place.

- Particularly serious violations of the UNGC principles are proven incidents that have already caused considerable to irreparable damage to people and/or nature and/or harbour a considerable risk of such damage
- A positive outlook exists if the company is endeavouring to clarify the situation and has announced or already initiated (first) measures to rectify the incidents

In addition, analyses and assessments by external ESG research data providers on violations of the UNGC are evaluated. They can provide useful information on controversies and critical ad-hoc events, but they never replace our own analyses.

2.2 Data sources and data methodology

MSCI ESG research data is primarily used to create and review the exclusion criteria applied.

The exclusion criterion for serious violations of the principles of the UN Global Compact without a positive outlook is determined by an in-house assessment as part of the ESG analysis. External ESG research data is used for verification and comparison purposes.

Depending on the exclusion criterion, compliance is assessed either using a binary involvement indicator or using revenue-based activity metrics (e.g. share of revenue from tobacco production or coal mining/distribution). The data provided by external ESG research data providers is based on available disclosures and, where necessary, methodologically defined estimates, and may or may not include the activities of consolidated or controlled entities or minority interests within the scope of the data provider’s underlying delimitation and definition.

2.3 Monitoring

Compliance with the exclusion criteria is monitored both pre-trade (before an order is executed) and post-trade (after an order is executed) with the help of investment compliance rules. Compliance and turnover thresholds are monitored based on external ESG research data and in-house analyses based on the data sources and methodology explained in section 2.2.

The principles of the UN Global Compact are not a certified standard or regulatory instrument. Accordingly, the UN Global Compact initiative does not keep an official register of whether and to what extent a company is in breach of the principles. In order to fulfil the mandatory exclusion in the event of serious violations of the UNGC principles, serious violations are monitored and evaluated as part of the in-house ESG analysis. Only companies that, according to our in-house ESG analysis do not show a positive outlook in dealing with the violations identified as serious are excluded. For verification purposes, data from MSCI is stored in the portfolio management system as a source of comparison. If MSCI classifies a company as a “Fail” regarding violations of the UN Global Compact principles, the ESG analyst team must submit to Risk Management a detailed analysis of the incidents, together with a justification where Flossbach von Storch reaches a different assessment.

If the internal analysis shows that there are “serious violations without a positive outlook”, the investment must be divested in a market-sensitive way, or the company must be excluded from the investment universe.

3 REVIEWING THE EXCLUSION POLICY

This Exclusion Policy is subject to regular review and will be updated as necessary depending on the development of business activity and the adjustment of strategies for implementing sustainability criteria and risks.