



# 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 managing sustainability. It explains FERI's strategies for addressing sustainability issues and for incorporating sustainability risks into its investment decision-making and advisory processes. A sustainability risk is defined as an environmental, social or corporate governance ("ESG") event or condition, the occurrence of which could actually or potentially have a material adverse effect on the value of an investment.

### 1.1 Principles and introspection

Sustainability is a social and socio-political imperative. Sustainable action is no longer only demanded by supranational organizations (e.g. United Nations, UN) or non-governmental organizations (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 demands of society, politics and supervisory authorities.

FERI is guided in particular, but not exclusively, by the format of the Sustainable Development Goals (SDGs) defined by the United Nations in order to define general guidelines and to specify relevant sustainability goals.

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

The transfer of the SDG logic into general guidelines ("Practices") and active applications ("Use Cases") is a central element of a FERI-specific SDG philosophy.

### 1.2 Scope 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 advisory and asset management services.

This document also serves to implement Article 3 to Article 5 of EU Regulation 2019/2088 on sustainability-related disclosure requirements in the financial services sector (Sustainable Finance Disclosure Regulation - "SFDR"). This also 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 dealing with 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 produced 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 particularly seriously. If current developments continue, the resulting economic and ecological damage could have a significant impact on the overall economic environment and the capital markets.

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, sustainability is a central imperative for FERI that directly affects important issues, decisions and behaviors. For FERI, this results in a clear commitment to social responsibility both internally and externally, in particular:

- In the internal corporate environment: to promote sustainable behavior 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: to discuss and communicate sustainability-related topics to a wider public; with the aim of promoting greater awareness and discussion of sustainability-related problems and solutions in the public sphere through meaningful information, expert education and visible action.

## 1.4 Currentness 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 is updated and published promptly.

# 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 sustainability principles, 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 integral part of our services and activities.
- FERI strives to enable all clients to make better investment decisions through access to comprehensive expertise. In doing so, FERI considers ecological and social aspects as well as the principles of good corporate governance.
- FERI maintains an open dialog with all stakeholders and reports transparently on its commitment to sustainability.

## 2.2 Regulatory framework (corporate level)

### 2.2.1 Integration of sustainability risks

Sustainability risks at company level are generally understood to be events or conditions from the areas of the environment, social affairs or corporate governance, the occurrence of which could have an actual or potential significant negative impact on FERI's net assets, financial position, results of operations and reputation; this includes climate-related risks in the form of physical risks and transition risks.

As part of Group-wide risk management, appropriate procedures are in place to ensure the appropriate management and monitoring of material risks at Group level.

### 2.2.2 Integration of sustainability risks in the remuneration policy (Art. 5 OffVO)

FERI defines 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 clients' interests in making sustainable investments or by incentivizing employees to increase their variable remuneration.

In particular, the remuneration policy is in line with FERI's strategy for managing and being transparent about sustainability risks to clients, as required by Article 5 SFDR. 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 line with the UN PRI, FERI promotes an open dialog on issues of sustainability and sustainable investment policy as well as on the principles of the SDGs. This dialog not only takes place at the level of clients and business partners, but is also conducted intensively with other market participants, representatives of the financial world and the interested public.

The 17 key global sustainable development goals (SDGs) adopted in September 2015 by the international 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 therefore offer a clearly formulated strategic perspective for the environment, society and politics.

The SDGs also impact the global capital markets in a variety of ways; the following three lines of influence and impact are particularly relevant:

- 1) The SDGs are a global consensus on long-term goals (with significant capital requirements); investors and their alignment play a major role in achieving these goals.
- 2) The SDGs serve as "signposts" for future actions by policy makers and economic actors; this has a direct impact on global capital markets and directs significant investment and capital flows into SDG-relevant areas. The SDGs provide a useful framework for defining specific investment objectives and measuring the real impact of investments at investor and system level.



FERI considers the alignment with the SDGs 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 company-specific perspective (FERI Corporate SDG Philosophy)

The aspects of implementing sustainability criteria in relation to investment decisions and the corresponding SDG reference of investment solutions are described in detail in chapter 5.

For the company-related 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 SDGs form a central guideline for FERI's activities and decisions at company level. All actions and measures are therefore always based on the overarching principles of the Group, but are specified and operationalized according to the needs, customer requirements and legal or regulatory provisions in the individual business areas.

FERI is fundamentally committed to the 17 goals of the United Nations for global sustainable development. To this end, corporate activities are continuously aligned 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

The aim is to ensure that all of FERI's social and environmental corporate activities are as directly related as possible to these five factors. The specific implementation can be seen in the annual sustainability reporting at Group level.

The commitment and the areas of action - how and through what FERI as a company contributes - can be found on the [FERI sustainability page](#).

### 2.3.1 SDG 4 – Quality Education



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

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

For FERI, social responsibility also means giving people from all backgrounds access to education, social participation, and a self-determined life. To this end, FERI develops special programs to support education, further training, health and prevention 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 empower all women and girls**

FERI benefits from the diversity of its employees, which is why the company actively promotes diversity and equality and creates the necessary framework conditions.

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

As a result, the aim is also to fill the management levels in the company with a balanced gender ratio wherever possible. This requires suitable concepts to promote this within the individual companies in the FERI Group.

In order to put this into concrete terms, efforts to promote diversity when filling management positions have been stepped up, with a particular focus on the inclusion of women at management levels within the company.

### 2.3.3 SDG 7 – Affordable und clean energy

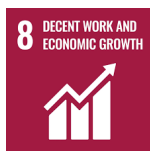


#### **Goal: Ensure access to affordable, reliable, sustainable and modern energy for all**

Affordable and clean energy is an essential building block in addressing global environmental and climate challenges.

FERI is committed to the responsible use of resources. Efficient environmental and resource management is therefore an integral part of our sustainability strategy. Affordable and clean energy is closely linked to climate protection. FERI uses electricity from renewable sources throughout the Group and continues to work towards this goal by offsetting its own CO2 emissions.

### 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. The aim of companies must be to be economically successful in the long term, while at the same time acting in an environmentally, socially and governing responsible manner.

FERI is committed to this responsibility. Sustainability is an integral part of our corporate strategy. In addition to economic and social responsibility, FERI also takes responsibility for the environmental impact of its actions. Long-term, broad-based and sustainable economic growth is therefore the foundation of FERI.

### 2.3.5 SDG 13 – Climate Action



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

A critical social objective of FERI is to act in the spirit of climate protection and to consistently reduce its own carbon footprint. FERI's commitment to climate protection consists of three parts. After avoiding and reducing its own CO2 emissions as far as possible, FERI supports various environmental measures by providing financial compensation through the purchase of climate protection certificates from internationally certified and therefore quality-assured climate protection projects.

FERI has been offsetting its own CO2 emissions since the 2020 financial year. The climate protection strategy sets out the framework for climate protection activities and aims to ensure that the necessary decisions are taken to achieve or maintain full compensation for CO2 emissions. A key component of climate protection is the responsible use of resources.



### **Selection criteria for climate protection commitment**

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

- The financial volume of compensation is distributed over a small number of projects, in order to achieve optimal effectiveness.
- The quality of the projects must be guaranteed through tested and certified audits.
- The objectives of each project should, where possible, reflect the SDGs that are important to the Group.
- In order to achieve the goal of fully offsetting CO<sub>2</sub> emissions, projects are selected where a direct impact on climate protection is directly visible and validly reported.

### **CO<sub>2</sub>-Accounting**

Every year, FERI calculates a group-wide CO<sub>2</sub> balance, which is used to initiate measures to reduce CO<sub>2</sub> emissions. FERI's carbon footprint is based on the requirements of the Greenhouse Gas Protocol (GHG) Corporate Standard and covers the following areas, known as scopes:

#### **Scope 1 – Direct emissions**

Recording of all greenhouse gas emissions (GHG) that occur directly in the organization.

#### **Scope 2 – Indirect emissions from energy**

Recording all indirect greenhouse gas (GHG) emissions that arise from the provision of energy outside the organization.

#### **Scope 3 – Other indirect emissions**

Recording all other greenhouse gas emissions (GHG) caused by the organization's activities.

## 2.4 Social engagement

FERI provides financial support to various local and national foundations and charitable projects, as well as encouraging the personal involvement of its employees. In its leading role as an independent economic and research institution and as an advisor to large fortunes and institutional investors in particular, FERI sees a particular social added value in supporting the sustainable financial industry.

Through its active involvement in various social groups and initiatives, as well as its extensive research work at the FERI Cognitive Finance Institute, FERI is also making a forward-looking contribution to knowledge transfer and raising public awareness in the area of sustainability.

FERI also makes a significant contribution to the Group as a whole through its participation in the Group-wide Sustainability Committee.

## 2.5 Sustainability commitment and standards

The following standards underline FERI's identity and public commitment to sustainability. The standards of the MLP Group are also shown.

### 2.5.1 UN Global Compact

The UN Global Compact is the world's largest and most important initiative for sustainable and responsible corporate management, in which companies commit to acting responsibly on the basis of ten principles and to promoting the 17 United Nations Development Goals (SDGs).

In the next step, the MLP Group will contribute to tackling global social challenges by becoming a member of the United Nations Global Compact and thereby supporting the areas of human rights, labour standards, environmental protection and the fight against 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 (ESG) issues into mainstream business practices and investment decisions. The UNPRI is an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact.

FERI has been a signatory to the UNPRI since 2014 and supports the following principles of sustainable investment and business practices in line with the UNPRI.

- *We will integrate ESG issues into our investment analysis and decision-making processes.*
- *We will be active shareholders and integrate ESG issues into our investment policies and practices.*
- *We will require companies and organizations in which we invest to provide appropriate disclosure on ESG issues.*
- *We will promote the adoption and implementation of the Principles in the investment industry.*
- *We will work together to improve our effectiveness in implementing the Principles.*
- *We will report on our activities and progress in implementing the Principles.*

The detailed reporting that FERI creates annually as part of 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 (DNK) and Global Reporting Initiative (GRI)

Since 2017, the MLP Group's sustainability reporting has been based on the structure of the German Sustainability Code (Deutscher Nachhaltigkeitskodex; **DNK**). The DNK is a cross-industry 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 obliged to report on environmental, employee and social issues as well as on respect for human rights and the fight against corruption and bribery since the 2017 financial year as part of the legal requirements (CSR Directive Implementation Act). Based on the underlying sustainability materiality analysis, these DNK criteria are supplemented in the MLP Sustainability Report by individual indicators of the Global Reporting Initiative (GRI) that are important for MLP.

### 2.5.4 FERI Code of Conduct and Ethics

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

### 2.5.5 Commitment to corporate responsibility - Corporate Social Responsibility

*Corporate Social Responsibility (CSR)* is the responsibility for the impact of business activities on society and the environment. FERI, as a “good corporate citizen”, sees 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 wide range of issues, including working conditions (including health protection), human rights, environmental protection, prevention of corruption, fair competition, appropriate consumer rights and fair taxation.

For FERI, business policy in the sense of CSR must be in line with fundamental sustainability goals. The consistent implementation of CSR makes a significant contribution to sustainable development and to solving social challenges. At the same time, FERI believes that comprehensive CSR has a positive impact on the company's competitiveness.

FERI is therefore expressly committed to the principle of CSR and supports this through a variety of measures and activities. FERI's goal is to make a positive contribution as a company and to give something back to society. At the same time, FERI strives to further expand its corporate commitment to 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 body for all CSR-related corporate objectives.

## 3 Research, Initiatives and cooperation partners

### 3.1 FERI Cognitive Finance Institute

As a research-based investment firm, FERI pursues a variety of different research approaches and initiatives. The FERI Cognitive Finance Institute ("FERI Institute"), established in 2016, plays a central role. The FERI Institute acts as an independent think tank and strategic research center for the entire FERI Group. Through numerous studies, publications, information and other activities, the FERI Institute contributes to a well-founded public perception of issues relevant to sustainability. It pursues a systematic, scientific and interdisciplinary approach based on an independent and innovative analysis methodology ("Cognitive Finance").

Since its establishment, the FERI Institute has focused its research on the environment and society. By publishing and publicly communicating relevant research findings in these areas, the FERI Institute actively promotes greater public awareness of sustainability issues.

Current publications on the topics of environment and society:

- Carbon Bubble and Decarbonisation – Underestimated risks for investors and asset holders
- The transformation to a Low-Carbon Economy (Apr 2018)
- Impact Investing - Concept, Areas of Tension und Future Perspectives (Feb 2019)
- Trend of the Future „Alternative Food“ - Disruption und Transformation of Global Food Systems (Oct 2020)
- Hydrogen as an Energy Source of the Future - Basics, Concepts and possible Areas of Application (Jan 2022)
- Sustainable Blue Economy – Transformation, Value and the Potential of Marine Ecosystems (Aug 2022)

(This and other content is available at: [www.feri-institut.de](http://www.feri-institut.de))

### 3.2 Support for public initiatives

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

#### **Education:**

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

In addition, FERI employees hold numerous lectures and training courses and also teach at the MLP Corporate University on the subject of sustainable investing. In cooperation with the Federal Impact Investing Initiative, the European Business Executive School has developed a new course of study with a corresponding curriculum on the topic of "Impact Investing". FERI staff members also work here as proofreaders. All activities are published on the FERI sustainability website.

### Memberships and working groups

FERI promotes the membership of various employees in the sustainability working group of the German Actuaries Association and works as an active member of the BVI in the committee and working groups on sustainability.

FERI is an active member of various working groups of the federal Impact Investing initiative.

### Wissenstransfer und Events

FERI bietet in seinem Umfeld regelmäßig hochkarätig besetzte Veranstaltungen zur Vermittlung von Wissen in unterschiedlichen Bereichen. Zu speziellen Fragestellungen, oftmals mit konkretem Nachhaltigkeitsbezug, organisiert FERI regelmäßige „*Science Talks*“, die vom FERI Cognitive Finance Institute durchgeführt werden und hochkarätigen Wissenstransfer zu relevanten Themen bieten. Zudem organisiert FERI seit Jahren branchenweite Events oder unterstützt solche durch eigene Expertenbeiträge. Auch im Rahmen der jährlichen FERI Tagung, des FERI Trust Forums sowie spezieller Veranstaltungen für Family Offices finden Vorträge, Podiumsdiskussionen und intensiver Austausch von Experten zu Nachhaltigkeitsthemen und SDG-relevanten Inhalten statt.

## 3.3 Cooperation and Network

FERI attaches great importance to open discourse on issues of strategic relevance. That's why FERI maintains a lively exchange with business leaders, researchers and thinkers, especially within the framework of interdisciplinary networks. In addition, FERI maintains close contacts with renowned institutions such as the United Nations, the World Economic Forum (WEF), the World Wildlife Fund (WWF), the Club of Rome, the University of St. Gallen, the University of Mannheim, the European Business School (EBS), the 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. In addition, FERI has been managing investment portfolios with a sustainable focus and corresponding ESG criteria for over 12 years, including numerous private assets, endowments and 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 adherence to the general sustainability policy, the embedding of sustainability risks as well as the implementation of voluntary or mandatory sustainability measures have high priority at FERI. These activities are relevant to the Group and are the direct responsibility of management and the relevant bodies. Organizationally, there are various structures, initiatives and responsibilities.

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

- 1) **SDG-Office:** As a central competence center and to manage the internal implementation of the sustainability policy, FERI will establish an "SDG Office" in 2019, which will report directly to the Board of Directors 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). The SDG Office also provides impulses and initiatives for the further development of existing processes, services and investment concepts in line with the sustainability policy. The head of the SDG Office is also FERI's representative on the Sustainability Committee of the parent company MLP.
- 2) **SDG-Steering Committee:** The SDG Steering Committee controls and monitors all activities and projects of the SDG Office and its downstream units. It consists of the Board of Directors of FERI AG and meets monthly. With the support of the SDG Office, the SDG Steering Committee defines and approves the foundations, principles and core elements of the sustainability policy.
- 3) **SDG-Task Forces:** Various high-level SDG task forces are used to integrate and implement the FERI sustainability policy in different areas of the company: These implement SDG-compliant principles, ESG-related sustainability risks, monitor emerging needs for adaptation 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 their circle. The SDG task forces are controlled by the SDG Office; Relevant projects are monitored by the SDG Steering Committee.
- 4) **Sustainability Policy:** FERI's sustainability policy is part of its public corporate communication. Taking into account regulatory requirements (see [Section 2.2](#)), it serves to provide information on FERI's strategy for integrating ESG and SDG into investment decision-making processes and investment advisory activities, as well as to concretize and communicate the sustainability philosophy pursued by FERI, in particular with regard to the general business activities, conduct and investment activities as well as the risk policy of the FERI Group.

## 4.2 Secondary Levels (Departments)

Responsibilities for the practical application and implementation of sustainability-relevant aspects lie at various secondary levels; these usually have a specific investment connection:

- 1) **Manager selection & Due Diligence:** In the selection of funds and managers, assessments are made on an ongoing basis based on various ESG databases and internal analysis systems, which enable a comprehensive evaluation of external fund managers and their funds with regard to their sustainability profile. As a result, a qualified selection and assessment of the quality of sustainable managers is possible at any time.
- 2) **Title selection:** The portfolio management teams that select individual stocks use extensive databases to select stocks and to control sustainability risks. Sustainability risks are included in the stock selection process and in 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 checked with regard to their conformity to the respective underlying sustainability factors. The sustainability risks defined by FERI as well as the relevant adverse sustainability impacts are analyzed and monitored in the risk control area.
- 4) **Investment Limit Check:** The Investment Limit Checking team uses powerful systems to check all orders for compliance with client, regulatory and internal limits. At this level, it is ensured that the relevant sustainability requirements, risks and criteria are implemented in the investment process in a complete and

targeted manner. The criteria of the ESG methodology are integrated into the investment limit assessment and are therefore automatically implemented and controlled in every sustainable investment product and mandate.

- 5) **Sustainability in the investment process:** see [Chapter 5](#).

### 4.3 Higher Level (Group)

At a higher level, other aspects of sustainable and responsible corporate management are also monitored and tracked:

- 1) **Sustainability Committee:** The Group-wide Sustainability Committee consists of representatives from all relevant parts of the Group and fulfills defined core tasks and objectives to coordinate sustainability activities between the different parts of the Group. Among other things, it discusses sustainability trends and stakeholder requirements/expectations and updates the materiality matrix accordingly. The core tasks of the Group-wide team are to develop proposals for the further development of the sustainability model and sustainability management, to continuously refine the sustainability program and to monitor the implementation of the measures decided upon. Central areas of responsibility are company-specific CSR reporting and joint efforts to fully offset CO2 emissions.
- 2) **Compliance Team:** The Group-wide Compliance Team is responsible for monitoring and reviewing all compliance-related issues and for ensuring compliance with legal requirements for the responsible advice and investment management of private wealth. The Compliance Team works in conjunction with the SDG Office Regulatory Team. In this capacity, the Compliance Team monitors and controls all legal, regulatory and industry-specific projects and measures that are specifically related to sustainability and related issues.

### 4.4 Personnel capacities

FERI regards sustainability as an integral part of its investment and advisory approach. As part of the work of the three structural levels mentioned above, all areas of the FERI Group are involved in the implementation of sustainability aspects.

The SDG Office controls the internal implementation and further development of the sustainability policy and steers activities 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). SDG Task Forces have been set up for these business areas to ensure the implementation of new concepts and a continuous learning process and exchange within the firm.

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

In addition to the analysis team in the SDG Office, other employees in portfolio management are responsible for specific ESG-related assessment and monitoring as well as investment controlling.

Sustainability mandates are analyzed and managed by dedicated portfolio managers. They participate in a continuous exchange and development of sustainability research.

## 5 Sustainability in the investment process

FERI aims to play a visible role in the implementation and integration of sustainability as a whole, particularly using the SDGs as guidelines in the financial sector.

As a signatory to the UN-PRI, FERI believes that the integration of relevant corporate governance, environmental and social issues into strategy, risk management and asset allocation has a positive impact on the long-term performance of investments, resulting in an improved risk management. Return profile of client investments.

FERI works to ensure that companies, asset managers and clients recognize the challenges posed by social and environmental change as an opportunity to ensure the long-term viability of their own business model, while at the same time contributing to prosperity in an environment worth living in through responsibility for future generations. The SDGs should 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 characterized by two important principles:

### 1) Investment on behalf of clients:

This principle means that FERI primarily acts as an investment manager in the name and on behalf of clients. This means that important fundamentals and guidelines of the investment process are not determined by FERI, but are largely determined by client specifications.

### 2) Delegation to external managers:

FERI's investment approach is largely based on the principle of transferring complex investment activities to external investment managers (via open investment funds, ETFs or other investment vehicles), i.e. consciously "delegating" investments. Consequently, 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 principles have been in place since FERI was founded. They limit FERI's ability to incorporate sustainability issues and risks fully and directly into the investment process.

FERI attaches great importance to transparency and credibility in the investment and evaluation process, which is why the sustainability criteria and methods used within the FERI ESG methodology (see chapter 5.2) are always adapted to the respective investment instruments (funds and individual securities).

## 5.1 Integration of the regulatory requirements

### 5.1.1 Inclusion of sustainability risks in investment decision-making processes and in investment advisory activities (Art. 3 OffVO)

According to Regulation (EU) 2019/2088 (Disclosure Regulation), FERI understands sustainability risks to mean events or conditions in the areas of environmental, social or corporate governance, the occurrence of which can have actual or potential negative effects on the company or customers.

Sustainability risks can therefore lead to a significant deterioration in the financial profile, liquidity, profitability or reputation of the underlying investment. There is also a high level 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 strategies for incorporating sustainability risks into all investment decision-making processes.

Various sustainability indicators are taken into account as part of the inclusion of sustainability risks in investment decision-making processes and in investment advisory activities. FERI is fundamentally 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 Principal Adverse Impacts (PAIs). These are the negative impacts that investments in companies, government bonds and real estate have on environmental and social issues, including 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 to do so. Sustainability indicators from the three ESG areas of environmental, social and corporate governance are used as filters and factors for measuring and controlling the PAI. Of particular importance are, for example, a company's carbon footprint (for the environmental area) and the avoidance of controversial issues that violate the principles of the UN Global Compact (for the social and corporate governance areas).

The ability to consider the most important negative sustainability impacts depends to a large extent on the availability of relevant information in the market. The necessary data is not currently available in sufficient quantity and quality for all the assets in which FERI invests through the funds and mandates it manages. This may affect PAI measurements.

FERI takes into account the principal adverse impacts of investment decisions in funds and management mandates with a sustainable investment strategy. For this reason, the annual report (PAI Statement) only covers such funds and mandates. FERI's PAI Statement is prepared and published jointly by FERI Trust AG and FERI Trust (Luxembourg) S.A., the two companies subject to the SFDR.

The full statement can be found on the FERI website: <https://www.feri.de/nachhaltigkeit/>

### 5.1.3 Principal Adverse Impacts (PAI) in the consulting process

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

## 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 and many investment vehicles. In strategic asset allocation and portfolio strategy, the long-term impact of risks related to environmental factors, social change 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 FERI's sustainability strategy. FERI will add sustainability factors and risks to the relevant analyses, forecasts and research results that flow into the allocation process and strategic direction of all investment portfolios. A systematic and continuous integration of SDG/ESG-related data into internal research and forecasting models is also in progress.



### 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 and other liquid asset classes). In the selection process, in addition to the basic criteria included in the implementation approach, other positive and disqualifying components of each fund in relation to ESG factors are used. 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 by 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 methodologies and provides guidelines for the management of sustainable investment mandates.

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

The minimum requirements for the selection and evaluation criteria may be supplemented or strengthened depending on the mandate. The criteria of the methodology are set out in an internal policy that is binding on the investment management team. The criteria are continuously reviewed and monitored as investment limits for mandates with a sustainability focus.

The FERI ESG methodology includes the consideration of relevant negative impacts on sustainability factors (PAI) using defined quantitative thresholds and/or qualitative values. It also includes binding elements of the investment strategy and exclusion criteria for equities, corporate bonds, government bonds and target funds, as well as an examination 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 report and make sustainable investments in accordance with Article 2 No. 17 SFDR in various mandates and funds. FERI pursues a holistic SDG approach. This means that, in principle, all 17 UN Sustainable Development Goals can be considered as sustainable investment goals. There is therefore no focus on specific SDGs. Accordingly, the respective contribution to the individual SDGs can vary depending on the portfolio composition. FERI screens all companies and issuers in a comprehensive proprietary classification process.

The FERI testing process for classifying sustainable investments consists of 5 testing steps and is divided into two basic levels: a risk assessment level and an impact assessment level.

FERI uses the ESG methodology described above to implement its risk assessment. In this way, FERI ensures that relevant industry standards are taken into account and that the minimum sustainability standards formulated by FERI are adhered to with regard to the various investment instruments and at the portfolio level. As part of the risk assessment, the DNSH test is also applied. Finally, a comprehensive proprietary assessment of the ESG profile of the investments is carried out (FERI ESG Score).

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

Only when all 5 steps have been completed and the investment has met all specifications, criteria and thresholds can it be described as a "sustainable investment" according to the FERI methodology.

### 5.2.5 Database and controls

For its 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 control, identification and analysis of negative sustainability impacts, as well as for mandate-specific implementation of sustainability factors and SDG goals. FERI works with the following data providers:

- MSCI ESG-Manager
- Thomson Reuters Eikon
- Sustainalytics (über Morningstar Direct)
- ESG Screen17 (integriert Rohdaten von 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 basic criteria and mandate-specific ESG factors are monitored for all mandates and funds using proprietary ESG analysis tools and the Group-wide portfolio management tool. Risk control and investment limit reviews are conducted on an ongoing basis to monitor 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 be able to fully and comprehensively assess both the risk profile and the return potential of investment portfolios. Appropriate ESG-related mandate reporting can be implemented in the reporting documentation. SFDR obligations are met.

### 5.2.7 Sustainability in the consulting process

Various FERI departments provide targeted advice to clients and interested parties on sustainability issues. In many cases, the relevant advisory approaches and service concepts have long been established. By providing information, education, and discussion on these topics, FERI creates a heightened awareness of sustainable investment solutions among its clients. In this way, FERI actively promotes a dialog on sustainability in the spirit of the Principles of Responsible Investment (PRI) and provides information on sustainability risks.

FERI considers product-specific sustainability indicators in its advisory activities, if requested by the client, and explains these to the client, as well as the implications of the corresponding indicators for the investment process. FERI informs clients about possible manifestations of sustainability preferences and integrates these into the ongoing advisory process as appropriate.

## 5.3 Sustainability in the investment process – Private Markets

In the area of private markets investments, in addition to the conventional weighing up of return and risk, the issue of sustainability and the contribution to sustainability goals is increasingly coming into focus.

For sustainably managed mandates in the area of private markets, in particular private equity, private debt and infrastructure, FERI has developed its own methods and concepts in order to systematize 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 subsequent assessment and measurement of the impact profile.

The ESG/Impact audit in private markets and other illiquid asset classes consists of two methodologically different parts:

- 1) A proprietary ESG & Impact Due Diligence audit process
- 2) The measurement and evaluation of the sustainability impact of the invested investment portfolio (SDG mapping)

FERI proactively addresses the challenges of the ESG and impact-related evaluation and analysis of funds in the illiquid/private market area and at the same time tries to take a pioneering role in the area of measurement and analysis by applying innovative methods.

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

### 5.3.1 FERI ESG & Impact Due Diligence Audit

A comprehensive, upstream ESG & Impact Due Diligence review process for investment instruments and funds in the private markets is necessary, as these vehicles are usually "blind pool" investments and therefore there are no ex ante verifiable portfolio components. 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 and the seriousness and credibility of the fund manager.

### 5.3.2 SDG Mapping – Impact-Based Monitoring & Reporting Private Markets

FERI has developed its proprietary SDG mapping to specifically measure and evaluate investment instruments and funds in the private markets segment for their ongoing sustainability impact.

The SDG mapping looks at each individual project in the investment portfolio and analyzes it using a systematic process. The impact of the investment portfolio should be assigned to the SDGs in a systematic and comprehensible manner. The goal of SDG mapping is to clarify the contribution to achieving the SDGs, to make different target funds transparent and comparable in terms of their impact mechanisms, and to map and understand the impact profile of the investment portfolio and its development over time.

The results of the SDG mapping can be compared with the focus of the investor's sustainability strategy, as well as with the SDG mapping results of funds with a similar sustainability strategy.

SDG Mapping therefore offers a unique opportunity to specifically align or continuously adjust the selection of investment instruments and funds, and to compare and harmonize them with an investor's overall strategy at any time.

## 5.4 FERI Stewardship Strategy

Within the framework of the assets held by FERI on behalf of clients, FERI sees the responsibility of shareholders as an integral part of its sustainable investment approach. FERI considers property 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 interest groups to address ecological, environmental, social and corporate governance challenges while protecting the financial interests of clients. These basic principles define FERI's strategy for the perception and exercise of property rights (FERI Stewardship Strategy).

The following principles guide the FERI Stewardship Strategy:

- Stewardship activities aim to secure and increase 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 customers and investors in our products are protected.
- Engagement activities must not incur unreasonable costs, neither direct costs nor write-downs on 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 regularly reports publicly on stewardship activities 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 as well as collaborative improvements (active engagement) and
- b) voting behavior at general meetings (proxy voting).

## 5.5 Active Engagement - Dialogue and Governance

Engagement is an integral component of sustainable investing. The overarching goal of our engagement activities is to improve sustainability and thereby increase shareholder value. However, FERI's ability to directly influence companies and their management as a shareholder is very limited, as only a small portion of the company's holdings are held in FERI's own name. Nevertheless, FERI follows the principle of active engagement: As one of the most important fund investors and investment advisors in German-speaking Europe, FERI is both an important market participant and an influential intermediary between investors and asset managers.

FERI uses its central role for a clear dialog and provides important impulses to promote sustainability and SDG alignment, both within the asset management industry and in pension institutions and pension funds. By advising and actively supporting the reorientation of large institutional investors, FERI can also indirectly influence asset managers' attitudes towards sustainability.

In addition, FERI has agreed to work with IVOX Glass Lewis to actively engage in dialog with the companies in which it invests (in the area of direct equity and corporate bond positions). Glass Lewis addresses ESG challenges relevant to the business in face-to-face meetings with companies. Glass Lewis also engages with other industry stakeholders to obtain relevant information about the realities of companies, sectors, and the market in general. Outside of each market's call period and proxy season, Glass Lewis actively contacts companies to request a meeting and provides public companies, shareholder advocates and other interested parties with the opportunity to request a meeting via its website.

## 5.6 Proxy Voting – Exercising shareholder rights

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

Due to the strategy, only a small proportion of FERI's investments are implemented via individual shares or individual issuers. For fund products managed by the company's own investment management company, FERI Trust (Luxembourg) S.A. (FTL for short), the latter takes on the role of shareholder.

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

To exercise voting rights, FERI uses the analyses and services of IVOX Glass Lewis as an external voting advisor. By exercising voting rights, FERI wants to ensure that companies continue to work sustainably and adhere to good standards of corporate governance.

The basis for appropriate voting behavior at FERI is the current proxy voting policy of IVOX Glass Lewis. Reference is made here to their policy on exercising voting rights (IVOX Glass Lewis Voting Guidelines). Glass Lewis deals with sustainability issues in companies and monitors and reports on the companies' progress on these core 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 from it lies with the responsible portfolio management. Applications that are not covered by the proxy voting policy are subject to individual review.

The FTL Stewardship Policy ([Policies \(feri.lu\)](#)) applies as a supplement to the Glass Lewis proxy voting policy. This is reviewed annually and updated if necessary.

## Version History

Version	Date	Changes
V1.0	10.03.2021	<ul style="list-style-type: none"> <li>• Editorial changes</li> <li>• Content changes:                             <ul style="list-style-type: none"> <li>○ Renaming of SDG policy to sustainability policy</li> <li>○ Renaming of chapter 1.3 Orientation towards the SDGS to 1.5 Integration of SDG</li> <li>○ Chapter 1.7 Reformulation of the UN PRI supported by FERI</li> <li>○ Restructuring of chapter 3.2, more detailed and comprehensive consideration of responsibilities by introducing additional aspects and a clearer structure</li> <li>○ Expansion of chapter 3.3 to include a current aspect of sustainability integration in risk strategy</li> <li>○ Restructuring/merging of chapters 4 and 5 V0.0 into chapter 4 V1.0, stronger focus on the practical implementation of sustainability criteria, commitment to sustainable practices, the integration of PAI and cooperation with external data providers. Clear emphasis on FERI as an active player in the field of sustainable investments.</li> </ul> </li> </ul>
V2.0	01.02.2022	<ul style="list-style-type: none"> <li>• Editorial changes</li> <li>• Content changes:                             <ul style="list-style-type: none"> <li>○ Adaptation and renaming of Chapter 1.2</li> <li>○ Addition to Chapter 3.1 The head of the SDG Office is also the FERI representative on the sustainability committee of the parent company MLP.</li> <li>○ Deletion of Chapter 4.2.3 In the medium to long term, FERI can also imagine expanding such concepts. For these reasons, a systematic inclusion of sustainability aspects is also required here.</li> </ul> </li> </ul>
V3.0	01.06.2023	<ul style="list-style-type: none"> <li>• Editorial changes</li> <li>• Content changes:                             <ul style="list-style-type: none"> <li>○ Addition of social imperative</li> <li>○ Deletion of chapter 1.3</li> <li>○ Deletion of chapters 1.5, 1.6, 1.8, 1.9, 2.4</li> <li>○ Restructuring/merging of chapters 4 and 5 V2.0 into chapter 5 V3.0, stronger focus on specific measures to integrate sustainability into the investment process. Requirements and processes are more clearly defined.</li> <li>○ Addition of stewardship strategy to chapter 5</li> </ul> </li> </ul>
V4.0	13.10.2023	<ul style="list-style-type: none"> <li>• Editorial changes</li> <li>• Content changes:                             <ul style="list-style-type: none"> <li>○ 2.3.5 Climate neutrality replaced by compensation of CO2 emissions.</li> <li>○ 4.3 Climate neutrality replaced by compensation of CO2 emissions.</li> </ul> </li> </ul>
V5.0	09.10.2024	<ul style="list-style-type: none"> <li>• Editorial changes</li> <li>• Adding a version history</li> </ul>

