ESG Policy (including Climate Strategy/Fossil Fuel Policy and Nature Strategy/Biodiversity Policy)

Deka Investment GmbH
Deka Vermögensmanagement GmbH
Deka International S.A.

Deka Investments



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1. Introduction

1.1. The Deka Group's approach to sustainability

The Deka Group integrates environmental, social and governance aspects ("ESG criteria") holistically into its business strategy. Since 2022, the Deka Group's stance on sustainability, with its clearly defined principles, has also been an integral part of the Code of Ethics and forms a key basis for the conduct of all the Group's employees.

The Deka Group...

- … constantly reflects on external market conditions, internal activities and aspects of corporate culture in the context of sustainability, in order to align itself with them early and holistically.
- … offers its customers a broad, competitive and innovative range of investment solutions with sustainability features, both in asset management and in the capital markets business.
- … supports its customers – the savings banks and their customers, institutional investors and borrowers – in achieving their individual goals and meeting their requirements for responsible business conduct.
- … supports the savings banks by providing comprehensive analysis, consulting and services to help them align their retail banking operations and proprietary business management with the relevant ESG and sustainability regulations.
- … uses targeted lending to support financing that enables growth whilst taking environmental and social criteria into account.
- … is continuing on its chosen path of reducing its greenhouse gas footprint, both in its internal operations and in its external business activities.
- … integrates ESG criteria consistently into internal structures and processes across the relevant value chains, which also contributes to fulfilment of voluntary commitments.
- … consistently demands compliance with ESG criteria from partners and service providers for its own operations.
- … supports its own employees in acting responsibly and ensures that its remuneration policies and practices promote behaviour that is compatible with Deka's approach to climate, the environment and related risks.
- … pursues a responsible human resources strategy that focuses on diversity and equal opportunities for all. The basis for this is an inclusive corporate culture that values and specifically incorporates the diversity of all employees and their different perspectives.
- … sets high standards for corporate governance, undertaking to respect labour rights, protect the environment and take decisive action to combat corruption and bribery. It promotes transparent, fact-based communication and credible positioning as well as open dialogue with its stakeholders.
- … expects its employees and suppliers to respect human rights, has taken preventive measures to this end and will take firm action in the event of violations.
- … as an active investor, pays attention to the balance and relevance of sustainability factors when making investment decisions. In doing so, it exercises its voting rights and engages in continuous dialogue with investors and issuers in order to achieve these goals in the long term.
- … promotes projects in the areas of social issues, architecture, art, music, sport, education and science as part of its social engagement.

As the securities service provider for savings banks, the Deka Group supports the sustainable orientation of the German Savings Bank Finance Group (*Sparkassen-Finanzgruppe*)[1] and has made the consideration of environmental, social and governance criteria the cornerstone of its business model. It is one of the first signatories of the "Commitment by German Savings Banks to climate-friendly and sustainable business practices", thus demonstrating its commitment by assuming a corporate responsibility towards society for the achievement of global climate targets. The Deka Group generally considers ESG criteria from two perspectives. Firstly, risks arising from environmental, social or governance factors, such as climate change, and their potential impact on a company and its products are considered ("outside-in perspective"). Secondly, the positive and negative impacts of companies and their products on the environment and people are considered ("inside-out perspective"). In all ESG dimensions, there is potential for complex interactions between the two perspectives. The Deka Group recognises that the financial sector plays a key role in achieving the goal of greenhouse gas neutrality by 2050, as set out in the Paris Agreement. It structures its activities with a view to achieving this goal, whilst complying with current climate protection legislation. The Deka Group's underlying climate transition plan sets out the decarbonisation pathways for the individual business divisions, as well as for its own facilities and operations. It can be found online at " Climate Transition Plan of Deka Group". The Deka Group's transition plan describes the levers and actions for achieving its decarbonisation targets. Monitoring and control activities to reduce greenhouse gas emissions are carried out at the level of DekaBank, the Asset Management Securities business division and the Asset Management Real Estate business division. In their role as asset managers for Deka investment funds, the Deka Group's respective asset management companies independently set and manage short-, medium- and long-term decarbonisation targets. The corresponding targets for the Deka Group are set by the board of management, which also oversees their implementation.

1 https://www.sparkasse.de/ueber-uns.html.

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Considering ESG criteria is a mandatory element of the Deka Group's business strategy. This positioning is prepared and approved by the board of management and communicated to the board of directors and the supervisory authority.

2. Sustainability in asset management at Deka

As asset managers in the securities sector, at Deka Investment GmbH, Deka Vermögensmanagement GmbH and Deka International S.A. ("Deka"), we want to offer our customers funds with sustainability features. We also want to ensure, by exercising our shareholder rights, that our business partners minimise or even avoid any adverse impacts on the environment and society to the greatest extent possible.

2.1. Our memberships

As a member of various non-profit organisations and institutions with links to economics, social sciences and the humanities, we are committed to sustainability issues.

BVI
In the BVI (*Bundesverband Investment und Asset Management e.V.*), we promote the sharing of knowledge around sustainability. In addition, Deka uses its membership in these associations to actively exchange information with other financial service providers and stakeholders on relevant topics and activities. At the same time, with our speakers and comprehensive information material, we support the Savings Banks through advisor training and customer events on the topic of sustainability and sustainable investments.

PRI
We joined the PRI initiative,[2] an international network of investors supported by the United Nations working to promote sustainability-focused investments, back in 2012. We base our actions on the Principles for Responsible Investment and have firmly anchored these in our strategy and guidelines.

Net Zero Asset Managers Initiative
We have been a member of the Net Zero Asset Managers Initiative, a global association of asset managers, since 2021. We are aiming to reduce the greenhouse gas emissions associated with the fund assets under our management to net zero by no later than 2050. As an interim target, we are aiming to halve the intensity of greenhouse gases[3] in the mutual funds[4] actively managed by us by 2030, starting with 2019 as the base year. The portfolio share for the interim target is approximately 42% of our fund assets under management. Further information on our climate targets and the implementation of our climate strategy as part of the Net Zero Asset Managers Initiative can be found in Section 6:

As an asset manager, we have a responsibility towards the environment and society and report annually on our climate strategy (see also Section 6) and our goals, activities, actions and progress in our sustainability report (as part of the Deka Group's annual report) and in our report to PRI.

Principles for Responsible Investment

1. We will incorporate environmental, social and governance (ESG) factors into our investment analyses and decision-making processes.
2. We will be active owners and are committed to ensuring that ESG criteria are taken into account by the companies in which we invest.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote the acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

2.2. Organisational structure

At Deka Investment GmbH, sustainability and corporate governance are the responsibility of a separate department in the CIO & Fundamental Fund Management division within the Asset Management Securities business division. The "Sustainability & Corporate Governance" department is divided into two units: "ESG Research & Strategy" and "ESG Client Solutions":

The main tasks of the "ESG Research & Strategy" team include conducting ESG research in relation to issuers, sectors and ESG focus areas. Furthermore, the unit analyses issuer-related ESG risks and controversies, and makes this information available to support the investment process. The team's aim is to support portfolio management in incorporating material ESG factors into investment analysis and decision-making. In addition, the team is responsible for developing the company's own corporate governance guidelines, such as the principles of the voting policy for general meetings, the engagement policies and the stewardship guidelines.[5] Moreover, the team is responsible for the stewardship activities of Deka Investment GmbH, Deka Vermögensmanagement GmbH and Deka International S.A. Among other things, it analyses the agenda items of companies' general meetings, exercises voting rights in accordance with the aforementioned Deka voting policy and contributes verbally at general meetings.

2 Principles for Responsible Investment, an investor initiative founded in 2006 in partnership with the UN Environment Programme (UNEP) Finance Initiative and the UN Global Compact.
3 Specified in tCO2e per one million euro of company turnover and weighted by assets under management. Greenhouse gases are specified and calculated in simplified form in CO2 equivalent (CO2e) in accordance with market practice.
4 Excluding ETF (Exchange Traded Funds).
5 The guidelines can be found on the website: https://www.deka.de/privatkunden under the menu item "Über uns" ("About us") for the respective company.

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The main tasks of the "ESG Client Solutions" team include the fund-specific creation of investment universes for portfolio management, the generation of sustainability-related reports, such as customer reports, and sustainability-related disclosures. In addition, the team is responsible for the analysis, subsequent consideration and consistent implementation of regulatory requirements. The team's focus is also reflected in the fact that it actively contributes to expanding the fund product portfolio in the retail sector whilst also advising institutional investors on how to take sustainability criteria into account and implement them. The team is also responsible for fulfilling the reporting obligations that arise through membership of organisations that promote sustainability, such as the annual report required as part of PRI membership; it coordinates sustainability-related association activities within the BVI and maintains links with the relevant stakeholders through this body.

Both teams analyse relevant companies with regard to ESG aspects and conduct engagement discussions with the companies in this context in order to supplement the economic assessment of portfolio management with the ESG perspective. Sustainability research precedes fundamental research and results in particular in a clear assessment of ESG controversies and risks, as well as opportunities. Fund management is responsible for the investment decisions of the funds. Compliance with the fund-specific investment guidelines and sustainability strategies is reviewed by the Securities Fund Risk Controlling unit. Last but not least, the department's tasks include interacting with customers, industry specialists and associations, and exchanging ideas with other sustainability experts.

There are sustainability officers designated in the respective fund management units who deal with specific ESG issues in fund management and serve as experts on the unit's product range.

The issue of sustainability in relation to target fund investments falls within the remit of the "ESG Target Fund Analysis" group at Deka Vermögensmanagement GmbH (see also Section 8).

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3. Investment process

3.1. Funds with sustainability features

The following criteria, which are integrated into our systems and processes, are applied to funds with sustainability features:

Exclusion criteria:
Depending on the investment strategy of the respective fund, we define specific ESG criteria that lead to exclusion from the portfolio in the event of non-compliance. The criteria and associated data points are used to establish either positive or negative lists for the investment universe. Using the example of tobacco exclusion, this means:

■ Positive list: The list contains all companies from the fund's investment universe that generate no or (depending on the specification in the fund's sustainability strategy) only limited turnover from tobacco. The fund may only invest in securities on this list.

■ Negative list: The list contains all companies from the fund's investment universe that generate turnover from tobacco that exceeds the threshold defined in the investment strategy. The fund is not permitted to invest in these securities.

Best-in-class:
A fund invests according to a best-in-class approach if the target investment – e.g. a company or an investment fund – operates better with regard to ESG criteria within its peer group (e.g. a company in the same sector or a fund's peer group) and thus has a comparatively good overall ESG rating within the scope of a rating. Companies must also achieve minimum standards in environmental management, social responsibility and corporate governance in order not to be excluded from the investment universe. The best-in-class approach does not currently apply to investments made by Deka investment funds in companies. A dynamic version of this approach for corporate investment is the "best-in-progress" approach: Here, investments are made only in those companies that are improving the fastest in terms of their key ESG figures compared to their peer group.

Impact investing:
Impact investing focuses on companies with products and services that make a positive contribution in terms of ESG criteria. This is often measured against the 17 Sustainable Development Goals (SDGs) of the United Nations. When selecting securities, companies that do not meet the fund's ESG criteria are excluded.

Thematic funds with sustainability features:
Funds with sustainability features focus on a specific ESG issue and invest in companies that are leaders in this area. For example, the focus may be on climate and environmental protection, health, water management or renewable energies.

The investment strategies, together with their respective ESG exclusion and/or selection criteria, are available in the fund profile or in the sustainability-related disclosures in the relevant fund's prospectus on our website at www.deka.de/privatkunden/fondssuche.

3.2. Consideration of ESG criteria

We are constantly refining ESG criteria within our investment process. We regard this as part of our duty of care towards our customers, as this additional perspective helps us to assess the opportunities and risks associated with our investments more comprehensively. We believe that this can contribute to more informed long-term investment decisions. ESG criteria are integrated into our investment process systematically.

To support our investment decision-making process, the in-house research platform has been expanded to include information and data on sustainability aspects. In addition, decision-makers have access to relevant data points via trading systems for making investment decisions. The platform combines internal data and information with ESG data and ratings from external data providers. This data is supplemented with results from external and internal research, and by relevant insights from discussions with company and government representatives.

As part of our engagement – following a Deka in-house materiality assessment – targeted questions are asked on relevant ESG topics, potential for improvement identified and requirements for the issuer's consistent further development prescribed.

Portfolio managers are kept up to date with innovations and interesting information in the context of ESG through regular training sessions with the "Sustainability & Corporate Governance" unit.

Potential ESG controversies are addressed critically in the investor dialogue with the companies (see also Section 5).

3.3. Dealing with sustainability risks and adverse sustainability impacts

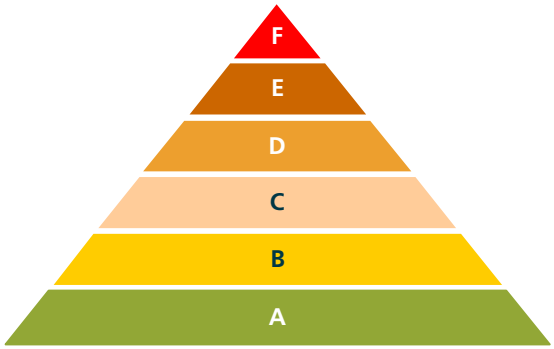
Sustainability risks
At Deka, responsible business operations within our fund and service portfolio are a matter of course. Taking sustainability aspects into account also includes considering sustainability risks in investment decision-making processes. We define a sustainability risk as an environmental, social or governance event or condition, the occurrence of which could have an actual or potential material adverse impact on the value of investments in our portfolios. Various strategies and processes have been implemented to ensure that sustainability risks are included in investment decisions.

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Under the ESG analysis, the current and planned sustainability activities of companies and states are analysed, and the sustainability risks and rewards are identified. The results of the analysis are taken into account in the investment decision. Particular attention is paid to the severity of ESG controversies.

In our internal ESG risk level model, a cascade model consisting of six risk levels (A–F), we assign issuers to a risk level in order to take sustainability risks into account in the investment process. Issuers that appear risky from an ESG perspective are placed in the upper risk levels (D–F), while lower-risk issuers are placed in the lower levels (A–C).

Figure 1: ESG risk level model



Source: Deka Investment GmbH.

ESG data obtained from external data providers (based on inside-out information and outside-in information) as well as proprietary ESG research serve as input factors for risk identification/assessment. This means that event-related sustainability risks can also be identified on an ad hoc basis, as (external) ESG data is published with a delay. In addition, broader factors that relate in particular to inside-out risks are taken into account. Issuers are assigned to a risk level by our ESG sector analysts. However, an issuer is assigned to the highest risk levels (E–F) on the basis of a recommendation by the Sustainability Risk Committee, which is made up of members of the board of management. The committee meets on an ad hoc basis for this purpose.

The respective risk level of an issuer determines the degree of exclusion in relation to our funds, i.e. whether the exclusion extends only to funds with sustainability features or to all funds. Changes in assessment are discussed, documented and communicated as part of a monthly review or in response to specific events within the "Sustainability & Corporate Governance" unit.

Further information on how sustainability risks are taken into account in investment decision-making processes can be found in the fund profile and the sustainability-related disclosures in the relevant fund's prospectus. These are available on our website at www.deka.de/privatkunden/fondssuche.

Principal Adverse Impacts (PAIs) on sustainability factors
In exercising our fiduciary responsibility and due diligence, we take into account adverse impacts on the sustainability factors relating to the environment (e.g. climate and nature protection), social issues (e.g. human rights, health and safety) and governance (e.g. transparency and reporting, anti-corruption and anti-bribery) in our investment decisions. Accordingly, we have integrated the PAI indicators required under the Disclosure Regulation into our investment processes for funds and asset management – both those with and without sustainability features – in line with the required "inside-out" approach,[6] where meaningful data is available for this purpose. Through this approach, we take into account and manage relevant adverse impacts on sustainability factors. As part of the investment decision-making process, the PAI thresholds we have set are automatically checked, depending on the objective, to ensure that sustainability aspects are taken into account in the funds' investment process. If the checks show that the PAI threshold values have been exceeded, this may lead to the exclusion of the issuer concerned.

We determine the adverse impacts on sustainability factors to be taken into account in investment decisions based on publicly available information from issuers (e.g. from annual reports and sustainability reports), our internal research database and using data from external research or rating agencies.

In addition to the "inside-out" approach to negative sustainability impacts, we also consider negative sustainability impacts from an "outside-in" perspective, i.e. with regard to their effect on the value stability of the assets in which we invest.

Fund-specific disclosures relating to the Disclosure Regulation are available in the sustainability-related disclosures section of the relevant fund's prospectus on our website at www.deka.de/privatkunden/fondssuche.

6 In exceptional cases, investment funds may be excluded from the application of the PAI control mechanism.

4. Securities investment products and exclusions

The following exclusion criteria apply in principle to all Deka's mutual funds[7] and asset management services:

- Manufacturers of outlawed and controversial weapons[8] are excluded.
- Investments are not made in companies in the thermal coal extraction and power generation sectors once set turnover thresholds are exceeded (see table).
- In addition, we do not invest in products that directly track the price development of basic foodstuffs.

These exclusions apply to direct investments in companies; in the case of investments in target funds, these exclusions cannot be fully observed.

In addition to these company-wide ESG exclusions, funds with sustainability features apply additional ESG exclusion and/or selection criteria. These can be found in the fund profile and the sustainability-related disclosures in the relevant fund's prospectus, which is available on our website at www.deka.de/privatkunden/fondssuche.

Figure 2: Exclusion criteria

Exclusion criterion (direct investments)	**Exclusion for Deka Group**	**Exclusion for all actively managed Deka mutual funds[9]**	**Exclusion for central mutual funds with sustainability features**
Outlawed and controversial weapons	X	X	X
Speculations on basic foodstuffs	X	X	X
Coal		■ Extraction of thermal coal accounting for 15% or more of turnover ■ Coal-fired power generation accounting for 25% or more of turnover	■ Individual turnover limits according to the sales prospectus of the respective fund
Oil and gas			■ Individual turnover limits according to the sales prospectus of the respective fund

Source: Deka Investment GmbH.

7 Only the exclusions for manufacturers of outlawed and controversial weapons apply to Deka Investment GmbH's exchange-traded index funds (ETFs).
8 Outlawed and controversial weapons include anti-personnel mines and cluster munitions, as well as weapons under the Biological Weapons Convention of 1983, the Chemical Weapons Convention of 1992 and other UN weapons conventions dating back to 1980 (non-detectable fragments, incendiary weapons, land mines and booby traps) and the Convention against the Use of Blinding Laser Weapons.
9 This includes stocks, bonds and derivatives with a direct link to an issuer. Historically acquired positions in bonds are protected in the interests of our investors, but further purchases are not permitted.

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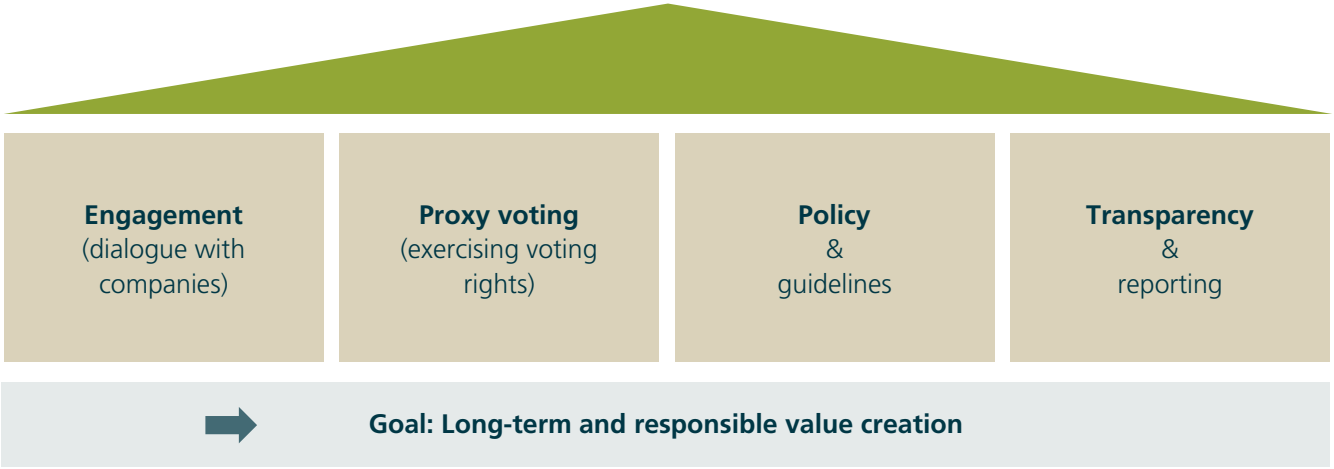
5. Stewardship and engagement

As an asset manager, we act in accordance with our fiduciary duty and in the best interests of our customers by taking advantage of opportunities, managing risks and minimising them to the extent possible. This makes stewardship an integral part of our investment process.

Stewardship, also known as active ownership, refers to the fiduciary duty of asset managers to manage the assets they hold in trust in the long-term interests of their investors or ultimate beneficiaries. The aim is to create long-term value for investors and to take due account of significant risks and opportunities. Stewardship involves, in particular, monitoring portfolio companies, engaging in dialogue with companies, exercising voting rights and, where appropriate, other forms of engagement. The aim is to promote good and responsible governance and the sustainable development of businesses.

Engagement is a central component of stewardship activities. The term "engagement" refers to active, constructive and goal-orientated dialogue with companies. We take into account all ESG aspects – i.e. environment, social and good governance – in our engagement activities, with a focus on sector-specific and company-specific factors.

Figure 3: Stewardship



Source: Deka Investment GmbH.

Our stewardship guidelines for Deka Investment GmbH, Deka Vermögensmanagement GmbH and Deka International S.A., as well as the engagement policies[10] in accordance with Section 134a (1) No. 2 of the German Stock Corporation Act (*Aktiengesetz* – AktG) and Article 1 (5) of the amended Luxembourg Act of 24 May 2011, are available on our website.

As trustees for our investors, we focus our efforts on the long-term success of the companies in which we invest. We see our engagement as the key to increasing the value of our investments in the long term.

As a basis, we conduct sector-related materiality assessments annually in order to identify both material sustainability risks and opportunities and to take them into account in our engagement activities. As part of our engagement, we also identify any adverse impacts of companies on sustainability factors (see also Section 3.3) and address any cases of the threshold values we have defined internally being exceeded.

In addition, we monitor any material ESG controversies relating to companies and, in serious cases in particular, we seek an ad hoc discussion in order to be able to make our own clear assessment of the circumstances. The targeted monitoring and tracking of companies' development ensures that our engagement has a long-term focus. In taking this approach, we as investors also consciously remain invested in companies with critical business activities so that we are able to use our influence as an active shareholder and motivate these companies to implement more responsible business practices.

"Promote innovation and assist change" is thus the guiding principle for our stewardship activities. We are committed to ensuring that companies view technological and

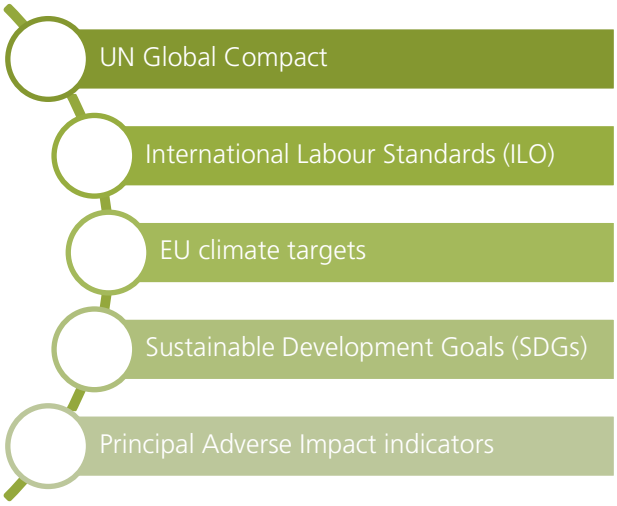
10 Available at www.deka.de under the menu item "Über uns" ("About us") and the respective company.

environmental change as an opportunity to strengthen their long-term viability and fulfil their responsibilities towards society and the environment.

The European Commission, environmental and human rights organisations, and the international investor initiative PRI emphasise this corporate responsibility. Companies should therefore base their actions on internationally recognised principles and guidelines and avoid, or at the very least effectively reduce, adverse impacts on society and the environment, including those relevant to PAI aspects.

Against this background, our stewardship activities focus primarily on compliance with the principles, guidelines and indicators set out in Figure 4:

Figure 4: International principles, guidelines and indicators



Our aim is to use our engagement activities to help ensure that the companies in our funds take sustainability aspects into account, thereby supporting sound long-term investment decisions in the interests of our investors.

We consider the principles of good governance to be essential for ensuring that companies take sustainability aspects into account, as they are a basic requirement for responsible conduct. For German listed companies, the Government Commission on the German Corporate Governance Code formulates recommendations for internationally and nationally recognised standards of good and responsible governance. We take these into account accordingly in our governance assessment.[11]

Climate-related, political and technological risks threaten the business models of companies that do not respond to the new challenges in good time. For this reason, we demand transparency and the appropriate disclosure of ESG-relevant information and data from companies. In order to be able to assess and monitor the development of companies with regard to ESG aspects, we use various ESG data providers and ESG rating agencies in addition to our own research.

We are in regular and event-driven dialogue with German companies, as well as with companies based outside Germany. In addition, we are conducting engagement discussions with government representatives of different countries in order to promote our approach to incorporating sustainability aspects in this sphere (sovereigns) as well.

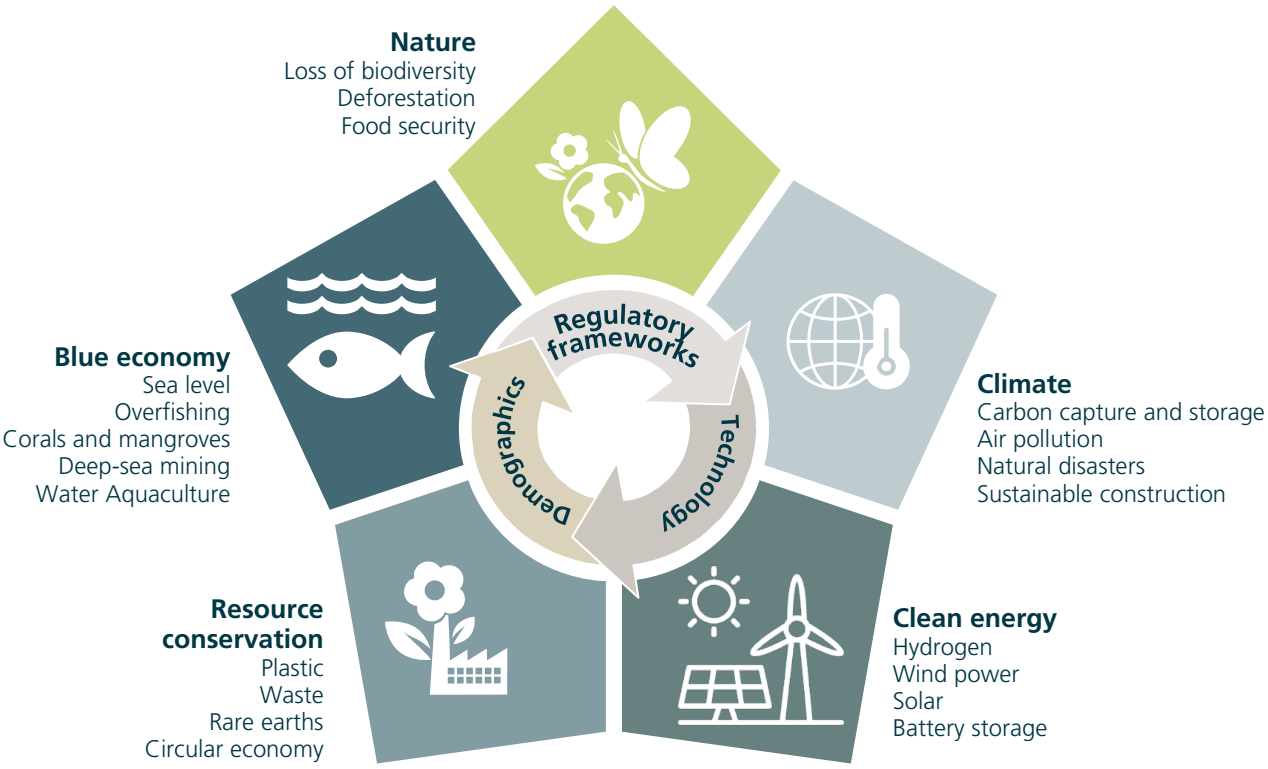
5.1. Long-term topics as a basis

Long-term sustainability trends can be used to identify key investment topics that are highly relevant for the future and offer attractive investment opportunities. These topics can be divided into five areas (nature, climate, clean energy, resource conservation and the blue economy) with corresponding sub-categories, as shown in Figure 5, with the focus of investment increasingly shifting towards solutions aimed at maintaining or restoring planetary boundaries, as well as strengthening resilience and adaptability.

11 https://www.dcgk.de/en/.

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Figure 5: Overview of long-term (sub-)topics



Source: Deka Investment GmbH.

The global, closely interwoven challenges faced are driven by demographics, regulatory frameworks and technology. This raises the question of how limited resources can be sustainably preserved in the face of a growing global population and how key technologies can be developed that transform business models and value chains in a sustainable manner.

If, for example, negative phenomena such as droughts or pollution endanger existing business models or extreme weather events disrupt economic activity and damage both capital and land, this brings (material) risks into the portfolio.

Here, a differentiated investment process taking ESG criteria, risk drivers and long-term topics into account is essential to enable issuers such as companies or states to be appropriately evaluated across different investment instruments in accordance with their ESG risk/return profile and to reward transition efforts. The long-term topics listed are often industry-independent or apply to several industries or supply chains. These findings, alongside proprietary research by the sector managers in the Sustainability & Corporate Governance department, are also incorporated into the internal Deka ESG risk level system and into the PAI management process.

5.2. Overview of key engagement topics

In the interests of our investors, we take a holistic approach to engagement. In addition to voting at general meetings in accordance with our internal policy, this includes exercising the right to speak at general meetings as well as discussions with companies – with members of the supervisory board or board of management and investor relations or corporate sustainability representatives – on critical topics.

We also help to further develop the integration of ESG criteria into companies' corporate policies. We do this, for example, by contributing to various working groups, such as those in the BVI and DVFA (*Deutsche Vereinigung für Finanzanalyse und Asset Management*).

We have selected key topics from the fields of environment, social and good governance (ESG) that we consider to be particularly important and acute. In particular, we address companies that have a very strong market capitalisation in our core markets. In addition, we consistently hold discussions with issuers who violate the UN Global Compact principles where we hold a significant investment. We address these issues within the relevant sectors, monitor developments and provide long-term support to companies with the aim of bringing about improvement:

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Environment

Climate strategy/CO_2: Here, our aim is to learn how companies are reducing their CO_2 emissions in view of the Paris Climate Agreement and national and international climate targets. It is particularly important to us that a reduction strategy is developed and decarbonisation measures are implemented. In sectors for which the Science Based Targets initiative (SBTi) has set science-based standards, we expect companies to align their strategy with these standards and have it confirmed by the initiative.

Nature/biodiversity: In addition to the climate problem, this item covers all other environmental issues such as renewable raw materials, water consumption or forest clearance for palm oil production.

Pollution/recycling: This item encompasses environmental pollution issues, such as plastic. We also focus on the circular economy and recycling opportunities.

Social

Human rights: We expect companies to respect human rights.

Labour rights and working conditions: In the event of violations of international labour standards and recommendations of the International Labour Organization (ILO), we address the violations and urge appropriate action. We also expect companies to treat employees responsibly.

Supply chain: Sustainability is important not only in relation to the investee companies themselves, but also in relation to their supply chain. We therefore expect companies to monitor and examine their supply chains in respect of sustainable aspects, and in particular to ensure compliance with human and labour rights. This includes:

- Comprehensive coverage of the supply chain through monitoring and inspection measures, especially in high-risk sectors, including in the second and third tier of supply chains.
- Transparency in reporting about inspections and findings.
- If there is a high number of accidents at work or high turnover compared to the sector average, Deka expects the causes to be systematically investigated and plans of action developed.

If a company fails to comply with its duties of care, we will take this into account in our voting behaviour and reserve the right to vote against the formal discharge of the board of management and supervisory board.

Governance

Remuneration of the board of management and the supervisory board: The remuneration structure for members of the board of management must be oriented towards sustainable corporate development and in particular must not lead to the taking of inappropriate risks. For reasons of transparency, we also call for the individual disclosure of the remuneration components of members of the board of management and supervisory board. With regard to the remuneration of supervisory board members, we make sure that the remuneration amount does not appear to be disproportionately high in relation to that of comparable companies. In this context, we are in favour of a purely fixed remuneration for supervisory board members. We do not think it wise to have a pension scheme for supervisory board members.

Composition and structure of the board of management and supervisory board: We pay particular attention to qualifications (**skill profiles**) and **diversity** in the appointment of supervisory board and board of management members. For us, important considerations in terms of diversity include gender, age and internationality. In our discussions with companies, we address any deficits in relation to diversity and management of these deficits.

In addition, we set minimum standards for sensible gender diversity in the supervisory board and the board of management in our voting guidelines. If the minimum standards are not met, we reserve the right to vote against the discharge of the board of management and the supervisory board.

Important criteria in supervisory board elections also include the **independence**, the term of office and the number of mandates of the candidates.

We pay attention to how companies design **processes and products** that are subject to specific requirements, standards (such as ISO) or legal stipulations, and how transparently this information is disclosed. We also focus on the integrity of corporate governance, adherence to compliance policies and the avoidance of unethical behaviour. Transparency and a sense of responsibility in these areas are essential to strengthen stakeholder confidence.

General topics

SDG operationalisation: In 2015, all 193 Member States of the United Nations adopted the 2030 Agenda for Sustainable Development and agreed on the 17 Sustainable Development Goals (SDGs). These goals include health and wellbeing, affordable and clean energy, sustainable cities and communities, and climate action (see also Section 3.1). The aim is to promote sustainable development in all areas of life. Based on these goals, companies should identify topics that are relevant to a country and show what the company can contribute to achieving these goals.

CSRD reporting: The CSR Directive (Corporate Social Responsibility) has been updated and developed into the CSRD (Corporate Sustainability Reporting Directive) in order to meet the increased requirements for sustainability reporting. The CSRD is transposed into German law in Germany by a national implementation act.

Controversies: Controversies are part of the analysis process. These include, for example, environmental or human rights violations. They also include insufficient co-determination rights in major corporate takeovers and other topics discussed in the press. The importance of controversies in the assessment of issuers is steadily increasing.

ESG Policy

5.3. Engagement process

Our engagement process comprises various tools that can be used individually or in combination when assessing a company – see also Figure 6:

1. **Worldwide voting/proxy voting:** We use our voting rights actively and globally at general meetings in order to consistently promote good governance in accordance with our voting policy principles. In the event of serious deficits in governance and environmental or social performance, we reserve the right to vote against the formal discharge of the board of management and the supervisory board, or against their re-election. In the case of "Say on Climate" votes, we reserve the right to vote against them if there are serious environmental deficits or inadequate climate plans. This assessment is based on defined threshold values, which are based on PAI factors and the Deka standards regarding the climate strategy of companies.
2. **Investor meetings with the companies:** As an active asset manager, we address issues that are clearly critical through regular dialogue with companies from within our portfolio. Depending on how critical the issues are, we conduct discussions at various levels – from meetings on non-critical issues with investor relations to critical discussions with the supervisory board. All points and requirements discussed are documented internally by us and developments are tracked over time.
3. **Collaborative engagement:** We also participate in collaborative engagement while paying heed to "acting in concert" restrictions. This includes initiatives to disclose ESG data plus initiatives on individual social or environmental issues, such as environmental and social standards.
4. **Interviews on critical topics:** If companies do not respond to our criticisms in the course of dialogue, we can use media interviews if necessary to publicly express our criticism.
5. **Speaking at general meetings:** Attendance at general meetings is determined based on the following criteria, among other aspects: the scope of our share in the company, the strategic importance of the company and the relevance of important engagement topics. We use our right to speak at general meetings to have a positive impact on corporate governance and development and to raise our points of criticism publicly. Through media coverage of general meetings, we achieve effective reach and attention for our requirements.

Figure 6: Elements of our engagement



Source: Deka Investment GmbH.

5.4. Exercise of voting rights and right to speak at general meetings

The exercise of shareholder rights at general meetings is a key part of our stewardship activities. The right to vote is one of the most important shareholder rights; exercising this right therefore requires a responsible and fiduciary approach in the interests of our investors. On the basis of clearly defined criteria, we exercise the voting rights of the investors we represent, either ourselves or through proxy voters. Our voting behaviour is guided by the principles of our voting policy at general meetings, as published on our website.[12] These principles provide the framework for transparent and accountable decisions tailored to each individual case. They are based on our many years of experience as one of the major fund providers and thus shareholder representatives. At the same time, they take into account the relevant legal and regulatory requirements as well as recognised national and international standards. These include in particular the analysis guidelines for general meetings of the BVI, the German Corporate Governance Code, the DVFA Scorecard for Corporate Governance, and relevant environmental and social (ESG) standards. The principles are regularly reviewed and adapted to current developments as necessary.

An important part of our voting policy is to take into account a company's critical performance, practices or positions in the area of social and environmental responsibility when making our voting decisions.

We welcome in-person general meetings, as they facilitate a more direct and in-depth dialogue between shareholders and company representatives. In such cases, we attend the general meeting in person and exercise our right to speak. In the case of virtual general meetings we submit questions in advance, which are answered by the board of management or the supervisory board during the meeting. In addition, we make use of the virtual options available to us to deliver our speeches.

We publish details of how we voted and the speeches we made on our website[13] the day after the general meeting.

5.5. Engagement in the case of government bonds and green bonds

Engagement activities relate not only to equity strategies, but also to debt strategies. In this area, we focus on issuers of government bonds and green bonds. Both companies and states have an important role to play in meeting environmental and social challenges. For this reason, ESG criteria are increasingly coming into focus when making investment decisions in government bonds. At Deka, we fulfil our role as an active trustee in this area and meet with representatives of the countries in whose bonds we are invested. In addition to economic topics such as economic growth and national debt, we also talk about what states are doing in the area of ESG issues, such as environmental protection, corruption and climate change.

When investing in green bonds, we also closely examine the issuer and the characteristics of the bonds. Green bonds are an important instrument for financing climate and environmental protection projects, such as the construction of wind power plants.

Credibility plays an essential role in this area. Since the classification as a green bond is made by the issuer itself, we impose strict social and environmental requirements on the issuers regarding how the funds are used. The current engagement topics as well as information on the corporate dialogues that have taken place are summarised and published annually in the Engagement Report.[14]

5.6. Escalation process

We have established a multi-stage escalation process that involves several tools both in the investment process and in our stewardship activities. Escalation is based on a company's response to our engagement or on the development of the topics, controversies or threshold values concerned. We document and track development on a case-by-case basis based on changes in KPIs and threshold values, the resolution of ESG controversies and adherence to defined milestones. If there is no significant improvement after the first year of addressing ESG deficits, we take the company to the first escalation level, which then results in the application of one or more suitable escalation tools:

Escalation tools

1. PAI management: In the assets under our management, we identify issuers with principal adverse impacts on sustainability factors based on the criteria specified in the Disclosure Regulation, including human rights controversies, the intensity of greenhouse gas emissions and impacts on biodiversity. We apply threshold values for investment eligibility depending on the severity and irreversibility of the impacts. Stricter threshold values apply to funds and asset management schemes with sustainability features than to those that do not take sustainability features into account. As part of our engagement, we address critical threshold values and call for improvement.
2. The application of the Deka risk level model is another tool that is used in the escalation process. We address the ESG controversies in question as part of our engagement: We require the company to provide comprehensible reasons or take action to resolve the controversy. If this does not happen, the company may be downgraded in our risk level model and thus be investable for fewer funds or no funds at all (see also Section 3.3).
3. Exercising voting rights and engagement: In preparation for the annual general meeting season, we purposefully select issuers for the exercise of our voting rights and our engagement activities that have certain ESG deficits, for example in connection with the points mentioned above, among other factors. These are addressed in engagement dialogue, and measures planned by the company to

12 Available at www.deka.de under the menu item "Über uns" ("About us") and the respective company.
13 Available at www.deka.de under the menu item "Über uns" ("About us") and the respective company in the "Abstimmungsergebnisse" ("Voting results") section.
14 Available at www.deka.de under the menu item "Über uns" ("About us") and the respective company in the "Engagementbericht" ("Engagement report") section.

eliminate the deficit are documented and tracked. In addition, these deficits and/or the failure to eliminate the deficits are taken into account in our voting behaviour. In the event of non-compliance with minimum ESG standards or a failure to respond by the company, we reserve the right to vote against the formal discharge of the board of management and/or the supervisory board, or to vote against re-election of the board of management and/or the supervisory board.

4. Critical contributions at general meetings: Our contributions at general meetings can serve as a further escalation tool. Before taking this measure, we seek dialogue with the company and in particular with the representatives of the supervisory board, in particular the chairperson, in order to address and discuss ESG deficits and to follow up on any measures taken or not taken by the company. If the deficit is not resolved or no clear countermeasure is taken, we will voice our criticism in a manner that generally achieves good media coverage and attention among the general public.
5. Sustainability Risk Committee: In our ESG governance, we have defined which committees deal with which issues and escalation levels. Our Sustainability Risk Committee ultimately reviews risky cases in terms of sustainability aspects and may recommend the general exclusion of an issuer to our management or our board of management.

At the end of the year or on an ad hoc basis, the individual issues are re-evaluated in order to classify the companies to the appropriate escalation level. The classification can lead to a company being placed at a higher level in our escalation model or, in the event of improvement, at a lower level. In the following year, the individual tools are then applied according to the level and the ESG deficit.

ESG Policy



6. Our climate strategy

We have been a member of the Net Zero Asset Managers Initiative since 2021 and support its target of achieving net-zero greenhouse gas emissions by 2050. As an asset manager, we are therefore striving to reduce the GHG[15] in the assets under our management to net zero. As an interim target, we are aiming to reduce the weighted GHG intensity[16] in the mutual funds we actively manage ourselves (our net-zero portfolio) by 2030, starting with 2019 as the base year. In addition, we are committed to promoting investments aimed at achieving net-zero GHG emissions by 2050 or earlier.

The proportionate emissions of the companies we are invested in are decisive for the calculation of the GHG intensity in our portfolio. We take into account the direct emissions of companies (Scope 1), the emissions from their purchased or acquired energy (Scope 2) and the emissions from their supply chain (Scope 3), insofar as this data is available and of material importance for the sector in which the company operates. Through our regular calculations based on companies' CO_2e figures, we can identify the largest drivers of emissions in our portfolio, implement targeted control measures and track the progress of our greenhouse gas reduction efforts. The fossil fuel sector is a particular focus of our decarbonisation measures, as the extraction and combustion of fossil fuels leads to a significant release of greenhouse gases, in particular carbon dioxide (CO_2) and methane (CH_4). However, there are also other emission-intensive sectors for which we monitor the development of emission intensities, such as the power supply, automotive, aviation, cement, steel and chemicals sectors. In doing so, we compare the decarbonisation of the sectors in our portfolio with the sector-specific decarbonisation pathways of the IEA, which are aligned with the net-zero target. Depending on the availability of data, we use the physical intensity – which reflects the emissions in relation to the physical production output – and the emissions financed by our company shares as key figures for the sector measurement.

The most important tool we have to achieve our targets is our systematic engagement on the climate, combined with our corresponding voting behaviour: We require companies that are active in the fossil fuel sector or that have a high greenhouse gas intensity to implement a science-based climate strategy, ideally one that is validated and certified by the SBTi. The strategy should include both short-term (by 2030) and long-term (by 2050) targets and milestones to achieve the net-zero target. It is also important to us that there is a transparent decarbonisation and transformation process. To this end, we examine the short- and medium-term milestones set by the companies, the actions taken and the investments made in support of their climate targets. The transformation of the emission-intensive companies is key to ensuring that their business models are sustainable, that they can reduce climate-related risks and, in particular, that they can take advantage of the opportunities arising from investments in renewable energies and clean technologies. In a changing market environment, transformation promotes innovation and can give companies a significant competitive advantage that positively impacts performance for investors.

As part of our engagement, we therefore aim to learn more about companies' climate-related challenges and solutions in order to recognise and support their transition measures, such as reducing GHG emissions, adapting to climate change and implementing the relevant climate strategy. Based on discussions, we assess companies' progress taking into account the current circumstances. We understand that improvements cannot always be linear. Where necessary, we introduce more stringent measures in accordance with our overall engagement process (see also Section 3).

In addition to our engagement with the most emission-intensive companies, we are also in regular contact with our investors and stakeholders in order to understand their customer-specific challenges in reducing greenhouse gas emissions and to jointly develop and implement solutions.

The climate targets for our AM Securities business division are also set out in the Deka Group's Climate Transition Plan, which is published on our website.[17]

6.1. Investments in the fossil fuels sector (Fossil Fuel Policy)

At Deka, we are committed to fulfilling our fiduciary responsibilities towards our investors and to communicating transparently about our approach to fossil fuels. Activities in the fossil fuels sector lead to an increased concentration of greenhouse gases in the atmosphere and, due to the greenhouse gas effect, contribute significantly to global warming and the progression of climate change. The consequences include the melting of glaciers and ice sheets, more frequent and more intense storms, floods, heat waves and droughts, and a threat to biodiversity, as the habitats on our planet are changing faster than flora and fauna can adapt.

Activities in the fossil fuel sector contribute significantly to global warming and lead to climate-related risks. The economic attractiveness of fossil fuels depends heavily on future energy prices and the demand for these resources – the growing pressure to invest in sustainable energy sources plus advances in renewable energy and storage technology may make fossil fuels increasingly unattractive. A decline in demand for fossil fuels may cause losses in value in this area, also referred to as stranded assets. These are assets that lose value

15 Greenhouse gases.
16 Key figure is WACI = Weighted Average Carbon Intensity.

17 https://www.deka.de/deka-gruppe/unsere-verantwortung/wie-wir-nachhaltigkeit-leben/esg-reports-und--ratings.

before the end of their planned useful life due to relatively abrupt changes relating to the environment, technology or legislation. One example is reserves of fossil fuels that can no longer be extracted in the future, because demand for fossil energy sources is falling sharply due to climate change mitigation measures or cheaper renewable energies. Companies that invest predominantly in fossil fuels are vulnerable to these risks given the growing regulatory framework around decarbonisation and the fact that energy production is increasingly shifting towards renewable energies on a global scale. We aim to reduce these risks for the benefit of our investors and have implemented mechanisms in our investment process to identify and manage sustainability risks, in particular climate-related risks. The greenhouse gas emission indicators used for this purpose also help us to identify particularly advanced or innovative companies and/or companies undergoing transformation. This enables us to identify opportunities for returns and transformation and to take advantage of them for our investors.

6.1.1. Our measures for phasing out fossil fuels

To achieve our objectives, we are implementing the following measures:

1. Application of exclusion criteria
2. Control mechanism for PAI indicators 1–6
3. Consideration of climate risks in the assessment of issuers (risk level model)
4. Engagement on fossil fuels
5. Promotion of renewable energies

6.1.2. Application of exclusion criteria

For our actively managed mutual funds without sustainability features, we exclude companies that generate 15% or more of their turnover from thermal coal extraction or those that generate 25% or more of their turnover from coal power generation. [18]

Individual turnover limits apply to our actively managed mutual funds with sustainability features; these can be found in the respective fund's sales prospectus. This also applies to all other criteria with regard to fossil fuels such as oil and gas.

6.1.3. Control mechanism for PAI indicators

We identify any adverse sustainability impacts of our investment decisions using the PAI indicators (see also Section 3.3).
In order to minimise adverse impacts on the climate, we apply threshold values for the greenhouse gas emission intensity of companies (PAI 3), measured in tonnes of CO_2e per million EUR of turnover. We are thus withdrawing from investments in companies with a business model based primarily on fossil fuels.

6.1.4. Consideration of climate risks in the assessment of issuers

Our aim is to reduce sustainability risks, in particular climate-related controversies, in the funds we manage and to support the transformation of emission-intensive companies. To this end, we utilise tools such as our internal ESG risk rating model in our mutual funds and asset management services (see also Section 3.3).

6.1.5. Engagement dialogue with companies in the fossil fuels sector

We are in regular dialogue with the companies in which we invest. In particular, we express the following requirements with regard to emission-intensive companies:

- Measures to reduce greenhouse gases
- Current economic greenhouse gas intensity below PAI threshold values [19]
- Definition of science-based greenhouse gas reduction targets for 2030 and 2050
- Commitment to a net-zero decarbonisation pathway
- Publication of a detailed transition plan
- Annual publication of greenhouse gas figures and progress with decarbonisation.

Through dialogue with the companies concerned, we ask the companies to explain their climate strategy to us, and enquire about the measures currently being taken and the planned investments in the transition. [20] We analyse the available ESG data, the Scope 1, 2 and 3 emissions and the sustainability reports of the companies in order to assess their climate strategy and performance. We also examine and assess other company-related ESG factors and controversies arising from the company's reporting and from qualified information and data sources. This analysis forms the basis for our targeted dialogues with the companies. As part of our engagement, we aim to find out more about the companies' specific challenges and solutions. Based on the findings and the information available to us, we assess the status and progress of the company in question with regard to its climate strategy and transformation. We then initiate further measures depending on the assessment and requirements:

Companies with material climate-related controversies or insufficient decarbonisation are asked to achieve clear improvements within one year. These companies are reviewed annually by us until the controversies are resolved or until the greenhouse gas emissions have been reduced to the necessary extent.

In the IEA net-zero scenario, it is considered necessary to drastically reduce the use of fossil fuels through several tangible measures and to support the transition to a climate-neutral economy. According to this scenario, with effect from 2021 no new coal, oil or gas projects should be approved. This includes the exploration and development of new oil and gas fields as well as the construction of new coal-fired power

18 Deviations from this procedure are generally not permitted. If a company is demonstrably on the path to transformation but will exceed the defined exclusion limits in the foreseeable future, management may approve an investment by means of an exemption clause. This is accompanied by our engagement activities .
19 PAI3 (Direct investment).
20 Green CAPEX (capital expenditure).

plants that are not equipped with carbon capture technology (CCUS[21]). With regard to natural gas, the existing infrastructure is to be used more efficiently and emissions reduced. We therefore talk to companies that are active in the fossil fuels sector about their plans for further expansion and encourage them to refrain from engaging in new coal, oil and gas projects. We review the situation regularly.

In addition to the reduction of CO_2 emissions, we also call for the reduction of methane emissions, as methane is the second-most-important anthropogenic greenhouse gas that contributes to climate change. It escapes during the extraction and processing of fossil fuels, among other things, but this can be reduced or prevented through the use of modern technologies. Although the data on methane emissions is still incomplete, we address this issue with the companies concerned and expect them to take measures to reduce their emissions.

We reserve the right to use one or more appropriate escalation tools as part of our engagement activities for companies that do not respond to our requirements (see also Section 5.6).

6.1.6. Investments in companies that offer solutions for the climate transition

We offer specific funds that track a climate transition benchmark. These funds invest in companies that have adopted a long-term climate strategy relating to their production or service delivery processes. The portfolios of these funds are decarbonised annually in accordance with the requirements of the EU Regulation on Climate Transition Benchmarks (EU 2020/1818). In addition, we offer funds with impact-based or thematic investment strategies. These funds invest specifically in providers of solutions for the economic transition, such as renewable energy, energy efficiency solutions and energy storage technologies. To measure the share of our funds' investments in economic activities that the EU Taxonomy classifies under the environmental objectives of climate action or climate change adaptation, we are guided by the EU Taxonomy. Companies' turnover and CapEx[22] figures should provide information about the level of Deka's investments in the aforementioned activities.

To this end, the EU Taxonomy specifies the following criteria in order to classify activities in this regard as sustainable:

An economic activity makes a substantial contribution to climate change mitigation if it:

1. **Reduces greenhouse gas emissions:**
   The activity leads to a significant reduction in greenhouse gas emissions. This can be achieved by using renewable energies, improving energy efficiency or developing low-carbon technologies.

2. **Increases energy efficiency:**
   The activity improves energy efficiency in production processes, buildings or transport systems. This includes measures such as the renovation of buildings in order to increase energy efficiency, or the use of energy-efficient technologies.

3. **Supports low-carbon technologies:**
   The activity supports the development, use and scaling of technologies that contribute to the reduction of CO_2 emissions, such as carbon capture and storage (CCS[23]), hydrogen technologies or electric vehicles.

6.1.7. Next steps

We regularly compare our approach against current market developments, climate models and recognised methods. As part of this process, we maintain close contact with the academic community, particularly on sustainable capital market issues, as capital market research on climate issues is of great importance to us.

We also engage in intensive dialogue with non-governmental organisations and civil society to ensure that our actions are not only based in science, but also accepted and supported by society.

21 Carbon capture, utilisation and storage.
22 CapEx stands for capital expenditure.
23 Carbon Capture and Storage.

ESG Policy

7. Our strategy in relation to nature and biodiversity (Biodiversity Policy)

To strengthen the resilience of people, the economy and nature, nature and biodiversity are core aspects of Deka's sustainability strategy in addition to climate change.

7.1. Nature and biodiversity

Biodiversity is the foundation of life on Earth and encompasses the diversity of all living organisms – from genes and species to ecosystems. It is critical to the functionality of nature and enables ecosystem services that are essential for both human wellbeing and economic activities.

Biodiversity is taken into account in asset management at company level. We see it as our responsibility to take biodiversity aspects into account not only in our investment and stewardship activities. To do this, we use targeted internal training and awareness-raising measures to illustrate the relevance of biodiversity in the investment process.

7.2. Control mechanisms for nature and biodiversity

We consider it our fiduciary duty to manage financial flows whilst taking sustainability-related aspects into account, and to incorporate biodiversity and nature-related issues into our strategic decision-making with a view to long-term value creation.

This responsibility is reflected in the consideration of nature and biodiversity aspects in our strategy, our management of sustainability risks and our ESG governance.

Tackling the challenges presented by biodiversity loss requires consistent and effective measures. As a responsible investor, we have developed a structured approach to actively integrate a focus on these global challenges into existing processes. Our measures include:

- Application of exclusion criteria and PAI indicators (see also Section 6.1.3)
- Consideration of biodiversity aspects in the assessment of issuers in the risk level model (see also Section 3.3)
- Engagement on biodiversity issues (see also Section 5.3)
- Supporting projects aimed at protecting and restoring natural habitats

Through this holistic approach, we take into account environmental responsibility and economic opportunities, with the aim of creating long-term added value for our investors and for society.

In addition to our strategic measures, we analyse nature-related impacts and dependencies. Use of the ENCORE platform (Exploring Natural Capital Opportunities, Risks and Exposure) is key here. Based on this platform, it possible to create detailed analyses of the impacts on and dependencies of nature and ecosystem services, which can then be used to prioritise measures and identify starting points for sustainable solutions.

7.3. Nature and biodiversity in the engagement process

Nature and biodiversity also play a key role in engagement. We speak systematically with all portfolio companies that are affected by nature-related controversies or serious UN Global Compact controversies. For this reason, UN Global Compact controversies regarding nature and biodiversity also form an integral part of engagement discussions.

In addition, we systematically include in proxy voting the companies in the Nature Action 100 Initiative in which the funds have made significant investments.

The controversies form a key selection criterion for discussions. However, we also expect all companies, in particular companies that conduct economic activities in connection with the raw materials palm oil, soya, beef and wood, to:

- Systematically record risks and opportunities in relation to biodiversity and the use of natural resources.
- Place a special emphasis on the topic of water, taking into account not only water consumption but also aspects such as water pollution and water extraction and return in arid regions.
- Take effective action to mitigate adverse impacts and resolve existing controversies.

We reserve the right to vote against the formal discharge of the supervisory board and the board of management within the scope of proxy voting if companies exhibit shortcomings in relation to environmental pollution, biodiversity management or the use of natural resources.

If the shortcomings are not remedied, we will continue to talk to the companies in question annually and work towards improvements.

ESG Policy

8. ESG strategy for target funds

8.1. Organisational structure

Deka Vermögensmanagement GmbH is a wholly owned subsidiary of DekaBank. It focuses on asset management funds, standardised fund asset management and custom asset management. Due to the product range, the investment focus is on investments in target funds.

The topics of sustainability and good governance for target funds are bundled within Deka Vermögensmanagement GmbH for the entire Deka Group. All associated responsibilities – consideration of sustainability aspects in connection with target funds – lie with the ESG target fund analysis group.

One of the main tasks is to assess all target fund universes, taking into account environmental and social factors as well as aspects of good corporate governance.

Based on these analyses, target fund investment universes are made available according to the underlying ESG strategies.

In addition, compliance with minimum ESG requirements and the consideration of exclusions in relation to target fund investments are regularly reviewed and analysed. The aim is to clearly identify funds in which we cannot invest, to communicate the details accordingly and to exclude such funds from investments.

When new target funds are launched for Deka Vermögensmanagement GmbH's asset management, they are comprehensively assessed and monitored to ensure that they are aligned with the minimum ESG requirements.

Key tasks for the Group include the evaluation of calculation methods, continuous quality assurance and the implementation of internal and external ESG key figures for target funds. In addition, the Group offers a wide range of services, including processing internal and external enquiries and advising on all ESG target fund investments. Responsibilities also include carrying out impact analyses for portfolios in the event of a change in strategy or the implementation of regulatory requirements.

8.2. Engagement with investment companies

Within the scope of engagement, discussions are held with investment companies regarding the continuous improvement of ESG key figures for individual funds and at company level. An important aspect of our engagement is to gain an insight into and an understanding of the organisation and structure of the investment and risk processes of the investment companies. The aim is to assess whether ESG strategies can be effectively implemented in the funds.

In particular, one-on-one meetings are held with ESG specialists in investment and research processes and with ESG analysts, and supplemented by standardised enquiries.

Key topics are defined each year, and there is in-depth dialogue on these topics.

For all investments in target funds under an ESG strategy, the fund managers or management companies managing the target funds must observe the Principles for Responsible Investment (PRI) when making their investment decisions.

In discussions with the investment companies, the importance of considering the Principles for Responsible Investment in relation to target fund investments is consistently emphasised.

The regular review of compliance with the PRI is based on original information from the PRI investor organisation.

In the event of negative results for invested fund managers and/or management companies, dialogue is initiated. The aim of this dialogue is to call for or address compliance with the Principles for Responsible Investment. Continued investment and/or re-investment in the target fund is only possible if the controversy is resolved or clarified.

All engagement notes are recorded in a database.

Deka Vermögensmanagement GmbH uses an external analysis tool to track and, if necessary, address reputation risks that could arise with investment companies and asset managers.

The medium-term goal is to agree dialogue on ESG-related topics with all investment companies from the investment universes at least every two years.

8.3. Deka Vermögensmanagement investment process for target funds

Exclusion criteria:
The ESG strategy provides for the selection of target funds according to ESG criteria as part of a multi-stage investment process. Under the ESG strategy, the first stage of the investment process applies minimum exclusions (negative screening) that limit the Fund's investment universe.

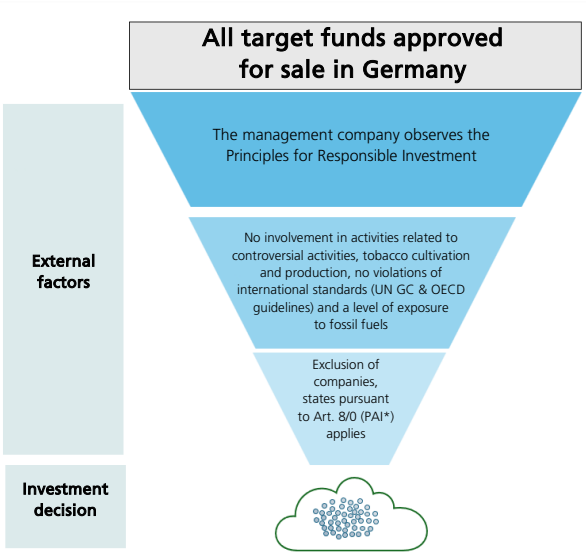
MSCI best in class:
Under the agreed ESG strategy, investments are excluded in target funds with an ESG rating of less than "BBB" from MSCI ESG Research LLC or a comparable ESG rating from another provider, those that are among the worst 50% of their peer group in terms of their ESG rating (best-in-class approach) and funds for which the fund managers or the management companies managing the funds do not observe the PRI.

ESG Policy

PAI best in class:
When selecting investment units (hereinafter "target funds"), the ESG strategy consists of including target funds that are in the top 50% of their peer group based on their PAI indicators in the investment universe for the ESG strategy (best-in-class approach). Target funds with an ESG rating of lower than "BBB" from MSCI ESG Research LLC or a comparable ESG rating from another provider are excluded from the remaining investment universe. In addition, when investing in investment units under the ESG strategy, the fund managers or management companies managing the target funds must observe the PRI when making their investment decisions.

Paris-aligned benchmark criteria:
Investments in fund units may only be made on behalf of the target funds if at least 90% of the weighted components of the relevant fund unit meet the requirements of the Paris-Aligned Benchmark (PAB) criteria. [24]

Figure 7: Selection criteria



Source: Deka Vermögensmanagement GmbH.

24 The exclusion criteria for Paris-aligned EU benchmarks set out in Article 12 (1)(a)–(g) of Commission Delegated Regulation (EU) 2020/1818 apply. Please refer to the prospectuses for the legally binding details.

ESG Policy



9. Documents

Stewardship

- Stewardship guidelines and engagement policies:
- https://www.deka.de/privatkunden/ueber-uns/deka-investment-im-profil/corporate-governance
- https://www.deka.de/privatkunden/ueber-uns/deka-vermoegensmanagement-im-profil/corporate-governance
- https://www.deka.de/privatkunden/ueber-uns/deka-international-sa/deka-international-sa-governance

Engagement

- Current engagement report:
- https://www.deka.de/privatkunden/ueber-uns/deka-investment-im-profil/corporate-governance
- https://www.deka.de/privatkunden/ueber-uns/deka-vermoegensmanagement-im-profil/corporate-governance

https://www.deka.de/privatkunden/ueber-uns/deka-international-sa/deka-international-sa-governance

You will also find reports from previous years on the website.

Proxy voting

- Voting policy principles and voting results:
- https://www.deka.de/privatkunden/ueber-uns/deka-investment-im-profil/corporate-governance
- https://www.deka.de/privatkunden/ueber-uns/deka-vermoegensmanagement-im-profil/corporate-governance
- https://www.deka.de/privatkunden/ueber-uns/deka-international-sa/deka-international-sa-governance

You will also find reports from previous years on the website.

Deka Group sustainability reporting

- Latest sustainability reports and Climate Transition Plan
  - https://www.deka.de/deka-gruppe
  - https://www.deka.de/deka-gruppe/unsere-verantwortung/wie-wir-nachhaltigkeit-leben/esg-reports-und--ratings
  - https://www.deka.de/site/dekade_deka-gruppe_site/get/params_E329700978/22717813/Klimatransitionsplan%20der%20Deka-Gruppe%202025.pdf

You will also find reports from previous years on the website.



Imprint

https://deka.de/deka-group/footer-1/imprint

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