

Policies on the Integration of Sustainability Risks

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Disclosure of strategies on the integration of sustainability risks in the investment decision-making process in accordance with Art. 3 (1) of Regulation (EU) 2019/2088

A. General

In order to live up to its social responsibility, the topic of sustainability prominently complements the longterm business strategy of Universal-Investment-Gesellschaft mbh as well as Universal-Investment Luxembourg S.A. (jointly referred to as "Universal-Investment").

In this context, corporate goals, customer orientation and employee satisfaction are in harmony with social and environmental principles. Universal-Investment is committed to the „Principles for Responsible Investment“, a voluntary commitment developed by the United Nations with the aim of including sustainability factors in investment decisions. Being a fund service platform and management company ("Master-Kapitalverwaltungs-gesellschaft" or "Master-KVG"), Universal-Investment considers principles four to six to be authoritative: Raising industry awareness of sustainability issues, as well as actively helping to shape sustainability measures and their further development are just as important as supporting customers in the transformation to sustainable investing. Universal-Investment reports on its activities and progress in implementing the principles. In addition, Universal-Investment is a member of the Forum Nachhaltige Geldanlagen e. V., an industry association promoting sustainable investment in Germany, Austria and Switzerland.

Corporate risk can generally be differentiated into three risk categories: strategic risk, financial risk and operational risk. Strategic risks predominantly concern and are significant due to the strategic orientation and positioning of the business units, such as a lack of sales structure, poor branding or outdated IT systems. Financial risks relate to funds and investments in equity resources and include market, credit and liquidity risks. Operational risks arise in all business areas and comprise legal and operational risks including personnel risks.

Sustainability risk as defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("Sustainable Finance Disclosure Regulation" or "SFDR") means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of an investment. Accordingly, sustainability risks may lead to a material deterioration in the financial profile, liquidity, profitability, or reputation of underlying investments. Despite being considered in the investment valuation process, they can have a significant negative impact on the market price and / or the liquidity of the investment and thus on the return of the fund. Sustainability risks can affect all known risk types, such as market risk, liquidity risk, counterparty risk and operational risk, and contribute as a factor to the materiality of these risk types, however they do not represent a separate risk type, but are inherent to the aforementioned risk types.

As a fund service platform, Universal-Investment launches funds for institutional investors and fund initiators and, among other things, takes over administration of these funds. Funds affected by sustainability risks include funds which are managed by Universal-Investment, funds for which portfolio management has been outsourced to third-party asset managers or for which an external advisor is involved in the management of the fund, and the activities of Universal-Investment-Luxembourg S.A. Niederlassung Frankfurt am Main (Frankfurt branch of Universal-Investment-Luxembourg S.A.) as manager with a rule-based approach for funds of third-party or external capital management companies.

If the fund management of funds or fund segments of Universal-Investment has not been outsourced to external companies, relevant sustainability risks which, in our view, could have a significant negative

impact on the return of an investment, can be included in the investment decision-making process of Universal Investment. In addition to the pre-investment-policy, further obligations are set out in fund-specific investment guidelines to ensure that investment decisions are in line with the objectives, investment strategies and risk limits of the respective fund.

If portfolio management for the fund or individual fund segments is outsourced by Universal-Investment to external companies, it is the responsibility of the respective fund manager to implement a strategy for the inclusion of sustainability risks as part of its pre-investment-process. Fund managers domiciled in the member states of the European Union are required by the SFDR to disclose information on their strategies on the integration of sustainability risks in the investment decision-making process on their website. It is possible that, due to the non-applicability of the SFDR to fund managers domiciled outside the European Union, no relevant information on their strategies regarding the inclusion of sustainability risks can be found on their website. In this case, the fund managers would have to be contacted individually.

Sustainability risks affect the corporate risk of all four product lines of Universal-Investment: **Securities** (Master-KVG, Private Label Funds), **Alternative Investments**, **Real Estate** and **Portfolio Management**.

B. Product Lines

1. Securities at Universal-Investment-Gesellschaft mbH

In the Securities division, funds and investment solutions with a focus on securities are launched and the subsequent investments are implemented in accordance with the investment guidelines. Investment decisions are supported by investment recommendations from external advisors, which are evaluated by Universal-Investment-Gesellschaft mbH. In accordance with the respective investment guideline of the fund or investment solution, aspects and characteristics of sustainability as well as sustainability risks can be examined as part of the investment process and taken into account in the investment decision.

Advisers are bound on a contractual basis within the framework of their advisory mandate to adhere to the investment guidelines and, if applicable, specified aspects of sustainability when submitting investment recommendations. Additionally, they must carry out corresponding checks on the investments in advance of their recommendation. Afterwards, Universal-Investment-Gesellschaft mbH may also assess investment recommendations with regard to its own criteria, such as rating restrictions or the exclusion of individual issuers, and may reject investment recommendations due to a lack of sustainability criteria. 2. Alternative Investments at Universal-Investment In the Alternative Investments division, fund and investment solutions with an investment focus on alternative investments are structured and launched for clients, while the division also monitors and implements investments in the asset class of alternative investments in accordance with the investment guidelines. Depending on the structure and governance of the fund or investment solution, an outsourced portfolio manager, an investment advisor linked to the fund or investment solution and / or an investment committee as an advisory body with representatives of the investor or investors are involved in the investment process.

If the investment guidelines of the fund or investment solution contain aspects of sustainability risks or characteristics of sustainability, these are examined as part of the investment process and considered when deciding on an investment to be made. Outsourced portfolio managers or affiliated advisors must adhere to the investment guidelines and any specified aspects – including the inclusion of sustainability risks – on a contractual basis and within the scope of their mandate and must be able to carry out corresponding checks on the investment and provide evidence of this to Universal-Investment.

3. Real Estate at Universal-Investment

In the Real Estate division, on the one hand fund and investment solutions with a focus on real estate are structured and launched for clients, and on the other hand the investments in the asset class real estate are subsequently monitored and implemented by the division in accordance with the investment guidelines.

Depending on the structure and governance of the fund or investment solution, an outsourced real estate manager and / or an investment committee with representatives of the investor are involved in

the investment process as an advisory body. Depending on the investment guidelines of the fund or investment solution, sustainability risks and aspects or characteristics of sustainability are examined as part of the investment process and considered when deciding on an investment to be made. Outsourced real estate managers must adhere to the investment guidelines and any specified aspects – including the inclusion of sustainability risks – on a contractual basis and within the scope of their mandate and must be able to carry out corresponding checks of the investment and provide evidence of this to Universal-Investment.

4. Portfolio Management at Universal-Investment Luxembourg S.A. Niederlassung Frankfurt am Main

Portfolio management services are provided for the funds of Universal-Investment Luxembourg S.A. as well as for third party capital management companies – including Universal-Investment-Gesellschaft mbH when it outsources to Universal-Investment Luxembourg S.A. Niederlassung Frankfurt am Main. The portfolio management services of Universal-Investment Luxembourg S.A. Niederlassung Frankfurt am Main focus on transparent and rules-based products to allow clients to participate in market developments at low cost and to manage market risks efficiently (overlay management). In addition to passive mandates, portfolio management offers a more individualised mapping of market segments and concepts for collecting specific risk premiums. If desired, these modules can be combined with the steering of the degree of investment. Furthermore, portfolio management of Universal-Investment Luxembourg S.A. Niederlassung Frankfurt am Main offers overlay management strategies for the cross-segment management of market price risks (interest rate, spread, shares or currencies). Collateral pool management, transition management, liquidity management and trading round off the range of services as additional components of the portfolio management services.

Sustainability risks and factors play an important role for Universal-Investment Luxembourg S.A. Niederlassung Frankfurt am Main. Depending on the client's wishes and mandate, these risks can be explicitly considered in the investment processes of the securities mandates. Dedicated analysis tools are available for identifying and defining sustainability criteria, exposure, and risks. In addition, various sustainable index concepts are used as the basis for the investment universe or for illustrating the index properties in the fund. All regular equity and bond mandates can be optionally equipped with an ESG approach – if desired, also customised according to investor requirements. However, in the product area of portfolio management services (transition management, collateral pool management, liquidity management), sustainability criteria and factors do not usually play a significant role due to the product structure.

In overlay management, the following criteria are in focus to fulfil the mandate: fast and cost-effective tradability, efficient hedging of the fund components to be managed and high liquidity of the management instruments. Therefore, derivatives on standard indices and currencies are currently primarily used for management. The standard derivatives on large well-known indices with sufficient liquidity do not yet have a sustainable focus. The further development of sustainable derivatives is continuously monitored and their use in the overlay approaches is examined.

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