MEAG A Munich Re company

MEAG MUNICH ERGO KAG Exclusion Policy

For controversial weapons and MSCI ESG CCC rated sovereigns

Content

1 Objective

This policy ("Policy") outlines MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH's ("MEAG") approach to excluding from its investments companies involved in controversial weapons and sovereign bonds, issued by governments or government-related institutions with a MSCI ESG CCC Rating.

Controversial Weapons:

MEAG acknowledges that weapons can be of use for ensuring national and regional security. However, there are certain weapon categories – so called controversial weapons – which must not be supported by any means. Several of them have been deemed unacceptable by certain international conventions[1] due to their humanitarian impact. For this reason, MEAG rules out investments in companies that are involved in controversial weapons stated in this Policy.

Sovereigns with low ESG ratings:

Specific ESG government ratings aim to complement traditional government debt analysis when analyzing a country's creditworthiness, by providing a long-term view on ESG criteria and risks. These ratings identify the country's exposure to and management of ESG risks. Countries with a low ESG rating indicate a critical exposure to sustainability risks paired with a poor management of those.

For this reason, MEAG rules out investments in government bonds[2] and bonds of government-related institutions of countries rated "CCC" by MSCI ESG Rating (scale AAA-CCC).

2 Scope of application

MEAG shall take into account this Policy for its investment processes concerning all asset classes reasonably controllable by MEAG (e.g. equities, corporate bonds, government and covered bonds, infrastructure and real estate investments). If binding product or mandate agreements are available, these product or mandate agreements shall prevail in the event of a contradiction. This Policy does not apply to asset classes which are not reasonably controllable by MEAG (e.g. funds of funds or ETFs).

3 Excluded investments

3.1 Controversial weapons

MEAG will not invest in companies involved in the production of whole weapon systems or intended use components for the following weapon categories ("Restricted Companies")

- Anti-personnel mines
- Cluster munitions
- Biological weapons
- Chemical weapons
- Depleted uranium weapons
- Blinding Laser weapons
- Incendiary weapons using white phosphorus
- Non-detectable fragments

[1] Relevant international conventions include: the Anti-Personnel Mine Ban Convention, the Convention on Cluster Munitions, the Chemical Weapons Convention
[2] This also includes sub-sovereign level.

With regards to alternative investments, MEAG will not invest in any infrastructure assets, directly linked to the production, maintenance, storage or transportation of these types of weapons. As for Real Estate, MEAG rules out Restricted Companies as tenants for its Real Estate Portfolio.

3.2 Governments and government-related institutions with MSCI ESG CCC rating

MEAG will not invest into bonds from governments[3] and government-related institutions in countries with a MSCI ESG government rating of CCC.

4 Divestment

Exclusions are managed through a "listed issuer exclusion list", which restricts any new investments into excluded issuers. If the application of this policy requires divestment of pre-existing holdings, stakes will be divested in a timely manner, considering the market conditions and the best interest of the fund or portfolio.

5 Methodology and Data

Identification of Restricted Companies and sovereigns are based on MSCI ESG data.

For controversial weapons exclusions, MSCI's Business Involvement Screening Research is used.

The rules for treating exclusions along the company hierarchy structure are as follows:

For operating entities:

When a company owns 50 percent or more of an involved subsidiary, the company is given a direct involvement tie and thus is excluded as well.

Subsidiaries with their own operations are assessed individually and are excluded in case they are involved into controversial weapons production. Any majority owned subsidiary of a parent with involvement tie is excluded as well.

For financing companies:[4]

Due to the nature of their business and risk structure, financing companies inherit automatically involvement ties from their parent companies, whereby they do not need to necessarily be fully owned by the operating entity from which they inherit a signal.

For sovereigns:

For identification of restricted sovereigns MSCI ESG government rating is used. Next to sovereigns, sub-sovereign issuers are excluded, as well as government-related institutions[5].

Policy valid as of August 1, 2022.

[3] This also includes sub-sovereign level.
[4] Financing companies are defined as entities without operations of their own and whose sole purpose is to finance other entities.
[5] Government-related institutions are defined as agencies owned, guaranteed or sponsored by a rated sovereign entity with the exemption of utilities, retail banks and industrials (e.g. transportation, energy, consumer services)