Methodology: ESG selection on funds in portfolio

The Sub-Fund will essentially invest in UCITS, UCIs, and ETFs that either promote environmental and social characteristics pursuant to Article 8 or have sustainable investment objective pursuant to Article 9 of the SFDR. In case a financial product no longer meets this requirement for more than 2 months in a row, the financial product will be sold in the best interest of the Sub-Fund.

Beyond the selection of Art. 8 or 9 funds, the portfolio managers will select funds through a best-in-class approach: within target asset strategy (for illustration: US Small Cap Growth Equities, EUR Investment Grade Corporate Bonds, Global Emerging Markets Large Cap Equities), for which enough funds are scored by Morningstar (an independent ESG data base to make a meaningful comparison, the selection will entail funds which have, at the same time:

1. a better ESG Score than the average of a peer group of comparable funds i.e. an ESG Score in the top 50% of a peer group of comparable funds (e.g. funds from the same or from similar Morningstar Categories)

2. a better ESG Score than a comparable passive investment that does not consider ESG criteria (e.g. ETF or Index).

If this best-in-class approach is not possible for an asset class, due to an insufficient number of funds with an ESG score, the portfolio managers will select funds based on a detailed qualitative due diligence of the investment process.

As part of the due diligence, the asset management company responsible for managing the investment funds is analysed for its general ability to perform responsible investments. In addition, a detailed analysis regarding sustainability aspects is carried out for the specific investment funds.
To this end, different criteria are assessed in 20 separate areas, of which 10 areas relate to the management company and a further 10 to the specific fund. The selection of a fund is only possible, if the criteria are met in at least 10 out of 20 areas, and at the same time in at least 5 out of 10 areas regarding the specific fund.

For the management company, these are the following areas:
1. The company’s self-commitment to responsible investing
2. The company's involvement in initiatives related to responsible investing
3. The company’s investment policy for responsible investments
4. The company’s governance structures to implement the responsible investment policy
5. The company’s guidelines for exercising voting rights and company engagement regarding sustainability issues
6. The proportion of the workforce responsible for responsible investments
7. The research and risk management processes for responsible investing
8. The consideration of sustainability risks in the company’s entire product range
9. The proportion of assets managed under the management company's own sustainability policy
10. The consideration of sustainability aspects in the operative business of the company

Furthermore, the following areas are analysed for the specific fund:
1. Track record of the investment approach carried out according to sustainability aspects
2. Consideration of controversies and exclusions in the investment process
3. Identification of sustainability risks and opportunities in the investment process
4. Experience of the responsible investment team in performing responsible investments
5. The proportion of investments in the portfolio that are made according to sustainability

criteria
6. The consideration of sustainability ratings for individual securities
7. The role of company engagement in the investment process.
8. The availability and quality of sustainability reports for the investment fund
9. The assessment of the fund by independent organizations, and the possibility of showing how invested assets contribute to the UN Sustainable Development Goals
10. The proportion of invested assets that is critical from a sustainability perspective

While this Sub-fund promotes environmental characteristics within the meaning of Article 8 of the SFDR Regulation (EU) 2019/20288, it does not currently commit to investing in any “sustainable investment” within the meaning of the SFDR or the Taxonomy Regulation.