

# **Sustainability Policy**

## **of the Flossbach von Storch Group**



Flossbach von Storch

“Sustainability is a characteristic of long-term oriented investors and therefore of a long-term oriented investment strategy. A company can only achieve lasting success if it serves its customers well, motivates its employees, treats its business partners fairly, makes adequate investments, pays taxes, and avoids harming the environment. That is why we do not just look at company business models and balance sheets, but also at the people behind the company.”

**Dr Bert Flossbach**

Founder and Board Member of Flossbach von Storch SE

*Signatory of:*



## PRELIMINARY REMARKS

The Sustainability Policy of the Flossbach von Storch Group (Flossbach von Storch SE, Flossbach von Storch Invest S.A. (FvS Invest S.A.) and the other subsidiaries, also “FvS Group” or “Flossbach von Storch”) describes how aspects of sustainability relating to environmental, social and corporate governance, so-called ESG factors (Environment, Social, Governance), are taken into account in the management of the investment funds managed by FvS Invest S.A. (the “Funds”) and in the financial portfolio management of Flossbach von Storch SE and are fully integrated into the investment policy.

By taking a fundamental approach to ESG integration and considering sustainability risks, Flossbach von Storch fulfils its fiduciary duties in the best possible way to adequately consider the potential risks (and opportunities) of investment decisions.

The Sustainability Policy can be found on the FvS Invest S.A. ([www.fvsinvest.lu](http://www.fvsinvest.lu)) website and on the Flossbach von Storch SE ([www.flossbachvonstorch.de/en/](http://www.flossbachvonstorch.de/en/)) website.



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## MISSION STATEMENT

Sustainability has always been a characteristic and fundamental component of the Flossbach von Storch investment philosophy, which has been designed for long-term investment. Flossbach von Storch uses attributes, such as long-term, stable, and future-oriented to define sustainability. They describe a comprehensive understanding of sustainability which focuses on the well-being of all interested parties. After all, a company can only achieve lasting success if it serves its customers well, motivates its employees, treats its business partners fairly, makes adequate investments, pays taxes, and avoids harming the environment. Ecology and social responsibility are the prerequisites for long-term economic success. You can't have one without the other.

As a trustee of its clients' assets, Flossbach von Storch maintains a responsible approach when dealing with its associated rights and obligations. This approach is in line with the principles of an active (not activist) investor who uses appropriate ways to point to deficiencies within the companies with which it is involved and acts accordingly.

## 1 SUSTAINABILITY STRATEGY

As a long-term investor, Flossbach von Storch attaches great importance to the fact that its portfolio companies manage their environmental and social footprint responsibly and actively counteract the negative effects of their activities. Flossbach von Storch does not outsource the responsible management of sustainability issues but takes a critical approach to them.

In order to identify negative effects that could influence the long-term development of a company at an early stage, a fundamental **ESG integration** is carried out as part of our in-house analysis process (see 1.1). Based on this, activities as an **active owner** are carried out to work towards improvements (see 1.2). In addition, **group-wide exclusion criteria** are adhered to in order to avoid investments in certain business models (see 1.3).

ESG integration includes the consideration of sustainability risks, including the principal adverse impacts (PAIs) on sustainability factors, in accordance with the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR).

### 1.1 "RED" analysis process

In order to assess a company's impact on people and the environment as accurately as possible, it is subjected to a comprehensive proprietary sustainability analysis – RED (Review and Rating of External Damages) – to identify potential opportunities and risks. The following indicators are analysed both qualitatively and quantitatively: greenhouse gas emissions, energy, biodiversity, water and waste. Aspects of good employee and corporate governance, compliance with international standards and controversies are also considered.



**The first step** is for the ESG analysts to collect the data published by the companies, document important information from third-party sources and prioritise the factors according to relevance and data availability.

*Data sources: Data quality is the top priority for a meaningful assessment of the companies. For this reason, the quantitative part of the analysis is based on primary data from the companies. The ESG analysts use company reports and internationally recognised reporting standards such as CDP (formerly the Carbon Disclosure Project). For a qualitative analysis, information from discussions with the companies and independent experts, media and NGO reports are also used. Data providers Bloomberg and/or MSCI serve as a source of comparison. They can provide further information for a comprehensive assessment of sustainability factors but are no substitute for our own analysis.*

**The second step** involves analysing and interpreting the development of the data over time and evaluating it in the context of the objectives and measures to avoid and/or reduce negative impacts. This process is not based on rigid bandwidths or thresholds; rather, attention is paid to positive developments in dealing with environmental and social impacts.

**The third step** involves a high-level assessment of how the companies deal with their respective environmental and social footprints and determines whether there is a relevant need for action on the part of Flossbach von Storch. The focus here is on engagement with the companies on controversial topics and on increasing transparency (see 2.2 Active owner for details).

*Example: If a company can be expected to consume a lot of energy due to the nature of its business activities (e.g. a chemical company), but the company has not yet published any data or communicated any measures to reduce energy consumption, e.g. through energy efficiency measures or an increase in the share of renewable energies, a dialogue with the company is considered more urgent than a dialogue with a company that does not consume a lot of energy due to its business activities (e.g. banks).*

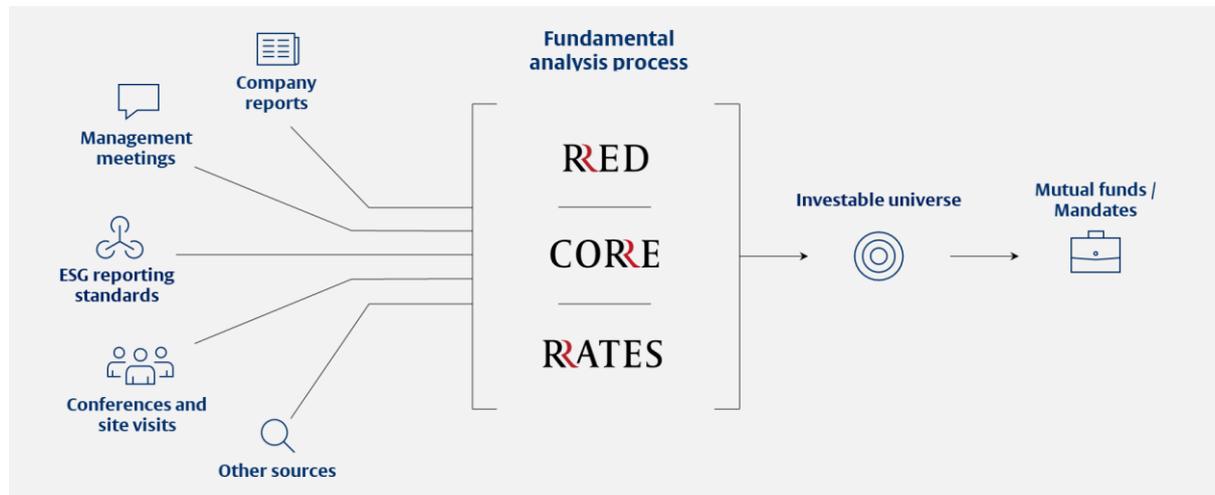
**The fourth step** involves the RED analysis being scrutinised by the company analysts in accordance with the dual control principle, and the findings of the ESG analysis are taken into account when determining the risk-reward profile of equities (CORE analysis process) and bonds (RATES analysis process).

**Inclusion in the investable universe:** Only if there are no serious sustainability conflicts that could jeopardise the future potential of a company or issuer in the long term is an investment idea included in the investable universe, consisting of the so-called focus list for equities or the so-called issuer list for bonds. In principle, portfolio management can only invest in securities that are part of the investable universe. This approach ensures that the quality of the securities invested in is consistently assessed.

Flossbach von Storch aims to fully understand all the companies in which it invests. The group-wide investable universe therefore comprises a limited number of companies; only in this way can analysts have the opportunity and time to continuously monitor the companies.



Process outline of our in-house investment process:



## 1.2 Active owner

The role of trustee does not end with the selection of the right investment. As a long-term investor, Flossbach von Storch also considers itself obligated to actively represent the interests of its clients when dealing with portfolio companies (active ownership).

We expect companies to deal responsibly with the consequences of their activities and to actively address any negative impacts. We place a particular focus on setting appropriate climate targets and upholding generally recognised values. As active owners, it is our aim to support companies in this process and to work towards improvements.

### Engagement

The interests of shareholders are taken into account as part of an active-ownership process and follow an established engagement policy. The development of the portfolio investments is continuously monitored and analysed. Whenever critical issues arise which may have a long-term impact on business performance, they are discussed with management.

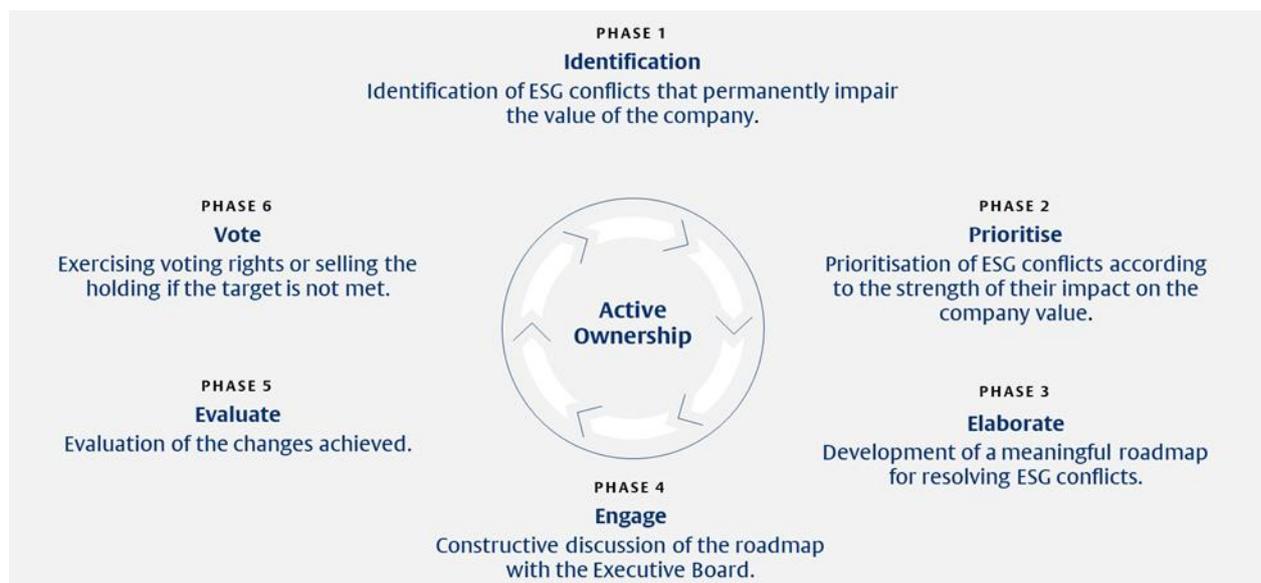
Flossbach von Storch considers itself to be a constructive sparring partner (where possible) or a corrective function (where necessary), that makes meaningful suggestions and helps management with their implementation. The analysts focus on a limited number of companies, giving them both the opportunity and enough time to guarantee progress and ensure that mutually defined objectives are met. If the management does not sufficiently take the necessary steps to achieve a sustainable business model, escalation measures will follow, including the use of voting rights in conjunction with the in-house investment funds or the disposal of a shareholding.



## Exercise of voting rights<sup>1</sup>

Flossbach von Storch takes the responsibility of exercising voting rights on behalf of its investors seriously and casts votes in accordance with set criteria. As an investor with a long-term focus, Flossbach von Storch supports all measures in the interests of the investors that increase the value of a company in the long term, and it votes against, or has votes cast against, any measures that go against this objective.

The active ownership process forms an integral component of the investment process:



For further details, please refer to the guidelines on the exercise of voting rights and participation of the FvS Group, which are available on the website [SFDR Information - Flossbach von Storch \(fvsinvest.lu\)](https://www.fvsinvest.lu) (or the respective country-specific websites of the Flossbach von Storch Group) and under [Disclosure requirements under Regulation \(EU\) 2019/2088 - Flossbach von Storch](#).

## 1.3 Exclusion criteria<sup>2</sup>

The Flossbach von Storch Group applies the following criteria, which exclude investments in companies with certain business models. Investments are not made in companies that:

- Generate > 0% of their turnover from controversial weapons,
- Generate > 5% of their turnover from the production of tobacco products,
- Generate > 30% of their turnover from the mining and/or distribution of coal.

<sup>1</sup> This only applies to the funds managed by Flossbach von Storch Invest S.A.

<sup>2</sup> This applies only to the in-house mutual funds managed by Flossbach von Storch Invest S.A. as an asset management company, as well as to discretionary mandates that accept the application of the aforementioned exclusions.



Companies with serious violations (without a positive outlook) of the principles of the UN Global Compact, a United Nations initiative for an inclusive and sustainable economy, are also excluded.

Investments are not made in state issuers that are considered “not free” according to the Freedom House Index. Freedom House is an international non-governmental organisation based in Washington, D.C., whose aim is to promote liberal democracies worldwide.

The Exclusion Policy of the Flossbach von Storch Group, as well as the specific features and uses of its in-house mutual funds, specialised investment funds, and the discretionary mandates and special funds managed by Flossbach von Storch SE, are available at [Disclosure requirements under Regulation \(EU\) 2019/2088 - Flossbach von Storch](#) and [SFDR Information - Flossbach von Storch \(fvsinvest.lu\)](#).

## 1.4 Responsibilities

Flossbach von Storch does not apply rigid ESG filters but decides on a case-by-case basis using its proprietary analysis process whether a company stands out negatively in terms of its ESG activities or not. The basis for making a decision in this regard is formed during internal meetings, put in writing and subjected to in-depth critical scrutiny to ensure that the line of argument is rigorous, complete and accurate. This teamwork-based approach, which is anchored in the principles of the Flossbach von Storch Pentagram, is based on a mutual understanding of the quality of an investment.

The integration of ESG is firmly anchored in the investment process and is monitored by the Chief Investment Officer (CIO) and by the Head of Equity Research of Flossbach von Storch SE. ESG integration is implemented, discussions are entered into with the companies and voting rights are exercised centrally by the responsible portfolio managers and analysts. In the analyst team, there are colleagues who focus on the topic of sustainability and thus make an important contribution to assessing the quality of an investment by preparing the dedicated sustainability analysis *RED*.

The FvS Group attaches great importance to ensuring that the remuneration policy for its employees takes into account the long-term interests of investors, among other things, and is in line with the integration of sustainability risks into the investment decision-making process.

## 2 PUBLIC COMMITMENT

Flossbach von Storch supports the increasing significance of sustainability in the finance sector. In order to emphasise the importance of the topic, Flossbach von Storch follows developments in a constructively critical manner and engages in intensive discourse, not only with clients, but also with politicians, initiatives and, among other things, through press releases, interviews and its own publications. After all, transparency is an important element in communicating our own understanding of sustainability in a comprehensible way.



## 2.1 Disclosure requirements

The Flossbach von Storch Group fulfils its sustainability-related disclosure obligations in accordance with the Disclosure Regulation (EU) 2019/2088 (SFDR). The disclosures, in particular regarding information on the consideration of sustainability risks and on good corporate governance practices, as well as a statement on the main adverse sustainability impacts, can be found on the [SFDR Information - Flossbach von Storch](#) website ([fvsinvest.lu](https://www.fvsinvest.lu)) (or the respective country-specific websites of the Flossbach von Storch Group) and under [Disclosure requirements under Regulation \(EU\) 2019/2088 - Flossbach von Storch](#).

In the context of its engagement, Flossbach von Storch publishes an annual **Active Ownership Report** with excerpts from its exercise of voting rights and active engagement activities for the previous calendar year. The current report is published on the [www.fvsinvest.lu](https://www.fvsinvest.lu) website (or the respective country-specific Flossbach von Storch Group websites) and at [www.flossbachvonstorch.de/en/](https://www.flossbachvonstorch.de/en/).

## 2.2 Signatory to recognised international initiatives

### Principles for Responsible Investment (PRI)

In January 2019, Flossbach von Storch AG signed the United Nations Principles for Responsible Investment (UN PRI) on behalf of the Flossbach von Storch Group. This places an obligation on the Flossbach von Storch Group to take ESG factors into account when making investment decisions and to integrate active engagement and the exercising of voting rights as a shareholder.

### CDP

Flossbach von Storch joined CDP (formerly Carbon Disclosure Project) in July 2023. The international non-profit organisation promotes the disclosure system for companies, cities and countries regarding greenhouse gas emissions, water and forest risks. Every year, engagement activities work towards better data transparency at companies.

## 3 REVIEWING THE SUSTAINABILITY POLICY

This Sustainability Policy is subject to regular review and will be updated as necessary depending on the development of business activity and the adjustment of strategies for implementing sustainability criteria and risks. The current version of the Sustainability Policy is published on the FvS Invest S.A. [www.fvsinvest.lu](https://www.fvsinvest.lu) website (or the respect country-specific Flossbach von Storch Group website) and on the Flossbach von Storch SE <https://www.flossbachvonstorch.de/en/> website.

