



## **European SRI Transparency Code**

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: [www.eurosif.org](http://www.eurosif.org). The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif in February 2018.

### **REVISION OF THE CODE**

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

### **TWO KEY MOTIVATIONS UNDERPIN THIS CODE**

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

### **GUIDING PRINCIPLE**

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

### **COMMITMENTS BY SIGNATORIES**

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;



- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions, and should state this in their response.

### **Statement of Commitment**

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of BayernInvest Kapitalverwaltungsgesellschaft mbH. We have been involved in SRI since 2008, have transitioned ongoing due to regulatory environment as well as ongoing improved data availability and welcome the European SRI Transparency Code.

This is our first statement of commitment and it covers the period from 01 May 2022 to 30 June 2023. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds as well as on our website.

### **Compliance with the Transparency Code**

BayernInvest Kapitalverwaltungsgesellschaft mbH is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. BayernInvest Kapitalverwaltungsgesellschaft mbH meets the full recommendations of the European SRI Transparency Code.

06 July 2022

### **Eurosif classification of Sustainable and Responsible Investment<sup>1</sup> strategies**

**Sustainability Themed Investment:** investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection:** approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or

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<sup>1</sup> Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016



assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening:** screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

**Exclusion of Holdings from Investment Universe:** an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

**Integration of ESG Factors into Financial Analysis:** the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

**Engagement and Voting on Sustainability Matters:** engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

**Impact Investing:** impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances<sup>2</sup>. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

## Contents

1. List of funds covered by the Code
2. General information about the fund management company
3. General information about the SRI fund(s) that come under the scope of the Code
4. Investment process
5. ESG controls
6. Impact measures and ESG reporting

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<sup>2</sup> Global Impact Investing Network (GIIN), "What is Impact Investing?", <http://www.thegiin.org/cgi-bin/iowa/investing/index.html>, 2012



1. List of funds covered by the Code

Name of the fund(s): DKB Nachhaltigkeitsfonds Klimaschutz					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset class	Exclusions standards and norms	Fund capital as at 31 December 2021	Other labels	Links to relevant documents
<input type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening ✓ Leading to exclusions ✓ Leading to risk management analysis/engagement <input checked="" type="checkbox"/> Sustainability Themed	<b>Passively managed</b> <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking <b>Actively managed</b> <input type="checkbox"/> Shares in a euro area country <input type="checkbox"/> Shares in an EU country <input checked="" type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input checked="" type="checkbox"/> Labour rights <input checked="" type="checkbox"/> Gambling <input checked="" type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering <input type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> Global Compact <input checked="" type="checkbox"/> OECD Guidelines for MNCs <input checked="" type="checkbox"/> ILO Conventions <input type="checkbox"/> Other (please specify)	Number of AuM: 149,77m EUR	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify)	- (KIID) - <a href="#">Prospectus</a> - Management report - Financial and non-financial reporting - Corporate presentations - Other (please specify): <a href="#">annual report</a> , <a href="#">bi-annual report</a>



## 2. General information about the fund management company

### 2.1. Name of the fund management company that manages the applicant fund(s)

- name: BayernInvest Kapitalverwaltungsgesellschaft mbH
- adress: Karlstraße 35, 80333 Munich, Deutschland
- telephone: +49 89 548500
- e-mail: [info@bayerninvest.de](mailto:info@bayerninvest.de)
- website: [www.bayerninvest.de](http://www.bayerninvest.de)

### 2.2. What are the company's track records and principles when it comes to integrating SRI into its processes?

BayernInvest systematically embeds sustainability factors in its investment systems and processes. In our implementation, we differentiate according to asset class, data availability and measurability, and commissioned services. Our ESG competence center is integrated into portfolio management as a cross-sectional function. This ensures interlinkage across all asset classes. There is also a continuous transfer of knowledge through regular exchanges with all business areas as well as our alternative investment and administration specialists at BayernInvest and BayernInvest Luxembourg. Sustainability is integrated via three steps into BayernInvest's investment process. Firstly, the universe is screened for norms and exclusion criteria. BayernInvest developed a normative screen applying to all funds managed at its discretion but extends that basic screen for individual strategies. In a second step, ESG themes are integrated into strategies, e.g. climate analysis as it is the case for the DKB Nachhaltigkeitsfonds Klimaschutz. The third and last step is an elaborated engagement and voting overlay that involves a third party provider but also internal escalation processes. For DKB Nachhaltigkeitsfonds Klimaschutz the BayernInvest normative screen is extended tremendously e.g. involving nuclear energy and even stricter rules concerning human and labor rights. ESG integration takes place in form of extensive climate analysis, which is included in fundamental research for the fund's holdings but also involves CO2 intensity limits. The fund therefore aims at minimizing climate risks for the portfolio and negative impact coming from its holdings. It also invests in solutions to climate issues trying to contribute to international climate targets. Of course, BayernInvest engagement and voting overlay includes the fund's assets. BayernInvest makes sure to address climate issues as one of its priorities during the engagement and voting process.

<https://www.bayerninvest.de/wer-wir-sind/nachhaltiges-investieren/nachhaltiges-investieren/index.html>

<https://www.bayerninvest.de/wer-wir-sind/unsere-leitbilder/leitbilder/index.html#c8919>

### 2.3. How does the company formalise its sustainable investment process?

BayernInvest is combining a fundamental active investment analysis with a quantitative layer. The fund targets a balanced risk return profile in comparison to the index while providing a sophisticated ESG profile. Firstly, compliance with extensive minimum standards is implemented via exclusion criteria. In a second step investments are screened and fundamentally evaluated in terms of their carbon intensity. Issuers of very carbon intensive sectors are not allowed while in the middle range of carbon intensity companies are compared intra-sectorally with their peers. Additionally companies are analyzed for their potential to provide solutions to environmental issues. As a third step the elaborated BayernInvest engagement approach includes the fund's assets. Sustainability, engagement and voting policy can be downloaded here: <https://www.bayerninvest.de/services-fonds/fonds-infocenter/policies/index.html>



#### **2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by the company?<sup>4</sup>**

ESG risks and opportunities are firmly integrated into BayernInvest's activities and considerations. For all strategies managed at BayernInvest's discretion a normative screen as mentioned above reduces the exposure to controversies and controversial business involvements which yield high reputational risk.

As BayernInvest considers climate risks to be significant it was pledged to have all strategies managed at the company's discretion being aligned with Paris Climate goals as of 2025.

The engagement and voting overlay is supposed to target all relevant ESG risks of existing holdings and makes sure that BayernInvest not only considers ESG risks within the strategies but also is an active driver of transformation of the market.

Different fund strategies might have different investment targets and policies. However, fund management has access to all relevant real-time climate data and tools capturing both perspectives in terms of climate risks – those that pose a risk on the funds' financial value and those posing risks or negative impact on the environment and society. The data and climate scenario analysis tools are provided on an issuer level and on the aggregate portfolio level.

To give an example, strategies targeting an explicit reduction in carbon emission impact will reduce carbon intensity and thereby reduce climate risks for the fund's value and negative impact from the funds holding on the environment. The effect of these actions might be measured by climate scenario analysis.

*AuM (as of Dec 31, 2021) in thematic funds, in assets or in infrastructure assets that contribute to the transition economy, in collective investment vehicles as part of a label, a charter or an initiative contributing to the international goal of limiting global warming and achieving the aims of the energy/environmental transition:*

- BayernInvest ESG Corporate Bond Klimaschutz: 34.96m EUR
- DKB Nachhaltigkeitsfonds Europa: 123.99m EUR
- DKB Nachhaltigkeitsfonds Klimaschutz: 149.77m EUR
- DKB Nachhaltigkeitsfonds SDG: 79.12m EUR
- BayernInvest Emerging Markets Select Bond-Fonds: 149.65m USD
- BayernInvest Emerging Markets Select Corporate Bond IG-Fonds: 215. 50m USD
- BayernInvest ESG Subordinated Bond-Fonds: 25.53m EUR
- BayernInvest Multi Asset Sustainable Fonds: 6.91m EUR
- BayernInvest ESG High Yield Euro Fonds: 77.69m EUR

<sup>3</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES

<sup>4</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)



**2.5. How many employees are directly involved in the company's sustainable investment activity?**

- **Public Affairs & Sustainability** (2 employees) is responsible for developing and implementing sustainability strategy as well as coordinating internal and external resources.
- **Investment Strategy & ESG Research** (7 employees) is integrating ESG, prioritizing data integration and evolving new investment strategies with RI focus.
- **Sustainability Committee** (6-10 employees) is formed by representatives from top management, the investment teams and support functions. In its meetings, the Committee provides valuable input and takes pioneering decisions concerning the sustainability strategy of BayernInvest.
- **ESG center of competence** (4-7 employees) is incorporated in Investment Management, it has an interdisciplinary function aimed at ensuring a consistent implementation of our sustainability policy in portfolios, a continuous development regarding regulatory adjustments and meeting our defined sustainability goals.
- **Investment Compliance** (10 employees) is engaging and ensuring ESG integration, documentation as well as assuring policy implementation.
- **Engagement Committee** (5-8 employees) is held quarterly with C-Level participation and cross-functional members including Compliance, Trading, Middle Office and more if necessary.

**2.6. Is the company involved in any RI initiatives?**

General Initiatives	Environmental/ Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles For Responsible Investment <input type="checkbox"/> SIFs - Sustainable Investment Fora <input type="checkbox"/> Other (please specify)	<input checked="" type="checkbox"/> CDP – Carbon Disclosure Project (Climate change, forests, water) <input type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input checked="" type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input checked="" type="checkbox"/> Other: UN Global Compact; TCFD – Task Force on Climate-Financial Disclosures	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Other (please specify)



### **2.7. What is the total number of SRI assets under the company's management?**

The latest inventory of total AuM without double counting available at 31 December.

Understanding ESG assets as fully internalized into process and reporting, the whole universe is summarized, which is EUR 106 bn as of 31 December 2021.

Differentiating SRI as socially-responsible investing with a decent integration of ethical screening criteria, the assets of DKB Nachhaltigkeitsfonds SDG as well as a number of segregated accounts can be summarized: EUR 223m as of 31st December 2021.

### ***3. General information about the SRI fund(s) that come under the scope of the Code***

- DKB Nachhaltigkeitsfonds Klimaschutz
  - ISIN: LU1989373987
  - Link to Webpage (reports, key facts): <https://www.bayerninvest.de/services-fonds/aktienfonds/dkb-nachhaltigkeitsfonds-klimaschutz/index.html>

#### **3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?**

- Eliminate exposure to controversies and controversial business involvements,
- reduce exposure to climate risk (via low carbon intensity),
- reduce negative impact on climate (via low carbon intensity),
- financing possible solutions to climate issues.

#### **3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?**

There is one dedicated personnel in the team Investment Strategy and ESG Research, focusing on ESG data on portfolio, sector and issuer level working closely with investment management. External analysis is provided by sell side partners as well as MSCI Research, ISS, Columbia Threadneedle, CDP and Refinitiv.

BayernInvest currently uses sustainability data from MSCI, ISS ESG, Bloomberg, Carbon Disclosure Project (CDP) and other sources. Additionally, BayernInvest processes sustainability-related information from publicly available websites or associations such as UN, CDP, IMF, Eurostat, TCFD, etc.

In particular, the MSCI ESG Manager and MSCI Barra tools provided by MSCI are used as data tools for portfolio construction. In addition, the ESG data flows into BayernInvest's internal systems and can thus be used as part of the investment limit check before and during the investment phase.



### **3.3. What ESG criteria are taken into account by the fund(s)?**

The fund excludes companies that violate global norms like the UN Global Compact or are otherwise involved in very severe controversies. For human and labor rights boundaries are even stricter.

The fund cannot invest in companies involved in controversial weapons and takes into account thresholds on revenues relating to controversial business involvements like tobacco, fossil fuel, nuclear energy and adult entertainment as well as gambling.

Additionally the climate theme is addressed by analyzing issuers' carbon intensities. While very carbon intensive sectors are excluded, companies from sectors with acceptable carbon intensities are compared with their peers.

### **3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?<sup>5</sup>**

- *Physical risks, defined as exposure to the direct physical consequences of climate change:*  
The fund manager takes into account possible losses in value for issuers and on the aggregate fund level (e.g. by measuring the Climate Value at Risk: an indicator modelling losses due to physical and transitional climate risks versus technological opportunities).
- *Transitional risks, defined as exposure to the consequential developments/trends of transitioning to a low-carbon economy:*

Transitional risks are also included into the Climate Value at Risk indicator. However, transitional risks are directly linked to carbon intensities such that large carbon intensities can potentially mean increased exposure to transitional climate risks. These are therefore directly reduced by the limits on carbon intensities in the fund's strategy.

- *Opportunities benefitting a low-carbon economy.*  
The fund manager analyses an issuer's revenues benefitting environmental or social targets within the fundamental research process and uses opportunities especially with solutions for climate issues. Additionally these opportunities are also included in the Climate Value at Risk measure described above.
- *Concerning climate change, describe the screening methodology applied to issuers. For the approach chosen, please specify if applicable: Compatibility with the international goal of limiting global warming (issuers' contribution to the energy/environmental transition, use of the 2° C scenario at sector level etc.):*  
This is covered by the systematic reduction of the carbon intensity and comparison to sectoral peers for high intensity industries. Investments in issuers providing solutions to climate change are measured and targeted.

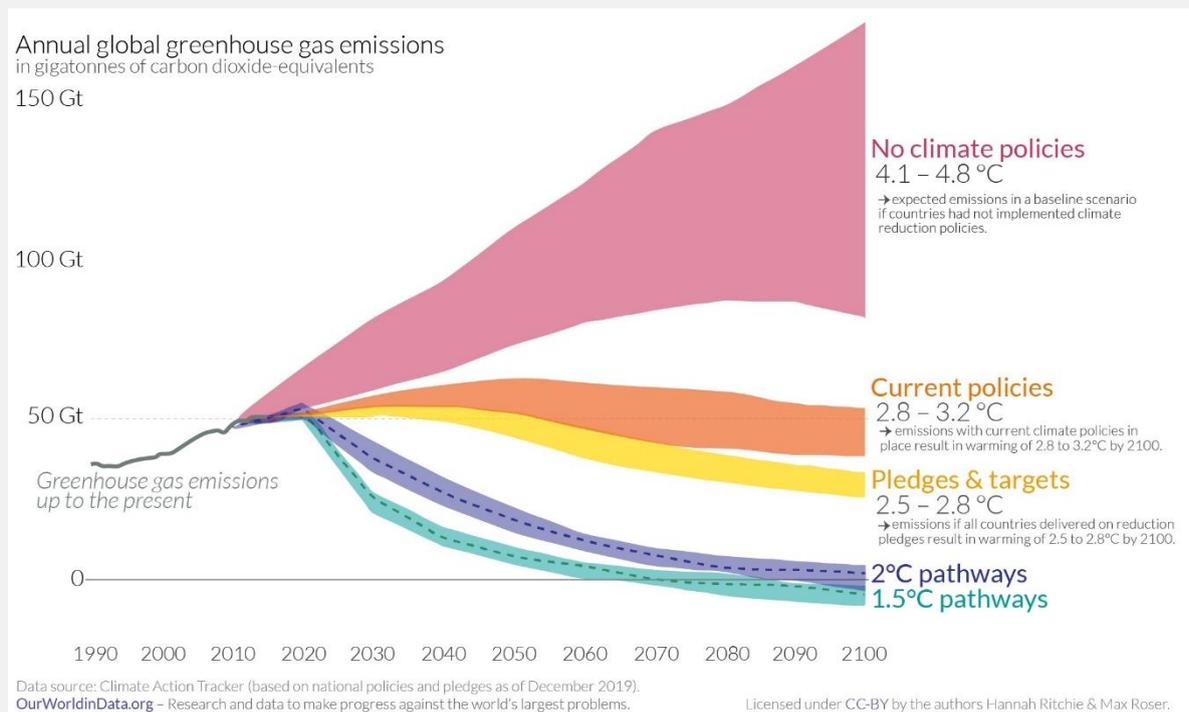


Figure 1: Annual global greenhouse gas emissions for different pathways<sup>1</sup>

- *The effects of climate change and extreme weather conditions:*  
Within fundamental analysis, the Climate Value at Risk indicates these effects.
- *The changing availability and prices of natural resources and their use in accordance with climate action and environmental goals:*  
This might be included as an aspect of fundamental analysis but is not explicitly targeted by an indicator.

<sup>1</sup> Source: <https://ourworldindata.org/> as of May 2021

- *The consistency of the issuers' investment expenditures with a low-carbon strategy. In particular, in the case of issuers linked to the use of fossil fuel reserves, compatibility with a low-carbon strategy of the underlying assumptions behind investment expenditures to develop such reserves: This is taken into account in fundamental analysis and the target to also invest in issuers contributing to climate solutions.*
- *The measurement of greenhouse gas emissions in the past, present and future that are directly or indirectly associated with the issuers.*

Greenhouse gas emissions are obtained from one data provider and contain reported as well as estimated numbers. Emissions are restricted (carbon intensity limits) as per the fund's investment target. Extremely high carbon intensities are excluded from the investment universe. For the middle part of the intensity scale there is a comparison within sectoral peers. For very low carbon intensities, all issuers are permitted.

### **The six pillars of the fund**

 <p>Compliance with the BayernInvest Sustainability criteria</p>	 <p>Limited deviation from benchmark MSCI World</p>	 <p>Reducing the economic risks of climate change</p>
 <p>Supporting the transformation to a climate-friendly economy</p>	 <p>Quantitative analysis of extensive company data</p>	 <p>Active single stock research and single stock weighting</p>

### **3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?**

- Generally: ESG Ratings by MSCI/SSI, ESG exclusions with exclusion via association and exclusion via sale percentile.
- Controversies are excluded from the investable universe
- Certain business areas (controversial weapons) are excluded via association
- Other business areas are excluded via sale percentile
- Some issuers are excluded via carbon intensity value
- ESG Ratings by MSCI are taken into account during fundamental research
- Climate Value at Risk indicators are taken into account during fundamental research
- Contributions to solutions for climate change issues are measured via revenues generated herewith

**3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

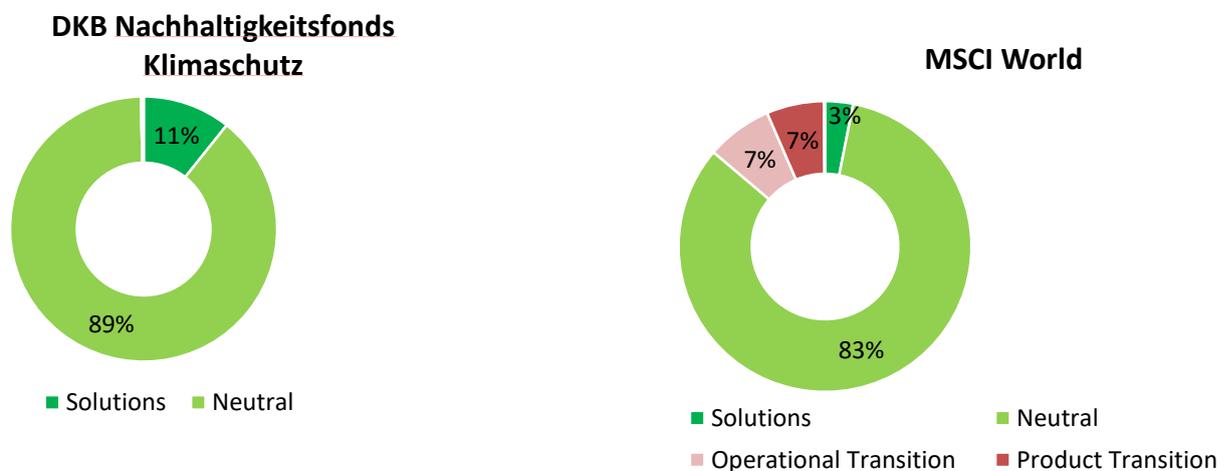
Controversies are included in the ESG rules checked by fund controlling ex ante and ex post trading. BayernInvest has daily updated ESG data at its disposal and will therefore be able to quickly notice if existing holdings are in breach of a fund's rule. Violation of a fund's ESG rules leads to divestment within an appropriate time period of 6 weeks.

**4. Investment process**

**4.1. How are the results of the ESG research integrated into portfolio construction?**

The fund's exclusion criteria define the investable universe. This is ensured not only by fund management but also via fund controlling. The fund manager then selects shares based on the premise to approximately match the index's risk characteristic while at the same time via fundamental research reduce the carbon intensity (to reduce exposure to climate risks and reduce negative impact on climate), reduce ESG risks in general (e.g. via considering the ESG Rating) and use opportunities from climate solutions and the positive impact thereof.

**Classification of portfolio companies according to their transformation opportunities**



Source: MSCI ESG, Bloomberg, own calculations as of 31.10.2020

**4.2. How are criteria specific to climate change integrated into portfolio construction?<sup>6</sup>**

There are explicit carbon intensity restrictions set. Additionally tools for climate scenario analysis for implied temperature rises and climate value at risk are integrated during the fundamental research process and monitoring of the fund.

The fund does not invest in green bonds, as its only investable asset class is shares. There is also no investment in mutual funds taking place.



**4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?<sup>7</sup>**

Within fundamental analysis, the fund manager uses all publicly available sources to form an opinion regarding compatibility with exclusion criteria (business involvements, business activities, etc) and risks. Sectoral affiliation can serve as a proxy for climate impact and risks.

**4.4. Has the ESG evaluation or investment process changed in the last 12 months?**

Within the last 12 months, BayernInvest added depth and breadth to its ESG database. Different analysis tools allow climate scenario analysis, which offers new possibilities to evaluate risks and opportunities within our covered universes. Additional regulatory data allows BayernInvest to fulfill all regulatory requirements in time. However, this has not changed the structure of the investment process.

A significant addition to the ESG investment process has been the incorporation of a revised engagement and voting overlay with a specialized external service provider supporting the operational process. Internal prioritization, review and escalation processes have been set up to promote the overlay to be an impactful part of the overall investment process.

Worth mentioning is also the appointment of an ESG center of competence which brings together employees from all asset classes within fund management and ensures that ESG alignment is integrated well within the investment management department.

**4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?**

No, this is not an explicit investment target.

**4.6. Does (do) the fund(s) engage in securities lending activities?**

No, the fund is not engaging in securities lending activities.

**4.7. Does (do) the fund(s) use derivative instruments?**

No, the fund is allowed to use equity and index options as well as futures but has never and is currently not making use of it.

**4.8. Does (do) the fund(s) invest in mutual funds?**

No, the fund does not invest in mutual funds.

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<sup>5</sup> Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):

<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

<sup>6</sup> Reference to Article 173 of the French TECV Act and HLEG recommendations on DISCLOSURE

<sup>7</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)



## 5. ESG controls

### 5.1. **What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?**<sup>8</sup>

Fund management has access to all relevant real time data. The ESG rules are therefore already considered during the active fundamental research process. Exclusion criteria and carbon intensity limits are then also reviewed ex ante and ex post trading via fund controlling. Passive threshold violations during the lifetime of the fund have to be eliminated within 6 weeks.

On a monthly basis aggregate reporting of sustainability factors is made available. To make sure that information is distributed effectively daily market meetings and monthly strategical reviews take place. BayernInvest's organisational structure offers ESG research capacities allowing to intensify and validate knowledge.

## 6. Impact measures and ESG reporting

### 6.1. **How is the ESG quality of the fund(s) assessed?**

Several indicators are considered on the aggregate fund level to assess ESG quality. The overall ESG rating offers insight into ESG risk exposure for the fund and is supposed to be within a solid range, which should not be much lower than the benchmark universe's overall rating.

Additionally different climate factors analyzed on the issuer level are also relevant on the fund level. This includes carbon intensity, climate Value at Risk and portfolio results for climate scenario analysis. Calculation of some climate characteristics are not yet to be found in reportings but are calculated separately and monitored during monthly strategical reviews.

Exposure to impact from possible climate solutions or social issues is measured using portfolio weighted revenues classified as environmentally or socially impactful as well as SDG alignment for all or individual SDGs.

An extensive monthly ESG Reporting offers most of the aggregate indicators but also deep dives into sectoral contributions and additional analysis for E, S and G topics.

### 6.2. **What ESG indicators are used by the fund(s)?**<sup>9</sup>

- Compliance with global norms and avoidance of exposure to controversial business areas
  - ESG ratings (MSCI fund ratings)
  - Carbon Intensity (scope 1+2, based on sales)
  - Exposure to environmental and social solutions (sustainable impact measured via revenues)

As described above these indicators are available through the fund's monthly ESG reporting.



**6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?**

SRI management information on each fund is publicly available and is mainly provided through our website or through established data providers.

Factsheets including sustainability data: daily and monthly update, published on Webpage (<https://www.bayerninvest.de/services-fonds/aktienfonds/dkb-nachhaltigkeitsfonds-klimaschutz/index.html>)

ESG Reporting: monthly update containing ESG Ratings, ESG Scores, Impact Measurement etc.

**6.4. Does the fund management company publish the results of its voting and engagement policies?<sup>10</sup>**

Engagement results will be published on a quarterly, voting results on a yearly basis (regarding Voting Reporting - as soon as there is enough data available). The first engagement result report will be published together with the policies mentioned in Question 2.3.

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<sup>8</sup> Reference to Article 173 of the French TECV Act

<sup>9</sup> Reference to Article 173 of the French TECV Act

<sup>10</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE