

ESG Strategy - LOYS AG



LOYS AG: Oldenburg - Frankfurt - Chicago - Zug

Sustainability as a significant factor

Three-stage ESG rating process

- ▲ The funds LOYS Global, LOYS Global L/S, LOYS Aktien Europa and LOYS Premium Dividende are classified as Article 8+ funds (sustainable MiFID target market). For this purpose, we rely on a 3-tier ESG filter:
 - ▲ At least **70%** of fund assets must meet the BVI negative criteria (exclusions)
 - ▲ At least **51%** of the fund assets must have an MSCI ESG-Rating of "BB" or better.
 - ▲ At least **20%** of the fund assets must make a positive contribution to the United Nations Sustainable Development Goals and pass a Do No Significant Harm (DNSH) test based on PAI Key Issue Scores

Signatory of UN PRI

- ▲ In order to fulfill our social responsibility as a company, LOYS has decided to sign the Principles for Responsible Investment of the United Nations Environment Programme in 2020

Signatory of:



ESG classification of the LOYS Funds

LOYS Fund	MSCI ESG-Rating	Classification according to EU Disclosure Regulation
Global	A	Article 8+
Aktien Europa	AA	Article 8+
Global L/S	A	Article 8+
Premium Dividende	AA	Article 8+
Premium Deutschland	A	Article 6
Philosophie Bruns	A	Article 6

Three-stage ESG rating process

1

Consideration of the negative criteria of the BVI (min. 70% of the fund assets)





2

MSCI ESG rating of at least "BB" (min. 51% of fund assets)

3

Positive contribution to the United Nations Sustainable Development Goals (SDGs) & Do No Significant Harm (DNSH) test based on the PAI Key Issue Scores (min. 20% of fund assets)

Exclusion criteria according to BVI typology for sustainable financial instruments

	Thresholds of the sales shares	Explanation of the exclusions
 Tobacco	<ul style="list-style-type: none"> ▶ Distributor 5% ▶ Licensor 5% ▶ Producer 5% ▶ Retailer 5% ▶ Supplier 5% 	<ul style="list-style-type: none"> ▶ The threshold of maximum sales shares is 5%
 Weapons	<ul style="list-style-type: none"> ▶ Controversial 0% ▶ Support Systems 10% ▶ Conventional 10% ▶ Nuclear 10% ▶ Supplier 10% 	<ul style="list-style-type: none"> ▶ Manufacturers of controversial weapons are categorically excluded ▶ The threshold of maximum sales shares is 10%
 Coal	<ul style="list-style-type: none"> ▶ Producer 30% ▶ Distributor 30% 	<ul style="list-style-type: none"> ▶ The threshold of maximum sales shares is 30%
 UN Global Compact	<ul style="list-style-type: none"> ▶ Global Compact Compliance ▶ Human Rights Compliance ▶ Labor Compliance (Broad, Core) 	<ul style="list-style-type: none"> ▶ Companies that do not comply with the UN Global Compact Principles (evaluation: Fail or Watch List) are excluded. These are, for example, human rights violations or labor law violations.

Three-stage ESG rating process

1

Consideration of the negative criteria of the BVI (min. 70% of the fund assets)

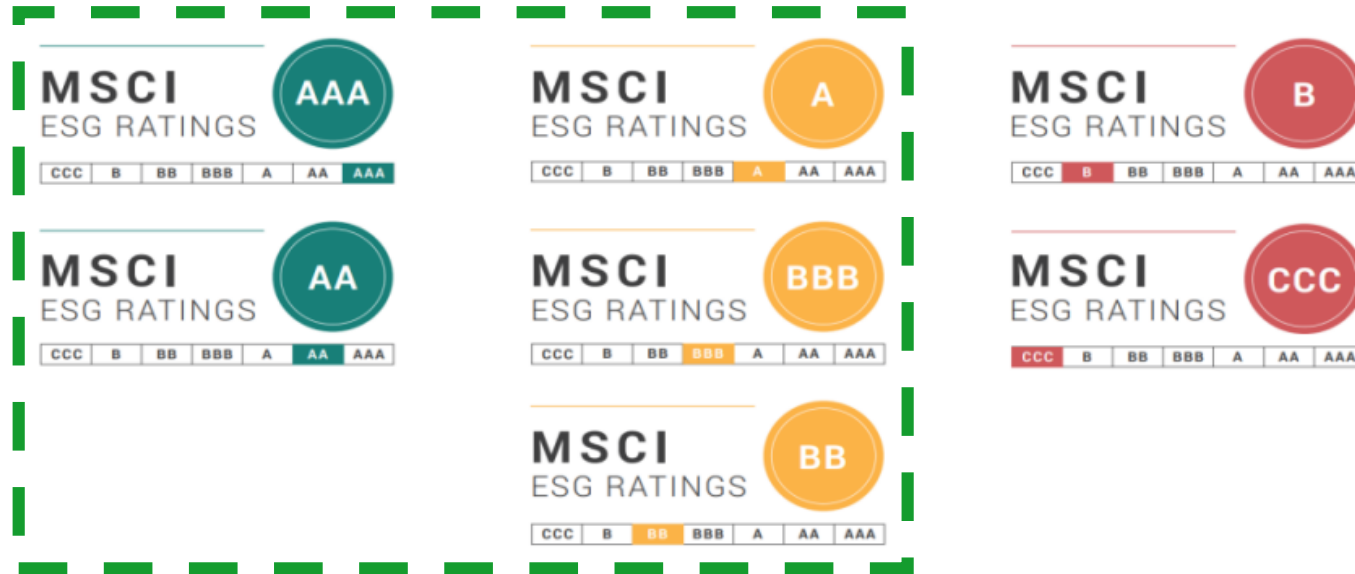
2

MSCI ESG rating of at least "BB" (min. 51% of fund assets)

3

Positive contribution to the United Nations Sustainable Development Goals (SDGs) & Do No Significant Harm (DNSH) test based on the PAI Key Issue Scores (min. 20% of fund assets)

MSCI ESG-Rating: Positive assessment of fund assets mandatory



At least 51% of the fund's assets must have a rating of BB in the MSCI ESG rating scale

Three-stage ESG rating process

1

Consideration of the negative criteria of the BVI (min. 70% of the fund assets)

2

MSCI ESG rating of at least "BB" (min. 51% of fund assets)

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Positive contribution to the United Nations Sustainable Development Goals (SDGs) & Do No Significant Harm (DNSH) test based on the PAI Key Issue Scores (min. 20% of fund assets)

Overview of the 17 Sustainable Development Goals (SDGs)

- △ The 17 Sustainable Development Goals (SDGs) are United Nations policy objectives to ensure sustainable development at the economic, social and environmental levels worldwide.
- △ MSCI determines positive and negative contributions to the SDGs for each company.
- △ On this basis, we define sustainable investments (at least 20% of the fund volume) in our ESG strategy as follows:
 - △ 1. The company must make a positive contribution to at least one of the 17 SDGs
 - △ 2. The company must also pass a Do No Significant Harm (DNSH) test based on PAI Key Issue Scores



Evaluation of the SDGs based on the MSCI ESG-Rating Scale

Research Provider: MSCI ESG-Research



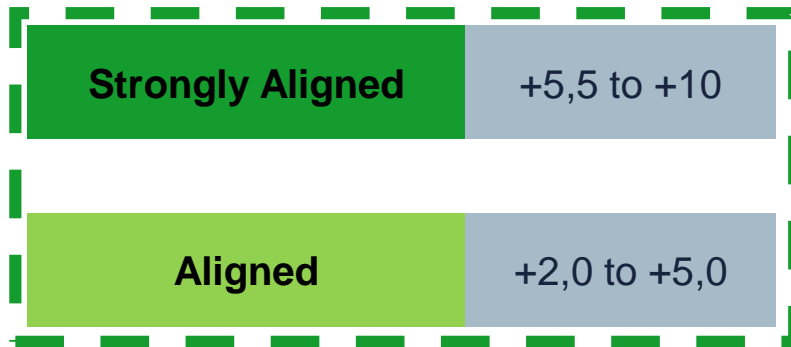
MSCI collects data from publicly available sources:

- ▶ Company publications
- ▶ Media sources
- ▶ Government databases
- ▶ NGOs
- ▶ Trade and industry associations
- ▶ Multilateral organizations
- ▶ Think tanks

Methodology:

- ▶ For each company, the model evaluates the dimensions "Product Alignment" and "Operation Alignment" of the 17 SDGs on a scale from -10 to +10
- ▶ The mean value results in the final "Net Alignment Score"

Test 1: At least one SDG must be positively assessed



- ▶ It is checked whether companies make a positive contribution to the 17 Sustainable Development Goals of the United Nations.
- ▶ Only companies that make a positive contribution to at least one of the 17 SDGs are considered. For this, an SDG must be rated "Aligned" or "Strongly Aligned" by MSCI.
- ▶ The target level in terms of fund volume is 20%.

Test 2: No PAI Key Issue Score may have a negative rating (DNSH Test)

Procedure for the valuation

- ▶ A maximum of **8** key issue scores are taken into account
- ▶ **2** Key Issues Scores are **mandatory** for every company
- ▶ The other **6** Key Issues Scores are checked depending on the industry they belong to

Which data points are evaluated?

Mandatory PAI Key Issue Scores

Environment:

- ▶ Carbon Emissions Score

Governance:

- ▶ Board Score

Optional PAI Key Issue Scores:

Environment:

- ▶ Product Carbon Footprint
- ▶ Biodiversity & Land Use
- ▶ Toxic Emissions & Waste
- ▶ Electronic Waste
- ▶ Opportunities in Renewable Energy

Social:

- ▶ Supply Chain Labor Standards

Test 2: No PAI Key Issue Score may have a negative rating (DNSH)

The Final Industry Adjusted Company Score is mapped to a letter rating as follows:

Letter Rating	Leader/Laggard	Final Industry-Adjusted Company Score
AAA	Leader	8.571* - 10.0
AA	Leader	7.143 – 8.571
A	Average	5.714 – 7.143
BBB	Average	4.286 – 5.714
BB	Average	2.857 – 4.286
B	Laggard	1.429 – 2.857
CCC	Laggard	0.0 – 1.429

**Appearance of overlap in the score ranges is due to rounding error. The 0-to-10 scale is divided into seven equal parts, each corresponding to a letter rating.*

- ▶ The minimum value of a company is checked. This value must be above the **threshold** of **2.857**.
Range: Average / Leader
- ▶ Companies that pass test 1 (SDGs) and test 2 (DNSH) make a positive contribution and are counted towards the sustainability rate (at least 20%).

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01.01.2024

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