

# Union Investment engagement policy

Union Investment's engagement process comprises voting at annual general meetings (UnionVote) and maintaining a constructive dialogue with companies (UnionVoice). Our proxy voting policy constitutes the framework for our voting activities, whereas this engagement policy provides guidance for our direct dialogue with companies as part of our engagement activities and must be followed, except in justified exceptional cases. The policy applies to engagement with both stock-issuing and bond-issuing companies. It also applies to engagement in relation to government bonds. This engagement policy supplements the proxy voting policy. It is reviewed and, if needed, updated annually. Engagement is an integral part of sustainable investment. Please therefore also see Union Investment's proxy voting policy, voting dashboard and guidelines for responsible investment.

Link to the voting guidelines and guidelines for responsible investment:

[Guidelines \(union-investment.com\)](https://www.union-investment.com/guidelines)

Link to the voting dashboard: [Engagement \(union-investment.com\)](https://www.union-investment.com/engagement)

## 1. Philosophy

Union Investment stands for active and responsible shareholding. We see it as our duty to represent the interests of our investors vis-à-vis companies. This includes, in particular, actively exerting influence to avoid risks and promote sustainability. As an active investor, it is part of our self-image not to outsource or delegate our engagement to third parties. We are convinced that sustainability can have a significant long-term impact on a company's performance. Companies with poor sustainability standards are significantly more vulnerable to reputational risks, regulatory risks, event risks and litigation risks. ESG (environmental, social and governance) factors can have a significant impact on a company's operations, brand value, corporate value and continued existence, and are therefore an important part of our investment process.

Through our engagement, we aim to bring about changes in the sustainability performance of investment properties through dialogue and voting strategies. In doing so, we pursue the goal of initiating changes towards sustainable development in the real world. Our Engagement Policy defines key guidelines for action to achieve this goal and thus also increase shareholder value in the long term. Union Investment defines engagement as a **substantive discussion** within the framework of ongoing dialogue with **specific objectives** to be achieved over a **certain period** of time, with **measurable progress**. Our understanding of engagement thus encompasses much more than a traditional ESG dialogue and promotes structured engagement with issuers.

In particular, we attach great importance to a company's ability and willingness to transform itself. There are companies where we, as a sustainable investor, see no prospects because they are either unable or

unwilling to adapt their business model to minimum sustainability standards. These companies are simply of no interest to us as investors. However, there are also companies that have set out to improve their sustainability criteria or adapt their business model. It is essential for us to focus on the second category of companies and to support them on this path through engagement. That is why our engagement approach is essentially a transformation approach.

## 2. Principles and values

In its capacity as a trustee, Union Investment is committed to giving top priority to the interests of investors. As well as implementing the applicable statutory and regulatory requirements, we take an approach to responsible investment that is guided by leading national and international standards that set the benchmark for decision-making, such as the United Nations Principles for Responsible Investment (UN PRI) and the UN Global Compact.

At Union Investment, however, the entire engagement process goes beyond the aforementioned rules and is based on additional sets of values and codes of conduct. Our values and fundamental principles that form the framework for our engagement activities are based on the rules of conduct of the German Investment Funds Association (BVI) and on the German Corporate Governance Code. Union Investment also adheres to the principles of the Stewardship Code of the European Fund and Asset Management Association (EFAMA) and the Stewardship Guidelines of the Society of Investment Professionals in Germany (DVFA).

Further selected standards, certificates and initiatives that are reflected in and supported by our engagement approach and, where possible, are required to be applied by companies:

- Carbon Disclosure Project (CDP Climate, CDP Forest und CDP Water)
- Climate Bonds Initiative (CBI)
- World Benchmarking Alliance (WBA)
- International labour standards of the International Labour Organization (ILO)
- ISO standards for environmental and energy management, quality management, health and safety
- KnowTheChain
- Principal adverse impacts (PAI) defined by the Sustainable Finance Disclosure Regulation (SFDR)

- OECD Guidelines for Multinational Enterprises
- Science-Based Targets Initiative (SBTI)
- ISSB Sustainability Standards
- UN Guiding Principles on Business and Human Rights
- UN sustainable development goals (SDGs)

In addition, our engagement is guided by sector-specific standards and initiatives. These may include:

- Access to Medicine Foundation
- Aquaculture Stewardship Council (ASC)
- Farm Animal Investment Risk & Return (FAIRR)
- Forest Stewardship Council (FSC)
- International Council on Mining & Metals – Sustainable Development Framework
- IRMA's Standard for Responsible Mining
- Investor Alliance for Human Rights
- Investor Initiative on Human Rights Data (II-HRD)
- Leadership in Energy and Environmental Design (LEED)
- Marine Stewardship Council (MSC)
- REACH regulation
- Roundtable on Sustainable Palm Oil (RSPO)
- The Extractive Industries Transparency Initiative
- Institutional Investors Group on Climate Change (IIGCC)

The relevant standards on which our values and our engagement approach are based are communicated to the companies.

## 3. Topics

The ESG topics for an engagement arise from a company's misconduct or potential for improvement, that is, from the violation of one of the principles mentioned above, from insights gained from information about the most significant adverse sustainability impacts in the areas of greenhouse gas emissions, biodiversity, water, waste, social issues, and governance employment, as well as from discussions with the sustainability team and sector analysts. The internal analysis and investment processes also help us assess the relevance, urgency, and significance of the topics for the capital market. Additionally, feedback from our stakeholders and clients can be taken into account when selecting the topics. In prioritizing the topics and target companies, factors such as fund holdings, negative lists, corporate contacts, and the prospects for a successful engagement play an important role. Union Investment expects companies to address environmental factors

and, in particular, their adverse sustainability impacts and to embrace them. This is especially true for adverse sustainability impacts arising from business activities. These include:

- acknowledging climate change and reducing climate risk
- encouraging biodiversity
- managing water risk
- preventing or minimising damage to the environment (e.g. as a result of hazardous waste)
- evaluating and disclosing the company's impact on the environment

Union Investment also expects companies to implement effective human rights due diligence processes in line with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines. These include:

- Establishing a human rights policy and integrating it into the company's corporate governance structure
- the protection of the rights of indigenous peoples, in particular the right to free, prior and informed consent (FPIC),
- Implementing enhanced human rights due diligence in conflict-affected and high-risk areas, including occupied territories,
- Developing just transition plans to mitigate the social impacts of decarbonisation,
- and systematic dialogue with relevant stakeholders and rights holders, supported by effective grievance mechanisms and redress processes.

Thirdly, Union Investment expects companies to have a well-functioning corporate governance system that takes the interests of all stakeholders into account in a balanced manner. This includes:

- Promoting diversity
- Implementing an appropriate remuneration policy
- Preventing and combating corruption
- Implementing a robust and efficient auditing process
- Safeguarding shareholder rights
- Appointing a diverse, competent and independent supervisory board
- The suitability and composition of the executive board

#### 4. Consideration of climate change

In line with the Paris Agreement on climate change and our membership of the Net Zero Asset Manager Initiative, Union Investment has committed to reducing greenhouse gas emissions from the securities it manages to net zero by 2050. This is in line with the goal of limiting global warming to 1.5 degrees above pre-industrial levels.

As part of our commitment, we continuously review and engage with the companies with the highest greenhouse gas emissions in our portfolio. Around 50 companies account for up to 75% of the emissions we finance. These companies will be the focus of our climate protection efforts in the coming years. In addition, the company will work to ensure that the transformation begins or accelerates within set deadlines, especially for the largest CO<sub>2</sub> emitters. The aim is to limit the adverse sustainability impacts of investments in companies without initiatives to reduce CO<sub>2</sub> emissions.

In order to understand the climate-related opportunities and risks for companies, meaningful reporting on greenhouse gas emissions (Scope 1 to 3) in accordance with recognised standards is required. We expect companies to provide transparent, decision-relevant climate-related disclosures in accordance with the global baseline standards of the International Sustainability Standards Board (ISSB). These standards are based on and fully integrate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which served as the basis for global climate-related reporting.

For companies with a high market capitalisation (> €1 billion), Union Investment considers it appropriate that this reporting also takes place via the Carbon Disclosure Project. In addition, Union Investment expects companies to:

1. A net-zero target by 2050 or earlier, covering at least 95 per cent of Scope 1-3<sup>1</sup> emissions
2. Short- and medium-term climate targets for achieving the long-term goal
3. A credible and consistent plan for achieving the emission reduction targets
4. Investment plans must be consistent with climate protection targets

<sup>1</sup> Due to the still unsatisfactory data situation for so-called Scope 3 emissions, we are currently refraining from setting our own Scope 3 target, but will closely monitor the financed Scope 3 emissions and manage them through the commitment.

The impacts of climate change should also be analysed holistically in terms of potential risks to biodiversity (see Chapter 5).

### **Coal:**

Furthermore, we expect that coal mining and coal-based power generation, which are very harmful to the climate, will become unprofitable over the coming years as carbon emission pricing becomes more commonplace. Therefore, Union Investment will completely cease investments in coal producers by the year 2025 at the latest, in order to protect our investors from impending losses and to consistently pursue the goal of climate neutrality. Since 2020, we have been excluding investments in securities from companies that regularly generate more than 5 per cent of their revenue from mining thermal coal.

For the same reasons, Union Investment will also discontinue financing coal-fired power generation in the medium term. Electricity suppliers that generate more than 25 per cent of their energy from thermal coal and cannot demonstrate a credible climate or phase-out strategy will be excluded from the investment universe. We will gradually reduce this threshold for coal-fired power generation to zero by 2035 in order to achieve climate neutrality by 2050. Union Investment is systematically engaging in dialogue with the relevant electricity suppliers in the investment universe in order to achieve this goal.

### **Oil and gas:**

Alongside coal, the oil and gas sector is the second area that cannot be transformed to become climate neutral per se, as its business model is based on fossil fuels. We are therefore now focusing our attention on the oil and gas sector. Our climate strategy sets out a clear framework for action and pursues the ambitious goal of achieving climate neutrality by 2050. According to the International Energy Agency (IEA), global demand for oil and gas will peak by 2028 at the latest. This situation requires us to plan the phase-out of fossil fuels in good time in order to avoid negative impacts on the environment. At the same time, the transition to renewable energies should not be unnecessarily delayed, as this helps to avoid negative impacts on the environment.

In the oil and gas sector, we are therefore pursuing a strategy that includes both clear exclusions and active engagement. From 1 April 2025, our sustainably managed funds will no longer be permitted to invest in companies whose business model is based on oil or gas extraction. From 1 January 2025, oil and gas production companies will only be included in our conventional funds if they generate less than five per cent of their revenue from tar sand extraction. Tar sands cause significant local environmental damage but contribute only marginally to energy security. In addition, we use our voting rights to refuse to approve the actions of management and supervisory boards of companies seeking to substantially expand their oil and gas production. For further details, please refer to the Union Investment [Proxy Voting Policy](#).

In the medium term, by 2030, we will exclude companies from our conventional funds if they do not present a credible net-zero strategy. Among other things, this strategy must meet the following criteria:

- At least 50 per cent of investments in low-carbon energies,
- a significant reduction in oil production compared to 2019,
- substantial absolute emission reductions and
- a clear limitation of compensation measures.

By combining exclusions and active pressure on the industry, we are striving for an orderly transition to a 1.5°C-compatible world.

## **5. Consideration of biodiversity**

With regard to the protection of biodiversity, Union Investment expects companies to assess and report on their most significant impacts on nature and their dependencies on it. Union Investment expects companies whose business models have a negative impact on biodiversity or are highly dependent on it to demonstrate awareness, a strategy, risk management and internal governance to reduce adverse sustainability impacts on biodiversity.

Union Investment has recognised the high priority of biodiversity and has therefore defined its own approach to protecting biodiversity. Please refer to the biodiversity guidelines, which provide a detailed approach to our commitment in this area: [Guidelines \(union-investment.de\)](https://www.union-investment.de)

## 6. Consideration of labour and human rights standards

Union Investment expects companies to consistently implement the international standards set out in the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Standards and the OECD Guidelines for Multinational Enterprises. Companies should establish appropriate responsibilities at the highest level. We expect management to be responsible for implementing human rights due diligence processes and the board or supervisory board to actively monitor the strategy and its implementation.

Our commitment to labour and human rights is based on a systematic analysis of human rights risks in our investment portfolio. To this end, we use a sector- and company-specific assessment that takes into account high-risk areas and the amount of our investments. We prioritise companies where we identify significant shortcomings in the implementation of human rights standards. We engage in targeted dialogue with these companies in order to achieve concrete improvements in the implementation of the UN Guiding Principles.

Our engagement efforts are aimed in particular at ensuring that companies:

- Establish clear guidelines and governance structures for human rights.
- Improve their due diligence approaches in line with UNGPs and OECD Guidelines.
- Ensure access to effective grievance mechanisms and redress.
- Report transparently on progress and effectiveness.

Cases of violations of labour and human rights standards or lack of progress despite dialogue and reasonable deadlines lead to escalation in accordance with the processes described below. Among other things, we use our voting rights to refuse to grant discharge to the executive and supervisory boards of companies that do not respect labour and human rights in accordance with our requirements. For details, please refer to the [Proxy Voting Policy](#).

The substantive requirements and our own processes are described in our [Human Rights Policy Statement](#). This forms the framework on the basis of which we address specific expectations to companies in our engagement activities.

## 7. Process

The overarching goal of our engagement activities is to improve sustainability. Our engagement approach follows a clear process with the aim of achieving a positive impact for our investors. Priority is given to addressing risks and issues that could become material for companies in order to avert potential damage to the company, its shareholders and stakeholders. We define our engagement approach essentially as follows:

- (1) A **substantive discussion** within the framework of the ongoing dialogue with
- (2) **concrete objectives** to be **achieved**
- (3) over **a specific period of time**, with
- (4) **measurable progress**.

To measure our progress, our commitment milestones are structured as follows:



The success of our engagement is measured against a series of milestones, ideally culminating in the implementation of the requirements and credible, verifiable execution. This process allows us to engage in binding and transparent dialogue with the companies.

The engagement process essentially consists of three stages: pre-engagement, the actual engagement and post-engagement. The entire engagement process is supported by our internal systems (SIRIS and PROVOX) for analysing, implementing, monitoring and documenting engagement activities. Engagement is possible even before an investment is made. Our engagement process is binding in nature. Each focus engagement follows a predetermined goal and a defined time frame for achieving the goal and interim targets. In addition, the maximum escalation level is defined in the event that the goals are not achieved.

### 7.1 Pre-engagement

The pre-engagement stage and associated research lay the groundwork and detect any problem areas for Union Investment’s engagement activities. Together with our sectoral analysts, Union Investment’s sustainability team discusses all relevant controversies and weaknesses of companies that may be revealed, for example, as part of the preparation of the transformation rating and through theme-based research. In addition, external data providers such as MSCI ESG Research, ISS, CDP and Trucost are brought in to assist.

Ongoing sustainability research, managed using SIRIS, thus forms an important basis for Union Investment’s

engagement process. SIRIS is a special IT platform that was developed for Union Investment in order to efficiently implement our proprietary approach to sustainability research and broaden our range of ESG-related services, including engagement.

During the pre-engagement phase, the material engagement topics for constructive dialogue with companies are identified and defined on the basis of the following criteria:

- (1) **Relevance:** The topics are sufficiently important and urgent.
- (2) **Feasibility:** The necessary resources are available.
- (3) **Impact:** There is a high chance of achieving results.

### 7.2 Engagement

The starting points identified in the pre-engagement phase are actively pursued at the core of our engagement approach, which consists of exercising voting rights at annual general meetings (UnionVote) and constructive corporate dialogue (UnionVoice). Constructive corporate dialogue focuses on direct exchanges with companies and their decision-makers, speeches at annual general meetings and discussions on external institutional platforms. This includes, in particular, making clear demands and setting appropriate deadlines for the company to achieve the engagement goal. If the company does not comply or does not comply fully, individual escalation steps are applied simultaneously or sequentially.

### Our engagement process involves the following stages of activity:



Union Investment always tries to achieve its goals through constructive dialogue with management as a first step. The discussions between Union Investment’s portfolio managers and analysts and company representatives focus on sustainability understanding, strategy, specific measures and statements on controversial issues, as well as ESG transparency.

The escalation levels available to portfolio management are correspondingly granular and open up many possible combinations. They can be individually adapted to specific engagement activities and the investment object, and in some cases can also be used in different sequences. In addition, we set appropriate deadlines to emphasise our demands at the respective escalation levels.

One possible first stage of escalation, for example, is when discussions about a controversy and the associated demands made on the management board, supervisory board or investor relations managers do not have the desired effect. This can result in the board not being discharged or a critical vote at the annual general meeting. Supporting shareholder motions at the AGM or participating in collaborative engagement, in which investor interests and influence are pooled, are also part of further stages of escalation. Finally, going public, for example with a critical interview or a critical speech at the AGM, may be an appropriate way to emphasise the demand.

The initial escalation, for example, may involve not formally approving the acts of the company’s management board and supervisory board (or voting against the relevant resolution at the annual general meeting) if discussing the controversial issue and related demand with the management board, supervisory board, or investor relations managers does not bear fruit. Other

escalation levels include supporting shareholders’ motions at annual general meetings and participating in collaborative engagement in which investor interests and influence are combined. Finally, making a public statement – for example raising criticism in an interview or in a speech at the annual general meeting – may be a suitable way of expressing the demand more forcefully.

As part of exercising voting rights, Union Investment’s portfolio management regularly influences the management and business policy of public limited companies at annual general meetings in the interests of investors and exclusively for the benefit of the relevant investment fund. All UnionVote activities are prepared, carried out, monitored and documented by the system (PROVOX). As long as the effort involved is reasonable and the formal requirements are met, we vote in favour of resolutions that are in the interests of investors. All UnionVote activities are prepared, carried out, monitored and documented by the system (PROVOX). As long as the effort involved is reasonable and the formal requirements are met, we vote for all our holdings.

Our policy: Union Investment supports all action that will sustainably increase the value of the company in the long term and votes against any action that is contrary to this objective.

A binding voting policy is required if we are to exercise the voting rights entrusted to us transparently and consistently. Union Investment has therefore laid down comprehensive voting guidelines that take their bearings from the recommendations of the German Corporate Governance Code and the guidelines of the BVI. Please see Union Investment’s [proxy voting policy](#).

| Year   | Measures / Escalation level   |
|--------|---|
| Year 1 | Establishment and deepening of dialogue with clear communication of expectations.   |
| Year 2 | Intensification of measures in the absence of progress, e.g. through increased exercise of voting rights or collaborative engagement.                                       |
| Year 3 | Renewed progress assessment, on the basis of which a decision will be made on how to proceed and, if necessary, an adjustment to our escalation strategy will be initiated. |

This process ensures that commitments are pursued in a structured, transparent manner with clearly defined deadlines, while exit is only considered as a last resort.

### 7.3 Post-engagement

The engagement process is a long-term endeavour, and the results often only become apparent after months or years. In order to make our progress transparent, we monitor and evaluate our activities and their results at regular intervals. We summarise this information and report it to our clients. Within the sustainability team, we also discuss the possible consequences for the companies with which we are in contact.

If, despite our ongoing efforts, we consider the responses and measures taken by companies to be insufficient, we will resort to our escalation strategy. This process follows a clearly structured three-year strategy that includes quarterly monitoring and annual milestones.

## 8. ESG governance – ensuring effective sustainability

Sustainable action is firmly anchored in Union Investment's corporate philosophy and shapes our strategic orientation at all levels. Our ESG governance forms the basis for a binding approach to integrating sustainability, enabling us to fulfil the interests of our stakeholders in a long-term and responsible manner.

Within the framework of this governance, the company pursues essential objectives under the leadership of the Executive Board, including the management and coordination of the company-wide sustainability strategy and the creation of a platform for transparent coordination processes and decisions. We also ensure that sustainability issues are integrated into all planning processes and identify operational dependencies and synergies between our segments and divisions.

### Sustainability Steering Committee

A key element of our ESG governance is the Sustainability Steering Committee. This cross-divisional body is responsible for coordinating and addressing company-wide sustainability issues and makes strategic decisions in this regard. The Sustainability Steering Committee is responsible for managing and monitoring the organisation's overall sustainability strategy. It also ensures structured coordination between the various divisions and acts as a link to an extended management committee, which serves as an escalation platform for priority strategic sustainability issues and makes necessary decisions

at top management level. This structured anchoring ensures that sustainability is integrated as a cross-cutting issue in all relevant corporate processes and that the credibility of our actions in terms of sustainable development is guaranteed.

### ESG Committee

The ESG Committee is the highest body in portfolio management, specifically responsible for the operational implementation and integration of sustainability into the investment process. In addition to providing signals for portfolio construction, the ESG Committee also discusses long-term research aspects and strategic implications – particularly with regard to sectors, companies, countries, regulatory developments and markets that are particularly relevant from a sustainability perspective. It covers all sectors and asset classes that are particularly relevant from a sustainability perspective in terms of risk, return and valuation considerations due to specific events and/or structural trends. It covers all sectors and asset classes that are of particular importance for risk, return and valuation considerations from a sustainability perspective due to specific events and/or structural trends.

### Governance as the foundation of responsible sustainability

Our integrative approach, in particular through the clear distribution of tasks and roles between the Sustainability Steering Committee, the ESG Committee and other management and specialist committees, ensures the credibility of our sustainability strategy and minimises potential reputational risks. In this way, we ensure that our sustainability strategy and the associated measures are communicated and implemented consistently throughout the company. Our goal is to take responsibility for our impact on the environment and society and to actively promote sustainable development in all asset classes.

We regularly evaluate and update our sustainability strategies to ensure that we meet the dynamic requirements of the market and society and continuously improve.

For detailed information on our ESG governance and specific measures, please refer to our comprehensive [sustainability report](#).

## 9. Handling insider information and conflicts of interest

Handling insider information: As active investment managers, we may from time to time be in a position to receive material, non-public information from companies or their advisors (e.g. through 'market soundings' of potential transactions involving a company's securities). Union Investment's basic stance is that we want to avoid receiving such information because it makes us an 'insider' and thus limits our ability to trade in the shares of the company concerned.

Dealing with conflicts of interest: Acting in the interests of our clients is the guiding principle that shapes our business relationships with them. This also means that we take appropriate precautions to counteract actual and potential conflicts of interest. The interests of investors are always at the heart of everything we do. Union Investment has therefore implemented various organisational measures to avoid potential conflicts of interest that could be detrimental to investors. For example, voting behaviour for all holdings of a security is uniform, in the best interests of investors and independent of any business relationship with a company in which investments are made. This approach also applies to corporate dialogues. In both cases, the principles, values and issues underlying the respective policies are consistently pursued. Conflicts of interest that cannot be avoided despite these and other specific measures will be disclosed in accordance with Union Investment's general conflict of interest policy before the service is performed. The policy can be found at the following link: [General conflict of interest policy](#)

Measures for dealing with and avoiding conflicts of interest that may arise in connection with engagement activities:

1. Internal conflicts of interest between asset classes and/or investment strategies (e.g. equity strategies and fixed-income strategies)
  - a. Analysts in the equities, fixed-income and ESG teams work closely together to ensure that account is taken of the individual interests. The proxy voting policy provides a transparent and binding framework for dealing with corporate actions in the interests of the share portfolio
  - b. The guidelines for responsible investment govern how the various asset classes are managed

- c. In the event of doubt, or if required to act as a final arbiter, the ESG committee, which is made up of senior managers and portfolio management executives, advises and takes decisions in the best interests of the fund assets after due consideration of the opportunities and risks
  2. External conflicts of interest in respect of external stakeholder groups (e.g. customers)
    - a. The engagement activities are based on the general guidelines and are the same for all customer portfolios, regardless of the business relationship
    - b. Engagement topics are prioritised and implemented according to their relevance, feasibility and impact, as determined by an internal assessment system; customers can suggest topics and ideas, but the stewardship team decides which topics make the engagement topic list
    - c. Customer relationship management and engagement are handled by separate units to minimise potential conflicts of interest, e.g. in cases where the customer of a segregated fund mandate is also the subject of engagement activities

## 10. Handling securities lending (Securities Lending Policy)

Union Investment aims to ensure that clients benefit from the income generated by securities lending. At the same time, we actively seek to protect our clients' interests in important voting matters.

Union Investment therefore recalls lent shareholdings prior to important AGMs if critical issues are identified. This is done taking into account the following factors:

1. Subject of the vote,
2. Amount of the shareholding,
3. Possibility of exerting influence.

In consultation with the Stewardship Team, the Securities Lending Team arranges for the timely recall of securities. This ensures that Union Investment, as an active investor, retains control over voting rights in companies where active engagement is required.

## 11. Cooperation with other shareholders

Union Investment participates in collective engagement when this approach offers the most effective way of achieving engagement goals and is in the best interests of our clients. We seek cooperation particularly where interests coincide and the objectives are based on material issues. Cooperation can also take place at a general thematic level, without specific reference to a particular company. Union Investment's collective engagement is conducted in accordance with the relevant legal provisions and guidelines issued by the supervisory authorities.

## 12. Engagement with states

As holders of government bonds, we also try to use our engagement to influence governments and motivate them to improve their sustainability performance. Unlike other asset classes, citizens are the most important stakeholders in countries, not investors. Consequently, the government is primarily accountable to its citizens and not to investors. There are also fewer channels for exerting influence, such as exercising shareholder rights at an annual general meeting. Despite its limited influence, Union Investment also strives to improve sustainability and promote a sustainability-oriented transformation among governments. To this end, Union Investment uses its own sustainability platform, SIRIS, and evaluates additional

information obtained through direct discussions with government representatives, among other sources.

The findings from this are incorporated into the investment and engagement process. Thanks to our pooled funds, we already have a certain amount of influence. Furthermore, we can engage with other investors through platforms such as the UN PRI and existing initiatives, thereby increasing our influence. If engagement is unsuccessful, the country is excluded from the investment universe as an issuer as a last resort. Exclusion or divestment should be seen as a last resort when we can no longer exert any influence.

## 13. Engagement Reporting

The progress of engagement activities is continuously evaluated and documented. Our clients receive quarterly reports on the engagement activities carried out, including topics, content and results in summary form. In addition, we document in detail for clients how their holdings were voted and summarise the activities in a report. This report also contains explanations of the reasons for our voting behaviour. In particular, any ESG criteria that were decisive for the vote are shared with the client. Union Investment's voting behaviour is publicly available on our Engagement homepage: [Engagement \(union-investment.com\)](https://www.union-investment.com/engagement).

**This engagement policy is updated regularly (at least once a year).**

**Last updated on 20 August 2025.**

References to natural persons in this Engagement Policy explicitly include all gender identities.

### Disclaimer

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All information, illustrations and explanations are presented as at **20 August 2025**, unless otherwise stated.