

Responsible Investment Policy

1. Introduction

As part of the German cooperative financial services network, we have always been committed to operating responsibly in accordance with cooperative principles, both at company level and in our core business. We seek to manage our investment products in accordance with the principles of responsible investment. Professionalism, transparency and a commitment to working in partnership all shape our company culture. These three values reflect our cooperative approach to responsibility.

As a commercial enterprise and an institutional investor, we are committed to ensuring a sustainable future for society and the environment. In 2010, we adopted a sustainability strategy that sets out the framework for conducting our business in a responsible manner. Our responsible investment (RI) policy specifically sets out the responsible practices we apply in our investment processes. This policy is implemented in conjunction with the current BVI Rules of Conduct and Germany's Corporate Governance Code.

As an investment management company, we have an automatic fiduciary duty. We therefore act exclusively in the interests of our investors. This principle underpins everything we do across all our business processes.

Our RI policy applies to the funds under our own management. When fund management mandates are awarded to us with specific conditions attached, or by us with specific conditions, we endeavour to ensure that core aspects of the RI policy are taken into account during management.

2. Our responsible investment principles

Our fiduciary duty requires us to give top priority to the interests of our investors. Our stance on responsible investment is aligned with leading national and international standards, which we support and promote in addition to our own cooperative principles and values. As an active asset manager, we firmly believe that sustainable business practices go hand in hand with economic added value over the long term. Sustainability also plays a part in the future viability

of the countries and companies in which we invest, and is in the best interests of investors. Accordingly, we also take ESG¹ issues into account alongside financial parameters when making investment decisions, in order to deliver long-term added value for our investors. We actively encourage companies to take a responsible approach to business and adopt good corporate governance, and thus to increase the value of their company in the long term.

3. Our guidelines

Our approach to responsible investment is modelled on leading national and international standards, which we take into consideration in addition to legal and regulatory requirements. In particular, we apply the following:

- the UN Global Compact,
- the Oslo Convention on cluster munitions and landmines,
- the UN-backed Principles for Responsible Investment (UN PRI)
- the BVI Rules of Conduct,
- the BVI Guidelines for Responsible Investment,
- the Sustainability Code adopted by the German real estate sector.

4. Responsibility and operational implementation

Responsibility

Our commitment to responsible conduct is firmly embedded across all levels of our organisation and also in our investment processes. The Chief Investment Officer (CIO), as a member of the Union Investment Group management board, has overarching responsibility for establishing, developing and monitoring this policy. Within the individual organisational units and asset classes, the respective managers are responsible for implementing and managing the policy. The policy is implemented within our investment processes by the individual portfolio managers (securities) and asset managers (real estate) in conjunction with the respective sustainability competence teams; the latter are integrated into the asset classes and operate across divisions.

¹ ESG (environmental, social and governance) is an internationally recognised term used in the context of responsible investment.



Operational implementation

The sustainability competence teams for securities and real estate coordinate the various analyses and processes required for implementation of the principles and standards enshrined in this policy. These processes and analytical methods are regularly refined and updated. The key areas and processes are briefly described below:

Sustainability as a risk filter: We regard sustainability as an additional factor in our analysis of investment risk. It is therefore included as an additional risk filter in our risk management activity, which focuses on assessing regulatory risk, reputational risk and event risk.

ESG analysis: When making investment decisions, we analyse ESG criteria in relation to companies, countries and other security issuers because we believe these criteria are essential for fundamental evaluation of securities (see appendix). At industry level, the importance of ESG criteria for the respective industry is again considered as part of our analysis process. We consider the sustainable features and impacts of existing properties and of potential acquisitions so that we can continue to improve the quality of our real estate portfolio.

Engagement: As an active investor, we encourage companies to embrace sustainability and adopt good corporate governance. We have developed our own policy on this with regard to securities investment, which informs our dialogue with companies and our behaviour when speaking and voting at annual general meetings.

Positive and negative selection: As an active asset manager, we implement the findings of our ESG analysis in our securities portfolios. In extreme cases this can result in issuers being excluded from the investment universe. For instance, we no longer invest in stocks that do not comply with the Oslo Convention on cluster munitions.

Sustainable investment solutions: We provide clients with tailored investment solutions across all the main asset classes, with the product profile in each case being substantially shaped by sustainability criteria. These solutions are based on investment processes that are explicitly focused on sustainability and take into account the individual customer's ESG criteria. In doing this, we aim to reconcile our customers' commitment to sustainability and their required return, while specifically acknowledging risk aspects.

5. Reporting

Doing business in a responsible way also means making our company's actions and decisions as transparent as possible. We aim to ensure that our responsible approach to business is reflected throughout our corporate communications, consistent with our philosophy. Our overall commitment to corporate responsibility and sustainability issues is set out regularly in our CSR Report.

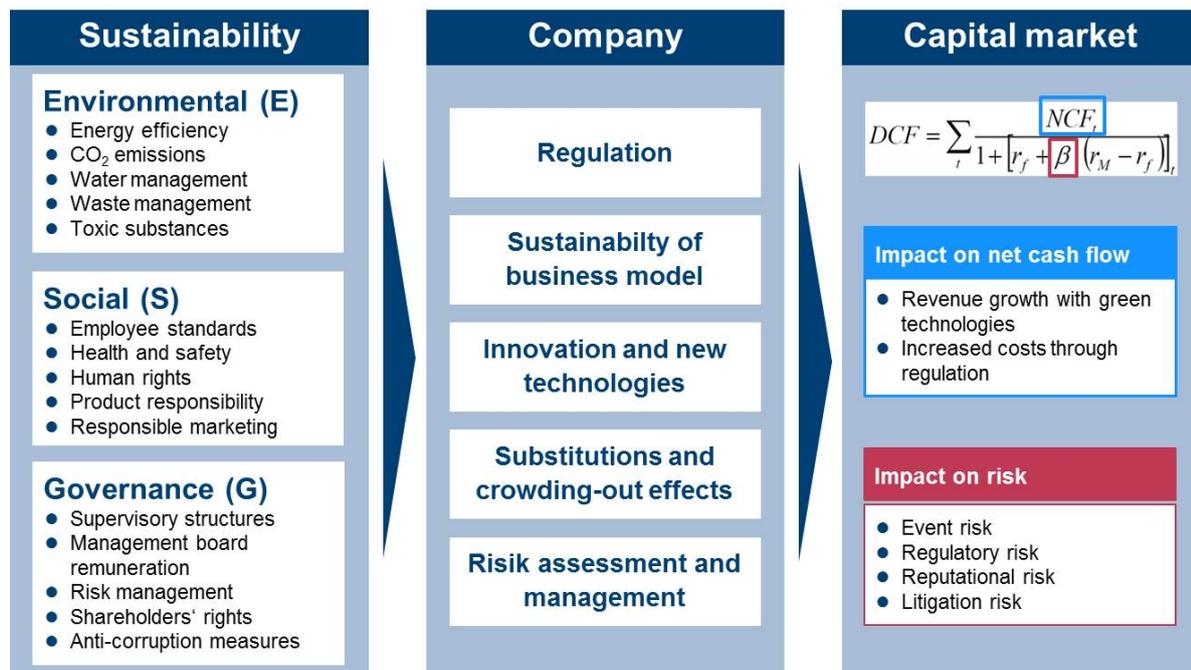
We will include capital market and investment reporting in our regular fund reports and add information about responsible investment and sustainability as appropriate. We meet our reporting obligations as an active shareholder by producing an annual engagement report outlining our shareholder activities.

Our website provides further information for investors and business partners on specific matters relating to sustainable investment.

Appendix

ESG analysis framework in Union Investment's securities/capital markets business:

The following table shows how ESG factors can affect companies and their rating in capital markets.



Source: Union Investment

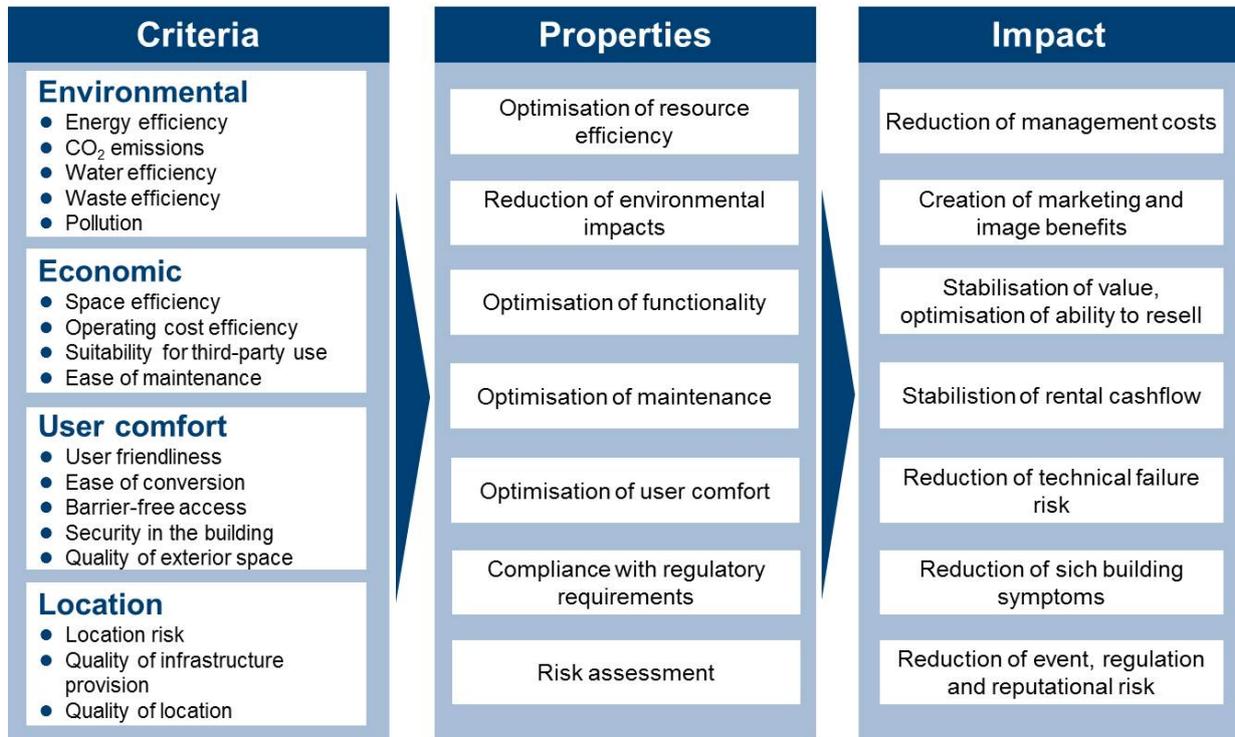
The following table illustrates the relevance of various ESG factors in the analysis and sustainability assessment of selected industries.

	Energy Supply	Automotive	Media	Oil	Mining	Insurance
Environmental						
Energy efficiency	5	4	1	4	4	1
CO ₂ emissions	5	5	1	4	4	1
Water management	4	3	1	5	5	1
Waste management	4	4	2	4	5	2
Toxic substances	4	4	1	5	5	1
Social						
Employee standards	3	3	3	4	5	3
Health and safety	4	4	2	5	5	4
Human rights	2	2	1	5	5	1
Product responsibility	3	5	4	3	3	5
Responsible marketing	2	4	5	2	2	6
Governance						
Supervisory structures	4	4	4	4	4	4
Management board remuneration	4	4	4	4	4	4
Risk management	4	4	4	4	4	4
Shareholders' rights	4	4	4	4	4	4
Anti-corruption measures	4	4	3	5	5	3

Source: Union Investment

5 = very high; 1 = low

Analytical framework for sustainability - Real estate segment:



Source: Union Investment

Relevant international standards

United Nations Global Compact:

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

Human rights:

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour:

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment:

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption:

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: [UN Global Compact](#)

UN Principles for Responsible Investment:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will report on our activities and progress towards implementing the Principles.

Source: [UN Principles for Responsible Investment](#)

Further standards:

- [Oslo Convention on cluster munitions and landmines](#)
- [BVI Rules of Conduct](#) (only available in German)
- [BVI Guidelines for Responsible Investment](#) (only available in German)
- [The Sustainability Code adopted by the German real estate sector](#) (only available in German)

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Contact: Union Asset Management Holding AG, Weissfrauenstrasse 7, 60311 Frankfurt/Main, Germany, tel: +49 69 58998-6060
Unless otherwise stated, all information, descriptions and explanations are dated 1 January 2016.