# Schoellerbank asset management with individual securities: Disclosure on the consideration of sustainability factors and the management of sustainability risks according to Regulation (EU) 2019/2088

As of 31 January 2022

The following sustainability factors (i.e. environmental criteria, social criteria, and good corporate governance criteria) are applied by Schoellerbank AG in the selection of financial products employed under Schoellerbank asset management with individual securities. if the consideration of sustainability factors was contractually agreed. In this case, Schoellerbank assent management with individual securities is a financial product according to Article 8 of the Disclosure Ordinance.

## The product selection process in detail

The assessment of companies and sovereigns on the basis of sustainability (ESG) factors employs information from research databases of an independent rating agency.

## Criteria for equities and corporate bonds

In the first stage, a "negative screening" (screening by exclusion criteria) is performed. This means that companies from controversial business areas are excluded as issuers on the basis of the sustainability factors.

### Exclusion criteria:

Companies that generate a material proportion of their revenues in the following industries are generally excluded from the investment universe.

- Production and extraction of coal and power generation from thermal coal (>10% of revenues)
- Production of or trade in controversial weapons such as land mines or chemical weapons (>0% of revenues)
- Production of nuclear energy (>15% of revenues)
- Controversial fossil fuel extraction methods, e.g. fracking, arctic oil… (>10% of revenues)
- Production of tobacco (>15% of revenues)

### Transparency criteria:

Sustainable investment products that invest in companies that generate a significant portion of their revenues in the following industries are flagged:

- Production of alcohol (>15% of revenues)
- Production of pornography (>15% of revenues)
- Gambling (>15% of revenues)
- Weapon production (>5% of revenues)
- Genetically modified organisms (>5% of revenues)
- Animal testing (>5% of revenues, drug development excluded)

### Compliance with the UN Global Compact:

Companies in severe violation of the principles of the UN Global Compact are excluded from the sustainable investment universe (e.g. violation of human rights, child labor, forced labor)

In a second step, the issuers remaining in the selection process go through a "positive screening" with regard to their social and environmental standards. Preference is given to those companies that perform better than other companies in the same industry in terms of sustainability factors (= best-in-class approach).

## Criteria for government bonds

Bonds from the following countries are excluded from the sustainable investment universe:

- Countries that do not meet minimum standards with regard to money laundering regulations (measures catalogue of the global Financial Action Task Force - FATF)
- Countries that fragrantly and continuously violate basic democratic rights and human rights
- Countries that apply death penalty
- Countries with especially high military budgets (more than 4% of GDP)
- Countries that have not signed the Kyoto Protocol or Paris Agreement
- Countries that do not make sufficient climate protection efforts (e.g. Climate Change Performance Index[1] from German Watch e.V. less than 40 or comparable indicator).
- Countries with a high level of corruption (Transparency International Corruption Perception Index1 below 50%)
- Countries that cover more than 10% of their primary energy needs with nuclear power and do not have a nuclear power phase-out scenario or a moratorium on nuclear power plants
- Countries that have not signed the UN Convention on the Protection of Endangered Species

The approach to managing sustainability risks[2] described above limits the universe of eligible issuers. This can have positive and negative effects on the portfolio yield compared with the benchmark.

[1] The Climate Change Performance Index is published annually by the Bonn-based non-profit association German Watch e.V. The index evaluates efforts undertaken by countries to protect the climate. It assesses 14 indicators in the following four categories: greenhouse gas emissions, renewable energy, energy consumption, and climate policy. The index scale ranges from 0 to 100. The best countries achieve index scores above 60. An index score below 40 indicates very weak climate performance. Further information can be found at https://germanwatch.org/de/ksi

[2] According to the Regulation (EU) 2019/2088, a sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact of the value of the investment.

## You should note the following as an investor – important risk disclosure:

Every capital investment involves risk. The value of the investment and the earnings generated by the investment can change suddenly and considerably and therefore cannot be guaranteed. Currency fluctuations can also influence the performance of an investment. The investor may fail to recover the full amount of capital invested, for example, if the capital is only invested for a short period. Under extraordinary circumstances, it is possible to lose all of the invested capital, including the purchasing fees. Please note that the provided figures and performance information refer to past performance, which is not a reliable indicator of future performance.

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