Disclosure on the consideration of sustainability factors and the management of sustainability risks according to Regulation (EU) 2019/2088 in investment advice concerning investment funds and structured products

As of 31 January 2022

As part of investment advice, both sustainable financial products and products whose underlying investments do not meet the EU criteria for sustainable economic activities are offered.
The following sustainability factors (i.e. environmental criteria, social criteria, and good corporate governance criteria) are applied by Schoellerbank AG in the selection of sustainable financial products in investment advice, especially for:

- Investment funds
- Structured products (i.e. guaranteed bonds, bonds with minimum repayment), bonds with conditional capital protection

The product selection process in detail

The assessment of companies and sovereigns based on 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 based on 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. Alternatively, the proportion of earnings can be used.

- 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

To fulfill the sustainability factors, issuers of government bonds must meet defined minimum standards regarding money laundering regulations (catalogue of measures of the global Financial Action Task Force – FATF). Furthermore, they must make clear efforts to protect the climate and have signed the Paris Agreement.

The investable universe is limited by the approach described above, how sustainability risks are taken considered. This can result in both positive and negative effects on the returns of the financial products compared to the benchmark.

Criteria for green bonds

Green bonds are bonds that comply with the guidelines of the Green Bond Principles. Due to the financing purpose of those bonds, they are also listed among the sustainability products within the advisory universe of Schoellerbank AG. Green bonds aim at financing projects with a positive impact on the environment and/or climate. The focus is on the financing purpose of the bonds and not on the issuer. In this sense, issuers of green bonds can also include funds that do not meet the exclusion criteria for sustainable investment products. The Green Bond Principles promote integrity in the green bond market through guidelines on transparency, disclosure and reporting and enable investors to invest in climate-friendly projects.