

Statement on Principal Adverse Impacts on the Sustainability Factors (PAI Statement)

Summary

Schoellerbank's sustainability strategy considers the key factors with negative impacts on sustainability when reaching investment decisions.

The principal adverse impacts on the sustainability factors refer to the effects of investment decisions that have a negative influence on sustainability factors. Sustainability factors in this context refer to environmental, social and employee matters, respect for human rights, sustainable corporate governance, and anti-corruption measures.

Description of principal adverse impacts on sustainability factors

To measure the principal adverse impacts on sustainability factors, Schoellerbank uses indicators for environmental and social characteristics as well as for corporate governance (states and companies).

The underlying indicators are, for example, the carbon footprint of a company, consumption of non-renewable energy, and the effects of a company's activities on biodiversity. With respect to the impact on society, violations of the UN Global Compact are analysed, and indicators are used to assess gender equality in pay and career opportunities. The metrics applied to government bond issuers are greenhouse gas emission intensity and violations of international standards and conventions.

Description of the measures to identify and prioritise the principal adverse impacts on sustainability

One of the sources Schoellerbank uses for the identification, measurement, and assessment of the principal adverse impacts on sustainability is the data supplied by the data provider ISS ESG. To consider the impact of ESG factors holistically, Schoellerbank considers – apart from the exclusion criteria defined such as alcohol, coal mining, gambling, nuclear energy, pornography, controversial weapons manufacturing and serious violations of the UN Global Compact principles– also additional factors in its assessment that include, for example, greenhouse gas emissions, efficient use of energy and resources, treatment and disposal of hazardous waste, fair pay for employees regardless of gender and the influence companies have on biodiversity. This approach helps to identify and prioritise companies with good ratings in all the relevant ESG criteria when being considered for an investment.

To counteract the adverse impacts on the sustainability factors, the sustainability risks are considered when defining a portfolio's composition for each investment strategy and financial instrument. Schoellerbank also aims to diversify its investments as broadly as possible to exploit opportunities across the different sectors and to mitigate the impact of sustainability risks, because the risks affect individual sectors, regions, currencies, and asset classes to varying degrees.

Engagement Policy

Schoellerbank provides portfolio management services for investors. The investment process at Schoellerbank, which includes the tasks of deciding which shares to acquire, hold or sell in the respective securities portfolio, requires the constant monitoring of all companies and their shares. As part of its asset management activities, Schoellerbank analyses the companies selected with regard to strategy, financial and non-financial results, equity structure, social and environmental impacts, valuation and corporate governance.

The reasons given below are the most important ones explaining why Schoellerbank does not consider it useful to represent investor interests at general shareholders' meetings for its individual asset management mandates; therefore, it generally does not exercise voting rights:

- Based on a cost/benefit analysis, Schoellerbank does not exercise voting rights in the respective general shareholders' meetings, because the ratio of all shares with voting rights in the mandates managed by Schoellerbank in individual asset management portfolios – consolidated across all mandates – does not reach a percentage of material significance in the ratio of voting rights of all shareholders of the respective companies due to the diversification principle applied, and is therefore, not a significant ratio.
- The individual portfolio management agreements of Schoellerbank do not specify any explicit authorisation to exercise voting rights for shares held in the portfolios. The procedures that must be followed to enable representation and the exercise of voting rights at general shareholders' meeting, which also include preparing proxy voting agreements for every single customer, are also factors that contribute to Schoellerbank's decision to generally refrain from representation and the exercise of voting rights or other rights associated with shares.
- Every customer is a shareholder and may exercise voting rights and other rights associated with shares at their discretion, as the shares held in individual asset management portfolios are in customers' custody accounts.

When shares are acquired for individual asset management portfolios on behalf of customers, Schoellerbank as a shareholder will generally refrain from exercising the voting rights associated with these shares.

International Standards

ISS ESG: Schoellerbank works with ISS ESG to integrate the numerous aspects of sustainability into the investment process. ISS ESG is internationally recognised as an expert in all areas of relevance for sustainable investments. The topics covered include climate change mitigation, the effects on the attainment of the UN's Sustainable Development Goals, human rights, workplace standards, anti-corruption, controversial weapons and much more. The framework of Schoellerbank's strict quality criteria permits it to filter companies based on exclusion criteria and the best-in-class approach. This means that we combine the expert knowledge of two specialists to offer sustainable investors more value.

UN Global Compact: UniCredit is an active member of the UN Global Compact, the world's largest initiative for responsible corporate governance. The ten universal principles of the UN Global Compact cover labor standards, human rights, environmental protection, and anti-corruption measures. UniCredit is continuously working to develop measures for these areas.

GRI Sustainability Reporting Standards: UniCredit complies with the GRI Sustainability Reporting Standards in its integrated reporting as well as with the Financial Services Sector Disclosures. Both standards are published by GRI (Global Reporting Initiative).

General Information

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Most recent copy as of June 2021.

This Information was prepared by Schoellerbank AG, Renngasse 3, 1010 Vienna (media owner and publisher).