"Managing assets sustainably – a fixed component of Schoellerbank's investment philosophy"

The careful and conservative use of resources is a topic that is gaining more and more attention – both in society and when it comes to investments. But what exactly is meant by successful sustainable investment?

While in the past primarily institutional investors were interested in ethical and sustainable investments, this topic has now become a central focus in society. More and more private customers want to invest in future-oriented products and themes and expect companies to be ethical, socially responsible, and environmentally aware in their business practices. As such, sustainable investors aim to achieve returns for themselves while also benefiting the environment and society.

What distinguishes ethical investments?

The central values for ethical investments are humanity, solidarity, and responsibility. The consequences of business activities on other people and the environment are assessed. Based on this assessment, companies from controversial sectors – such as producers of banned weapons and tobacco or gambling operators – are excluded.

What does sustainability mean?

The Austrian Council for Sustainable Development devised the following definition: "Sustainable development means giving equal consideration to environmental aspects as to social and economic aspects." These factors are combined under the umbrella term ESG:

- Environment
- Social
- Governance (responsible leadership of countries and companies)

When assessing these three factors, an independent rating agency evaluates where a country or company exhibits deficits and whether it makes positive contributions in terms of sustainable development. The individual assessments result in the overall picture: the ESG rating.

Sustainability out of conviction

Schoellerbank has stood for values such as trust, reliability, and stability for generations. This makes giving socially responsible investments the space they deserve a logical step in refining our portfolio, and this investment category is far more than just an asset management trend for us. Schoellerbank has managed mandates according to ESG criteria since 2003, making it a pioneer in sustainable investment – out of conviction.

Stringent selection process with a sustainable focus

As a wealth management competence centre, Schoellerbank feels it has a special duty to deal with the topics of sustainability and ethics. Together with UniCredit Group, we have defined ESG criteria in order to achieve sustainable success: the criteria for sustainable investment products at Schoellerbank. Whenever we offer you an ESG investment product – for example, a sustainable asset management mandate or a sustainable certificate – we apply these criteria.

The issuers of sustainable products – companies and countries – have to consider questions about respecting human rights, environmental and labour standards, their ecological and social footprint, and many other topics. Business activities in particularly question-

able fields such as alcohol, coal production, gambling, nuclear energy, pornography, or the production of controversial weapons beyond a marginal degree generally lead to an exclusion from our ESG universe. In addition, issuers must have an acceptable overall ESG profile (best in class). The product only receives the Schoellerbank sustainability seal if all of the assessment criteria are fulfilled.

Schoellerbank and ISS ESG – working together for your sustainable success

We believe that sustainability is only sensible and profitable if you can rely on the best partner. After a comprehensive evaluation of the market in the area of sustainability, we decided to team up with ISS ESG. ISS ESG has internationally recognised expert knowledge in all areas that are relevant for sustainable and responsible investments. This includes topics such as climate change, the effects on the achievement of the UN's Sustainable Development Goals[1], human rights, labour standards, corruption, controversial weapons, and many more. With this collaboration, Schoellerbank and ISS ESG combine the expertise of two specialists – and thus offer sustainable investors substantial added value.

Sustainable asset management

Schoellerbank has been an asset manager for over a quarter century and has received numerous awards. Our sustainable asset management has been around for more than 15 years and offers investors the following benefits:

- Portfolio composition according to the investor's needs
- Investment in sustainable bonds, funds, and ETFs in accordance with the criteria for Schoellerbank's sustainable investment products
- Weighting of asset classes based on our strategic orientation
- Selection of assets according to the proven Schoellerbank quality criteria
  - – Schoellerbank StockRating
  - – Schoellerbank BondRating
  - – Schoellerbank FundRating

Your advantages with the best-in-class approach

Under the best-in-class approach, the investment universe is made up of the companies with the best sustainability performance in their sector, category, or class. While ISS ESG monitors the sustainability criteria, Schoellerbank puts together a well-thought-out portfolio. In addition, Schoellerbank regularly reviews the asset allocation in order to generate added value for the investor with the right mix of stocks and bonds. The top priority: diversification and returns. The Schoellerbank quality criteria ensure that only assets that meet our quality standards find their way into the portfolio. As a result, ESG investors profit from an attractive sector mix and stable risk diversification. In addition, the best-in-class approach leads to positive competition among the relevant companies in terms of sustainability – because only the best receive a positive rating from the sustainability agency.

1) The United Nations has defined Sustainable Development Goals (SDGs) in 17 areas. These areas include fighting poverty and hunger, improving access to healthcare services and education, environmental protection, climate change, sustainable economic growth, and the reduction of social inequality.

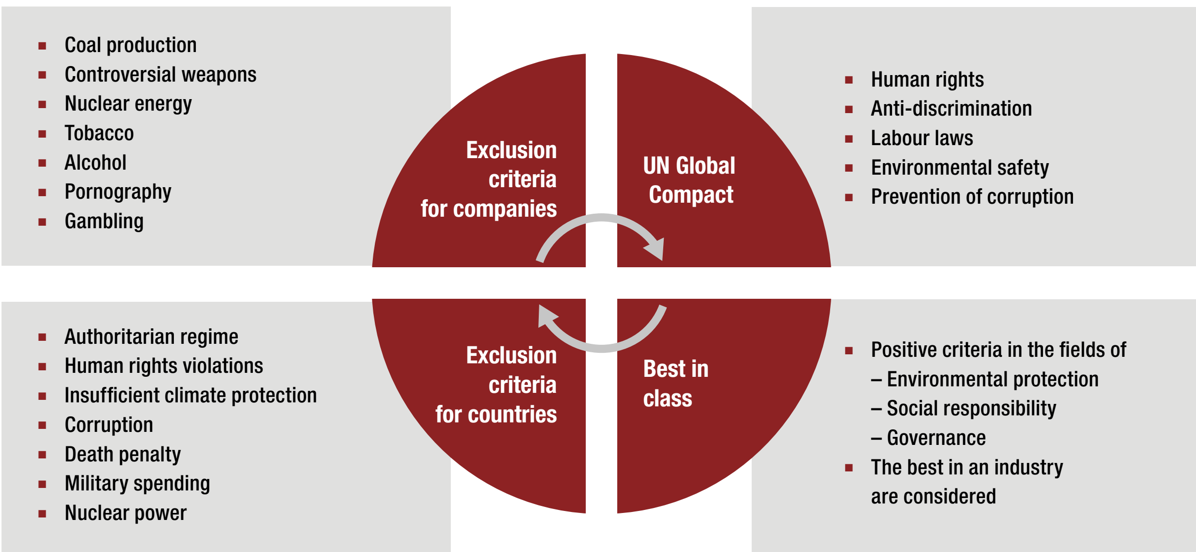
The ESG process in detail

- In the first stage, a so-called negative screening (exclusion criteria) is performed. This means that companies from controversial business areas are carefully evaluated and excluded under certain circumstances. Involvement in business areas such as alcohol, pornography, tobacco, gambling, nuclear energy, controversial weapons, and coal production that is more than marginal results in immediate exclusion.

  Companies with severe violations of the UN Global Compact are also excluded. This includes violations of labour standards and human rights, environmental pollution, not respecting the right to collective bargaining, discrimination, and corruption.

  Government issuers must honour basic democratic rights and human rights and effectively combat corruption. In addition, they must make clear climate protection efforts and be signatories to the Kyoto Protocol and the Paris Agreement. Application of the death penalty is a reason for exclusion. Furthermore, the military budget may not amount to more than 2% of GDP. Finally, they may not cover more than 10% of their primary energy needs with nuclear power or must at least have developed scenarios for the long-term phase-out of nuclear energy or adopted a moratorium on new nuclear power plants.

- In the second stage, the remaining issuers go through a “positive screening” with regard to their social and environmental standards. Only companies that achieve particularly good results here are selected for the portfolio. Companies that operate in fundamentally problematic sectors such as the oil industry but excel due to higher sustainability standards – for example, substantial investments in alternative energy sources – are also taken into consideration here.



Clean conscience – solid returns

- Stereotype number one: Sustainable investments generate lower returns.
- Stereotype number two: Focusing on sustainable sectors means entering into disproportionately high risks.

At Schoellerbank, we do not believe in stereotypes and instead prefer to be measured on the basis of results. Our sustainable asset management activities have shown that it is possible to generate solid returns with a sustainable and well-diversified portfolio. We have been observing the performance of our ESG mandates for many years and have determined that their returns are on par with those of conventional investments. Therefore, we plan to give the topic of ESG greater consideration in all of our products over the long term.

Sustainable investments are more than a trend

Making wise use of our natural resources and sustainable asset management are issues that affect all of us. We have seen increasing demand for ESG products in recent years. This shows us that we got involved in an exciting topic very early on. As one of the pioneers in this area, we can therefore optimally serve this former niche market with our sustainable solutions and provide you with outstanding advice.

Investors should note the following/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 the 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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