

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant (Schoellerbank AG – LEI 529900ESWL1AEC189F69)

Summary

Schoellerbank (LEI 529900ESWL1AEC189F69) considers principal adverse impacts of its investment decisions on sustainability factors. This statement on principal adverse impacts on sustainability factors covers the reference period from January, 1 2022 to Dezember, 31 2022. This information on sustainability factors is based on the average of the indicators for the calendar year 2022, which were calculated for four key dates: March 31, June 30, September 30 and December 31 2022.

Description of the principal adverse impacts on sustainability factors

For the calculation of the sustainability factors (Principal Adverse Impacts, PAIs), all investments in Schoellerbank's asset management products were taken into account for which plausible data on the PAIs were available on the reporting date. Securities – i.e. stocks, bonds and fund units – are considered investments, but deposits at banks are not. Fund shares were calculated as far as possible on the basis of the individual stocks. The fund holdings, which could not be calculated, as well as other investments for which no data were available, accounted for an average of 13% of the total investments in 2022 and these were not included in the calculation.

The individual PAIs are calculated by selecting the items relevant for the specific indicator. Share and bond issues of companies including banks and international organisations were relevant for the PAIs 1 to 14 in Table 1 and PAI 4 in Table 2 and PAI 9 in Table 3. Sovereign bonds were included as relevant investments for PAI 15 and 16 in Table 1. PAI 17 and 18 in Table 1 were not considered due to the absence of real estate investments. The relevant assets relating to each PAI are stated below the amount with "RA".

Calculations were only made for investments for which data were available as of the reporting date. The coverage ratio is indicated below the relevant PAI amount with "CR". This means that every PAI amount was determined on the basis of items which are relevant for the PAI and for which data were available.

Data availability was still low in some areas. For the items Share of non-renewable energy consumption and production (PAI 5), Energy consumption intensity per high impact climate sector (PAI 6), Emissions to water (PAI 8) and Unadjusted gender pay gap (PAI 12) data was available for only a small number of investee companies. So far, no reporting data whatsoever has been available for Hazardous waste and radioactive waste ratio (PAI 9). For this reason, the explanations given in the aforementioned data fields are not meaningful.

The following PAIs are taken into account as part of the company-wide minimum protection requirements for all asset management products: PAIs 1-4 (avoiding investments in coal), PAIs 10 and 11 (UN Global Compact) and PAI 14 (controversial weapons).

Additional factors are taken into account in asset management according to Article 8 of the Disclosure Regulation: PAIs 1-4 and 15 (avoiding investments in non-renewable energies), PAI 7 (biodiversity), PAIs 10 and 11 (UN Global Compact), PAI 13 (gender diversity) , PAI 16 (Human rights, social rights), PAI 4 from Table 2 (reduction of greenhouse gas emissions) and PAI 9 from Table 3 (human rights policies).

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

In Article 8 asset management products of Schoellerbank AG, which is planned for 2023, the PAI indicators which are relevant for the specific asset class and issuer, and for which adequate data coverage is available, will be considered. Such indicators involve environmental factors in the areas of climate and biodiversity as well as social indicators in the areas of human rights, the UN Global Compact principles and board gender diversity.

In addition, there are company-wide defined minimum protection criteria that apply to all asset management products, such as the ban on controversial weapons and the avoidance of investments in thermal coal.

Engagement policies

Schoellerbank AG does not exercise voting rights in respect of shares on behalf of its customers when performing its asset management functions.

References to international standards

In using exclusion criteria, Schoellerbank AG has embraced the goals and requirements of international standards. These include the UN Global Compact, the Paris Climate Agreement, a number of international conventions on controversial and disreputable weapons, and the requirements of the Financial Action Task Force to combat anti-money laundering and terrorist financing. UniCredit Group complied with the reporting standards of the Global Reporting Initiative when preparing its sustainability reports.

Historical comparison

The statement on the principal adverse impacts of investment decisions on sustainability factors was published for 2022 for the first time. A historical comparison of sustainability factors with previous years is not yet possible

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period
			2022						
Greenhouse gas emissions	1. THG emissions	Scope 1 GHG emissions (include all direct emissions from sources controlled by companies themselves)	24.695,7 RA*: 68% CR**: 79%					Measured in CO2 equivalents (tons)	In accordance with company-wide minimum protection requirements, companies that are involved in the coal industry with more than 25% of sales are excluded from all Schoellerbank asset management products. In addition, with Article 8 asset management products***, investments in coal are already excluded from a turnover share of 10%.
		Scope 2 GHG emissions (are indirect emissions from the purchase of electricity, heat, steam or cooling from external sources)	10.539,7 RA*: 68% CR**: 79%					Measured in CO2 equivalents (tons)	
		Scope 3 GHG emissions (are indirect emissions that occur along the entire value chain of the product and are not included in either Scope 1 or Scope 2)	425.408,1 RA*: 68% CR**: 79%					Measured in CO2 equivalents (tons)	
		Total GHG emissions (sum of scope 1, 2, and 3 emissions)	460.643,5 RA*: 68% CR**: 79%					Measured in CO2 equivalents (tons)	
	2. Carbon footprint	Carbon footprint	306,2 RA*: 68% CR**: 79%					Weighted average of Scope 1, 2 and 3 emissions in tons per EUR 1 million enterprise value	

* Relevant assets (RA) is the share of assets relevant to this indicator (companies or countries) in relation to total investments.

** Coverage ratio (CR) is the proportion of companies or countries that provide data on the specified PAI in relation to the relevant assets.

*** The total volume of all Article 8 wealth management products accounts for 6.9% of all wealth management at Schoellerbank (as of December 31, 2022).

Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period
			2022						
Greenhouse gas emissions	3. GHG intensity of investee companies	GHG intensity of investee companies	902,7 RA*: 68% CR**: 97%					Weighted average of Scope 1, 2 and 3 emissions in tons per EUR 1 million in total sales	Companies involved in the coal industry are excluded for all asset management products with a revenue share of 25% and above and for Article 8 asset management products*** with a revenue share of 10% and above.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (Extraction, processing and marketing of fossil fuels and energy production with fossil fuels)	5,55% RA*: 68% CR**: 96%					Expressed as a percentage of the portfolio value of all companies included in the calculation	In addition, the indicators are taken into account as part of the sustainable investment process for Article 8 asset management products***.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	72,22% RA*: 68% CR**: 44%					Expressed as the weighted average of all companies included in the calculation	These indicators are not yet taken into account in the assessment process because we do not yet consider the data to be meaningful due to the lack of consistent availability in the area of energy consumption from non-renewable sources.
		Share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	0,03% RA*: 68% CR**: 95%					Expressed as the weighted average of all companies included in the calculation	

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Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period	
			2022							
Greenhouse gas emissions	6. Energy consumption intensity per high impact climate sector									
	Sector A:	Agriculture, forestry and fishing	N/A					Energy consumption in GWh per EUR 1 million of revenue of investee companies, per high impact climate sector RA*: 68% CR**: 40%	These indicators are not yet taken into account in the investment process because we do not yet consider the data to be meaningful due to the lack of availability in some sectors.	
	Sector B:	Mining and Quarrying	0,94							
	Sector C:	Manufacturing	0,27							
	Sector D:	Electricity, gas, steam and air conditioning supply	0,76							
	Sector E:	Water supply; sewerage; waste managment and remediation activities	0,08							
	Sector F:	Construction	N/A							
	Sector G:	Wholesale and retail trade; repair of motor vehicles and motorcycles	0,05							
	Sector H:	Transporting and storage	0,44							
	Sector L:	Real estate activities	N/A							
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0,00% RA*: 68% CR**: 97%					Expressed as a percentage of the portfolio value of all companies included in the calculation	The indicator is taken into account as part of the sustainable investment process for Article 8 asset management products***.	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies	0,07 RA*: 68% CR**: 3%					Expressed as a weighted average in tons of water per EUR 1 million invested	This indicator is not yet taken into account in the assessment process because the database is still insufficient.	

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Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period
			2022						
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies	There is no plausible data to calculate the proportion of "hazardous waste" within the meaning of Article 3 number 2 of Directive 2008/98/EC of the European Parliament and of the Council and of "radioactive waste" within the meaning of Article 3 number 7 of Directive 2011 /70/Euratom of the Council for the year 2022.						

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	1,73%					Expressed as a percentage of the portfolio value of all companies included in the calculation	Schoellerbank asset management avoids investments in companies where very serious violations of the principles of the UNGC principles have occurred.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	8,25%					Expressed as a percentage of the portfolio value of all companies included in the calculation	As part of the sustainable investment process for Article 8 asset management products***, there are additional criteria that monitor the companies invested in for compliance with the principles of the UN Global Compact and the OECD guidelines for multinational companies.

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Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period
			2022						
Social and employee matters	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	3,77% RA*: 68% CR**: 7%					Difference between the average hourly wages of male and female employees in percent	This indicator is not yet taken into account in the assessment process because the database is still insufficient.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	37,10% RA*: 68% CR**: 41%					Expressed as a percentage of female members in relation to all members	Indicator is taken into account as part of the sustainable investment process for Article 8 products ***
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0,00% RA*: 68% CR**: 97%					Expressed as a percentage of the portfolio value of all companies included in the calculation	Investments in controversial weapons are not permitted in Schoellerbank's asset management.

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Indicators applicable to investments in sovereigns and supranationals									
Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period
			2022						
Environmental	15. GHG intensity	GHG intensity of investee countries	238,4 RA*: 68% CR**: 90%					GHG emission intensity of the countries in which investments are made, given as the weighted average of the total greenhouse gas emissions per 1 million inhabitant	The indicator is taken into account as part of the sustainable investment process for Article 8 asset management products***.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	4					Absolute number of countries violating social regulations	The indicator is taken into account as part of the sustainable investment process for Article 8 asset management products***.
			19,96% RA*: 68% CR**: 90%					Expressed as a percentage of the portfolio value of all countries included in the calculation	

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Indicators applicable to investments in real estate									
Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period
			2022						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	No investments in real estate						
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	No investments in real estate						

Other indicators for principal adverse impacts on sustainability factors

Table 2:

Additional climate and other environment-related indicators

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period
			2022						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	41,78% RA*: 68% CR**: 97%					Expressed as a percentage of the portfolio value of all companies included in the calculation	The indicator is taken into account as part of the sustainable investment process for Article 8 asset management products***.

Table 3:

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metrics	Impact					Explanation	Actions taken, and actions planned and targets set for the next reference period
			2022						
Human rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	11,81% RA*: 68% CR**: 86%					Expressed as a percentage of the portfolio value of all companies included in the calculation	The indicator is taken into account as part of the sustainable investment process for Article 8 asset management products***.

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Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Principal adverse indicators (PAIs) are aspects that must be considered in order to enable and promote sustainable economic activity. These include social, ecological and economic factors. These factors can be taken into account when developing products, services, processes and strategies. These factors can come from the areas of the environment, society, economy and technology, for example. They can also be applied to the different areas of sustainability such as energy, water, waste, mobility, agriculture, food, jobs, education, health and social justice.

There are defined minimum safeguarding criteria for all Schoellerbank asset management products with regard to companies, states and supranational issuers (compliance with the UN Global Compact, no controversial weapons, reduction of thermal coal, combating money laundering and participation in the Paris Climate Protection Agreement).

Advisory Board on Ethics and Sustainability

Schoellerbank has decided to establish its own "Advisory Board for Ethics and Sustainability". On the one hand, the reason lies in the legal requirements regarding sustainability, which sometimes have to be discussed controversially and for which the highest level of expertise is required. On the other hand, the advisory board was introduced in order to continuously develop the sustainability criteria.

External ESG rating partners: ISS ESG

In order to be able to assess the ecological and social characteristics of an investment, Schoellerbank relies on data from the company ISS ESG, which has internationally recognized expertise in all areas related to sustainable and responsible investment. ISS ESG provides Schoellerbank with extensive expertise and data on companies, states and supranational entities in the context of sustainability analyses, sustainability ratings, sustainability and climate-related data and consulting services. The spectrum of ISS ESG also includes topics such as climate change, the impact on achieving the UN Sustainable Development Goals, human rights, labor standards, corruption, controversial weapons and much more. In this way, we combine the expertise of two specialists - and thus offer the sustainable investor added value. Schoellerbank randomly checks the data provided by ISS ESG – including estimates – for plausibility as far as possible.

As part of the sustainable investment strategy, the following ecological and/or social features are taken into account for Article 8 asset management products:

In the ecological area, climate protection and the protection of natural ecosystems are important investment principles. Investments are avoided in economic activities that are particularly detrimental to these environmental goals, such as coal extraction and power generation, oil and gas extraction using problematic methods (e.g. fracking) or in particularly sensitive ecosystems (e.g. arctic oil) to do. On the other hand, companies that are working on improving their greenhouse gas footprint and do not endanger biodiversity in their sphere of influence are to be funded. In addition, investments are made in bonds from countries that are committed to climate protection and the preservation of biodiversity. Additional environmental factors to be considered include phasing out nuclear power, avoiding the use of genetically modified organisms in food production, and banning animal testing unless there is a legal need for it.

In the social sphere, investments are made to promote democracy, respect human rights, fight corruption, gender equality and overcome discrimination. This is to be achieved through a catalog of criteria based on the Universal Declaration of Human Rights and the principles of the UN Global Compact. This also includes avoiding investments in companies that produce weapons and in countries with particularly high military spending. In addition, investments in the following controversial business areas are avoided: alcohol, tobacco, pornography and gambling.

The following PAIs are considered for Article 8 products:

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS:

- Companies and countries with a below-average greenhouse gas emission intensity - PAI 3 from Table 1 for companies or PAI 15 from Table 1 for countries set the total greenhouse gas emissions (tonnes of CO2 equivalent) in relation to sales (companies) or the number of inhabitants (countries). This indicator is compared with a reference value, which corresponds to the mean value of the investment universe. If the reference value is not reached, then this criterion is met.
- Companies that initiate initiatives to reduce CO2 emissions in accordance with the Paris Agreement - PAI 4 from Table 2 evaluates companies based on the targets set in terms of reducing greenhouse gas emissions in order to achieve climate targets.
- Non-Fossil Fuel Companies – PAI 4 from Table 1 relates to the extraction, processing and marketing of fossil fuels and the generation of energy using coal, oil or natural gas.
- Businesses whose operations do not adversely affect areas of vulnerable biodiversity – PAI 7 from Table 1 measures the proportion of businesses located or operating in or near areas of vulnerable biodiversity where the operations of those businesses adversely affect those areas affect.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

- Companies with internal human rights compliance processes – PAI 9 from Table 3
- Companies that have at least one third of their supervisory board occupied by women – PAI 13 from Table 1
- Companies that have procedures and mechanisms in place to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises – PAI 11 from Table 1
- Countries where ISS ESG has assessed that there are no relevant violations of established social norms, as defined by international treaties and conventions, United Nations Principles or, where applicable, national legislation – PAI 16 from Table 1

Engagement policies

Schoellerbank provides portfolio management services for investors. As part of the investment process - i.e. how and according to which criteria shares are acquired, held and sold for the respective securities account - all shares and the companies behind them are monitored on an ongoing basis. The analysis of the companies in which Schoellerbank invests as part of its asset management relates to their strategy, their financial and non-financial results, their capital structure, their social and ecological impact, their valuation and their corporate governance.

The following reasons are decisive for the fact that Schoellerbank does not consider it sensible to represent the interests of investors at general meetings as part of its individual asset management and therefore generally refrains from exercising voting rights:

- In consideration of the cost-benefit ratio, Schoellerbank does not exercise the voting rights at the respective general meetings, since the proportion of voting rights of all shares in those portfolios that are managed by Schoellerbank as part of individual asset management - i.e. consolidated across all mandates - due to diversification principles do not reach a significant proportion of the voting rights of all shareholders of the respective companies and are therefore insignificant.
- Schoellerbank's contracts for individual asset management do not provide for any express authorization to exercise the voting rights attached to the shares in the portfolio. The processes required to enable the representation and exercise of voting rights at the general meeting, whereby each customer would have to issue a corresponding power of attorney individually, also contributed to Schoellerbank's decision to generally oppose the representation and exercise of voting rights and other rights associated with shares.
- As a shareholder, every customer can exercise voting rights and other rights associated with shares at their own discretion, since the shares held as part of individual asset management are held in customer custody accounts.

If shares are acquired as part of the individual asset management for the portfolio on behalf of the customer as a shareholder, Schoellerbank will generally not exercise the voting rights associated with these shares.

References to international standards

UN Global Compact:

UniCredit is an active member of the UN Global Compact, the world's largest initiative for responsible corporate governance. The 10 universal principles of the UN Global Compact relate to the areas of labor standards, human rights, environmental protection and anti-corruption. UniCredit is constantly developing measures for all of these areas, which also apply to the Legal entities belonging to the group, such as Schoellerbank.

As far as possible, Schoellerbank avoids investing in issuers that show very serious violations of the principles of the UN Global Compact.

Controversial weapons:

Controversial weapons are recorded in several international conventions (e.g. Nuclear Non-Proliferation Treaty, Biological Weapons Convention of 1972, Chemical Weapons Convention of 1993, Anti-Personnel Mines Convention of 1997, Cluster Bombs Convention of 2010).

Schoellerbank does not invest in companies that produce or trade in cluster munitions, nuclear, chemical or biological weapons, uranium ammunition and landmines.

Paris Agreement:

In 2015, 195 countries committed to clear targets for climate protection. In its asset management, Schoellerbank only invests in countries that have signed the Paris climate protection plan. In addition, Schoellerbank does not invest in companies that generate more than a quarter of their sales from the production of thermal coal.

Financial Action Task Force:

The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. The intergovernmental body sets international standards aimed at preventing these illegal activities and the harm they cause to society. Schoellerbank does not invest in countries that are identified as particularly vulnerable to money laundering and terrorist financing on the FAFT gray and black lists.

GRI (Global Reporting Initiative) Sustainability Reporting Standards:

When preparing the "Integrated Report", UniCredit adheres to the "GRI Sustainability Reports" and the "Financial Services Sector Disclosures", both published by the GRI (Global Reporting Initiative).

Historical comparison

The statement on the most important adverse impacts of investment decisions on sustainability factors was published for the first time for the 2022 calendar year. A historical comparison of the sustainability factors for past calendar years is not yet possible.