

## **DISCLOSURE OF ODDO BHF TRUST GMBH PURSUANT TO THE EUROPEAN REGULATION ON SUSTAINABILITY-RELATED DISCLOSURE REQUIREMENTS IN THE FINANCIAL SERVICES SECTOR (SFDR)**

### **A. Understanding of the SFDR and the Taxonomy Regulation**

The Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter: "SFDR") establishes harmonised rules for financial market participants (which include, in particular, financial portfolio managers) and financial advisors (which include, in particular, investment advisors) on transparency in the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and in the provision of information on the sustainability of financial products. The SFDR contains various provisions that are intended to provide investors with clarity, consistency and comparability with regard to the sustainability risks and sustainability profile of financial products. Significantly increased emphasis is placed on the disclosure of environmental, social and governance (ESG) aspects, whereby, notably, adverse sustainability impacts of investment decisions or recommendations must also be disclosed.

The SFDR provides, inter alia, for disclosures on the website of the financial market participant respectively financial advisor both at the company level and at the level of specific financial products, in particular those that take into account environmental or social characteristics. The SFDR forms part of the wider framework of EU's Sustainable Finance Action Plan, and therefore part of the corresponding package of measures which, besides the SFDR, also includes Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (hereinafter: "Taxonomy Regulation"), the requirements of which may also be relevant in particular for transparency obligations under the SFDR. The applicable legal framework will, in perspective, also be supplemented and concretized by a variety of Delegated Regulations of the European Commission (Level 2 measures). To this extent, the regulations of the package of measures contain a broad spectrum of new and improved regulations that apply in all 27 EU member states and aim to create a level playing field for sustainable investments.

All of the EU's sustainability measures ultimately stem from the signing of the Paris Agreement in December 2015, as well as the United Nations' 2030 Agenda for Sustainable Development from September 2015, the core of which are, in turn, the Sustainable Development Goals. The SFDR and other related regulations and measures are also aligned with the European Green Deal, a concept presented in December 2019 with the goal of reducing net greenhouse gas emissions in the EU to zero by 2050, which as a result means that all greenhouse gas emissions produced in the EU must be offset by appropriate (carbon) sequestration measures.

### **B. Entity- and product-related scope of the application of the SFDR**

The transparency requirements of the SFDR are essentially to be complied with by financial market participants and financial advisors. The classification as a financial market participant or financial adviser depends on the specific activity. To the extent that ODDO BHF Trust GmbH provides the service of portfolio management within the meaning of Article 2 No. 6 SFDR (i.e. Asset Management), ODDO BHF Trust GmbH is to be qualified as a financial market participant.

Furthermore, the classification of financial products, which in particular also includes portfolios managed within the scope of Asset Management, into three categories is decisive for the SFDR:

- **Article 6 SFDR** covers financial products not covered by Article 8 or Article 9 of the SFDR.
- **Article 8 SFDR** covers financial products that advertise environmental and social characteristics, or a combination of these characteristics, among other features, provided that the companies in which investments are made apply good corporate governance practices.
- **Article 9 SFDR** covers financial products targeting bespoke sustainable investments.

Due to the investment process of ODDO BHF Trust GmbH, all portfolios managed by ODDO BHF Trust GmbH in course of Asset Management (basic Solutions of classic Asset Management as well as Individual Asset Management Solutions) fall under Article 8 (financial products with environmental and/or social characteristics).

### **C. Statement of ODDO BHF Trust GmbH on compliance with the SFDR on entity level**

The topic of sustainability, including the conservation of ecological resources and fair living conditions, is of central importance to ODDO BHF Trust GmbH. As a company, ODDO BHF Trust GmbH would like to contribute in this respect to a more sustainable, resource-efficient economy with the aim of reducing the risks and effects of climate change in particular.

In addition to observing sustainability goals in its corporate organisation itself, ODDO BHF Trust GmbH, as a portfolio manager, sees itself with a special responsibility to actively promote sustainability in its many facets, including through the means of investment, and also to sensitise its clients to aspects of sustainability when structuring the business relationship, which they have with ODDO BHF Trust GmbH, thereby contributing to a more sustainable economy overall. To this end, ODDO BHF Trust GmbH takes into account - in addition to traditional criteria - environmental and social criteria as well as aspects of responsible corporate governance in the companies in which ODDO BHF Trust GmbH invests as part of its Asset Management activities. In the course of the implementation of this approach, ODDO BHF Trust GmbH takes into account the applicable legal framework (including the SFDR).

Against this background, ODDO BHF Trust GmbH declares the following with regard to the requirements of the SFDR:

#### **I. Consideration of sustainability risks (disclosure pursuant to Article 3 SFDR)**

In order to support sustainable investments, Art. 3 SFDR contains the obligation to disclose information on the integration of sustainability risks in investment decision-making processes in course of Asset Management. The approach applied by ODDO BHF Trust GmbH is explained in more detail below.

##### **1. Sustainability Risks**

Environmental conditions, social upheaval and/or poor corporate governance can have a negative impact on the value of our clients' investments and assets in several respects. These risks can have a direct impact on the net assets, financial position and results of operations, and also on the reputation of the investment assets.

Accordingly, Article 2 No. 22 SFDR defines sustainability risks as environmental, social or governance events or conditions, the occurrence of which could have an actual or potential material adverse effect on the value of the investment.

The area of the environment ("environmental") concerns, for example, climate protection, the protection of biodiversity and the protection of water and marine resources. Sustainability risks in this area are divided into physical risks and transition risks.

- Physical risks arise in particular with regard to individual extreme weather events and their consequences (such as periods of heat and drought, flooding, storms, hail, forest fires, avalanches) as well as with regard to long-term changes in climatic and ecological conditions (such as precipitation frequency and amounts, weather instability, sea-level rise, changes in ocean and air currents, acidification of the oceans, increase in average temperatures with regional extremes). These can have direct consequences (such as impairment or destruction of operational/production facilities of individual companies or entire regions) as well as indirect consequences (such as in the form of a breakdown of supply chains, the abandonment of water-intensive business activities or armed conflicts). In addition, those who cause environmental damage or companies that have promoted climate change may be held responsible by the state for the consequences.
- Transition risks exist in particular in connection with the transition to a low-carbon economy: for example, political measures can lead to an increase in the price and/or shortage of fossil fuels (examples: coal phase-out, CO<sub>2</sub> tax) or to high investment costs due to the necessary renovation of buildings and facilities. New technologies can displace known ones (example: electromobility), changed preferences of contractual partners or customers and societal expectations can endanger companies and their business models that do not adapt to such changes in a suitable way or not in time.
- There is also an interdependence between physical risks and transition risks, as a sharp increase in physical risks would require a more abrupt change in the economy, which in turn leads to higher transition risks.

Events, developments or behaviour that can be assigned to the areas of social affairs ("social") and corporate governance ("governance") can also have a negative impact on the assets, financial and earnings situation of a company if the probability of their occurrence is not sufficiently priced into the valuation of the assets or liabilities concerned. Such risks in the area of social affairs result, for example, from non-compliance with recognised labour standards (e.g. child and forced labour) or binding requirements in the area of occupational safety or health protection. In the area of corporate governance, such risks can arise from tax evasion or corruption, among other things. Such risks materialise, for example, in the form of compensation payments or fines, which usually also have an impact on the reputation of the company concerned.

Sustainability risks can impact and/or contribute significantly to traditional risks of an investment (such as industry, issuer or liquidity risk). Various sustainability risks can also occur cumulatively. Sustainability risks may affect entire sectors, industries and/or regions, and may be subject to widely varying manifestations.

## **2. ODDO BHF Trust GmbH's approach regarding the consideration of sustainability risks**

Since such risks to the assets, financial and earnings situation, and also to the reputation of the investment assets cannot ultimately be completely ruled out, ODDO BHF Trust GmbH has developed specific strategies to systematically take sustainability risks into account in the investment processes of all portfolios it manages as part of Asset Management. One of the two managing directors of ODDO BHF Trust GmbH is responsible for the corresponding

strategies, which are regularly reviewed and adjusted if necessary; the details regarding responsibilities are specified in the business allocation plan of ODDO BHF Trust GmbH.

In the course of the performance of ODDO BHF Trust GmbH's **Basic Solutions of classic Asset Management**, all investments are analysed with regard to their environmental, social and corporate governance sustainability. The data being required for this is provided by a recognised external data provider that is specialised in sustainability analyses (currently MSCI ESG Research). In respect of individual financial instruments and the respective overall portfolio an ESG approach developed by ODDO BHF Trust GmbH is used, which serves to incorporate sustainability risks (at the same time it serves to consider the principal adverse effects of investment decisions on sustainability factors). This approach is essentially based on the following pillars:

- Application of exclusion criteria at the individual title level:
  - Sector exclusions: companies with significant turnover in weapons, gambling, pornography, tobacco and coal are excluded from investment. The question of when a turnover is considered significant is resolved on a sector-specific basis: for most sectors currently a turnover share of more than 5% is considered to be significant, but for some sectors respectively sub-sectors of these sectors other thresholds are considered to be relevant in some cases (for example, an investment in companies that generate revenues in the field of certain weapons is completely excluded).
  - Non-compliance with the principles of the United Nations' Global Compact: companies that violate the principles of the United Nations' Global Compact are excluded from investment.
  - Poor sustainability ratings: companies and countries with poor sustainability ratings are excluded from investment (according to MSCI ESG Research methodology: "CCC" sustainability rating as well as "B" sustainability rating if at least one of the E-, S- or G-values is lower than 3 [out of 10]).
- Ensure achievement of specific targets at the overall portfolio level:
  - An above average sustainability rating of "A" according to MSCI ESG Research at the level of the overall portfolio is envisaged.
  - Sustainability rating should be available for at least 90% of the portfolio positions.
  - At the level of the individual securities and the overall portfolio, a consideration of carbon dioxide emissions (CO<sub>2</sub>) is carried out. The goal is for the portfolio to have lower CO<sub>2</sub> emissions than the overall market (represented by the MSCI All Country World Index).

The sustainability criteria are, in principle (to the extent that corresponding data are available) also to be applied to indirect investments (e.g. funds, certificates). In this context, the above criteria - modified accordingly - apply to indirect investments consolidated at the level of the respective investment instrument.

Within the scope of the **Individual Asset Management Solutions** of ODDO BHF Trust GmbH, the same ESG approach as for the basic Solutions of classic Asset Management is applied in principle (however, there are deviations with regard to the monitoring of the targets at overall

portfolio level). In addition, the investment guidelines of individual Asset Management solutions may - depending on the client's wishes - provide for other ESG criteria.

## **II. Statement of the principal adverse sustainability impacts (disclosure pursuant to Article 4 SFDR)**

In order to promote sustainable investments, Article 4 SFDR contains the obligation to disclose information on the consideration of the principal adverse sustainability impacts in the course of Asset Management. The approach applied by ODDO BHF Trust GmbH is explained in more detail below.

### **1. Summary**

This statement issued by ODDO BHF Trust GmbH (LEI: 529900JTX500P0G5A152) in its function as financial market participant serves to fulfil the obligation to disclose the approach taken by ODDO BHF Trust GmbH in taking into account the principal adverse sustainability impacts of investment decisions as provided for in Article 4 SFDR. It applies to all portfolios managed by ODDO BHF Trust GmbH within the scope of Asset Management (financial products as defined by the SFDR).

The disclosure obligation pursuant to Article 4 SFDR will be supplemented or specified in the future by corresponding implementing regulations of the European Commission (Level 2 measures), which are neither in force nor applicable at the time of publication of this statement and therefore cannot be fully considered in the context of this statement.

ODDO BHF Trust GmbH takes into account the principal adverse impacts (hereinafter also: "PAI") of its investment decisions on sustainability factors since 30 June 2021 (for details, see the statements below). In the context of future declarations, ODDO BHF Trust GmbH will also disclose these impacts in quantitative terms - in accordance with the respective applicable legal requirements. As can be derived from the explanations below, ODDO BHF Trust GmbH considers various types of adverse impacts when making investment decisions. In particular, as any Level 2 measures are currently neither in force nor applicable, there are currently no formal requirements in this regard, so ODDO BHF Trust GmbH has developed its own approach. It should be noted in particular that PAIs are taken into account as additional criteria in the context of the selection of financial instruments, but without PAIs necessarily always having a higher weighting than other aspects of decisive relevance in the context of investment decisions.

### **2. Description of principal adverse sustainability impacts**

The investment decisions taken by ODDO BHF Trust GmbH in the context of Asset Management may have adverse impacts on the environment (e.g. climate, water, biodiversity) as well as on social and employee concerns, and may also be detrimental to the fight against corruption and bribery. Therefore, ODDO BHF Trust GmbH has a fundamental interest in fulfilling its responsibility as a portfolio manager and in helping to avoid such impacts in the context of its investment decisions.

The principal adverse effects will be reviewed by ODDO BHF Trust GmbH on a quarterly basis since 30 June 2021. Since 30 June 2021, ODDO BHF Trust GmbH estimates the principal adverse effects to be taken into account in investment decisions in course of Asset Management as follows:

- **Greenhouse gas emissions**

The companies in which investments are made within in course of Asset Management (hereinafter: "Portfolio Companies") produce greenhouse gas emissions (within the



meaning of Article 3 (1) of Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018).

- **Revenues in the field of fossil fuels**

Portfolio Companies may generate parts of their revenues in the fossil fuel sector, for example through the extraction or sale of thermal coal.

- **Revenues in the fields of weapons, gambling, pornography or tobacco**

Portfolio Companies may generate part of their revenues from weapons, gambling, pornography or tobacco.

- **Non-compliance with the principles of the United Nations' Global Compact**

Portfolio Companies are subject to the risk of non-compliance with the minimum standards relating to human rights, labour law, environmental protection and anti-corruption in accordance with the principles of the United Nations' Global Compact.

ODDO BHF Trust GmbH has taken various measures to manage the PAIs identified. ODDO BHF Trust GmbH has established corresponding guidelines for the investment process in its Asset Management. The relevant guidelines for the investment universe relevant to Asset Management and the investment decisions made therein are made available to all portfolio managers and are continuously developed with them. The relevant components of the investment process form a sound basis for sustainability-oriented decisions within the selection process.

The relevant specifications take particular account of data from service providers specialising in sustainability analyses (currently MSCI ESG Research). On this basis, all investments are analysed in terms of their environmental, social and corporate governance sustainability as part of ODDO BHF Trust GmbH's **Basic Solutions of classic Asset Management**. An ESG approach specially developed by ODDO BHF Trust GmbH is used for individual financial instruments or the respective overall portfolio, which serves to take into account the most principal adverse impacts of investment decisions on sustainability factors (at the same time it serves to include sustainability risks in investment decisions). This approach is essentially based on the following pillars:

- Application of exclusion criteria at the individual title level:
  - Sector exclusions: companies with significant turnover in weapons, gambling, pornography, tobacco and coal are excluded from investment. The question of when a turnover is considered significant is resolved on a sector-specific basis: for most sectors currently a turnover share of more than 5% is considered to be significant, but for some sectors respectively sub-sectors of these sectors other thresholds are considered to be relevant in some cases (for example, an investment in companies that generate revenues in the field of certain weapons is completely excluded).
  - Non-compliance with the principles of the United Nations' Global Compact: companies that violate the principles of the United Nations' Global Compact are excluded from investment.
  - Poor sustainability ratings: companies and countries with poor sustainability ratings are excluded from investment (according to MSCI ESG Research methodology: "CCC" sustainability rating as well as "B" sustainability rating if at least one of the E-, S- or G-values is lower than 3 [out of 10]).
- Ensure achievement of specific targets at the overall portfolio level:

- An above average sustainability rating of "A" according to MSCI ESG Research at the level of the overall portfolio is envisaged.
- Sustainability rating should be available for at least 90% of the portfolio positions.
- At the level of the individual securities and the overall portfolio, a consideration of carbon dioxide emissions (CO<sub>2</sub>) is carried out. The goal is for the portfolio to have lower CO<sub>2</sub> emissions than the overall market (represented by the MSCI All Country World Index).

The sustainability criteria are, in principle (to the extent that corresponding data are available) also to be applied to indirect investments (e.g. funds, certificates). In this context, the above criteria - modified accordingly - apply to indirect investments consolidated at the level of the respective investment instrument.

Within the scope of the **Individual Asset Management Solutions** of ODDO BHF Trust GmbH, the same ESG approach as for the basic Solutions of classic Asset Management is applied in principle (however, there are deviations with regard to the monitoring of the targets at overall portfolio level). In addition, the investment guidelines of Individual Asset Management Solutions may - depending on the client's wishes - provide for other ESG criteria.

In perspective, ODDO BHF Trust GmbH will continue to develop its approach, whereby it is significantly dependent on corresponding data and their quality. Beyond that, ODDO BHF Trust GmbH is currently in the process of closely reviewing the data situation. More specifically, it is evaluating the capabilities of the EU Sustainable Finance Module the newly established module by its data provider, MSCI ESG Research, which covers more than 10,000 companies. This module includes datasets aimed at enabling users to consider adverse impacts of investment decisions on sustainability factors in line with SFDR requirements (in particular, the MSCI SFDR Adverse Impact Metrics, which includes a set of issuer-level data points on negative sustainability indicators). ODDO BHF Trust GmbH's data provider (MSCI ESG Research) plans to continuously enhance the EU Sustainable Finance Module, and, in particular, envisages to provide additional content, information delivery mechanisms and reporting options, including: additional negative sustainability indicators (including for sovereigns) and expanded coverage for different asset classes, funds and indices.

Against this backdrop, subject to resolution of any outstanding issues required for implementation, ODDO BHF Trust GmbH intends to further improve its internal policies and measures to address adverse impacts of investment decisions on sustainability factors based on the available data available to a greater extent.

Finally, it should be noted that ODDO BHF Trust GmbH always makes investment decisions in the best interests of its clients in course of Asset Management, which means that PAIs are taken into account as additional criteria alongside other factors relevant to the decision. This means in particular that PAIs are not necessarily given greater weight than other decision-relevant factors in every case.

### **3. Description of guidelines for identifying and prioritising the principal adverse sustainability impacts**

ODDO BHF Trust GmbH takes a holistic approach to sustainability issues, which is anchored in various guidelines and procedures. ODDO BHF Trust GmbH's sustainability strategy describes the relevant principles, sets out requirements and defines responsibilities to be observed in connection with sustainability issues (including reporting, the use of ESG ratings,

dealing with reputational risks and other aspects relevant when considering ESG requirements). In particular, it sets out criteria for identifying and prioritising the principal adverse sustainability impacts.

#### **4. Engagement policy**

In its function as portfolio manager, ODDO BHF Trust GmbH does not exercise any shareholder rights. It monitors the important affairs of the Portfolio Companies by taking note of the Portfolio Companies' statutory publication, disclosure and announcement obligations and exchanges views with the portfolio companies' executive bodies and stakeholders within the framework of telephone conferences, investment congresses and company meetings. In addition to this fundamental economic exchange of opinions, direct contact can also be established with Portfolio Companies to address questions on sustainability issues in order to fulfil its ecological, social and economic responsibility. There is no cooperation with other shareholders.

#### **5. References to international standards**

ODDO BHF Trust GmbH bases its due diligence and reporting obligations on internationally recognised principles for sustainable business and banking activities. An example of this are the principles of the United Nations' Global Compact.

### **III. Consideration of sustainability risks in our remuneration policy**

As subsidiary of ODDO BHF Aktiengesellschaft, ODDO BHF Trust GmbH is integrated into ODDO BHF Group's human resources and supervisory control processes. ODDO BHF Aktiengesellschaft is itself subject to the provisions of the Regulation on the Regulatory Requirements for Remuneration Systems of Institutions and therefore also determines the personnel and remuneration policy of the employees working for ODDO BHF Trust GmbH.

ODDO BHF Aktiengesellschaft's remuneration strategy enables sustainability risks to be taken into account and, to this end, provides for the possibility of receiving variable remuneration for employees in the respective financial year that compliance with a framework for sustainability risks can be taken into account as a parameter for variable remuneration as part of the target agreement.

Details of ODDO BHF Aktiengesellschaft's current remuneration policy are available at this [link](#).

### **IV. Further information**

If you would like further information, please feel free to [contact](#) us.