

**Transparency regarding
principal adverse
sustainability impacts**



Flossbach von Storch

“Sustainability is a characteristic of long-term oriented investors and therefore of a long-term oriented investment strategy. A company can only achieve lasting success if it serves its customers well, motivates its employees, treats its business partners fairly, makes adequate investments, pays taxes, and avoids harming the environment. That is why we do not just look at company business models and balance sheets, but also at the people behind the company.”

Dr Bert Flossbach

Co-Founder and Board Member of Flossbach von Storch AG

Signatory of:



Background and scope

This statement applies to the Flossbach von Storch Group (Flossbach von Storch AG, Flossbach von Storch Invest S.A. and the other subsidiaries, also “Flossbach von Storch”) and describes the strategies to address the principal adverse impacts of investment decisions on sustainability factors in accordance with Art. 4 of Regulation (EU) 2019/2088 (“Disclosure Regulation” or “SFDR”).

Information regarding the Flossbach von Storch Group’s comprehensive sustainability strategy can be found in the relevant Sustainability Policy, which is available on the Flossbach von Storch Invest S.A. (www.fvsinvest.lu) website and on the Flossbach von Storch AG (www.flossbachvonstorch.de/en/) website.



Overview

- Background and scope2
- 1 Mission statement4**
- 2 Dealing with principal adverse impacts.....4**
 - Description of principal adverse impacts4
 - Identification and prioritisation of principal adverse impacts4
- 3 Description of measures for dealing with principal adverse impacts.....6**
 - Group-wide minimum exclusion criteria6
 - Summary of the engagement policy7
- 4 responsibilities7**
- 5 Compliance with internationally recognised Standards.....7**
 - Principles for Responsible Investment (PRI)8
 - German Investment and Asset Management Association (BVI)8



1 MISSION STATEMENT

Sustainability has always been a part of Flossbach von Storch's investment philosophy. Preserving the assets entrusted to us, generating adequate returns – we are convinced that this can only work in the long term if we address the extent to which companies act responsibly as part of the investment process. For us, this means balancing economic, ecological, and social aspects.

In our opinion, it is essential that companies deal responsibly with the social and ecological consequences of their global activities in a positive sense. We therefore review and assess the environmental and social footprint of the companies we invest in and how they deal with their activities. If we identify particularly severe adverse impacts, we work towards a positive development, primarily through engagement.

2 DEALING WITH PRINCIPAL ADVERSE IMPACTS

Description of principal adverse impacts

Principal adverse impacts on sustainability factors (PAIs or PAI indicators) are impacts of investment decisions that lead to negative effects on environmental, social, and employee matters, respect for human rights and combating corruption and bribery. They can give rise to sustainability risks which, if they occur, can have an actual or potential significant negative impact on the value of an investment.

As a long-term investor, we attach importance to ensuring that our portfolio companies manage their environmental and social footprint responsibly and actively counteract potential serious negative impacts of their economic activities.

In order to be able to identify negative impacts at an early stage, we review and evaluate how our investments deal with their environmental and social footprint. In doing so, we take into account the so-called environmental and social mandatory indicators as well as an additional climate-related indicator and two additional social indicators of the Disclosure Regulation in our in-house investment process (see Table 1).

Identification and prioritisation of principal adverse impacts

We are convinced that no two companies are alike and must therefore be considered individually. The identification, prioritisation and assessment of principal adverse impacts are carried out as part of our analysis process using specific ESG analyses, which are prepared individually for invested issuers and are taken into account in the risk-reward profile of the company analyses. PAI indicators are prioritised according to relevance and data availability. The assessment is not based on rigid bandwidths or thresholds, rather we pay attention to a positive development in the use of the PAI indicators.

Data is the foundation of our ESG analyses. Data quality is our top priority for a meaningful assessment of companies with regard to their handling of principal adverse impacts on sustainability factors. For this reason, we primarily rely on company data (e.g. sustainability reports). We use ESG data from third-party providers (Bloomberg and MSCI) as a secondary source. They can provide useful indications and



additions for the assessment of sustainability factors (incl. PAIs) and critical ad-hoc events, but do not replace our own analysis and evaluation.

In line with our investment philosophy, a focus is placed on particularly severe negative impacts of certain PAI indicators as part of the engagement policy. These include: greenhouse gas emissions (Scope 1 & 2) as well as violations of the principles of the UN Global Compact, which include human rights, labour standards, environmental protection and combating corruption, and the OECD Guidelines for Multinational Enterprises.

Overview of the currently identified PAI indicators according to the tables in annex 1 of the SFDR:

PAI indicator (Group)	PAI indicator	Table	Number
Greenhouse gas emissions	Greenhouse gas emissions Scope 1 - 3	1	1.
	CO ₂ footprint	1	2.
	Greenhouse gas emission intensity	1	3.
	No initiative to reduce CO ₂ emissions	2	4.
	Exposure to companies active in the fossil fuel sector	1	4.
	Share of energy consumption and generation from non-renewable energy sources	1	5.
	Intensity of energy consumption by climate-intensive sector	1	6.
Biodiversity	Activities that adversely affect areas with biodiversity in need of protection	1	7.
Water	Emissions in water	1	8.
Waste	Proportion of hazardous and radioactive waste	1	9.
Social issues and employment	Violations of the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises	1	10.
	Lack of processes and compliance mechanisms to monitor adherence to UNGC and OECD Guidelines	1	11.
	Lack of human rights policy	3	9.
	Lack of measures against corruption and bribery	3	15.



Overview of the currently identified PAI indicators according to the tables in annex 1 of the SFDR:			
PAI indicator (Group)	PAI indicator	Table	Number
	Unadjusted gender pay gap	1	12.
	Gender diversity in management and regulatory bodies	1	13.
	Engagement in controversial weapons	1	14.
Environment	Greenhouse gas emission intensity of the countries in which investments are made	1	15.
Social issues	Countries in which investments are made that violate social regulations	1	16.

3 DESCRIPTION OF MEASURES FOR DEALING WITH PRINCIPAL ADVERSE IMPACTS

Flossbach von Storch implements various measures to reduce or avoid individual PAI indicators at issuer level, including:

Group-wide minimum exclusion criteria

The Flossbach von Storch Group has made a commitment to exclude investments in companies with certain business models. The exclusions may work towards reducing or avoiding individual adverse sustainability impacts. Investments in companies with the following turnover thresholds are to be excluded:

- > 0 % outlawed or controversial weapons
- > 10 % production and distribution of armaments
- > 5 % tobacco production
- > 30 % production and distribution of thermal coal

Exclusion also applies to companies with serious violations (no positive outlook) of the principles of the UN Global Compact and to state issuers with an insufficient score on the Freedom House Index.

Further information can be found in the Flossbach von Storch Group’s Sustainability Policy, which is available on the Flossbach von Storch Invest S.A. (www.fvsinvest.lu) website and on the Flossbach von Storch AG (www.flossbachvonstorch.de/en/) website.



Summary of the engagement policy

As a long-term investor, Flossbach von Storch considers itself obliged to actively represent the interests of its clients in the companies in its portfolio (active ownership).

Shareholder interests are taken into account within the framework of an active ownership process and follow a fixed engagement policy. The developments of the portfolio investments are monitored and analysed. If one of the portfolio companies does not adequately address PAI indicators/sustainability factors identified as particularly negative in our view, which could have a long-term impact on business development, we address this directly with the company and try to work towards a positive outcome. Flossbach von Storch sees itself as a constructive sparring partner (where possible) or as a corrective function (where necessary), making sensible suggestions and supporting management in their implementation. If the management does not take the necessary steps towards a sustainable business model to a satisfactory extent, the fund management exercises its voting rights in connection with the in-house investment funds or reduces or disposes of the holding.

In connection with active engagement as a shareholder, reference is made to the guidelines on the exercise of voting rights and engagement of the Flossbach von Storch Group, which are available on the following websites: www.fvsinvest.lu (or the respective country-specific Flossbach von Storch Group websites) and at www.flossbachvonstorch.de/en/.

4 RESPONSIBILITIES

We do not outsource the handling of sustainability to a support unit, as this issue is too important for that. The assessment of sustainability factors is firmly anchored in the investment process and is overseen by the Chief Investment Officer (CIO) and the Head of Equity Research at Flossbach von Storch AG.

Our analysts and portfolio managers implement the integration of sustainability factors, the exercise of voting rights (only applies to the Flossbach von Storch mutual funds and the investment funds managed by Flossbach von Storch Invest S.A.) and the ongoing exchange with the management of the portfolio companies from a single source. The team of analysts includes colleagues who focus on the topic of ESG and thus make an important contribution to assessing the quality of our investments. This team-based approach ensures a constant exchange based on a common understanding of the quality of an investment and strengthens our role as an active owner.

5 COMPLIANCE WITH INTERNATIONALLY RECOGNISED STANDARDS

Flossbach von Storch supports the growing importance of sustainability in the financial sector. To emphasise the importance of this issue, Flossbach von Storch observes the following recognised standards.



Principles for Responsible Investment (PRI)

In January 2019, Flossbach von Storch AG signed the United Nations Principles for Responsible Investment (UN PRI) on behalf of the Flossbach von Storch Group. This places an obligation on the Flossbach von Storch Group to take ESG factors into account when making investment decisions and to integrate active engagement and the exercising of voting rights as a shareholder.

German Investment and Asset Management Association (BVI)

As a member of the German Investment and Asset Management Association (BVI), we adhere to the Guidelines for Responsible Investment introduced in 2012. The guidelines stipulate, among other things, that fund companies also consider environmental, social, and corporate governance (ESG) aspects as part of their fiduciary responsibility in order to appropriately classify the material risks of investment decisions.

