

# The future is our responsibility

## Sustainability – Definition of Fondsdepot Bank GmbH



Mandatory disclosures according to EU Disclosure Regulation

## The topic of “sustainability” is becoming increasingly important – also for the capital investment

Our understanding of sustainability risks includes events or conditions in the areas of environment, social or corporate governance (ESG – Environmental, Social, Governance), the occurrence of which could have a material adverse effect on the value of our customers’ investments as well as on the assets, profitability or reputation of Fondsdepot Bank GmbH.

Examples of ESG risks include climate change, the loss of biodiversity, violations of recognized labor standards and corruption.

The principle of “sustainability” states that no more should be consumed than can be regenerated or made available again in the future. Ecological, economic and social goals are to be kept in balance. Growing social inequality, resource waste, rising green house gas emissions and advancing global warming have created a new awareness of sustainable investment. The financial sector, in particular sustainable investment and the consideration of ESG factors, has a special role to play here. The so-called ESG factors (environmental, social and good governance) consider non-financial aspects of a financial investment.

### Inclusion of sustainability risks in the bank’s risk management system

The bank is mainly exposed to operational risks, counterparty risks, market price risks and liquidity risks that affect its net assets (including capital resources), results of operations or liquidity position. In relation to the bank’s current business model, ESG criteria are mainly relevant to the bank’s reputation. The bank counters these risks with a comprehensive risk management system.

The bank has established a sustainability forum in which regular measures and actions are managed and monitored from a sustainability perspective that offer added value from a sustainability point of view both for the organization itself and for the region. To protect the bank’s reputation, both employees and contractual partners must commit to compliance with the Code of Conduct formulated by the bank. Potential contractual partners are also screened for ESG criteria.

## Article 3 - Transparency in strategies for managing sustainability risks

### Inclusion of sustainability risks in investment advice provided by Fondsdepot Bank GmbH and its contractually bound intermediaries

We include sustainability risks in the investment advice we provide through our contractually bound intermediaries via the selection of financial instruments that we recommend as suitable. To this end, we cooperate closely with our product partners.

For sustainable financial instruments that we recommend to our customers with a preference for sustainable investments, we incorporate sustainability risks as follows:

We are guided by the specifications of our product providers. Product providers are generally required by regulatory requirements or industry standards to take sustainability aspects into account as part of their investment decisions (in the case of investment funds). On the other hand, certain sustainable financial instruments (so-called ESG strategy products) take into account so-called minimum exclusions based on a recognized industry standard. This means that these investment funds do not invest in certain companies that pose particularly high sustainability risks. Alternatively, we also select financial instruments for investment advice that achieve a positive impact on one or more of the sustainability goals formulated in the Sustainable Development Goals (SDGs) of the United Nations (so-called impact products).

In the case of investment funds, which we recommend in particular to our customers without a sustainability preference, the capital management companies are obliged by regulatory requirements to take sustainability risks into account as part of their investment decisions.

### Inclusion of sustainability risks in the context of asset management by Fondsdepot Bank GmbH

When implementing the investment strategies, Fondsdepot Bank GmbH, as asset manager, takes into account all relevant financial risks as part of its selection processes and investment decisions, including all relevant sustainability risks that could have a negative impact on the return of an investment. The Bank’s Investment Committee

has defined criteria that must be met for each security investment in the model portfolio. The portfolio manager is required to take these into account in all investment decisions and to regularly review the model portfolio he or she manages to determine whether the securities it contains still meet these criteria. If this is not the case, the securities must be replaced by other investments.

The following criteria were defined:

- ▶ Minimum volume (fund assets) of the investment fund > 50 million EUR
- ▶ Minimum age of the investment fund >3 years
- ▶ No trading restrictions/restricted tradability (soft or hard closing)
- ▶ German tax transparency of the investment fund

In doing so, the bank follows the approach of spreading the investments as broadly as possible (diversification) in order to reduce the impact of an occurrence of sustainability risks on the customer.

Equally taken into account are the main adverse effects that could have a negative impact on the sustainability factors in the investment decision.

These risks and adverse impacts are continuously monitored and the assessment is taken into account in the decision-making processes.

## **Article 4 - Transparency of adverse sustainability impacts at the level of the company**

### **No consideration of adverse impacts of investment decisions on sustainability factors**

Fondsdepot Bank GmbH ("Fondsdepot Bank", "Bank") in its role as a market participant has extensively reviewed the requirements of Article 4 of the EU Disclosure Regulation and the related Regulatory Technical Standards (RTS).

We fully support the intentions of the EU Disclosure Regulation and are committed to providing our customers, partners and other stakeholders with the highest possible transparency in the context of disclosure.

However, we have chosen not to consider the adverse impacts of investment decisions on sustainability factors at this time.

The ability to consider key adverse impacts depends significantly on the availability of relevant data and information for the invested assets. Thus, a systematic consideration of sustainability indicators and the consideration of PAIs (Principal Adverse Impacts) can only take place when sufficient information is available (both from a qualitative and quantitative perspective) in relation to the investment funds in which investments are made.

The fact that the authoritative data needed to define and evaluate adverse sustainability impacts is currently not sufficiently available is the reason why the adverse impacts of investment decisions on sustainability factors are not currently considered.

The main adverse impacts that may have a negative impact on sustainability factors in investment decisions will be considered in the future.

### **Consideration of adverse impacts on sustainability factors in investment advice**

Fondsdepot Bank GmbH ("Fondsdepot Bank", "Bank") in its role as financial advisor has extensively reviewed the requirements of Article 4 of the EU Disclosure Regulation and the related Regulatory Technical Standards (RTS).

We fully support the intentions of the EU Disclosure Regulation and are committed to providing the highest possible level of disclosure transparency to our clients, partners and other stakeholders.

Where possible, the Bank takes into account key adverse impacts on sustainability factors, such as environmental, social and labor concerns, respect for human rights, and anti-corruption and anti-bribery in investment advice.

This is done, among other things, by ensuring that the relevant information on whether and, if so, which adverse impacts are taken into account by the underlying companies, and thus the financial product, is verified and published by the product providers with whom the Bank cooperates. This information can be included in the advisory process.

The ability to consider key negative impacts depends significantly on the availability of relevant data and information for the invested assets. Thus, at the outset of incorporating sustainability preferences into investment advice, systematic consideration of sustainability indicators and consideration of PAIs (Principal Adverse Impacts) may not be available across all products under consideration.

## **Article 5 - Transparency of the remuneration policy in connection with the consideration of sustainability risks**

### **Inclusion of sustainability risks as part of the remuneration policy at Fondsdepot Bank GmbH.**

The focus of our responsibility is on the needs of our customers and the requirements of our social environment.

In addition to the strategies described for the inclusion of sustainability risks in the context of capital investment, asset management, investment advice, and risk management, Fondsdepot Bank's remuneration policy is also consistent with the consideration of sustainability risks. The performance assessment and remuneration of our employees, including the intermediaries and advisors associated with us as part of our liability umbrellas, is not carried out in a way that conflicts with our duty to act in the best interests of our customers.

Ethical and correct conduct enjoys the highest priority in our company and forms the basis for cooperation with our customers, clients and business partners and for cooperation between employees. The annual employee-specific target agreements and the underlying annual divisional strategies also promote behaviors that support Fondsdepot Bank's role as a customer-oriented, holistic and sustainable company. Furthermore, conduct in accordance with Fondsdepot Bank's Code of Conduct is a decisive factor for variable remuneration in our bank. Our Code of Conduct serves as a binding orientation framework for our ethical values and behavior in business life and includes all employees, directors, managers, consultants and subcontractors.

To ensure that we are a reliable partner for our customers, clients and business partners at all times, our compensation policy is regularly reviewed and further developed in line with regulatory requirements and sustainability considerations.

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