

# Information on Adverse Sustainability Impacts

Version 1.0 as of March 2021

## Principal of Adverse Impact Statement pursuant to Art. 4 (1) a) of Regulation (EU) 2019/2088

### I. Introduction

As the largest bank-independent fund service platform in the German-speaking region, Universal-Investment Group (Universal-Investment) is affected by Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure in the financial services sector (Disclosure Regulation). In accordance with Article 4 (1) a) of this regulation, Universal-Investment discloses the following statement on the consideration of adverse impacts of investment decisions on sustainability factors. For the purpose of this statement, Universal-Investment-Group includes Universal-Investment-Gesellschaft mbH and Universal-Investment-Luxembourg S.A.

The following is a summary of Universal-Investment's due diligence policies for identifying and prioritising adverse sustainability impacts and indicators, a description of the actions taken to reduce adverse sustainability impacts, Universal-Investment's engagement policy and code of conduct, and the internationally recognised due diligence and reporting standards applied by Universal-Investment.

For the reporting year 2021, this statement relates to the adverse impacts arising from Universal-Investment's business operations as well as the passive management of funds and discretionary mandates by Universal Investment. It is not applicable in cases where Universal-Investment has outsourced portfolio management functions to an external third party.

### II. Description of principal adverse sustainability impacts

Principal adverse impacts should be understood as those impacts of investment decisions that result in negative impacts on sustainability factors – environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Universal-Investment aims to address principal adverse impacts and has designed internal policies and established processes to be able to do so.

The ability to consider principal adverse sustainability impacts depends to a large extent on the availability of corresponding information in the market. The required data for assets in which Universal-Investment funds and managed mandates invest is not available to a sufficient extent and in the desired quality. In compliance with the regulatory technical standards on the Disclosure Regulation, Universal-Investment will record and report the main adverse impacts of the funds' investment decisions from 2022 onwards. Universal-Investment regularly reviews the data situation to ensure that principal adverse impacts are considered in investment decisions. In addition, Universal-Investment is expanding its sustainability analysis capabilities in the areas of environment, social and governance (ESG). In addition to the current evaluations and

analyses based on specialised ESG data providers (e. g.. MSCI), Universal-Investment is working on an innovative in-house ESG module. The goal is the analysis of daily data/information that makes it possible to visualize sustainability risks and their adverse impacts.

Examples of already measurable sustainability indicators for Universal-Investment's business operations include Universal-Investment's absolute carbon footprint and the target level of female members in first and second management levels below the executive board. Furthermore, Universal-Investment considers a variety of other social and governance-related indicators, which are described in detail under point 4 of this statement.

### **III. Description of policies to identify and prioritise principal adverse sustainability impacts**

Investment decisions may cause, contribute to or be directly associated with adverse – material or likely material – impacts on the sustainability indicators (adverse sustainability impacts).

As a fund service platform, Universal-Investment launches funds for institutional investors and fund initiators and, among other things, takes over administration of these funds. Portfolio management services are provided for funds managed by Universal-Investment, funds for which an external advisor is involved in the management of the fund, and funds managed by Universal-Investment-Luxembourg S.A. Niederlassung Frankfurt am Main, the Frankfurt branch of Universal-Investment-Luxembourg S.A. Due to the difficult data situation, Universal-Investment will focus on its own investment decisions first when considering principal adverse impacts of investment decisions. Insofar as the fund management of funds or fund segments has been outsourced to a third party, adverse impacts of investment decisions can for the time being not be assessed by Universal-Investment.

In the product area of portfolio management services (transition management, collateral pool management, liquidity management), sustainability criteria and factors do not usually play a significant role due to the product structure. In addition to the pre-investment-policy, further obligations are set out in fund-specific investment guidelines to ensure that investment decisions are in line with the objectives, investment strategies and risk limits of the respective fund. Depending on the client's wishes and mandate the guidelines may include sustainability risks as well as the avoidance of adverse impacts.

In measuring, analysing, and classifying indicators identified by Universal-Investment with regard to the principal adverse impacts, Universal-Investment is examining the extent to which specialised providers of sustainability data as well as in-house expertise can be used at this time. Universal-Investment's risk management is currently managed in such a way that the corporate risk, which can be differentiated into three risk categories of strategic risk, financial risk and operational risk, shows in a timely manner how assets are changing. Universal-Investment is working on an ESG risk module, which will visualize, measure and report on the inherent sustainability risks and principal adverse impacts of investment decisions. Universal-Investment reports on its implementation of this solution.

### **IV. Description of actions to address principal adverse sustainability impacts**

Fund-specific investment guidelines lay down how ESG criteria are considered in the investment decision-making process. The purpose of the investment guidelines is to supplement the management of investment funds with specific rules regarding individual investments. Depending on the client's wishes and mandate, sustainability risks are explicitly considered in the investment processes of the securities mandates of Universal-Investment-Luxembourg S.A. Niederlassung Frankfurt am Main. Dedicated analysis tools are available for identifying and defining sustainability criteria, exposure, and risks. In addition, various sustainable index concepts are used as the basis for the investment universe or for illustrating the index properties in the fund. All regular equity and bond mandates can be optionally equipped with an ESG approach – if desired, also customised according to investor requirements.

As a specific action taken to reduce adverse impacts on the „respect for human rights“ factor, Universal-Investment has decided to exclude securities from issuers that produce cluster munition as defined by UN convention in their investment decision-making process. A considerable proportion of this type of munition remains as unexploded ordnance and can result in innocent victims for years after combat. Cluster munitions are internationally outlawed or banned by various treaties, making their use illegal in many countries. In this context, Universal-Investment works with a specialised external data provider to always have an up-to-date list of companies involved in the production of these weapons. This list is updated monthly and forms the basis for systemic exclusion, which is implemented at group level and includes all subsidiaries. The exclusion of manufacturers of cluster munitions applies to all private label funds of Universal-Investment and is monitored as part of the daily investment compliance check.

In addition, Universal-Investment's business operations are actively counteracting adverse impacts on social and employee matters, respect for human rights and the fight against corruption and bribery. The regulatory obligation for an European-based company like Universal-Investment to adhere to the eight core conventions of the International Labor Organization (ILO), is only one example. Regarding social and employee matters, further information on the remuneration system of Universal-Investment Gesellschaft mbH is available on the Universal-Investment website. The remuneration system of Universal-Investment Luxembourg S.A. is also available on the Universal-Investment website.

Furthermore, a remuneration committee to prevent discrepancies exists. The principle of equal treatment ensures that discrimination is prevented within Universal-Investment. In addition, a target level of 30 percent female members in first and second management levels below the executive board of by February 2025 has been set at Universal-Investment-Gesellschaft mbH to ensure gender diversity. Moreover, the workplace safety committee is responsible for the duty of care for workplace accidents and monitors the number of days lost due to injuries, accidents, fatalities or illness.

The Compliance department combats corruption and bribery. Detailed explanations of individual governance-related topics are available on the Universal-Investment website.

In addition, an anonymous whistleblower platform is already in operation. The whistleblower system is available on the Universal-Investment website.

Universal-Investment's carbon footprint is recorded according to Scope 1 and 2 as well as the currently ascertainable Scope 3 emissions to identify possible reduction potentials. In addition, an energy audit is regularly carried out for Universal-Investment-Gesellschaft mbH in accordance with DIN EN 16247-1, which records the company's total energy consumption, identifies significant consumers and proposes potential optimisation measures to be implemented. Universal-Investment is aware of the increasing requirements for sustainable investments and the associated expectations

that sustainability criteria are considered accordingly in investment guidelines. Therefore, the guidelines are regularly reviewed and further developed. In order to live up to its social responsibility, the topic of sustainability prominently complements the long-term business strategy of Universal-Investment and regular reports are made on the remediation of adverse impacts.

## V. Engagement policies

As the largest independent fund service platform among German-speaking countries, Universal-Investment successfully manages capital investments for investors, including many investments for private and company pension schemes. To safeguard investors' interests and fulfil the associated responsibility, Universal-Investment exercises the shareholder rights associated with the stock portfolio held on behalf of the managed investment funds for the benefit of investors and to promote good corporate governance.

Universal-Investment or service providers contracted by it exercise voting rights on the basis of the voting guidelines specified by Universal-Investment. These guidelines are based on the criteria of a transparent and sustainable corporate governance policy (ESG) and other environmental (ESG) and social (ESG) criteria focused on the long-term performance of the companies held by the investment funds ("portfolio companies"). Following the voting guidelines also avoids conflicts of interest that may arise due to third parties, the contracting of third parties or the interests of Universal-Investment.

Further information on the participation policy of Universal-Investment-Gesellschaft mbH can be found on the Universal-Investment website.

For more information on the participation policy of Universal-Investment-Luxembourg S.A., please visit the Universal-Investment website.

## VI. Reference to international standards

The management of Universal-Investment is working to align all corporate activities in such a way that they are sustainable and valuable for the society in which we live and for our environment. A Code of Conduct has been developed for this purpose and is available on the Universal-Investment website.

Universal-Investment is a member of the BVI, the German fund association and is guided in its actions by the mission statement of the German investment fund industry. In Luxembourg, Universal-Investment is also a member of ALFI, the "Association of The Luxembourg Fund Industry", which represents the Luxembourg asset management and investment fund industry. As a central platform for institutional investors and fund initiators, Universal-Investment is a fundamental component of the financial industry. To live up to the high level of responsibility, Universal-Investment has actively committed itself as service provider to the Principles for Responsible Investment (PRI). This voluntary commitment developed by the United Nations aims to give greater consideration to environmental, social and governance factors in investment decisions. As a fund service platform, Universal-Investment has consciously abstained from an own active asset management since the company was founded in 1968. That is why PRI principles four to six are of decisive importance to UniversalInvestment. Raising awareness of sustainability issues in the industry, actively helping to shape sustainability measures and their further development are just as important as supporting clients in the

transformation to sustainable investing. Universal-Investment-Gesellschaft mbH is also a member of the Forum Nachhaltige Geldanlagen e. V. (Sustainable Investment Forum).

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