Disclosure pursuant to Regulation (EU) 2019/2088

Integration of sustainability risks and consideration of adverse sustainability impacts in investment decisions

10 March 2021

Legal basis

Pursuant to Regulation (EU) 2019/2088 Bank Gutmann Aktiengesellschaft (BGAG), as financial market participant and financial adviser, is required to disclose:

- information about its policies on the integration of sustainability risks in its investment decision-making processes and in its investment advice,
- a statement on due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors, taking due account of its size, the nature and scale of its activities and the types of financial products it makes available,
- information as to whether, taking due account of its size, the nature and scale of its activities and the types of financial products it advises on, it considers in its investment advice the principal adverse impacts on sustainability factors,
- information on how the remuneration policy is consistent with the integration of sustainability risks.

On this basis, BGAG publishes the following information:

General information

Under Regulation (EU) 2019/2088 'sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. 'Sustainability factors' mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Sustainability risks and sustainability factors are explained in more detail in the FMA Guide for Managing Sustainability Risks dated 2 July 2020. Based on the direction of causes and effects when sustainability risks materialise, a differentiation is made between risks that are caused by companies and may negatively influence sustainability factors ("inside-out") and risks from sustainability factors that may have negative impacts on assets or companies ("outside-in").

BGAG is committed to its holistic responsibility and therefore deals with sustainability risks in both directions of cause and effect. As regards "inside-out" risks, acting in a sustainable and responsible manner is a matter of principle for BGAG and, therefore, BGAG's infrastructure, processes and procedures are continuously improved and reviewed to avoid and/or appropriately reduce adverse impacts on sustainability factors. In accordance with Regulation (EU) 2019/2088 this disclosure focuses on the consideration of “outside-in” risks, i.e. on BGAG’s management of sustainability risks that may have an adverse impact on assets and companies.

BGAG regards sustainability not as a restriction on investment opportunities, but as a broadening of perspective in taking investment decisions. For most companies, sustainability risks and the reactions thereto do not remain without consequences and may therefore have a substantial impact on the value of and the return on an investment.

Integration of sustainability risks, consideration of adverse impacts and due diligence policies with respect to sustainability factors

BGAG offers asset management and investment advisory services and, in rendering such services, considers the principal adverse impacts of investment decisions on sustainability factors in the interest of its clients. Mandates managed by BGAG are designed to meet clients’ investment objectives, taking into account each client's individual portfolio composition preferences as regards sustainability factors. An application of this approach beyond that, to all investments, is being considered on an ongoing basis.

BGAG’s policy of integrating sustainability risks focuses on options for a sustainable approach and risk control at mandate level.

A company's impact on sustainability is increasingly becoming an indicator of its competitive strength. Responsible approaches are being increasingly called for by both regulators and consumers. A sustainable approach may therefore provide a competitive advantage as well as serve as an indication of a company’s efficiency and future viability. Where adverse impacts on sustainability factors are substantial, investments in a specific company may not be considered appropriate. In all of the mandates it manages, BGAG excludes, for example, investments relating to coal mining or the production of banned weapons.

In the investment decision-making process, the diligent evaluation and monitoring of the impact on sustainability factors on the part of companies in which investments are made, is of special importance. In that context, the primary consideration is to determine and weight a company’s exposure to specific sustainability factors. For example, a company’s CO_2 emissions may be measured relative to its revenues (CO_2 intensity) and a weighting may be assigned based on its CO_2 intensity compared with other companies.

In order to meet the due diligence requirement in connection with sustainability risks on a scale that is appropriate to the size, nature and scope of BGAG’s activities, the fundamental financial analysis criteria applied to investments are supplemented by ESG (environment, social and governance) criteria. Investments are made on the basis of a competent and sound screening and monitoring process including both in-house and external experts. Environmental and social aspects as well as the application of good corporate governance procedures in investee companies are determined and weighted in consultation with an established provider of ESG data.

Sustainability risks in the portfolio, if any, are integrated and duly controlled in the existing risk management function. In accordance with BGAG’s policies, sustainability risks can thus be integrated in this context into the risk assessment of mandates, included in relevant processes and procedures and considered when making investment decisions.

With regard to the integration of shareholder engagement in its investment strategy, BGAG has drawn up an engagement policy. BGAG’s engagement policy covers asset management activities and investments in shares traded in a regulated market made under asset management mandates. The integration of shareholder engagement is guided in principle by the investment objectives pursued, the degree of active engagement in investment decisions, the effort associated with such engagement and the proportion of share capital held in investee companies. The engagement policy is available on BGAG’s website.

In the course of investment advice, adverse impacts on sustainability factors are considered in a way that is appropriate to the nature of investment advice and is guided by the client’s investment objectives and, where applicable, an individual focus on sustainable investments. This is designed to accommodate the increasing awareness of sustainability risks.

Integration of sustainability risks in the remuneration policy

Sustainability is an important issue for BGAG. As part of the Gutmann Group, BGAG supports sound and effective risk management with regard to sustainability risks, with a remuneration system that discourages excessive risk-taking with regard to sustainability risks and includes a risk-weighted performance assessment. With due regard to the principle of proportionality, the integration of sustainability risks is therefore considered in agreeing and documenting objectives with employees and assessing the achievement of objectives by employees who have a direct influence on BGAG’s investment decisions and receive variable remuneration components.