Strategies for the incorporation of sustainability risks

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Disclosure of strategies when dealing with sustainability risks in the investment decision-making process in accordance with Art. 3 (1) of Regulation (EU) 2019/2088.

I. In general

In order to fulfil its social responsibility, the topic of sustainability complements the long-term business strategy of UI BVK Kapitalverwaltungsgesellschaft mbH ("UBK") as a matter of priority. As an integral part of UBK's business and risk strategy, sustainability is embedded at the highest organisational level and is taken into account in all relevant processes.
The management is responsible for integrating sustainability criteria into the respective investment processes. The detailed design is carried out in cooperation with the responsible managers and sustainability experts.

Corporate goals, customer orientation and employee satisfaction are in harmony with sustainable corporate management as well as social and ecological principles.

UBK incorporates sustainability risks into its investment decision-making processes. As a master KVG, portfolio management for the investment funds is largely outsourced to external portfolio managers. In this case, implementation in the portfolios is carried out by the responsible portfolio management companies. These are also obliged to include sustainability risks in their investment decision-making processes. This is done in accordance with the respective internal principles and policies of the portfolio management companies.

Sustainability risks within the meaning of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector ("Disclosure Regulation") are environmental, social or governance events or conditions, the occurrence of which may have an actual or potential material adverse effect on the value of the investment.

Sustainability risks can affect all known risk types, such as market risk, liquidity risk, counterparty risk and operational risk, and contribute as a factor to the materiality of these risk types, but they do not constitute a separate risk type, but are inherent to the aforementioned risk types.

With regard to **business risk**, three risk classes are to be differentiated: strategic risks, financial risks and operational risks. Strategic risks mainly concern risks that are significant due to the strategic orientation and positioning of the business units, such as a lack of sales structure, poor branding or outdated IT systems. Financial risks relate to funds and equity investments and include market, credit and liquidity risks. Operational risks arise in all business areas and comprise legal and operational risks including personnel risks.

Sustainability risks can therefore lead to a significant deterioration in the financial profile, liquidity, profitability or reputation of the underlying investment. Despite being taken into account in the valuation process of the investments, they can have a significant negative impact on the market price and/or the liquidity of the investment and thus on the return of the fund. In addition, there is a high degree of uncertainty about the time horizon and / or the extent of sustainability risks.

II. Product lines

Securities

As a master KVG, UBK launches funds for certain institutional investors and takes over the administration. The funds affected by sustainability risks relate on the one hand to funds that UBK manages itself in addition to administration and on the other hand to funds for which portfolio management has been outsourced to external portfolio management companies.

In the case of funds managed by UBK itself, relevant sustainability risks that UBK believes could have a significant negative impact on the return of an investment are included in UBK's investment decision-making process. Obligations to integrate sustainability risks are set out in the fund-specific investment guidelines to ensure that investment decisions are in line with the objectives, investment strategies and risk limits of the respective fund.

If portfolio management for the fund or individual fund segments is outsourced by UBK to companies outside the Group, it is the responsibility of the respective fund manager to implement the strategy for the inclusion of sustainability risks as part of its pre-investment process. Fund managers domiciled in the member states of the European Union are required by the Disclosure Regulation to publish information on these strategies on their website. In the case of fund managers domiciled outside the European Union, it is possible that, due to the non-applicability of the Disclosure Regulation to these fund managers, no relevant information on the strategies with regard to the inclusion of sustainability risks can be found on their website. In this respect, the fund managers would have to be contacted individually.

For individual mandates, UBK has outsourced portfolio management to the group company Universal-Investment Luxembourg S.A. Frankfurt am Main branch. The focus of the portfolio management services of Universal-Investment Luxembourg S.A. Frankfurt am Main Branch is on transparent and rule-based products in order to allow clients to participate in market developments at low cost and to manage market risks efficiently (overlay management)

Sustainability risks play an important role for Universal-Investment Luxemburg S.A. Frankfurt am Main Branch. Sustainability risks are taken into account in the investment processes of the securities mandates. Analysis tools are available for identifying and defining sustainability risks. In addition, various sustainable index concepts are used as the basis for the investment universe or for mapping the index properties in the fund. All rule-based equity and bond mandates can optionally be equipped with an ESG approach - if desired, also customised according to investor requirements. In the product area of portfolio management services (transition management, collateral pool management, liquidity management), sustainability risks do not usually play a significant role due to the product structure.

In overlay management, the following criteria are in the foreground for the fulfilment of the mandate: fast and cost-effective tradability, efficient hedging of the fund components to be managed and high liquidity of the management instruments. Therefore, derivatives on standard indices and currencies are currently primarily used for management. The standard derivatives on large well-known indices with sufficient liquidity do not yet have a sustainability focus. The further development of sustainable derivatives is continuously monitored and their use in the overlay approaches is examined.

Real Estate

The Real Estate division not only structures and launches fund and investment solutions for customers with a focus on real estate, but also subsequently supports and implements the investments in accordance with the investment policy of the fund or investment solution.

Depending on the structure of the fund or investment solution, an outsourced real estate manager and/or an investment committee are involved in the investment process as an advisory body with representatives of the investor. Sustainability risks are examined as part of the investment process and taken into account when deciding on a potential investment. Outsourced real estate managers are contractually bound to comply with the investment policy and any existing requirements regarding the sustainability of an investment - including the requirements for taking sustainability risks into account - to carry out corresponding reviews of the investment and to provide BVK with evidence of this.

Klicken oder tippen Sie hier, um Text einzugeben.

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