

December 2022

# Sustainability-related disclosures

Articles 3, 4 and 5 SFDR<sup>1</sup>

---

<sup>1</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the „SFDR“).

## Introduction

The following information applies to *Palladio Management GmbH* as an investment firm and financial advisor within the meaning of Article 2 (11) letter (d) of the Sustainable Finance Disclosure Regulation (SFDR).

The following statements do not refer to the advisory services in relation to a specific advisory mandate, but to the advisory services of Palladio Management GmbH in general.

## Article 3 SFDR: Transparency of sustainability risk policies

### *Integration of sustainability risks in investment advice*

According to Article 3 of the SFDR, financial advisors are required to publish about their website information on about their policies on the integration of sustainability risks in their investment advice, including the organisational, risk management and governance aspects of such processes.

A 'sustainability risk' within the meaning of Article 2 (22) of SFDR is 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 the investment.

Sustainability risks are integrated in investment advice to the extent that they represent an actual or potential material risk and/or opportunity to maximize long-term risk-adequate returns. This is implemented as part of the investment advice using a proprietary ESG scoring (standardised assessment of the ESG relevant aspects of an investment opportunity), which is incorporated into the overall scoring as well as into the investment proposal, which is the basis for the respective investment decision. During the due diligence phase, ESG-relevant topics are reviewed. If relevant, possible effects of sustainability risks on the expected return of the investment in question can be described in an investment proposal. The degree sustainability risks are taken into account essentially depends on the product structuring and the information available during the investment advisory process.

Since in the case of investments in target funds the target fund manager (and not Palladio Management GmbH) is responsible for the selection of the portfolio companies and the investments are usually made after subscription in the target funds, Palladio Management GmbH cannot guarantee that all relevant information on the sustainability risks of the portfolio companies of a target fund is already available at the time of the investment advice by Palladio Management GmbH. Therefore, Palladio Management GmbH usually cannot adequately consider the sustainability risks in detail when investing in the target fund.

## Article 4 SFDR: Transparency of adverse sustainability impacts at entity level

### *No consideration of principal adverse impacts on sustainability factors when providing investment advice*

According to Article 4 (5) of the SFDR financial advisors are required to publish on their websites information as to whether, taking due account of their size, the nature and scale of their activities and the types of financial products they advise on, they consider in their investment advice the principal adverse impacts on sustainability factors.

Sustainability factors within the meaning of Article 2 (24) of the SFDR are environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Palladio Management GmbH exercises the option under Article 4 (5) (b) SFDR and, currently, does not consider the principal adverse impacts on sustainability factors in its investment advice. The non-consideration of the principal adverse impacts on sustainability factors does not contradict the commitment of Palladio Management GmbH to sustainability, in particular the consideration of sustainability risks.

This decision is based on the current lack of available and reliable data. The availability and quality of data and information relevant for the systematic assessment of sustainability factors and indicators and the consideration of Principal Adverse Impacts on Sustainability (PAIs) is currently not considered to be sufficient for all asset classes to which the investment advice of Palladio Management GmbH relates. Since Palladio Management GmbH does not have a direct contractual relationship with target investments when providing investment advice, it is also difficult to obtain the necessary data - for example, through contractual arrangements with the target investments; deviating

agreements may be made for individual investment advisory mandates. Palladio Management GmbH will regularly reassess the availability of the relevant data and information.

## Article 5 SFDR: Transparency of remuneration policies in relation to the integration of sustainability risks

According to Article 5 of the SFDR, financial advisers are required to disclose, as part of their remuneration policies, information on how those policies are consistent with the integration of sustainability risks; this information must be published on their website.

Sustainability risks are appropriately taken into account in the remuneration policy of Palladio Management GmbH. The remuneration policy is part of the risk management with respect to sustainability risks. The remuneration system is designed in a manner that no excessive risk-taking with respect to sustainability risks is favoured in the context of investment advice. The consideration of sustainability aspects, opportunities as well as risks is one of the bases for the remuneration of all employees of Palladio Management GmbH entrusted with investments.

## Important notice

This Document is a mandatory disclose document in accordance with the SFDR; it is neither a marketing-communication nor any other form of marketing material.

## Document history & changes

Date	Version	Change(s)
December 2022	1	