

Group Corporate Security

Statement on principal adverse
impacts of investment decisions on
sustainability factors
of Baader Bank AG

Disclosures under Delegated Regulation (EU) 2022/1288 and Regulation (EU)
2019/2088

30 June 2023

1 Definitions and general principles

PAI

Principal Adverse Impact indicator — principal adverse impacts on sustainability factors.

Principal adverse impacts

Refers to the principal adverse impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights and anti-corruption and anti-bribery matters. Certain indicators are mandatory because they always relate to the principal adverse impacts (Article 6(1)(a), (b), (c) RTS consolidated version, recital 6 RTS II).

Disclosure Regulation

The Disclosure Regulation constitutes 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, as amended.

Sustainability factors

Sustainability factors include environmental, social and employee matters, respect for human rights and anti-corruption and anti-bribery matters, as specified in Article 2 No. 24 Disclosure Regulation.

Sustainability risk

Refers to an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment, as defined by Article 2 No. 22 Disclosure Regulation.

2 Statement

2.1 Summary

Baader Bank Aktiengesellschaft (LEI: 529900JFOPPEDUR61H13) considers principal adverse impacts of its investment decisions on sustainability factors in respect of its financial portfolio management and investment advice.

This statement on the principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

Investment decisions can have adverse impacts on sustainability factors or can contribute to or be directly related to such adverse impacts. The aim is to make it possible to measure these adverse impacts using indicators. Adverse impacts include the impacts of investment decisions on the climate plus other environment-related adverse impacts and also impacts relating to social and employee, respect for human rights and anti-corruption and anti-bribery matters. Principal Adverse Impacts (PAI) are considered to be material on account of their adverse external impacts and must therefore be taken into account in the investment decisions of financial market participants.

As a financial market participant and an independent service provider operating in areas including financial portfolio management, Baader Bank Aktiengesellschaft is subject to 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") and to Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 ("Delegated Regulation").

The principal adverse impacts of investment decisions on sustainability factors, the policies for identifying and prioritising these principal adverse impacts on sustainability factors, and the engagement policies are described below. This statement considers the principal adverse impacts of investment decisions in relation to funds that are managed by Baader Bank AG. Any investment decisions in the context of the banking operations of Baader Bank AG that go beyond this remit are not covered by this statement.

Baader Bank Aktiengesellschaft assumes the role of financial portfolio manager for certain funds within the context of an outsourcing agreement with the respective capital management company. For these funds, the 18 mandatory indicators from the Delegated Regulation (climate and other environment-related indicators as well as indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters) plus two optional indicators have been identified as indicators for the principal adverse impacts. Depending on the orientation of the fund's specific investment policy, different indicators are taken into account when making investment decisions.

The ability to take into account the principal adverse impacts depends primarily on the availability of relevant information in the market. The required data is not available in the necessary scope and appropriate quantity for all assets in which Baader Bank AG invests via the funds and mandates managed. In the securities sector in particular, the data provider Bloomberg LLP is used to provide the indicators for companies and for sovereigns and supranationals that are used to calculate the PAI indicators.

Baader Bank Aktiengesellschaft has implemented processes and procedures to take account of the principal adverse impacts of investment decisions on sustainability factors, e.g. by taking into account the PAIs using a best-effort approach. In addition, funds pursuant to Article 8 of the Disclosure Regulation (funds with environmental and/or social characteristics) or funds pursuant to Article 9 of the Disclosure Regulation (funds that make exclusively sustainable investments) may provide in the pre-contractual documents for mandatory consideration of PAIs at fund level. These pre-contractual requirements of the respective mandate are observed by Baader Bank Aktiengesellschaft. In addition, capital management companies may also impose individual restrictions on specific funds at enterprise level, such as a ban on investing in issuers that produce cluster munitions as defined by the UN Convention on Cluster Munitions or that trade in agricultural commodities derivatives.

In the context of the outsourcing relationship between Baader Bank Aktiengesellschaft and the corresponding capital management company, the capital management company retains the right to exercise voting rights. As such, Baader Bank Aktiengesellschaft cannot influence the corporate policy of the enterprise in question via the respective mandate and therefore the bank has not drawn up any separate engagement policies.

2.2 Description of the principal adverse impacts on sustainability factors (Table 1)

2.2.1 Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [2022]	Impact [2021]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions	42,344,186 6,072,577 302,719,804 353,610,833	n/a	Metric tonnes of CO2 equivalent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
	2. Carbon footprint	Carbon footprint	590.82	n/a	Metric tonnes per EUR million EVIC	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
	3. GHG intensity of investee companies	GHG intensity of investee companies	628.19	n/a	Metric tonnes per EUR million revenue	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	3.16	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	73.41	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.59	n/a	Gigawatt hours of energy consumed per EUR million revenue	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	35.33	n/a	Metric tonnes per EUR million EVIC	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	2.15	n/a	Metric tonnes per EUR million EVIC	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	2.42	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	8.21	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	11.97	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.

	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.33	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.20	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.

2.2.2 Indicators applicable to investments in sovereigns and supranationals

Environmental	15. GHG intensity	GHG intensity of investee countries	0.15	n/a	Tonnes/USD thousands	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.03	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.

2.2.3 Indicators applicable to investments in real estate assets

Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.06	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	n/a	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.

2.3 Additional climate and other environment-related indicators (Table 2)

Water, waste and material emissions	Investments in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006	2.66	n/a	Percent	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
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2.4 Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters (Table 3)

Social and employee matters	Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	0.74	n/a	Incident rate	Baader Bank AG continues its efforts to improve the database such that it can be used as the basis to take appropriate measures.
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2.5 Description of policies to identify and prioritise principal adverse impacts

The principal adverse impacts on sustainability factors are identified in accordance with the provisions of the Delegated Regulation. The Regulation divides the indicators into a core set of general obligatory indicators (mandatory indicators) that always lead to the principal adverse impacts and a series of additional elective indicators (optional indicators) to identify, assess and prioritise the consideration of additional principal adverse impacts.

Since the mandatory indicators always lead to the principal adverse impacts regardless of the outcome of the assessment by Baader Bank Aktiengesellschaft, these indicators are considered to be material and are taken into account. In addition, Baader Bank Aktiengesellschaft has selected a further indicator from the fields of water, waste and material emissions and social and employee matters for investee companies and for sovereigns and supnationals. The other indicators have been evaluated and selected on the basis of the severity of their potentially negative impact, but also in particular on the basis of the availability of data for the indicators.

Baader Bank Aktiengesellschaft has implemented processes and procedures to take account of sustainability risks and the principal adverse impacts of investment decisions on sustainability factors in accordance with Article 4 of the Disclosure Regulation in the investment management processes of the respective funds with regard to all asset classes and assets in accordance with the obligations under Commission Delegated Regulation (EU) 2021/1255 of 21 April 2021 amending Delegated Regulation (EU) No 231/2013 as regards sustainability risks and factors to be taken into account by alternative investment fund managers and Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account by Undertakings for Collective Investment in Transferable Securities (UCITS) (implemented in German law by amendments to the Regulation on the rules of conduct and organisational rules pursuant to the investment code [Kapitalanlage-Verhaltens- und -Organisationsverordnung; KAVerOV]).

In addition, the fund-specific investment conditions and, where applicable, investment guidelines for the respective mandates can specify how ESG criteria are to be taken into account in the investment decision process. This is intended to supplement the management of funds via rules relating to specific individual investments.

For funds as referred to in Article 8 of the Disclosure Regulation, a binding consideration of PAI indicators may be implemented. If such a binding consideration is in place, the corresponding PAI indicators and the strategies for their inclusion in the pre-contractual documents and the reporting thereof in the annual reports will be disclosed.

Funds pursuant to Articles 8 or 9 of the Disclosure Regulation, which make proportional sustainable investments, must make disclosures in pre-contractual documents, on the website of the capital management company and in the annual reports, on how the "do no significant harm" principle as set out in Article 2 No. 17 of the Disclosure Regulation was observed in relation to the key indicators for adverse impacts in Annex 1 to the Delegated Regulation. Consideration of the PAIs is therefore mandatory for such funds and the corresponding fund-related indicators are also reported on in the annual report of each fund.

Insofar as there is a non-binding consideration of PAI indicators for individual funds or mandates, this will also be disclosed in the pre-contractual documents and the annual reports of the funds and taken into account accordingly by Baader Bank Aktiengesellschaft.

In addition, specific investment bans may be imposed by the capital management companies, such as the exclusion of securities from issuers that produce cluster munitions as defined by the UN

Convention on Cluster Munitions. These bans will, of course, be followed by Baader Bank Aktiengesellschaft for the respective mandate.

PAI indicators for companies and for sovereigns and supranationals from the data provider Bloomberg LLP are used to measure, analyse and classify the indicators identified by Baader Bank Aktiengesellschaft in respect of the principal adverse impacts, particularly in the securities sector. Coverage will be supplemented gradually by Bloomberg LLP and the underlying methodology will be improved. Bloomberg's approach to data acquisition involves collecting readily available data from corporate information, contacting companies directly to validate the data and using estimates for data based on appropriate models in cases where no corporate information is available.

The ability to take into account the principal adverse impacts depends primarily on the availability of relevant information in the market. The required data is not available in the necessary scope and appropriate quantity for all assets in which Baader Bank Aktiengesellschaft invests on behalf of the funds and mandates managed. Baader Bank Aktiengesellschaft regularly reviews the data in order to ensure that the principal adverse impacts are taken into account when making investment decisions.

The strategies for identification and prioritisation have been approved as part of the publication of this document. The Board of Directors of Baader Bank Aktiengesellschaft identified some initial fundamental strategies regarding sustainability-related disclosures on 8 March 2021. Ongoing regular and ad hoc updates by the specialist departments are carried out in consultation with the Board of Directors and with the Board's confirmation.

2.6 Engagement policies

In the context of the outsourcing relationship between Baader Bank Aktiengesellschaft and the corresponding capital management company, the capital management company retains the right to exercise voting rights. As such, Baader Bank Aktiengesellschaft cannot influence the corporate policy of the enterprise in question via the respective mandate and therefore the bank has not drawn up any separate engagement policies.

2.7 References to international standards

As a credit institution under German law, Baader Bank AG is required by law to demonstrate responsible corporate governance and compliance with internationally recognised standards for due diligence and reporting.

Baader Bank AG's sustainability strategy is based on the objectives of the German Sustainability Code (Deutscher Nachhaltigkeitskodex; DNK). This code of conduct thus indirectly determines Baader Bank's sustainability efforts but has no direct influence on the choice of PAI indicators.

The development of a future-focused climate scenario is currently the subject of some important decisions and is being considered in order to better reflect the climate-based risks.

2.8 Historical comparison

There is currently no earlier period for comparison.

3 Document history

Version (date)	Processed content	Explanation
30 June 2023	Initial version	Implementation of DelReg 2022/1288