

Supplement to the target market to include information on sustainability-related objectives¹ and sustainability factors

- The present concept serves to supplement the **Common minimum standard for target market determination for securities** against the the background of the Level 2 amendments to MiFID II.
- It is a **concept for the manufacturer target market**, which manufacturers can use to classify their own products in terms of sustainability (ESG target market).
- It serves to specify the **clients' objectives**.

Status: December 13, 2024

¹ Correspondence with the sustainability preferences within the meaning of Art. 2 No. 7 MiFID II Delegated Regulation.

Basic concept - product-independent definitions¹

| Other products - Not part of the MiFID-ESG-target market | | | Products which may be addressed to customers with sustainability-related objectives pursuant to Art. 9 No 9 subpara. 1 MiFID II Delegated Directive ² | | |
|--|---|---|--|---|--|
| Non-ESG | Basic | ESG strategy product | PAIs (Consideration of significant adverse impacts, Art. 2 No. 7 lit. c) MiFID II Regulation) ⁵ | Sustainable investments as defined by the SFDR (ES, Art. 2 No. 7 lit. b MiFID II Regulation) | Ecologically sustainable investments within the meaning of the Taxonomy (Art. 2 No. 7 lit. a) MiFID II Regulation) |
| No data | Consideration and transparency of sustainability risks and chances + Product manufacturer takes into account a recognised industry standard | Product pursues dedicated ESG strategy + Product manufacturer takes into account recognised industry standard | Dedicated ESG strategy with consideration of standard PAIs on environmental and/or social issues ³ + Minimum exclusions ⁴ + Product manufacturer takes into account a recognised industry standard | ESG strategy with a proportion of sustainable investments pursuant to SFDR: specific percentages ⁶ + No serious violations of the UN Global Compact or democracy/human rights ⁴ + Product manufacturer takes into account a recognised industry standard | ESG strategy with a proportion of sustainable investments pursuant to the Taxonomy Regulation: specific percentages ⁶ + No serious violations of the UN Global Compact or democracy/human rights ⁴ + Product manufacturer takes into account a recognised industry standard |
| Declared as non-sustainable | | | | | |
| Not suitable for customers with sustainability preferences | | | | | |

¹ For product-specific details, see the following slides.

² Multiple answers are possible; if the product can be addressed to customers with sustainability-related objectives, no entry should be made for „other products“.

³ Standard PAIs according to Annex 1 Table 1 RTS to the SFDR.

⁴ Differentiation in this regard see slide 3.

⁵ For a possible differentiation, see slide 6.

⁶ Percentage enables distributors to allocate to standardised or individual clusters (optional implementation, e. g. ambitious, moderate, leader).

Minimum exclusions¹

Companies:

- Banned weapons² >0%³
- Tobacco production >5%
- Coal >30%³
- Serious violations of UN Global Compact (without positive perspective):
 - Protection of international human rights
 - No complicity in human rights violations
 - Upholding the freedom of association and the right to collective bargaining
 - Elimination of forced labour
 - Abolition of child labour
 - Elimination of discrimination when hiring and employing
 - Precautionary principle in dealing with environmental problems
 - Promoting greater environmental awareness
 - Development and dissemination of environmentally friendly technologies
 - Advocacy against all forms of corruption

Sovereign Issuers:

- Serious violations of democratic and human rights⁴

¹ Relevant for both individual stocks and stocks in a portfolio/basket (shares/bonds).

² Weapons according to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction („Ottawa Convention“), the Convention on the Prohibition of Cluster Munitions („Oslo Convention“) as well as biological and chemical weapons pursuant to the respective UN conventions (UN BWC and UN CWC), see definition in Art. 12(1) Delegated Regulation 2020/1818 and list of controversial weapons in Annex I Table 1 No. 14 RTS to the SFDR.

³ Turnover from production and/or distribution.

⁴ Based on assessment as „not free“ according to the Freedom House Index (<https://freedomhouse.org/countries/freedom-world/scores>) or equivalent ESG ratings (external respectively internal).

Application for funds

| Other products - Not part of the MiFID ESG target market | | | Products which may be addressed to customers with sustainability-related objectives pursuant to Art. 9 No 9 subpara. 1 MiFID II Delegated Directive ¹ | | |
|--|--|--|---|---|--|
| Non-ESG | Basic | ESG strategy product | PAIs (Consideration of significant adverse impacts, lit. c) ² | Sustainable investments as defined by the SFDR (ES, lit. b) | Ecologically sustainable investments (Taxonomy, lit. a) |
| No data | ESG opportunities/risks considered according to the criteria of „ESG integration enhanced“ ³ ; Integration approach disclosed + Product manufacturer takes into account a recognised industry standard (UN PRI) | Dedicated ESG strategy (according to Article 8 SFDR) + Product manufacturer takes into account a recognised industry standard (UN PRI) | Dedicated ESG strategy with consideration of standard PAIs ⁴ + Minimum exclusions ⁵ + Product manufacturer takes into account a recognised industry standard (UN PRI) | ESG strategy with a proportion of sustainable investments pursuant to SFDR: specific percentages ⁶ + No serious violations of the UN Global Compact or democracy/human rights ⁷ + Product manufacturer takes into account a recognised industry standard (UN PRI) | ESG strategy with a proportion of sustainable investments pursuant to Taxonomy Regulation: specific percentages ⁶ + No serious violations of the UN Global Compact or democracy/human rights ⁷ + Product manufacturer takes into account a recognised industry standard (UN PRI) |
| Declared as non-sustainable | | | | | |
| Not suitable for customers with sustainability preferences | | | | | |

¹ Multiple answers are possible; if the product can be addressed to customers with sustainability-related objectives, no entry should be made for „other products“.

² For a possible differentiation, see slide 6.

³ „ESG integration enhanced“ is defined as the systematic consideration of sustainability opportunities and risks (so-called ESG factors) in the investment process and in the context of the engagement, e. g. by exercising voting rights, actively exercising shareholder and creditor rights and dialogue with issuers. The BVI guidelines for sustainable real estate portfolio management apply to real estate funds. These are based on the Principles for Responsible Investment (UN PRI) and the EFAMA Stewardship Code.

⁴ The relevant standard PAIs for the respective asset class pursuant to Annex 1 Table 1 RTS-to the SFDR are decisive.

⁵ See slide 3. The minimum exclusions apply to direct investments in shares and bonds. They do not apply to investments in tangible assets such as real estate or real estate companies. However, if a real estate fund also invests in securities (e. g. shares/bonds) in addition to tangible assets, the exclusions must be observed.

⁶ Percentage enables distributors to allocate to standardised or individual clusters (optional implementation, e. g. ambitious, moderate, leader).

⁷ See slide 3. The exclusion „no serious violations of UN Global Compact or democracy / human rights“ apply to direct investments in shares and bonds. It does not apply to real estate funds only if they invest in securities (e. g. shares/bonds).

Application for certificates and bonds

| Other products - Not part of the MiFID ESG target market | | | Products which may be addressed to customers with sustainability-related objectives pursuant to Art. 9 No 9 subpara. 1 MiFID II Delegated Directive ¹ | | |
|--|--|---|--|--|---|
| Non-ESG | Basic | ESG strategy product | PAIs (Consideration of significant adverse impacts, lit. c) ² | Sustainable investments as defined by the SFDR (ES, lit. b) | Ecologically sustainable investments (Taxonomy, lit. a) |
| No data | Company ³ takes into account the UN Global Compact + has a sustainability rating + Company ³ takes into account ESG product and transparency standard ⁴ | Underlying(s): dedicated ESG strategy, + Company ³ takes into account the UN Global Compact and Company ³ achieves the status of a sustainable company with at least one rating agency + Company ³ takes into account ESG product and transparency standard ⁴ | Company ³ takes into account standard PAIs ⁵ and the UN Global Compact; Company ³ achieves the status of a sustainable company with at least one rating agency + Underlying(s) ⁶ : dedicated ESG strategy with selective consideration of standard PAIs ⁷ through the minimum exclusions + Company takes into account a recognised industry standard ⁴ | Impact-related investments as defined by the SFDR: specific percentages ⁹ + Company ³ takes into account the UN Global Compact and Company ³ achieves the status of a sustainable company with at least one rating agency ⁸ + Underlying(s) ⁶ : dedicated ESG strategy; no serious violations of the UN Global Compact or democracy/human rights + Company takes into account a recognised industry standard ⁴ | Impact-related investments as defined by the Taxonomy Regulation: specific percentages ⁹ + Company ³ takes into account the UN Global Compact and Company ³ achieves the status of a sustainable company with at least one rating agency ⁸ + Underlying(s) ⁶ : dedicated ESG strategy; no serious violations of the UN Global Compact or democracy/human rights + Company takes into account a recognised industry standard ⁴ |
| Declared as non-sustainable | | | | | |
| Not suitable for customers with sustainability preferences | | | | | |

¹ Multiple answers are possible; if the product can be addressed to customers with sustainability-related objectives, no entry should be made for „other products“.

² For a possible differentiation, see slide 6.

³ Company=product manufacturer/entity/corporation/etc.

⁴ z. e. g. ICMA Principles, EU Green Bonds Standard, BSW Sustainable Finance Code of Conduct or comparable product policy of the issuer.

⁵ Standard PAIs on environmental and/or social issues following Annex 1 Table 1 RTS to SFDR. The most significant adverse impacts on sustainability factors are considered. The company takes measures to reduce adverse impacts of its economic activities in the areas of climate, environment and / or social issues. These measures relate in particular to the company's loans and other assets. The company reports on these measures in its sustainability report. In the case of a segregated bond (e. g. green bond), the requirement only relates to the portfolio allocated to it. For a possible differentiation, see slide 7.

⁶ These requirements relate to the underlying(s) of a bond or certificate. They are not applicable to bonds or certificates that do not have an underlying or that reference only one or more interest rate indices or interest rates. For minimum exclusions including serious violations of UN Global Compact, see slide 3.

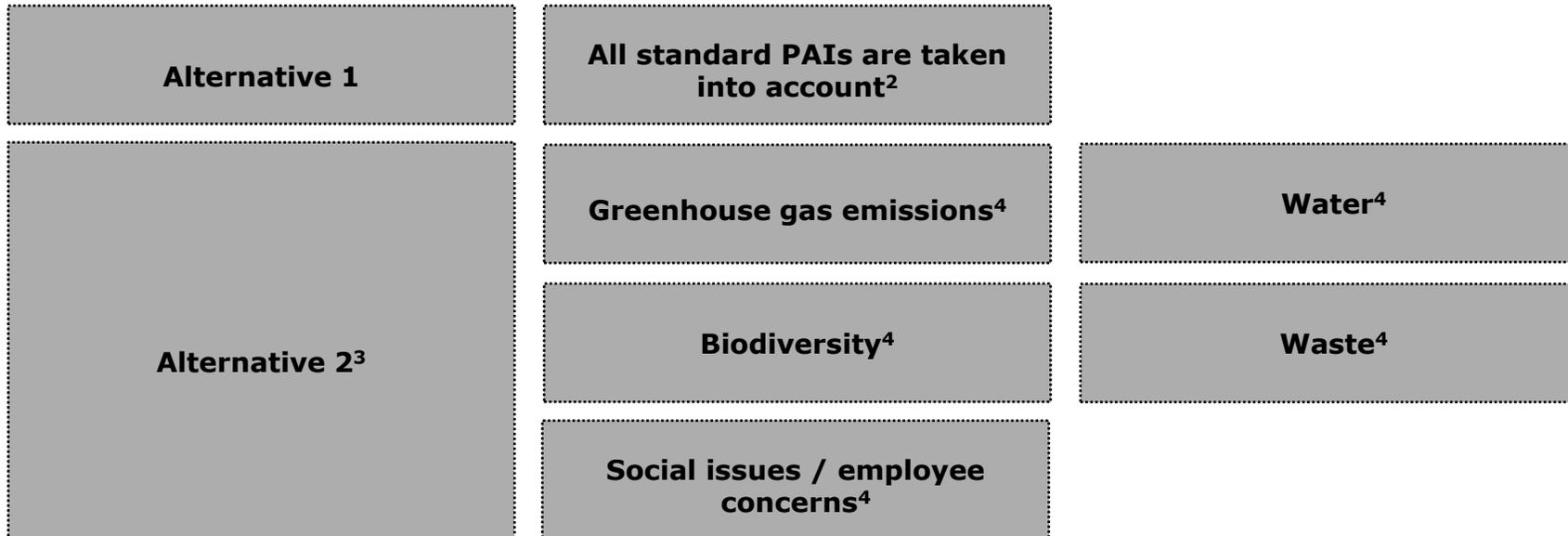
⁷ Standard PAIs following Annex 1 Table 1 1 RTS to the SFDR on environmental and/or social issues.

⁸ The rating requirement does not apply to segregated bonds (e. g. green bonds).

⁹ Percentage enables distributors to be assigned to standardised or individual clusters (optional implementation, e. g. ambitious, moderate, leader). The decisive factor here is the actual value of the bond component (for lit a) based on the GAR (green asset ratio), supplemented by the ratios of the structured/derivative component where applicable. The latter is derived from the ratios of the respective underlyings. The total consideration corresponds to 100%. Alternatively, reference to a segregated bond (e. g. green bond) is also possible.

Additional sustainability factors for products which consider PAIs¹

PAI topics considered by the product



¹ For details on standard PAIs see annex 1 table 1 RTS to SFDR (mandatory delivery); on optional PAIs see in annex 1 tables 2 and 3 RTS to SFDR (optional delivery).

² For real estate funds and government bonds, there are only two standard PAIs.

³ No relevance for real estate funds.

⁴ Multiple answers or alternative naming of individual indicators possible.

Additional sustainability factors (optional)

**Further additional
information
to the
characteristics
positive contribution
Art. 2 No. 7 lit. a) & lit. b)**

**For funds: minimum
proportion of
environmentally sustainable
investments (according to
prospectus)²**

**For funds: minimum
proportion of other
sustainable investments
(according to prospectus)**

**Disclosure of
environmental objectives
according to Article 5 of
the Taxonomy Regulation¹**

**Following legal definition:
Disclosure of social
objectives³**

¹ Six characteristics - multiple assignments possible.

² This is based on annex II RTS to SFDR.

³ After the final definition in the social taxonomy.

Additional sustainability factors (optional)

**Focus
(optional specification)¹**

Environmental (E)

Social (S)

Good Governance (G)

**Label / Standard
(optional specification;
multiple answers
possible)**

Sustainability label or standard

¹ The focus of the product is decisive for the allocation to E, S or G: Multiple answers are not possible. For sustainable products without a focus, the field remains empty.