Sustainability Disclosure

In accordance with Regulation (EU) 2019/2088 and Regulation (EU) 2020/852
As at: December 2021

1. General explanations

Regulations (EU) 2019/2088 and (EU) 2020/852 require certain disclosures on sustainability from financial market participants. With this document, Scalable Capital GmbH[1] ("**Scalable Capital**") as a financial market participant complies with these disclosure requirements.

Scalable Capital is an investment firm that provides, among other things, portfolio management (asset management) to its clients. Scalable Capital offers various types of investment strategies under different brands (Scalable Capital, Oskar and Gerd Kommer Capital) as part of its portfolio management services. Where necessary, a distinction is made between these different offerings in the following.

This document is provided to interested parties as pre-contractual information in the context of contract initiation. As the contents of this document are amended from time to time, in particular to comply with legal or other regulatory requirements, the most recent version is always available on the website of Scalable Capital, Oskar und Gerd Kommer Capital.

2. No consideration of sustainability adverse impacts

Investment decisions may have adverse impacts on the environment (e.g. climate, water, biodiversity), on social and labour concerns and may also be detrimental to the fight against corruption and bribery. Scalable Capital strives to meet its responsibilities as an investment firm and to help avoid such adverse impacts at the corporate level.

As the relevant regulatory requirements (the subject matter of which is, inter alia, this mandatory disclosure) have not yet been published in full and in a binding manner at the date of this document, Scalable Capital is also currently unable to make a binding statement to the effect that (and in what manner) adverse impacts of investment decisions on sustainability factors are considered.

Therefore, Scalable Capital declares not to consider adverse impacts of investment decisions on sustainability factors in a binding manner until further notice. As soon as the relevant regulatory requirements are published in a complete and binding manner, Scalable Capital will review these requirements as well as re-evaluate and, if necessary, adjust its position with regard to adverse impacts of investment decisions on sustainability factors.

[1] The legal entity identifier (LEI) of Scalable Capital GmbH is 391200Y3EUNL4LTXRP94.

3. Strategies and ways of considering Sustainability Risks

3.1. Sustainability Risks in general

All types of investment strategies of Scalable Capital have in common that they aim at a rule-based and cost-efficient investment. However, sustainability criteria are only considered (without aiming for a sustainable investment as its objective) in the context of sustainable investment strategies mentioned in Clause 3.2. With this range of different types of investment strategies, Scalable Capital offers its clients a choice also with regard to the consideration of environmental or social characteristics.

Environmental conditions, social upheavals and/or poor corporate governance can have a negative impact on the value of investment properties in a number of ways. These Sustainability Risks may, for example, have a direct impact on the net assets, financial position and results of operations and also on the reputation of companies (as investment objects) or indirect, longer-term effects on business models and entire economic sectors ("**Sustainability Risks**"). These Sustainability Risks generally apply to all types of investment strategies offered by Scalable Capital. However, Scalable Capital has developed appropriate strategies for the sustainable investment strategies in order to be able to limit Sustainability Risks. The sustainable investment strategies also do not aim at a sustainable investment as its objective (as would be the case for so-called dark-green products), but only consider environmental or social characteristics in the investment decision (so-called light-green products).

Scalable Capital's strategies for considering Sustainability Risks are also incorporated into the company's internal organizational guidelines. Observance of and compliance with these guidelines is a prerequisite for a positive assessment of the employees' work performance and is the basis for professional development as well as appropriate remuneration development. In this respect, Scalable Capital's remuneration policy is in line with our Sustainability Risk inclusion strategies.

3.2. Differentiation of investment strategies with regard to sustainability

Scalable Capital distinguishes between sustainable investment strategies (with consideration of environmental or social characteristics, "sustainable") and those strategies in which no special consideration is given to environmental or social characteristics ("non-sustainable").

Investment strategy (financial product)	**Further information**
Sustainable investment strategies	
Investment strategies under the Oskar brand	https://www.oskar.de/
ESG investment strategies under the Scalable Capital brand	https://de.scalable.capital/
Non-sustainable investment strategies	
Risk-managed investment strategies under the Scalable Capital brand	https://de.scalable.capital/

Investment strategies under the Gerd Kommer Capital brand	https://www.gerd-kommer-capital.de/

3.3. Sustainable investment strategies

3.3.1 How Sustainability Risks are incorporated

For the sustainable investment strategies referred to in Clause 3.2, Scalable Capital considers financial instruments whose composition recognises certain ESG standards. The sustainable investment strategies therefore promote sustainability in the areas of environment, social and corporate governance, but do neither aim at a sustainable investment as its objective within the meaning of Regulation (EU) 2019/2088 and the EU criteria for environmentally sustainable economic activities, nor any minimum proportion of such investments. Therefore, they are not so-called dark-green products.

The way in which Sustainability Risks are included is explained in more detail in Sections a - f:

a. What environmental and/or social characteristics are promoted by these financial products?

Scalable Capital invests in exchange-traded funds (ETFs) and, where applicable, exchange-traded securities that track the performance of commodities (exchange-traded commodities, ETCs) or any other underlying asset, e.g. cryptocurrencies (exchange traded products, ETPs). In addition to the usual selection criteria (e.g. low costs, high liquidity and broad diversification), the three aspects of sustainability (environmental, social and corporate governance) are taken into account when selecting financial instruments. Scalable Capital primarily selects ETFs, ETCs or other ETPs whose composition takes into account certain ESG standards, i.e. whose investment policy already aims to avoid or reduce Sustainability Risks using suitable and recognised methods of selection and portfolio construction. Information on the sustainability indicators taken into account can be obtained from the respective issuers. As a rule, the following indicators, among others, can be taken into account:

Environment

- exclusion of companies whose main source of income is from thermal coal based power generation; and
- exclusion of companies involved in the extraction of oil from oil sands or the mining of oil sands; and
- possible exclusion of companies with high greenhouse gas emissions.

Social

- exclusion of undertakings whose principal source of revenue is the sale or distribution of tobacco products; and

- exclusion of companies involved in business with civilian and socially controversial weapons or nuclear weapons; and
- compliance with high standards of occupational health and safety.

Governance

- compliance with the principles (including compliance with human rights) of the United Nations Global Compact; and
- compliance with board independence; and
- consideration of violations of competition rules and corruption laws.

Providers such as MSCI calculate so-called ESG ratings, which assess the extent to which companies take into account the sustainability indicators in the areas of environment, social and corporate governance. These ESG ratings are in turn considered by Scalable Capital in the selection of financial instruments.

Regulation (EU) 2020/852 requires the following disclosure:

"The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities."

As mentioned at the beginning, the sustainable investment strategies do neither aim at sustainable investments as its objective within the meaning of Regulation (EU) 2019/2088 and the EU criteria for environmentally sustainable economic activities nor at minimum proportion of such investments (no so-called dark-green products). This mandatory disclosure accordingly expresses that only if EU criteria for environmentally sustainable economic activities (dark-green products or minimum proportion) are considered, the principle of "do not significant harm" (i.e. exclusion of investments that negatively impact sustainability objectives) in accordance with EU law would apply.

b. Do these financial products take into account principal adverse impacts on sustainability factors?

No, these investment strategies do not currently take into account any principal adverse impacts on sustainability factors. See already Clause 2 (no consideration of principal adverse impacts on sustainability factors).

c. What investment strategy do these financial products follow?

The sustainable investment strategies are based on a strategic asset allocation with special consideration of sustainability aspects. Maximum diversification across regions and asset classes is to be achieved through the predominant use of financial instruments that track market-wide benchmark indices. The key parameter for managing the portfolio is the share quota defined by the client.

The aspects of sustainability are taken into account in the investment strategies, as set out in Section a, through the use of such financial instruments through which certain companies (as investment objects) are not included in the selection and portfolio construction of the product manufacturers due to non-compliance with recognised ESG standards. These financial instruments are usually labelled by additions such as "ESG" (abbreviation for Environmental, Social and Governance) or "SRI" (abbreviation for so-called "Socially Responsible Investment"). Through this labelling, product manufacturers demonstrate that certain ESG standards are applied. In particular, criteria relating to good corporate governance of companies within ETFs, ETCs or other ETPs are usually taken into account in the ESG standards. Factors such as board independence play a role. Violations of competition rules and corruption laws can also have a negative impact here (see also Section a).

Scalable Capital pays attention to appropriate labelling when selecting products and reviews the investment universe on an ongoing basis. A minimum proportion of financial instruments with certain sustainability characteristics has not been set.

Scalable Capital also refers (in addition to the foregoing) to the statements in its respective Investment Guidelines of the client documents as well as to the information offered on sustainable investment strategies on the websites mentioned in Clause 3.2. With regard to the financial instruments used and their specific environmental or social characteristics or their sustainable investment objectives as well as the methods to assess, measure and monitor the characteristics and impacts, Scalable Capital refers to the information provided by the respective product manufacturers. Scalable Capital also refers to the information provided by the respective product manufacturers for information on the data sources, the criteria for the valuation of the underlying assets as well as the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainability impact.

d. What is the asset allocation planned for these financial products?

Under these investment strategies, Scalable Capital invests exclusively in ETFs, ETCs or other ETPs. Within the scope of the investment strategies, investments can therefore only be made indirectly in the various asset classes through the acquisition of corresponding ETFs, ETCs or other ETPs. A direct investment in shares or bonds of individual companies as an investment object is not intended. There is also no direct investment in derivatives. However, derivatives may be used within the ETFs, ETCs or other ETPs by the product providers to replicate the reference value. Information on this can be obtained directly from the issuer. Sustainability Risks are therefore only taken into account within the scope of (i) the selection of corresponding financial instruments (ETFs, ETCs or other ETPs) and (ii) the weighting of these in the portfolio. When weighting the financial instruments in the portfolio, an overweighting of asset classes, regions and/or economic sectors with lower Sustainability Risks can also reduce the Sustainability Risks at portfolio level. A minimum proportion of investments in financial instruments with certain sustainability characteristics has not yet been specified.

Scalable Capital strives to maintain a globally diversified portfolio approach across all asset classes and regions, however sustainability criteria cannot be specifically considered for all asset classes such as government bonds and commodities. Nevertheless, Scalable Capital makes sure that the financial instruments used for the asset class of bonds generally include, if possible, so-called "investment grade" bonds. These are bonds that are usually issued by governments or companies with a relatively low risk of default. The proportion of government bonds within the investment strategy results from the statistical optimisation of the respective investment strategy or the underlying selectable share quota (invested via ETFs) of the strategy: with a higher share quota, a lower proportion remains for investment in other asset classes (and, thus, also in government bonds). With products that track the performance of commodities such as gold, not all ESG standards can be taken into account, as well. When selecting products that track the performance of gold, Scalable Capital ensures that the standard of the London Bullion Market Association's (LBMA) Responsible Sourcing Programme applies wherever possible. This is considered to be the highest quality standard in the gold industry.

e. Is a specific index designated as a reference benchmark to determine whether these financial products are aligned with the environmental and/or social characteristics that are promoted?

No, Scalable Capital has not defined a reference benchmark. However, the investment policy of the respective ETF, ETC or other ETP is usually specified by the product manufacturer through the selection of an appropriate reference index (identified by additions such as "ESG" or "SRI"). MSCI, FTSE, Solactive or S&P are usually used as index providers. Information on the investment policy, the reference index and its calculation method can be found in the documentation of the respective financial instrument. Scalable Capital points out that the reference indices chosen by the product manufacturers may, by design, only exclude companies that engage in certain business activities that are not compatible with ESG criteria if these activities exceed the limits set by the index provider. The degree of avoidance of Sustainability Risks may therefore differ from the personal ethical assessment of the clients.

f. Where can I find more product specific information online?

Further information on the investment strategies can be obtained from the websites mentioned in Clause 3.2. In addition, further information on this can be found in Clause 3.3.3.

3.3.2 Assessment of the expected impact of Sustainability Risks on returns

The general risk profile of the sustainable investment strategies offered by Scalable Capital is fundamentally similar to that of conventional benchmark portfolios. This results from the construction of the benchmark indices used by the financial instruments which aim to achieve an equivalent weighting, as far as possible, in terms of the various economic sectors compared to their conventional counterparts. However, Sustainability Risks are reduced by focusing on companies with high ESG ratings and excluding controversial sectors. Anyhow, the sustainable focus also limits the type and number of investment options available to financial instruments. For this reason, sustainable investment strategies may underperform investment strategies with traditional selection criteria. A sound quantitative assessment of the different Sustainability Risks is not possible *ex-ante*.

3.3.3 Sustainability-related disclosures - transparency of the promotion of environmental or social characteristics on websites

a. Summary

In the following, we explain how Scalable Capital incorporates sustainability aspects for its sustainable investment strategies presented in Clause 3.2 without aiming for a sustainable investment as its objective. In sections with information on how Sustainability Risks are included, we refer to Clause 3.3.1.

b. No sustainable investment objective

Sustainable investment strategies promote environmental and social characteristics (light-green product), but do not aim for a sustainable investment as its objective (no dark-green product).

c. Environmental or social characteristics of financial products

For a description of the environmental or social characteristics of the financial product, see Clause 3.3.1, Section a.

d. Investment strategy

For a description of the investment process, please refer to Clause 3.3.1, Section c.

e. Proportion of investments

For a description of the proportion of investments, see Clause 3.3.1, Section d.

f. Monitoring of environmental or social characteristics

Scalable Capital monitors the selected sustainable financial instruments to check whether they are labelled with additions such as "ESG" or "SRI". These additions indicate that the financial instruments apply certain ESG standards. Monitoring of the sustainable standards within the financial instrument is carried out by the product manufacturer and by the provider of the reference index that is replicated by the financial instrument. If components of the index no longer meet the environmental, social and corporate governance requirements, they are regularly replaced by the provider in the reference index and subsequently in the financial instrument. See also Clause 3.3.1, Section a.

g. Methodologies

ESG ratings are calculated by providers such as MSCI ESG Research, Sustainalytics or ISS on the basis of the three aspects of sustainability: environmental, social and corporate governance. These evaluate the extent to which companies take sustainability indicators for the aforementioned aspects into account. The measurement methods, processes and weightings can be obtained from the respective rating agency. The ESG ratings are in turn used by Scalable Capital in the selection of financial instruments with the aim of maximising these, under the condition that the usual selection criteria such as costs or liquidity are met. See also Clause 3.3.1, Section a.

h. Data sources and data processing

Scalable Capital considers the publicly available information of the product manufacturers such as factsheets or Key Investor Information Documents (KIID) to verify the ESG standards within the financial instruments. It also uses MSCI's publicly available offering for ESG ratings. The data is collected and processed manually through the providers' websites. As data are collected from reputable and recognised rating agencies or issuers, no further measures are taken to verify the quality of the data. Furthermore, no estimation of ESG ratings or other sustainability indicators is performed by Scalable Capital.

i. Limitations to methodologies and data

The methods and data can be limited by insufficient publication of ESG data by the assessed companies. In addition, there are no uniform and binding requirements on how companies must be rated with regard to ESG criteria. This can lead to rating agencies arriving at different assessments of companies with regard to the fulfilment of sustainability criteria. As Scalable Capital, as described in Section h, uses data from reputable and recognised rating agencies and issuers, which sometimes are specialised in collecting and standardising ESG data, we believe that the aforementioned limitations are justifiable. In addition, Scalable Capital may look at ESG ratings from different providers to get a fully comprehensive picture of the applied ESG standards by any company.

j. Due diligence

As described in Sections h and i, Scalable Capital uses external ESG ratings to assess the applied ESG standards by financial instruments.

Internally, decisions concerning the sustainable investment strategies are analysed in a regular investment committee consisting of employees from the relevant capital market-oriented departments of Scalable Capital, the Sustainability Officer and the management. Among other things, changes to the selected financial instruments are discussed, considering the applied sustainability criteria as well as possible effects on the risk return ratio. Decisions are made with the involvement of the management.

k. Engagement policy

Scalable Capital, as asset manager, does not have the ability to exercise voting rights. In the context of asset management, the investment strategies offered by Scalable Capital currently do not entail direct investments in shares. Within the scope of asset management, investments can at most be made in open-ended investment funds in the legal form of investment stock corporations ("*Investmentaktiengesellschaften*"). In the case of investment stock corporations, the investment shares issued generally do not have any voting rights, so that investors are generally unable to influence the investment policy. However, the investment stock corporations of the sustainable financial instruments selected by Scalable Capital can exercise voting rights and often rely on the expertise of voting advisors who specialise in sustainable investments (for example, the provider ISS) and, where applicable, exercise voting rights in accordance with ESG standards.

l. Designated reference benchmark

Scalable Capital has not set a benchmark for environmental or social characteristics. For the use of reference indices of the product manufacturers see already Clause 3.3.1, Section e. Information on this can be found on the websites of the providers.

3.4. Non-sustainable investment strategies

3.4.1 How Sustainability Risks are considered

Within the framework of the non-sustainable investment strategies, as mentioned in Clause 3.2, only units in ETFs, ETCs or other ETPs are acquired and sold. Within the framework of the investment strategies, investments can therefore only be made indirectly in the various asset classes through the acquisition of corresponding ETFs, ETCs or other ETPs. A direct investment in shares or bonds of individual companies as an investment object is not intended. Sustainability Risks, as well as other investment risks, are primarily mitigated by a fundamentally broad diversification across regions, economic sectors and asset classes. Beyond this, no separate consideration is given to Sustainability Risks.

Regulation (EU) 2020/852 requires the following disclosure for non-sustainable investment strategies:

"*The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities."*

3.4.2 Assessment of the expected impacts of Sustainability Risks on returns

The general risk profile with regard to Sustainability Risks of the non-sustainable investment strategies mentioned by Scalable Capital in Clause 3.2 corresponds to that of conventional benchmark portfolios.

Apart from the general risk reduction through diversification, Sustainability Risks are not addressed further. However, the number of investment opportunities is not limited by the sustainable orientation of the investment strategies, so that this specific risk of sustainable investment strategies is not relevant. A sound quantitative assessment of the different Sustainability Risks is not possible *ex-ante*.