

Sustainability-related disclosures at company level

In accordance with the requirements of Regulation (EU) 2019/2088 of the European Parliament and of the Council, dated November 27, 2019, concerning sustainability-related disclosure requirements in the financial services sector (Sustainable Finance Disclosure Regulation, hereafter: “SFDR”), ARTS Asset Management GmbH, as a financial market participant, publishes (in addition to the product-related statements to be published) information at company level on strategies for dealing with sustainability risks (Art. 3 SFDR), adverse sustainability impacts at company level (Art. 4 SFDR) as well as the consideration of sustainability risks in the compensation policy (Art. 5 SFDR). The SFDR sets EU-wide harmonized rules for financial market participants in terms of transparency in the inclusion of sustainability risks and the consideration of adverse sustainability impacts in their processes, and in the provision of information on the sustainability of financial products.

It is clarified that ARTS Asset Management GmbH has a financial product classified according to Art. 8 SFDR, the C-QUADRAT ARTS Total Return ESG. This fund also pursues sustainability characteristics as part of its investment decisions. **Further information in connection with the C-QUADRAT ARTS Total Return ESG can be found under [\[LINK\]](#).**

In the subsequent explanations, there will be repeated references to the product page of the ESG-fund in question. Information at company level can be found below:

I. Strategies for dealing with sustainability risks¹

Fair dealings with our clients and partners are an essential aspect of our responsibility - as is a transparent information policy on the opportunities and risks of financial instruments and investment strategies. Several teams within our organization are involved in monitoring, reporting and support of our responsible investment approach.

For the C-QUADRAT ARTS Total Return ESG, ARTS Asset Management GmbH works very closely with the renowned analyst firm, Institutional Shareholder Services (ISS) ESG, Germany AG, Goethestraße 28, Munich, which collects and analyzes sustainability-related information and produces ESG compliant company and country ratings. Thanks to strict review processes and pronounced dialog with the individual companies, an objective and data-accurate analysis is carried out based on ESG criteria. The securities are selected according to a best-in-class approach with a focus on ecological, social, and good corporate governance criteria, as well as applying fundamental controversy screening criteria based on the Austrian Eco-label and the FNG seal. As a result, securities are evaluated in terms of sustainability risks and thus considered in the allocation decision.

The Company's other financial products do not consider the EU criteria for environmentally sustainable economic activities. In their underlying investments, the funds do not pursue any dedicated ESG strategy and do not promote environmental or social characteristics (Article 8) or seek sustainable investments (Article 9). ESG refers to the consideration of environmental, social, and responsible corporate governance criteria.

¹ Sustainability risk, as defined in the SFDR, is an environmental, social, or corporate governance event or condition, the occurrence of which could have an actual or potential significant negative impact on the value of the investment.

Nevertheless, the funds are exposed to sustainability risks. These sustainability risks may affect the performance of the funds and the assets held in them and thus have a positive or negative impact on the unit value and on the capital invested by the investor. Sustainability risks can also affect and significantly amplify all other known risks. In general, the occurrence of a sustainability risk, regarding to an asset, can have an adverse effect on its value or result in a total loss of value.

In order, to include sustainability risks in the investment analysis or in the investment process, the company is guided by sustainability fund ratings and sustainability-related fund information provided by the data provider ISS ESG. In this regard, environmental, social, and good governance criteria are appropriately considered when assessing investment risks. These investment decision processes and exclusions are intended to effectively reduce any negative performance resulting from sustainability risks.

Such risks exist for investment funds, if their investment strategy is explicitly based on the consideration of sustainability criteria in the selection of its investments, so that this is not exclusively based on financial criteria, which in turn may result in the total return of the investment fund being lower than that of the broader market or other investment funds without a sustainability approach. The exclusion or sale of securities that do not meet certain sustainability criteria may result in the total return of the investment fund being lower than for investment funds without a sustainability approach.

II. Adverse sustainability impacts at company level

a) Strategy for defining and weighting the most important sustainability impacts and sustainability indicators

The aim of C-QUADRAT ARTS Total Return ESG, which qualifies according to Art. 8 SFDR, is to offer a stable portfolio of sustainable companies according to ESG standards - you can find further information on this subject here [\[LINK\]](#).

The other financial products, managed by ARTS, do not have the aim of sustainable investment, and do not pursue a dedicated ESG strategy (environmental, social and governance). However, in the course, of the investment process, target funds are selected in accordance with the respective regulations of the investment fund while adequately considering sustainability factors. This is intended to ensure that environmental, social, and good corporate governance criteria are also adequately considered when assessing investment risks, in order, to reconcile the requirement for the sustainability of target investments with investors' needs for risk diversification and returns. For this purpose, ARTS Asset Management GmbH uses an external data provider (ISS ESG) with reliable data, which provides sustainability-related information and prepares sustainability ratings for investment funds on monthly basis. This rating is applied in the investment selection process as follows: If two or more „equivalent“ investment candidates exist for the proprietary trading system, developed by ARTS Asset Management, i.e. securities that deliver an equivalent result in terms of return and risk, the one with the better sustainability rating is favored and selected for the portfolio allocation. Equally, the trend-following trading system seeks to generate positive returns over the long-term and to protect its investors from major price drawdowns through active risk management.

b) Adverse sustainability impacts

In our view, the main adverse sustainability impacts of investment decisions are primarily when the following criteria/objectives would be significantly affected:

Environment

- Climate protection
- Adaptation to climate change
- Protection of biological diversity
- Sustainable use and protection of water and ocean resources
- Transition to a circular economy, waste prevention and recycling
- Pollution prevention and reduction
- Protection of healthy ecosystems
- Sustainable land use

Social

- Compliance with recognized labor law standards (no child labor and forced labor, no discrimination)
- Compliance with work safety and health protection
- Adequate compensation, fair conditions at the workplace, diversity as well as opportunities for training and continuing education
- Freedom of trade union and assembly
- Ensuring adequate product safety, including health protection
- Equal requirements for companies in the supply chain
- Inclusive projects or consideration for the needs of communities and social minorities

Corporate Governance

- Tax Honesty
- Measures to prevent corruption
- Sustainability management by Executive Board
- Executive Board compensation dependent on sustainability
- Enabling whistle blowing
- Guarantee of employee rights
- Ensuring data protection
- Disclosure of information

Depending on the classification of our investment funds, ARTS Asset Management GmbH will react to substantial impairments of the above factors by investment decisions. This can lead up to a disinvestment of a fund.

In order to specify and continuously update the published information in accordance with the regulations of Art. 12 SFDR, ARTS Asset Management GmbH follows the publications of the competent supervisory authority, i.e. the FMA Guidelines for Dealing with Sustainability Risks.

Furthermore, ARTS Asset Management GmbH will take into consideration the legal, pre-contractual information on the sustainability risks of investment products in its reporting and ensure that marketing communications are in accordance with the published information pursuant to Art. 13 SFDR.

c) Participation policy /exercise of voting rights

ARTS Asset Management GmbH, as an asset manager (external fund manager of investment funds), is obliged under the regulation of § 185 BörseG to prepare and publish a participation policy regarding to the investment funds it manages or to provide an unambiguous and reasoned statement if no information on the participation policy is provided.

All those investment funds, which do not invest as single stock funds - but as funds of funds in other investment funds (target funds), generally do not hold shares in listed companies and therefore do not have the opportunity to participate in the decisions of listed companies. For these reasons – on behalf of its fund of funds - ARTS Asset Management GmbH refrains from publishing a detailed participation

policy for this category of investment funds - within the definition of the explanatory option pursuant to § 185 para. 1 BörseG.

The participation policy and exercise of voting rights in connection with the C-QUADRAT ARTS Total Return ESG can be found here [\[LINK\]](#).

d) Code for responsible corporate governance

ARTS Asset Management GmbH is an information member of the Association of Austrian Investment Companies („VÖIG“) and has thus - as far as possible - submitted to the quality standards of VÖIG (Code of Conduct of the Austrian Investment Fund Industry, in the current version) by way of voluntary self-commitment. Full compliance is nevertheless ensured, since the management company of ARTS Asset Management GmbH, Ampega Investment GmbH, is a full member of VÖIG.

In addition, the management company of ARTS Asset Management GmbH is one of the signatories of the six Principles for Responsible Investment „(UN PRI“) introduced by the UN and is thus also committed to the expansion of sustainable investments and compliance with the principles for responsible investment. With them, investors and asset managers commit to complying with environmental, social and governance criteria relevant to the financial market in their investment activities. ARTS Asset Management GmbH is not yet a signatory of the UN PRI but is currently in the evaluation process for signing and will attempt to contribute to the achievement of the UN Sustainable Development Goals with a responsible investment approach.

III. Compensation policy in connection with the consideration of sustainability risks

The Company's compensation policy is consistent with consideration of sustainability risks, promotes sustainable and value-based actions, does not encourage excessive risk-taking with respect to sustainability risks, and avoids disincentives to take excessive risks (including relevant sustainability risks).