

## European SRI Transparency Code

The European SRI Transparency Code (the Code) applies to sustainability funds that are authorized for sale in Europe and covers numerous asset classes, such as equities and bonds. All information on the European SRI Transparency Code for sustainability funds can be found at the following website: [www.eurosif.org](http://www.eurosif.org). and for Germany, Austria, and Switzerland at [www.forum-ng.org](http://www.forum-ng.org) The Code is supplemented by a companion document to help fund managers complete the Transparency Code. The current version of the code was approved by the Eurosif Board on **February 19, 2018**.

### **INNOVATIONS**

In 2017, the Code was updated to better reflect current developments in the European market for sustainable investments. The Transparency Code was updated by a working group according to the latest developments in the industry at European and international level. Signatories to the Code now take into account recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Regulation and the final report of the High-Level Group of Experts on Sustainable Finance (HLEG). Issues in direct reference to previously mentioned laws and recommendations are marked in the Code by footnotes

### **THE CODE IS BASED ON TWO BASIC MOTIVES**

1. Enable the sustainability approach of sustainable mutual funds to be made available to investors and other stakeholders in an easily understandable and comparable way.
2. Proactively strengthen initiatives that contribute to the development and promotion of sustainability funds by creating a common framework for best practice approaches in the area of transparency.

### **GUIDING PRINCIPLE**

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG\* policies and practices of the fund.

### **COMMITMENTS BY SIGNATORIES**

- The order and exact wording of the questions should be followed.
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible.
- Funds should report data in the currency that they use for other reporting purposes.
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question.

\*ESG stands for Environment, Social and Good Governance.

- Responses should be updated at least on an annual basis and should have a precise publication date.
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code.
- Signatories are solely responsible for the answers to the questions and should state this in their response.

#### **Statement of Commitment by financial service provider ARTS Asset Management GmbH**

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of ARTS Asset Management GmbH. We have been involved in SRI since 2021 and welcome the European SRI Transparency Code.

This is our third statement of commitment and covers the period 01.02.2023 to 31.01.2024. Our full response to the European SRI Transparency Code can be accessed below and is available in the **annual report** of the respective retail funds and on our **website** ([www.arts.co.at](http://www.arts.co.at)).

#### **Compliance with the Transparency Code**

ARTS Asset Management GmbH is committed to establishing transparency. We are convinced that we ensure as much transparency as possible under the existing regulatory framework and under the aspect of competitiveness.

**January 20, 2023**

## **Eurosif classification of Sustainable and Responsible Investment<sup>1</sup> strategies**

**Sustainability Themed Investment:** investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection:** approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening:** screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

**Exclusion of Holdings from Investment Universe:** an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

**Integration of ESG Factors into Financial Analysis:** the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

**Engagement and Voting on Sustainability Matters:** engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

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<sup>1</sup> Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

FNG definition: Sustainable investment is the general term for sustainable, responsible, ethical, social, environmental investment and any other investment process that incorporates the influence of ESG (environmental, social and governance) criteria into its financial analysis. It also includes an explicit written investment policy on the use of ESG criteria.

**Impact Investing:** impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances<sup>2</sup>. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

## **Contents**

1. List of funds covered by the Code
2. General information about the fund management company
3. General information about the SRI fund(s) that come under the scope of the Code
4. Investment process
5. ESG controls
6. Impact measures and ESG reporting

1. List of funds covered by the Code

Name of the fund(s): C-QUADRAT ARTS Total Return ESG					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
<input checked="" type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration <input type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <input checked="" type="checkbox"/> Norms-Based Screening <ul style="list-style-type: none"> <li><input type="checkbox"/> Leading to exclusions</li> <li><input type="checkbox"/> Leading to risk management analysis/engagement</li> </ul> <input type="checkbox"/> Sustainability Themed	<b>Passively managed</b> <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking  <b>Actively managed</b> <input type="checkbox"/> Shares in a euro area country <input type="checkbox"/> Shares in an EU country <input checked="" type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input checked="" type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input checked="" type="checkbox"/> Short-term monetary assets / bank deposits assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input checked="" type="checkbox"/> Labour rights <input type="checkbox"/> Gambling <input type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input checked="" type="checkbox"/> CO2 intensive (including coal) <input checked="" type="checkbox"/> Genetic engineering <input type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> Global Compact <input checked="" type="checkbox"/> OECD Guidelines for MNCs <input checked="" type="checkbox"/> ILO Conventions	EUR 29,2 Mio	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input checked="" type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify)	<a href="https://arts.co.at/Funds/">https://arts.co.at/Funds/</a>  - Basic information sheet (PRIIPs-KID) - Prospectus - Financial and non-financial Reporting - Factsheet

		<input checked="" type="checkbox"/> Death penalty <input checked="" type="checkbox"/> Natural gas, oil, fracking, oil sands <input checked="" type="checkbox"/> Authoritarian regimes <input checked="" type="checkbox"/> Climate protection - not ratification of the Paris Agreement <input checked="" type="checkbox"/> UN Biodiversity Convention <input checked="" type="checkbox"/> Korruption <input checked="" type="checkbox"/> High military budget <input checked="" type="checkbox"/> Violation of Nuclear Non-Proliferation Agreement				
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## 2. General information about the fund management company

### 2.1. Name of the fund management company that manages the applicant fund(s)

Fund manager:

ARTS Asset Management GmbH  
Schottenfeldgasse 20  
A-1070 Wien  
Tel. +43 1 955 95 96 0  
[www.arts.co.at](http://www.arts.co.at)

Contact:

Michael Schmidt and Christian Wöber  
Tel.: +43 2742 71241 - 22 or - 27  
E-Mail: [pm@arts.co.at](mailto:pm@arts.co.at)

Management company of the fund:

Ampega Investment GmbH  
Charles-de-Gaulle-Platz 1  
D-50679 Köln  
Tel. +49 (221) 790 799 – 0  
[www.ampega.de](http://www.ampega.de)

## **2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?**

ARTS Asset Management GmbH aims to meet the steadily increasing awareness and demand for sustainable investment opportunities by considering sustainability factors in the investment process, thus fulfilling its responsibility towards its clients, partners, and society in general.

ARTS Asset Management GmbH is a company of the C-QUADRAT Investment Group, was founded in 2003 and specializes in the management of quantitative total return strategies. With its mixed funds, ARTS is one of the pioneers of trend following. The total assets under management amount to approximately 2 billion euros. In addition to asset management mandates, the ARTS product range primarily covers 16 flexibly managed funds. The first sustainability fund, C-QUADRAT ARTS Total Return ESG, was launched at the beginning of February 2021.

From the beginning of 2021, investment decisions will take into consideration sustainability factors in addition to market-related return and risk factors. This is intended to ensure that environmental, social, and good governance criteria are also appropriately taken into consideration when assessing investment risks in order, to reconcile the sustainability requirements of target investments with investors' needs for risk diversification and returns.

For this purpose, ARTS cooperates with the renowned analyst firm ISS ESG, which collects 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 preferred and used in the portfolio allocation.

## **2.3. How does the company formalise its sustainable investment process?**

### *Sustainable investment policy*

The fund pursues an active management strategy and does not follow any benchmark. The investment process is based on a quantitative trading approach in accordance with the respective regulations of the investment fund and at the same time adequate consideration of sustainability factors.

The aim is rather to generate an absolute return over the long term according to ethical-sustainable investment criteria. ARTS Asset Management, as a specialist for quantitative trading systems, cooperates with the renowned analyst firm ISS ESG, which is responsible for the sustainability research and provides the investment universe for the strategy. Only stocks from the provided universe are used, i.e. stocks that are in line with the requirements of the Austrian Eco-label and the FNG seal at the time of use.

Similarly, the trend-following trading system seeks to generate positive returns in the long term and to protect its investors from major price drawdowns through active risk management. Investments are made in the strongest trending companies from various sustainable sectors and regions.

The professional total return concept ensures systematic risk management and can participate in the stock market with a quota of up to 100 percent in a positive stock market phase. To limit the risk in negative stock market periods, equities can be reduced, and the equity risk can be hedged down to 0 percent through derivatives, or switched, to less risky ESG bonds or near-money market investments. However, this can also mean that the investor does not participate in the equity income component over a longer period.

#### *Exercise of voting rights*

If the strategy of the ARTS trading system holds shares in the portfolio on the reporting date that certify voting rights, these are exercised via the ISS ESG data provider. This acts as a so-called "Proxy Voting Service Provider" and provides the framework with its ISS benchmark policy. ARTS Asset Management GmbH itself does not have the personnel capacity to be physically represented at the various general meetings. The ISS benchmark policy guarantees global coverage and thus also reflects the geographic orientation of the strategy. Details can be found at <https://www.issgovernance.com/policy-gateway/voting-policies>.

#### **2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?<sup>3</sup>**

Issues such as climate change, equitable access to opportunities and distribution of resources, and the fight against all forms of corruption make sustainability more urgent than ever. After all, companies that pay attention to environmental and social responsibility in their core business and have and implement responsible corporate governance are, in ARTS' view, more forward-looking, more risk-conscious and better managed overall. Thanks to strict screening processes on the part of ISS ESG and a pronounced dialog with the individual companies, an objective and data-accurate analysis is carried out based on ESG criteria. On the one hand, critically regarded industries, such as nuclear power, genetic engineering, weapons, fossil fuels, are sorted out. On the other hand, at least 50% of the worst companies from each sector are excluded (best-in-class approach). The aim is to invest the fund investors' capital as effectively as possible and thus achieve important global sustainability goals.

#### **2.5. How many employees are directly involved in the company's sustainable investment activity?**

ARTS Asset Management works with Institutional Shareholder Service (ISS) ESG in the sustainability area, which is available as a research & proxy voting service provider. ISS ESG is one of the world's leading providers of sustainable investment solutions - and has been

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<sup>3</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

for over 25 years. With more than 400 employees and 180 analysts, ESG compliant company and country ratings are produced. On the ARTS Asset Management side, there is a five-person team that deals intensively with the topic of sustainability.

## 2.6. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input type="checkbox"/> PRI - Principles For Responsible Investment <input type="checkbox"/> SIFs - Sustainable Investment Fora <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Other (please specify)

## 2.7. What is the total number of SRI assets under the company's management?

At the beginning of February 2021, the first pure sustainability fund C-QUADRAT ARTS Total Return ESG was launched. As of December 31, 2022, the AuMs amount to approximately EUR 29.2 million. In the existing mixed funds, ESG criteria have an influence at fund level through the "ESG Fund Rating" provided by ISS ESG (see chapter 2.2). If these are cumulated, the assets under management (total volume) amount to approx. 2. billion EUR.

### 3. General information about the SRI fund(s) that come under the scope of the Code

#### 3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

The C-QUADRAT ARTS Total Return ESG Fund is designed to support companies and states that deal responsibly with environmental, social and governance issues. In doing so, the focus is to be placed on sustainability goals in addition to economic ones. This is combined with the interest in minimizing the damage to society and the environment, with regard, to the selected investments.

ARTS pursues a quantitative management strategy and is not following any benchmark. Rather, by using active equity risk management, the long-term aim is to generate an absolute return according to ethical-sustainable investment criteria.

#### 3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

ARTS Asset Management GmbH obtains its ESG research from an external analysis partner:

Institutional Shareholder Services (ISS) Germany AG, Goethestraße 28, Munich, Germany.  
<https://www.issgovernance.com/esg-de/>

With over 180 sector-specific trained sustainability analysts and longstanding experience and professionalism, ISS ESG produces high-quality and independent sustainability research.

A sustainable approach is pursued:

- Systematic, global monitoring - Media and other stakeholder sources are constantly monitored to identify company involvement in controversial activities in a timely manner.
- Research & Dialog - Exchanges with companies and owners guarantee a careful review of facts and are a crucial part of the research process; with a strong focus on the ESG measures set in each case.
- Quality Assurance - Sustainability reports are prepared and reviewed by thematic experts and the company's compliance with recognized standards on environmental protection, human rights, labor standards and anti-corruption is assessed.

Sustainability standards (exemplary):

- OECD Guidelines on multinational enterprises
- UN Global Compact - Initiative for Responsible Corporate Governance
- UN Guiding Principles on Business and Human Rights
- Sustainable Development Goals (SDG) - goals for sustainable development (agenda 2030)

### 3.3. What ESG criteria are taken into account by the fund(s)?

#### Norm-Based Research

Under the Norm-Based Research approach, ISS identifies and evaluates ESG allegations when companies do not adhere to global standards as defined in relevant international initiatives and guidelines. Norm-Based Research assesses individual company violations; violations may be associated with a specific site or project or may affect the entire company. The combination of individual Norm-Based Research signals and assessments provides insight into a company's overall ability to avoid, manage or mitigate environmental and social controversies. It also focuses on dialog with companies and stakeholders and aims to validate facts or refute unfounded allegations. As part of this dialog, the company is presented with the allegation and given the opportunity to comment before the results of the investigation are published.



Analysis results are categorized and presented according to the traffic light system and ISS ESG 10-1 rating scores.

- Implementation of controversies and
- voting support and commitment

#### BENCHMARK SIGNALS & SCORES

10	Verified Failure
9	Imminent Failure
8	Alleged Failure
7	Verified Failure, Undergoing Remediation
6	Fragmentary Information
5	Under Observation
4	Undergoing Remediation
3	Involvement Beyond Scope
2	Past Involvement
1	No Allegation

Controversy criteria according to UZ49: these include among others:

*(1) At company level*

- Nuclear power: construction and operation of nuclear power plants, production and supply of nuclear components required for nuclear power generation, uranium mining and energy generation
- Armaments: production of conventional and/or controversial armaments and trade in them
- Fossil fuels: production of coal, natural gas, and petroleum, refining of coal and petroleum, power generation from coal and petroleum
- Genetic technology: cultivation and marketing of genetically manipulated organisms and products (green genetic engineering) as well as gene therapy on germ line cells, cloning procedures in the human sector and human embryo research (red genetic engineering)

Also, companies with one or more of the following business practices will be excluded from an investment:

- Systematic, serious, and persistent violations of human or labor rights (especially in connection with risk industries, risk activities and risk areas).
- No commitment of the company policy to the minimum standards of the International Labor Organization (ILO) regarding child labor, forced labor, freedom of association and discrimination, or demonstrable systematic violation thereof.

*(2) For states and public issuers.*

The investment policy, selection criteria, survey, evaluation, and selection process of sustainable investment products shall be designed to exclude issuers to which at least one of the following applies from an investment:

*(a) Political and social standards*

- States that violate fundamental rights regarding democracy and human rights.
- States in which the death penalty is applied.
- States with particularly high military budgets.

*(b) Environmental standards*

- States without targets and measures for the reduction of greenhouse gases and for the protection of species
- States with expansive policies regarding the expansion of nuclear energy

Controversy criteria according to FNG (minimum standards)

*(1) At company level*

- UN Global Compact (human & labor rights, environmental protection, corruption)
- Weapons & armaments
- Nuclear power (incl. uranium mining)
- Coal (mining & significant power generation)
- Fracking & oil sands

(2) *For states*

- Human Rights / Democracy
- UN Biodiversity Convention
- Corruption
- Violation of Nuclear Non-Proliferation Treaty

**Implementation by ISS ESG**

ISS ESG also considers a combination of the two seal controversy criteria listed above (UZ49 and FNG) when determining the basic sustainable universe made available for investing.

Company-side implementation

In addition to the defined controversy criteria at the level of human rights, child labor, labor law in general, environmental standards and corporate codes of conduct, the following filter criteria are also applied in the areas of "controversial business areas":

- Firearms
  - Production and service: max. 5% of sales
  - Distribution: max. 5% of sales
- Controversial weapons
  - o Excluded
- - Fossil fuels
  - o *Coal*:
    - Production, extraction: max. 5% of sales
    - Energy production: max. 5% of sales
    - Other use: max. 5% of sales
  - o *Oil*
    - Production, extraction: max. 5% of sales
    - Energy production: max. 5% of sales
    - Other use: max. 5% of sales
  - o *Natural gas*
    - Production, extraction: max. 5% of revenue
  - o *Unconventional extraction methods*
    - Hydraulic fracking: max. 5% of sales (high volume involvement)
    - Hydraulic fracking: max. 5% of sales (Total)
    - Oil sands production: max. 5% of sales
    - Oil sands service: max. 5% of sales
- Genetic engineering
  - Agriculture Production: max. 5% of sales
  - Agriculture Distribution: no involvement
- - Military
  - Production and service: max. 5% of sales
  - Distribution: max. 5% of sales

- Nuclear power
  - Power generation Production: max. 5% of sales
  - Uranium production: max. 5% of sales
  - Service: max. 5% of sales
- Stem Cell Research
  - On embryos
    - o Excluded
  - Cloning procedures
    - o Excluded
  - In this context, also contract research
    - o Excluded

#### Implementation at state level

States related to conduct below:

- Authoritarian regimes
  - Non-free states
    - o Excluded
- Non-compliance with UN Convention on Biological Diversity
  - o Excluded
- Child labor
  - o Excluded
- Climate protection
  - Non-ratification of the Paris climate protection agreement
    - o Excluded
- Corruption
  - Corruption perception index < 40
    - o Excluded
  - Corruption perception index < 30
    - o Excluded
- Death penalty
  - o Excluded
- Discrimination
  - o Excluded
- Freedom of assembly
  - o Excluded
- Freedom of speech and press
  - o Excluded

- Labor rights
  - o Excluded
- Military budget
  - More than 4% of GDP
  - o Excluded
- Nuclear energy
  - More than 10% TPES (total primary energy supply) and no decision on nuclear energy withdrawal and no nuclear moratorium.
  - o Excluded
- Nuclear weapons
  - Non-signatories to the Nuclear Non-Proliferation Treaty.
  - Excluded

### **3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?<sup>4</sup>**

The screening provides information for a detailed climate risk assessment on emitters involved in certain energy and power generation activities, including fossil fuel exploration, production, and distribution; energy infrastructure development and related services; and fossil fuel, nuclear, and renewable power generation. The screening also identifies companies' involvement in certain controversial extraction techniques.

#### **Available screens**

- Nuclear power
- Drilling in the Arctic
- CO<sup>2</sup> reserves
- Fossil fuels
- Fracking
- Coal mining
- Power generation
- Shale gas and oil
- Deep sea drilling

Fossil fuel risk sectors include, among others, Oil & Gas Production, Oil & Gas Pipelines, Oil Refining/Marketing, Integrated Oil Companies, Coal, Other Metals/Minerals, Steel, Utilities, Ocean Shipping, Gas Distributors, Industrial Conglomerates.

Risk sectors with respect to power generation include, among others, power generators, power traders, power utilities, renewables, multi-utilities, industrial power conglomerates.

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<sup>4</sup> Reference to Article 173 of the French TECV Act, see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):

<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

**3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?**

Investment universe

In a first step, the basic universe is subjected to a so-called best-in-class filter. For this purpose, ISS ESG compiles sustainability ratings of all companies; so-called "ESG Corporate Ratings". Based on this data, ARTS internally determines the tradable universe, first applying a best-in-class filter (for more information, see 4.1. Best-in-class approach) and then the respective controversy criteria (for more information, see 3.3. controversy criteria UZ49 and FNG). The best-in-class approach identifies the best companies in a sector or category, i.e. those with the highest environmental, social and ethical standards in a sector comparison. To arrive at the final universe, **hard controversy criteria** are applied in a second step and controversial company stocks are removed.

The Fund additionally considers adverse impacts of investment decisions on sustainability factors based on the following Principals of Adverse Impact ("PAI") under the Disclosure Regulation in various ways in portfolio allocation and selection.

For this, companies are identified that are active in certain "sensitive" industries and are involved in the production or distribution of specific products and services. The selection is made in accordance with the criteria of the Austrian Eco-label (UZ49 for short) as well as the FNG seal (minimum standards).

The ARTS trading system then selects the potentially strongest candidates from the remaining investment universe (step 3) and includes them in the portfolio after a corresponding review process.

In addition, bond issues by nations (sovereigns) are also available. These are also filtered according to the above process, with around 20 countries whose issues meet the requirements, remaining in the investment universe for possible investments. Furthermore, up to 10% of the fund assets may be invested in other UCITS-eligible investment funds, but only if these also meet the requirements of UZ49.

**3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

The rating of the companies is reviewed on an ongoing basis and the potential investment universe is made available on monthly basis by the analyst firm ISS ESG in the form of a master file. If a security no longer meets one of its "requirements" (best-in-class or controversial screening), it loses its tradability and is therefore no longer available to the selection universe. Causes for the loss of tradability of a security (stock) can be either a so-called "downgrading", i.e. a deterioration in the sector ranking, or as a result of a violation (controversy) uncovered in the course of the ongoing "controversial screening".

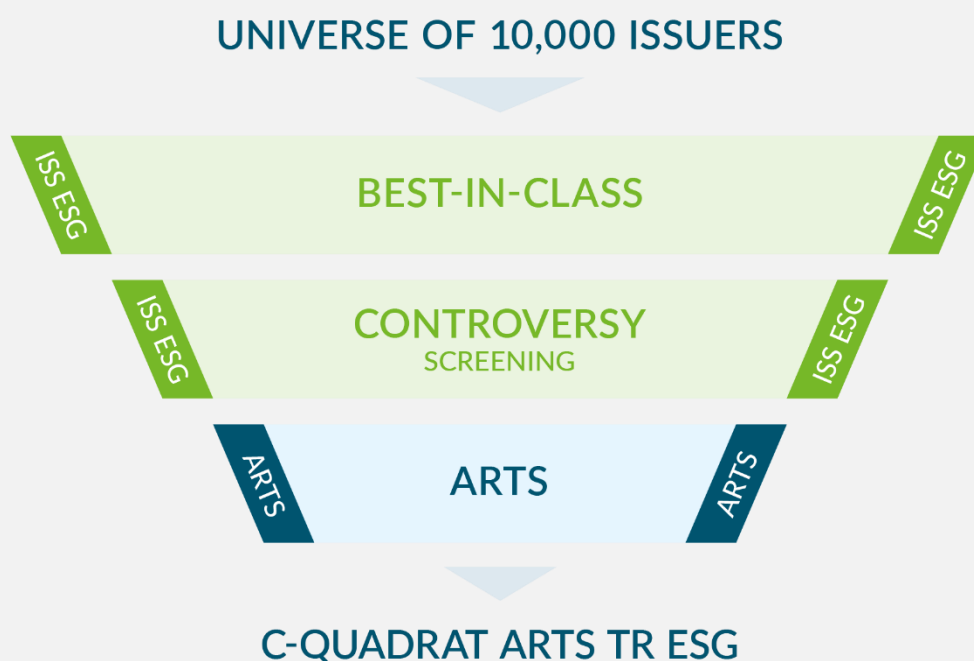
In the event, that ISS ESG excludes a security from the current portfolio due to a negative development, this security must be sold from the portfolio immediately, taking into consideration the current market situation, but at the latest within 90 days.

Investments in companies related to banned weapons (according to "Ottawa Convention", "Oslo Convention" and the UN conventions "UN BWC", "UN CWC") are not made.

#### 4. Investment process

##### 4.1. How are the results of the ESG research integrated into portfolio construction?

The ESG "Corporate" rating of over 10,000 issuers is carried out by ISS ESG on the basis of strict sustainability criteria. Thanks to strict screening processes and pronounced dialog with the individual companies, there is an objective and data-accurate analysis based on ESG criteria.



- 1) **Best-in-class approach** - at least 50% of the worst companies from each industry are removed (see also 3.5.). This approach aims to invest in the "best in class" of an industry, i.e. in those companies whose social and ecological commitment is above average. No industry is avoided as a matter of principle.

The data provided by ISS ESG includes sustainability ratings of all companies, so-called "ESG Corporate Ratings" as well as a performance score and master data such as name, ISIN, industry group (sector) and more. These are continuously reviewed and made available on monthly basis in the form of master files. These master files, which include the controversial screening according to FNG and according to the guidelines of the UZ49, are subsequently processed automatically by ARTS and imported into a data structure. Thereafter, the relative best-in-class approach is defined as follows:

- a) The universe is sorted by ESG rating and ESG performance score, here applies the higher the better
  - b) Then grouped by industry (sector)
  - c) Within each industry group, each issuer is assigned a rank (industry ranking), the higher the better
  - d) Only those companies within an industry are admitted whose ranking is greater (and therefore better) than the median ranking; the remaining companies are filtered out. The median ranking is always rounded up conservatively to the nearest integer. Special cases, when two issuers with the same rating and score are in the median, are thus also sorted out and fall out of the universe. This ensures that at least 50% of companies in an industry are eliminated at any given time.
  - e) Once the universe has been finalized, it is archived in the database and thus historically documented. This means that the data can also be retrieved transparently and comprehensibly at later points in time.
- 2) **Controversy criteria** - by applying a standards-based selection process. Critical corporate sectors such as nuclear power, genetic engineering, weapons, fossil fuels as well as labor rights violations and child labor are excluded. The same applies to states and public issuers if they violate fundamental rights regarding democracy & human rights or environmental standards, etc. (see also 3.3.).
- 3) **ARTS trading logic** - from the pre-filtered universe, the ARTS trading system selects the potentially strongest trending stocks and includes them in the portfolio after a corresponding review process. In addition to tradability, market capitalization and other factors such as conversion costs are taken into consideration. Both corporate stocks and bond issues by nations (sovereigns) are available for selection. However, just because a company meets the sustainability criteria, it is not automatically risk-free and immune from price declines. Therefore, the C-QUADRAT ARTS Total Return ESG Fund combines sustainability aspects with active management in order, to be able to react quickly to changes in the market and to adjust the asset allocation accordingly on the one hand and to limit losses in difficult stock markets by reducing the equity risk on the other hand.

Schematic chart of ESG equity risk:



No indications of future performance or hedging measures can be derived from this schematic chart.

The professional total return concept ensures systematic risk management and can participate in the stock market with a quota of up to 100 percent in a positive stock market phase. To limit the risk in negative stock market periods, the equities can be reduced, and the equity risk can be hedged down to 0 percent through derivatives or switched to less risky ESG bonds or near-money market investments. This may mean, however, that the investor does not participate in the equity income component over a longer time-period.

All investment decisions are made on the basis, of a proprietary trading system using complex mathematical algorithms and are therefore independent of human emotions such as fear or greed. Investments are made systematically, according to technical or quantitative criteria, in those industries or sectors that show a positive trend behaviour in the short to medium term.

#### **4.2. How are the criteria specific to climate change integrated into portfolio construction?**

When investing the fund assets, the greenhouse gas emissions, climate targets, measures and strategies for reducing emissions of the respective issuers, as specified in the following paragraphs, are applied as a basis.

The following are considered

- the CO2 footprint,
- the activity of the companies with regard to fossil fuels,
- the share of consumption and generation of non-renewable energy,
- the intensity of energy consumption per sector with high climate impact.

As a basis for the consideration of the above characteristics, the data available on the market is used for this purpose.

See point 3.3. and 3.4.

#### **4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?**

In principle, no investments are made in issuers for which no ESG analysis or ESG rating is available.

#### **4.4. Has the ESG evaluation or investment process changed in the last 12 months?**

No, the fund was only converted to ESG as of 01.02.2021.

#### **4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?**

No.

**4.6. Does (do) the fund(s) engage in securities lending activities?**

No.

**4.7. Does (do) the fund(s) use derivative instruments?**

In this strategy, derivative financial instruments in the form of index futures contracts may be used purely for hedging purposes. They primarily serve the purpose of minimizing risk and reducing the global net equity risk. This is to allow a net equity exposure of less than 51%. Index futures are used whose underlying securities comply with the UCITS regulations, particularly with §73 InvFG.

**4.8. Does (do) the fund(s) invest in mutual funds?**

Yes, the use of investment funds within the meaning of the UCITS Directive pursuant to § 2 (1) and (2) in connection with § 50 InvFG is permitted up to a maximum of 10%. This is to provide an additional possibility for short-term liquidity management of the fund. If required, only already certified UZ49 funds are used.

**5. *ESG controls***

**5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?<sup>5</sup>**

The ongoing analysis and evaluation of ESG criteria by the external service provider ISS ESG is an integral part of the fund manager's selection process. This ensures that the investment policy stated in the sales prospectus as well as the defined ESG criteria are consistently met and that only securities that are sustainability-oriented are included in the portfolio.

The composition of the predefined investment universe is continuously monitored and provided to ARTS Asset Management on monthly basis. Companies are carefully filtered according to the best-in-class approach as well as according to the defined controversy criteria.

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<sup>5</sup> Reference to Article 173 of the French TECV Act, see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):  
<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

Compliance with the above process and the investment policy set out in the sales prospectus is also continuously monitored by the capital management company (KVG), Ampega Investment GmbH, Cologne.

## 6. Impact measures and ESG reporting

### 6.1. How is the ESG quality of the fund(s) assessed?

The ESG assessment is carried out by ISS ESG taking into consideration recognized standards and norms, such as the UN Global Compact, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (United Nations' Protect, Respect and Remedy Framework).

The quality is measured on the one hand by the fund's ESG average rating compared with the benchmark and on the other hand by compliance with the controversy criteria.

ISS ESG Assessment Process:



### 6.2. What ESG indicators are used by the fund(s)?<sup>6</sup>

ISS ESG's "Norm-Based Research Tool" identifies and provides higher-level signals, scores and granular data points via detailed company reports and data feeds (NGO reports, etc.).

For detailed information see also points 3.3., 3.5. as well as 4.1.

### 6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Investors have the opportunity, to find out more about the fund's sustainability management on the website <https://www.arts.co.at/en/ESG>. In addition to the "Sales Prospectus", the "Annual and Semi-Annual Reports" of the fund, the corresponding "Basic Information Document (PRIIPs-KID)" and daily updated factsheets are available. Furthermore, a complete portfolio list of the individual positions in the C-QUADRAT ARTS Total Return ESG Fund is made available on monthly basis, which is intended to provide investors with a clear picture of the

<sup>6</sup> Reference to Article 173 of the French TECV Act

sustainable investment strategy. In addition, sustainability short profiles of the TOP 5 positions in the portfolio are described under "Asset Allocation/Sustainability Comments".

Information is available at:

<https://www.arts.co.at/en/Funds/Fund/AT0000618137>

An information brochure or a monthly fund report can be requested by the investor.

**Sustainability-related disclosures** pursuant to Art. 10 of Regulation (EU) 2019/2088 in conjunction with Art. 23 to 36 of Delegated Regulation (EU) 2022/1288 may also be requested at

[https://www.ampega.de/fileadmin/mediapool/fonds/Import/NBO/3310\\_NBO\\_Nachhaltigkeitsbezogene-Offenlegung.pdf](https://www.ampega.de/fileadmin/mediapool/fonds/Import/NBO/3310_NBO_Nachhaltigkeitsbezogene-Offenlegung.pdf).

**6.4. Does the fund management company publish the results of its voting and engagement policies?<sup>7</sup>**

Voting rights are exercised through ISS ESG. This acts as a proxy voting service provider and provides the framework with its ISS benchmark policy. The ISS benchmark policy guarantees global coverage and thus also reflects the geographic focus of the strategy. When exercising voting rights, the ESG criteria defined in the investment strategy are tracked and included in proposed resolutions for general meetings in order to incorporate these sustainability factors into voting behavior.

Details can be found at <https://www.issgovernance.com/policy-gateway/voting-policies>

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<sup>7</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE

EUROSIF AND THE NATIONAL SUSTAINABLE INVESTMENT FORUMS (SIFs) COMMIT TO THE FOLLOWING:

- Eurosif is responsible for the administration and publication of the Transparency Code.
- For Germany, Austria, Liechtenstein and Switzerland, the registered association “Sustainable Investment Forum” (Forum Nachhaltige Geldanlagen “FNG” e.V.) is the central contact.
- Eurosif and the FNG publish the answers to the Transparency Code on their websites.
- Eurosif, in cooperation with the FNG, awards a "transparency logo" to those funds that comply with the code and have submitted a corresponding response. The logo can be used for promotional purposes, following the instructions from the logo specification manual, and keeping the code up to date. The code must be updated annually.
- Eurosif is committed to revising the code on a regular basis. This process will be open and inclusive.

## EUROSIF

Eurosif - short for European Sustainable and Responsible Investment Forum - is a pan-European association dedicated to promoting sustainability through Europe's financial markets.

Eurosif functions as a partnership of European national Sustainable Investment Forums (SIFs) with the support and participation of its members. Members cover all sectors along the sustainable finance value chain. Additional members come from countries where no SIF exists.

Institutional investors are represented as well as asset managers, investment managers, sustainability research agencies, academic institutes, and non-governmental organizations. Through its members, Eurosif represents approximately one trillion euros in assets. Eurosif membership is open to all organizations in Europe that are committed to sustainable investment.

Eurosif is recognized as an important voice in the field of sustainable and responsible investment. Its areas of activity include public policy, research, and platform development to promote best practices in sustainable investing. For more information, visit [www.eurosif.org](http://www.eurosif.org).

Currently, the national Sustainable Investment Forums (SIFs) include:

- Dansif, Denmark
- Finsif, Finland
- Registered Association Forum Nachhaltige Geldanlagen\* (FNG) e.V., Germany, Austria, Liechtenstein and Switzerland
- Forum per la Finanza Sostenibile\* (FFS), Italy
- Forum pour l'Investissement Responsable\* (FIR), France
- - Norsif, Norway
- - Spainsif\*, Spain
- - Swesif\*, Sweden
- - UK Sustainable Investment and Finance Association\* (UKSIF), Great Britain
- - Vereniging van Beleggers voor Duurzame Ontwikkeling \* (VBDO), Netherlands

\*Member of Eurosif

You can reach, Eurosif at +32 2 743-2947 or by email at [contact@eurosif.org](mailto:contact@eurosif.org) .

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1030, Schaerbeek

## **FNG**

The Forum Nachhaltige Geldanlagen (FNG), the professional association for sustainable investments in Germany, Austria, Liechtenstein and Switzerland, represents more than 190 members who are committed to greater sustainability in the financial sector. These include banks, investment companies, rating agencies, financial advisors, and academic institutions. The FNG promotes dialogue and information exchange between business, science and politics and has been campaigning for improved legal and political framework conditions for sustainable investments since 2001. The FNG awards the transparency logo for sustainable mutual funds, publishes the FNG Sustainability Profiles and the FNG Matrix, and is a founding member of the European umbrella organization Eurosif.

You can reach the Forum Nachhaltige Geldanlagen at +49 (0)30 264 70.544 or at [office@forum-ng.org](mailto:office@forum-ng.org) .

Forum Sustainable Investments e.V.

Rauchstr. 11

D-10787 Berlin

For more information on Eurosif and the European Transparency Code for Sustainability Funds, please visit [www.eurosif.org](http://www.eurosif.org) and [www.forum-ng.org](http://www.forum-ng.org) .

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