

# ANNEX D

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: C-QUADRAT ARTS Total Return ESG

Legal entity identifier: 529900R7GX3HX07QCZ36

## Environmental and/or social characteristics

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

**Yes**
   **No**

<p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: __%</p> <p><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: __%</p>	<p><input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 1% of sustainable investments</p> <p><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input checked="" type="checkbox"/> with a social objective</p> <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>
--	--



**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

## What environmental and/or social characteristics are promoted by this financial product?

In addition to financial performance, the following environmental and social characteristics are taken into account when selecting assets:

- **Environmental:** Avoidance of climate transition risks, conservation of flora and fauna, protection of natural resources and the atmosphere, limitation of soil degradation and climate change, avoidance of interference with ecosystems and losses of biodiversity.
- **Social:** Universal human rights, prohibition of child labour and forced labour, compliance with the principles of equal treatment, fair working conditions and appropriate remuneration.
- **Governance:** Compliance with business ethics and anti-corruption principles in accordance with the UN Global Compact, principles of corporate governance and regulations for the prevention of money laundering and terrorist financing.

No reference benchmark (index) has been specified to attain the environmental or social characteristics promoted by the financial product.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

Assets are selected using a customised quantitative sustainability assessment developed in-house based on multiple ESG data.

As part of the environmental-social-governance analysis to determine the most sustainable companies in different sectors of the economy, the following indicators from external data providers are used, amongst others.

Indicator	ISS ESG Performance Score
<b>Description</b>	A company's ESG performance is assessed using a standard set of more than 700 cross-sector indicators, supplemented by 100 sector-specific indicators to capture a company's key ESG challenges. Four to five key issues are identified for each sector. To ensure that performance on these key issues is appropriately reflected in the overall rating results, their weighting accounts for at least 50% of the overall rating. The level of industry-specific E, S and G risks and impacts determines the respective performance requirements: A company in a high-risk industry must perform better than a company in a low-risk industry to receive the same rating. Each ESG company rating is complemented by an analyst opinion which provides a qualitative summary and analysis of the key rating findings across three dimensions: sustainability opportunities,

sustainability risks and governance. To ensure high-quality analyses, indicators, rating structures and results are regularly reviewed by an internal methodology board at the external data provider. In addition, the methodology and results are regularly discussed at the data provider with an external rating committee composed of highly recognised ESG experts.

<b>Methodology</b>	The ESG performance score is the numerical representation of the alphabetical ratings (A+ to D-) on a scale of 0 to 100. All indicators are rated individually based on clearly defined absolute performance expectations. Based on the individual scores and indicator level weightings, the results are aggregated to provide theme-level data and an overall score (performance score). 100 is the best score, 0 the worst.
<b>Indicator</b>	Sustainalytics ESG Risk Score
<b>Description</b>	The ESG risk rating assesses corporate actions and industry-specific risks in the environmental, social and governance areas. The assessment is carried out in relation to factors identified as Material ESG Issues (MEIs) of an industry, such as environmental performance, resource conservation, human rights compliance, supply chain management. The assessment framework comprises 20 MEIs which are made up of more than 250 indicators. For each industry, three to eight of these issues are usually relevant.
<b>Methodology</b>	The scale ranges between 0 and 100 points (scores). 0 is the best rating, 100 the worst. The companies are grouped into five risk categories based on their scores, starting with the lowest risk "Negligible" (0 to 10 points) up to "Severe" (more than 40 points), the worst rating. Companies are thus also comparable across different sectors.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Sustainable investments according to Art. 2 no. 17 of the Disclosure Regulation are investments in economic activities that contribute to reaching an environmental or social goal.

Sustainable investments are classified as contributing to the 17 Sustainable Development Goals of the United Nations. The 17 Sustainable Development Goals ("SDGs") are policy goals of the United Nations ("UN") to ensure sustainable development at the social and environmental levels worldwide. Corresponding environment or social goals include the promotion of renewable energies and sustainable mobility, the protection of water and soils and access to education and health.

A strategy aligned with the SDGs invests in issuers that offer solutions to the world's challenges and contribute to reaching the environmental and social goals set out in the UN SDGs as well as in project-linked investments (e.g. Green & Social Bonds) whose proceeds are used for eligible environmental and social projects or a combination of both.

The SDG Solutions Assessment (SDGA) measures the positive and negative sustainability impacts of companies' product and service portfolios. It follows a thematic approach that includes 15 different sustainability goals and uses the Sustainable Development Goals of the United Nations (UN) as a reference framework. For each thematic assessment, the share of a company's net sales achieved with relevant products and services is quantified per sustainability goal on a scale ranging from -10.0 to 10.0.

This scale distinguishes between a total of 5 levels, which are differentiated as follows; -10.0 to -5.1 ("Significant obstruction"), -5.0 to -0.2 ("Limited obstruction"), -0.1 to 0.1 ("No (net) impact"), 0.2 to 5.0 ("Limited contribution") and 5.1 to 10.0 ("Significant contribution").

In an aggregation model to an Overall SDG Solutions Score (i.e. an overall superordinate SDG score of the company), only the most pronounced individual values are taken into account (i.e. the highest positive and/or the lowest negative value). This approach is in line with the general understanding of the UN goals, which do not provide for a normative preference for one goal over another. A company is only assessed as sustainable if its Overall SDG Solutions Score is greater than five and thus also makes a significant contribution to a sustainability goal and does not significantly affect any other environmental or social goal. This ensures that none of the environmental and social goals mentioned in Art. 2 Item 17 of the Disclosure Regulation or in Art. 9 of Regulation (EU) 2020/852 ("Taxonomy Regulation") is significantly impaired (Do Not Significant Harm principle).

The assessment of the investments is based on information from specialised external data providers as well as on our own analyses. The total, aggregated impact of the issuers' product and service portfolio on the reaching of environmental or social goals is assessed.

The contribution to the following goals is considered:

**Ecological goals:**

Sustainable agriculture and forestry, water saving, contribution to sustainable energy use, promotion of sustainable buildings, optimisation of material use, mitigation of climate change, conservation of marine ecosystems, conservation of terrestrial ecosystems.

### Social goals

Alleviating poverty, combating hunger and malnutrition, ensuring health, providing education, achieving gender equality, providing basic services, securing peace.

The sustainable investments do not contribute to the environmental objectives in economic activities that are categorised as environmentally sustainable according to the EU Taxonomy.

#### Principal adverse impacts

are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

#### ● How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

In the section “Does this financial product take into account the main adverse effects on sustainability factors?”, exclusion criteria are defined in order to exclude from the outset those issuers that take insufficient account of sustainability (“ESG”) principles. This ensures that none of the environmental and social goals mentioned in Art. 2 no. 17 of the Disclosure Regulation or the environmental goals mentioned in Art. 9 of Regulation (EU) 2020/852 (“Taxonomy Regulation”) are significantly affected.

#### — How have the indicators for adverse impacts on sustainability factors been taken into account?

In the section “Does this financial product take into account the main adverse effects on sustainability factors?”, exclusion criteria are defined in order to exclude from the outset those issuers that take insufficient account of sustainability (“ESG”) principles. This ensures that none of the environmental and social goals mentioned in Art. 2 no. 17 of the Disclosure Regulation or the environmental goals mentioned in Art. 9 of Regulation (EU) 2020/852 (“Taxonomy Regulation”) are significantly affected.

#### — How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

As part of the selection of assets, it is checked whether the generation of profits is in line with the United Nations Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises. The company is also a signatory to the Principles for Responsible Investment (PRI) and is thus committed to the expansion of sustainable investments and to compliance with the six principles for responsible investment established by the UN.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

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.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, the fund considers adverse impacts of investment decisions on sustainability factors based on the following Principles of Adverse Impact (“PAI”) under the Disclosure Regulation in different ways in portfolio allocation and selection.

Basically, PAIs are understood to be material or potential material adverse impacts on sustainability factors that result from, worsen, or are directly related to investment decisions. Specifically, PAIs include standard environmental, social and governance factors and provide information on the extent to which investment objects may have a negative impact on these components. The PAIs are 64 indicators defined by the EU for which the Disclosure Regulation provides both narrative and quantitative disclosure requirements for financial market participants. Of the total 64 indicators, 18 are reportable and relate to greenhouse gas emissions, biodiversity, water, waste and social aspects regarding companies, states and real estate investments. Reporting on the remaining 45 indicators is voluntary, with 22 indicators covering additional climate and other environmental aspects and the remaining 24 indicators covering social and labour factors, respect for human rights and anti-corruption and anti-bribery.

When investing the fund’s assets, the greenhouse gas emissions, climate targets, measures and strategies for reducing emissions of the respective issuers, as specified in the following paragraphs, are taken as the basis. The carbon footprint, the fossil fuel activity of the companies, the share of consumption and generation of non-renewable energy, the intensity of energy consumption per sector with high-climate impact are taken into account. The data available on the market is used as the basis for taking the aforementioned characteristics into account.

Investments in companies that generate more than 10% of their turnover from energy production or other use of fossil fuels (excluding gas and nuclear power) are excluded. The same applies to issuers that generate a share of turnover of more than 10% from the extraction of coal and crude oil. No investment is made in companies that generate more than 10% of their turnover from oil sands and oil

shale cultivation, exploration and services. Companies that violate the UN Global Compact are considered non-investable. In addition to human rights, labour standards and measures to prevent corruption, these principles also incorporate the precautionary principle in dealing with environmental problems, particularly in relation to biodiversity, water consumption and waste. Furthermore, the UN Global Compact Principles include criteria against discrimination and measures to promote equal opportunities & diversity. A human rights controversy or a controversy in the area of labour rights exists in particular if a company demonstrably or presumably disregards generally accepted norms, principles and standards for the protection of human rights to a significant degree in its sphere of activity. The topics of forced labour, child labour and discrimination are also covered in this context. Assessment guidelines for controversies in the area of environmental problems include the principle of best available technology (BAT) as well as international environmental legislation. Investments in companies related to banned weapons (according to the “Ottawa Convention”, “Oslo Convention” and the UN Conventions “UN BWC”, “UN CWC”) are not made. When investing in states, countries with a low sustainability rating (countries that fall into the last category in the ranking of recognised data providers and thus have a serious risk to the long-term well-being of the country) are excluded. The country risk score covers 170 countries and is based on more than 40 indicators taken from the World Bank or the United Nations, amongst others. Taking into account ESG performance, ESG trends and current events, the risk to a country’s long-term prosperity and economic development is measured by assessing its assets – natural, human and institutional capital – and its ability to manage its assets sustainably.

Please refer to the fund’s annual report in the “Additional information – information on transparency in accordance with Regulation (EU) 2020/852 or information in accordance with Art. 11 of the Disclosure Regulation” section for further information.

No



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### What investment strategy does this financial product follow?

C-QUADRAT ARTS Total Return ESG aims for dynamic capital growth. The fund pursues an active management strategy and is not based on any benchmark. Rather, the aim is to generate absolute value growth over the long term in accordance with ethical and sustainable investment criteria.

The assets are initially selected according to the so-called better-than-average approach. The aim is to select those companies and countries from the investment universe that deliver above-average sustainability performance. According to this principle, the company within a sector as well as the countries are directly compared with each other and checked for their sustainability. Preference is always given to those investment objects that meet the sustainability criteria of Environmental, Social and Governance (“ESG”) above average, i.e. are better than average (“better than average”).

This means that the following ESG criteria, for example, are taken into account in addition to financial performance when selecting assets:

The selection process is based on an assessment of ESG scores and a rating comparison. Taking the above criteria into account, the management company does not acquire a fixed selection of assets within an industry or sector, but may overweight or underweight individual industries or sectors. This may result in individual industries or sectors not being taken into account in the selection of assets while a large number of assets are selected from other industries or sectors in the event of a correspondingly positive assessment by the management company.

Investment units are considered eligible for investment if they are managed with due regard to sustainability characteristics. For this purpose, investments are made on the basis of internal research and analyses or using ESG ratings in target funds that satisfy the sustainability characteristics defined by the company and the target funds are oriented towards exclusions specified in the sales prospectus.

In the sustainability analysis of public issuers, compliance with democracy and human rights is checked in particular.

Bank deposits are excluded from the better-than-average approach.

Specifically, investment in companies follows the guiding principle of positive criteria. This means that the higher the ESG score for a company, the more positive it is in terms of sustainability. In this way, sectors can be selected independently of the allocation (typically determined via negative criteria) via a positive ESG selection. This leads to the invested portfolio showing a positive ESG attribution compared to the investment universe. In particular, a large number of criteria for ESG quality are used as a basis for quantification in the ESG performance score (from 0 (lowest level) to 100 (highest level)). The sustainability profile of the invested portfolio should be above 50. This is to ensure that the invested portfolio is positioned above average with regard to the sustainability criteria ("better than average").

According to the better-than-average selection process, a minimum share defined in #1A (see illustration in section "What is the asset allocation planned for this financial product?") is invested in issuers that offer solutions to the world's challenges and contribute to achieving the environmental and social objectives set out in the UN SDGs as well as in project-linked investments (e.g. green & social bonds), the proceeds of which are used for eligible environmental and social projects or a combination of both.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Investments in companies that generate more than 10% of their turnover from energy production or other use of fossil fuels (excluding gas and nuclear power) are excluded. The same applies to issuers that generate a share of turnover of more than



10% from the extraction of coal and crude oil. No investment is made in companies that generate more than 10% of their turnover from oil sands and oil shale cultivation, exploration and services. Companies that violate the UN Global Compact Principles are considered non-investable. The topics of forced labour, child labour and discrimination are also covered in this context. Assessment guidelines for controversies in the area of environmental problems include the principle of best available technology (BAT) as well as international environmental legislation. Investments in companies related to banned weapons (according to the “Ottawa Convention”, “Oslo Convention” and the UN Conventions “UN BWC”, “UN CWC”) are not made. When investing in states, countries with a low sustainability rating are excluded. The country risk score covers 170 countries and is based on more than 40 indicators taken from the World Bank or the United Nations, amongst others. In addition, states violating the “Freedom House Index” are excluded.

The fund also aims to make sustainable investments of 1%. According to Art. 2 Item 17 of the Disclosure Regulation, sustainable investments are investments in economic activities that contribute to reaching an environmental or social goal.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not relevant for this fund.

- **What is the policy to assess good governance practices of the investee companies?**

Companies are covered which, in the course of their business, comply with the governance aspects set out in Art. 2 no. 17 of Regulation (EU) 2019/2088 (“Disclosure Regulation”). This only includes companies that apply governance practices, in particular with regard to sound management structures, employee relations, employee remuneration and tax compliance.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



## What is the asset allocation planned for this financial product?

The assets of the fund are divided into different categories in the chart below. “Investments” covers all assets that can be acquired for the fund.

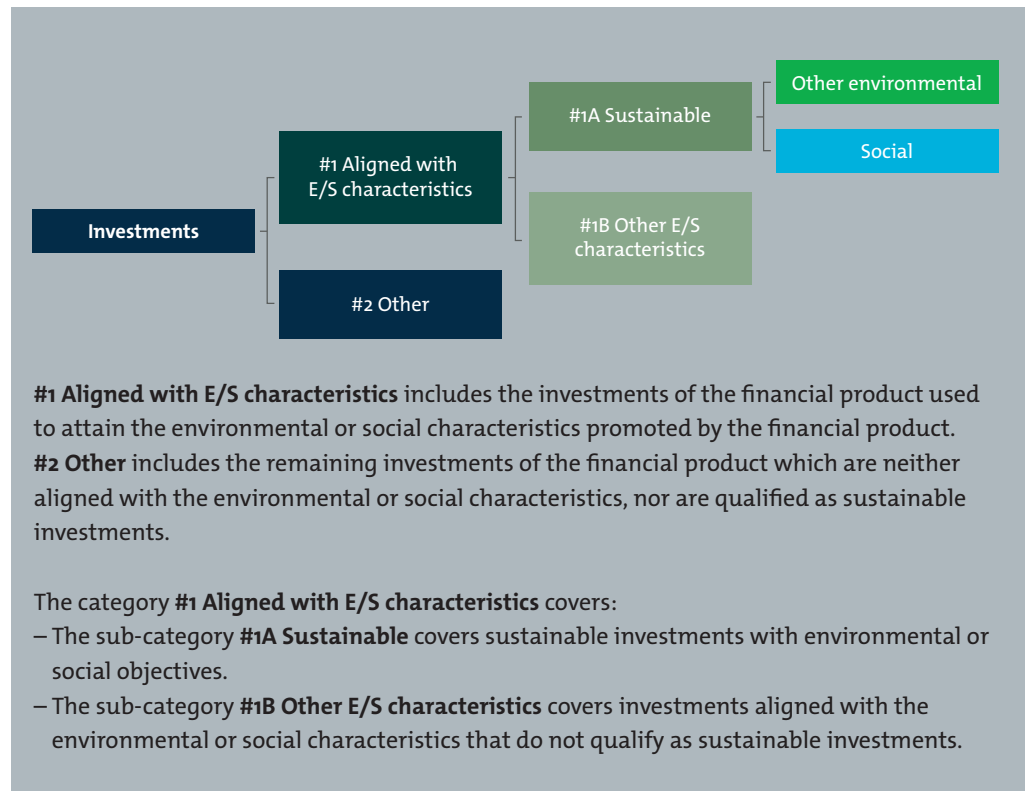
Category “#1 Aligned with ecological or social characteristics” comprises those assets that are transacted within the framework of the investment strategy to achieve the promoted ecological or social characteristics. The minimum proportion of investments made to meet the promoted environmental or social characteristics is 51%.

Category “#2 Other investments” includes, for example, derivatives, bank deposits or financial instruments for which there is not enough data to be able to assess it for the sustainable investment strategy of the fund. Up to 49% of the investments may correspond to category “#2 Other”.

**Asset allocation** describes the share of investments in specific assets. Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

Category “#1A Sustainable investments” includes sustainable investments as defined in Article 2 Item 17 of the Disclosure Regulation. This includes investments that can be used to pursue “Taxonomy-aligned” environmental goals, “other environmental goals” and social goals (“Social”). At least 1% is invested in sustainable investments (category “1A Sustainable”). Category “#1B Other environmental or social characteristics” includes investments that target environmental and social characteristics, but do not qualify as sustainable investment.



- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not relevant for this fund.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

At this point in time, the company does not yet have any reported and reliable data to be able to bindingly determine ecologically sustainable economic activities in accordance with the requirements as set forth in Article 3 of the Taxonomy Regulation. The minimum share of Taxonomy-aligned investments is therefore reported as zero per cent (0%).

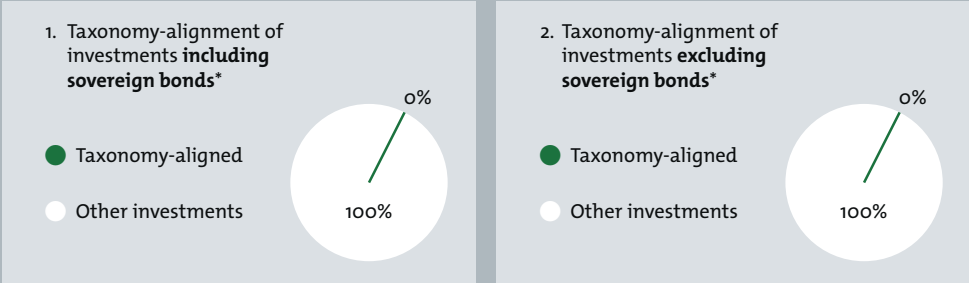
- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?

Yes:

In fossil gas     In nuclear energy

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

- **What is the minimum share of investments in transitional and enabling activities?**

At this point in time, the company does not yet have any reported and reliable data to be able to bindingly determine ecologically sustainable economic activities in accordance with the requirements as set forth in Article 3 of the Taxonomy Regulation. The minimum share of Taxonomy-aligned investments is therefore reported as zero per cent (0%).



- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Sustainable investments are measured as a contribution to the 17 United Nations Sustainable Development Goals (SDGs). As these include both environmental and social goals, it is not possible to set specific minimum shares for environmental and social investments in each case. The total share of sustainable investments in relation to environmental and social goals of the fund is at least 1%.

There is no separate minimum proportion for sustainable investments with an environmental objective that do not comply with the EU Taxonomy. When assessing sustainable investments, it is not possible to differentiate between environmental and social investments.



- **What is the minimum share of socially sustainable investments?**

Sustainable investments are measured as a contribution to the 17 United Nations Sustainable Development Goals (SDGs). As these include both environmental and social goals, it is not possible to set specific minimum shares for environmental and social investments in each case. The total share of sustainable investments in relation to environmental and social goals of the fund is at least 1%.



## What investments are included under “#2 Other investments”, what is their purpose and are there any minimum environmental or social safeguards?

Category “#2 Other investments” includes investments that do not contribute to environmental or social characteristics. These include, for example, derivatives, investments for diversification purposes, investments for which there is no data, or cash used for liquidity management purposes. No minimum environmental or social safeguards were taken into account in the acquisition of these assets, with the exception of the minimum exclusions that apply to investments for diversification purposes.



## Where can I find more product specific information online?

**More product-specific information can be found on the website:**

**C-QUADRAT ARTS Total Return ESG (T)**

**C-QUADRAT ARTS Total Return ESG H**

**C-QUADRAT ARTS Total Return ESG I**

**C-QUADRAT ARTS Total Return ESG IH**