Disclosure on sustainability

in accordance with Regulation (EU) 2019/2088 and Regulation (EU) 2020/852

1 General explanations

Regulations (EU) 2019/2088 and (EU) 2020/852 require financial market participants to disclose various sustainability aspects, with which Arminius Wealth Management AG **('Arminius Wealth Management')** complies with this disclosure document. Arminius Wealth Management AG is an asset management company domiciled in Liechtenstein and supervised by the Financial Market Authority Liechtenstein, which offers asset management services in various forms.

This document is provided to interested parties as pre-contractual information as part of the contract initiation process. Since the contents of this document are amended from time to time, in particular to comply with legal or other regulatory requirements, the latest version is always available on the website of Arminius Wealth Management.

2 Declaration on the non-consideration of adverse sustainability impacts (Art. 4 Sustainable Finance Disclosure Regulation (SFDR))

Investment decisions can have adverse impacts on the environment (e.g. climate, water, biodiversity), on social and labour concerns, and can also be detrimental to the fight against corruption and bribery. Arminius Wealth Management strives to fulfil its responsibility as an asset manager and to help to avoid such adverse effects at the level of the company.

As the relevant regulatory requirements (the object of which is, inter alia, this mandatory publication) have not been published in full and in a binding manner at the time of writing, Arminius Wealth Management is also currently unable to make a binding statement to the effect that (and in what manner) adverse effects of investment decisions on sustainability factors are taken into account.

To avoid legal disadvantages, we are therefore currently prevented from making a public statement to the effect that and in what way we take into account adverse impacts on sustainability factors (environmental concerns, etc.) in the context of our investment decisions. We are therefore required to state on our website that we are disregarding them for the time being and until further clarification (Art. 4 para. 1 b SFDR).

However, we expressly declare that this course of action does not change our willingness to contribute to a more sustainable, resource-efficient economy with the aim, in particular, of reducing the risks and impacts of climate change and other environmental and social ills. As soon as the relevant regulatory requirements are fully and bindingly published, Arminius Wealth Management will review these requirements and will reassess and, if necessary, adjust its position with regard to adverse effects of investment decisions on sustainability factors.

3 Strategies for the inclusion of sustainability risks (Art. 3 SFDR)

3.1 Sustainability risks in general

The investment strategies of Arminius Wealth Management are based on a systematic rule and evidence-based investment process that invests various factor premiums proven by modern capital market research as (cost-)efficiently as possible. All Arminius Wealth Management investment strategies are also offered in a ‘sustainability variant’ that takes sustainability criteria into account without aiming for a dedicated sustainability objective. With this range of different types of investment strategies, Arminius Wealth Management offers its clients a choice also with regard to the consideration of ecological and social characteristics.

Environmental conditions, social dislocation and/or poor corporate governance can have a negative impact on the value of investments in several ways. These sustainability risks may have direct effects on the asset, financial and earnings-related situation and also on the reputation of companies (as investment objects) or indirect, longer-term effects on business models and entire economic sectors. These sustainability risks apply essentially to all types of investment strategy offered by Arminius Wealth Management. Arminius Wealth Management has developed corresponding strategies for the sustainable investment strategies in order to limit sustainability risks. Sustainable investment strategies do not aim to achieve a dedicated sustainability target (as would be the case with so-called ‘dark green’ products), but take only environmental or social characteristics into account in the investment decision (in the manner of ‘light green’ products).

The strategies of Arminius Wealth Management for incorporating sustainability risks also feed into the company’s internal organisational guidelines. Observance of these guidelines is decisive for a positive evaluation of employees’ work performance and thus influences professional development and future salary development. In this respect, the remuneration policy is in line with our strategies for the inclusion of sustainability risks (Art. 5 SFDR).

3.2 Differentiation of investment strategies in terms of sustainability

Arminius Wealth Management distinguishes between sustainable investment strategies (taking account of environmental or social characteristics, ‘sustainable’) and those strategies in which no special consideration is given to environmental or social characteristics (‘non-sustainable’). However, Arminius Wealth Management also uses financial instruments in compliance with articles 8 (‘light green’ products) and 9 (‘dark green’ products) of EU Regulation No. 2019/2088 in non-sustainable investment strategies if this makes sense from a portfolio theory perspective.

3.3 Sustainable investment strategies

3.3.1 Manner of integration of sustainability risks

In its sustainable investment strategies Arminius Wealth Management takes account of financial instruments in whose composition certain ESG standards are recognised. The sustainable investment strategies therefore promote environmental, social and/or governance sustainability, but do not seek to achieve a dedicated sustainability objective within the meaning of Regulation (EU) 2019/2088 and the EU criteria for environmentally sustainable economic activities, nor minimum proportions of such investments. These are therefore not ‘dark green’ products.

The ways in which sustainability risks are integrated is explained in more detail in the following points 3.3.1.1 to 3.3.1.6:

3.3.1.1 Promotion of environmental and/or social aspects through investment strategies

Arminius Wealth Management invests in exchange traded funds (ETFs), index funds, structured products and actively managed investment funds, and where applicable, exchange traded securities that track the performance of commodities (exchange traded commodities, ETCs) or other underlying assets, e.g. cryptocurrencies (exchange traded products, ETPs). Product selection follows a strict best-in-class approach, taking into account aspects such as low costs, high liquidity and broad diversification. In addition to these aspects, in its sustainable investment strategies Arminius Wealth Management also takes into account the three aspects of sustainability: environment, social issues and corporate governance. Arminius Wealth Management primarily selects financial instruments whose composition takes into account certain ESG standards, i.e. for which the investment policy already seeks to avoid or reduce sustainability risks by means of suitable and recognised methods of selection and portfolio construction. Information on the sustainability indicators taken into account can be obtained from the respective issuers. As a rule the following indicators, among others, can be taken into account:

- Environment
    - Exclusion of companies whose main source of income is energy production from coal; and
    - Exclusion of companies involved in the extraction of oil from oil sands or the mining of oil sands; and
    - Possible exclusion of companies with high greenhouse gas emissions.

- Social
    - Exclusion of businesses whose main source of income is the sale or distribution of tobacco products; and
    - Exclusion of companies involved in business with civilian and socially controversial weapons or nuclear weapons; and
    - Adherence to high standards of occupational health and safety.

- Corporate governance
    - Compliance with the principles (including compliance with human rights) of the UN Global Compact; and
    - Respect for the independence of the supervisory bodies; and
    - Consideration of violations of rules on competition and corruption laws.

Providers such as MSCI calculate so-called ESG ratings, which assess the extent to which companies take into account the sustainability indicators mentioned in the fields of environment, social issues and corporate governance. Arminius Wealth Management draws on these ESG ratings in selecting the financial instruments it uses.

(EU) 2020/852 requires the following disclosure:

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

As mentioned above, the sustainable investment strategies do not aim to be sustainable investments within the meaning of Regulation (EU) 2019/2088 and the EU criteria for environmentally sustainable economic activities, nor do they aim at a minimum proportion of such investments (i.e. no 'dark green' products). This mandatory disclosure accordingly indicates that only if EU criteria for environmental and sustainable economic activities (dark green products or minimum proportion) are taken into account would a principle designed under EU law to 'do no significant harm' (i.e. to exclude investments that negatively affect sustainability objectives) be applicable.

3.3.1.2 Consideration of significant adverse impacts on sustainability factors

The sustainable investment strategies do not currently take into account any significant adverse impacts on sustainability factors. See here point 2 above (Declaration on the non-consideration of adverse sustainability impacts (Art. 4 SFDR)).

3.3.1.3 Sustainable investment strategy

Sustainable investment strategies are based on a strategic asset allocation with particular consideration of sustainability aspects. Maximum diversification across asset classes, regions, sectors and factor premiums is sought through the predominant use of financial instruments that track market-wide benchmark indices. The decisive factor for managing the portfolio is the maximum equity and alternative investment quota defined by the client in the form of the selected investment strategy.

The aspects of sustainability are taken into account in the investment strategies, as outlined in point 3.3.1.1, through the use of financial instruments through which certain companies (as investment objects) are not included in the selection and portfolio construction of the product creators due to their non-compliance with recognised ESG standards. As a rule, these financial instruments are labelled with suffixes such as 'ESG' (Environmental, Social and Governance) or 'SRI' (Socially Responsible Investment) or are equipped with recognised sustainability filters to reduce sustainability risks.

Through this labelling, product providers demonstrate that certain ESG standards are being met. Criteria relating to good corporate governance of companies within the ETFs, ETCs or other ETPs are also usually taken into account in the ESG standards. Factors such as the independence of the supervisory bodies play a role. Violations of competition rules or corruption laws can also have a negative impact here.

In selecting products, Arminius Wealth Management pays attention to appropriate labelling and reviews the investment universe on an ongoing basis. A minimum weighting of financial instruments with particular sustainability characteristics has not so far been defined.

Arminius Wealth Management additionally makes reference to the statements in its respective asset management contracts and to the information on sustainable investment strategies provided on its website https://www.arminius.li/socially-responsible-investing.

As regards the financial instruments used and their specific environmental and social characteristics and their sustainable investment objectives, and also the methods used to assess, measure and monitor the characteristics and impacts, Arminius Wealth Management makes reference to the information provided by the respective product providers. This also applies to information on the data sources, the criteria for the valuation of the underlying assets and the relevant sustainability indicators used to measure the environmental and social characteristics and the overall sustainability impacts.

3.3.1.4 Data sources and processing

Arminius Wealth Management works with MSCI ESG Research as one of the world’s leading providers of sustainability data. Accordingly, publicly available documents from the companies and data from alternative sources, including from governments, authorities and non-governmental organisations, are evaluated. Furthermore, MSCI ESG Research LLC accesses over 3,400 media for data procurement.

The ESG quality score determined by MSCI is an important criterion for the selection of products. The approach used to calculate the ESG quality score is a rule-based methodology for measuring the resilience of companies to long-term environmental, social and governance risks. Companies are rated on a scale from ‘AAA’ to ‘CCC’ as a function of the ESG risks relevant to their particular industry and the ability of companies to manage these risks compared to competitors. The higher the ESG quality score, the better for the environment.

3.3.1.5 Asset allocation of sustainable investment strategies

In the interest of consistently excluding unsystematic risks, Arminius Wealth Management invests exclusively in ETFs, index funds, structured products, actively managed investment funds, ETCs and other ETPs. Within the framework of the investment strategies, investments in the various asset classes can therefore only be made indirectly. Sustainability risks are therefore only taken into account within the framework of the selection of relevant financial instruments and their weighting in the portfolio. In the weighting of financial instruments in the portfolio, an overweighting of asset classes, factor premiums, regions and/or industries with lower sustainability risks can also reduce the sustainability risks at portfolio level. A minimum proportion of investments in financial instruments with particular sustainability characteristics has not so far been specified.

Arminius Wealth Management strives to maintain a globally diversified portfolio approach across all asset classes, regions and selected factor premiums, such that sustainability criteria cannot be specifically considered for all asset classes and financial instruments (e.g. alternative investments, structured products, certain bonds and commodities such as gold). When selecting products that track the performance of gold, Arminius Wealth Management ensures that the standard of the Responsible Sourcing Programme of the London Bullion Market Association (LBMA) is applied wherever possible. This is considered the highest proof of quality in the gold industry.

3.3.1.6 Defining an index to determine whether investment strategies are consistent with the environmental and/or social characteristics they promote

Arminius Wealth Management has not set a benchmark for this. The investment policy of the passive financial instruments is however usually concretised by the selection of a suitable reference index (identified by suffixes such as 'ESG' or 'SRI') by the product provider. The index providers normally used are MSCI, FTSE, Solactive and S&P. Information on the investment policy, the reference index and its method of calculation can be found in the documentation of the financial instrument in question. Arminius Wealth Management points out that the reference indices chosen by the product providers may be designed such that companies that engage in particular business activities that are incompatible with ESG criteria are excluded only if those activities exceed the thresholds set by the index provider. The degree of avoidance of sustainability risks may therefore differ in some cases from the personal ethical assessment of the clients.

3.3.2 Assessment of the expected impact of sustainability risks on returns

The general risk profile of the sustainable investment strategies offered by Arminius Wealth Management is broadly similar to that of conventional investment strategies. This results from the design of the reference indices used by the financial instruments employed, which aim to achieve as equivalent a weighting as possible in terms of the various regions, factor premiums and economic sectors in comparison to their conventional counterparts. However, sustainability risks are reduced by focusing on companies with high ESG ratings and the exclusion of controversial sectors. The sustainable orientation nevertheless also limits the type and number of investment options available to the financial instruments. For this reason, sustainable investment strategies can perform either better or worse than investment strategies with traditional selection criteria. A quantitative assessment of the different sustainability risks cannot be made ex ante in a serious manner.

3.3.3 Sustainability-related information: transparency in the advertising of environmental and social features and in sustainable investments on websites

3.3.3.1 Summary

The following section explains how Arminius Wealth Management incorporates aspects of sustainability into its sustainable investment strategies outlined in section 3.2 without aiming for a dedicated sustainability target. In sections with information on how sustainability risks are integrated, reference is made to point 3.3.1.

3.3.3.2 No sustainable investment objective

The sustainable investment strategies offered by Arminius Wealth Management promote environmental and social characteristics (light-green product), but do not have the objective of sustainable investment (they are not a dark-green product).

3.3.3.3 Environmental and social characteristics of financial products

For a description of the environmental and social characteristics of the financial products, see point 3.3.1.1.

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3.3.3.4 Investment strategy

For a description of the investment process, see point 3.3.1.3.

3.3.3.5 Proportion of investments

For a description of the proportion of investments, see point 3.3.1.5.

3.3.3.6 Monitoring of the environmental and social characteristics promoted

Arminius Wealth Management monitors the sustainable financial instruments it selects to determine whether they are labelled with suffixes such as 'ESG' or 'SRI'. These additions indicate that the financial instruments comply with specific ESG standards. Monitoring of the sustainable features within the financial instrument is carried out by the issuer and by the provider of the reference index that the financial instrument is intended to track. If components of the index no longer meet the requirements for environmental, social or corporate governance aspects, these are regularly replaced by the product provider in the reference index and subsequently in the financial instrument. See also point 3.3.1.1.

3.3.3.7 Methods for measuring the promotion of environmental and social characteristics

Based on the three aspects of sustainability, environment, social and corporate governance, what are known as ESG ratings are calculated by providers such as MSCI ESG Research, Sustainalytics and ISS. These assess the extent to which companies take sustainability indicators into account for the aspects mentioned. The measurement methods, processes and weightings can be obtained from the rating agency concerned. The ESG ratings are used in turn by Arminius Wealth Management in its choice of financial instruments with the aim of maximising them, provided that the other selection criteria such as costs and liquidity are met. See also points 3.3.1.1 and 3.3.1.4.

3.3.3.8 Data sources and data processing

Arminius Wealth Management consults publicly available information from product providers such as key investor information documents (KIID) and/or factsheets to verify the ESG standards that are applied to the financial instruments. Further, Arminius Wealth Management continues to work with MSCI ESG Research as one of the world's leading providers of sustainability data. As the data is collected from reputable and recognised rating agencies or issuers, no further measures are taken to check the quality of the data. In addition, Arminius Wealth Management does not appraise ESG ratings or other sustainability indicators. See also point 3.3.1.4.

3.3.3.9 Limitations of the methods and data

The methods and data may be limited by insufficient disclosure of ESG data by the companies being assessed. Moreover, there are no uniform and binding guidelines on how companies must be evaluated in respect of ESG criteria. This can lead to rating agencies coming to different evaluations of companies as regards their fulfilment of sustainability criteria. Since Arminius Wealth Management uses data from reputable and recognised rating agencies and issuers as described in section 3.3.3.8, some of which specialise in the collecting and standardisation of ESG data, we believe that the aforementioned restrictions are justifiable. In addition, Arminius Wealth Management is able to consider the ESG ratings of various different providers to obtain a comprehensive picture of companies' adherence to ESG standards.

3.3.3.10 Duty of care

As described in points 3.3.3.9 and 3.3.3.10, Arminius Wealth Management uses external ESG ratings to assess compliance with ESG standards in financial instruments.

Internally, decisions concerning sustainable investment strategies are analysed by a regularly convened investment committee. Among other things, this discusses changes to the financial instruments used, and compliance with sustainable criteria and possible effects on the risk-return ratio are considered. Decisions are made with the involvement of the directors.

3.3.3.11 Participation policy

Arminius Wealth Management, as an asset manager, does not have the possibility of exercising voting rights. The investment strategies offered by Arminius Wealth Management within the scope of asset management do not provide for investment in shares as individual securities. Within the scope of asset management, investments may at most be made in open-ended investment funds in the legal form of an investment stock corporation. In the case of investment stock corporations, the investment shares issued generally do not have any voting rights, so that the investor cannot generally influence the investment policy. However, the investment stock corporations of the sustainable financial instruments selected by Arminius Wealth Management often rely on the expertise of voting rights consultants who specialise in sustainable investments (for example, the provider ISS) and, where applicable, exercise voting rights in accordance with ESG standards.

3.3.3.12 Reference benchmark

Arminius Wealth Management has not set a benchmark for environmental or social characteristics. For the use of reference indices of the product providers, see point 3.3.1.6. Information on this can be accessed on the websites of the issuers.

3.4 Non-sustainable investment strategies

3.4.1 Manner of integration of sustainability risks

Within the scope of the non-sustainable investment strategies, as mentioned in point 3.2, only shares in ETFs, index funds, actively managed investment funds, structured products, ETCs or other ETPs are acquired and sold. Within the framework of the investment strategies, investments can therefore only be made indirectly in the various asset classes through the acquisition of corresponding financial instruments. A direct investment in shares or bonds of individual companies as an investment object is not provided for. Sustainability risks, as well as other investment risks, are primarily mitigated by a fundamentally broad diversification across regions, economic sectors and asset classes. Beyond that, no separate consideration of sustainability risks is made.

Regulation (EU) 2020/852 requires the following disclosure for unsustainable investment strategies:

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

3.4.2 Assessment of the expected impact of sustainability risks on returns

The general risk profile with regard to sustainability risks of the non-sustainable investment strategies mentioned by Arminius Wealth Management in section 3.2 corresponds to that of conventional (benchmark) portfolios.

Beside the general risk reduction through diversification, sustainability risks are not addressed further. However, no limitation of the number of investment opportunities arises through the sustainable orientation of the investment strategies, so that this specific risk of sustainable investment strategies is not relevant. A quantitative assessment of the different sustainability risks cannot be made ex ante in a serious manner.