Prime Capital AG – SFDR entity level disclosure

Regulation (EU) 2019/2088

Since March 10, 2021, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures ("SFDR") applies to the European financial services sector. The regulation is part of the EU Commission's action plan on financing sustainable growth and lays down sustainability disclosure obligations for manufacturers of financial products and financial advisers towards end-investors. The aim of the SFDR is a higher degree of transparency of sustainability in financial markets and comparability across financial products to enable investors to track risks and impacts associated with sustainability factors.

The two main components of the SFDR are disclosures on the integration of sustainability risks in investment decision processes and consideration of principle adverse impacts of investment decisions on sustainability factors. Thus, both the influence of risks from sustainability factors on the value of investments and the possible negative impacts investments can have on sustainability factors irrespective of the investments value are covered in the regulation.

The SFDR mandates disclosures on entity level and product level and is not limited to financial market participants or products with an explicit focus on sustainability. The disclosures are distributed through various channels including the entity's website, a product's pre-contractual documentation and periodic investor reports.

The following entity level disclosures apply to Prime Capital AG's activities as a financial market participant as defined by the SFDR, i.e. Prime Capital AG in its role as portfolio manager and Prime AIFM Lux S.A. in its role as alternative investment fund manager. It does not apply in cases where the portfolio management function has been outsourced to an external third party.

Article 3: Transparency of sustainability risk policies

Article 3 of the SFDR requires financial market participants to disclose information on their website regarding their policies on the integration of sustainability risks in their investment decision-making process.

Sustainability risk as defined by the SFDR means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. The sustainability risk can either represent a separate risk category or have a reinforcing effect on other risk categories, such as market risk, liquidity risk, credit risk or operational risk. To build stable and sustainable products for its investors, Prime Capital reflects these factors in its investment process.

Prime Capital is active across different business lines and employs a variety of investment approaches tailored to the specific asset classes. To adequately identify and incorporate sustainability risks and opportunities in the investment decisions, different approaches are used flexibly for different asset classes, product types and investment opportunities. These include screening, integration, engagement and thematic approaches and can be deployed separately or combined. Although sustainability risks are generally included in Prime Capital's due diligence process, the degree to which these factors are taken into account may vary from one product to another depending on investment opportunities, market developments and investor preferences.

For more information on the treatment of sustainability risks please see Prime Capital's responsible investment policy.

Article 4: Transparency of adverse sustainability impacts at entity level

Article 4 of the SFDR requires financial market participants to publish information on their website regarding whether or not they consider principal adverse impacts of investment decisions on sustainability factors.

Sustainability factors as defined by the SFDR mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. The final draft of the Regulatory Technical Standards ("RTS") to the SFDR proposes a number of mandatory and voluntary principle adverse impacts to report on in an annual principle adverse impact statement (Annex I).

No consideration of sustainability adverse impacts

Prime Capital recognizes the importance of considering principal adverse impacts of its investment decisions on sustainability factors to act as a good steward and value-aligned with its investor base. Currently Prime Capital is working on a robust framework to identify and monitor the most significant adverse effects on sustainability factors of its investment decisions. The initial focus of these efforts lies on financial products that make sustainable investments according to SFDR Article 2 (17).

However, the ability to determine, measure and monitor the main adverse impacts is highly dependent on the availability and quality of related market data. Prime Capital has a diverse product range and is active in a variety of asset classes. Since the relevant data required is not yet available in all of these asset classes to a sufficient extent or in the required quality, Prime Capital has decided not to consider the aggregated adverse impacts of investment decisions on entity level as defined in the SFDR and the RTS to the SFDR.

Prime Capital will regularly monitor the data situation and may decide to consider principle adverse impacts of more products and asset classes if data quality improves and it becomes more readily available in those asset classes.

Article 5: Transparency of remuneration policies in relation to the integration of sustainability risks

Article 5 of the SFDR requires financial market participants to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks.

Prime Capital Group has implemented a Compensation Committee, which is responsible for the design of the remuneration system throughout the group. This remuneration system is in line with the strategic objectives.

The remuneration of employees and Board Members will be proportionate to their duties and performance and takes the economic situation of the company into account. The remuneration systems are designed in such a way that negative incentives to take disproportionately high risks (including sustainability risks) will be avoided and that the remuneration systems do not run counter the monitoring function of the control units and the Member of the Management Board who is responsible for risk management.

All employees and Board Members receive a fixed annual salary, which is paid in twelve equal parts at the end of each month. The company or the Supervisory Board ensures that the amount of fixed remuneration is appropriate.

In addition to the fixed remuneration, a variable compensation is part of the total remuneration. The performance and risk measurement has to be carried out under consideration of quantitative and/or qualitative key figures. In general, the granting or the amount of a variable compensation depends on

- the company’s business success in the past financial year
- the evaluation of success of the division as well as
- the assessment of the individual performance of the employee or Board Member

Risk and performance measurement is generally carried out for the employees by the department heads, for department heads by the Compensation Committee and for members of the Compensation Committee and Management Board by the Supervisory Board.

In addition to quantitative and qualitative criteria, ESG criteria will also be taken into account as part of the risk and performance measurement. At the moment, the focus is still on client and employee satisfaction or compliance. In the future, ecological criteria are to be increasingly applied.