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.

22. Annex "Environmental and/or social characteristics" to the Sub-Fund Vontobel Fund – Emerging Markets Corporate Bond

Pre-contractual disclosure annex 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: Vontobel Fund – Emerging Markets Corporate Bond
Legal entity identifier: 2221008YRFVPYPFT7234

Environmental and/or social characteristics

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
☐ It will make a minimum of **sustainable investments with an environmental objective:** __%	☒ 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 5 % of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**



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

The Sub-Fund invests in issuers that the Investment Manager considers well-prepared to handle financially material environmental and/or social challenges. Issuers will be selected based on the Investment Manager's ESG framework.

In addition, the Sub-Fund invests at least 5% of its net assets in sustainable investments by investing in securities of issuers that provide solutions to environmental and social challenges, namely to at least one of the actionable themes: climate change mitigation, responsible use of natural resources, addressing basic needs, empowerment.

The Sub-Fund has not designated a reference benchmark for the purpose of attaining the environmental and social characteristics that it promotes.

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

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***
  - Percentage of investments in securities of corporate issuers that derive a non-negligible part of their revenues from products and/or activities excluded by the Sub-Fund (excluded products and/or activities can be found in the website disclosures referenced below under “Exclusion approach”)
  - Percentage of investments in securities of sovereign issuers that are excluded based on the exclusion criteria applied by the Sub-Fund for sovereigns (exclusion criteria can be found in the website disclosures referenced below under “Exclusion approach”)
  - Percentage of investments in issuers that are in violation of certain global norms and standards promoted by the Sub-Fund or that are exposed to critical controversies (unless the Investment Manager believes reasonable progress can be attained, for example, through active ownership activities). Such controversies may be related to environmental, social or governance issues.
  - Percentage of investments in securities of corporate issuers based on the Investment Manager's assessment (based on a score provided by Sustainalytics, a third-party ESG data provider and/or subject to the Investment Manager’s qualitative assessment)
  - Percentage of investments in securities of sovereign issuers based on the Investment Manager's assessment (based on a score provided by MSCI, a third-party ESG data provider and/or subject to the Investment Manager’s qualitative assessment).
  - Percentage of investments in securities of issuers that provide solutions to at least one of the actionable themes (climate change mitigation, responsible use of natural resources, addressing basic needs, empowerment) and that qualify as sustainable investments

- ***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?***
  The objective of the sustainable investments that the financial product partially intends to make is to invest in securities of issuers that provide solutions to environmental and social challenges, namely to at least one of the actionable themes: climate change mitigation, responsible use of natural resources, addressing basic needs, empowerment. The assessment will be conducted by the Investment Manager, based on quantitative ESG indicators and qualitative assessment of products, technologies, services or projects. The qualitative assessment considers research related to peer group and scientific studies. To qualify as sustainable investment, the issuer should have a significant part of its activities related to these solutions, linked to at least one of the actionable themes. The Investment Manager requires a minimum threshold of revenues or capital expenditure or operational expenditure or allocated funding of at least 20% (depending on the products, technologies, services or projects, an appropriate metric will be used; for example, for financial institutions, the Investment Manager would prefer “allocated funding” if relevant). If a security complies with this minimum requirement, the entire investment will be considered a sustainable investment (provided that do no significant harm and, where applicable, good governance criteria are met, as described below).

  As an issuer can contribute to an environmental (climate change mitigation, responsible use of natural resources) and a social (addressing basic needs, empowerment) objective at the same time, an investment can be counted as sustainable investment with an environmental objective and sustainable investment with a social objective.

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 order to ensure that the sustainable investments that Sub-Fund intends to partially make do not cause significant harm to any environmental or social investment objective, the Sub-Fund takes into account all the mandatory indicators for adverse impacts and ensures that the Sub-Fund's investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

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

For the portion of sustainable investments, the Investment Manager takes into account all the relevant mandatory adverse impact indicators and any relevant additional adverse impact indicators by applying the following process:

The Investment Manager identifies issuers that are exposed to principal adverse impacts on sustainability factors based on in-house research; data sources include ESG data providers, news alerts, and the issuers themselves. When no reliable third-party data is available, the Investment Manager may make reasonable estimates or assumptions.

Where the Investment Manager identifies an investment as having a critical and poorly managed impact in one of the considered principal adverse impacts areas, and where no signs of remedial action or improvement have been observed, an action by the Investment Manager must be taken. Action mechanisms may include: exclusion, active ownership, tilting.

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

The Investment Manager has established a monitoring process to track incidents or ongoing situations in which an issuer's activities may have adverse effects on environmental, social, and governance aspects. This process intends to ensure the alignment with global norms such as the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. This process is initially based on the utilization of third-party data and subsequently entails a comprehensive structured review conducted by the Investment Manager. Securities of issuers are excluded where the Investment Manager has concluded that they (i) violate the norms and standards promoted by the Sub-Fund or (ii) are involved in critical controversies, including those related to governance matters. However, the Investment Manager recognizes that excluding such issuers from the Investment Manager's investments may not always be the best approach to mitigate the adverse effects of their activities. In these cases, the Investment Manager will monitor these issuers, where the Investment Manager believes that reasonable progress can be attained, for example, through active ownership activities, provided the issuer demonstrates good governance.

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?

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.

☒ Yes, the Investment Manager considers the following principal adverse impact ("PAI") indicators by applying the corresponding processes:

PAI	PROCESS APPLIED
Table 1, #4: Exposure to companies active in the fossil fuel sector	Exclusion in the fossil fuel area (cf. "exclusion approach", https://www.vontobel.com/esg-library)
Table 1, #5: Share of non-renewable energy production	
Table 1, #14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Exclusion of controversial weapons (cf. "exclusion approach", https://www.vontobel.com/esg-library)
Table 1, #10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Cf. "Monitoring of critical controversies"
Table 3, #14: Number of identified cases of severe human rights issues and incidents	
Table 1, #16: Investee countries subject to social violations	Exclusion of countries with international sanctions (cf. "exclusion approach", https://www.vontobel.com/esg-library)

Information on how principal adverse impacts on sustainability factors were considered will be made available in the periodic reporting of the Sub-Fund.

☐ No



What investment strategy does this financial product follow?

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

While considering the Sub-Fund's investment objective and policy in the Special Part of the Sales Prospectus, in order to attain the environmental and social characteristics, the Sub-Fund applies the following ESG framework: exclusion approach, monitoring of critical controversies, screening, partial investments in sustainable investments.

Exclusion approach:

– The Sub-Fund excludes issuers (corporate and/or other issuers) based on pre-defined criteria related to certain practices or involvement in certain activities (such as involvement in manufacturing or controversial weapons, and where applicable other types of controversial activities). More information about these pre-defined exclusion criteria are disclosed in the Exclusion Framework under https://am.vontobel.com/view/EMCB#documents, and, if applicable, whether the exclusion applies to upstream, midstream/production or downstream activities, the revenue thresholds applied and potential exceptions considered.

Monitoring of critical controversies:

– The Investment Manager has established a monitoring process to track incidents or ongoing situations in which an issuer's activities may have adverse effects on environmental, social, and governance aspects. This process intends to ensure the alignment with global norms such as the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. This process is initially based on the utilization of

third-party data and subsequently entails a comprehensive structured review conducted by the Investment Manager. Securities of issuers are excluded where the Investment Manager has concluded that they (i) violate the norms and standards promoted by the Sub-Fund or (ii) are involved in critical controversies, including those related to governance matters. However, the Investment Manager recognizes that excluding such issuers from the Investment Manager's investments may not always be the best approach to mitigate the adverse effects of their activities. In these cases, the Investment Manager will place these issuers on the Investment Manager's radar. This decision will be made whenever the Investment Manager believes that reasonable progress can be attained, for example, through active ownership activities, provided the issuer demonstrates good governance.

Screening:
- The Sub-Fund invests in securities of corporate issuers that are selected based on a quantitative screening based on data from a third party ESG data provider (Sustainalytics) selected by the Investment Manager, followed by a qualitative analysis conducted by the Investment Manager. Corporate issuers with no score or a score below 25 may be considered for investment after a qualitative assessment has been conducted by the Investment Manager.
- The Sub-Fund invests in securities of sovereign issuers that are selected based on a quantitative screening based on data from a third-party ESG data provider (MSCI) selected by the Investment Manager followed by a qualitative analysis conducted by the Investment Manager. In principle, the sovereign issuers must have a score of 2.5 (on a scale from 0 to 10, with 0 being the worst and 10 the best score). Sovereign issuers with no score or a score below 2.5 may be considered for investment after a qualitative assessment has been conducted by the Investment Manager.

Partial investments in sustainable investments:
The Sub-Fund invests at least 5% of its net assets in securities of issuers that provide solutions to environmental and social challenges, namely to at least one of the actionable themes: climate change mitigation, responsible use of natural resources, addressing basic needs, empowerment. The assessment methodology is described above.

Additionally, the Sub-Fund follows an active ownership approach, which takes into account relevant environmental, social and governance matters. The Investment Manager sees these activities as a way to support the attainment of the environmental and social characteristics promoted by the Sub-Fund. The Sub-Fund is covered by the engagement pool of the Investment Manager's stewardship program, which is mainly based on a collaboration with a stewardship partner. The Investment Manager has limited influence on the stewardship partner's engagement program.

The securities will be analyzed based on the binding elements prior to investment and monitored on a continuous basis. The securities in the portfolio have their sustainability performance periodically revaluated using the above-described sustainability framework. If a security does not comply with the binding criteria described below, the Investment Manager divests from such an issuer within a time period to be determined by the Investment Manager without exceeding in principle three months after such breach was detected, considering prevailing market conditions, and taking due account of the best interests of the shareholders. The Board of Directors or the Management Company of Vontobel Fund may decide to further postpone the rectification of such a breach or decide to carry out the divestment in several instalments over a longer period of time in exceptional cases, provided this is considered to be in the best interests of the shareholders.

- ***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?***
  - The Sub-Fund excludes securities of corporate issuers that derive a non-negligible part of their revenues from excluded products and/or activities referenced above under "Exclusion approach".
  - The Sub-Fund excludes securities of sovereign issuers that are excluded based on the criteria referenced above under "Exclusion approach".
  - The Sub-Fund excludes securities of issuers (i) that are in violation of certain global norms and standards promoted by the Sub-Fund or (ii) that are exposed to critical controversies (unless the Investment Manager believes reasonable progress can be attained, for example, through active ownership activities). Such controversies may be related to environmental, social or governance issues.

- The Sub-Fund invests in securities of corporate issuers based on the Investment Manager's assessment (minimum score by Sustainalytics is set at 25 out of 100). Corporate issuers with no score or a score below 25 may be considered for investment based on the Investment Manager's qualitative assessment.
- The Sub-Fund invests in securities of sovereign issuers based on the Investment Manager's assessment (minimum score by MSCI is set at 2.5 out of 10). Sovereign issuers with no score or a score below 2.5 may be considered for investment based on the Investment Manager's qualitative assessment.
- The Sub-Fund partially invests in securities of issuers that provide solutions to environmental and social challenges, namely the actionable themes (climate change mitigation, responsible use of natural resources, addressing basic needs, empowerment) and that qualify as sustainable investments. The issuer should either already provide solutions to at least one of the actionable themes, or be on the way to launch such solutions.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***
Not applicable. The Sub-Fund does not commit to a minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

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

● ***What is the policy to assess good governance practices of the investee companies?***
The Investment Manager will assess investee companies' good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance, by applying a monitoring process of critical controversies. The Investment Manager has established a monitoring process to track incidents or ongoing situations in which an issuer's activities may have adverse effects on environmental, social, and governance aspects. This process intends to ensure the alignment with global norms such as the UN Global Compact principles, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. This process is initially based on the utilization of third-party data and subsequently entails a comprehensive structured review conducted by the Investment Manager. Securities of issuers are excluded where the Investment Manager has concluded that they (i) violate the norms and standards promoted by the Sub-Fund or (ii) are involved in critical controversies, including those related to governance matters. However, the Investment Manager recognizes that excluding such issuers from the Investment Manager's investments may not always be the best approach to mitigate the adverse effects of their activities. In these cases, the Investment Manager will monitor these issuers, where the Investment Manager believes that reasonable progress can be attained, for example, through active ownership activities, provided the issuer demonstrates good governance.

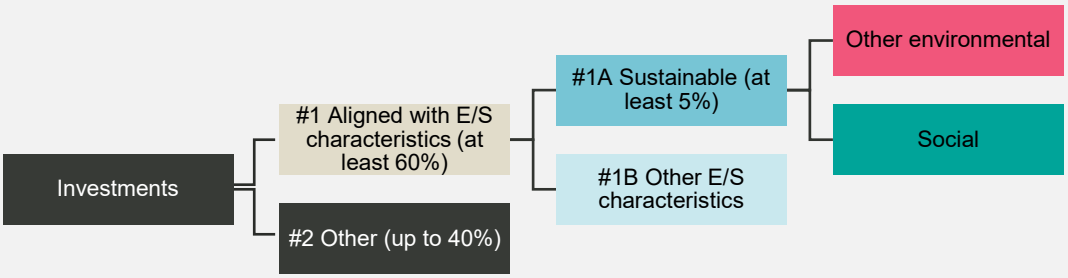
The Sub-Fund further intends to ensure good governance of the investee companies via active ownership. The Investment Manager puts best effort in engagement with regards to ESG policies and to promote sustainability awareness.

What is the asset allocation planned for this financial product?

The Sub-Fund is expected to invest at least 60% of its NAV in issuers that qualify as aligned with E/S characteristics (#1 Aligned with E/S characteristics), under normal market conditions.
This includes the minimum of 5% of the investments of the Sub-Fund that are sustainable investments.
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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.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The percentages indicated above refer to the Sub-Fund's net asset value.

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***
  Not applicable. Derivatives are not used for the purpose of attaining the environmental and/or social characteristics promoted by the Sub-Fund.

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

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.

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

The Sub-Fund does not commit to invest a minimum share in sustainable investments with an environmental objective aligned with the EU Taxonomy as defined by the EU Taxonomy regulation. Therefore, the Sub-Fund's minimum share of investments in environmentally sustainable economic activities in accordance with the EU Taxonomy regulation are indicated to be 0%.

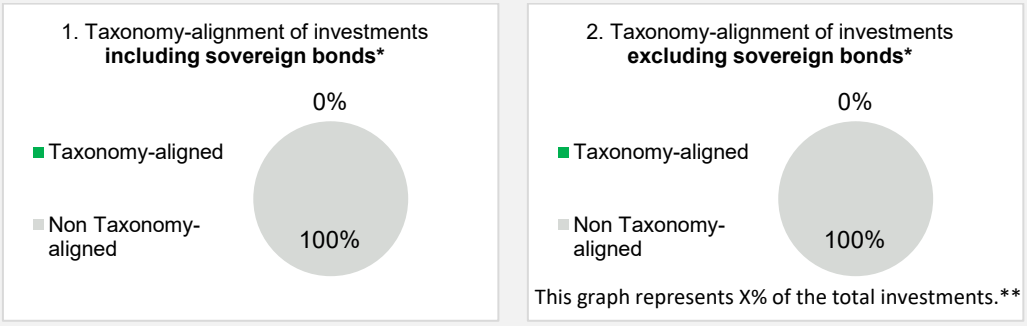
- ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?***

  ☐ 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*

**As the Sub-Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of sovereign bonds in the Sub-Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

- ***What is the minimum share of investments in transitional and enabling activities?***
  The Sub-Fund does not commit to invest a minimum share in sustainable investments with an environmental objective aligned with the EU Taxonomy. Therefore, the Sub-Fund's minimum share of investments in transitional and enabling activities in accordance with the EU Taxonomy regulation are indicated to be 0%.

[1]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.

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 sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Sub-Fund invests at least 5% of its net assets in sustainable investments, typically across both environmental and social objectives. It does not commit to any specific individual or combination of sustainable investment objectives and therefore there is no committed minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

EU Taxonomy aligned sustainable investments are considered a sub-category of sustainable investments. If a sustainable investment is not Taxonomy-aligned since:
–the economic activity is not yet covered under the EU Taxonomy,
– the positive contribution is not (fully) aligned with the criteria for environmentally sustainable economic activities under the EU Taxonomy,
– the issuer does not fall under the reporting scope of the EU Taxonomy, and the Investment Manager does not have sufficient equivalent information to conclude its assessment,
the investment can still be considered a Sustainable Investment with an environmental objective that is not aligned with the EU Taxonomy, provided it complies with all criteria of the SFDR.

What is the minimum share of socially sustainable investments?

The Sub-Fund invests at least 5% of its net assets in sustainable investments, typically across both environmental and social objectives. It does not commit to any specific individual or combination of sustainable investment objectives and therefore there is no committed minimum share of socially sustainable investments.

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

The remaining assets of the Sub-Fund will be invested in accordance with the investment objective of the Sub-Fund, including in cash and cash equivalents for liquidity purposes and use of derivatives for the purposes set out in the Special Part. The Sub-Fund may also invest in UCITS and other UCIs for diversification purposes, which may apply no exclusions or not the same exclusions as the Sub-Fund. While these instruments are not expected to detrimentally affect the attainment of the Sub-Fund’s environmental and social characteristics, no minimum environmental or social safeguards are applied.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable.

Where can I find more product specific information online?

More product-specific information can be found on the website:
https://am.vontobel.com/view/EMCB#documents, under “Sustainability Related Disclosures”.