

Vontobel Fund – Sustainable Emerging Markets Local Currency Bond

Summary

No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment. For the portion of sustainable investments, the Investment Manager applies do no significant harm test (DSNH) by considering all the relevant mandatory adverse impact indicators and any other relevant additional indicators. The sustainable investments of corporate issuers are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Additionally, sovereign issuers are screened against social violations as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.

Environmental or social characteristics of the Sub-Fund

The Sub-Fund promotes environmental and social characteristics by satisfying the needs of the present without compromising the ability of future generations to meet their own needs. It seeks to reconcile economic prosperity with social inclusion and environmental stewardship.

The Sub-Fund allocates at least 50% of its net assets in securities of issuers that qualify as sustainable investments and in securities of issuers engaged in activities that are deemed not most harmful, according to the methodology and criteria established by the Investment Manager.

Investment Strategy

While considering the Sub-Fund's investment objective and policy in the Special Part of the Sales Prospectus attain the promoted environmental and social characteristics, the Sub-Fund employs an ESG framework including exclusions, controversy monitoring, and partial investment in sustainable investments. It excludes non-compliant issuers, monitors controversies, and invests at least 50% in sustainable investments with environmental and social objectives, adhering to proprietary methodologies and global norms and applies a policy to assess good governance practices of the investee companies.

Proportion of investments

The Sub-Fund invests at least 80% of its NAV directly in issuers that qualify as aligned with E/S characteristics, under normal market conditions, whereas at least 50% of the net assets are invested in sustainable investments typically across both environmental and social objectives.

The Sub-Fund does not intend to invest in sustainable investments with an environmental objective aligned with the EU Taxonomy. The Sub-Fund may invest directly and indirectly up to 20% of its net assets in other investments that include the remaining investments of the Sub-Fund which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

Monitoring of environmental or social characteristics

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, 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.

Finally, in an effort to measure the attainment of each of the E/S characteristics promoted, the Sub-Fund will report on the defined sustainability indicators as part of its annual periodic reporting.

Methodologies

The ESG framework implementation employs the following methodologies to measure how the social or environmental characteristics of the Sub-Fund are met:

Exclusions:

The Sub-Fund excludes issuers that do not comply with the exclusion "Level 3" of Vontobel's Exclusion framework. Details about this framework can be found under <https://www.vontobel.com/esg-library/>

Monitoring of critical controversies:

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.

Sustainable investments:

Corporate, supranational and sovereign issuers are classified as sustainable investments according to the Investment Manager's methodology. To qualify for investment, a supranational 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 20% of revenues, capital expenditure or allocated funding. Sovereign issuers that rank in the top 50% of their peer group (based on the Investment Manager's proprietary ESG country model) are considered as sustainable investments, provided that they do no significant harm criteria and, where applicable, the good governance criteria are met.

Data sources and processing

The investment process uses data from external ESG providers (e.g., Sustainalytics, MSCI), issuers, media, NGOs, and international organizations. The data sources mentioned are used to implement the ESG framework as described in detail in the Investment Strategy section. The Investment Manager ensures data quality through regular reviews, multiple sources, and issuer engagement for gaps. Estimates are used when necessary, with a low to medium reliance on estimated data.

Limitations to methodologies and data

The implementation of the ESG strategy of the Sub-Fund relies on third-party data and/or internal analyses, which may be incomplete or inaccurate. There is no guarantee of accuracy, completeness, or proper application of ESG criteria.

Due diligence

The internal Investment Control unit conducts pre-trade checks, allowing portfolio managers to simulate and verify trades against restrictions. Automated checks highlight potential breaches before order execution to ensure compliance.

Engagement policies

The Investment Manager prioritizes direct engagement with investee companies and sovereigns, addressing business strategy, governance, and ESG issues. It also collaborates with Columbia Threadneedle Investments (reo©) for broader engagement and voting influence. This partnership enables greater impact, resource access, and collaboration, focusing on poor ESG practices, thematic issues, and controversies.

Designated reference benchmark

No index has been designated as a reference benchmark to attain the environmental and social characteristics promoted by this Sub-Fund.

No sustainable investment objective

The Sub-Fund promotes environmental or social characteristics but does not have as its objective a sustainable investment.

While the Sub-Fund does not have as its objective a sustainable investment, it will invest at least 50% of its net assets in securities of (i) supranational issuers and (ii) sovereign issuers classifying as sustainable investments according to the Investment Manager's methodology described below,

- (i) To qualify for investment, a supranational 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 20% of revenues, capital expenditure or allocated funding, provided that no significant harm criteria and, where applicable, the good governance criteria are met as described below.
- (ii) Sovereign issuers that rank in the top 50% of their peer group (based on the Investment Manager's proprietary ESG country model) are considered as sustainable investments, provided that they do not have significant harm criteria and, where applicable, the good governance criteria are met as described below.

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?

For the portion of sustainable investments, the Investment Manager takes into account all the 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.

In addition, the Investment Manager applies a do no significant harm test (DNSH) for sovereign issuers. To pass the test sovereign issuers that potentially qualify as sustainable investments must meet the following criteria: a Freedom House status free or partially free, not on the Financial Action Task Force Black List and passing the MSCI Sovereign DNSH test. The MSCI Sovereign DNSH test includes the following parameters: GHG consumption emissions (CO₂e in tons per capita), GHG production (CO₂e in tons per USD million GDP PPP) and European Union (EU) Sanctions list.

Where the Investment Manager identifies an investment as having 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 and the OECD Guidelines for Multinational Enterprises where corporate issuers are concerned, and the UN Guiding Principles on Business and Human Rights with regard to corporate and sovereign issuers. Additionally, sovereign issuers are screened against social violations as referred to in international treaties and conventions, United Nations principles and, where applicable, national law. 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 where corporate issuers are concerned. 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 with regard to the corporate issuers, the issuer demonstrates good governance).

Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by satisfying the needs of the present without compromising the ability of future generations to meet their own needs. It seeks to reconcile economic prosperity with social inclusion and environmental stewardship.

The Sub-Fund allocates at least 50% of its net assets in securities of issuers that qualify as sustainable investments and in securities of issuers engaged in activities that are deemed not most harmful, according to the methodology and criteria established by the Investment Manager.

Investment strategy

What investment strategy does this financial product follow to select the investments to attain the environmental and social characteristics, and what are the binding elements of this investment strategy?

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 in issuers that provide solutions to environmental and social challenges.

Exclusion approach:

The Sub-Fund excludes issuers that do not comply with the exclusion "Level 3" of Vontobel's Exclusion framework. Details about this framework can be found under <https://www.vontobel.com/esg-library/>.

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 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.

Partial investments in sustainable investments:

The Sub-Fund invests at least 50% of its net assets in securities of classifying as sustainable investments according to the Investment Manager's methodology. The assessment methodology is described below. The sustainable investment objectives that the Sub-Fund partially intends to make may include, but are not limited to, improving access to basic needs, conservation of natural ecosystems, and climate change mitigation.

The Sub-Fund will partially invest in sustainable investments by (i) investing in securities of corporate and supranational issuers that, provide solutions to environmental and social challenges and (ii) investing in sovereign issuers that, according to and defined by the Investment Manager's proprietary model, have a comparatively high environmental and social contribution.

Please note that these definitions of sovereign issuers to be considered as sustainable investments could evolve in function of further regulatory clarifications.

Binding elements:

The binding elements of the investment strategy used to select the investments to achieve the E/S characteristics promoted are as follows:

- The Sub-Fund excludes securities of sovereign issuers that are excluded based on the criteria that can be found in the website disclosures referenced under "Exclusion approach"
- The Sub-Fund excludes securities of supranational 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.
- The Sub-Fund invests at least 50% of its net assets in securities of issuers that qualify as sustainable investments according to the Investment Manager's methodology described below.

What is the policy to assess good governance practices of the investee companies¹?

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

¹ including with respect to sound management structures, employee relations, remuneration of staff and tax compliance

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 issuers via active ownership. The Investment Manager puts best effort in engaging with regards to ESG policies and to promote sustainability awareness.

Does the financial product consider Principal Adverse Sustainability Impacts? If yes, which areas/indicators are considered and how?

Yes No

The Investment Manager considers the list of principal adverse impacts on sustainability factors mentioned in the table below.

For the partial sustainable investments the Investment Manager considers all relevant mandatory principal adverse impact indicators. For the part of non-sustainable investments there is no regulatory requirement to consider all principal adverse impact indicators.

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

The following *Principal Adverse Sustainability Impacts* Indicators² are considered in the investment strategy:

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	Exclusion in the fossil fuel area (cf. "exclusion approach", https://www.vontobel.com/esg-library/)
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/)

² As set out in Table 1, 2 and 3 of Annex 1 of Regulation (EU) 2022/1288

Proportion of investments

What is the asset allocation planned for this financial product?

INVESTMENTS	PERCENTAGE (OF NET ASSETS)	TYPE OF EXPOSURES
#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.	At least 80%	Only through direct exposures
#1A Sustainable Covers sustainable investments with environmental or social objectives	At least 50%	Only through direct exposures
#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.	Up to 20%	Through direct exposures for unscreened investments, through indirect exposures for hedging instruments.

Under “#2 Other”, 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. 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.

Derivatives are not used for the purpose of attaining the environmental and/or social characteristics promoted by the Sub-Fund.

The Sub-Fund invests at least 50% 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.

The Sub-Fund does not intend to invest partially in sustainable investments with an environmental objective aligned with the EU Taxonomy

Monitoring of environmental or social characteristics

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

The attainment of the environmental and social characteristics is measured through the following list of sustainability indicators:

- Percentage of investments in securities of sovereign issuers, that are excluded by the Sub-Fund (exclusion criteria are indicated under the investment strategy section).
- Percentage of investments in securities of 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 issuers that qualify as sustainable investments according to the Investment Manager’s methodology, described below.

How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?

The information used for the implementation of the ESG framework, and consequently the attainment of the environmental and social characteristics, are reviewed on a regular basis.

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.

Compliance with the binding elements applied by this Sub-Fund is monitored by the investment teams. For the elements that are in scope of the Sub-Fund’s investment guidelines and subject to investment controls, the internal Investment Control unit has post-trade checks mechanisms in place. The independent Investment Control team conducts a daily post-trade review of portfolios

using our portfolio management system. Should Investment Control and the respective portfolio manager fail to agree whether a breach has actually occurred (e.g. in case of a different interpretation of regulatory investment restrictions), Compliance analyses the case and then informs Investment Control of its assessment, which then follows up accordingly. The pre- and post-trade checks are parametrized either based on data retained directly from third-party ESG data provider or from the Investment Manager directly, especially where the followed approaches are based on proprietary methodologies of the Investment Manager. For documented ESG processes and controls, first line of defense controls are confirmed and self-assessed annually by the business owners via the Operation Risk and Control Self-Assessment (RCSA) process. The RCSA process is a systematic and regular business process aimed at reviewing specific inherent operational risks that Asset Management investments are exposed to, as well as an assessment of the control environment that is in place to mitigate those risks. Second line functions like Compliance carry out spot checks on some first line of defense controls.

Methodologies

What are the methodologies used for the implementation of the ESG framework?

Exclusion approach:

The Exclusion Framework is described under <https://www.vontobel.com/esg-library/>. The document describes the data sources used and the related processes in place.

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 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.

Screening:

Supranational issuers will be selected based on a quantitative screening based on data from a third-party data provider (MSCI ESG) selected by the Investment Manager followed by a qualitative analysis conducted by the Investment Manager. The supranational issuers must have at least a score of 50 (on a scale from 0 to 100, with 0 being the worst and 100 the best score). The supranational issuers with no score or a score below 50 may be considered for investment after a qualitative assessment has been conducted by the Investment Manager

Partial investments in sustainable investments:

At least 50% of the Sub-Fund net assets will be made in securities of (i) supranational issuers and (ii) sovereign issuers classifying as sustainable investments according to the Investment Manager's methodology described below.

- (i) The objective of the sustainable investments that the financial product partially intends to make is to invest in securities of supranational 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 the do no significant harm criteria and, where applicable, the good governance criteria are met as described above).
- (ii) With regard to sovereign issuers, the objective is to invest in securities of sovereign issuers that use their natural resources efficiently to improve the quality of life of their populations. The Investment Manager will score sovereign issuers based on a proprietary model, which includes, amongst other criteria, measuring the (i) environmental performance as a country's ability to deliver environmental public goods, by mitigating climate change, preserving its biodiversity and ecosystems, and managing its natural resources soundly, and (ii) social wellbeing of the relevant country as the capacity of a society to meet

the basic human needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential (Social Progress Imperative). Countries that rank in the top 50% of their peer group are considered as sustainable investments (provided that they do no significant harm criteria and, where applicable, the good governance criteria are met as described above). Please note that these definitions of sovereign issuers to be considered as sustainable investments could evolve in function of further regulatory clarifications.

Data sources and processing

What are the data sources used to attain each of the environmental or social characteristics including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?

For the exclusion part of the sustainability framework, data from the US NGO Freedom House is currently used to assess a country's democratic status. Fundamental information from other third parties (e.g. NGOS, international organizations etc.) is evaluated in our internal database. Major third-party ESG data providers are Political Risk Services (PRS) Group, Global Footprint Network and RepRisk, amongst others.

External data from the above specialized third-party ESG data providers used for applying the sustainability framework is extracted, compiled and evaluated within our proprietary database and portfolio management system.

In order to ensure data quality, the Investment Manager:

- Regularly reviews data
- Uses multiple data sources
- May directly engage with the issuers when data gaps occur

The data sources mentioned above are used in order to implement the ESG framework as described in detail in the Investment Strategy section.

The Investment Manager may make reasonable estimates, when data is lacking. Additionally, third party ESG data provider may use estimates themselves. The proportion of data that is estimated by the Investment Manager is indicated to be low to medium, depending on the data type.

Limitations to methodologies and data

What are the limitations to the methodologies and data sources?

In assessing the eligibility of an issuer based on ESG research, there is a dependence upon information and data from third party ESG research data providers and internal analyses which may be based on certain assumptions or hypothesis that render it incomplete or inaccurate. As a result, there is a risk of inaccurately assessing a security or issuer. There is also a risk that the Investment Manager may not apply the relevant criteria of the ESG research correctly or that the Sub-Fund could have indirect exposure to issuers who do not meet the relevant criteria. This poses a significant methodological limit to the ESG strategy of the Sub-Fund. Neither the Sub-Fund, nor the management company nor the investment manager make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness, or completeness of an assessment of ESG research and the correct execution of the ESG strategy.

In order to maintain confidence that social and environmental characteristics are met, the investment manager may also engage with investees in order to fill data gaps or may use complimentary data from additional providers or directly from investee disclosures.

Due diligence

What is the due diligence carried out on the underlying assets at initial investment and what are the internal and external controls in place?

In order to qualify for initial investment, the investments aligned with the environmental and social characteristics must comply with the binding elements applied by the Sub-Fund. This compliance has to be ensured by the Investment Manager. For the elements that are in scope of the Sub-Fund's investment guidelines and subject to investment controls, the internal Investment Control unit has pre-trade checks mechanisms in place. The pre-trade checks allow portfolio managers to simulate trades and check each trade against restrictions, prior to placing orders, in order to prevent the occurrence of breaches. When submitting orders an automated check of the investment guidelines restrictions is performed, generating a warning to the portfolio managers, highlighting potential breaches that would materialize in case the orders would be executed.

Engagement policies

Is engagement part of the environmental or social investment strategy?

Yes No

If so, what are the engagement procedures?

The Fixed Income Boutique considers direct engagement to be an important element of its investment activities. As an active manager, the Investment Manager generally prefers to engage with the management of investee companies and sovereigns directly. The Investment Manager does not have a standalone engagement team, since the Investment Manager believes that the direct contact between investee decisions makers and investment professionals such as portfolio managers and analysts who have the specific expert knowledge and understanding of the context in which the company or sovereigns have been selected as an investment.

Reasons to engage with an investee company or sovereign can include business strategy, corporate governance issues, change in the capital structure, remuneration issues, and identified environmental and social factors. Engagement includes ongoing communications between the investment team and decision makers of the investee companies or sovereign and can range from ongoing updates and questioning of the current and future business model, to engagement on specific issues that may cover ESG concerns.

Moreover, engagement helps the Investment Manager to mitigate data quality issues and problems arising from differences in reporting and corporate governance standards especially in high yield and emerging markets.

In addition to direct engagement activities, the Investment Manager also partners with a service provider, namely Columbia Threadneedle Investments (reo©). The Investment Manager sees many advantages in working with a partner on voting and engagement. By pooling the assets in an engagement partner tool, the scale that is necessary to be present and visible towards management teams and boards in dialogues and engagement activities can be reached. This enables the Investment Manager to exert greater influence than our own investment volume would allow, and at the same time, to target a broader range of companies through the access to more resources. Finally, it facilitates Investment Manager's collaboration with other investors. The stewardship partner, namely reo, conducts engagement activities structured around three approaches:

- Bottom-up approach – the stewardship partner engages with companies that have exceptionally poor ESG practices or critical ESG controversies ("priority companies");
- Top-down approach – the stewardship partner selects companies for which practices should be improved based on thematic focus areas (e.g. climate risk management);
- Continuous risk management – the stewardship partner engages in response to controversies and breaches in global norms.

The Investment Manager has limited influence on the stewardship partner's engagement program.

Designated reference benchmark

Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?

Yes No

Important information

Subscriptions of shares of the fund should in any event be made solely on the basis of the fund's current sales prospectus (the "Sales Prospectus"), the Key (Investor) Information Document ("K(I)ID"), its articles of incorporation and the most recent annual and semi-annual report of the fund and after seeking the advice of an independent finance, legal, accounting and tax specialist. If you are in any doubt about the contents of this document or have any question, you should consult your professional and/or investment advisers.

The information in this document might have been revised either after the 1st of January 2023 (when the SFDR RTS came into effect) or following the launch of the financial product. The updates could have been made to offer more clarity on specific subjects or to align with any alterations in the financial product's ESG approach. You can locate the applicable date for this document at the top of the page and in the file name of this document.