Vontobel Fund – Green Bond

Summary

No significant harm to the sustainable investment objective
The Investment Manager applies do no significant harm test (DSNH). The Investment Manager applies a process to take into account all the mandatory adverse impact indicators and any relevant additional adverse impact 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.

Sustainable investment objective of the financial product
The Sub-Fund's sustainable investment objective consists of investing in debt instruments issued for projects and/or by issuers that contribute to pre-defined so called "Impact Pillars", with an environ-mental focus, based on the Investment Manager's assessment. Environmental Impact Pillars (clean and renewable energy, energy efficiency, resource efficiency, low-carbon transportation, agriculture and forestry as well as climate resilient infrastructure) are the primary focus of the Sub-Fund.
In order to attain the sustainable investment objective, the Sub-Fund will invest at least 80% of its net assets in green bonds (sustainable investments with an environmental objective), and up to 20% of its net assets in debt instruments that are not green bonds, but that are issued by issuers that contribute to an environmental objective.
Through these investments, the Sub-Fund partially intends to invest in sustainable investments with an environmental objective as defined by the EU Taxonomy. These objectives are: "climate change mitigation", "climate change adaptation", "sustainable use and protection of water and marine re-sources", "transition to a circular economy", "pollution prevention and control", "protection and restoration of biodiversity and ecosystems".
The Sub-Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

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 sustainable investment objective, the Sub-Fund applies the following ESG framework: focus on green bond investments, exclusion approach, monitoring of critical controversies, screening and Sub-Fund level commitments.

Proportion of investments
The Sub-Fund invests at least 80% of its NAV directly in issuers that qualify as sustainable investments with an environmental objective, under normal market conditions. The Sub-Fund invests at least 10% of its NAV 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 investments which do no qualify as sustainable investments.

Monitoring of sustainable investment objective
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 sustainable investments with an environmental objective, the Sub-Fund will report on the defined sustainability indicators as part of its annual periodic reporting. The sustainability indicators are derived from the binding elements of the investment strategy used to select the investments to achieve the sustainable investments with an environmental objective.

Methodologies

In order to attain the sustainable investment objective, the Sub-Fund applies the following ESG framework: focus on green bond investments, exclusion approach, monitoring of critical controversies, screening and Sub-Fund level commitments.

Focus on green bond investments:

The debt instrument must fulfill at least one of the following criteria:

- The debt instruments must qualify as green bonds. These bonds are instruments where the proceeds will be applied to finance or refinance new and/or existing projects, with positive environmental outcomes (e.g. solar power, energy efficiency of industrial processes or promoting public transport). The selected bonds are categorized as green bonds based on international standards such as the Green Bond Principles of the International Capital Market Association (ICMA). The use of proceeds of the selected bonds must contribute to at least one of the pre-defined Impact Pillars. The Investment Manager determines the substantial contribution to the Impact Pillars based on Second Party Opinions ("SPO") provided by accredited third party auditors or ESG rating agencies, impact reports provided by the issuer and/or scientific evidence. The lack of an impact reporting and/or an SPO leads to an exclusion of the bond instrument.
- Debt instruments issued by an issuer which contributes to the Impact Pillars, but do not qualify as green bonds, must positively contribute to at least one of the Impact Pillars. The issuer must derive at least 20% of its revenues from economic activities that contribute to the Impact Pillars. Exceptions will be made for companies that play a key role on the respective market (for example measured by a significant market share). The revenues portion derived from economic activities that contribute to the Impact Pillars will be considered as sustainable investments.

For debt instruments issued by an issuer which contributes to the Impact Pillars, but do not qualify as green bonds, must positively contribute to at least one of the Impact Pillars. The issuer must derive at least 20% of its revenues from economic activities that contribute to the Impact Pillars. Exceptions will be made for companies that play a key role on the respective market (for example measured by a significant market share). The revenues portion derived from economic activities that contribute to the Impact Pillars will be considered as sustainable investments.

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.

Screening:
The Sub-Fund invests in securities of corporate issuers that are not above the maximum Implied Temperature Rise that has been set at 2°C. Implied Temperature Rise is provided by a third-party ESG data provider selected by the Investment Manager, namely MSCI ESG. The Implied Temperature Rise from MSCI ESG Research is designed to show the temperature alignment of companies with global climate targets in the year 2100 or later based on the companies analyzed most recent scope 1, 2 and 3 projected emissions. In the event of significant changes to the ITR, the Investment Manager will validate the ITR with the research provider and assess the issuer's decarbonization strategy based on data from third-party research providers such as, but not limited to, the Science Based Target Initiative SBTI.

Sub-Fund level commitments:
The Sub-Fund will have at least a weighted average ESG rating of A, on a scale from AAA to CCC, with AAA being the best, and CCC being the worst rating. ESG ratings are provided by MSCI ESG, a third-party ESG data provider selected by the Investment Manager. The ESG model evaluates sector- and country-specific environmental, social and governance criteria and scores companies relative to the other companies in the related industry and countries relative to all countries. For corporate issuers the criteria refer to actions and performance in relation to environmental protection in production, environmental product design, employee relations, environmental and social supply chain standards and management systems. For sovereign issuers the criteria refer to risk exposure and risk management related to amongst other natural resources, environmental externalities, knowledge capital, economic environment and political governance.

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 sustainable investment objective of 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.

Data sources and processing

The investment process uses data from external ESG providers (e.g., Sustainalytics, MSCI), issuers, media, NGOs, and international organizations. The mentioned data sources 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.

Attainment of the sustainable investment objective

No index has been designated as a reference benchmark to attain the sustainable investment objective of this Sub-Fund.

Sustainable investment objective of the financial product

What is the sustainable investment objective of this financial product?
The Sub-Fund's sustainable investment objective consists of investing in debt instruments issued for projects and/or by issuers that contribute to pre-defined so called "Impact Pillars", with an environmental focus, based on the Investment Manager's assessment. Environmental Impact Pillars (clean and renewable energy, energy efficiency, resource efficiency, low-carbon transportation, agriculture and forestry as well as climate resilient infrastructure) are the primary focus of the Sub-Fund (at least 80% of the Sub-Fund's assets).

In order to attain the sustainable investment objective, the Sub-Fund will invest at least 80% of its assets in green bonds (sustainable investments with an environmental objective), and up to 20% of its assets in debt instruments that are not green bonds, but that are issued by issuers that contribute to an environmental objective (sustainable investments with an environmental objective).

Through these investments, the Sub-Fund partially intends to invest in sustainable investments with an environmental objective as defined by the EU Taxonomy. These objectives are: "climate change mitigation", "climate change adaptation", "sustainable use and protection of water and marine resources", "transition to a circular economy", "pollution prevention and control", "protection and restoration of biodiversity and ecosystems".

No significant harm to the sustainable investment objective

In order to ensure that the sustainable investments that Sub-Fund intends to 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 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.
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.

Investment strategy

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

In order to attain the sustainable investment objective, the Sub-Fund applies the following ESG framework: focus on green bond investments, exclusion approach, monitoring of critical controversies, screening and Sub-Fund level commitments.

Focus on green bond investments:
The debt instrument must fulfill at least one of the following criteria:

– The debt instruments must qualify as green bonds. These bonds are instruments where the proceeds will be applied to finance or refinance new and/or existing projects, with positive environmental outcomes (e.g. solar power, energy efficiency of industrial processes or promoting public transport). The selected bonds are categorized as green bonds based on international standards such as the Green Bond Principles of the International Capital Market Association (ICMA). The use of proceeds of the selected bonds must contribute to at least one of the pre-defined Impact Pillars. The Investment Manager determines the substantial contribution to the Impact Pillars based on Second Party Opinions (“SPO”) provided by accredited third party auditors or ESG rating agencies, impact reports provided by the issuer and/or scientific evidence. The lack of an impact reporting and/or an SPO leads to an exclusion of the bond instrument.
– Debt instruments issued by an issuer which contributes to the Impact Pillars, but do not qualify as green bonds, must positively contribute to at least one of the Impact Pillars. The issuer must derive at least 20% of its revenues from economic activities that contribute to the Impact Pillars. Exceptions will be made for companies that play a key role on the respective market (for example measured by a significant market share). The revenues portion derived from economic activities that contribute to the Impact Pillars will be considered as sustainable investments.

The Sub-Fund will invest at least 80% of its net assets in green bonds, and up to 20% of its assets in debt instruments that are not green bonds, but that are issued by issuers that contribute to an environmental objective.

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.

Screening:
The Sub-Fund invests in securities of corporate issuers that are not above the maximum Implied Temperature Rise that has been set at 2°C. The Implied Temperature Rise is provided by a third-party ESG data provider selected by the Investment Manager, namely MSCI ESG. The Implied Temperature Rise from MSCI ESG Research is designed to show the temperature alignment of companies with global climate targets in the year 2100 or later based on the companies analyzed most recent scope 1, 2 and 3 projected emissions. In the event of significant changes to the ITR, the Investment Manager will validate the ITR with the research provider and assess the issuer’s decarbonization strategy based on data from third-party research providers such as, but not limited to, the Science Based Target Initiative SBTI.

Sub-Fund level commitments:
The Sub-Fund will have at least a weighted average ESG rating of A, on a scale from AAA to CCC, with AAA being the best, and CCC being the worst rating. ESG ratings are provided by MSCI ESG, a third-party ESG data provider selected by the Investment Manager.

Binding elements:

- The Sub-Fund invests at least 80% of its net assets in green bonds that qualify as sustainable investments with an environmental objective.
- The Sub-Fund invests up to 20% of its net assets in debt instruments that are not green bonds, but that are issued by issuers that contribute to an environmental objective, and that qualify as sustainable investments with an environmental objective.
- 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 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 in securities of corporate issuers that are not above the maximum Implied Temperature Rise that has been set for this Sub-Fund (Implied Temperature Rise 2°C). The Implied Temperature Rise is provided by MSCI ESG, a third-party ESG data provider. In the event of significant changes to the ITR, the Investment Manager will validate the ITR with the ESG research provider and assess the issuer’s decarbonization strategy based on data from third-party research providers such as, but not limited to, the Science Based Target Initiative SBTI.
- The Sub-Fund will have at least a weighted average ESG rating of A. The ESG ratings are provided by MSCI ESG, a third-party ESG data provider.
- The ESG analysis covers 100% of the Sub-Fund’s securities. The use of ESG data may be subject to methodological limits.

What is the policy to assess good governance practices of the investee companies [1]?
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 critical controversies monitoring process. 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.

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

☒ Yes ☐ No

Yes, 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.

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.

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

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

Proportion of investments

What is the asset allocation planned for this financial product?

INVESTMENTS	PERCENTAGE (OF NET ASSETS)	TYPE OF EXPOSURES
#1 Sustainable covers sustainable investments with environmental objectives.	At least 80%	Only through direct exposures
Environmental objective	At least 80%	Only through direct exposures
Environmental objective (EU Taxonomy aligned)	At least 10%	Only through direct exposures
Social objective	0%	Choose an item.
#2 Not sustainable includes investments which do not qualify as sustainable investments.	Up to 20%	Through indirect exposures for hedging instruments

Under “#1 Sustainable”, the Sub-Fund will partially invest in sustainable investments with an environmental objective aligned with the EU Taxonomy. These objectives are: “climate change mitigation”, “climate change adaptation”, “sustainable use and protection of water and marine resources”, “transition to a circular economy”, “pollution prevention and control”, “protection and restoration of biodiversity and ecosystems”. It is expected that at least 10% of the Sub-Fund’s investments will be considered as aligned with the EU Taxonomy. This percentage reflects the alignment with the objectives “climate change mitigation” and “climate change adaptation”. At the date of the Sales Prospectus, the EU Taxonomy technical screening criteria are available only for the objectives “climate change mitigation” and “climate change adaptation”. The Taxonomy alignment of the investment is calculated by capex. In order to calculate and monitor the EU Taxonomy alignment of the Sub-Fund, the Investment Manager will use data reported by the investee companies themselves. Where investee companies do not report such data, the Investment Manager will use equivalent information obtained directly from investee companies and/or from third party data providers. The compliance with the criteria for environmentally sustainable economic activities will not be subject to an assurance provided by one or more auditors or a review by one or more third parties.

Under "#2 Not Sustainable", 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 sustainable investment objective, no minimum environmental or social safeguards are applied.

When investing in UCITS and UCIs managed by another management company, the Investment Manager relies on ESG methodology and exclusion policies, if any, used by the management company of such UCITS and UCIs and the Exclusion Framework may not apply.

Monitoring of sustainable investment objective

What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

The attainment of the sustainable investment objective is measured through the following list of sustainability indicators:
- Percentage of investments in green bonds
- Percentage of investments in debt instruments that are not green bonds, but that are issued by issuers that contribute to an environmental objective
- 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
- Percentage of investments in issuers that are in violation of 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 that are above the maximum Implied Temperature Rise that has been set for this Sub-Fund (Implied Temperature Rise 2°C, Implied Temperature Rise provided by MSCI, a third-party ESG data provider). In the event of significant changes to the ITR, the Investment Manager will validate the ITR with the

ESG research provider and assess the issuer's decarbonization strategy based on data from third-party research providers such as, but not limited to, the Science Based Target Initiative SBTI.
- Sub-Fund's weighted average ESG rating (ESG rating provided by MSCI, a third-party ESG data provider).
- Percentage of securities covered by ESG analysis.

The information used for the implementation of the ESG framework, and consequently the attainment of the sustainable investment objective, 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 ex-posed 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?

Focus on green bond investments:
The debt instrument must fulfill at least one of the following criteria: (i) qualify as green bonds, and/or (ii) contribute to at least one of the Impact Pillars.

(i) qualify as green bonds
- As a first step, the Investment Manager must ensure that the selected debt instrument qualify as green bonds according to the international standards Green Bond Principles of the International Capital Market Association (ICMA). The bonds can be selected from the primary and secondary market.
- The lack of an impact reporting and/or an SPO (Second Party Opinion) leads to an exclusion of the bond instrument. The impact reporting and/or SPO allow the Investment Manager to evaluate the environmental benefits of projects and the appropriate management of proceeds. SPOs are provided by accredited third party auditors or ESG rating agencies.
- The use of proceeds of the selected bonds must contribute to at least one of the pre-defined Impact Pillars. The Investment Manager determines the substantial contribution to the Impact Pillars (environmental: clean and renewable energy, energy efficiency, resource efficiency, low-carbon transportation, agriculture and forestry as well as climate resilient infrastructure). The mapping is based on SPOs provided by accredited third party auditors or ESG rating agencies, impact reports provided by the issuer and/or scientific evidence.
- The Investment Manager will conduct a deep dive assessment taking into account the compliance with international Standards, the type of projects (exclusion of clean coal projects, large hydro power projects with non-beneficial carbon footprint), abuse of proceeds, severe ESG controversies related to the projects.

(ii) contribute to at least one of the Impact Pillars
For debt instruments issued by an issuer which contributes to the Impact Pillars, but do not qualify as green bonds, must positively contribute to at least one of the Impact Pillars. The issuer must derive at least 20% of its revenues from economic activities that contribute to the Impact Pillars. Exceptions will be made for companies that play a key role on the respective market (for example measured by a significant market share). The revenues portion derived from economic activities that contribute to the Impact Pillars will be considered as sustainable investments.

The Sub-Fund will invest at least 80% of its net assets in green bonds, and up to 20% of its assets in debt instruments that are not green bonds, but that are issued by issuers that contribute to an environmental objective.

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:
The Sub-Fund invests in securities of corporate issuers that are not above the maximum Implied Temperature Rise that has been set at 2°C. Implied Temperature rise is provided by a third-party ESG data provider selected by the Investment Manager, namely MSCI ESG. The Implied Temperature Rise from MSCI ESG Research is designed to show the temperature alignment of companies with global climate targets in the year 2100 or later based on the companies analyzed most recent scope 1, 2 and 3 projected emissions. In the event of significant changes to the ITR, the Investment Manager will validate the ITR with the research provider and assess the issuer's decarbonization strategy based on data from third-party research providers such as, but not limited to, the Science Based Target Initiative SBTI.

Sub-Fund level commitments:
The Sub-Fund will have at least a weighted average ESG rating of A, on a scale from AAA to CCC, with AAA being the best, and CCC being the worst rating. ESG ratings are provided by MSCI ESG, a third-party ESG data provider selected by the Investment Manager. The ESG model evaluates sector- and country-specific environmental, social and governance criteria and scores companies relative to the other companies in the related industry and countries relative to all countries. For corporate issuers the criteria refer to actions and performance in relation to environmental protection in production, environmental product design, employee relations, environmental and social supply chain standards and management systems. For sovereign issuers the criteria refer to risk exposure and risk management related to amongst other natural resources, environmental externalities, knowledge capital, economic environment and political governance.

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?

The following data sources are used for the implementation of the investment process:
– External ESG data providers including Sustainalytics, MSCI ESG Research, SynTao Green Finance, Inrate, ISS ESG, Freedom House and RepRisk
– Second Party Opinion (SPO) from qualified third parties as an integral part of our Green Bond selection process
– Additional fundamental information provided by the issuers directly, media, NGOs as well as international organizations (especially for the country ratings)

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 described in detail 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 directly, based on the belief that the direct contact between investee company management teams and investment professionals such as portfolio managers and analysts who have the specific expert knowledge and understanding of the context in which the company has been selected as an investment.

Reasons to engage with an investee company 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 the management teams of investee companies 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 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 severe ESG controversies ("priority companies");

- Top-down approach – the stewardship partner selects companies for which practices should be improved based on thematics 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.

Attainment of the sustainable investment objective

Has a reference benchmark been designated for the purpose of attaining the sustainable investment objective of 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.

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