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.

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.

22. Annex "Environmental and/or social characteristics" to the Sub-Fund Vontobel Fund – TwentyFour Absolute Return Credit Fund

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 – TwentyFour Absolute Return Credit Fund
Legal entity identifier: 2221001GZCYJRGNFVI77

Environmental and/or social characteristics

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 15% 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 promotes environmental and social characteristics and invests in issuers that the Investment Manager considers well-prepared to handle financially material environmental and social challenges. Issuers will be screened in accordance with the Investment Manager's view of appropriate sustainability parameters as measured in the Investment Manager's proprietary Environmental ("E") and Social ("S") scoring model. The Sub-Fund will avoid investments in issuers involved in certain economic activities that are harmful to society and the environment.

Additionally, the Sub-Fund invests at least 15% of its net assets in sustainable investments by investing in securities of issuers that contribute to either an environmental (climate change mitigation, climate change adaptation) or a social (empowerment) objective based on the Investment Manager's assessment.

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 disclosure referenced below under "Exclusion approach");
- Percentage of investments in securities of corporate issuers that pass the minimum combined E&S score (set at 15 out of 100) that has been set for this Sub-Fund as described in the investment strategy section below;
- Percentage of sustainable investments by investing in securities of corporate issuers that contribute either to an environmental (climate change mitigation, climate change adaptation) objective or social (empowerment) objective.

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 Sub-Fund partially intends to make is to invest in securities of issuers that contribute to either an environmental (climate change mitigation, climate change adaptation) or a social (empowerment) objective.
In order to qualify as sustainable investment, and apart from following good governance, the investment:

- must not be classified as "Significant Harm";
- must be classified as "In transition" (which includes a commitment to transition) or "Positive contribution"

This evaluation will be conducted by the Investment Manager.

As an issuer can contribute to an environmental (climate change mitigation, climate change adaptation) or a social objective (empowerment) objective at the same time, an investment can be counted as a sustainable investment with an environmental objective and a sustainable investment with a social objective.

The securities that will be considered eligible for sustainable investment are securities of corporate issuers and asset-backed securities ("ABS"). For ABS, the assessment will be based on the sponsor of the ABS or on the collateral backing the ABS.

More information about the methodology to determine a sustainable investment is available on https://am.vontobel.com/view/TFARCF#documents, under "Sustainability Related Disclosures".

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 the Sub-Fund intends to make do not cause significant harm to any environmental or social investment objective, the Investment Manager takes into account all the mandatory indicators for adverse impacts applicable to the asset class and ensures that the financial product'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 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 makes 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 include: engagement and exclusion.

The Investment Manager considers excluding issuers that are (i) in violation of the norms or (ii) involved in critical controversies. Unless, in either case, the Investment Manager

has identified a positive outlook (i.e., through proactive response by the issuer, proportionate rectification measures already announced or taken, or through active ownership activities with reasonable promise of successful outcomes).

— — — *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 certain selected principal adverse impacts on sustainability factors in the following areas: greenhouse gas emissions and social and employee matters.

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. The Investment Manager views engagement as an important tool in holding companies to account and encouraging pro social behavior. Principal adverse impacts can be considered during engagement activities.

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:
– 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/TFARCF#documents, and, if applicable, whether the exclusion applies to upstream, midstream/production or downstream activities, the revenue thresholds applied and potential exceptions considered.

Screening:
– The Sub-Fund invests in securities of corporate issuers that pass the minimum combined E&S score (minimum is set at 15, on a scale from 0 to 100, with 0 being the worst and 100 being the best score), which is based on the Investment Manager's proprietary methodology. This score is the result of combination of qualitative and quantitative analysis. The Investment Manager's proprietary Observatory is a relative value system which combines third party data covering over 400 ESG metrics in conjunction with the portfolio managers' overall relative value decision making.

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 15% of its net assets in securities of issuers that contribute to either an environmental (climate change mitigation, climate change adaptation) or a social (empowerment) objective. The assessment methodology is described above.

Additionally, the Sub-Fund follows an active engagement 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 of the Sub-Fund.

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 invests in securities of corporate issuers that pass the minimum combined E&S score (set at 15 out of 100) that has been set for this Sub-Fund as described in the investment strategy section above.
  – The Sub-Fund invests at least 15% of its net assets in sustainable investments.

- ***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.

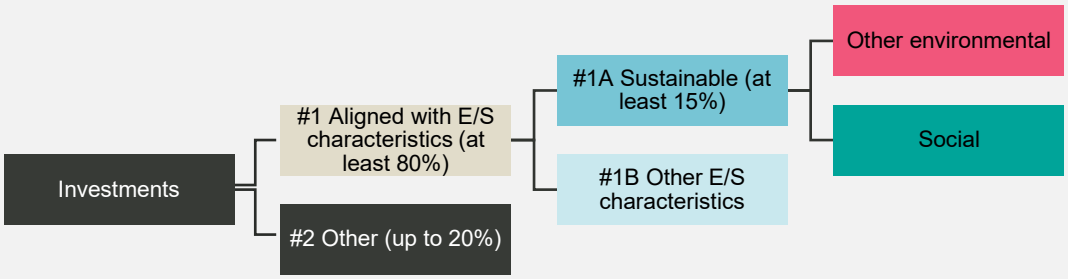
- ***What is the policy to assess good governance practices of the investee companies?***
  The investee companies are rated for governance aspects using the Investment Manager's ESG Observatory score. Common governance indicators include sound management structures, such as board independence and diversity, employee ownership, remuneration of staff, tax compliance, rights of minority shareholders, executive remuneration, and audit and accounting oversight, in addition to those governance factors which are specific to ABS, including structural features of a transaction that evidence adequate protection to bondholders and alignment of interest. These Governance indicators are a major component of the Investment Manager's ESG Observatory score. 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 engagement. All engagements directly conducted by the Investment Manager are recorded in the Investment Manager's Observatory database.

What is the asset allocation planned for this financial product?

The Sub-Fund invests at least 80% 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 15% of the investments of the Sub-Fund that are sustainable investments.

The Sub-Fund is expected to invest up to 20% of its NAV in cash and instruments used for the purposes of liquidity (#2 Other), under normal market conditions. This percentage may increase significantly in extreme market conditions. Other investments include also investments for which ESG data is lacking.



#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.

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.

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 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%.

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.

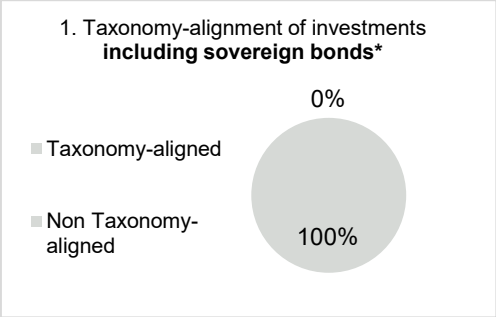
- ***Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?***

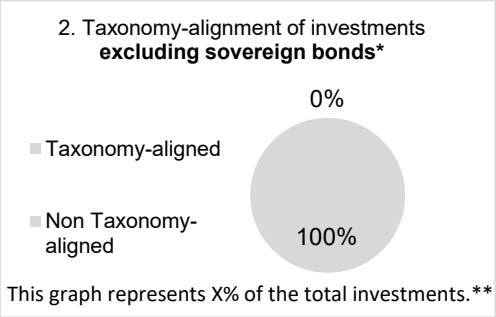
  ☐ Yes:

  ☐ 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 that are 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%.

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 15% 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 if:

– the economic activity is not yet covered under the EU Taxonomy,

[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.

– the positive contribution is not (fully) aligned with the criteria for environmentally sustainable economic activities under the EU Taxonomy, or
– 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 15% 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. 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.

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.

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.

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

Where can I find more product specific information online?

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