

## Vontobel Fund – mtX Asian Leaders (ex Japan)

### 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.

#### **Environmental or social characteristics of the Sub-Fund**

The Sub-Fund aims to generate long-term capital growth promoting environmental and social characteristics by employing several safeguards and evaluating all equity investments against sustainability criteria with hard thresholds required to be met for inclusion.

Integrating sustainability criteria is a central pillar in the investment process with the aim of improving the long-term risk-return characteristics of the Sub-Fund's portfolio and supporting elevated social or environmental practices by the investee companies. The Investment Manager is motivated by the understanding that its investments have the potential to affect society and the environment, and that such investments are affected by society and the environment.

The Sub-Fund invests in issuers that the Investment Manager considers well-prepared to handle financially material environmental and social challenges, while implementing minimum pass scores as well as sectoral and norms-based exclusions. It also follows commitments related to carbon emissions.

#### **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 (E/S), the Sub-Fund applies the following ESG framework: exclusion approach, monitoring of critical controversies, ESG integration, carbon related commitments and partial investment in sustainable investments. It excludes non-compliant issuers, monitors controversies, and invests at least 15% 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 15% of the net assets are invested in sustainable investments with an environmental 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**

To promote Environmental & Social (E/S) characteristics, the Sub-Fund applies the following Sustainability frameworks:

##### ESG Integration:

- The Sub-Fund invests in securities of corporate issuers that pass the Investment Manager's ESG assessment using its "Minimum Standards Framework" ("MSF"), which is based on a proprietary methodology. To qualify for investment, the

company must achieve an overall minimum score. By doing so, the Investment Manager seeks to identify and exclude companies that are worst prepared to meet and manage idiosyncratic shocks to which their sector is uniquely exposed or whose operational practices or products pose too great a risk to society or the environment.

- The Sub-Fund also does not invest in securities of corporate issuers that have an F-Score score, which may be given where a critical ESG event occurs. The Investment Manager has developed an F-Score framework to provide a clear decision tree to assess the real-world and business impact of incidents against evidence-based criteria. Thereby, there are hard redlines preventing investment in companies that have highly negative impact on society or the environment even where the business case is unaffected.

Exclusion approach:

- The Sub-Fund excludes issuers that do not comply with the exclusion "Level 2" of Vontobel's Exclusion framework. Details about this framework can be found under <https://www.vontobel.com/esg-library/>. Additionally, the Sub-Fund will exclude thermal coal power generation and conventional weapons respectively based on a 10% revenue threshold.

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 in-tends to ensure the alignment with global norms such as the UN Global Compact principles, the OECD Guidelines for Multi-national 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.

Carbon related commitments:

- The Sub-Fund will maintain a carbon footprint that is at least 20% lower than its benchmark (MSCI All Country Asia (ex Japan) TR net). The carbon footprint of the Sub-Fund and the issuers is calculated using the scope 1 and scope 2 GHG emissions of each invested company divided by the company's enterprise value including cash (EVIC).
- The Sub-Fund will have at least 15% of the portfolio holding in Sustainable Investments. To qualify as sustainable investments, the company's carbon footprint must be in the top 30% of its reference benchmark.

Additionally, the Sub-Fund follows an active ownership approach, which considers relevant environmental, social and governance matters. The Investment Manager conducts these activities to support the attainment of the E/S Characteristics of the Sub-Fund. The Sub-Fund is covered by the engagement pool of the Investment Manager's stewardship program, which includes a collaboration with a stewardship partner.

#### **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.

#### **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**

This 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 15% in sustainable investments.

In order to ensure that the Sustainable Investments of the Sub-Fund do not cause significant harm to any environmental or social investment objective, subject to data limitations as described further in PAI section below, 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 as further outlined below.

The Investment Manager takes into account the principle adverse impacts on sustainability factors via a series of commitments (exclusions, exclusion or engagement for critical esg events, minimum ESG score, engagement and voting and PAI screening). The Investment Manager identifies investments that are exposed to principal adverse impacts based on in-house research. Data sources include issuer data, ESG data providers, news alerts, brokers and other reputable data sources. Where 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 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 exclusion, active ownership, and tilting. Actions to address or mitigate principal adverse sustainability impacts depend on the severity, materiality and exceptionality of these impacts. These actions are guided by the financial product's ESG integration criteria and exclusion policies, as well as the investment manager's engagement and voting strategy.

The Sub-Fund, *subject to certain criteria described in the methodologies section below*, has a presumption to exclude companies that are involved in **Critical ESG Events**. Such events are A) where companies are evaluated to have breached international norms and standards as codified in the i) UN Global Compact; ii) OECD Guidelines for Multinational Enterprises; iii) UN Guiding Principles on Business and Human Rights (UNGP); iv) International Labor Organization's Conventions; as well as iv) underlying conventions and treaties of the above-named codes and a long list of other international conventions, norms and instruments. And B) companies involved in the most severe category of controversies as evaluated by either one of the Investment Manager's two major ESG service providers, MSCI and Sustainalytics.

**Environmental or social characteristics of the financial product**

The Sub-Fund aims to generate long-term capital growth promoting environmental and social characteristics by employing several safeguards and evaluating all equity investments against sustainability criteria with hard thresholds required to be met for inclusion.

Integrating sustainability criteria is a central pillar in the investment process with the aim of improving the long-term risk-return characteristics of the Sub-Fund's portfolio and supporting elevated social or environmental practices by the investee companies. The Investment Manager is motivated by the understanding that its investments have the potential to affect society and the environment, and that such investments are affected by society and the environment.

The Sub-Fund invests in issuers that the Investment Manager considers well-prepared to handle financially material environmental and social challenges, while implementing minimum pass scores as well as business activity and norms-based exclusions. It also follows commitments related to carbon emissions.

## 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 E/S Characteristics and the partial sustainable investment objective, the Sub-Fund applies the following ESG framework: ESG integration, exclusion approach, monitoring of critical controversies, carbon related commitments.

### *ESG Integration*

The Sub-Fund invests in securities of corporate issuers that pass the Investment Manager's ESG framework, its "Minimum Standards Framework" ("MSF"). To pass requires a score of 2.4/5, which is based on the Investment Manager's proprietary methodology. This score is sector-specific and supports a rigorous assessment of companies on their most material ESG issues, in terms of impact on future cash flows. These issues are translated into ca. 15-30 sustainability indicators (depending on the sector) and performance thresholds are predefined for each of these indicators. The Environment, Social and Governance pillars are weighted according to the relevance for each industry sector. In order to qualify for investment, the company must achieve an overall minimum score (2.4). By doing so, the Investment Manager seeks to identify and exclude companies that are worst prepared to meet and manage idiosyncratic shocks to which their sector is uniquely exposed or whose operational practices or products pose too great a risk to society or the environment.

The MSFs are in turn based on mtX's in-depth sectoral ESG assessments. The sector papers are designed as a practitioners' guide, highlighting the key ESG issues that the sector faces and mtX's approach towards these risks. The sector papers and the MSFs are subject to periodic review to update with current knowhow, evolving trends and best practice. In total, the Investment Manager has 11 sector papers and 14 MSFs.

The Sub-Fund does not invest in securities of corporate issuers that have an overriding Fail Score. A prospective investee will be given a Fail Score by the Investment Manager if it is involved in critical controversies that have highly negative impacts on society or the environment even if the issuer would otherwise attain a pass MSF mark.

The Sub-Fund also divests from existing investees that have an F-Score score, which may be given where a Critical ESG Event occurs. The Investment Manager has developed an F-Score framework to provide a clear decision tree to assess the real-world and business impact of incidents against evidence-based criteria. The Investment Manager has established hard rules for whether the finding leads to divestment or engagement. Thereby, there are hard redlines preventing investment in companies that have highly negative impact on society or the environment even where the business case is unaffected. The framework provides an assessment approach for categorizing the impact on society/ environment (assessments on scale and nature of impact, and culpability) and the impact on business (the business resilience to withstand the financial impacts of the controversy). If a company is assessed in 4/6 impact categories as "Severe" or all impact categories are evaluated as "High" impact, then the company must be divested from within set timeframe. Likewise, if the financial impact is severe then the company is given an F Score.

### *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.

**Carbon related commitments:**

The Sub-Fund will maintain a carbon footprint that is at least 20% lower than its benchmark (MSCI All Country Asia (ex Japan) TR net). The carbon footprint of the Sub-Fund and the issuers is calculated using the scope 1 and scope 2 GHG emissions of each invested company divided by the company's enterprise value including cash (i.e., EVIC).

**Binding elements:**

In summary, the binding elements of the investment strategy used to select the investments to achieve the E/S characteristics and the partial sustainable investment objective are as follows:

- Companies must achieve a minimum qualifying ESG score (2.4/5)
- The Sub-Fund excludes certain products and/or activities listed above.
- Companies must not have a Fail or a "F-score", which is awarded where companies are involved in critical controversies that have highly negative impact on society or the environment, and/or will materially impact the financial assessment.
- The Sub-Fund will have a carbon footprint at least 20% lower than that of the benchmark.
- The Sub Fund will have at least 15% of the portfolio holding in Sustainable Investments whose carbon footprint is in the top 30% of their benchmark (MSCI All Country Asia (ex Japan) TR net).
- The application of the binding elements leads to the exclusion of at least 20% of potential investments.
- The ESG analysis covers for at least 90% of the Sub-Fund's securities. The use of ESG data may be subject to methodological limits.

**Policy to assess good governance practices of the investee companies<sup>1</sup>:**

The Investment Manager will use its ESG framework, the MSF, to assess good governance practices of the investee companies. Common corporate governance indicators include, but are not limited to: independence, structure and quality of the board, independence of the audit committee, ownership structure and related rules, and remuneration fairness (including transparency, quantum, oversight rules). Wider governance factors such as relating to human capital management and business ethics are also covered in the Social pillar of mtX's ESG Framework, the MSF.

The Sub-Fund further ensures good governance of the investee companies via active ownership. Key to this are engagement activities conducted directly by the Investment Manager, engagement activities conducted by the manager's specialist third-party engagement partner and voting activities, where the Investment Manager works with a proxy advisory firm and systematically considers all company ballots with ESG principles in mind.

**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 Investment Manager considers Principal Adverse Sustainability Impacts Indicators<sup>2</sup>:

PAI	Process applied
Table 1, #4: Exposure to companies active in the fossil fuel sector	Exclusion in the fossil fuel area (cf. "exclusion approach", <a href="https://www.vontobel.com/esg-library/">https://www.vontobel.com/esg-library/</a> )
Table 1, #5: Share of non-renewable energy production	Exclusion of controversial weapons (cf. "exclusion approach", <a href="https://www.vontobel.com/esg-library/">https://www.vontobel.com/esg-library/</a> )

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

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

Table 1, #10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multi-national Enterprises

Cf. "Monitoring of critical controversies"

Table 3, #14: Number of identified cases of severe human rights issues and incidents

### 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 environmentally and socially sustainable investments.	At least 15%	Only through direct exposures
Environmental objective (not aligned with EU Taxonomy)	At least 15%	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 indirect exposures for hedging instruments

Under "2 Other", 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 delivery of the 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.

### 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 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 companies that pass the minimum ESG score (as evaluated using the Minimum Standard Framework ("MSF"), being the Investment Manager's proprietary ESG evaluation framework; minimum is set at 2.4 out of 5) set for this Sub-Fund. A passing score also entails that there is no overriding "Fail Score" using the Investment Manager's "F-Score Framework" (described further below under "ESG integration").
- 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
- The Sub-Fund's carbon footprint relative to the benchmark (evaluated on the basis of each issuer's scope 1 and 2 GHG emissions normalized by the company's enterprise value including cash (i.e., EVIC) and multiplied by its weight in the portfolio). The sum of such weighted average carbon footprint is calculated and then compared to that of the reference benchmark (i.e., MSCI All Country Asia (ex Japan) TR net).
- Companies' carbon footprint, including Scope 1 and 2 GHG emissions normalized by EVIC is compared to the reference benchmark. The Investment Manager then reports on the number of companies who are in the top 30% relative to the benchmark and report on these weighted holdings (excluding cash) as representing the Sub-Fund's percentage of sustainable investments.

*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 E/S characteristics and partial sustainable investment objective, are reviewed on a regular basis.

If a security does not comply with the binding criteria described above, the Investment Manager divests from such an issuer within a 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 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 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 (listed below in the section on data sources) 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 process. This 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

Our approach is to use proprietary frameworks as tools for systematic analysis. These frameworks have been developed on basis of extensive research by our team of ESG specialists and are periodically reviewed and updated as needed. The frameworks are described in more detail above. Below is additional detail on how they are integrated into the investment approach.

### *ESG integration:*

The ESG Minimum Standard Frameworks (**MSFs**) are a series of sector specific frameworks to guide detailed, systematic qualitative and quantitative analysis of a potential investee's Sustainability Risks<sup>3</sup> (impact of society/environment on the company) and Sustainability Factors<sup>4</sup> (impact of the company on society/environment). These concepts are the two sides of "double materiality" – the ways in which a company affects and is affected by the environment and society in which it operates.

Our investment approach understands that companies which actively engage on ESG issues tend to have more sustainable shareholder returns and are better at managing their real-world impacts.

At mtX the sustainability analysis is fully integrated into company evaluations and enables the analysts to reach decisions based on a holistic understanding of each company. MtX strongly believes an effective identification of material ESG opportunities requires thorough analysis. To maximize efficiency and expertise, the sustainability analysis is conducted by mtX's ESG analysts in collaboration with the financial analyst for the sector. A prospective investment will initially be subject to a first view to assess if it is likely to pass the MSF and therefore warrant more detailed financial modelling. Before investment, a full MSF must be completed, and the company must attain a passing score. Our focus is not to maximize the MSF score, nor to perfect the scoring but to use the framework to focus on any critical issues that warrant deeper investigation. The Investment Manager finds that active investors, with in-house ESG expertise can add real value in differentiating what is financially relevant from irrelevant ESG noise. Critical too is a direct dialogue with companies to overcome information gaps, particularly so in Emerging Markets.

<sup>3</sup> **Sustainability Risks** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. Such risks include: climate-related and environmental risks (such as environmental product stewardship, footprint, natural resource management, alignment with local and international targets and laws, effects of climate change); social risks evaluated as material for the sector (such as welfare and development of employees, supply chain management, data security and privacy, business ethics, or human rights violations); governance risks (including, rights of minority shareholders, board and ownership structures, strength of independent oversight, related party transactions, executive pay, and audit and accounting oversight); severe sustainability controversies, and violations of international norms.

<sup>4</sup> **Sustainability Factors** mean a company's material impact on environmental, social and employee/labor matters, which includes, *inter alia*, respect for human rights, anti-corruption, and anti-bribery matters.

The following chart provides an overview of the sustainability process, which is integrated along the entire investment process. For reasons of effectiveness and efficiency, mtX does not work with a predefined ESG universe. However, the more the Investment Manager becomes convinced of a company during the analysis process, the more in-depth the ESG analysis becomes. The chart below shows both where and how sustainability factors apply and how many companies per annum (p.a.) are typically evaluated at each stage.

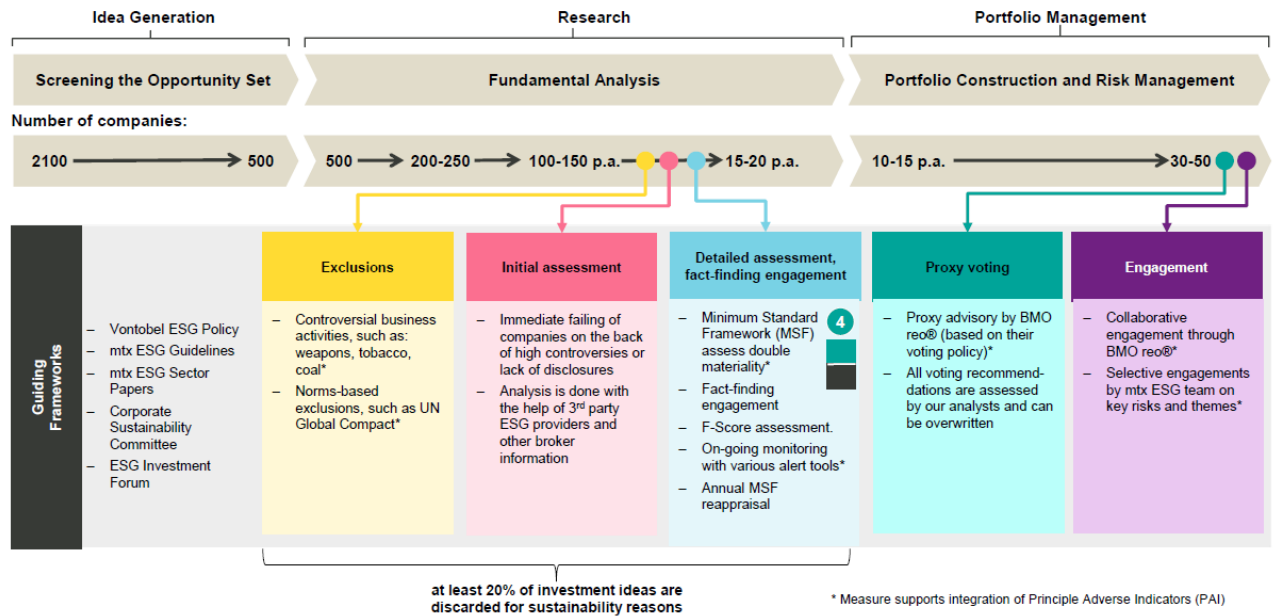


Figure 1: Sustainability Analysis integrated into the Sub-Fund's entire investment process (Source: Vontobel Asset Management)

**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.

**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 sustainability investment process:

- External ESG data providers: Sustainalytics, MSCI, ISS (corporate governance data), Syntao Green Finance (focused on China A Shares), Bloomberg, Alpha Sense, WIND, and RepRisk as well as many 'sell side' analysts with strong ESG insights.
- Information directly provided by the issuers, public information, information obtained via direct engagement.

Where no reliable third-party data is available, the Investment Manager may make reasonable estimates or assumptions. 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.

To ensure data quality, the Investment Manager regularly reviews data, uses multiple data sources, and frequently directly engages with issuers when material data gaps occur.

**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, either of which may be based on false, misleading, or inaccurate information, assumptions, calculations, 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 financial product could have indirect exposure to issuers who do not meet the relevant criteria. This poses a significant methodological limit to the strategy of the financial product. Neither the financial product, 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 strategy. To maintain confidence that the E/S Characteristics and/ or partial sustainable investment objective is met, the investment manager may also engage with investees 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?*

To qualify for initial investment, the investments aligned with the E/S Characteristics and/or the partial sustainable investment objective must comply with the binding elements applied by the Sub-Fund. This compliance must 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, 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

The Investment Manager believes that voting and engagement is core to its fiduciary responsibilities to clients. Material ESG issues can impact the future success of a company and therefore its investment potential. For long-term investors, these are seen as important tools to help steer companies towards internationally accepted norms and practices, which is ultimately for the long-term benefit of the company as well as its wider stakeholders. The Investment Manager understands this is an iterative process of on-going dialogue and regularly works with outside partners to leverage its voice with other shareholders to elicit positive change.

Mtx considers active ownership as central to sustainable investing. As such, the team follows a comprehensive engagement strategy that enables the use of its role as shareholders to support companies in becoming more sustainable. It consists of direct engagements, which are undertaken by the analysts and portfolio managers, and indirect engagements through a partnership with Columbia Threadneedle Responsible Engagement Overlay (reo©).

The analysts and portfolio managers directly engage with the management of companies on relevant topics as part of their fundamental research activities. The mtX team carry out informal fact-finding engagements as part of a structured ESG research process – either due to data gaps or to better understand a company’s performance and policies. These engagements address material ESG issues that might impact the companies’ future cash flow. Additionally, for areas flagged as key ESG risks, the Investment Manager seeks to understand the company’s plans to manage and mitigate them. Through these consultations, companies are encouraged to improve their risk management practices and ESG disclosures. Specific areas of improvement are referenced where these are needed. Where an invested company is flagged for serious controversies, a regular review of the evolving situation is maintained, ever vigilant of the potential need to divest if the situation is not remedied. Mtx has an established engagement strategy with a selection of investee companies (periodically updated) that have high exposure to sustainability risks or impacts as well as targeted engagements on a thematic approach. With these companies, mtX build a longer-term engagement plan with milestones targeted. An engagement log is maintained, examples of these engagements are provided to clients in various means, such as in Vontobel Asset Management’s yearly voting and engagement report.

For indirect engagement, the Investment Manager works with reo©. Such collaborative engagements allow to exercise greater influence than the size of its holdings would otherwise permit and benefit from reo©’s specialist resources and experience. An additional major benefit is that reo© will establish a long-term engagement plan with objectives and milestones, and this persists irrespective of investment inflows and outflows by reo© clients. i.e., it can take a truly long-term perspective and will maintain regular pressure throughout the life of the issue engagement. The Investment Manager regularly observe that the type of engagement that helps drive structural changes is most effective in the context of long-established dialogue and a relationship of trust. REO conducts engagement activities based around three approaches:

- i) Bottom-up approach – they engage with companies that have exceptionally poor ESG practices or critical ESG controversies (“priority companies”).
- ii) Top-down approach – they select companies for which practices should be improved based on thematic focus areas (e.g., climate risk management).
- iii) Continuous risk management – they engage in response to controversies and breaches in global norms.

Finally, voting is also a key element of the active ownership approach and is part of the fiduciary duty. Analysts receive alerts of upcoming company meetings along with reo©’s & ISS’s voting recommendations and supporting research. These are then reviewed by the ESG team and relevant financial analyst, and a decision is made whether to support the voting recommendations based on the analyst’s in-depth knowledge of a company and its management. Unless overruled in specific cases, voting is based on standardized policies agreed by reo© and Vontobel. Mtx has a dedicated process in place to ensure that all ballots are assessed by ESG and financial analysts before votes are executed. The process is audited quarterly by independent auditors, Ernst and Young. Vontobel Asset Management’s voting records are published on a yearly basis under <https://am.vontobel.com/en/esg-investing>.

## Designated reference benchmark

*Has a reference benchmark been designated for the purpose of attaining these E/S 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.