

## **Annex I**

### **Pre-Contractual Disclosure - Article 8 Disclosure Regulation**

## Environmental and/or social characteristics

**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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

☒ ☒ ☐ Yes

☒ ☐ ☒ No

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ____% <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ____%	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with a social objective <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>
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### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes environmental and social characteristics within the meaning of Article 8 of the Disclosure Regulation. Due to the range of investments the Fund can invest in, the environmental and social characteristics promoted by the Fund address a range of environmental, social and corporate governance (“ESG”) issues.

The Fund’s assets are invested in securities of issuers that meet defined minimum standards in terms of ESG criteria. Each issuer of equities and/or corporate bonds undergoes a sustainability

analysis undertaken by the Investment Manager prior to acquisition. The ESG performance of an issuer is systematically evaluated on the basis of various environmental and social criteria, as well as information by which corporate governance practices can be assessed. These criteria relate to the following issues:

- Environmental
  - Climate change mitigation
  - Avoidance of detrimental impacts on ecosystems and loss of biodiversity
  - Sales in climate-friendly technologies
- Social
  - Universal human rights
  - Prohibition of child and forced labour
  - Health and safety in the workplace
- Corporate Governance
  - Structure and quality of the supervisory board of an investee company
  - Principles of anti-corruption under the UN Global Compact.

The Fund promotes these environmental and social characteristics through the Investment Manager's consideration of ESG criteria using the following approaches as further outlined below: (i) exclusions, (ii) ESG integration, and (iii) engagement. The abbreviation "ESG" stands for the three aspects of sustainability (i) environmental; (ii) social; and (iii) good corporate governance.

**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?***

**(i) Exclusions**

Investments in securities are excluded if they:

- violate one of over 100 internationally recognised standards. These include, in particular, the United Nations Global Compact, and the United Nations Guiding Principles on Business & Human Rights. The ten principles of the United Nations Global Compact promote sustainable and responsible corporate development in order to make globalisation more socially and ecologically responsible. They fall under the categories of human rights, labour standards, environmental and corruption prevention;
- originate from issuers that insufficiently consider relevant ESG risks and aspects of good corporate governance. All issuers with an ESG rating of "CCC" according to MSCI ESG Research are excluded;
- originate from issuers that engage in the following controversial business areas to an extent beyond the specified threshold:
  - (a) generate more than 5% of their revenue with electricity from thermal coal;
  - (b) generate more than 5% of their revenue from thermal coal or uranium mining;
  - (c) generate more than 5% of their revenue from the extraction of crude oil and natural gas using non-conventional methods (fracking, oil sands);

- (d) generate more than 5% of their revenue from the production and trade of military equipment;
- (e) produce and/or distribute outlawed weapons, such as landmines and ABC weapons, with no minimum revenue threshold;
- (f) generate more than 5% of their revenue from tobacco, including end products such as cigarettes or cigars; and/or
- (g) generate more than 5% of their revenue from the operation of nuclear power plants, also excluded are companies that generate more than 5% of revenue from the manufacture of essential components for nuclear power plants.

**(ii) ESG Integration**

The aim of ESG integration is to improve the risk/return profile of the Fund by integrating sustainability aspects into the traditional investment analysis process. The assessment of an issuer's sustainability is carried out by the Investment Manager using published information from the issuers. All issuers of equities and/or corporate bonds are subject to sustainability analysis before their securities are purchased.

In ESG integration, environmental, social and corporate governance criteria are considered by the Investment Manager when making investment decisions. In this context, the investment universe only includes investments that do not fall under the above exclusion criteria.

Key figures on climate and other environmental concerns, negative impacts in the areas of social and employee matters, human rights and anti-corruption are all considered. The analysis covers the following areas:

- (a) involvement in controversial business practices based on over 100 internationally recognised standards, including the UN Global Compact;
- (b) sustainability risk management: In addition to ESG ratings and scores, several key performance indicators are considered, which, for example, measure the handling of employee matters;
- (c) climate ratings to measure the transition to a low-carbon economy; and
- (d) compliance of companies with the objectives of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change.

In addition, the Investment Manager may also rely on the sustainability assessment of external providers to evaluate the above criteria. External data providers collect information from companies or issuers on how they deal with the above-mentioned sustainability issues and generally also assess these and make this information available to the Investment Manager. With regard to a violation of the ten principles of the UN Global Compact, the Investment Manager generally refers to the information in the sustainability assessments of external data providers.

**(iii) Engagement**

Engagement will involve discussions regarding business-relevant ESG challenges related to the underlying companies. The Investment Manager enters into a dialogue with the businesses in which it invests and addresses relevant ESG parameters. In doing so, it also seeks to exert its influence to ensure that continuous improvements can be achieved by the companies on the relevant ESG parameters. The Investment Manager engages with underlying companies via dialogue and voting rights. The Investment Manager has also mandated Columbia Threadneedle Investments to engage with underlying companies via dialogue and voting rights.

If information is available at the underlying asset level, various calculation methods are applied to summarise this at the Fund level.

The following sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the Fund:

**(a) ESG Rating**

Using a rules-based methodology, MSCI ESG Research (an independent provider of ESG data, reports and ratings based on published methodologies) assesses the extent to which a company is exposed to ESG risks and opportunities. The rating is based on a seven-point scale and ranges from a leading (AAA, AA), to an above-average (A, BBB, BB), to a lagging (B, CCC) assessment.

**(b) CO<sub>2</sub> Footprint**

Indicates how many tonnes of CO<sub>2</sub> are produced on average per EUR 1 million in revenue by the companies included in the Fund's portfolio. Scope 1 emissions caused directly by the companies themselves are considered, as are Scope 2 emissions caused by the use of indirect, purchased energy. CO<sub>2</sub> emissions include the six greenhouse gases of the Kyoto Protocol, which are converted into a CO<sub>2</sub> equivalent.

**(c) Number of business dialogues conducted and successes achieved**

The Investment Manager addresses business-relevant sustainability challenges in its discussions with businesses and reports on the number of business dialogues conducted and the successes achieved.

**(d) Compliance with the exclusion criteria**

Exclusion criteria are applied in respect of the Fund as outlined at (i) above. Compliance with the exclusion criteria is continuously monitored and reported by the Investment Manager at regular intervals.

The Investment Manager may conduct its own in-house research using both publicly available information and information sourced from third-party ESG data providers to assess exclusions and ESG integration as outlined at (i) and (ii) above, and to provide an internal view on the rating of a company from an ESG perspective. In this case, the Investment Manager will ensure that investments are screened for all sustainability indicators.

● ***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 Fund will have a minimum proportion of 20% of sustainable investments composed of investments with an environmental or social objective in economic activities that are classified as sustainable within the meaning of Article 2(17) of the Disclosure Regulation.

**Sustainable investments within the meaning of Article 2(17) of the Disclosure Regulation**

The Fund invests in environmentally and socially sustainable economic activities as defined in Article 2(17) of the Disclosure Regulation which contribute to the achievement of at least one of the following objectives:

- Financing economic activities that are consistent with at least one of the 17 United Nations Sustainable Development Goals. Companies that generate at least 20% of their revenues from products or services aimed at one or more of these goals correspond to an explicit corporate focus on meeting such environmental or societal needs.

- Mitigating climate change and transitioning to a low-carbon economy: The company is committed to CO<sub>2</sub> reduction targets. The implied temperature increase of the company is less than 2 degrees Celsius.
- Positively contributing to equality and human capital by promoting greater diversity in the workforce.

In the investment process, the Investment Manager's consideration of these indicators is based on a positive list of companies that have developed a strategy against at least one of the above key indicators and have a track record in addressing environmental and/or social objectives. Information from MSCI ESG Research for the individual key indicators is used as the basis for this positive list.

In relation to the 17 United Nations Sustainable Development Goals, revenues are considered in products and services that are consistent with the 17 United Nations Sustainable Development Goals. Sustainable impact data from MSCI ESG Research is used for this purpose. The contribution of sustainable investments is determined by a share ratio, which is the ratio of the market value in sustainable companies to the market value of all investments of the Fund.

***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?***

The Fund ensures that in the selection of sustainable investments, none of the environmental and social objectives listed in Article 2(17) of the Disclosure Regulation or of the environmental objectives included in Article 9 of Regulation (EU) 2020/852 are significantly harmed.

Significant harm exists in particular in the case of severe impacts on the adverse sustainability indicators or the breach of the minimum level of protection set out in Article 18 of Regulation (EU) 2020/852.

In addition, the Fund invests in securities of such issuers or companies that in their business activities observe the governance aspects referred to in Article 2(17) of the Disclosure Regulation. This is ensured and documented by the exclusions defined in the internationally recognised standards.

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

In selecting sustainable investments for the Fund, the indicators of adverse impact on sustainability factors are used to determine significant harm. Criteria for a severe impact are defined for 33 environmental and social indicators. Investments that do not meet the Investment Manager's defined ambition levels for each of these indicators cannot be classified as sustainable investments. In the absence of relevant data, classification of an investment as a sustainable investment is not possible.

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

Investments are monitored for alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The principles are based on international standards in the areas of human rights, labour rights, the environment and corruption. If a company is found to be at fault or to have breached these standards, the company will be excluded for



investment by the Fund. In the case of investments already held by the Fund, the relevant investment will be sold.

*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?

☒ Yes

The following PAI are considered:

### Environmental Adverse Impact Indicators

- Greenhouse gas (“GHG”) emissions
- Carbon footprint
- GHG intensity of investee companies
- Exposure to companies active in the fossil fuel sector
- Share of non-renewable energy consumption and production
- Energy consumption intensity per high impact climate sector
- Activities negatively affecting biodiversity-sensitive areas
- Emissions to water
- Hazardous waste ratio
- Investments in companies without carbon emission reduction initiatives
- Investments in companies producing chemicals
- Non-recycled waste ratio
- Natural species and protected areas
- Deforestation

### Social Adverse Impact Indicators

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
- Investments in companies without workplace accident prevention policies
- Rate of workplace accidents
- Insufficient whistleblower protection
- Incidents of discrimination
- Excessive CEO pay ratio
- Lack of human rights policy
- Lack of due diligence
- Lack of processes and measures for preventing trafficking in human beings
- Operations and suppliers at significant risk of incidents of child labour

**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.

- Operations and suppliers at significant risk of incidents of forced or compulsory labour
- Number of identified cases of severe human rights issues and incidents
- Lack of anti-corruption and anti-bribery policies
- Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery
- Number of convictions and amount of fines for violations of anti-corruption and anti-bribery laws

No



### What investment strategy does this financial product follow?

The Fund promotes the environmental and social characteristics outlined above using the following approaches: (i) exclusions, (ii) ESG integration, and (iii) engagement, as further outlined in the section above entitled “*What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*”. Further detail in relation to the investment strategy of the Fund can be found in the Leaflet.

- ***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 sustainability indicators, as described above, for measuring the attainment of each of the environmental and/or social characteristics promoted by the Fund are the binding elements of the investment strategy of the Fund used to select the investments to attain each of the environmental or social characteristics promoted by the Fund.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

N/A. There is no committed minimum rate to reduce the scope of the investments considered prior to the application of the Fund’s investment strategy.

- ***What is the policy to assess good governance practices of the investee companies?***

The Investment Manager assesses the governance practices of investee companies including the company’s management structures, employee relations, employee compensation, and tax compliance as part of its assessment of investments. The Fund invests exclusively in companies which have good corporate governance practices. Directive 2013/34/EU of the European Parliament and of the Council sets out transparency duties with regard to environmental, social and corporate governance aspects in the context of non-financial reporting. Such companies are expected to publish a corporate governance code under national legislation, at a minimum identifying sound management structures, proper relations with employees, employee compensation and tax compliance.

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

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



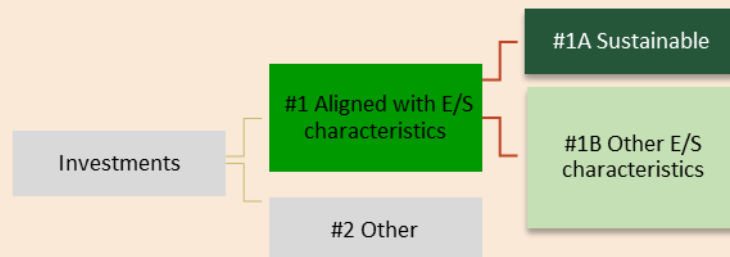


**Asset allocation** describes the share of investments in specific assets.

## What is the asset allocation planned for this financial product?

The Fund may acquire a wide range of assets as further detailed in the section of the Leaflet entitled “Investment Policy” and in the Prospectus. Environmental and social factors are considered for all assets that can be directly allocated to individual companies. The planned asset allocation for the Fund is determined on the basis of the previous financial year's valuation or by means of a model portfolio. It is not a binding specification and no assurance can be given that the planned distribution of assets will actually be achieved.

In addition, the Fund will have a minimum proportion of 20% of sustainable investments, which are composed of investments with an environmental or social objective in economic activities classified as sustainable within the meaning of Article 2(17) of the Disclosure Regulation.



**#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

## How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives are used by the Fund in accordance with the requirements of the investment limits and guidelines set out in the Prospectus and Leaflet. Derivatives are neutral positions in the Fund's portfolio and are not explicitly used to attain the environmental and/or social characteristics of the Fund.



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

N/A. The Fund does not commit to making any investments which are aligned with the EU Taxonomy.

## Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

<sup>1</sup> 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

☐

Yes:

☐

In fossil gas

☐

In nuclear energy

☒

No

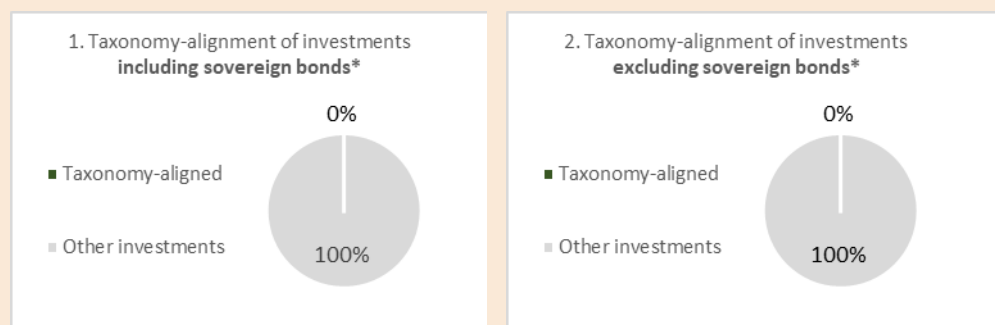
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035.

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

*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

● **What is the minimum share of investments in transitional and enabling activities?**

N/A



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund makes a minimum of 20 % of sustainable investments based on the following criteria:

- with an environmental objective or social objective in economic activities that are classified as sustainable within the meaning of Article 2(17) of the Disclosure Regulation.

Sustainable investments with an environmental objective that do not conform to the EU Taxonomy are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities according to the EU Taxonomy.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



### What is the minimum share of socially sustainable investments?

The Fund will have a minimum proportion of 20% of sustainable investments composed of investments with either an environmental or social objective, with 20% being the combined minimum proportion of sustainable investments which have either environmental or social objectives.



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

These investments include hedging instruments, investments for diversification purposes and cash instruments.

For other investments that do not form part of the Fund's sustainability strategy, there are no binding criteria for the Investment Manager to consider minimum environmental and/or social safeguards. This is either due to the nature of the assets, where at the time of the preparation of this Annex, there are no legal requirements or standard market procedures regarding how to consider minimum environmental and/or social safeguards for such assets or investments are specifically excluded from the sustainability strategy, and are then also not subject to the consideration of minimum environmental and/or social safeguards.



### 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

No

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

N/A

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

N/A

- *How does the designated index differ from a relevant broad market index?*

N/A

- *Where can the methodology used for the calculation of the designated index be found?*

N/A

**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 websites:

- Metzler European Smaller Companies Sustainability / Class A  
<https://fondsfinder.universal-investment.com/api/v1/IE/IE0002921975/document/SRD/en>
- Metzler European Smaller Companies Sustainability / Class B  
<https://fondsfinder.universal-investment.com/api/v1/IE/IE00B40ZVV08/document/SRD/en>
- Metzler European Smaller Companies Sustainability / Class BN (GBP)  
<https://fondsfinder.universal-investment.com/api/v1/IE/IE00BGJWXR61/document/SRD/en>
- Metzler European Smaller Companies Sustainability / Class C  
<https://fondsfinder.universal-investment.com/api/v1/IE/IE00BY02C96/document/SRD/en>
- Metzler European Smaller Companies Sustainability / Class BN  
<https://fondsfinder.universal-investment.com/api/v1/IE/IE00BF2FJT96/document/SRD/en>
- Metzler European Smaller Companies Sustainability / Class X  
<https://fondsfinder.universal-investment.com/api/v1/IE/IE00B5WKN813/document/SRD/en>