

Product name: **Quoniam Funds Selection SICAV - Euro Credit** Legal entity identifier (LEI code): **529900QN6SB3PGS68481**

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

☐ It will make a minimum share of **sustainable investments 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

☐ It will make a minimum share of **sustainable investments with a social objective**: ____%

☐ It **promotes E/S characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of % of sustainable investments

☐ with an environmental objective in economic activities that 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 promotes E/S characteristics, but **will not make any sustainable investments**.



What environmental and/or social characteristics are promoted by this financial product?

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The sub-fund invests primarily in assets that have been selected from a sustainability point of view. Sustainability is understood to mean environmental (Environment – E) and social (Social – S) criteria as well as good corporate and governmental management (Governance – G). Corresponding criteria include CO2 emissions, protection of natural resources, biodiversity and water (environment), anti-corruption measures, tax transparency (governance) and health and safety in the workplace (social). While taking into account environmental and social characteristics, the Company invests in assets of issuers that apply good governance practices.

No benchmark has been identified to determine whether the sub-fund is aligned with the promoted environmental and/or social characteristics.

Fulfilment of environmental and social characteristics by outsourcing companies

The Company has appointed another company to (partially) manage the sub-fund. This company takes into account the previously described environmental and social characteristics of the sub-fund according to the Company's specifications.

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

The fulfilment of the sub-fund's environmental and social characteristics is measured by what is known as sustainability indicators (consisting of exclusion criteria and sustainability scores). The sustainability indicators of this sub-fund are:

Exclusion criteria

Exclusion criteria are set by the Company for the acquisition of certain assets. Securities and money market instruments of companies involved in the production and supply of landmines, cluster bombs and nuclear weapons are excluded, among others. Securities and money market instruments of companies with controversial business practices (violation of ILO labour standards including child labour or forced labour as well as human rights, environmental protection or corruption), for example, are also excluded. In addition, securities and money market instruments of companies that, for example, generate more than 5 percent of their turnover from the production of tobacco are excluded.

Sustainability scores

Depending on the type of issuer, the sustainability score can cover the dimensions of the environment, social affairs, governance, sustainable business and controversies and assesses the issuer's ESG profile. In the environmental sector, the ESG profile is measured on the basis of issues such as the reduction of greenhouse gas emissions, preservation of biodiversity, water intensity or waste reduction. In terms of social affairs, the ESG profile is measured on the basis of issues relating, for example, to the treatment of employees, the guarantee of health and safety standards, labour standards in the supply chain, or the safety and quality of products and services. When it comes to good corporate governance and governmental management, the Company analyses compliance with good governance standards on the basis of data from various providers and research from advisers on voting rights. The ESG profile is measured, for example, on topics such as corruption, compliance, transparency and risk and reputation management. The Company also takes into account sustainability ratings and ESG key figures from external providers in order to obtain a comprehensive picture of the issuers' ESG profile.

In our portfolio optimisation system, our portfolio managers can call up various sustainability scores simultaneously at any time and adjust them if necessary. In this way, we monitor and control the fulfilment of environmental and social characteristics. The regular production of internal analyses also enables the fulfilment of the environmental and social characteristics of the investment fund to be tracked over time. Technical control mechanisms are a fixed component of our investment process (e.g. in the trading systems) to monitor and ensure investment restrictions defined in the investment strategy so as to meet the investment fund's environmental and social characteristics (e.g. the application of exclusion criteria or minimum requirements for sustainability scores).

We obtain data used to analyse companies and/or assets with regard to sustainability indicators from external service providers. We take our data from various service providers (e.g. MSCI ESG Research LLC, S&P Trucost, ISS ESG) in order to benefit from the highest possible data quality. In addition to diversification, we ensure high data quality through automated, random checking mechanisms. Raw data flows into a software for sustainable portfolio management, which processes the corresponding data automatically. Only a very small proportion of these data is estimated due to a lack of reporting at company level. In doing so, we draw on average values for industries or sectors.

- **What are the objectives of the sustainable investment that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

This financial product does not make sustainable investments.

- **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?**

This financial product does not make sustainable investments.

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.

All other sustainable investments must also not significantly compromise environmental or social objectives.



Does this financial product consider the 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.

- X Yes, information on the principal adverse impacts on sustainability factors is also available in the quarterly report in the Annex “Regular disclosure 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” of the sub-fund.

The principal adverse impacts of investments on sustainability factors (“PAIs”) are taken into account when acquiring securities, money market instruments and investment units. Indicators used to identify these adverse impacts on sustainability factors from investments in companies are derived from the following categories: greenhouse gas emissions, biodiversity, water, waste and social affairs and employment. Indicators are taken into account for investments in securities and money market instruments from countries in the environment and social affairs and employment categories.

When selecting securities and money market instruments from companies and acquiring investment units, PAIs are mainly taken into account by (1) defining exclusion criteria, (2) evaluating them with the help of sustainability scores in portfolio construction and (3) conducting corporate dialogues and exercising voting rights.

Companies whose business practices have a material adverse effect on the categories described above, for example, are excluded. The PAI categories described above are also taken into account when calculating the sustainability scores.

When analysing states, PAIs are taken into account by, among other things, excluding unfree states that have a low score in the index issued by the international non-governmental organisation Freedom House.

☐ No



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

What investment strategy does this financial product follow?

The sub-fund's investment strategy pursues an overall ESG approach in which the sustainable orientation of the sub-fund is to be ensured by taking into account various sustainability indicators. The general investment strategy of the sub-fund is described in "The sub-fund at a glance - Quoniam Funds Selection SICAV - Euro Credit" of this Sales Prospectus under the heading "Investment policy".

First of all, we exclude companies from the investment universe based on their controversial business practices or activities as part of ESG screening. The criteria are approved by our SI Committee and reviewed on a quarterly basis. Among the criteria is the exclusion of manufacturers of controversial weapons. Securities of companies that seriously violate the principles of the UN Global Compact or that generate a defined share of their turnover through the production of coal or tobacco are also excluded.

With ESG integration, sustainability scores are taken into account in portfolio construction. For example, by targeting the companies with a better ESG profile or lower carbon footprint, we reduce the sub-fund's ESG risk. In our investment process, we are able to optimise these sustainability scores and in doing so take all key indicators into account at the same time.

The exclusion criteria and all sustainability scores are available for portfolio management at any time via Quoniam's investment platform. In this way, the various sustainable strategies can be regularly reviewed and adjusted if necessary. In this way, the fulfilment of environmental and social characteristics is also checked and controlled.

In addition, we conduct company dialogues and exercise our voting rights as part of a collaborative engagement approach (ESG engagement) with our parent company Union Investment. By pooling voting rights, we increase our influence at general meetings and in discussions with company representatives. On the one hand, these dialogues examine whether and to what extent sustainability is part of the business strategy. On the other hand, there is a demand to consistently pursue sustainability.

We expect responsible corporate governance that not only takes purely economic targets into account, but also considers social, ethical and environmental aspects. These targets are then endorsed if they promote the long-term interests of shareholders and creditors and thus the long-term value of the Company. We require companies to comply with good corporate governance standards with regard to, among other aspects, shareholder and creditor rights, composition and remuneration of the management board and supervisory board, corporate actions, auditors and transparency.

We are actively involved in focusing on relevant sustainability issues for an engagement agenda to be addressed in corporate dialogues. The activities and results are recorded quarterly in an engagement report. The basis for exercising our voting rights are the current principles for exercising voting rights. In addition, we have described our sustainability approach in the Responsible Investment Guidelines.

As part of the investment strategy, the principal adverse impacts on sustainability factors are taken into account. More detailed information on this is explained in the section "How have the indicators for adverse impacts on sustainability factors been taken into account?".

● 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?

Binding elements of the investment strategy that are used to attain the environmental and social characteristics are

- the exclusion criteria set for the Fund ("Which sustainability indicators are used to measure the achievement of each environmental or social characteristic promoted by this financial product?"), the details of each of which are described in more detail in the section indicated.

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

The scope of the investments considered is not reduced by a minimum rate (of 0%) prior to the application of this 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 acquisition of securities as part of the sub-fund's sustainable investment strategy is subject to the assumption that the issuers of these securities apply good corporate governance practices. For this purpose, exclusion criteria have been identified. These criteria are based on the ten principles of the UN Global Compact.

The ten principles of the Global Compact include guidelines for dealing with human rights, labour rights, corruption and environmental violations. In this way, companies should respect the protection of international human rights and ensure that they are not complicit in human rights abuses. They shall work for the abolition of child labour and the elimination of all forms of forced labour, and for the elimination of discrimination in respect of employment and occupation. They are intended to accelerate the development and dissemination of environmentally friendly technologies, promote environmental awareness and follow the precautionary principle in dealing with environmental problems. They should stand against all forms of corruption, including extortion and bribery.

In addition, Quoniam requires issuers in whose securities the Fund is already invested to comply with good corporate governance standards with regard to, among other things, shareholder rights, composition and remuneration of the Management Board and Supervisory Board, corporate actions, auditors and transparency with the help of Union as part of ESG engagement. For this purpose, Union analyses the corporate governance of the issuers. This analysis is based, among other things, on the financial or annual reports published by the issuers and is supported by data from various providers and research from voting rights advisors. Furthermore, Union advocates good corporate governance through the exercise of its shareholder rights at the issuers' general meeting.



Asset allocation describes the share of investments in specific assets.

With a view to EU Taxonomy alignment, the criteria for **fossil gas** include limiting emissions and switching to renewable energy or low-carbon fuels by the end of 2035. The criteria for **nuclear energy** include comprehensive safety and waste management regulations.

Enabling activities have an immediate enabling effect that other activities make a significant contribution to environmental objectives.

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.

What is the asset allocation planned for this financial product?

The assets of the sub-fund are divided into different categories in the graph below. Each share of the sub-fund assets is shown as a percentage.

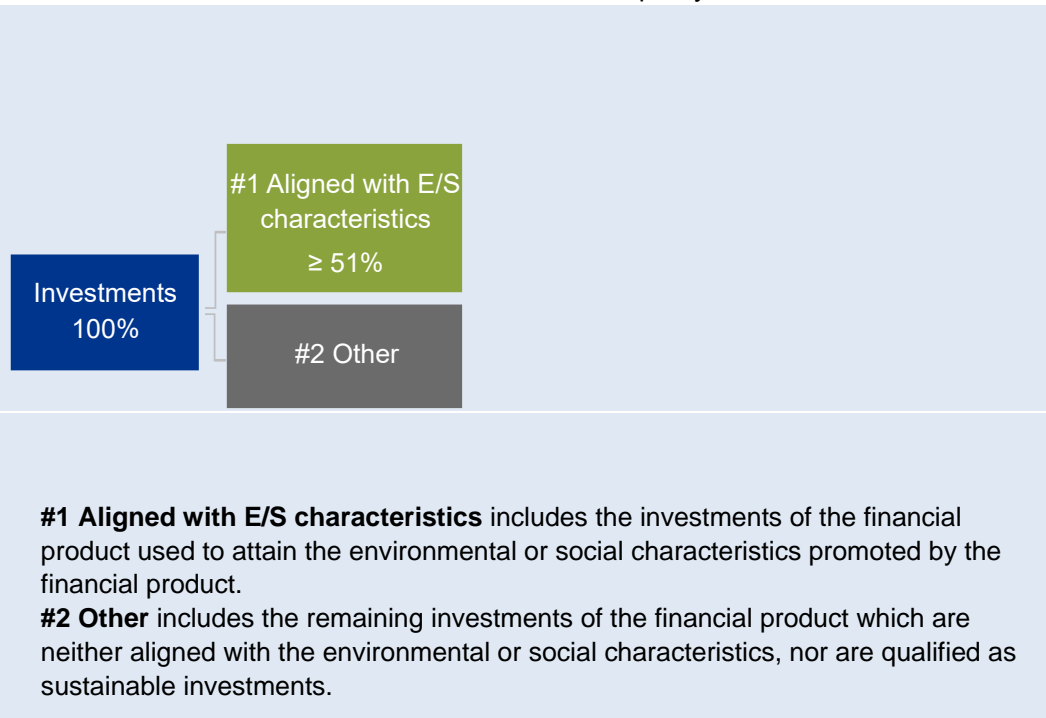
“Investments” refers to all assets that can be acquired for the sub-fund.

The category “#1 Aligned with E/S characteristics” covers those assets that are transacted within the framework of the investment strategy to attain the promoted environmental or social characteristics.

The category “#2 Other (other investments)” includes, for example, derivatives, bank deposits or financial instruments for which there is not enough data to be able to evaluate them for the sustainable investment strategy of the sub-fund.

The category “#1A Sustainable (sustainable investments)” covers sustainable investments according to Article 2(17) of the Disclosure Regulation. This includes investments with which “Taxonomy-aligned” environmental objectives, “other environmental objectives” and social objectives (“social”) shall be contributed to.

The category “#1B Other E/S characteristics” covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.



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

The environmental and social characteristics of the sub-fund are not attained through the use of derivatives.



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

This sub-fund does not seek to invest sustainably.

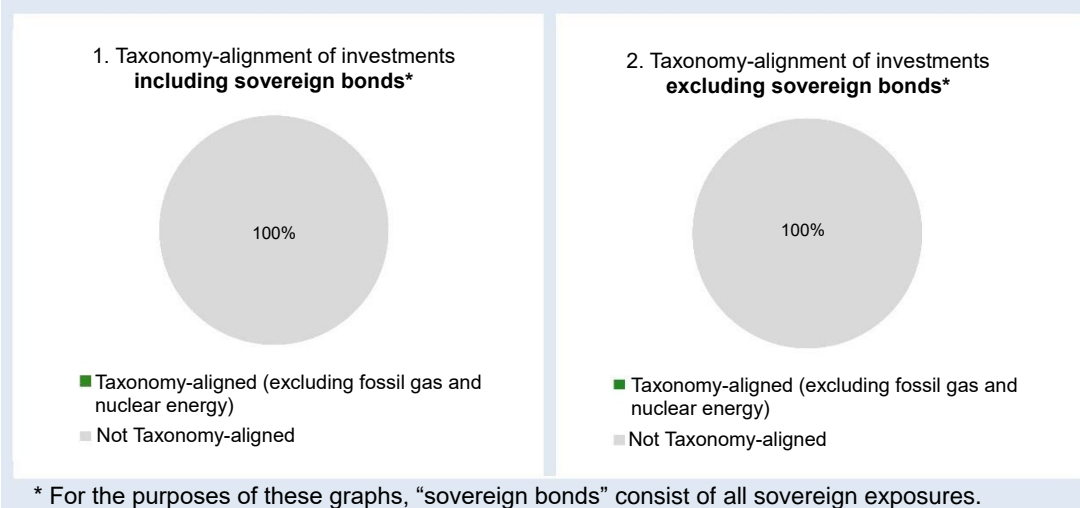
● **Is the financial product invested in EU Taxonomy-aligned fossil gas and/or nuclear energy activities¹?**

- ☐ Yes:
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

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
- **operating expenditure** (OpEx) reflecting green operational activities of investee companies.

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.



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

An indication of how and to what extent the investments included in the sub-fund are those in economic activities that are included in the shares of the enabling activities and the transitional activities referred to in Article 16 and Article 10(2) of the Taxonomy Regulation, respectively, cannot be given for the reasons mentioned above.

The minimum share of investments in transitional and enabling activities is currently 0 percent.

¹ Fossil gas and/or nuclear energy activities are only EU Taxonomy-aligned if they contribute to climate change mitigation ("climate protection") and do not significantly harm any EU Taxonomy objective – see explanation in left margin. The full criteria for EU Taxonomy-aligned economic activities in fossil gas and nuclear energy are set out in Commission Delegated Regulation (EU) 2022/1214.



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 financial product does not make sustainable investments.



What is the minimum share of socially sustainable investments?

The financial product does not make sustainable investments.



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

Assets are acquired for the sub-fund for investment and hedging purposes that do not contribute to environmental or social characteristics. Examples of such investments are derivatives, investments for which no data is available or cash held for liquidity purposes.

No minimum environmental or social safeguards are taken into account when acquiring these assets.



Reference

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

Was 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?

n/a



Where can I find more product-specific information online?

More product-specific information can be found on the website at:
<https://www.union-investment.lu/startseite-luxemburg/fonds/downloads.html>