

APPENDIX II

ANNEX II

Pre-contractual 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

Product name: CORUM Butler European High Yield Fund **Legal entity identifier:** 6354006BJJXXCKZYRO83

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?



Yes



No

☐ It will make a minimum of **sustainable investments with an environmental objective:** ____%

☐ 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 of **sustainable investments with a social objective:** ____%

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

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



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

As part of its ESG risk assessment, the Investment Manager considers the following environmental and/or social characteristics:

1. the management of risks related to an investee company's own operational energy use and green house gas ("GHG") emissions, as well as that company's management of the energy efficiency and/or GHG emissions of its services and products during the use phase;

2. the management and respect of fundamental human rights within an investee company's own operations and in its supply chain;
3. the management by an investee company of human resources;
4. the efficiency and effectiveness of an investee company's use of raw material inputs in production and how that company manages related risks, as well as the management of risks related to water scarcity and raw material inputs within its supply chain; and
5. the management of the impact of an investee company's operations on land, ecosystems and wildlife.

Furthermore, the Sub-Fund only invests in companies that comply with the United Nations (UN) Global Compact Principles. In particular the following principles relate to the environmental and/or social pillars as these principles provide the obligation for a company to:

- support and respect the protection of internationally proclaimed human rights (Principle 1);
- make sure it is not complicit in human rights abuses (Principle 2);
- uphold the freedom of association and the effective recognition of the right to collective bargaining (Principle 3);
- support the elimination of all forms of forced and compulsory labor (Principle 4);
- support the effective abolition of child labor (Principle 5);
- support the elimination of discrimination in respect of employment and occupation (Principle 6);
- support a precautionary approach to environmental challenges (Principle 7);
- undertake initiatives to promote greater environmental responsibility (Principle 8); and
- encourage the development and diffusion of environmentally friendly technologies (Principle 9).

The Sub-Fund does not use a specific index designated as a reference benchmark for the purpose of attaining the characteristics being promoted. Portfolio construction follows a benchmark agnostic approach which will seek adequate diversification across opportunities and individual securities.

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

The Sub-Fund promotes environmental or social characteristics by applying exclusion strategies, as well as assessing the ESG risk on the basis of an ESG risk rating. When relevant, principal adverse indicators are used to underpin these exclusion strategies and the ESG risk assessment integrated into the investment process and described below.

Norm-Based Exclusions – United Nations Global Compact

Companies that do not respect the principles of the UN Global Compact on human rights, working conditions, the environment and the fight against corruption are excluded from the investable universe. The decision to exclude these companies is based on a defined methodology which includes an assessment of a company's impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of international norms and standards.

For these purposes, the Investment Manager monitors violations of UN Global Compact Principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises using information obtained from a third-party ESG research provider as well as publicly available information and alternative data sources.

Norm-based Sectoral Exclusions

A "norm-based" sectoral exclusion policy is applied to all companies that do not comply with the Ottawa Treaty (being the convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction of 1997) and the Oslo Convention on cluster mines.

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

Therefore, as part of its investment process, the Investment Manager excludes companies which derive more than 0% of their revenue from anti-personal mines, cluster weapons, controversial weapons and biological and chemical weapons.

For these purposes, the Investment Manager monitors the exposure of investee companies to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons), using information obtained from a third-party ESG research provider as well as publicly available information and alternative data sources.

Sectoral Exclusions

In addition to the norm-based sectoral exclusions, certain controversial sectors are excluded by the Investment Manager, such as tobacco, adult entertainment, whale meat, predatory lending, palm oil, oil sands, recreational cannabis (therapeutic allowed), arctic oil and gas exploration and thermal coal.

Therefore, as part of the investment process, the Investment Manager excludes from the investable universe companies which derive more than 0% of their revenue from these sectors (except for thermal coal, in respect of which a threshold of 30% of a company's revenue has been set).

For these purposes, the Investment Manager monitors the involvement of investee companies in these sectors, including the exposure of companies active in the fossil fuel sector, using information obtained from a third-party ESG research provider as well as publicly available information and alternative data sources.

ESG Risk Rating

The Investment Manager also takes into account the material ESG risks within portfolio companies, the magnitude of ESG risks they face and how those risks might affect performance. For these purposes, the Investment Manager relies on the ESG risk rating obtained from a third-party ESG research provider to perform a screening of the outstanding investable universe. The score ranges from 0 and 100, with 0 indicating that risks have been fully managed (no unmanaged ESG risks) and 100 indicating the highest level of unmanaged risk.

As part of the investment process, the Investment Manager systematically excludes companies with an overall score of 40 and higher points, such score corresponding to the portion of the company's ESG risk exposure that cannot be managed away through relevant policies, programmes or initiatives. The enterprise value of these companies is considered to have a severe risk of material financial impacts driven by ESG factors.

The ESG risk rating is composed of three building blocks that contribute to a company's overall rating. These building blocks include corporate governance, material ESG issues (MEIs), and idiosyncratic ESG issues.

The following indicators are used to assess the MEIs:

- *Carbon (Own Operations /Products and Services)*

This indicator refers to a company's management of risks related to its own operational energy use and GHG emissions, as well as the company's management of the energy efficiency and/or GHG emissions of its services and products during the use phase.

- *Human Rights and Human capital (Own Operations /Supply Chain)*

These indicators focus on how companies manage and respect fundamental human rights within their own operations as well as a company's management of fundamental human rights issues occurring in its supply chain. Emphasis is placed on measures taken to protect civil and political rights as well economic, social and cultural rights, including child and forced labour.

- *Human Capital*

This indicator focuses on the management of human resources.

- *Resource Use –Own operations/ Supply Chain*

This indicator focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks. It also focuses on how efficiently and effectively a company manages risks related to water scarcity and raw material inputs within its supply chain.

- *Land Use and Biodiversity – Supply Chain / Own Operations*

This indicator focuses on how companies manage the impact of their operations on land, ecosystems and wildlife. Topics covered include land conversion, land rehabilitation and forest management, as well as the protection of biodiversity and ecosystems.

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 Sub-Fund promotes environmental and social characteristics but does not have sustainable investments as part of its investment objective.

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?

As the Sub-Fund does not make sustainable investments, the requirement to consider the do no significant harm principle does not apply.

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

Not applicable.

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

Not applicable.

The EU Taxonomy sets out a “do no 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.

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.



Does this financial product consider principal adverse impacts on sustainability factors?

☒ x

Yes

☐ No

Yes, the Investment Manager identifies the following principal adverse impacts (PAIs) contained in Annex I of SFDR Level 2 as part of the ESG due diligence performed on at a pre-trade level:

- GHG emissions (Table 1, PAI 1);
- Exposure to companies active in the fossil fuel sector (Table 1, PAI 4);
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (Table 4, PAI 10);
- Board gender diversity (Table 2, PAI 13); and
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (Table 2, PAI 14).

The Investment Manager considers these selected PAI indicators for the purposes of the exclusion strategy applied to the Sub-Fund. These PAIs are also integrated in the ESG risk rating provided by the third-party ESG research provider referred to above.

The Investment Manager also performs a periodic review of the ESG characteristics of the portfolio companies and the results of this review are reported to its ESG quarterly committee.

The annual report will underpin the monitoring of the Sub-Fund through these bespoke PAI chosen for this Sub-Fund and enable engagement with the companies with the aim of seeking to improve on these specific PAIs over the longer term.



What investment strategy does this financial product follow?

The Sub-Fund promotes environmental or social characteristics, but does not have sustainable investment as its objective nor does it make any sustainable investments.

The Investment Manager integrates sustainability risks in the investment process by applying a four-step approach on potential investee companies prior to any investment being made. This four-step approach is 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?"*

Regarding the companies covered by the third-party ESG research provider referred to above, any companies with severe ESG risks (with an ESG risk above 40) are excluded. Regarding the companies which are not covered by the third-party ESG research provider, the Investment Manager's in-house ESG research team exclude any companies which are rated "Severe ESG Risk" according to the Investment Manager's in-house ESG risk assessment.

Finally, the Investment Manager also engages with investee companies on material issues, in accordance with its engagement policy including but not limited to ESG matters aligned with the Investment Manager's promotion of E/S characteristics.

Engagement will therefore mainly focus on three ESG themes: i) UN Global Compact and Norms compliance; ii) enhanced transparency on ESG-related information, notably on good governance factors; and iii) climate policies.

The assessment of the quality of good governance practices is performed on a pre-trade basis and an ongoing basis as part of the periodic checks performed by the Investment Manager.

Ongoing Monitoring

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

First, external data, such as the ESG risk ratings provided by the Investment Manager's third-party ESG research provider, sector involvement, and controversy involvement, is updated on at least a monthly basis. Once an issuer fails to pass the exclusion criteria post investment, the Investment Manager is requested to take necessary action.

In addition to its periodic ESG due diligence, the Investment Manager performs an ongoing monitoring of the ESG related news and controversies affecting the portfolio companies. In the case of material developments at an investee company, an ad-hoc ESG committee meeting will be held to reassess the Investment Manager's opinion on that company and to decide the action to be taken.

Finally, a review of the ESG characteristics of each company will be carried out on a twelve-month rolling basis by verifying each of the four-step ESG due diligence initially performed prior to the investment being made.

Any position which does not fit the ESG filters outlined above will have to be sold within a time period set by the Investment Manager's ESG committee.

Monitoring will be conducted by a quarterly ESG committee composed of representatives of the Investment Manager (both risk and portfolio management) and the Manager (risk and compliance). The quarterly ESG committee is responsible for:

- the review and ratification, if appropriate, of investment decisions made by the ad-hoc ESG committee within the period;
- the oversight of any controversies affecting the portfolio companies;
- the monitoring of the Investment Manager's engagement policy and its impact on the portfolio companies; and
- the monitoring of the annual review of the ESG characteristics of each company.

● ***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 binding elements used to select investments according to the ESG strategy applied by the Investment Manager are:

- 100% of the portfolio companies must be compliant with the UN Global Compact Principles at all times.
- No investment will be made in companies which derive more than 0% of their revenue from anti-personal mines, cluster weapons, controversial weapons and biological and chemical weapons.
- 100% of the portfolio companies must be compliant with the sectoral exclusions described above, with no involvement in tobacco products, adult entertainment, oil & gas exploration, recreational cannabis (therapeutic allowed), oil sands, palm oil, predatory lending or whale meat. No investment will be made in companies which derive more than 30% of their revenue from the production/extraction of thermal coal.
- Any issuer whose ESG information is provided by a third-party ESG research provider will be excluded if, according to their ESG risk rating, such companies have a severe ESG risk.
- 100% of the portfolio companies is subject to an ongoing controversy check.

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

The Investment Manager has not committed to a minimum rate to reduce the scope of the investments considered prior to the application of the Sub-Fund's investment strategy. However,

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

please note the Investment Manager's approach to exclusions as set out in response to the question "What are the binding elements of the investment strategy used to select investments to attain each of the environmental or social characteristics promoted by this financial product?"

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

The Investment Manager when analysing company governance across the universe of potential investments, will consider four key areas of corporate practice which are highlighted in the Disclosures Regulation, each of which reveals something about the investee company's business. These are:

- Sound management structures
- Strong employee relations
- Fair remuneration of staff
- Tax compliance

The Investment Manager is of the opinion that companies should have suitable practices and policies in place across all four of these areas to ensure that they are best placed to evolve in a sustainable manner over the long-term.

In order to assess how well companies are governed, the Investment Manager may use a range of different metrics associated with each of the above areas, which may involve the use of proprietary tools with various data points, analysis of the financial statements and related materials of companies, direct interactions with the management and/or governance information and ratings from the third-party ESG research provider.

The Investment Manager will avoid investments in companies that fail to protect the basic rights of investors and employees that are involved in tax evasion, corruption or other governance scandals (and fail to take adequate remedial action).



What is the asset allocation planned for this financial product?

Investments selected by the Investment Manager will generate exposure to companies, issuers and/or collective investment schemes as disclosed in the investment policy section of the Supplement, which in addition to economic and financial objectives, promote ESG factors. The minimum proportion of investments used to meet the environmental and social characteristics promoted by the Sub-Fund is 70% of the total net exposure of issuers. The percentage asset allocations disclosed may fluctuate.

The proportion of '# Other' investments is 30% and will be in cash and cash equivalents, derivatives used for hedging purposes, short positions of any derivatives used for investment purposes, ETFs and sovereign bonds and treasury bills.

Asset allocation describes the share of investments in specific assets.



#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.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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

Derivatives used for investment purposes (CDS and total return swaps on single issuer) are subject to the ESG risk assessment. In particular, the ESG strategy will be applied to net long positions on an investee company.

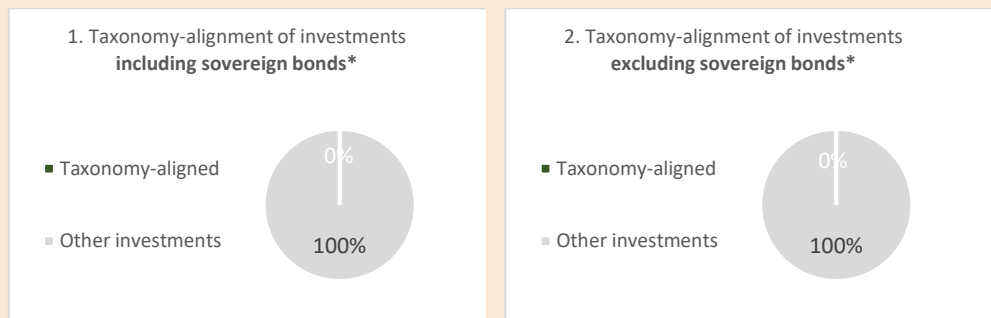
Conversely, cash and cash equivalents, derivatives used for hedging purposes, short positions of any derivatives used for investment purposes, ETFs and sovereign bonds and treasury bills are not subject to our ESG filters.



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

The Sub-Fund does not invest in sustainable investments with an environmental objective which are aligned with EU Taxonomy under the Taxonomy Regulation. As a result, the percentage of the Sub-Fund's investments that will be in economic activities that qualify as environmentally sustainable is 0%.

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?**

As at the date hereof, the proportion of investments in environmentally sustainable economic activities is currently 0% which comprises of 0% in transitional and 0% in enabling activities.



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

As the Sub-Fund does not make any sustainable investments, the Investment Manager, in consultation with the Manager, has determined that the minimum share of sustainable

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

investments with an environmental objective that are not aligned with the EU Taxonomy is 0% of NAV.

In addition, as noted above, the minimum share of sustainable investments with an environmental objective which are aligned to EU Taxonomy is also 0%.



What is the minimum share of socially sustainable investments?

Not applicable.



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

For #2 Other, the Sub-Fund may hold:

- Cash and cash equivalents;
- Derivatives Instruments for hedging purpose (e.g CDS on indices, total return swaps on indices, IR futures, equity futures, volatility futures and options);
- Short positions of any derivatives used for investment purposes;
- ETF; and
- Sovereign bonds and treasury bills.



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 index has been designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes.

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:

[*www.corumbutler.com.*](http://www.corumbutler.com)