

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.

23 Annex “Environmental and/or social characteristics” to the Sub-Fund Vontobel Fund – TwentyFour Strategic Income Fund

Pre-contractual disclosure annex for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Vontobel Fund – TwentyFour Strategic Income Fund
Legal entity identifier: 222100B4OXV5BVOSPQ71

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

<input type="checkbox"/>	It will make a minimum of sustainable investments with an environmental objective: ____%	<input type="checkbox"/>	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
<input type="checkbox"/>	<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/>	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/>	<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/>	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> with a social objective
<input type="checkbox"/>	It will make a minimum of sustainable investments with a social objective: ____%	<input checked="" type="checkbox"/>	It promotes E/S characteristics, but will not make any sustainable investments



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

The Sub-Fund promotes environmental and social characteristics and invests in issuers that the Investment Manager considers well-prepared to handle financially material environmental and social challenges. Issuers will be screened in accordance with the Investment Manager’s view of appropriate sustainability parameters as measured in the Investment Manager’s proprietary Environmental (“E”) and Social (“S”) scoring model. Additionally, the Sub-Fund applies certain exclusion criteria with regards to products and activities related to unconventional / controversial weapons.

The Sub-Fund has not designated a reference benchmark for the purpose of attaining the environmental and social characteristics that it promotes.

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

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

- Percentage of investments in securities of corporate issuers that derive a non-negligible part of their revenues from products and/or activities excluded by the Sub-Fund (excluded products and/or activities are indicated under the investment strategy section)
- Percentage of investments in securities of corporate issuers that pass the minimum combined E&S score (set at 12 out of 100) that has been set for this Sub-Fund as described in the investment strategy section below

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

The Investment Manager identifies issuers that are exposed to principal adverse impacts on sustainability factors based on in-house research; data sources include ESG data providers, news alerts, and the issuers themselves. When no reliable third-party data is available, the Investment Manager may make reasonable estimates or assumptions.

Where the Investment Manager identifies an investment as having a critical and poorly managed impact in one of the considered principal adverse impacts areas, and where no signs of remedial action or improvement have been observed, an action by the Investment Manager must be taken. The Investment Manager views engagement as an important tool in holding companies to account and encouraging pro social behaviour. Principal adverse impacts can be considered during engagement activities.

Information on how principal adverse impacts on sustainability factors were considered will be made available in the periodic reporting of the Sub-Fund.

- ☐ No

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.



What investment strategy does this financial product follow?

In order to attain the environmental and social characteristics, the Sub-Fund applies the following ESG framework: exclusion approach, screening.

Exclusion approach:

The Sub-Fund excludes:

- securities of corporate issuers involved in products and activities related to: unconventional / controversial weapons (0%). The percentage indicated reflect the revenue threshold applied related to such products.

Screening:

- The Sub-Fund invests in securities of corporate issuers that pass the minimum combined E&S score (minimum is set at 12, on a scale from 0 to 100, with 0 being the worst and 100 being the best score), which is based on the Investment Manager's proprietary methodology. This score is the result of combination of qualitative and quantitative analysis. The Investment Manager's proprietary Observatory is a relative value system which combines third party data covering over 400 ESG metrics in conjunction with the portfolio managers' overall relative value decision making.

Additionally, the Sub-Fund follows an active engagement approach, which takes into account relevant environmental, social and governance matters. The Investment Manager sees these activities as a way to support the attainment of the environmental and social characteristics of the Sub-Fund.

The securities will be analyzed based on the binding elements prior to investment and monitored on a continuous basis. The securities in the portfolio have their sustainability performance periodically revaluated using the above-described sustainability framework. If a security does not comply with the binding criteria described below, the Investment Manager divests from such an issuer within a time period to be determined by the Investment Manager without exceeding in principle three months after such breach was detected, considering prevailing market conditions, and taking due account of the best interests of the shareholders. The Board of Directors or the Management Company of Vontobel Fund may decide to further postpone the rectification of such a breach or decide to carry out the divestment in several instalments over a longer period of time in exceptional cases, provided this is considered to be in the best interests of the shareholders.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

- The Sub-Fund excludes securities of corporate issuers that derive a non-negligible part of their revenues from excluded products and/or activities listed above.
- The Sub-Fund invests in securities of corporate issuers that pass the minimum combined E&S score (set at 12 out of 100) that has been set for this Sub-Fund as described in the investment strategy section above.

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

Not applicable. The Sub-Fund does not commit to a minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

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

The investee companies are rated for governance aspects using the Investment Manager's ESG Observatory score. Common governance indicators include sound management structures, such as board independence and diversity, employee ownership, remuneration of staff, tax compliance, rights of minority shareholders, executive remuneration, and audit and accounting oversight. These Governance indicators are a major component of the Investment Manager's ESG Observatory score. The Sub-Fund further intends to ensure good governance of the investee companies via active engagement. All engagements directly conducted by the Investment Manager are recorded in the Investment Manager's Observatory database.

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

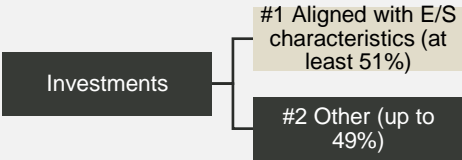
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



What is the asset allocation planned for this financial product?

The Sub-Fund is expected to invest at least 51% of its NAV in issuers that qualify as aligned with E/S characteristics (#1 Aligned with E/S characteristics), under normal market conditions.

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.

#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 percentage indicated above refer to the Sub-Fund’s net asset value.

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

Not applicable. Derivatives are not used for the purpose of attaining the environmental and/or social characteristics promoted by the Sub-Fund.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



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

The Sub-Fund does not commit to invest a minimum share in sustainable investments with an environmental objective aligned with the EU Taxonomy as defined by the EU Taxonomy regulation. Therefore, the Sub-Fund’s minimum share of investments in environmentally sustainable economic activities in accordance with the EU Taxonomy regulation are indicated to be 0%.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**


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

¹Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

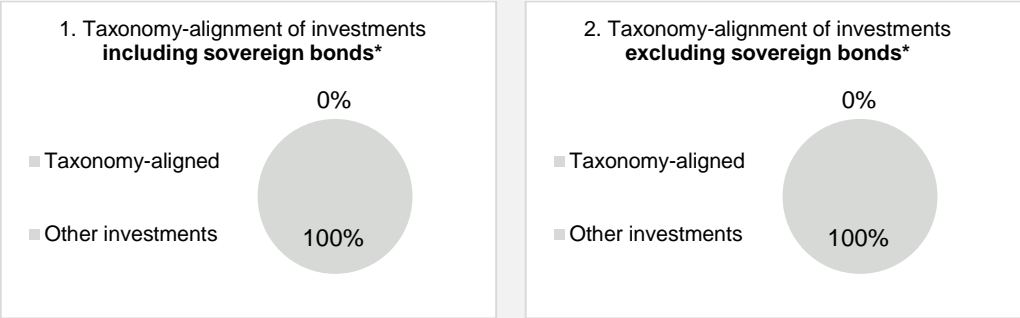
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.


Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.


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

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?**
The Sub-Fund's minimum share of investments in transitional and enabling activities in accordance with the EU Taxonomy regulation are indicated to be 0%.

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

 **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?**
The Sub-Fund may hold ancillary liquidity and use financial derivative instruments for investment and hedging purposes. While these instruments are not expected to detrimentally affect the attainment of the Sub-Fund's environmental and social characteristics, no minimum environmental or social safeguards are applied. Other investments include also unscreened investments for diversification purposes or investments for which ESG data is lacking.



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

Not applicable.

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



Where can I find more product specific information online?

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

<http://am.vontobel.com/view/TFARCF#documents>, under "Sustainability Related Disclosures".