

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.

2 Annex “Sustainable investment objective” to the Sub-Fund Vontobel Fund – Green Bond

Pre-contractual disclosure annex for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Vontobel Fund – Green Bond
Legal entity identifier: 529900SFUVZHB2Y5U19

Sustainable investment objective

Does this financial product have a sustainable investment objective?

☒

Yes

☐

No

<input checked="" type="checkbox"/>	It will make a minimum of sustainable investments with an environmental objective: 80%	<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 checked="" type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/>	with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
	<input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/>	with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
		<input type="checkbox"/>	with a social objective
<input type="checkbox"/>	It will make a minimum of sustainable investments with a social objective: __%	<input type="checkbox"/>	It promotes E/S characteristics, but will not make any sustainable investments



What is the sustainable investment objective of this financial product?

The Sub-Fund’s sustainable investment objective consists of investing in debt instruments issued for projects and/or by issuers that contribute to pre-defined so called “Impact Pillars”, with an environmental focus, based on the Investment Manager’s assessment. While Environmental Impact Pillars (clean and renewable energy, energy efficiency, resource efficiency, low-carbon transportation, agriculture and forestry as well as climate resilient infrastructure) are the primary focus of the Sub-Fund (at least 80% of the Sub-Fund’s assets), Social Impact Pillars (such as affordable housing, education, healthcare, social and economic inclusion) may be targeted (up to 20% of the Sub-Fund’s assets).

In order to attain the sustainable investment objective, the Sub-Fund will invest at least 80% of its assets in green bonds (sustainable investments with an environmental objective), and up to 20% of its assets in social and/or sustainability bonds, or in debt instruments that are not green, social or sustainability bonds, but that are issued by issuers that contribute to an environmental and/or a social objective (sustainable investments with a social objective).

Through these investments, the Sub-Fund partially intends to invest in sustainable investments with an environmental objective as defined by the EU Taxonomy. These objectives are: “climate change mitigation”, “climate change adaptation”, “sustainable use and protection of water and marine resources”, “transition to a circular economy”, “pollution prevention and control”, “protection and restoration of biodiversity and ecosystems”.

The Sub-Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

- Percentage of investments in green bonds
- Percentage of investments in social and/or sustainability bonds
- Percentage of investments in debt instruments that are not green, social or sustainability bonds, but that are issued by issuers that contribute to an environmental and/or a social objective
- 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 sovereign issuers with substantial UN or international sanctions
- Percentage of investments in securities of issuers that are in violation of certain international norms and standards promoted by the Sub-Fund or that are exposed to severe controversies (unless a positive outlook has been identified). Such controversies may be related to environmental, social or governance issues
- Percentage of securities covered by ESG analysis

● **How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?**

In order to ensure that the sustainable investments that Sub-Fund intends to make do not cause significant harm to any environmental or social investment objective, the Sub-Fund takes into account all the mandatory indicators for adverse impacts and ensures that the Sub-Fund's investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

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

The Investment Manager takes into account all the mandatory adverse impact indicators and any relevant additional adverse impact indicators by applying the following process: 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. Action mechanisms may include: exclusion, active ownership, tilting.

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

The Sub-Fund has a controversy monitoring process in place, that among others takes into account the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This process is based on third party data and may be complemented by the Investment Manager's own ESG research capabilities. The Sub-Fund excludes issuers that are (i) in violation of the norms and standards (defined under the investment strategy section) promoted by the Sub-Fund ; (ii) involved in severe controversies. Unless, in either case, the Investment Manager has identified a positive outlook (i.e., through proactive response by the issuer, proportionate rectification measures already announced or taken, or through active ownership activities with reasonable promise of successful outcomes).

Sustainable investments with an environmental objective aligned with the EU Taxonomy do not significant harm environmental or social sustainable investment objective. This will be ensured by: taking into account the adverse impacts on sustainability factors as described above, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and compliance with the Technical Screening Criteria of the Delegated Acts for the EU Taxonomy.



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

- ☐ Yes, the Investment Manager takes into account all the mandatory adverse impact indicators and any relevant additional adverse impact indicators by applying the following process:

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. Action mechanisms may include: exclusion, active ownership, tilting.

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

- ☐ No



What investment strategy does this financial product follow?

In order to attain the sustainable investment objective, the Sub-Fund applies the following ESG framework: focus on green bond investments, exclusion approach, monitoring of severe controversies.

Focus on green bond investments:

The debt instrument must fulfill at least one of the following criteria:

- The debt instruments must qualify as green, social or sustainability bonds. These bonds are instruments where the proceeds will be applied to finance or refinance new and/or existing projects, with positive environmental and/or social outcomes (e.g. solar power, energy efficiency of industrial processes or promoting public transport, greater social benefits in the healthcare and education area). The selected bonds are categorized as green, social or sustainability bonds based on international standards such as the Green Bond Principles of the International Capital Market Association (ICMA), the Social Bond Principles or the Sustainability Bond Guidelines of the International Capital Market Association (ICMA). The use of proceeds of the selected bonds must contribute to at least one of the pre-defined Impact Pillars. The Investment Manager determines the substantial contribution to the Impact Pillars based on Second Party Opinions ("SPO") provided by accredited third party auditors or ESG rating agencies, impact reports provided by the issuer and/or scientific evidence. The lack of an impact reporting and/or an SPO leads to an exclusion of the bond instrument.
- For debt instruments issued by an issuer which contributes to the Impact Pillars, but do not qualify as green, social or sustainability bonds, must positively contribute to at least one of the Impact Pillars. The issuer must derive at least 20% of its revenues from economic activities that contribute to the Impact Pillars. Exceptions will be made for companies that play a key role on the respective market (for example measured by a significant market share). The revenues portion derived from economic activities that contribute to the Impact Pillars will be considered as sustainable investments.

The Sub-Fund will invest at least 80% of its net assets in green bonds, and up to 20% of its assets in social and/or sustainability bonds, or in debt instruments that are not green, social or sustainability bonds, but that are issued by issuers that contribute to an environmental and/or a social objective.

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.

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

Exclusion approach:

The Sub-Fund excludes:

- securities of corporate issuers that derive a non-negligible part of their revenues from the following products and/or activities: unconventional / controversial weapons (0%), conventional weapons (10%), nuclear weapons (0%), coal (extraction/thermal, 10%), tobacco (5%). While the investment universe may as of the date of the Sales-Prospectus not include bonds issued by issuers involved in these activities, the Sub-Fund will not build exposure to issuers involved in these activities. The percentage indicated in the context of the exclusions reflect the revenue thresholds applied related to the production of such products and/or activities. For selected products and/or activities, additional limits apply as disclosed on the website.
- securities of sovereign issuers with substantial UN or international sanctions.
- controversial low-carbon projects (for example clean coal, large hydro power with non-beneficial carbon footprint, nuclear energy) will be analyzed on a case-by-case basis, based on pre-defined criteria, including but not limited to: relevance for energy transition, minimum environmental safeguards.

Monitoring of severe controversies:

- The Sub-Fund promotes the adherence with certain international norms and standards by excluding issuers that are in violation of these norms and standards. The Sub-Fund excludes issuers, that are involved in severe controversies (such controversies may be related to environmental, social and/or governance issues); unless, the Investment Manager has identified a positive outlook (for example through proactive response by the issuer, proportionate rectification measures already announced or taken, or through active ownership activities with reasonable promise of successful outcomes).

Additionally, the Sub-Fund follows an active ownership 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 promoted by the Sub-Fund. The Sub-Fund is covered by the engagement pool of the Investment Manager's stewardship program, which is mainly based on a collaboration with a stewardship partner. The Investment Manager has limited influence on the stewardship partner's engagement program.

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 the sustainable investment objective?***

- The Sub-Fund invests at least 80% of its net assets in green bonds.
- The Sub-Fund invests up to 20% of its net assets in social and/or sustainability bonds, or in debt instruments that are not green, social or sustainability bonds, but that are issued by issuers that contribute to an environmental and/or a social objective.
- 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 excludes securities of sovereign issuers with substantial UN or international sanctions. The Sub-Fund excludes securities of issuers that are in violation of certain international norms and standards promoted by the Sub-Fund or that are exposed to severe controversies (unless a positive outlook has been identified). Such controversies may be related to environmental, social or governance issues.
- The ESG analysis covers 100% of the Sub-Fund's securities. The use of ESG data may be subject to methodological limits.

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

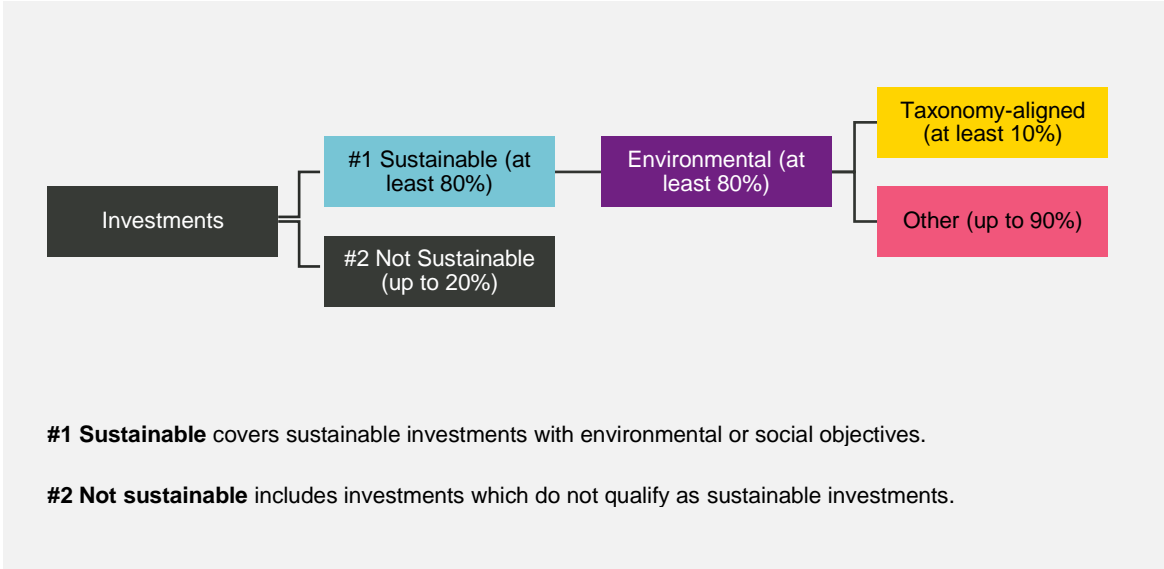
- **What is the policy to assess good governance practices of the investee companies?**
The Investment Manager will assess investee companies' good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance, by applying a severe controversy monitoring process. The Sub-Fund excludes issuers, that are involved in severe controversies (such controversies may be related to environmental, social and/or governance issues); unless, the Investment Manager has identified a positive outlook (for example through proactive response by the issuer, proportionate rectification measures already announced or taken, or through active ownership activities with reasonable promise of successful outcomes).
The Sub-Fund further intends to ensure good governance of the investee companies via active ownership. The Investment Manager puts best effort in engagement with regards to ESG policies and to promote sustainability awareness.



Asset allocation describes the share of investments in specific assets.

What is the asset allocation and the minimum share of sustainable investments?

The Sub-Fund is expected to invest at least 80% of its NAV in issuers that qualify as sustainable investments (#1 Sustainable), under normal market conditions.



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.

The percentage indicated above refer to the Sub-Fund's net asset value.

- **How does the use of derivatives attain the sustainable investment objective?**
Not applicable. Derivatives are not used for the purpose of attaining the sustainable investment objective of Sub-Fund.



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

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.

The Sub-Fund intends to invest partially in sustainable investments with an environmental objective as defined by the EU Taxonomy. These objectives are: “climate change mitigation”, “climate change adaptation”, “sustainable use and protection of water and marine resources”, “transition to a circular economy”, “pollution prevention and control”, “protection and restoration of biodiversity and ecosystems”. It is expected that at least 10% of the Sub-Fund’s investments will be considered as aligned with the EU Taxonomy. This percentage reflects the alignment with the objectives “climate change mitigation” and “climate change adaptation”. At the date of the Sales Prospectus, the EU Taxonomy technical screening criteria are available only for the objectives “climate change mitigation” and “climate change adaptation”. The Taxonomy alignment of the investment is calculated by CapEx. In order to calculate and monitor the EU Taxonomy alignment of the Sub-Fund, the Investment Manager will use data reported by the investee companies themselves. Where investee companies do not report such data, the Investment Manager will use equivalent information obtained directly from investee companies and/or from third party data providers. The compliance with the criteria for environmentally sustainable economic activities will not be subject to an assurance provided by one or more auditors or a review by one or more third parties.

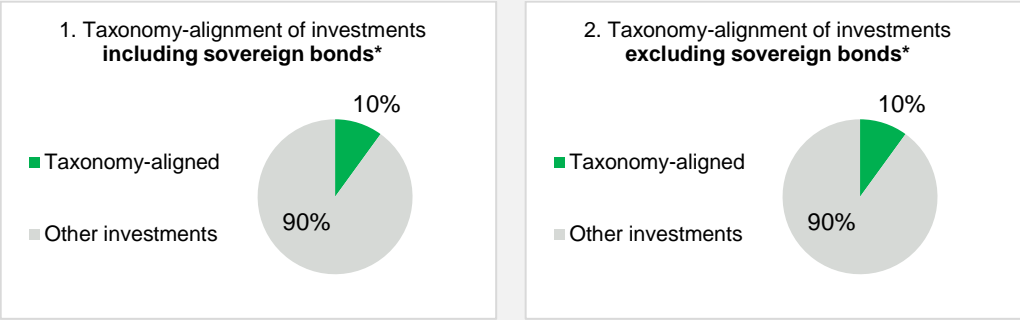
● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

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 does not seek particular exposure to investments in transitional and enabling activities in accordance with the EU Taxonomy regulation. The Sub-Fund’s minimum share of investments in transitional and enabling activities are indicated to be 0%.

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.



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 Sub-Fund will partially invest in environmentally sustainable investments, as defined by the EU Taxonomy. However, the financial product may also invest in sustainable investments that are not aligned with the criteria set out by the EU Taxonomy. These sustainable investments may include investments in economic activities that contribute to a social objective, investments in companies or projects whose economic activities are only partially aligned with the EU Taxonomy, investments in economic activities that contribute to an environmental objective by being aligned with the Investment Manager's framework (investments in companies contributing to the Impact Pillars). As the Sub-Fund may invest up to 100% in sustainable investments with an environmental objective that are aligned with the EU Taxonomy, the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is expected to be 0%.



What is the minimum share of sustainable investments with a social objective?

Investing in sustainable investments with a social objective is not the primary focus of the financial product. In order to attain the sustainable investment objective, the financial product will invest at least 80% of the financial product's assets in green bonds (investments with an environmental objective), and up to 20% of the financial product's assets in social and/or sustainability bonds, or in investments debt instruments that are not green, social or sustainability bonds, but that are issued by issuers that contribute to an environmental and/or a social objective.

Accordingly, no minimum share of sustainable investments with a social objective has been set.



What investments are included under “#2 Not sustainable”, 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 the management of currency, credit risk, interest rate risk and hedging purposes. While these instruments are not expected to detrimentally affect the attainment of the Sub-Fund's sustainable investment objective, no minimum environmental or social safeguards are applied.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.



Where can I find more product specific information online?

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

<http://am.vontobel.com/view/ECB#documents>, under “Sustainability Related Disclosures”.