

**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.

**16 Annex “Environmental and/or social characteristics” to the Sub-Fund Vontobel Fund – mtX Sustainable Asian Leaders (ex Japan)**

**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 – mtX Sustainable Asian Leaders (ex Japan)

**Legal entity identifier:** 529900WCEMQJKF4XGP13

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?			
●● <input type="checkbox"/> Yes		●● <input checked="" type="checkbox"/> No	
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b>	<input checked="" type="checkbox"/> <b>It 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 15% of sustainable investments		
<input 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 type="checkbox"/> in economic activities that do not 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 type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> with a social objective		
<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>			



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

The Sub-Fund promotes environmental and social characteristics by employing several safeguards and evaluating all equity investments against sustainability criteria with hard thresholds required to be met for inclusion.

Integrating sustainability criteria is a central pillar in the investment process with the aim of improving the long-term risk-return characteristics of the Sub-Fund’s portfolio and supporting elevated social or environmental practices by the investee companies. The Investment Manager is motivated by the understanding that its investments have the potential to affect society and the environment, and that such investments are affected by society and the environment.

The Sub-Fund invests in issuers that the Investment Manager considers well-prepared to handle financially material environmental and social challenges, while implementing minimum pass scores as well as sectoral and norms-based exclusions. It also follows commitments related to carbon emissions.

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 companies that pass the minimum ESG score (as evaluated using the “Minimum Standards Framework”, the Investment Manager’s proprietary ESG evaluation framework; minimum is set at 2.4 out of 5) set for this Sub-Fund
- Percentage of investments in companies evaluated as having an overriding “Fail Score” under the “Minimum Standards Framework”
- Percentage of investments in companies with an “F-Score” evaluated under the “F-Score” Framework, the Investment Manager’s proprietary tool for evaluating severe controversies
- Percentage of investments in companies that have breached key international norms and standards or are involved in very severe controversies (aka Critical ESG Events)
- Percentage of investments in UN Sanctioned Countries
- The Sub-Fund’s carbon footprint relative to the benchmark (evaluated on the basis of each issuer’s scope 1 and 2 GHG emissions normalized by the company’s enterprise value including cash (EVIC) and multiplied by its weight in the portfolio). The sum of such weighted average carbon footprint is calculated and then compared to that of the reference benchmark (MSCI All Country Asia (ex Japan) TR net).
- Companies’ carbon footprint, including Scope 1 and 2 GHG emissions normalized by EVIC is compared to the reference benchmark. The Investment Manager then reports on the number of companies who are in the top 30% relative to their reference benchmark and report on these weighted holdings (excluding cash) as representing the Sub-Fund’s percentage of sustainable investments.
- Percentage of securities covered by ESG analysis
- Percentage of potential investments excluded via the top-down exclusions applied to the starting universe plus via the sustainability screening applied in a bottom-up approach to the smaller sub-set of companies that passed the fundamental, financial assessment.

● **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 objective of the sustainable investments that the Sub-Fund partially intends to make, is to support climate change mitigation and the transition to the low-carbon economy through identifying issuers that are in the top 30% of carbon footprint relative to their reference benchmark and maintaining a carbon footprint that is at least 20% lower than the Sub-Fund’s reference benchmark.

The carbon footprint of the Sub-Fund and the Issuers is calculated using the scope 1 and scope 2 GHG emissions (using MSCI data) of each invested company divided by the company’s enterprise value including cash (EVIC).

To identify the companies that compose the Sustainable Investments, their carbon footprint is compared to their benchmark (MSCI All Country Asia (ex Japan) TR net). Those in the top 30% as ranked against the benchmark are identified as Sustainable Investments. The weighted holdings of such Sustainable Investments are summed. The Sub-Fund commits to having at least 15% of the invested holdings of the Sub-Fund in Sustainable Investments. Cash positions have no impact.

For the carbon footprint of the Sub-Fund, these carbon footprint of issuers are multiplied by percentage weight of each company in the Sub-Fund, which in aggregate yields the Sub-Fund’s carbon footprint. Sub-Fund’s cash positions have no impact. This is then compared to the same calculation for the benchmark. The Sub-Fund commits to having a Sub-Fund carbon footprint at least 20% below the benchmark. The Sub-Fund’s carbon footprint is reevaluated in reference to its benchmark quarterly.

The Sustainable Investments of the financial product is reevaluated in reference to its benchmark quarterly. If the financial product falls behind in these commitments it will normally be corrected within a month, but up to 3 months is permitted to allow for market movements.

● ***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?***

In order to ensure that the Sustainable Investments of the Sub-Fund 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 as further outlined below.

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

For the portion of sustainable investments, the Investment Manager takes into account the adverse impacts on sustainability factors by applying the following process: The sustainable investment approach includes a series of commitments, which are material to consideration of principal adverse sustainability impacts, and guides the internal ESG integration process. Furthermore, the Investment Manager identifies investments that are exposed to principal adverse impacts on sustainability factors based on in-house research. Data sources include issuer data, ESG data providers, news alerts, brokers and other reputable data sources. Where 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 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 include exclusion, active ownership, and tilting. Actions to address or mitigate principal adverse sustainability impacts depend on the severity, materiality and exceptionality of these impacts. These actions are guided by the financial product's ESG integration criteria and exclusion policies, as well as the investment manager's engagement and voting strategy.

— — — — — *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, subject to certain criteria, excludes companies that are evaluated to have breached international norms and standards as codified in the i) UN Global Compact; ii) OECD Guidelines for Multinational Enterprises; iii) UN Guiding Principles on Business and Human Rights (UNGPs); iv) International Labor Organization's Conventions; as well as iv) underlying conventions and treaties of the above-named codes and a long list of other international conventions, norms and instruments. The Investment Manager uses the evaluation of two ESG rating agencies for this assessment and may, upon detailed review, disagree with a fail evaluation by the rating agency (subject to review by ESG audit committee of the Investment Manager and internal risk Management). Additionally, the exclusion is subject to engagement criteria that allows companies scope to remediate the breach.

*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 principal adverse impacts on sustainability factors in the following broad category areas: Climate and other environment factors (including GHG emissions and biodiversity), social factors (including violation of global standards, and exposure to controversial weapons) and additional social and employee and human rights factors from tables 2 and 3 of PAI indicators.

The sustainable investment approach includes a series of commitments, which are material to consideration of principal adverse sustainability impacts, and guides the internal ESG integration process. Furthermore, the Investment Manager identifies investments that are exposed to principal adverse impacts on sustainability factors based on in-house research.

Data sources include issuer data, ESG data providers, news alerts, broker and other reputable data sources. Where 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 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 include: exclusion, active ownership, tilting. Actions to address or mitigate principal adverse sustainability impacts depend on the severity, materiality and exceptionality of these impacts. These actions are guided by the financial product's ESG integration criteria and exclusion policies, as well as the investment manager's engagement and voting strategy.

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 environmental and social characteristics, the Sub-Fund applies the following ESG framework: exclusion approach, monitoring of severe controversies, ESG integration, carbon related commitments.

Exclusion approach:

The Sub-Fund excludes:

- securities of corporate issuers involved in products and activities related to: coal (extraction/thermal, 10%), coal power (10%), oil sands (10%), nuclear power production (10%), tobacco production (0%), tobacco retailers and wholesale distribution (10%), controversial weapons producers (0%), weapons and related military contracting (10%), fire arms including significant ownership (0%), palm oil production and distribution (0%), adult entertainment production and distribution (10%). Unconventional oil and gas is not systematically excluded but rather analyzed on a case-by-cases basis. The percentages indicated reflect the revenue thresholds applied.

Monitoring of severe controversies:

- The Sub-Fund promotes the adherence to certain international norms and standards, such as UN Global Compact, OECD Guidelines and others, by excluding issuers that are (i) in violation of these norms and standards or (ii) that are involved in the most severe category of controversies, as evaluated by either one of the Investment Manager's two major ESG service providers (Critical ESG events).

However, the Investment Manager recognizes that these are an interpretation of events against which there are no hard thresholds and the assessment may not be unanimously concurred upon. The Investment Manager also recognizes that the company in question may be taking action to remediate the issue and immediate exclusion may not be in the best interests of shareholders. Therefore the Investment Manager has a process to evaluate if it concurs with the assessment (using the "F-Score" Framework) and the company's response. The Investment Manager may assess that monitoring and/ or engagement is a more suitable response. Whenever the Investment Manager's ESG service provider's assessment of

**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.

a critical ESG event is over-riden, the case for not divesting must first be put to the ESG audit committee of the Investment Manager so that views impartial to the investment case are always the final arbiter.

ESG integration:

- The Sub-Fund invests in securities of corporate issuers that pass the minimum “Minimum Standards Framework” (“MSF”) score (set at 2.4 out of 5; on a scale from 1 to 5, with 1 being the worst and 5 being the best score), which is based on the Investment Manager’s proprietary methodology. This score is sector-specific and supports a rigorous assessment of companies on their most material ESG issues, in terms of impact on future cash flows. These issues are translated into ca. 20-35 sustainability indicators (depending on the sector) and performance thresholds are predefined for each of these indicators. The Environment, Social and Governance pillars are weighted according to the relevance for each industry sector. In order to qualify for investment, the company must achieve an overall minimum score. By doing so, the Investment Manager seeks to identify and exclude companies that are worst prepared to meet and manage idiosyncratic shocks to which their sector is uniquely exposed or whose operational practices or products pose too great a risk to society or the environment.
- The Sub-Fund does not invest in securities of corporate issuers that have a “Fail Score”. An issuer will be given a “Fail Score” by the Investment Manager when it fails the assessment on any of the sustainability indicators even if the issuer would otherwise attain a pass MSF mark.
- The Sub-Fund also does not invest in securities of corporate issuers that have an “F-Score” score. An issuer may also be given to existing holdings where a critical ESG event occurs. The Investment Manager has developed a “F-Score” framework to provide a clear decision tree to assess the real-world and business impact of incidents against evidence-based criteria. The Investment Manager has established hard rules for whether the finding leads to divestment or engagement. Thereby, there are hard redlines preventing investment in companies that have highly negative impact on society or the environment even where the business case is unaffected.

Carbon related commitments:

- The Sub-Fund will maintain a carbon footprint that is at least 20% lower than its reference benchmark. The carbon footprint of the Sub-Fund and the Issuers is calculated using the scope 1 and scope 2 GHG emissions of each invested company divided by the company’s enterprise value including cash (EVIC).
- The Sub-Fund will have at least 15% of the portfolio holding in Sustainable Investments. In order to qualify as sustainable investments, the company’s carbon footprint must be in the top 30% of the benchmark.

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 Investment Manager has its own engagement strategy for the Sub-Fund designed to target the highest Sustainability Risks and negative Sustainability Factors to which it is exposed.

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 do not have a Fail or a “F-score”, which is awarded where companies are involved in severe controversies that have highly negative impact on society or the environment.
  - The Sub-Fund invests in securities of corporate issuers that achieve a qualifying ESG score under the Minimum Standard Frameworks (“MSFs”) to qualify for investment (minimum is set at 2.4 out of 5). The objective of this pass mark is to avoid the worst in class companies on ESG performance.
  - The Sub-Fund will have a carbon footprint at least 20% lower than its reference benchmarks (see above for calculation). The Sub Fund will have at least 15% of the portfolio holding in Sustainable Investments whose carbon footprint is in the top 30% of their benchmark (MSCI All Country Asia (ex Japan) TR net).  
The ESG analysis covers at least 90% of the Sub-Fund’s securities. The use of ESG data may be subject to methodological limits.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***  
The application of the binding elements, as described above, leads to the exclusion of at least 20% of potential investments via the top-down exclusions applied to the starting universe plus via the sustainability screening applied in a bottom-up approach to the smaller sub-set of companies that passed the fundamental, financial assessment.

- ***What is the policy to assess good governance practices of the investee companies?***  
The Investment Manager will use its ESG framework, the MSF, to assess good governance practices of the investee companies. Common governance indicators include, but are not limited to, independence, structure and quality of the board, independence of the audit committee, ownership structure and related rules, and remuneration fairness (including transparency, quantum, oversight, rules).  
The Sub-Fund further ensures good governance of the investee companies via active ownership. Key to this are engagement activities conducted directly by the Investment Manager, engagement activities conducted by the manager’s specialist third-party engagement partner and voting activities, where the Investment Manager works with a proxy advisory firm and systematically considers all company ballots with ESG principles in mind.

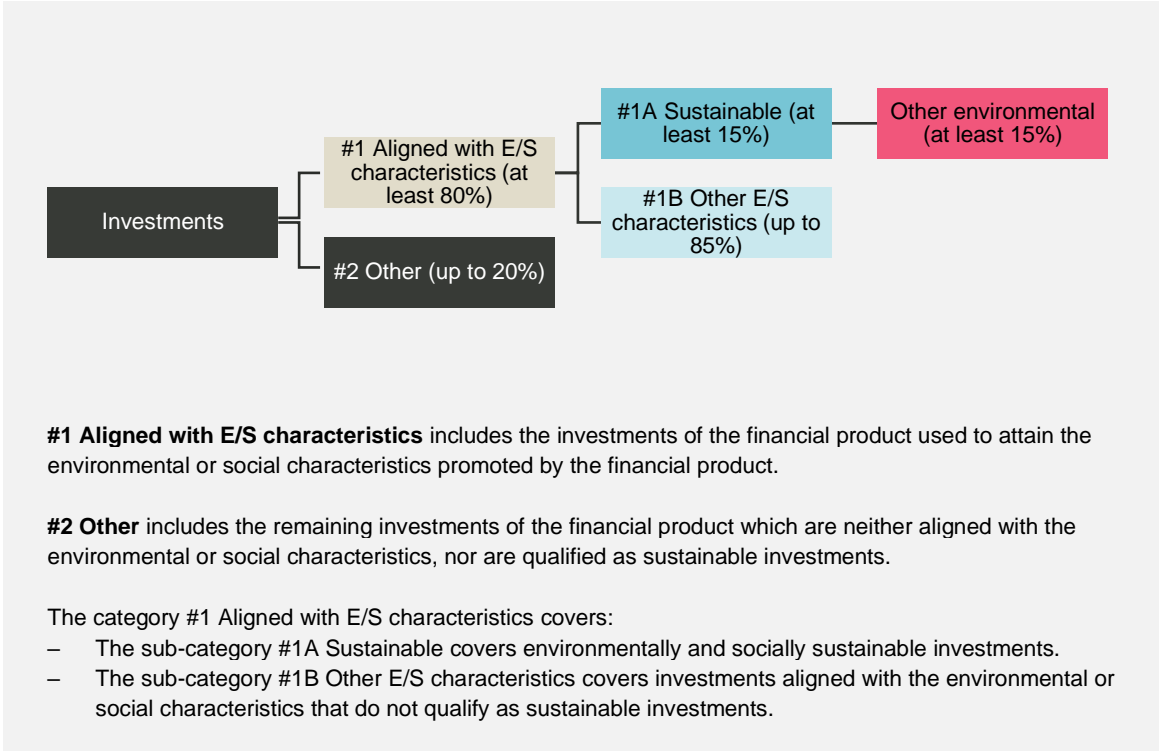
**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



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

The Sub-Fund is expected to invest at least 80% of its NAV in issuers that qualify as aligned with E/S characteristics (#1 Aligned with E/S characteristics), under normal market conditions. This includes the minimum of 15% of the investments of the Sub-Fund that are sustainable investments.

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



The percentages 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.



## 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. 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%.

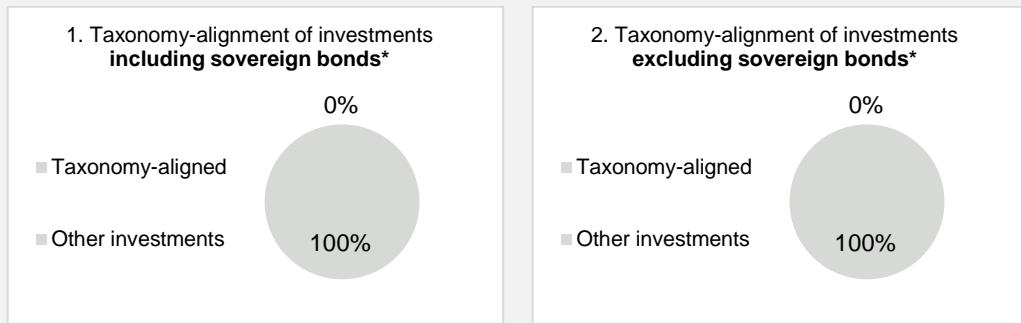
Taxonomy-aligned activities are expressed as a share of:

- **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.

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

- 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 commit to invest a minimum share in sustainable investments with an environmental objective aligned with the EU Taxonomy. Therefore, 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?**

The Sub-Fund's minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is indicated to be 15%. For the avoidance of doubt, the indication of such minimum is not a binding commitment and does not prevent the Sub-Fund from holding and investing in sustainable investments with an environmental objective that are aligned with the EU Taxonomy.



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

Not applicable. The Sub-Fund does not intend to invest in socially sustainable investments.

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.

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





### 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 (cash) to serve the payment of fees and expenses, payment of purchased securities, subscription monies, serve redemption requests. Additionally, the Sub-Fund may also use financial derivative instruments such as foreign exchange forwards to hedge currency risks and for investment purposes. Finally, the Sub-Fund may invest in target funds for diversification purposes and may hold unscreened securities received as a result of corporate actions (e.g. awarded as a stock dividend).

These instruments are not expected to detrimentally affect the delivery of the environmental and social characteristics.



### 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/GRAEJA#documents>, under “Sustainability Related Disclosures”.