Vontobel Fund – TwentyFour Sustainable Short Term Bond Income

Legal Document:
SFDR Website Disclosure for Article 8 financial products

Summary

The Sub-Fund promotes certain environmental and social characteristics and invests in issuers that the Investment Manager considers well-prepared to handle financially material environmental and social challenges. While the Sub-Fund does not have as its objective a sustainable investment, it will have a minimum proportion of 15% of sustainable investments. 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. The Sub-Fund will avoid investments in issuers involved in certain economic activities that are harmful to society and the environment. In addition, the Sub-Fund will partially invest in sustainable investments by investing in securities of corporate issuers that have made a Net Zero commitment. The Sub-Fund has not designated a reference benchmark for the purpose of attaining the environmental and social characteristics that it promotes.

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 that derive a non-negligible part of their revenues from the following products and/or activities: unconventional / controversial weapons (0%), conventional weapons (5%), carbon intensive operations (5%), tobacco (5%), adult entertainment (5%), alcohol (5%), gambling (5%), animal testing (for cosmetic purposes, 5%). The percentage indicated 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 described below.

Screening:

– The Sub-Fund invests in securities of corporate issuers that pass the minimum combined E&S score (minimum is set at 15, on a scale from 0 to 100, with 0 being the worst and 100 being the best score) and a minimum combinedESG score (minimum is set at 34, 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. These scores are 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.

Partial investments in sustainable investments:

– The objectives of the sustainable investments that the financial product partially intends to make are climate change mitigation and adaptation which will be achieved by investing at least 15% of its net assets in securities of corporate issuers that have made a Net Zero commitment. The assessment methodology is described below.
  In order to ensure that the sustainable investments that the Sub-Fund intends to partially 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.

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 binding elements of the investment strategy used to select the investments to achieve the E/S characteristics promoted are as follows:

– 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 15 out of 100) and the minimum combined ESG score (set at 34 out of 100) that have been set for this Sub-Fund as described in the investment strategy section below.

– The ESG analysis covers at least 100% of the corporate issuer securities in the Sub-Fund. The use of ESG data may be subject to methodological limits.

Finally, in an effort to measure the attainment of each of the E/S characteristics promoted, the Sub-Fund will report on the defined sustainability indicators as part of its annual periodic reporting. The sustainability indicators are derived from the binding elements of the investment strategy used to select the investments to achieve the promoted E/S characteristics.

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective a sustainable investment.

While the Sub-Fund does not have as its objective a sustainable investment, it will have a minimum proportion of 15% of sustainable investments.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

For the portion of sustainable investments, 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 and engagement.

For the portion of sustainable investments, the financial product excludes companies that are evaluated as part of the Investment Manager's due diligence process to have failed international norms and standards (subject to certain specific criteria that allows companies scope to remediate the breach) and that do not respond appropriately to such violations as codified among others in the OECD Guidelines for Multinational Enterprises and in the UN Guiding Principles on Business and Human Rights.

Environmental or social characteristics of the financial product

What are the environmental or social characteristics 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. The Sub-Fund will avoid investments in issuers involved in certain economic activities that are harmful to society and the environment. In addition, the Sub-Fund will partially invest in sustainable investments by investing in securities of corporate issuers that have made a Net Zero commitment.

Investment strategy

What investment strategy does this financial product follow to select the investments to attain the environmental and social characteristics, and what are the binding elements of this investment strategy?

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

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 (5%), carbon intensive operations (5%), tobacco (5%), adult entertainment (5%), alcohol (5%), gambling (5%), animal testing (for cosmetic purposes, 5%). The percentage indicated 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 described below.

The exclusion listed below are applied with the revenue thresholds indicated[1]:

EXCLUSION	CRITERIA	EXCEPTIONS APPLIED?
Sector/business activity-based exclusions		
Adult entertainment	Production: 5% of revenues	None
Alcohol	Production: 5% of revenues	None
Animal testing	Production: 5% of revenues	Excluded for cosmetic purposes only.
Conventional weapons, incl. firearms	Production: 5% of revenues	None
Carbon intensive industries[2]	Production: 5% of revenues	None
Gambling	Production: 5% of revenues	None
Tobacco	Production: 5% of revenues	None
Unconventional / controversial weapons	Upstream: 0% of revenues Production: 0% of revenues Downstream: 0% of revenues	None
Sovereign exclusions		
UN Sanctions	The Investment Manager's Compliance team maintains a restricted list which is applicable to all assets managed by the Investment Manager	None

Screening:
The Sub-Fund invests in securities of corporate issuers that pass the minimum combined E&S score (minimum is set at 15, on a scale from 0 to 100, with 0 being the worst and 100 being the best score) and a minimum combined ESG score (minimum is set at 34, 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. These scores are 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.

Partial investments in sustainable investments:
The Sub-Fund invests at least 15% of its net assets in securities of corporate issuers that have made a Net Zero commitment. The objective of the sustainable investments that the financial product partially intends to make is climate mitigation and adaptation which will be achieved by investing partially in securities of corporate issuers that have made a Net Zero commitment. These companies must fulfil at least one of the following conditions: (1) The company in which the investment has been made, has committed to being aligned with the Science Based Targets initiative; or (2) The company, in which the investment has been made, has made a public Net Zero commitment.
If a security complies with this minimum requirement, the entire investment will be considered a sustainable investment (provided that do no significant harm, good governance criteria and minimum safeguards are fulfilled, as described below).

[1] The Investment Manager may apply exclusions to any three parts of the value chain or a combination. For example, Upstream could be financing including significant ownership of activities in the sector. Downstream could be distribution of products and services from the sector. The categories 'Upstream', 'Production', and 'Downstream' are used in the European ESG Template, and are included in this document for consistency.

[2] Carbon intensive industries is limited to carbon intensive operations: coal burning for energy and oil/gas exploration and excludes gas energy extraction, utilization of gas for power generation.

In order to ensure that the sustainable investments that Sub-Fund intends to partially 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.

Binding elements
The binding elements of the investment strategy used to select the investments to achieve the E/S characteristics promoted are as follows:

– 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 15 out of 100) and the minimum combined ESG score (set at 34 out of 100) that have been set for this Sub-Fund as described in the investment strategy section above.
– The ESG analysis covers at least 100% of the corporate issuer securities in the Sub-Fund. The use of ESG data may be subject to methodological limits.

The application of the binding elements, as described above, leads to the exclusion of at least 20% of potential investments. The investment universe are the public debt markets, with a focus on short-dated investment grade bonds.

What is the policy to assess good governance practices of the investee companies[3]?

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, in addition to those governance factors which are specific to ABS, including structural features of a transaction that evidence adequate protection to bondholders and alignment of interest. 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.

Does the financial product consider Principal Adverse Sustainability Impacts? If yes, which areas/indicators are considered and how?

☒ Yes ☐ No

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.

[3] including with respect to sound management structures, employee relations, remuneration of staff and tax compliance

The following *Principal Adverse Sustainability Impacts* Indicators[4] are considered in the investment strategy:

TABLE#		PRINCIPAL ADVERSE IMPACT INDICATOR
ENVIRONMENTAL ASPECTS		
	Greenhouse gas emissions	
1	3	GHG intensity of investee companies (scope 1 and 2)
	Energy	
1	4	Exposure to companies active in the fossil fuel sector
SOCIAL ASPECTS		
	Controversial weapons	
1	14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
	Social and employee rights	
1	12	Unadjusted gender pay gap

Proportion of investments

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.

INVESTMENTS	PERCENTAGE (OF NAV)	TYPE OF EXPOSURES
#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.	At least 80%	Only through direct exposures
The category **#1 Aligned with E/S characteristics** covers:		Only through direct exposures.
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.	At least 15%	
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.	Up to 85%	
#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.	Up to 20 %	Through direct exposures for unscreened investments, through indirect exposures for hedging instruments.

Under "#2 Other", 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.

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

[4] As set out in Table 1, 2 and 3 of Annex 1 of Regulation (EU) 2022/1288

Monitoring of environmental or social characteristics

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

The attainment of the environmental and social characteristics is measured through the following list of sustainability indicators:

- 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 15 out of 100) and the minimum combined ESG score (set at 34 out of 100) that has been set for this Sub-Fund as described in the investment strategy section below
- Percentage of corporate issuer securities covered by ESG analysis

How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?

The information used for the implementation of the ESG framework, and consequently the attainment of the environmental and social characteristics, are reviewed on a regular basis.

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.

The investment manager is responsible for ensuring compliance with the binding elements applied by this Sub-Fund. Numerical ESG restrictions are coded in the Investment Manager’s trading and compliance system and the Investment Manager’s Risk function monitors alignment on a daily basis. Where the investment manager’s portfolio management team makes qualitative judgement-based assessments, this process is monitored through a combination of regular attestations by the investment teams and periodic sample checks by the Compliance team.

Methodologies

Exclusion approach:
The Investment Manager retains data from third party data provider in order to analyze an issuer’s exposure to activities excluded by the Sub-Fund, based on pre-defined thresholds. In order to qualify for initial investment, the issuer must not breach any of these exclusion criteria.

Screening:
As part of the investment selection process, the universe of investments of the Sub-Fund will be screened using the Investment Manager’s proprietary environmental (“E”), and social (“S”) scoring model. The Investment Manager believes that ESG factors can materially impact on a company's valuation, financial performance and related risk/return and as such, will consider pertinent ESG factors when determining whether the potential investee company is aligned with the overall objective of the Sub-Fund and in determining the E and S score. The range of ESG factors will not remain static and will evolve further over time and the ESG factors to be considered will vary depending on the investee company under consideration.

The Investment Manager will screen companies to determine whether the Sub-Fund should acquire or retain a position within its portfolio. If issuers have an average E&S below the minimum that has been set at 25 for this Sub-Fund or a combined ESG score below the minimum that has been set at 34 for this Sub-Fund (respectively on a scale from 0 to 100, with 0 being the worst and 100 being the best score), they will not be considered for investment (i.e. will be excluded from the investable universe based on the E and S score). The Investment Manager's active approach to ESG allows for a nuanced approach and the consideration of controversies (for example, predatory pricing or accidental pollution of the environment) and momentum (where an investee company has a credible plan to improve weaknesses identified in its EGS credentials). The E and S Scoring model helps the Investment Manager to identify key ESG issues that a specific sector or issuer may be facing.

The screening process involves a comprehensive analysis process, which may include the use of specialized rating agencies and systems, such as Observatory. As part of the screening process, the Investment Manager uses commercially available databases and frameworks. The use of specialized rating agencies and systems inform an initial E and S score of the investable universe. As a second step, the portfolio management team will undertake its own analysis to supplement this scoring. The Investment Manager's proprietary E and S Scoring Model provides all members of the portfolio management team with sector specific and issuer specific information on key issues. Based on this cumulative information, the Investment Manager applies its proprietary scoring model to calculate an issuer's E and S combined score of the investable universe.

Data sources and processing

What are the data sources used to attain each of the environmental or social characteristics including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?

The following data sources are used for the implementation of the investment process:

- External ESG data providers: ASSET4, and other third-party ESG data provider;
- Information directly provided by the issuers;
- Additional fundamental information from media, NGOs as well as international organizations.

In order to ensure data quality, the Investment Manager:

- Regularly reviews data;
- Uses multiple data sources;
- May directly engage with the issuers.

The data sources mentioned above are used in order to implement the following approaches: exclusion approach and screening.

The Investment Manager may make reasonable estimates, when data is lacking by using data made available by companies. Additionally, third party ESG data provider may use estimates themselves. The proportion of data that is estimated by the Investment Manager is indicated to be low to medium. For asset backed securities the proportion of data that is estimated by the Investment Manager based on data made available by companies is medium to high.

Limitations to methodologies and data

What are the limitations to the methodologies and data sources?

In assessing the eligibility of an issuer based on ESG research, there is a dependence upon information and data from third party ESG research data providers and internal analyses which may be based on certain assumptions or hypothesis that render it incomplete or inaccurate. As a result, there is a risk of inaccurately assessing a security or issuer. There is also a risk that the Investment Manager may not apply the relevant criteria of the ESG research correctly or that the Sub-Fund could have indirect exposure to issuers who do not meet the relevant criteria. This poses a significant methodological limit to the ESG strategy of the Sub-Fund. Neither the Sub-Fund, nor the management company nor the Investment Manager make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness, or completeness of an assessment of ESG research and the correct execution of the ESG strategy.

In order to maintain confidence that social and environmental characteristics are met, the investment manager may also engage with investees in order to fill data gaps or may use complimentary data from additional providers or directly from investee disclosures.

Due diligence

What is the due diligence carried out on the underlying assets at initial investment and what are the internal and external controls in place?

In order to qualify for initial investment, the investments aligned with the environmental and social characteristics must comply with the binding elements applied by the Sub-Fund. This compliance has to be ensured by the Investment Manager. For the elements that are in scope of the Sub-Fund's investment guidelines and subject to investment controls, the internal Investment Control unit has pre-trade checks mechanisms in place. The pre-trade checks allow portfolio managers to simulate trades and check each trade against restrictions, prior to placing orders, in order to prevent the occurrence of breaches. When submitting orders an automated check of the investment guidelines restrictions is performed, generating a warning to the portfolio managers, highlighting potential breaches that would materialize in case the orders would be executed.

Engagement policies

Is engagement part of the environmental or social investment strategy?

☒ Yes ☐ No

If so, what are the engagement procedures?

The Investment Manager applies a comprehensive stewardship strategy. Engagement is part of the investment process. It includes communications between the management teams of investee companies, typically in case of specific issues or controversies that may cover ESG concerns or where data is lacking. Engagement may occur prior to investment, be ongoing or as a result of monitoring. The Investment Manager's Engagement Policy is available on its website www.twentyfouram.com

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.

Designated reference benchmark

Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?

☐ Yes ☒ No

Important information

Subscriptions of shares of the fund should in any event be made solely on the basis of the fund's current sales prospectus (the "Sales Prospectus"), the Key (Investor) Information Document ("K(I)ID"), its articles of incorporation and the most recent annual and semi-annual report of the fund and after seeking the advice of an independent finance, legal, accounting and tax specialist. If you are in any doubt about the contents of this document or have any question, you should consult your professional and/or investment advisers.

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