Vontobel

# Sustainability-related disclosures

# Content

A. Summary 3
B. No sustainable investment objective 3
C. Environmental or social characteristics of the financial product 4
D. Investment strategy 4
E. Proportion of investments 4
F. Monitoring of environmental or social characteristics 4
G. Methodologies 4
H. Data sources and processing 5
I. Limitations to methodologies and data 5
J. Due diligence 5
K. Engagement policies 5
L. Designated reference benchmark 6

**The below Sustainability-related disclosures apply for the following financial products:**

- Vontobel Conviction, ESG strategy “Mitigation of negative effects”
- Vontobel Custom Plus, ESG strategy “Mitigation of negative effects”
- Vontobel Specials Swiss Equities
- Vontobel Specials European Equities
- Vontobel Specials Global Equities
- Vontobel Specials Global Bonds
- Vontobel Specials Global Dividend Achievers Accumulating / Distributing
- volt invest
- volt 3a

## A. Summary

This financial product is a discretionary mandate that promotes environmental and social characteristics (for at least 75% of the invested assets). While it does not have a sustainable investment as its objective, it will have a minimum proportion of at least 1% in sustainable investments according to the Sustainable Finance Disclosure Regulation (SFDR) (EU 2019/2088).

The financial product invests in issuers that the investment manager considers well-prepared to handle financially material environmental and/or social challenges compared to its industry peers. It applies exclusion criteria with regards to products or activities related to controversial weapons, conventional weapons, nuclear weapons, civilian firearms, thermal coal, and tobacco. The financial product promotes a comprehensive set of business practices and standards, including adherence to recognized international norms, such as UN Global Compact, OECD guidelines, and ILO guidelines, by following a severe controversy monitoring process. Companies breaching any of those norms and involved in very severe controversies are excluded from the product.

The financial product uses MSCI ESG data for its assessment and has proper monitoring processes in place that alert the investment manager in case of material changes. This financial product might invest in collective investments like funds provided by third-party asset managers or investment firms. These collective investments are subject to a due diligence process and are checked regularly for their ESG characteristics and governance on controversies. However, it is possible for asset managers to use another data provider, and the investment manager of this financial product can, therefore, not guarantee that the E/S characteristics defined with MSCI metrics will be fully respected.

For this financial product, Vontobel does not currently engage with companies or vote proxies on behalf of investors, and no index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product.

## B. No sustainable investment objective

While the financial product does not have a sustainable investment as its objective, it will have a minimum proportion of at least 1% of sustainable investments for the model portfolio. It may be higher, depending on the chosen investment strategy.

MSCI Sustainable Impact Metrics and MSCI EU Taxonomy Alignment data are used to determine sustainable investments:

The revenues from companies with products or services related to environmental impact (alternative energy, energy efficiency, green building, pollution prevention, sustainable agriculture, and sustainable water) and social impact (nutrition, sanitation, major diseases treatment, SME finance, education, connectivity, affordable real estate) and also aligned with EU Taxonomy objectives (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) are considered.

To ensure the investee companies in scope for the calculation don’t cause significant harm to any environmental or social sustainable investment objective they do not have an MSCI ESG Controversies score below 3 (very severe and severe controversies), MSCI ESG Ratings of CCC or B, involvement in predatory lending, involvement in controversial weapons, more than 5% revenue from conventional weapons or firearms and more than 10% revenue from alcohol or tobacco production.

Not all principal adverse sustainability indicators from the Template principal adverse sustainability impacts statement (Annex I of Delegated Regulation (EU) 2022/1288) are considered. Out of the 18 listed, only the following are considered for the sustainable investments:

> 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises by excluding companies with MSCI ESG Controversies below 3 (very severe and severe controversies).
>
> 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons) by excluding companies with any tie to controversial weapons based on MSCI Business Involvement Screening Research and the Vontobel Group Controversial Weapons List.

For the portion of sustainable investments, the investee companies cannot have an MSCI ESG Controversies score below 3 (very severe and severe controversies). The MSCI Controversies score, amongst others, takes into account the alignment with the United Nations Global Compact Principles (UNGC), the International Labour Organization’s (ILO) conventions, and the United Nations Guiding Principles on Business and Human Rights (UNGPBHR).

MSCI ESG Controversies data allow investors to analyze a company’s significant social, environmental, and governance impacts by identifying company involvement in major ESG controversies, adherence to international norms and principles, and assessing company performance with respect to these norms and principles.

### C. Environmental or social characteristics of the financial product

The financial product promotes minimum environmental and/or social standards and invests in issuers that the investment manager considers well-prepared to handle financially material environmental and/or social challenges compared to its industry peers.

The financial product applies certain exclusion criteria with regard to products or activities related to controversial weapons, conventional weapons, nuclear weapons, civilian firearms, thermal coal, and tobacco.

The financial product promotes a comprehensive set of business practices and standards, including adherence to certain recognized international norms, such as the UN Global Compact, OECD guidelines, and ILO guidelines, by following a severe controversies monitoring process.

Government bonds are selected in the financial product based on criteria looking at how countries' exposure to and management of environmental, social, and governance (ESG) risk factors may affect their economies' long-term sustainability and long-term competitiveness.

### D. Investment strategy

This financial product is a diversified mandate solution managed in a structured investment process with systematic portfolio monitoring and risk management. As part of this strategy, the financial product promotes environmental and/or social characteristics. In order to attain the environmental and/or social characteristics, the financial product applies the following approaches:

- It excludes issuers that have an MSCI ESG Rating of CCC or B compared to industry peers.
- The financial product avoids investments in issuers involved in certain economic activities that are harmful to society and the environment, such as controversial weapons (i.e., any tie to controversial weapons based on MSCI Business Involvement Screening Research and the Vontobel Group Controversial Weapons List), conventional weapons (making up >10% of overall revenue), production of civilian semi-automatic firearms (making up >10% of overall revenue), nuclear weapons (companies that manufacture nuclear warheads and/or whole nuclear missiles, companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles), and companies involved in the production and/or storage of fissile materials used in/for nuclear weapons), production of tobacco (making up >10% of overall revenue), and mining of thermal coal (making up >10% of overall revenue).
- To ensure that international norms and standards such as the principles of the United Nations Global Compact (UNGC) are adhered to and/or business is conducted in accordance with them, the MSCI ESG Controversies flag is used and companies involved in very serious controversies (red flag, i.e. score 0) are excluded.
- It excludes sovereign issuers that have an MSCI ESG Government Rating of CCC or B and are considered laggards compared to other governments.

Once more sustainability data becomes available, Vontobel reserves the right to expand, amend, or replace the indicators mentioned above and/or metrics.

### E. Proportion of investments

At least 75% of the investments of the financial product are used to attain the environmental and social characteristics in accordance with the binding elements of the investment strategy. This includes the minimum 1% of the investments of the financial product that are sustainable investments. There is a small portion of cash or derivatives without any minimum environmental or social safeguards.

### F. Monitoring of environmental or social characteristics

The securities will be analyzed based on the binding elements of the investment strategy prior to investment and monitored on a continuous basis. Each asset in the portfolio has its sustainability performance periodically re-evaluated using the sustainability framework described above. If a company does not comply with the criteria described below, the investment manager divests from such a company within a time period to be determined by the investment manager without exceeding, in principle, three months after such a 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 may decide to postpone the rectification of such a breach further or carry out the divestment in several installments over a longer period of time in exceptional cases, provided this is considered to be in the best interests of the shareholders.

This financial product might invest in collective investments like funds provided by third-party asset managers or investment firms. These collective investments are subject to a due diligence process and are checked regularly for their ESG characteristics and governance on controversies. However, it is possible for the asset managers to use another data provider, and the investment manager from this financial product can, therefore, not guarantee that the E/S characteristics defined with MSCI metrics will be fully respected.

### G. Methodologies

A due diligence and monitoring process is implemented, and the investment manager is alerted if an investment no longer complies with the criteria.

For the model portfolio, at least 75% of the financial product will attain the E/S characteristics, and it is measured by monitoring that:

- MSCI ESG Ratings or MSCI ESG Government Ratings are not a CCC or B
- There are no investments in issuers involved in certain economic activities that are harmful to society and the environment
- MSCI ESG Controversies data do not show involvement in very severe controversies

The effective portfolio may deviate from the model portfolio depending on which customized instructions the investor has chosen. In this case, the figures for E/S characteristics and sustainable investment will differ.

MSCI ESG Ratings are designed to identify environmental, social, and governance (ESG) risks and opportunities within their portfolio. They research and rate companies on a 'AAA' (best) to 'CCC' (worst) scale according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to peers.

MSCI ESG Controversies data allow investors to analyze a company's significant social, environmental, and governance impacts by identifying company involvement in major ESG controversies, adherence to international norms and principles, and assessing company performance with respect to these norms and principles.

MSCI ESG Government Ratings reflect how countries' exposure to and management of environmental, social, and governance (ESG) risk factors may affect their economies' long-term sustainability and long-term competitiveness. MSCI ESG Government Ratings use a quantitative, data-based method to measure this, using available indicators from reputable external sources (such as the World Bank). MSCI ESG Government Ratings applies the same methodology and weightings for all countries globally, and the MSCI ESG Government Ratings are a global spectrum from AAA (best) to CCC (worst).

MSCI Sustainable Impact Metrics is designed to identify companies that derive revenue from products or services with a positive impact on society and the environment. The Sustainable Impact Metrics are comprised of six environmental impact categories (alternative energy, energy efficiency, green building, pollution prevention, sustainable agriculture, and sustainable water) and seven social impact categories (nutrition, sanitation, major diseases treatment, SME finance, education, connectivity, and affordable real estate).

For more information, please visit: www.msci.com

### H. Data sources and processing

The investment managers of this financial product use MSCI ESG as a data provider for sustainability data. MSCI ESG has more than 200 analysts who check annual reports and company websites. It also leverages artificial intelligence (AI), machine learning, and natural language processing to process information from various media sources in different languages. MSCI ESG may use estimates according to their sophisticated estimation models for some data points. This is, for example, the case when the companies do not pose any relevant data in their corporate sustainability report. The proportion of the data that is estimated cannot be specified because Vontobel does not have access to this service provider's data at this time. But Vontobel will provide the data as soon as it is available. With new regulatory requirements for disclosure by corporations, the number of estimations needed can be expected to go down continuously. Vontobel constantly monitors the data quality from MSCI and evaluates new sources of ESG data. Once more or better sustainability data becomes available, Vontobel reserves the right to expand, amend, or replace the above-mentioned data provider.

All the investment managers of this financial product have access to the MSCI ESG data, and if there is a relevant change in the data, they are informed about it through the monitoring processes.

### I. Limitations to methodologies and data

There is no universally agreed approach to evaluating corporate sustainability, and different data providers use different methodologies. Our data provider MSCI ESG has a comprehensive methodology for evaluating companies and covers many corporate institutions and countries. Nevertheless, gaps and cases where there is insufficient data available also exist, for example, for companies just recently publicly listed or small- and mid-cap companies.

Vontobel has a due diligence process for collective investments like funds that are provided by third-party asset managers or investment firms, and they are checked regularly for their ESG characteristics and governance on controversies. However, it is possible for the asset managers to use another data provider, and the investment manager from this financial product can, therefore, not guarantee that the E/S characteristics defined with MSCI metrics will be fully respected.

There is no ESG data on cash, derivatives, or alternative investments. This circumstance can affect investors who choose changes to the model portfolio that include those asset classes.

### J. Due diligence

Vontobel conducts a comprehensive due diligence process on collective investments chosen by third-party providers. When selecting investment funds, particular attention is paid to the traceability and transparency of the sustainability processes, for instance, by documenting processes and drawing up ESG reports by the funds. The concept of integrating sustainability risks, including controversial issues, must be a key component of the strategies of the investment funds selected. The due diligence process includes questionnaires and interviews, and then specialists from the Vontobel Multi Manager Solutions Team make a qualitative and quantitative assessment. It is possible for the asset managers to use another data provider, and the investment manager from this financial product can, therefore, not guarantee that the E/S characteristics defined with MSCI metrics will be fully respected.

A structured process is applied for direct investments based on an active bottom-up approach (investment approach, starting at the company level). The ESG rating is taken into consideration, and financially material sustainability risks are integrated into the investment decision-making processes. Based on qualitative and quantitative criteria, solid companies with a long-term focus and increased potential for returns are identified. Systematic portfolio monitoring and active risk management are used to ensure that the above-mentioned E/S characteristics and the attainment of sustainable investments are achieved.

### K. Engagement policies

For this financial product, Vontobel does not currently engage with companies or vote proxies on behalf of investors. However, engagement strategies and proxy voting are considered positively in the due diligence process of the collective investments invested in this financial product.

**L. Designated reference benchmark**

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product.

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