

An aerial photograph of a river flowing through a rocky landscape. The river is dark and narrow, winding between large, grey, jagged rock formations. On the left bank, there is a dense forest of green trees. A small, yellow kayak is visible in the river, positioned near a rocky outcrop. The overall scene is rugged and natural.

Aktia EMD ESG report

H1/2025

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When making an investment decision, the investor should in addition to sustainability factors, take into account all the fund's characteristics or goals, which are described in the fund's prospectus, PRIIPS KID, rules and other official documents. The information provided in the report is based on the situation as per the date the information was retrieved. The reported figures are not binding minimum amounts. The reported figures may change upwards or downwards. The figures are based on information provided by the service providers (please see list at the end of the report) indicated and are based on the best available information. Due to the limited availability of the underlying information and the nature of the data, the information produced may be inaccurate. Neither Aktia nor the service providers guarantee the accuracy of the information, nor are they liable for any direct or indirect damage related to the information produced.

Aktia

Sustainability in EMD funds

Aktia's EM fixed income team have made long-term efforts to develop ways to analyse responsibility factors. ESG is an integral part of Aktia's emerging market country analysis, and responsibility factors are integrated into portfolio management. Aktia participated in the advisory committee of the international ASCOR Project (Assessing Sovereign Climate-related Opportunities and Risks) during its first phase as the only Finnish asset manager and is one of the original funders of the initiative. The aim of the project is to create practical tools to support investors in their assessment of sovereign climate-related risks and opportunities.

Aktia has three different in-house data tools at its disposal in EM country analysis

1. Aktia Fundamental Model that tracks countries' economic, governance and social performance
2. Aktia ESG Performance Analysis tool which analyses income-adjusted ESG performance
3. Aktia SDG Analysis

The data-driven Fundamental Model separates 48 indicators into three main pillars: economy, governance and social. These pillars are further split into 11 sub-components, 4 economic, 3 governance and 4 social. The economic pillars consist of growth, internal vulnerability, external vulnerability and diversification and trade. The governance pillars consist of politics, human rights, and stability and peace. The social pillars are infrastructure, welfare, human capital, and climate. Each indicator is analysed on level, short-term change, and long-term trend. As such the model focuses on the direction of development.

The Aktia ESG Performance analysis tool is used to assess the risk level of countries regarding ESG indicators. Countries are compared based on income level (GDP per capita) in order to limit the so-called income bias in the data. In addition, each component can be examined in more detail to outline a comprehensive picture of the strengths and weaknesses of the countries. The tool is based on the ESG data set provided by the World Bank, which consists of indicators covering a wide range of sustainability themes.

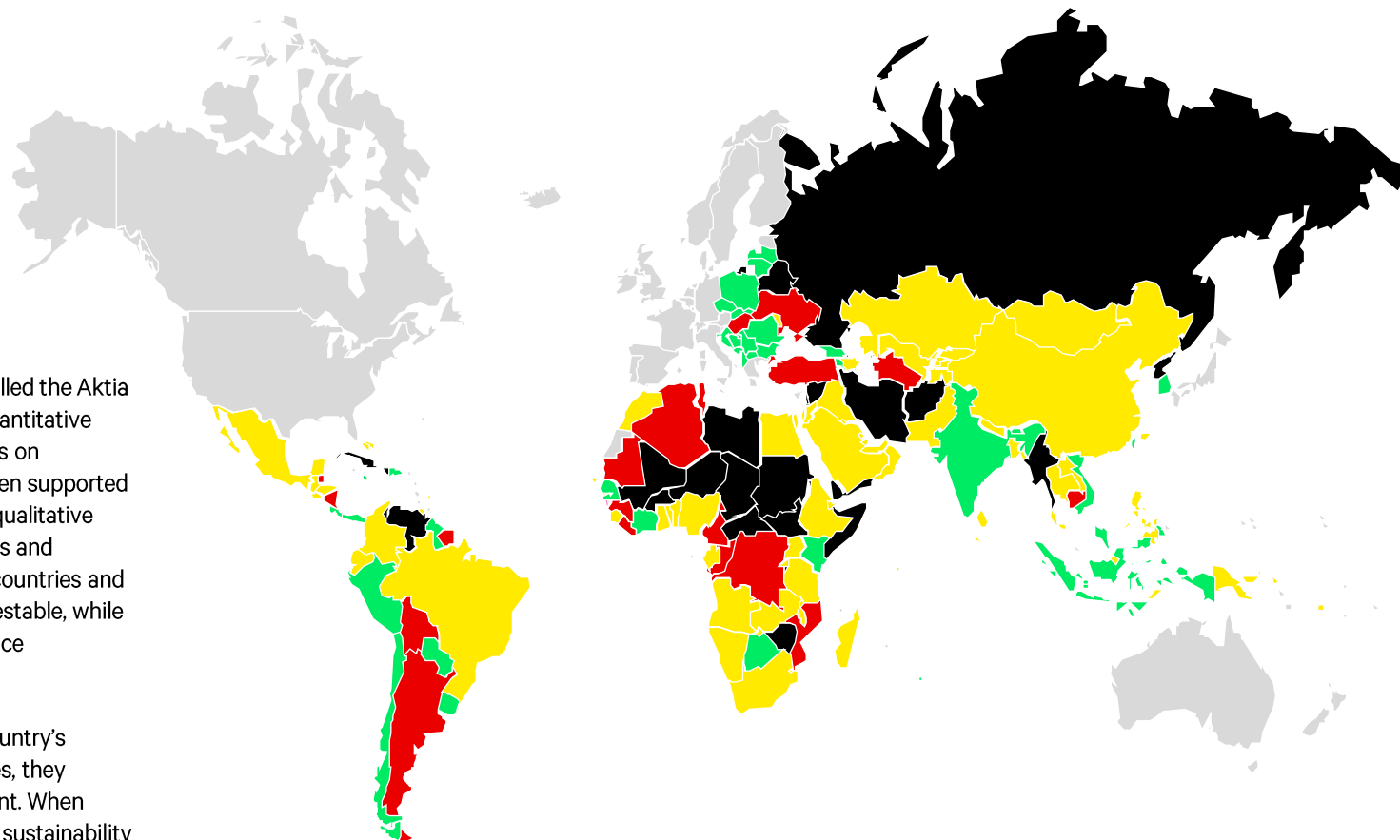
The third tool, Aktia SDG Analysis, is used to examine how states promote the UN's Sustainable Development Goals. The data source is Bertelsmann Stiftung and the Sustainable Development Solutions Network. Data is used in both a level and trend analysis.

Sustainability in EMD funds

Aktia's Traffic Light Approach

In Emerging market investing, Aktia's ESG-integrated country selection process is called the Aktia Traffic Light Approach, which combines quantitative and qualitative analysis. The quantitative analysis is based on the in-house Aktia Fundamental Model, which monitors countries on economic, governance and social performance. The Fundamental Model output is then supported by Aktia's ESG tools. The quantitative analysis is then complemented by short term qualitative analysis which incorporates meetings with countries decision makers, analysing cases and monitoring of country developments. The Traffic Light Approach determines which countries and what instruments are investable. Countries defined as green and yellow are fully investable, while in red countries only FX forwards and AAA-rated bonds issued by development finance institutions are possible. Black countries are excluded from investments.

The country selection process incorporates ESG factors as metrics that affect the country's attractiveness as an investment. In addition to ESG factors having merit in themselves, they typically correlate with emerging market and frontier countries economic development. When assessing governments from sustainability standpoint, we consider e.g. the following sustainability factors: corruption, government efficiency, social development, economic and fiscal political stability, climate risks, human capital developments and the government's will to carry out reforms. Many governance and social indicators have strong links to long term development of countries.



- Eligible for investment.
- Investments are possible, more active monitoring.
- We do not invest in government bonds, but FX positions or AAA-rated bonds issued by development finance institution are possible.
- Not eligible for investment.

Development finance and labelled bonds

Labelled bonds, encompassing green, social, and sustainable bonds, are categorized as use-of-proceeds instruments. These financial instruments serve to directly finance or refinance pre-defined sustainable assets by the issuer. Sustainability-linked bonds are linked to predefined sustainability metrics, but do not specifically finance projects. Instead, they motivate the issuer to reach certain sustainability goals, in exchange for lowered financing costs.

The International Capital Market Association, ICMA, together with investors and issuers, has defined a set of principles, which provide a framework for the issuance of instruments aligned with green, social or sustainable goals. The frameworks that define the sustainability goals and metrics must be ICMA-aligned. Also, the frameworks must have a second party opinion.

Aktia's Emerging Market local currency funds have, in addition to investing in government bonds, also the possibility to invest in AAA-rated development finance institution bonds.

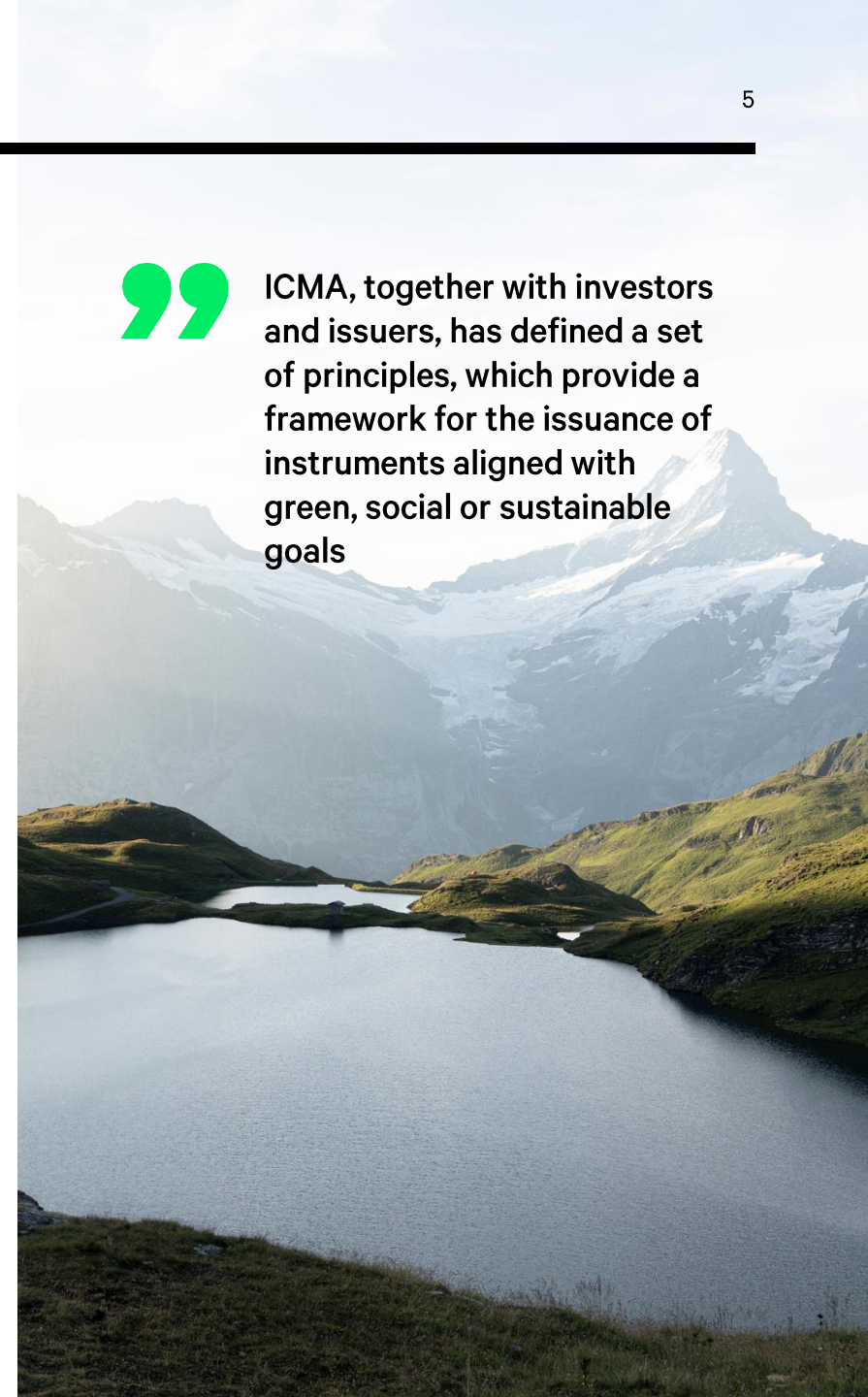
These bonds aim to enable financing that is dedicated to projects that develop the society often in exotic countries where the local economy and infrastructure is not yet that developed. In addition to the projects themselves, development finance institutions aim to develop local currency markets. Frontier countries often have less developed domestic capital markets; therefore, providing local currency in these markets can have a significant impact.

In some cases, we may have classified a country as non-investable in terms of government financing in our Traffic Light Approach. However, in such instances, we can still get the preferred exposure to local currency and interest rates through the use of AAA-rated instruments.

The issuers of these AAA-rated instruments are for example IFC (the private sector arm of the World Bank), FMO (the Dutch development bank) and EBRD (the European Bank for Reconstruction and Development).



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Climate

The ASCOR project

ASCOR (Assessing Sovereign Climate-related Opportunities and Risks)* is the first, public investor framework to assess sovereign bond issuers on climate change. Aktia is one of the original funders of the project and participated in ASCOR's advisory committee during the first phase of the project as the only Finnish asset manager. ASCOR has been a collaboration by asset owners and asset managers, supported by international investor networks, to incorporate financially material climate change information when assessing sovereign bond investments.

ASCOR has woven the principles of fairness into the framework with the aim of encouraging financial flows to support a resilient and just low-carbon transition, especially in countries that are least able to finance it themselves.

The framework sets out a common basis to assess individual country climate change approaches and will reinforce public disclosures to aid investors to understand their action and progress. It builds on existing data but will also further enable issuers to detail material information, so that investors can more effectively support country transition plans.

The ASCOR framework and its scope are continuously being developed, and it is an independent, freely and publicly available assessment tool intended to support investors achieve their net zero goals; help them engage with issuers to find a common understanding of the transition at a national level, as well as giving the opportunity to sovereigns to showcase their progress in addressing climate change.

ASCOR is a global framework suitable for the international financial sector to assess sovereign debt issuers on climate change. The tool incorporates financially relevant information and is useful when assessing sovereign bond investments.

*Accessed from: <https://transitionpathwayinitiative.org/ascor>

Active ownership and engagement

Active ownership and engagement are used as a responsible investment method in direct government bond investments in developed countries. Aktia engages in a varied dialogue to encourage investee governments, and other actors to improve their environmental, social, and good governance practices and to promote the long-term perspective in decision-making. Portfolio management meet with representatives of investee targets. We also participate in influencing campaigns, for example in relation to climate change, via a service provider.

Aktia's Emerging Market Debt strategies invest solely in EM sovereign risk, meaning no corporates, state-owned enterprises or quasi-sovereigns. As part of Aktia's EMD team's country selection process, we conduct on-

the-ground and virtual country research visits and meetings, where discussions are usually held with central banks, debt offices, different ministries, the IMF and World Bank. These meetings provides the Team with valuable information and insights on the development trends in the country, which then might affect their fundamental view of these countries. On-the-ground visits can also provide an opportunity for the Team as investors to ask difficult questions on sensitive topics that may be difficult to address through other research methods. Additionally, on the ground visits can also provide an opportunity to engage with local stakeholders.

Aktia's EMD team is developing a sovereign engagement policy together with Aktia's ESG-team.

The engagement policy will outline the approach in engaging with sovereigns on issues related to topics such as climate, green energy, transparency, and corruption. In the initial stage we are planning to start out by focusing on climate change mitigation.

The process is as following. The EMD team identifies countries of interest in their portfolio, and the ESG team uses the ASCOR tool to analyse and identify any deficiencies in these countries' climate policies. Based on the analysis the country is contacted to clarify and or provide information on developments based on the noted topics. Further discussions are requested based on the responses to continue discussions.



Aktia engages in a varied dialogue to encourage investee governments, and other actors to improve their environmental, social, and good governance practices and to promote the long-term perspective in decision-making.

Sustainability on fund level

Aktia Emerging Market Bond+

Aktia

Aktia Emerging Market Bond+

In Aktia's funds investing in developing countries' government bonds, responsibility factors are integrated into the investment process. Responsible investment methods include consideration of responsibility factors, i.e. ESG integration, exclusion, and engagement. In the case of direct government bond investments in developing countries, the aim is to obtain the best possible understanding of the social and governance impact of the investee.

Sources: Morningstar, Bertelsmann Stiftung and SDSN

*Benchmark is defined as J.P. Morgan EMBI Global Diversified countries equally weighted.

Morningstar ESG risk rating™



SFDR disclosure regulation
Article 8

Carbon footprint vs benchmark*
4 vs 5

SDG score
70/100

Labelled bonds**
12.4 %

Top SDG performance



**Green, social, sustainable and sustainability-linked bonds

ESG Performance Analysis

To assess environmental, social, and governance (ESG) factors in sovereign fixed-income investments, we use a refined dataset derived from the World Bank’s Sovereign ESG data portal. The original dataset includes 71 indicators across E, S, and G themes, but we’ve narrowed it down to 26 key indicators tailored specifically for sovereign fixed-income relevance.

In the analysis, we compute each countries’ performance across each of the 26 indicators in the dataset. Indicator performance can be AAA, AA, A, BBB, BB, BB or CCC with AAA being the best outcome and CCC being the worst.

Fund-level ESG performance

	Fund	Benchmark*
Environment	BBB	BBB
Social	BBB	BBB
Government	BBB	BBB
Total ESG score	BBB	BBB

Top 5 Performing Countries

Country	Rating
Uruguay	AA
Chile	AA
Jordan	A
Costa Rica	A
Rwanda	A

Bottom 5 Performing Countries

Country	Rating
Guatemala	BB
Papua New Guinea	B
Gabon	B
Angola	B
Nigeria	B

Sources: Aktia ESG Performance analysis, World Bank Sovereign ESG Portal
*Benchmark is defined as J.P. Morgan EMBI Global Diversified countries equally weighted.

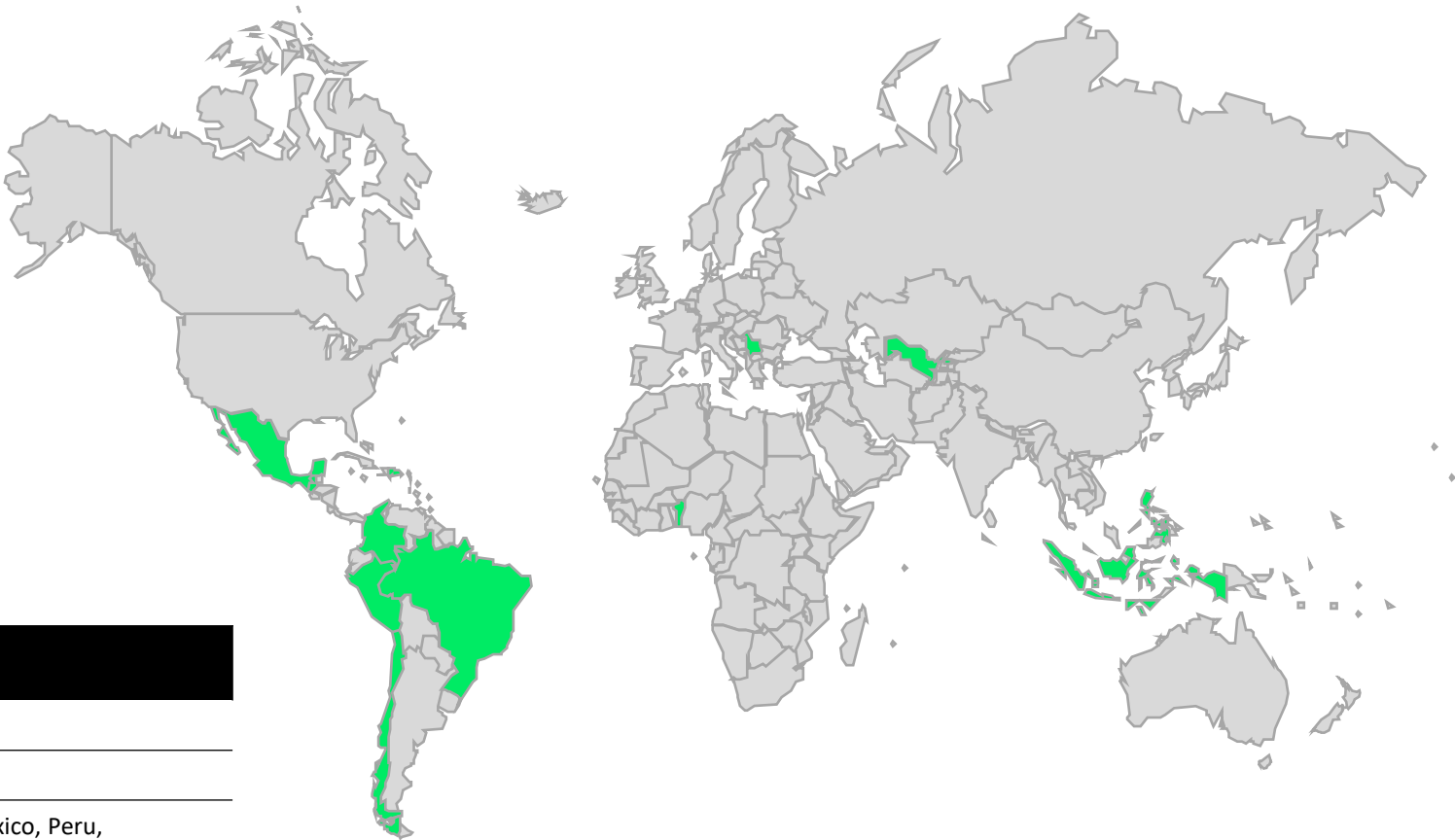
Labelled bonds

Labelled bonds are defined as green, social, sustainability (use-of-proceeds bonds), and sustainability-linked bonds (potential coupon step-ups linked to sustainability targets).

Use-of-proceeds bonds finance sustainable projects determined by the specific frameworks. Projects range from renewables, clean transportation, water management to biodiversity protection. Sustainability-linked bonds can be linked to a variety of goals, from decrease in methane production, maintenance of forest area to higher use of renewable energy in the total energy consumption mix.

Instrument	Weight in Portfolio (%)	Countries invested in
Green bonds	0.49	Chile, Dominican Republic
Social bonds	2.77	Chile, Colombia, Guatemala, Peru
Sustainability Bonds	8.09	Benin, Brazil, Chile, Indonesia, Mexico, Peru, Philippines, Serbia, Uzbekistan
Sustainability-linked Bonds	1.09	Chile

Sources: Aktia, Bloomberg



Sustainable Development Goals (SDG)

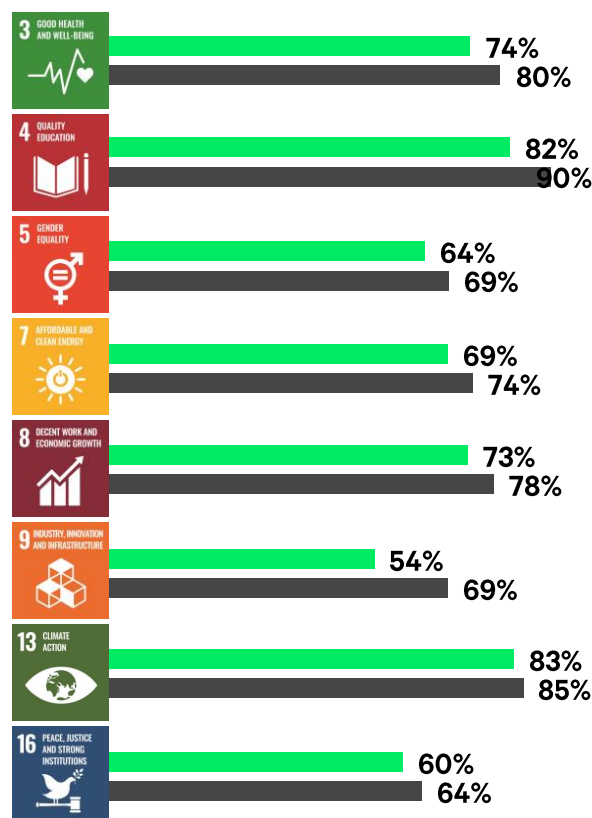
The UN Sustainable Development Goals (SDGs) are a framework of targets and goals that are a part of the 2030 Agenda for Sustainable Development that was adapted by all UN member states in September 2015 in New York as part of the UN Sustainable Development Summit.

The SDGs consist of 17 different goals within topics such as People, Planet, Prosperity, Peace and Partnership. In the report we show 8 SDG indicators that we see as most topical for sovereign investors.

The SDGs are also increasingly being adapted by listed companies in reporting on corporate social responsibility. In addition, they can be used as a framework for sovereigns' performance in order to report our Emerging Market Debt fund's alignment regarding SDGs.

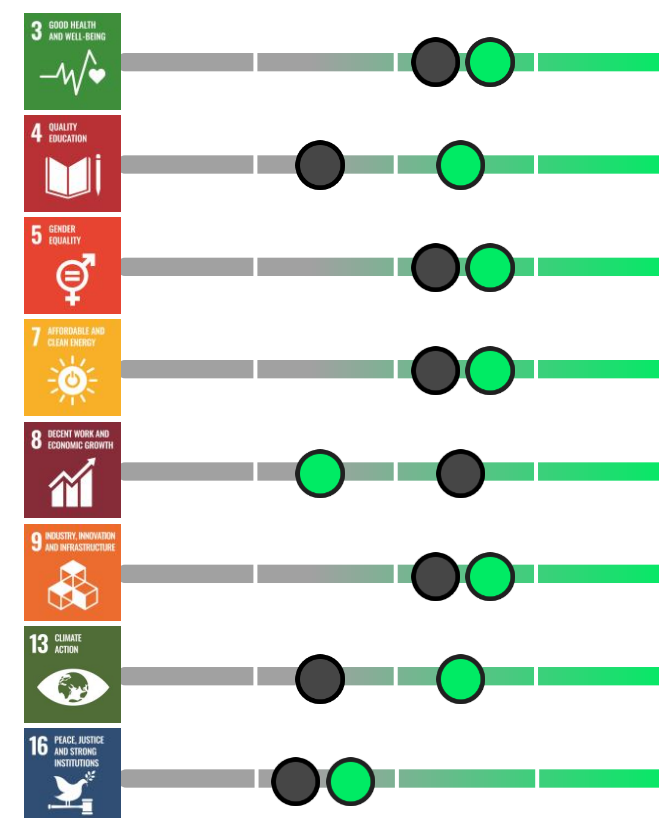


The funds relative performance on chosen SDG's



■ Fund ■ Benchmark*

Performance trend of the current portfolio



Sources: Aktia, FMO, EBRD, Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G.: Sustainable Development Report 2020. New York: Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN).

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Sustainability on fund level

UI - Aktia EM Frontier Bond+

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Sources: Morningstar, Bertelsmann Stiftung and SDSN

*Benchmark is defined as around 50 frontier economies equally weighted.

Morningstar ESG risk rating™



SFDR disclosure regulation
Article 8

Carbon footprint vs benchmark*
4 vs 2

SDG score
67/100

Labelled bonds**
4.0 %

Top SDG performance



**Green, social, sustainable and sustainability-linked bonds

ESG Performance Analysis

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In the analysis, we compute each countries’ performance across each of the 26 indicators in the dataset. Indicator performance can be AAA, AA, A, BBB, BB, BB or CCC with AAA being the best outcome and CCC being the worst.

Fund-level ESG performance

	Fund	Benchmark*
Environment	BBB	A
Social	BBB	BBB
Government	A	BB
Total ESG score	BBB	BBB

Top 5 Performing Countries

Country	Rating
Uruguay	AA
Costa Rica	A
Rwanda	A
Jamaica	A
Namibia	A

Bottom 5 Performing Countries

Country	Rating
Kenya	BB
Dominican Republic	BB
Mongolia	BB
Egypt	BB
Nigeria	B

Sources: Aktia ESG Performance analysis, World Bank Sovereign ESG Portal
*Benchmark is defined as around 50 frontier economies equally weighted.

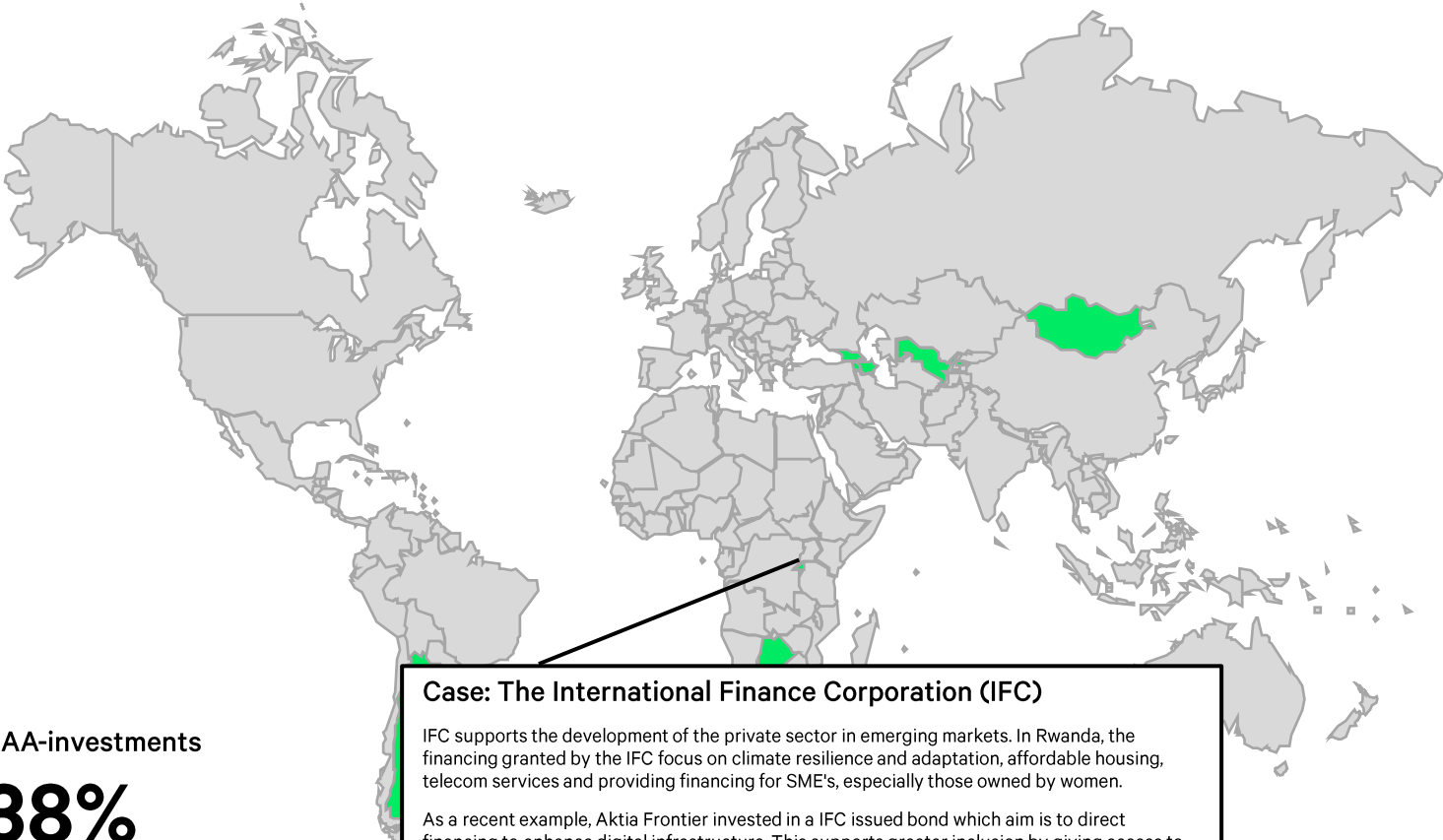
Development Finance

In addition to government bond investments the fund can also invest in AAA-rated development finance institution bonds. These bonds aim to hedge the currency risk of development finance institutions that is dedicated to projects that develop the society of countries where the local economy and infrastructure is not yet that developed.

These AAA-investments focus on selected sectors such as the finance sector to provide financing for local banks to facilitate micro finance, infrastructure and gender finance. Other sectors and themes in focus are e.g. agriculture and climate action.

Reasons to use these instruments in addition to creating positive environmental or social impact can be that we are not able or allowed to invest in the local government bonds due to regulatory reasons or due to hurdles for market entry such as high costs and withholding taxes for offshore investors.

Current AAA-investments
14.38%
of the portfolio



Case: The International Finance Corporation (IFC)

IFC supports the development of the private sector in emerging markets. In Rwanda, the financing granted by the IFC focus on climate resilience and adaptation, affordable housing, telecom services and providing financing for SME's, especially those owned by women.

As a recent example, Aktia Frontier invested in a IFC issued bond which aim is to direct financing to enhance digital infrastructure. This supports greater inclusion by giving access to digital services for a larger amount of people and lowering the barrier for women to access such services. All projects financed by IFC undergo environmental and social due diligence and companies must report back on an annual basis. The impact of each project is monitored with the Anticipated Impact Measurement and Monitoring (AIMM) system, an impact assessment tool developed by the IFC. The need for enhanced monitoring is determined based on the risk level from an environmental and social perspective. In addition to financing, IFC provides advisory services making it more than just financing.

Sustainable Development Goals (SDG)

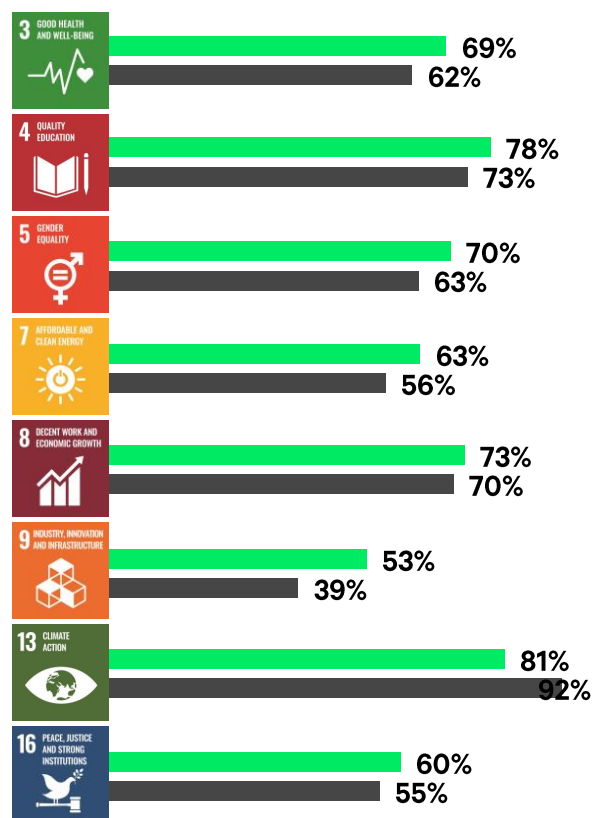
The UN Sustainable Development Goals (SDGs) are a framework of targets and goals that are a part of the 2030 Agenda for Sustainable Development that was adapted by all UN member states in September 2015 in New York as part of the UN Sustainable Development Summit.

The SDGs consist of 17 different goals within topics such as People, Planet, Prosperity, Peace and Partnership. In the report we show 8 SDG indicators that we see as most topical for sovereign investors.

The SDGs are also increasingly being adapted by listed companies in reporting on corporate social responsibility. In addition, they can be used as a framework for sovereigns' performance in order to report our Emerging Market Debt fund's alignment regarding SDGs.

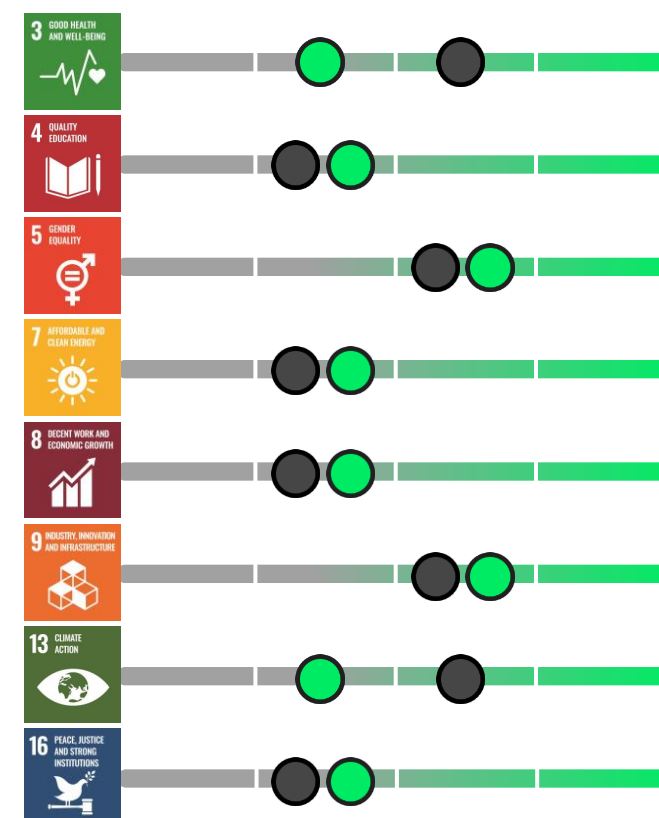


The funds relative performance on chosen SDG's



■ Fund ■ Benchmark*

Performance trend of the current portfolio



Sources: Aktia, FMO, EBRD, Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G.: Sustainable Development Report 2020. New York: Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN).

*Benchmark is defined as around 50 frontier economies equally weighted.

Sustainability on fund level

UI - Aktia EM Local Currency Bond+

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In Aktia's funds investing in developing countries' government bonds, responsibility factors are integrated into the investment process. Responsible investment methods include consideration of responsibility factors, i.e. ESG integration, exclusion, and engagement. In the case of direct government bond investments in developing countries, the aim is to obtain the best possible understanding of the social and governance impact of the investee.

Sources: Morningstar, Bertelsmann Stiftung and SDSN

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Morningstar ESG risk rating™



SFDR disclosure regulation
Article 8

Carbon footprint vs benchmark*
4 vs 5

SDG score
72/100

Labelled bonds**
8.1 %

Top SDG performance



**Green, social, sustainable and sustainability-linked bonds

ESG Performance Analysis

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Fund-level ESG performance

	Fund	Benchmark*
Environment	BBB	BBB
Social	BBB	BBB
Government	BBB	BBB
Total ESG score	BBB	BBB

Top 5 Performing Countries

Country	Rating
Uruguay	AA
Czech Republic	A
Poland	A
Uzbekistan	A
Paraguay	BBB

Bottom 5 Performing Countries

Country	Rating
India	BB
Kenya	BB
Dominican Republic	BB
Mexico	BB
South Africa	BB

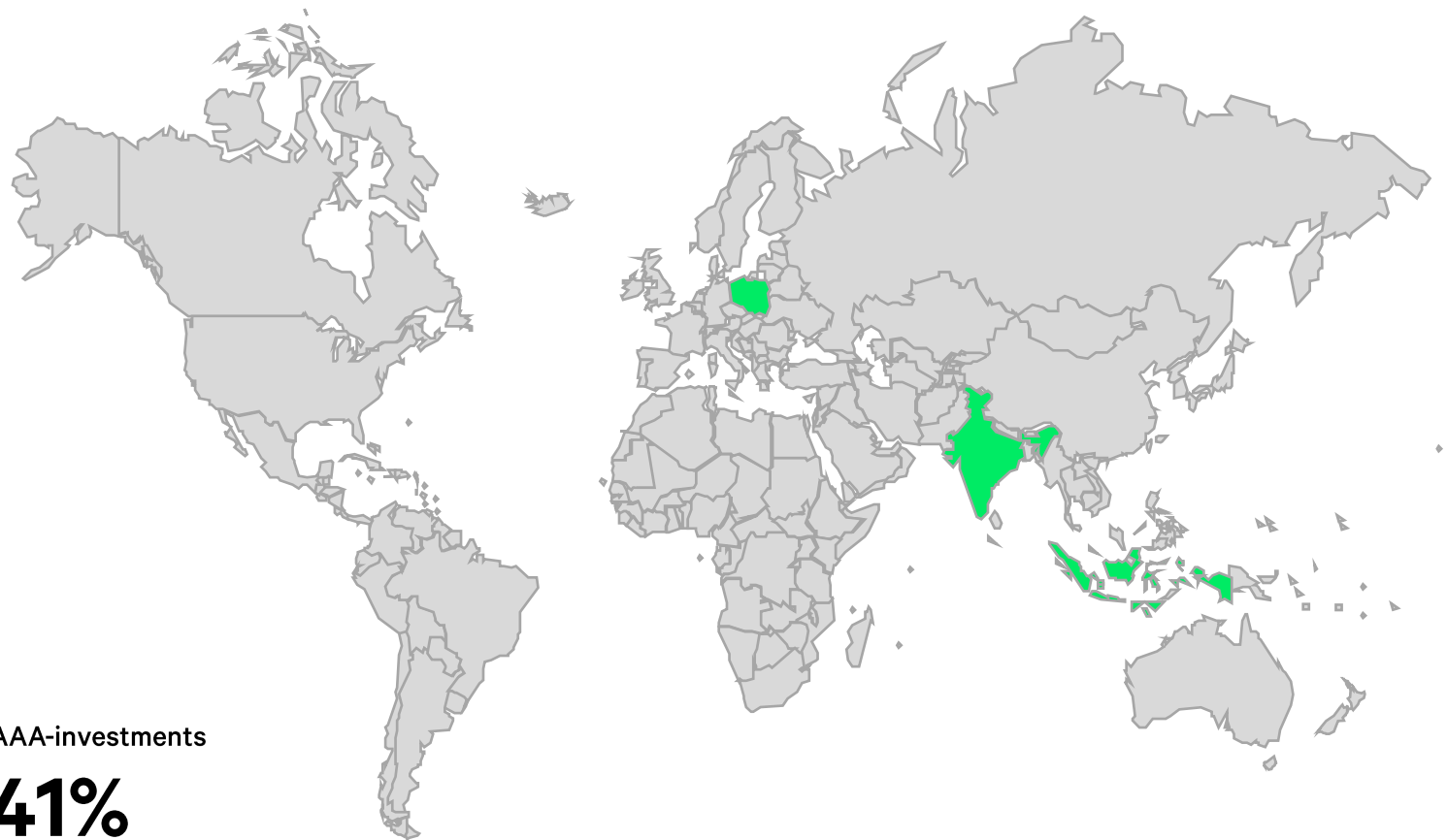
Sources: Aktia ESG Performance analysis, World Bank Sovereign ESG Portal
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Development Finance

In addition to government bond investments the fund can also invest in AAA-rated development finance institution bonds. These bonds aim to hedge the currency risk of development finance institutions that is dedicated to projects that develop the society of countries where the local economy and infrastructure is not yet that developed.

These AAA-investments focus on selected sectors such as the finance sector to provide financing for local banks to facilitate micro finance, infrastructure and gender finance. Other sectors and themes in focus are e.g. agriculture and climate action.

Reasons to use these instruments in addition to creating positive environmental or social impact can be that we are not able or allowed to invest in the local government bonds due to regulatory reasons or due to hurdles for market entry such as high costs and withholding taxes for offshore investors.



Current AAA-investments

14.41%

of the portfolio

Sustainable Development Goals (SDG)

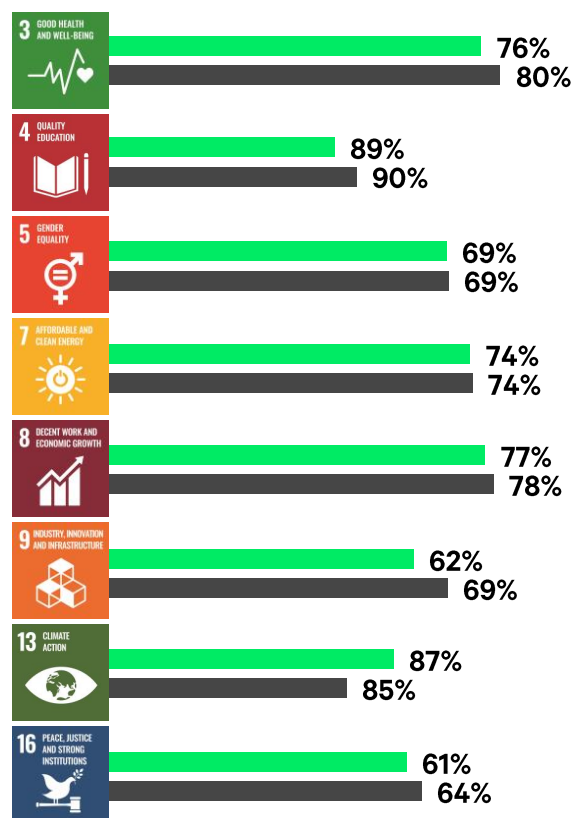
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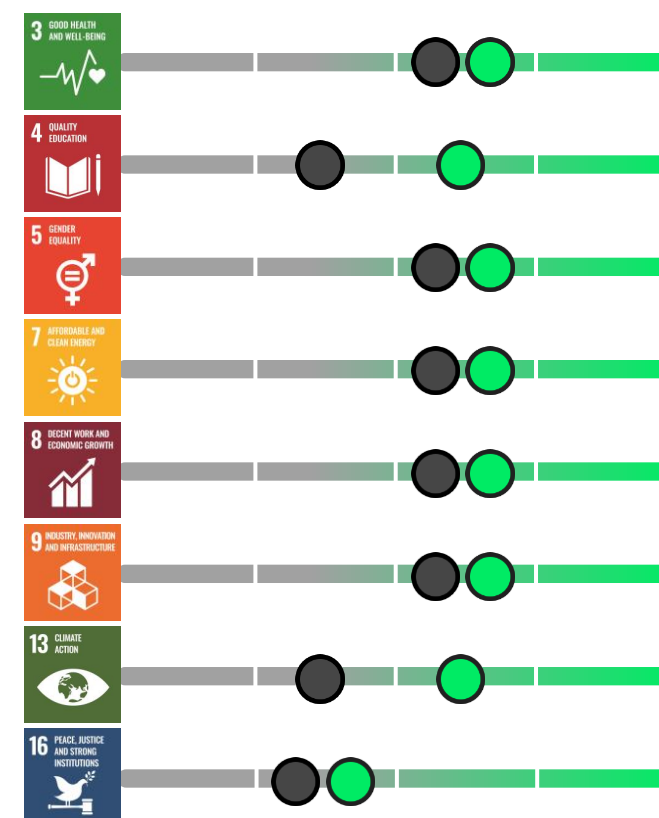


The funds relative performance on chosen SDG's



■ Fund ■ Benchmark*

Performance trend of the current portfolio



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*Benchmark is defined as J.P. Morgan GBI-EM Diversified countries equally weighted.

Guide to Reading the ESG Report

In Aktia's funds investing in developing countries' government bonds, responsibility factors are integrated into the investment process. Responsible investment methods include consideration of responsibility factors, i.e. ESG integration, exclusion, and engagement.

The principles are based on the idea that investment objects operating in a responsible manner, in accordance with sustainable norms, are more profitable and have a more positive risk profile in the long term than investment objects that do not operate responsibly. To us, responsible investing also means that we are striving to achieve the best possible return on the chosen risk level. When we speak of responsible investment, we are referring to every action that considers environmental, social and governance (ESG) factors.

As part of the investment process, Aktia takes into account the economically relevant impacts of environmental, social and governance factors on investment targets in an integrated manner. Other than directly financially significant impacts, other effects can be considered in the investment process to the extent that Aktia believes they have material indirect impacts on investment targets, e.g. through reputational disadvantages. By taking into account relevant responsibility factors as part of investment analysis, Aktia promotes the outlook for investment portfolios regarding profit and risk. In this respect, Aktia considers both the positive and negative factors as well as risks and possibilities.

More information on responsible investment, its methods, and reports can be found on Aktia's website under Responsible investment.

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Summary

The ESG data produced by Morningstar/Sustainalytics describes responsibility in three areas: environmental, social and governance. This is an objective view drawn up by Morningstar on the responsibility themes and their impacts and links to the investee companies. The methodology is based on the assessment of ESG risks and their impact on the economic value of investments. Regarding the analyses, it should be noted that it is a responsibility analysis carried out by Morningstar/Sustainalytics and their views on responsibility. The analysis is based on general ESG views prevailing in the market. Morningstar's methodology is available on the company's website and documentation.

Morningstar ESG Risk Rating

The risk rating, i.e. the globes, describes Morningstar's assessment of the funds' ESG risks and how well ESG risks have been considered in the funds' investees. The more globes, the smaller the ESG risks of the fund in relation to the fund's reference group. ESG risks may form financially significant risks. The risk rating is calculated for a fund when Morningstar data coverage for the fund is at least 67%.

Guide to Reading the ESG Report

SFDR disclosure regulation

Disclosure obligations under the EU's Sustainable Finance Disclosure Regulation (SFDR). Investment products aligned with Article 6 do not take into account the EU criteria for environmentally sustainable economic activities (EU taxonomy). However, these funds may take into account sustainability risks. In this context, sustainability risks refer to an event or circumstance related to the environment, society or governance, the realisation of which could have a real or potential negative material impact on the value of the investment.

Financial products aligned with Article 8 promote, among other characteristics, environmental or social characteristics or combinations of these characteristics, and investee companies follow good governance practices. These funds promote environmental and social characteristics through the comprehensive ESG integration of their investment processes and versatile methods of active ownership. In addition, the funds are required to ensure that the companies they invest in comply with good governance practices. Most of the funds offered by Aktia are Article 8 products.

The objective of products aligned with Article 9 is to make sustainable investments and promote environmental and social objectives and may not cause significant harm to other sustainability factors. Furthermore, investment objects are required to comply with good governance practices.

Carbon footprint vs benchmark

The measurement compares the fund to the benchmark* on weighted average CO2 emissions per metric tons per capita. The data is provided by the European Commission, Joint Research Centre (JRC), EDGAR (Emissions Database for Global Atmospheric Research) Community GHG database. For the fund only government bond investments are taken into account.

Labelled bonds

Labelled bonds consists of ICMA labelled “use of proceed bonds” and “sustainability-linked bonds” issued by governments. These bonds that are linked to projects or key performance indicators with a goal to improve performance in sustainability topics. Use of proceed bonds are bonds that funds projects defined by the Green Bond Frameworks (green bonds), Social Bond Framework (social bonds) or Sustainability Bond Framework (sustainability bonds). Sustainability-linked bonds are linked to sustainability key performance indicators based on Sustainability-Linked frameworks.

Sustainable development impacts

The UN Member States have committed themselves to 17 Sustainable Development Goals with the aim of eliminating extreme poverty by 2030 and sustainable development that considers the environment, the economy and people on an equal basis. The data used in this report is based on the Sustainable Development Report 2019 published by Bertelsmann Stiftung and SDSN.

Guide to Reading the ESG Report

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ESG Performance Analysis

For the ESG Performance Analysis we have incorporated the dataset the World Bank uses in its Sovereign ESG data portal, which includes 71 indicators with 17 themes under E, S and G. However, in our view, some of the indicators are not the best fit for ESG assessment from sovereign fixed-income point of view, and therefore we have narrowed down the dataset. As result, our ESG rating model consists of 26 indicators with 4 indicators under E, 12 in S, and 10 in G.

The first step of the rating analysis is to convert all indicator datapoints to scores, so that within each indicator all the countries have a score between 0–100. As some indicators may have clear outliers that spreads the distance of the top and bottom values, we limit the range by giving the worst five countries a score of 0, and the best five countries a score of 100. Scores are reversed in cases where lower values denote positive ESG outcome.

The total score for each indicator is a weighted average of performance against an income peer group median value and performance against median value of all countries in the world. The income peer groups for each country are defined as country's GDP per capita +/- 30%. The weight factor is defined as R2 of a regression where the indicators scores are explained by GDP per capita, i.e., how significant the wealth bias is. For example, the life expectancy at birth has a R2 of 71.3%, so for the total score calculation, the income adjusted score has a weight of 71.3% and the non-income adjusted score gets a 28.7% weight. If a country has a score of +8 versus the income peer group median, and -3 against the global median, the total score for the for the life expectancy at birth is 4.8 ($71.3\% \times 8 + 28.7\% \times -3$).

The next step is to convert country indicator scores to ratings. For the ratings we use percentiles: CCC is percentiles ~0-14%, B is ~14%-28%, BB is ~28%-42% and so on. The highest percentile, i.e. ~86%–100%, is defined as AAA. Finally, the headline country ESG ratings is the median rating of all indicator ratings.

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Development finance and labelled bonds

Aktia's approach to development finance and labelled bonds is two folded. In Aktia Emerging Market Local Currency Bond+ and Aktia Emerging Market Bond+ funds the focus is on labelled bonds. The approach takes into account ICMA eligibility, the governments' sustainable finance framework, the second party opinion and the greenium of the instruments. In Aktia Emerging Market Local Currency Frontier Bond+ fund the main focus is on AAA-rated bonds issued by development finance institutions (DFI). The approach is to discuss with issuers if there is a underlying project, to analyze the risk related to the currency and the yield offered. Aktia has a long track record of working together with DFI issuers in frontier economies and has actively been working to develop the frontier DFI market.

AAA-rated bonds issued by development finance institutions are instruments that development finance institutions use to hedge their currency exposure in development projects. Examples of development finance institutions are the Dutch Development Bank (FMO) and supranational institutions like the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the International Finance Corp (IFC). Development finance institutions finance development projects in countries and aim to produce positive development impact and support sustainable economic growth in target countries. Projects financed by DFIs need to comply with their ESG requirements. Aktia's investments into DFIs' bonds enables them to have capacity to invest into additional development projects, as they do not need to carry on the currency risk.

The map indicates in which countries the fund has either DFI investments or labelled bond investments. DFI investments can also consist of use of proceed bonds based on development finance institutions Sustainable Finance frameworks.

Guide to Reading the ESG Report

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SDG

In this report we present relative SDG performance for our mutual funds. The data used in this report is based on the Sustainable Development Report 2019 published by Bertelsmann Stiftung and SDSN.

The relative SDG performance that describes the portfolio's performance on individual SDG's is income adjusted, meaning that countries with higher GDP per capita (PPP) are required to perform better than countries with a lower GDP per capita (PPP) to receive the same score. The SDG performance for a fund is the difference between the weighted average score for the fund and the weighted average score for the investment universe. We also disclose the average absolute SDG score (not income adjusted) for the portfolio (scale 0-100).

In addition to the SDG performance we also report the performance trend. The trend indicator gives a picture of how governments where the funds have current investments are developing in regard to chosen SDG's.



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Service providers and data sources: Aktia, Morningstar, Bloomberg, Bertelsmann Stiftung, Bank Sovereign ESG Portal, FMO, EBRD, Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G.: Sustainable Development Report 2020. New York: Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN).

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