

Aktia

Appendix to prospectus: Pre-contractual ESG product disclosure

Environmental and/or social characteristics

This is an appendix to the prospectus. Information relating to the environmental and social characteristics or sustainable investment objectives of the funds are provided in accordance with Regulation 2019/2088 on Sustainability-Related Disclosures in the Financial Services Sector.

ANNEX II

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Template pre-contractual disclosure 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: Aktia European High Yield Bond+

Legal entity identifier: 743700DPL6D3RZRDWL39

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?



Yes



No



It will make a minimum of **sustainable investments with an environmental objective**: %



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective**: __%



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of % of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**



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

The Fund takes into account both positive and negative factors and risks as well as opportunities related to responsibility as part of the investment analysis. The material effects of ESG factors may relate, for example, to the ability of investees' product and service offerings to meet the needs and demands of environmental and social factors and trends. The Fund also imposes a requirement for good governance in investee companies. The environmental and social characteristics promoted by the Fund are linked to emission reductions and energy-efficient solutions as well as climate change and social development and demographic change.

The Fund promotes environmental and social characteristics through diverse responsible investment methods. The fund complies with Aktia's responsible investment policy. The fund's methods for responsible investment are exclusion, consideration of sustainability factors (ESG integration), norms-based screening, active ownership and engagement. A more detailed description of Aktia's responsible investment methods is available in Aktia's responsible investment policy. The fund also follows objectives according to Aktia's climate strategy.

The fund uses a benchmark that does not have comparable environmental or social characteristics with the fund.

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

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Climate and other environmental indicators and social indicators for the environment or society are used to measure the attainment of characteristics related to these to the extent that relevant information is available. This fund uses the following indicators, produced by our service provider, to measure the attainment of the environmental or social characteristics it promotes: net impact and the share of the fund's assets allocated to bonds in accordance with ICMA principles

The fund's net impact: The net impact of the fund is measured at portfolio level using an external service provider method. The model measures the companies' overall impact on society, the generation and sharing of information, human health, and the environment. The characteristics related to emission reduction and energy-efficient solutions as well as climate change are taken into account in the model with an environmental impact indicator that describes the effects of the Fund's investments on greenhouse gas emissions and other emissions as well as waste generation. Characteristics related to social development and demographic change are taken into account in the model with a social impact indicator reflecting the impact of the fund's investments on social infrastructure, social stability and job creation, among other things. In the model, the minimum is minus infinity and the maximum is one hundred. A positive net impact means that the fund achieves on average more positive external effects than negative ones. The indicators reflect the impact of the fund's investments across value chains. No thresholds have been set for the indicator.

The share of the fund's assets allocated to bonds in accordance with ICMA principles: 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. 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 pre-defined sustainability metrics, but do not specifically finance projects. Instead, they motivate the issuer to reach certain sustainability goals, in exchange for lowered financing costs.

Data are used as comprehensively as possible and to the extent that data are available. Any missing data and analyses are to be complemented by qualitative and quantitative methods.

The EU Taxonomy sets out a “do no 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

☐ No

Yes. Principal adverse impacts on sustainability factors are considered as an integral part of the investment process. As a rule, we aim to form an understanding of how these sustainability impacts affect the investee's profitability and outlook, also taking into account the investment horizon in question. As assessment methods, Aktia uses both its own tools and tools developed by external service providers, which are used as part of the decision-making process to identify and assess the principal adverse impacts on sustainability before investment decisions and to report on them after investments are made. Information on the principal adverse impacts on sustainability factors is reported in the fund's annual report.

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.



What investment strategy does this financial product follow?

The fund is an actively managed long-term fixed income fund that primarily invests its assets in fixed income products with a high credit risk issued by European banks and companies. Prior to forming investment decisions, a company-level review is conducted to assess the business and financial risks. In addition, the position of the debt instrument within the company's capital structure and the terms listed in the loan documentation are considered. The selection decision is based on the evaluation that the that the compensation for the above-mentioned risks are sufficient. The fund promotes environmental and social characteristics through diverse responsible investment methods. The fund complies with Aktia's principles for responsible investment and Aktia's climate strategy. Aktia also has separate principles for corporate governance which are followed in all investment activities.

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

● ***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?***

In Aktia's view investees 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 investees that do not operate responsibly. Responsible investment also means that we are striving to achieve the best possible return on the chosen risk level. Responsible investment refers to every action that considers environmental, social and governance (ESG) factors.

Exclusion: exclusion based on values and sectors prevents investment in activities that are assessed to be inappropriate to the investment strategy. The fund's basic elements for exclusion of investments are, applying Aktia's principles for responsible investment: controversial weapons 0%, companies using controversial, aggressive or unethical methods in lending 0%, tobacco 5%, gambling 5%, cannabis 5%, adult entertainment 5%, fossil fuels 5%, unconventional fossil fuels 5%, alcohol 5%. The turnover limit covers direct business or sectors. Revisions to exclusions are made in accordance with Aktia's principles for responsible investment.

Norms-based screening: Based on the UN Global Compact principles. Information on violations of norms (where available from potential investee companies) is part of the overall analysis carried out by the portfolio manager. The fund complies with the escalation method defined in Aktia's principles for responsible investment for existing investments, if observations concerning investees are made.

Consideration of sustainability factors, i.e. ESG integration: Investee sustainability and ESG risk management is examined based on objective ESG data. ESG risk management and sustainability analysis of the investee company, including environmental (E), social (S), and governance (G,) aspects (where available from potential investee companies), are part of the overall analysis carried out by the portfolio manager. The analysis is both quantitative and qualitative.

Active ownership and engagement: The fund complies with Aktia's principles of corporate governance and of responsible investment policy when promoting active ownership and engagement. Aktia engages in a varied dialogue to encourage investee companies to improve their environmental, social and good governance practices and to promote the long-term perspective in decision-making. We participate in voting at general meetings via a voting service. We also participate in engagement campaigns, for example in relation to climate change, via a service provider. The fund complies with the escalation method defined in Aktia's principles for responsible investment for existing investments, if observations concerning investees are made.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

No committed minimum rate has been defined.

● ***What is the policy to assess good governance practices of the investee companies?***

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

The good governance practices of the investee companies are analysed in the fund's investment process before the investment and monitored during the investment. Good governance practices are analysed in accordance with Aktia's responsible investment policy by means of ESG integration (consideration of sustainability factors) and norms-based screening. Safeguards related to governance are included in norms-based screening. Through corporate engagement, corporate governance, and active ownership, Aktia promotes good governance in investee companies as well as a good long-term return development in investee companies or investment portfolios.

The fund's investment process utilises the service provided by an external service provider for norms-based screening and ESG data for the consideration of sustainability factors and the analysis of the governance practices of the investees. In norms-based screening, the service monitors the allocations of our funds according to the criteria based on the UN Global Compact principles and identifies companies that have not been able to operate in accordance with the Global Compact principles. Consideration of sustainability factors is based on qualitative and quantitative methods. ESG data from external service providers are used to analyse sustainability issues related to governance. In addition, the investment process includes a qualitative analysis of the good governance practices of the investee. These include, for example, meetings between investee and fund representatives.



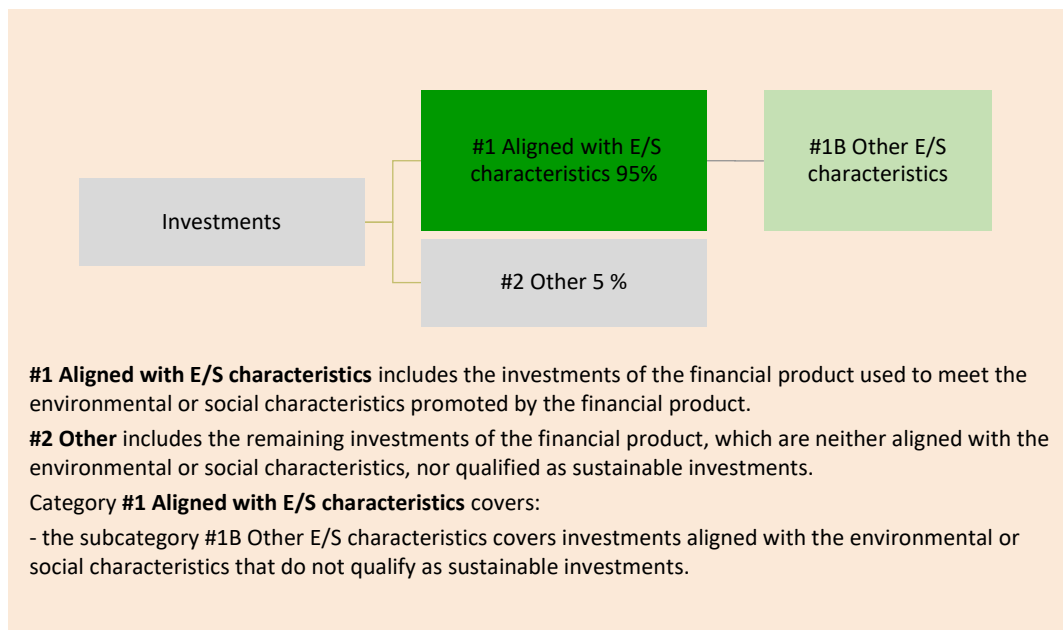
What is the asset allocation planned for this financial product?

“#1B Other E/S characteristics” covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments, a minimum investment share of 95%. The remainder of the asset allocation, i.e. “other”, includes cash and derivatives, up to an investment share of 5%.

Asset allocation describes the share of investments in specific assets.

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.



● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

The fund does not use derivatives to attain E/S characteristics. The fund may use derivatives to hedge investment risks.



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

0%. The financial product is not committed to a minimum share that it should allocate to sustainable investments with an environmental objective aligned with the EU Taxonomy.

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

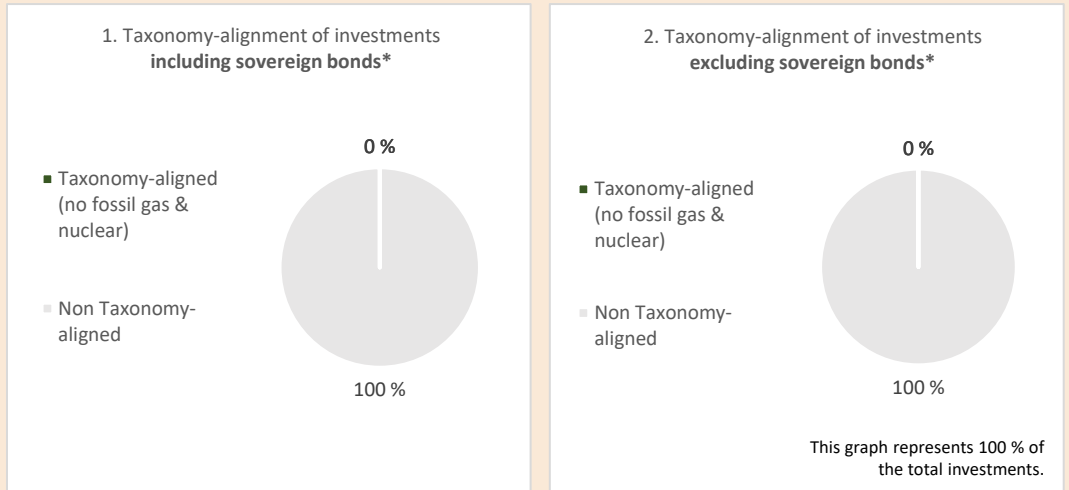
☐ Yes

☐ In fossil gas ☐ In nuclear energy

☒ No

¹Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

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?

0%. The financial product does not commit itself to a minimum share that it should allocate to transitional and enabling activities.



What investments are included under “#2 Other”, what is their purpose, and are there any minimum environmental or social safeguards?

The fund has the cash holdings required for its operations. Cash can be held as additional liquidity or for balancing risks. The fund may use derivatives and other investment techniques for the purposes described in the fund prospectus. This group may also include securities for which such information is not available. When applicable, such investments are assessed to ensure that they meet minimum social safeguards and comply with good governance practices.



Where can I find more product specific information online?

More product-specific information can be found online on the website: <https://www.aktia.fi/fi/sijoitustuotteet/aktia-european-high-yield-bond>