

Pre-contractual disclosure Article 8 Disclosure Regulation

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.

Product name: UI - Aktia EM Local Currency Bond+		Legal entity identifier (LEI-Code): 529900OSW3MHGCB3M082	
Environmental and/or social characteristics			
Does this financial product have a sustainable investment objective?			
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> Yes		<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No	
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective :_% <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective : ___%		<input type="checkbox"/> 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 <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments	



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

This Sub-Fund promotes environmental characteristics within the meaning of Article 8 of the Disclosure Regulation.

In the Sub-Fund's investment process each country is analyzed and ranked on a wide variety of factors. The most prominent factors are governance and social aspects of each country. Environmental factors are also taken into consideration, but the weighting is smaller compared to governance and social factors. The approach focuses on categorizing each country into one of four colors, green (fully investable), yellow (fully investable, with heightened monitoring), red (no government financing) and black (not investable). As such, the process focuses on excluding

countries by either not allowing government financing (no government bond investments) or to completely exclude from the investment universe.

Our holistic approach looks at governance from a wide array of views, from governance structure, governance effectiveness, corruption, democracy, and human rights indicators. Social aspects are measured in social welfare, education, infrastructure, health and equality. Environmental analysis is focused on each country's vulnerability to climate change, emissions and green transition.

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

We do not finance the government in countries as classified red according to our country selection model, i.e. we do not invest in government bonds of those countries. However, in red countries we make investments through FX forwards and development finance institution (DFI) issued AAA-rated bonds. DFI issued bonds are only used to finance development projects in different countries. DFI-instruments are used to produce positive development impacts and support sustainable economic growth in target countries. Projects financed by DFIs need to comply with their ESG requirement and impact is measured and monitored. Projects range from green energy projects to microfinancing for women entrepreneurs. Emerging markets, especially frontier markets, have often underdeveloped domestic capital markets. Therefore, providing local currency financing in these markets has strong development impact itself.

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

The Sub-Fund applies exclusions for sovereigns. The following exclusions are applied:

- Sovereigns with serious violations of democratic and human rights are excluded on basis of an internal method.

Other exclusions on Sovereign level are:

- The Sub-Fund does not strictly exclude any country based on a single factor. Based on our in-house fundamental data model and inn-house ESG tools we designate countries into one of four color groups: green (fully investable), yellow (fully investable, with heightened monitoring), red (no government financing) and black (not investable). As such, the process focuses on excluding countries by either not allowing government financing (no government bond investments) or to completely exclude from the investment universe. The model is focused on the development path of each country in each key theme.
- We do not finance the government in countries as classified red according to our country selection model, i.e. we do not invest in government bonds of those countries. However, in red countries we make investments through FX forwards and development finance institution (DFI) issued AAA-rated bonds. DFI issued bonds are only used to finance development projects in different countries. DFI-instruments are used to produce positive development impacts and support sustainable economic growth in target countries. Projects financed by DFIs need to comply with their ESG requirement and impact is measured and monitored. Projects range from green energy projects to microfinancing for women entrepreneurs. Emerging markets, especially frontier markets, have often underdeveloped domestic capital markets. Therefore, providing local currency financing in these markets has strong development impact itself.
- Black countries (No investment): Afghanistan, Belarus, Burundi, Central African Republic, Chad, Cuba, Iran, Lebanon, Libya, Myanmar (Burma), Niger, North Korea, Russia, Somalia, South Sudan, Sudan, Syria, Venezuela, Yemen, Zimbabwe.
- Red countries (No government bond investments): Algeria, Argentina, Belize, Bolivia, Burkina Faso, Cambodia, Cayman Islands, Comoros, Dem. Rep. of the Congo, Eritrea, Grenada, Guinea-Bissau, Haiti, Hungary, Liberia, Mali,

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.

Mauritania, Nauru, Nicaragua, Republic of the Congo, Suriname, Turkey, Turkmenistan.

To support our traffic light approach exclusion process we use our other in-house models as well: Aktia ESG-Balance analysis and SDG-Analysis.

ESG-Balance uses World Bank promoted ESG data (~70 indicators) to compare each country on a wealth-based approach, where we compare countries at the same level of GDP per capita to remove so called wealth-bias. ESG-Balance also gives a score on level and change to determine which country is trending in the right direction. SDG-Analysis uses the same income corrected philosophy as ESG-Balance but instead uses the SDG dataset provided by Bertelsmann-Stiftung to follow and analyses each country on how well they are doing in each SDG goal compared to income peers. This is a systematic way of comparing country fundamentals.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable.

- ***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?***

Not applicable.

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

Not applicable.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives



Does this financial product consider principal adverse impacts on sustainability factors?

Yes

Mandatory and optional PAI indicators are considered both individually as qualitative input within the investment process as well as quantitative input in Aktia's fundamental country selection model. In our fundamental model there are over 30 indicators, consisting of PAI's alongside other ESG and economic indicators. PAI's included as quantitative indicators in the model are: Political Stability and Absence of Violence (World bank data), Control of Corruption (World bank), Freedom of Political Rights (Freedom House), Free Media (Reporters Without Borders). Other PAI's are considered as qualitative input for portfolio managers. The performance in these indicators determines the classification color in Aktia's traffic light model where each country is assigned a color, black (non-investable), red (no government financing), yellow and green (fully investable). But a bad performance in a single PAI indicator alone will not lead to exclusion (red or black classification) but a wide underperformance compared to the rest of the universe can lead to exclusion.

The following PAI are considered:

- GHG Intensity
- Number_Of_Countries_Subject_To_Social_Violations
- Percent_Of_Countries_Subject_To_Social_Violations
- Share_Of_Bonds_Non_Certified_Green
- Average_Income_Inequality
- Average_Freedom_of_Expression
- Average_Human_Rights_Performance
- Average_Corruption_Score
- Non_Cooperative_Tax_Jurisdictions
- Average_Political_Stability_Score
- Average_Rule_Of_Law_Score

Information on PAI is available in the annual report of the Sub-Fund (annual reports as of 01.01.2023).

No



What investment strategy does this financial product follow?

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

The country selection process includes quantitative and qualitative research. The in-house data model is the first step in the country analysis framework. The fundamental data model measures the economic, political and social status of a country including the mid- and long-term development. There are more than 30 indicators measuring different parts of each main pillar. The model approach is to look at the long-term change, short term change and level of each country, focusing on development of each component for said country. We try to find countries that are having positive development in each aspect, as we believe that good governance and social welfare brings better growth prospects and possibility for continuing positive development. This analysis is then supported by our in-house ESG models: ESG-Balance and SDG-Analysis. ESG-Balance uses World Bank promoted ESG data to compare each country on a wealth-based approach, where we compare countries at the same level of GDP per capita to remove so called wealth-bias. ESG-Balance also gives a score on level and change to determine

which country is trending in the right direction. SDG-Analysis uses the same income corrected philosophy as ESG-Balance but instead uses the SDG dataset provided by Bertelsmann-Stiftung to follow and analyses each country on how well they are doing in each SDG goal compared to income peers. This is a systematic way of comparing country fundamentals.

Short-term signals are investigated using high-frequency macroeconomic data, reform activity and monitoring of political environment. Data analysis is enriched with qualitative analysis. We do on-the-ground country research visits & meetings, where, for example, central banks, debt offices, ministries, IMF, and World Bank representatives are met. In-house case-by-case country analysis utilizes commentary and analysis of international institutions (e.g. IMF, World Bank, Moody's, UN, and Freedom House). We also utilize third party research provided by different entities to gain different views of our investment universe.

The conclusion of this analysis is the Aktia's traffic light approach. The traffic light approach defines investable and non-investable markets where each country is assigned a color, black (non-investable), red (no government financing), yellow and green (fully investable).

We do not finance the government in countries as classified red according to our country selection model, i.e. we do not invest in government bonds of those countries. However, in red countries we make investments through FX forwards and development finance institution (DFI) issued AAA-rated bonds. DFI issued bonds are only used to finance development projects in different countries. DFI-instruments are used to produce positive development impacts and support sustainable economic growth in target countries. Projects financed by DFIs need to comply with their ESG requirement and impact is measured and monitored. Projects range from green energy projects to microfinancing for women entrepreneurs. Emerging markets, especially frontier markets, have often underdeveloped domestic capital markets. Therefore, providing local currency financing in these markets has strong development impact itself.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators, as described above, for measuring the attainment of the sustainable investment objective of the Sub-Fund are the binding elements of the investment strategy of the Sub-Fund.

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

Not applicable.

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

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

The Sub-Fund invests only in sovereign fixed income through local currency instruments. Governance at sovereign level is analyzed using our fundamental model and through our in-house ESG-tools. The fundamental model uses 10 governance indicators such as World Bank worldwide governance indicators, freedom house data, and democracy indicators. Each indicator is then scored on level, short- and long-term change. Governance covers one third of the weight in the fundamental model. ESG-Balance uses 18 governance indicators which can be sorted to components such as gender, innovation, stability and economic environment. SDG indicators meanwhile tend to focus more on development and equality, focusing on topics such as gender equality, infrastructure and sustainable practices on a state level. For both ESG-balance and for SDG-analysis the data is measured on change and level using our income-based approach.



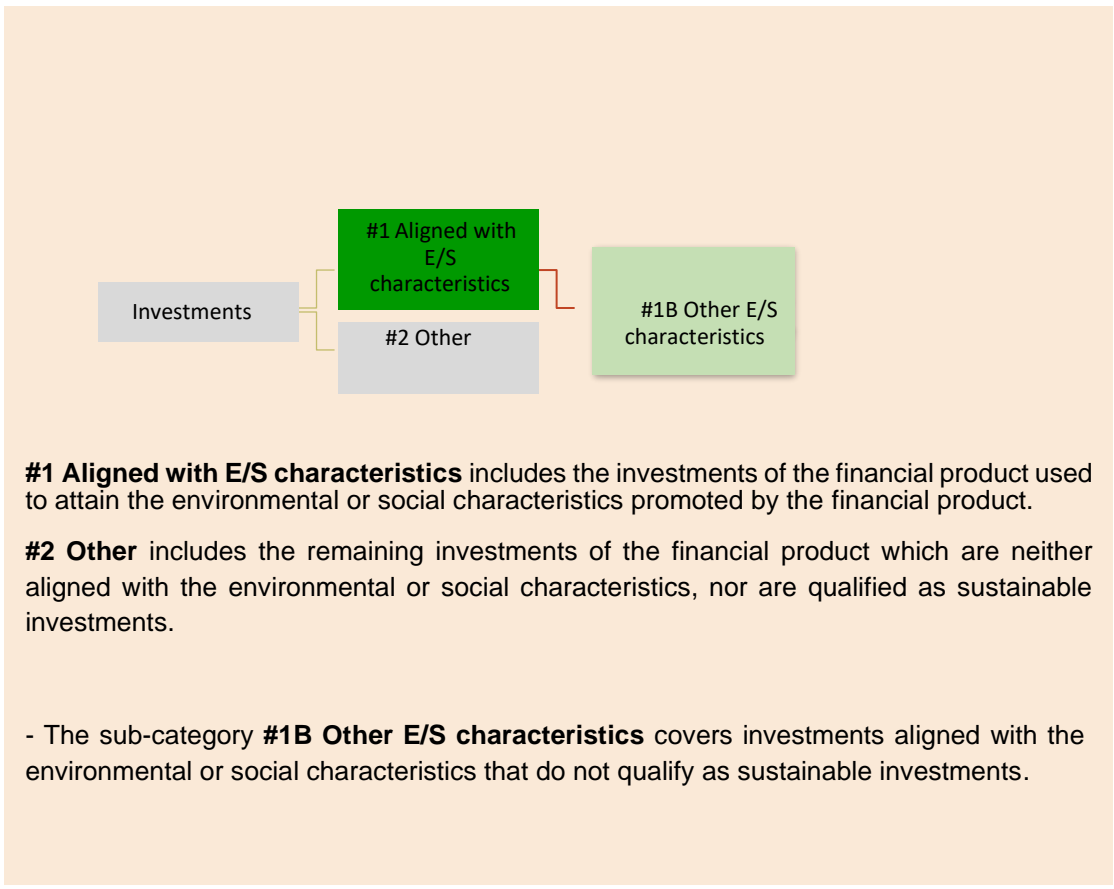
Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

The asset allocation of the Sub-Fund and the extent to which the Sub-Fund has direct or indirect exposures in investee entities can be found in the investment limits and guidelines.

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?

Derivatives are used in accordance with the requirements of the investment limits and guidelines. For the sustainability strategy, derivatives are neutral positions in the portfolio and are not explicitly used to attain the environmental and/or social characteristics of the Sub-Fund.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.



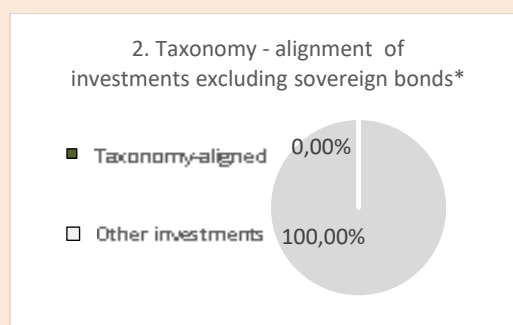
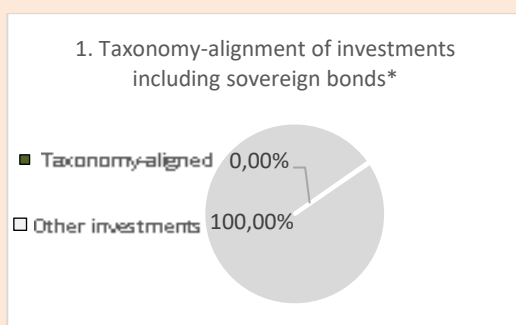
To what minimum extent are sustainable investments with an environmental objective aligned with EU Taxonomy?

The minimum proportion of sustainable investments with an environmental objective as defined by the EU Taxonomy is 0%

The Sub-Fund promotes environmental and/or social features but does not target sustainable investments and therefore does not take into account the criteria of Article 2 (17) of the Sustainable Finance Disclosure Regulation (SFDR) or the EU taxonomy.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the

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?

Not applicable.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.



What is the minimum share of socially sustainable investments?

Not applicable.



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

The Sub-Fund can use currency hedging instruments, but investments in debt securities issued in emerging markets local currency and in currency instruments will not generally be hedged.

We manage our Sub-Funds EUR/USD exposure using USD cash and forwards. Currency hedging (EURUSD) will be made through the use of currency forward contracts. These hedging instruments are outside the scope of our country selection process as they are only used to hedge the portfolio. The Sub-Fund cash exposure is also excluded from the country selection process.

For other investments that are not part of the Sub-Fund's sustainability strategy, there are no binding criteria to consider minimum environmental and/or social safeguards. This is either due to the nature of the assets, where at the time of the preparation of the Sub-Fund's documents there are no legal requirements or standard market procedures on how to consider minimum environmental and/or social safeguards for such assets or investments are specifically excluded from the sustainability strategy, which are then also not subject to the consideration of minimum environmental and/or social safeguards.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable.

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

Not applicable.

- **How does the designated index differ from a relevant broad market index?**

Not applicable.

- **Where can the methodology used for the calculation of the designated index be found?**

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://fondsfinder.universal-investment.com/api/v1/LU/LU1669794478/document/SRD/en>