Assenagon Credit Selection ESG

Information about Sustainability

This document is an extract from the offering prospectus of the Assenagon Credit Selection ESG and should be read in conjunction with the prospectus. If the language versions of the offering prospectus and this document differ at any point, the version of the offering prospectus shall prevail.

The sole binding basis for the acquisition of fund units is the key investor information document, the offering prospectus and the latest annual or semi-annual report of the investment fund.

Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

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

Product name: Assenagon Credit Selection ESG
Legal entity identifier: 549300AKS14VPJCMUB54

Sustainable investment objective

Does this financial product have a sustainable investment objective?

☒ **Yes**	☐ **No**
☒ It will make a minimum of **sustainable investments with an environmental objective:** 63%	☐ 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
☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☒ It will make a minimum of **sustainable investments with a social objective:** 2%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

What is the sustainable investment objective of this financial product?

The Sub-Fund's sustainable investment objective is to seek to reduce greenhouse gas emissions relative to the initial universe. The objective of lower greenhouse gas emissions is to contribute to the achievement of the long-term global warming targets of the Paris Agreement. The sub-fund is actively managed and is not linked to any benchmark. However, the sustainable investment objective is aligned with the minimum Paris Agreed EU Reference Levels.

The Sub-Fund aims to reduce its absolute greenhouse gas emissions by at least 50% compared to the initial universe and is designed to achieve the target of a 7% annual greenhouse gas reduction.

In addition, the Sub-Fund aims to reduce its greenhouse gas emission intensity by at least 50% compared to the initial universe.

To this end, a minimum proportion of the portfolio is invested in sustainable investments. This includes investments in companies whose greenhouse gas emissions associated with their business model are in line with the long-term global warming target of the Paris Agreement, in companies whose economic activities are classified as environmentally sustainable according to the EU taxonomy and contribute to the environmental objectives of Article 9 of Regulation (EU) 2020/852, and investments with a social objective and sustainability-linked Bonds. Among the environmental objectives, the focus is on climate change mitigation and adaptation.

In addition, exclusion criteria are applied. These are based on the requirements arising from international conventions on banned weapons and the principles of the UN Global Compact. Thus, a zero tolerance threshold applies to companies related to banned and/or conventional weapons. Companies involved in the cultivation and production of tobacco are also excluded. Limits also apply to company revenues from addictive substances such as alcohol as well as gambling activities. In order to promote the energy transition, the significance of fossil fuels in relation to renewable energies is taken into account in the investment decisions of the companies concerned. This excludes companies that generate 1% or more of their revenues from the exploration, mining, extraction, distribution or refinement of hard coal and lignite, companies that generate 5% or more of their revenues from the extraction of unconventional gas and oil and companies that generate 5% or more of their revenues from energy production from fossil fuels are excluded, with the exception of investments by means of green bonds, for which a revenue tolerance of max. 10% at company level applies, if at the same time the intended use of the proceeds from the green bonds provides for energy production from fossil fuels of max. 5%. Also excluded are companies that generate 10% or more of their revenues from the exploration, extraction, distribution or refining of crude oil and companies that generate 50% or more of their revenues from the exploration, extraction, production or distribution of gaseous fuels. In addition, companies that derive 50% or more of their revenue from electricity generation with a greenhouse gas emission intensity of more than 100 g CO_2 e/kWh are excluded.

For an investment a company must also have a minimum industry-adjusted ESG rating and a minimum controversy score to ensure that there are no severe negative environmental, social and governance impacts related to the company. This includes existing applicable laws as well as generally accepted international standards such as the principles of the UN Global Compact. Issuers that do not meet these requirements or do not have an ESG rating or controversy score are not eligible for investment. The investment strategy thus takes into account an industry-specific ESG best-in-class approach on the one hand and ensures the so-called "do no significant harm" principle for all investments on the other.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

At least 80% of the sub-fund's assets are invested in accordance with the binding sustainable elements of the investment strategy.

Assenagon's Credit Portfolio Management team is in regular dialogue with companies to review and assess their sustainability. It is not only quantitative aspects that count here. Rather, the aim is to influence corporate management with regard to a long-term orientation towards sustainability. Sustainability risks can strongly influence the performance of the sub-fund.

What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

The measurement of the achievement of the sustainable investment objective of the financial product described above is carried out using the following various indicators: Greenhouse gas emissions and the ESG score are used for the targeted improvements at the portfolio level compared to the initial universe.

To this end, the portfolio pursues a minimum share of sustainable investments of 65 %. Sustainable investments consist of:

1) Investments in companies whose business model-related greenhouse gas emissions are in line with the long-term global warming target of the Paris Agreement, based on the minimum standards for Paris-agreed EU reference values. This means at least a 50% reduction in absolute greenhouse gas emissions and greenhouse gas emission intensity at the company level compared to the baseline universe.

2) Investments in green bonds and social bonds, whose issuers clearly demonstrate that the net proceeds of the bonds will be used entirely for green or social activities following the Green Bond Principles (GBP) or Social Bond Principles (SBP), as well as in sustainability-linked bonds, whose financing conditions are explicitly linked to the achievement of sustainability goals.

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.

3) Shares of business activities that contribute to environmental objectives of Article 9 of Regulation (EU) 2020/852 or to the promotion of broad social issues, such as the treatment of serious diseases, education or affordable housing.

In addition, the following exclusion criteria apply:

- Controversial weapons
- Very severe controversies (incl. violations of global norms)
- Defence
- Tobacco cultivation/production
- Tobacco distribution (revenue tolerance < 5%)
- Coal (revenue tolerance < 1%)
- Unconventional oil and gas production (revenue tolerance < 5%)
- Energy production from fossil fuels max. 5% revenue tolerance at issuer level, with the exception of investments by means of green bonds, for which a revenue tolerance of max. 10% at company level applies, if at the same time the intended use of the proceeds from the green bonds provides for energy production from fossil fuels of max. 5%
- Exploration, extraction, distribution or refining of crude oil (revenue tolerance < 10%)
- Exploration, extraction, production or distribution of gaseous fuels (revenue tolerance < 50%)
- Electricity generation with a greenhouse gas emission intensity of more than 100 g CO_2 e/kWh (revenue tolerance < 50%)
- Nuclear power generation and services (exception only for investments by means of green bonds whose use of funds serves to reduce the nuclear business share)
- Gambling (revenue tolerance < 5%)
- Adult entertainment (revenue tolerance < 5%)
- Alcohol (revenue tolerance < 5%)
- Genetic engineering (revenue tolerance < 5%)
- Embryonic stem cell research
- ESG rating < BB

Specialist ESG data providers serve as the data source for the indicators.

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

Companies with very severe controversies (incl. violations of the principles of the UN Global Compact) as well as with significant shares of revenue in controversial business areas (incl. a zero tolerance threshold for issuers related to banned weapons) are excluded. This exclusion methodology also exists for sustainable investments. Very severe controversies include environmental, social and governance issues as well as global norms. Through these exclusions, we strive for the best possible avoidance of significant damage to the environmental or social sustainable investment objectives.

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

Regarding the main adverse impacts on sustainability factors, the so-called Principal Adverse Impacts (PAIs), a large part of the indicators related to companies are taken into account directly and indirectly in the investment strategy. Direct consideration of the indicators takes place on the one hand through the improvement of greenhouse gas emissions compared to the initial universe as well as through various exclusion criteria. Indirect consideration takes place through the monitoring and targeted improvement of the ESG score, which includes various PAIs. Thus, all environmental indicators as well as the social indicators violation or lack of monitoring of global norms, gender diversity and controversial weapons are taken into account.

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

For the sustainable investments, as for the entire portfolio, exclusions apply for companies with very severe violations of global standards. These standards directly or indirectly take into account the topics of the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

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

☒ Yes, on the Principal Adverse Impacts (PAIs), a large part of the company-related indicators are directly and indirectly taken into account in the investment strategy, see section "How have the indicators for adverse impacts on sustainability factors been taken into account?" Information on the consideration of Principal Adverse Impacts in the respective financial year is available for the sub-fund in the annual reports.

☐ No

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

What investment strategy does this financial product follow?

The Sub-Fund aims to generate consistent returns through the collection of credit spreads, bond interest and capital gains, while tolerating interim fluctuations in value. To achieve its investment objective, the Sub-Fund will use a combination of quantitative and qualitative credit quality analysis, explicitly including ESG criteria. The objective is to invest in various currencies, mainly in European but also in other international benchmark debtors. In addition, the sub-fund aims to achieve a positive environmental impact and thus pursues a sustainable investment objective. The integration of ESG criteria and the consideration of sustainability risks aim to meet the requirements for sustainable investment management. The sub-fund is actively managed and is not linked to any benchmark.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

The mandatory elements of the investment strategy include, firstly, the minimum share of 65% in sustainable investments. In addition, the sub-fund aims to reduce its absolute greenhouse gas emissions by at least 50% compared to the initial universe and is designed to achieve the target of an annual greenhouse gas reduction of 7%. In addition, the Sub-Fund aims to reduce its greenhouse gas emission at portfolio level by at least 50% compared to the initial universe. In order to invest, a minimum industry-adjusted ESG rating and a minimum controversy score must be achieved.

In addition, the following exclusion criteria apply:

- Controversial weapons
- Very severe controversies (incl. violations of global norms)
- Defence
- Tobacco cultivation/production
- Tobacco distribution (revenue tolerance < 5%)
- Coal (revenue tolerance < 1%)
- Unconventional oil and gas production (revenue tolerance < 5%)
- Energy production from fossil fuels max. 5% revenue tolerance at issuer level, with the exception of investments by means of green bonds, for which a revenue tolerance of max. 10% at company level applies, if at the same time the intended use of the proceeds from the green bonds provides for energy production from fossil fuels of max. 5%
- Exploration, extraction, distribution or refining of crude oil (revenue tolerance < 10%)
- Exploration, extraction, production or distribution of gaseous fuels (revenue tolerance < 50%)
- Electricity generation with a greenhouse gas emission intensity of more than 100 g CO_2 e/kWh (revenue tolerance < 50%)
- Nuclear power generation and services (exception only for investments by means of green bonds whose use of funds serves to reduce the nuclear business share)
- Gambling (revenue tolerance < 5%)

- Adult entertainment (revenue tolerance < 5%)
- Alcohol (revenue tolerance < 5%)
- Genetic engineering (revenue tolerance < 5%)
- Embryonic stem cell research
- ESG Rating < BB

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

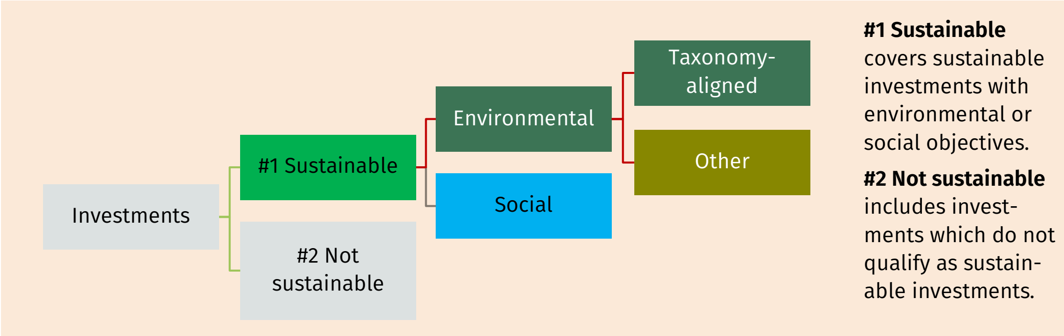
What is the policy to assess good governance practices of the investee companies?

Good corporate governance is a core criterion in the definition of the ESG score, for which a significant improvement compared to the initial universe is targeted. Aspects such as the ownership structure, the composition of the management bodies as well as the remuneration policy, accounting, business ethics and tax transparency can be included. In addition, companies with very severe controversies are excluded, and aspects of good corporate governance are included. This may include, for example, bribery, tax evasion, insider trading, money laundering, sanctions violations and accounting violations.

What is the asset allocation and the minimum share of sustainable investments?

A minimum share of 65% of the financial product is invested in sustainable investments (#1). This minimum share includes investments with an environmental objective of 63% and investments with a social objective of 2%. The share of investments with an environmental objective includes investments in economic activities that are classified as environmentally sustainable according to the EU taxonomy of 20%. The share of other investments (#2), includes the sub-fund's liquidity management (e.g. liquid assets, money market securities, in money market or near money market funds), and may include derivative instruments, including for interest rate and currency hedging.

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



How does the use of derivatives attain the sustainable investment objective?

Credit default swaps (CDS) may be purchased in the sub-fund. Furthermore, derivative instruments may be used for interest rate and currency hedging. However, these instruments do not serve to achieve the sustainable investment objective.

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

The minimum quota of sustainable investments that are in line with an environmental goal of the EU taxonomy is 20%. The focus is on investments in companies whose economic activities contribute in particular to the environmental goals of climate mitigation and climate adaptation. The calculation basis for the scope of Taxonomy-aligned investments is the revenue of the companies.

Data provided directly by issuers or by external specialised ESG data providers are used to calculate the proportion of Taxonomy-aligned investments. Information from specialised ESG data providers is used in particular in cases where no direct information is available from issuers. This can be the case, among others, for companies that do not fall under the reporting obligations of the EU taxonomy due to their country of incorporation/domicile. Since information on Taxonomy-aligned investments is used directly from companies or from specialised ESG data providers, there is no further verification of the data by auditors or third parties.

To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

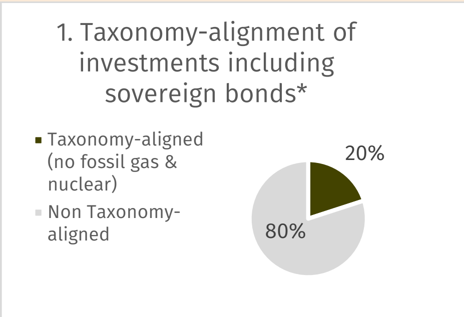
☒ No

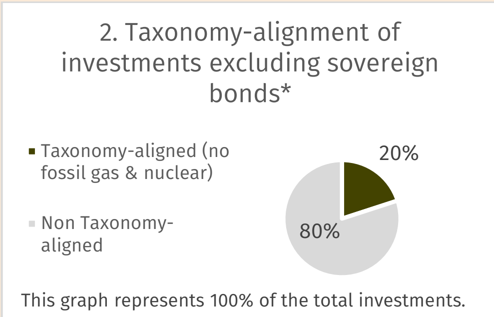
The fund does not seek taxonomy-compliant investments in fossil gas and/or nuclear energy. Nevertheless, it may also invest in companies that are in any case also active in these areas as

[1] Fossil 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 objectives - 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.

part of the investment strategy. Further information on such investments is disclosed in the annual report where relevant.

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*

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

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

What is the minimum share of investments in transitional and enabling activities?

There is no minimum percentage of investment in transitional and enabling activities.

What is the minimum percentage of sustainable investments with an environmental objective that are not compliant with the EU taxonomy?

The minimum share of sustainable investments with an environmental objective that are not compliant with the EU taxonomy is 43%. This includes investments in companies whose greenhouse gas emissions associated with their business model are in line with the Paris Agreement's long-term global warming target, aligned with the minimum standards for Paris-agreed EU reference levels.

What is the minimum share of sustainable investments with a social objective?

The minimum share of socially sustainable investments is 2%.

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

The share of other investments that are not classified as sustainable investments includes the liquidity management of the sub-fund (e.g. liquid assets, money market securities, in money market or near-money market funds). Furthermore, derivative instruments may be used, among other things, for interest rate and currency hedging.

Where can I find more product specific information online?

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

- for the respective sub-fund via the following link: **https://www.assenagon.com/fonds**