AXIOM
ALTERNATIVE INVESTMENTS

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SFDR PRODUCT DISCLOSURES
AXIOM CLIMATE FINANCIAL BONDS

(a) Summary

Climate strategy. The investment objective of the Fund is to achieve, over a minimum 3-year investment horizon, a return net of management fees equals to or greater than that of its benchmark, the BofA Contingent Capital Index (with coupons reinvested) (the “Benchmark”), through investments that meet Environmental, Social and Governance (ESG) criteria, and in particular climate criteria through investments in insurers and banks that are leaders in the integration of climate change considerations.

To achieve this, three layers of analysis are applied. The first layer consists of several normative and sectoral exclusion policies available in the "thematic and sectoral exclusions" handbook which mainly cover non-financial sector companies or are cross sectoral. The second layer consists of financial sector exclusions due to Social and Governance controversies. Finally, investees are excluded based on their climate performance, which is assessed through the ACRS and, in the case of banks, their Implied Temperature Rise.

The fund has several tools in place to cause no significant harm to environmental and social objectives, including the sectoral exclusions as well as the monitoring of Principal Adverse Impact indicators.

The fund supports the climate mitigation objective, it does so through the use of the Axiom Climate Readiness Score (ACRS), which is a proprietary methodology that assesses the climate performance of insurers and banks. The ACRS consists of three pillars: 1. Corporate engagement; 2. Climate risk and opportunities management; and 3. Contribution to the low-carbon transition.

For a company to be eligible to the investable universe it needs to meet minimum thresholds by pillar. Pillar 1 needs to be higher than 30%, and the weighted average of the pillar 2 and 3 higher than 25%, each with a weight of 67% and 33% respectively. In addition, in the case of Banks their ITR needs to be lower than 3°C. Instruments from investees that respect these rules are considered as sustainable investments and represent 100% of the fund’s investments (excluding derivatives, cash and cash equivalents).

Monitoring. The pre-trade and post-trade system control for breaches regarding the investments that do not classify as sustainable investment and an increase in temperature higher that the authorized limit. In addition, the portfolio manager has an internal tool to simulate portfolio changes on its climate-related constraints before the trading order is sent.

In addition, bi-annual stock takes are carried out to monitor the fund’s performance on two main indicators: the ACRS and the ITR. When its performance has decreased or not increased as expected, the specific indicator(s) are discussed at the ESG committee and corrective measures taken when deemed relevant.

Data and data quality. The ITR is estimated using company level ITRs from data provider Iceberg Data Lab and financial data from data provider Dealogic, and when required, sectoral data from the European Banking Authority. Insurer’s ITRs are sourced directly from the issuer, and when the data is not available, the sector average is used. In the case of the ACRS the

quantitative data sources are the same as for the ITR, while the qualitative data sources include company's own disclosures, CDP and NGO reports, among others.

Consistency checks are carried out to identify potential data issues, this includes looking at outliers and changes from one reporting year to another. Despite these, there are several limitations on the methodologies used these include: i. reliance of self-reported data; ii. data gaps regarding banks corporate lending portfolios; iii. high dependence of assumptions to estimate the climate data of banks clients'; iv. difficulties in the data allocation from subsidiary to parents; and v. challenges in the aggregation ITR at portfolio level.

Engagement. This fund does not have a specific engagement policy, engagement with the issuers of this fund can take place as part of company-wide engagements or on an ad-hoc basis as a result of the monitoring exercises explained in (o).

Benchmark. The fund does not follow an EU Climate Transition Benchmark nor an EU Paris-aligned Benchmark because such Benchmark does not exist for the BofA Contingent Capital or a similar index. The steering of decarbonization objective of the fund is a proxy metric used to monitor that the fund's performance follows the decarbonization ambition of the EU Climate Transition Benchmark and will be used up until Scope 3 downstream emissions are made available by a relevant amount of issuers in the fund's universe.

(b) No significant harm to the sustainable investment objective

The fund has the following tools in place cause no significant harm to environmental and social objectives:

1. Exclusion policies: As mentioned above, the strategy of the fund is to invest in financial sector companies' leaders in terms of climate performance. By extension, this sets to zero the exposure of the fund to real economy companies, and more importantly, those that may cause a significant negative direct impact on i.) environmental issues such as GHG emissions, biodiversity, waste and water; and ii.) social issues such as the manufacturing or selling of controversial weapons. As an additional control, Axiom AI pre-trade system controls for the exclusion specified in its Thematic and Sectoral exclusions handbook.

2. PAI monitoring: Axiom AI monitors the performance of the following PAI as a way to minimize the adverse impacts of the investments. For the environmental PAIs, the fund's climate-related constraints limit indirectly a significant adverse impact, as explained below.

   - GHG emissions indicators: This includes scope 1, 2 and 3 GHG emissions, carbon footprint, and GHG intensity. Noting that the scope 3 indicator only includes scope 3 upstream emissions as scope 3 downstream emissions sourced from the data provider are based on top-down estimations that bring too many uncertainties when analysing them. This is normal as data providers have very limited visibility on banks' and insurance's lending and investment portfolio. Scope 1, 2 and 3 upstream emissions represent a very low percentage of emissions in financial sector companies total emissions, around 9% of total emissions[1]. To cover the most relevant scope of emissions, we monitor de ITR (see d.)) with the objective to reduce it over time.
   - Investments in companies without carbon emission reduction initiatives: Notably looking at portfolio level decarbonization initatiatives. A bad performance on this indicator is prevented through the use of our methodology, the Axiom Climate Readiness Score (ACRS), which assesses the ambitions of financials institutions' decarbonization commitments.

[1] https://www.msci.com/www/blog-posts/which-scope-3-emissions-will/03153333292

- Unadjusted gender pay gap : average unadjusted gender pay gap of investee companies
- Board gender diversity: average ratio of female to male board members in investee companies, expressed as a percentage of all board members
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines: Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.

(c) Sustainable investment objective of the financial product

The Fund supports the climate mitigation objective, it does so through the use of the Axiom Climate Readiness Score (ACRS), which is a proprietary methodology that scores the climate performance of insurers and banks.

Performance is defined by both: i. their integration of climate related risks in the insurers and banks processes and products; and ii. their support to climate mitigation through their investment and lending portfolios and products. Actions on the latter are measured quantitatively for banks and qualitatively for insurers. In the case of banks an Implied Temperature Rate is calculated based on syndicated loan data, in the case of insurers their own disclosure is used or third party data, when deemed relevant.

By looking at this information over time the Axiom AI can understand if investees are steering their portfolios to support the Paris Agreement goals.

(d) Investment strategy

The investment objective of the Fund is to achieve, over a minimum 3-year investment horizon, a return net of management fees equal to or greater than that of its benchmark, the BofA Contingent Capital Index (with coupons reinvested) (the “Benchmark”), through investments that meet Environmental, Social and Governance (ESG) criteria, and in particular climate criteria through invests in insurers and banks that are leaders in the integration of climate change considerations.

To achieve this, three layers of analysis are applied. The first layer, consists of several normative and sectoral exclusion policies available in the "thematic and sectoral exclusions" handbook which mainly cover non-financial sector companies or are cross sectoral. The second layer, consists of financial sector exclusions due to Social and Governance controversies. Finally, investees are excluded based on their climate performance, which is assessed through the ACRS and, in the case of banks, their Implied Temperature Rise.

Thematic and sectoral exclusions

The thematic and sectoral exclusions handbook describes the policies and related criteria used to exclude non-financial sector companies based on normative (e.g. tobacco, alcohol, controversial weapons) and climate considerations (e.g. oil & gas, coal). It includes as well cross-sectoral exclusions such as violations to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Companies identified through these policies are included in the exclusion list, which is updated on an annual basis.

Social and Governance exclusion filters for financial sector companies

Litigation is one of the main ESG risks weighing on financial institutions (fines and compensation paid by banks over the past 10 years amount to hundreds of billions). The Axiom AI has developed over many years a capacity to analyze these controversies and assess the potential risks. They are listed in a proprietary database. Based on this database, the Fund excludes companies with a track record of social and governance issues and poor management of those. New and existing exclusions are discussed at the ESG Committee in its monthly meeting. The social and governance issues the Axiom AI analyses are:

- **Social issues**: firms' exposure to litigation risks arising from torts caused to consumers. This is one area where financial institutions can do the most social harm. It is also the risk that can have the most severe financial consequences for institutions themselves (e.g. as the case of UK PPI has shown). The Axiom AI will exclude institutions for which the risk is either outsized (threatening viability) or judged to be morally unacceptable because it is targeting a specific fragile category of the population (e.g. such as the elderly).
- **Governance issues:** firms risks exposure to business ethics controversies. This risk includes AML, tax fraud, sanctions breaches, market manipulation, etc. The Axiom AI identifies the main sources of risk, based on previous cases, ongoing investigations, or prospective analysis. The Axiom AI excludes firms for which the compliance breaches are truly egregious. This can include cases where top management is fully aware of major breaches (*e.g.*, as in the Alexandria transactions at MPS) or where the case is simply unacceptable by any decent moral standard (*e.g.*, engaging in business with convicted child molesters).
  In addition, the Axiom AI, through its methodology identifies firms with poor governance – something which is unlikely to happen often, as most financial institutions are heavily regulated and supervised. Governance failures are therefore still possible. Of particular interest here are related party transactions, the functioning of the audit committee, whistleblower protection, effective role of the board and compensation schemes.

Axiom Climate Readiness Score (ACRS)

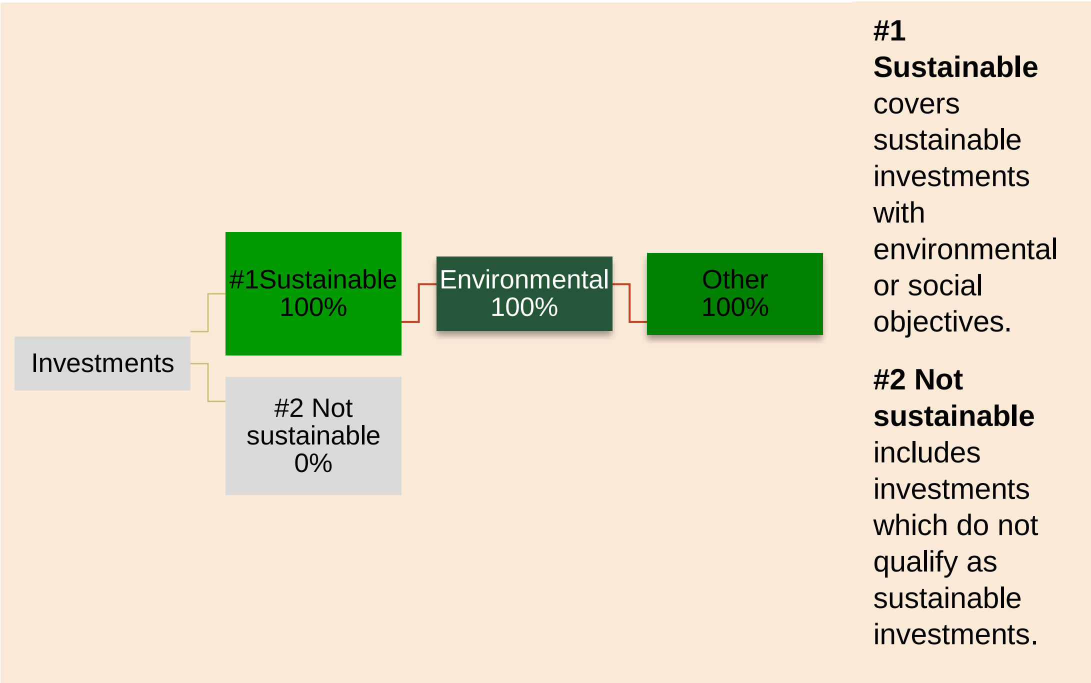
The core of the Axiom AI' funds' philosophy is to identify leading firms addressing the challenges posed by climate change and the energy transition in their core business. Financial institutions are assessed on three pillars:

- **Pillar 1: Corporate engagement**. This pillar seeks to identify the level of priority given to climate change by a company by looking at its governance (*e.g.*, involvement of the board and top management on the decision-making), its climate strategy and related targets, and its disclosure on the activities and means deployed to better integrate climate change.
- **Pillar 2: Climate risk and opportunities management**. This pillar assesses the issuers' processes and tools used to identify, measure and mitigate their exposure to climate related risks as well as their approach to seize the opportunities arising from the energy transition. In the case of banks, the Axiom AI applies a methodology to assess the exposure to physical and transition risks of banks' corporate lending portfolios.
- **Pillar 3: Contribution to the low-carbon transition**. This pillar seeks to understand the contribution the issuer may have to the energy transition through their investments or lending activities with corporates, as well as through thematic products. In the case of banks, the Axiom AI applies a methodology to assess the compatibility of their corporate lending portfolio temperature with the well below 2°C temperature objective of the Paris Agreement.

For a company to be eligible to the investable universe it needs to meet minimum thresholds by pillar. Pillar 1 needs to be higher than 30%, and the weighted average of the pillar 2 and 3 higher than 25%, each with a weight of 67% and 33% respectively. In addition, in the case of

Banks their ITR needs to be lower than 3°C. The Fund has for objective an ITR of 2.5°C by 2024 and 2°C by 2030.

(e) Proportion of investments



100% of the Fund's investments (excluding derivatives, cash and cash equivalents) are invested under an environmentally sustainable objective, climate mitigation. 100% of these investments are in "Other" activities as these are in financial institutions which are not included in the Taxonomy. The taxonomy only includes real economy companies. However, the insurers and banks in which the Fund invest are themselves exposed to taxonomy aligned activities.

(f) Monitoring of sustainable investment objective

The monitoring of the achievement of the sustainable investment objective is ensured in different forms. The pre-trade and post-trade system control for breaches regarding the investments that classify as sustainable investment and the coverage thresholds. The portfolio manager has an internal tool to simulate portfolio changes on its climate-related constraints before the trading order is sent.

To complement the monitoring of the achievement of the objective, at least a bi-annual stock take of the environmental indicators listed below and the indicators mentioned in b.) is carried out.

- Axiom Climate Readiness Score (ACRS). Score from 0 to 100%, the higher the score the better the climate performance of the Fund.
- Implied Temperature Rise (ITR): The ITR provides an indication of how the Fund aligns to global climate targets. Banks' corporate lending portfolio temperature is estimated by Axiom through the use of syndicated loan data. The lower the ITR the better the

climate performance of the Fund.

When its performance has decreased or not increase as expected, the specific indicator(s) are discussed at the ESG committee and corrective measures taken when deemed relevant.

(g) Methodologies

The ACRS score and the ITR of the fund are compared against the score of the universe, both scores need to improve over time. While the ACRS has not a specific maximum limit, the ITR needs to follow a decarbonization trajectory as mentioned in d.). A dedicated note on the ACRS methodology can be found here.

(h) Data sources and processing

i. Data sources

The ITR is estimated using company level ITRs from data provider Iceberg Data Lab and financial data from data provider Dealogic, and when required, sectoral data from the European Banking Authority. Insurer's ITRs are sourced from the issuer, and when the data is not available, the sector average is used.

The ACRS uses both quantitative and qualitative data sources, the quantitative data sources are the same as for the ITR, the qualitative data sources include company's own disclosures, CDP and NGO reports, among others.

ii. Data quality and processing

Consistency checks are carried out to identify potential data issues, this includes looking at outliers and changes from one reporting year to another. Axiom AI abstains as much as possible from using sector averages to allocate missing Climate data points to an issuer, this is only done when the temperature of the insurer is not self-reported, as data providers generally calculate their ITRs using scope 1 and 2 emissions, and in some cases as well scope 3 upstream emissions.

Climate data is processed by Risk Department. These department updates our internal database and the IT departments makes in available to all portfolio managers and sales colleagues.

(i) Limitations to methodologies and data

The most relevant limitations of the methodologies and data used are the following:

- **Self-reported data**: Data disclosed directly by financial institutions, which is generally not audited, although this practice is becoming more common. The data provided is most of the time qualitative. Even if quantitative estimates are given, their use for comparisons with other financial institutions is very limited either because methodologies differ or because the disclosure on the scope and assumptions used is poor. This is particularly important for the ESG scores and the qualitative analysis of the ACRS.
- **Financial data providers:** Investee level data is needed to carry out a more accurate bottom-up analysis on financial institutions' climate performance. Our methodology focuses on corporates as main contributors to global GHG emissions. Thus, in the case of banks, we are interested in having better visibility on their corporate lending portfolio. The only data at the corporate level that can be sourced is syndicated credit data. Thus

the coverage of the loan book is partial as corporate level data on other types of credit (e.g. revolving, instalment, open) cannot be sourced.

- **Climate data:** The shortcomings of the data varies depending on the type of assessment, however, among the common points we find are: reliance on self-reported data, use of sector averages when company disclosure is non-existent or insufficient, lack of forward looking data that is reliant on more than company commitments, and uncertainties related to the climate/scenario data modelled and related assumptions.
- **ESG/Climate data allocation:** ESG/Climate data is allocated to parent companies, this means that in the case of an investment in a subsidiary, the data used for the analysis would be that of its parent companies. Depending on the type of indicator, this can have a negative or a positive impact in the score. The impact at fund level is generally quite low as positions in subsidiaries are rather rare.
- **Climate data aggregation:** The ITR used is a relative metric, to put it simply, as it is a result of the optimization of a carbon budget, and each sector has an allocated carbon budget that differs, it is possible to have a case in which two companies with the exact same ITR have a different carbon intensity or absolute emissions. This means that when all these temperatures are aggregated at portfolio level, the impact in the portfolio of high-emitting companies can be underestimated.

Despite these shortcomings, we believe that there is no need to wait to have the “perfect data” as the data available today can be already used to drive asset allocation. In parallel, we will continue to identify and integrate other potential data sources that help improve our analysis.

(j) Due diligence

As mentioned in point f. and h.) Axiom AI has processes in place to ensure that the asset allocation at fund level and at issuer level companies with the fund’s minimum standards.

(k) Engagement policies

This fund does not have a specific engagement policy, engagement with the issuers of this fund can take place as part of company-wide engagements or on an ad-hoc basis as a result of the monitoring exercises explained in (o).

(l) Attainment of the sustainable investment objective

There is no reference benchmark designated for the sustainable investment objective promoted by the Fund. The Fund does not follow an EU Climate Transition Benchmark nor an EU Paris-aligned Benchmark because such Benchmark does not exist for the BofA Contingent Capital or a similar index. The decarbonisation objective of the fund (see f.) is part of the continued effort of the fund to support the attainment of the objectives of the Paris Agreement to hold global average temperature increase to “well below” 2°C above preindustrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. The steering of this objective is a carried out through an ITR metric used to monitor that the fund’s performance follows a similar decarbonization ambition to that used by the EU Paris aligned and Climate Transition Benchmark. This ITR will be used up until Scope 3 downstream emissions are made available by significant amount of issuers in the fund’s universe.