

ARTICLE 10 – THREADNEEDLE (LUX) EUROPEAN SOCIAL BOND FUND

ARTICLE 10

Promotion of environmental or social characteristics and of sustainable investments

Social Rating Methodology

The Threadneedle (Lux) European Social Bond fund investment manager selects debt securities based on credit analysis and the social rating and categorisation produced under the Social Rating Methodology. The Social Rating Methodology is a proprietary categorisation and rating model developed by the fund's investment manager, which analyses the social characteristics of each potential investment. Under the methodology, each investment will be analysed under a two-stream process that:

1. assesses the broad social intensity and intentionality associated with the use of a bond's proceeds, to categorise it as either an impact investment, an investment with impact, as development finance or as being general financing;
2. applies a three stage assessment model that examines and scores nine aspects of the focus and social outcomes attributable to a bond, across fields of social development such as affordable housing, health and welfare, education, employment, access to services and economic regeneration and development, to derive a numerical score that, subject to a de-minimis threshold, produces a social rating of minor, moderate, good or strong. A bond rated as, or whose rating falls, below the de-minimis threshold is subject to review and re-categorisation as general financing.

The categorisation and ratings are then used in constructing the portfolio.



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