Summary

CO Eurizon SLJ EM Bond Strategic Income Fund (the “Sub-Fund”) is a sub-fund of Connect ETFs ICAV, an open-ended Irish Collective Asset-management Vehicle (ICAV) established under the laws of Ireland with an "umbrella" structure comprising different Sub-Funds and Classes. Connect ETFs qualify as UCITS.

The Sub-Fund promotes environmental and social characteristics and provides disclosures in line with Article 8 of SFDR. It does not have a sustainable investment objective and it does not commit itself to make sustainable investments within the meaning of art. 2(17) of Regulation (EU) 2019/2088. The Sub-Fund does not promote the specific environmental objectives set out in Regulation (EU) 2020/852.

The Investment Manager considers the principal adverse impacts of its investment decisions on sustainability factors, in respect of the Sub-Fund, as more fully described in Schedule 1 of the Supplement to the Prospectus relating to the Sub-Fund (the “Supplement”).

A Sustainability Risks Policy (the “Policy”) has been adopted by the Investment Manager in respect of the Sub-Fund, which sets out how sustainability risks are integrated into the investment decision-making process with respect to the Sub-Fund. A summary description of the key features of the Policy is available at https://www.eurizonsljcapital.com/regulatory-disclosures/.

The sustainability-related disclosures required pursuant to the SFDR can be found in Schedule 1 of the Supplement.

The Investment Manager believes that the materiality of sustainability risks can vary considerably from industry to industry and company to company, but the assessment of ESG factors helps ensure sustainability risks are identified, understood, and controlled. For this reason, through diversification and the integration of sustainability risks, the Investment Manager aims to identify, understand, and control sustainability-related risks and therefore mitigate the potential negative impacts of sustainability risks on returns of the Sub-Fund.

Binding exclusion criteria apply to the selection of underlying assets within the Sub-Fund’s investment universe, and the criteria form part of the investment decision making process.

The indicators used to measure the attainment of each of the environmental or social characteristic promoted by the Sub-Fund are:

Sector exclusion: weight in the Sub-Fund of issuers operating in sectors deemed not to be “socially and environmentally responsible” (such as thermal coal, extraction of oil sands, unconventional weapons), identified on the basis of data provided by specialised ESG and SRI information providers.

Issuer exclusion: weight in the Sub-Fund of issuers with a high exposure to environmental, social and corporate governance risks (i.e.: “critical” issuers), identified as having a lower ESG sustainability rating level assigned by the specialised information provider.

ESG Score integration: "ESG Score" of the Sub-Fund as determined by the specialised ESG info provider "MSCI ESG Research" on the basis of environmental, social and governance profile of the investee companies. The weighted average score of the portfolio must be higher that that of its investment universe.

The Investment Manager intends to invest at least 80% of the Sub-Fund's assets in investments which are aligned with the environmental and / or social characteristics of the Sub-Fund in terms of ESG rating coverage.

The remainder of the Sub-Fund's assets (up to 20%) will be limited to cash or cash equivalents, derivative instruments used for the purposes of hedging or efficient portfolio management but not for promoting environmental and social characteristics, and securities for which data is not available from the ESG data provider in use.

No Sustainable Investment Objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental and/or Social Characteristics of the Financial Product

The Sub-Fund promotes a broad spectrum of environmental and social characteristics as further described below, depending on the specific company and sector. In particular, the Investment Manager seeks to identify and evaluate the following factors:

Environmental: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint, climate change vulnerability), pollution & waste prevention (with reference to toxic emissions & waste, packaging material & waste, electronic waste), environmental opportunities (in clean technology, in renewable energy);

Social: human capital (labor management, health & safety, human capital development, supply chain labor standards), product liability (product safety & quality, chemical safety, consumer financial protection, privacy & data security, responsible investment, health & demographic risk), social opportunities (access to communications, access to finance, access to health care, opportunities in nutrition & health), stakeholder opposition (controversial sourcing (companies are evaluated on their dependence on, and purchasing volume of, raw materials procured from conflict areas and their efforts at traceability and certification), community relations).

Investment strategy

The Sub-Fund will mainly invest directly or through derivatives in corporate and government bonds issued in Emerging Markets, and denominated in hard or local currency. These investments may be below investment grade, however, the Sub-Fund will invest a minimum of 51% of assets in investment-grade bonds. The Sub-Fund generally favours direct investment but may, at times, invest through derivatives. The Sub-Fund pursues an investment strategy that includes exclusions, negative screening and ESG score integration for the purposes of attaining the environmental and social characteristics. These binding elements are an integral component of the Sub-Fund's investment strategy.

Further information on the investment strategy is included in the "Investment Policy" section of the Supplement.

Proportion of investments;

The Sub-Fund will primarily invest its assets (excluding cash and cash equivalents) in emerging market bonds.

The Investment Manager intends to invest at least 80% of the Sub-Fund's assets in investments which are aligned with the environmental and / or social characteristics of the Sub-Fund in terms of ESG rating coverage.

The remainder of the Sub-Fund's assets (up to 20%) will be limited to cash or cash equivalents, derivative instruments used for the purposes of hedging or efficient portfolio management but not for promoting environmental and social characteristics, and securities for which data is not available from the ESG data provider in use.

Monitoring of environmental or social characteristics

The indicators used to measure the attainment of each of the environmental or social characteristic promoted by the Sub-Fund are:

- Sector exclusion: weight in the Sub-Fund of issuers operating in sectors deemed not to be "socially and environmentally responsible" (such as thermal coal, extraction of oil sands, unconventional weapons), identified on the basis of data provided by specialised ESG and SRI information providers.
- Issuer exclusion: weight in the Sub-Fund of issuers with a high exposure to environmental, social and corporate governance risks (i.e.: "critical" issuers), identified as having a lower ESG sustainability rating level assigned by the specialised information provider.
- ESG Score integration: "ESG Score" of the Sub-Fund as determined by the specialised ESG info provider "MSCI ESG Research" on the basis of environmental, social and governance profile of the investee companies. The weighted average score of the portfolio must be higher than that of its investment universe.

Further details about these indicators can be found in Schedule 1 of the Supplement.

To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager's proprietary models and data provided by leading external ESG research providers.

These strategies are monitored through specific investment limits that allow both ex-ante control during preparation of orders and ex-post controls coded in the Investment Manager's Portfolio Management System.

Methodologies

The ESG scoring methodology of the Sub-Fund must cover at least:

90% of investments in each of these asset classes: sovereign debt from developed countries, and investment grade debt securities (including money market instruments);

75% of investments in each of these asset classes: large capitalisation equities and sovereign debt from emerging countries, small and mid-capitalisation equities, and below investment grade debt securities (including money market instruments).

The Sub-Fund aims to pursue an "ESG score" calculated at the overall portfolio level, higher than that of the Sub-Fund's investment universe, through the integration of ESG factors in the analysis, selection, and composition of its investments. The ESG score is representative of the environmental, social and corporate governance opportunities and risks to which an issuer is exposed and takes into account the issuer's management of these risks. The Sub-Fund's ESG score is calculated as a weighted average of the ESG scores of the issuers of the financial instruments held in the Sub-Fund's portfolio.

The exclusion from the Sub-Fund's investment universe of the issuers operating in sectors deemed not "socially and environmentally responsible", that is, (i) in companies characterized by a clear direct involvement in the manufacture of unconventional weapons, (ii) in companies that derive at least 25% of their turnover from mining or electricity production activities linked to thermal coal or (iii) in companies that derive at least 10% of their turnover from the extraction of oil sands.

The exclusion from the Sub-Fund's investment universe of the companies with the highest exposure to environmental, social and corporate governance risks, i.e. with a lower ESG sustainability rating level (equal to "CCC" assigned by the specialised info-provider "MSCI ESG Research") ("critical issuers").

The Sub-Fund promotes environmental and/or social characteristics but it does not commit itself to make sustainable investments within the meaning of art. 2(17) of Regulation (EU) 2019/2088.

The identification of the main negative effects of investment choices on sustainability factors and the definition of the related mitigation actions are an integral part of Investment Manager's approach to sustainability. The Investment Manager has adopted a specific framework which provides for specific environmental, social and governance indicators for the assessment of the negative effects on the sustainability deriving from investments according to the characteristics and objectives of the individual financial products, which provide for the use of:

- negative screening of SRI and ESG factors, with the aim of mitigating the risks of exposure to companies operating in sectors considered as not "socially responsible" (including, in particular, the exposure to the fossil fuels sector and to the unconventional weapons sector) or characterized by critical environmental, social or corporate governance, i.e., with a lower ESG sustainability rating level (equal to “CCC” assigned by the specialised info-provider);

- positive integration of ESG factors in the analysis, selection and composition of financial portfolios (by way of considering the ESG Score of the holdings).

On the basis of controls it defined, the Investment Manager considers specific environmental and social indicators for the assessment of the principal adverse impacts determined by the investment activities of the Sub-Fund, as set out below.

The indicators applicable to investments in corporate securities are the following:

• Greenhouse Gas (GHG) Emissions intensity of investee companies: intensity of the direct GHG emissions that occur from sources that are controlled or owned (i.e.: Scope 1) and of the indirect GHG emissions from the generation of purchased electricity consumed (i.e.: Scope 2) of each investee company per million euro of sales generated;

• Exposure to fossil fuel companies: investments in companies that generate revenues from mineral exploration and mining, or from any other extractive activities, from the production, processing, refinement, distribution (including the transportation), the storage and trading of fossil fuels;

• Activities that adversely affect biodiversity sensitive areas: investments in companies established or doing business in or near sensitive areas for biodiversity, whose activities adversely affect those areas;

• Gender diversity on the board of directors: average ratio between women and men within the administration, management or supervisory body of the investee companies;

• Exposure to controversial weapons: investments in companies involved in the manufacture or in the sale of unconventional weapons (including, in particular, Land-mines, Cluster bombs, Biological weapons and Chemical weapons).

The indicators applicable to investments in sovereign and supranational securities are the following:

• Greenhouse Gas (GHG) Emissions intensity: intensity of the direct GHG emissions (i.e.: Scope 1) that occur from the economic activities and of the indirect GHG emissions from electricity generated elsewhere (i.e.: Scope 2) of each country per million euro of gross domestic product (GDP).

In the best interest of its own financial products, Investment Manager commits (i) to continue to develop its own Sustainability Policies and (ii) to activate specific engagement actions with regard to the issuers that show significant deviations from specific environmental, social and governance indicators or that show significant negative effects on several indicators, with the aim of directing them towards improving their sustainability practices, evaluating, only as a last resort, the disposal of their investments.

Information regarding the above principal adverse impacts indicators will be reported on a best efforts basis in the specific section of the annual report of the Sub-Fund.

Data sources and processing

To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager's proprietary models and data provided by leading external ESG research providers, primarily MSCI. MSCI ratings are embedded in the Investment Manager's portfolio management system. Data quality is ensured by a dedicated team. A dedicated team regularly reviews exclusion lists.

Limitations to methodologies and data

One significant limitation of methodologies and data sources is a shortage of underlying corporate disclosure as to the proportion of revenues derived from particular activities, or company involvement in specific business practices.

Data provided by third parties is often a combination of data reported by issuers, data estimated by issuers, and data estimated by the third party itself. When using data, a key consideration is the extent to which the data received is considered by the Investment Manager to reflect with sufficient accuracy the current characteristics of an issuer, its products and services, and its involvement in particular business practices.

Within the Investment Manager's approach, the environmental and/or social characteristics promoted by the Sub-Fund are established with respect to underlying indicators for which data coverage has been assessed and agreed as being of a sufficiently high level for the purposes of managing the product.

Due diligence

To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager's proprietary models and data provided by leading external ESG research providers, primarily MSCI. A dedicated team regularly reviews exclusion lists, liaising with issuers if appropriate.

Engagement policies

In the best interest of its own financial products, Investment Manager commits (i) to continue to develop its own sustainability policies and (ii) to activate specific engagement actions with regard to the issuers that show significant deviations from specific environmental, social and governance indicators or that show significant negative effects on several indicators, with the aim of directing them towards improving their sustainability practices, evaluating, only as a last resort, the disposal of their investments.

Designated Reference Benchmark

No reference benchmark has been designated for the purpose of determining whether the Sub-Fund is aligned with the environmental and/or social characteristics that it promotes.