BNY MELLON
INVESTMENT MANAGEMENT

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Product name: BNY Mellon Absolute Return Credit Fund

Legal entity identifier: 213800PDI8OGLAK3FZ66

Summary

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

The Sub-Fund promotes good environmental and/or social characteristics through investment in issuers that seek to mitigate or avoid practices in certain activities that the Investment Manager deems to be environmentally and/or socially detrimental. This is achieved through the application of exclusionary criteria.

The exclusions result in investment in issuers that have a reduced exposure to tobacco production, thermal coal mining and power generation, controversial weapons production, unconventional oil and gas extraction, gambling, adult entertainment and cannabis production through the application of certain criteria. Issuers will also be excluded where, in the opinion of the Investment Manager, the issuers are deemed to have violated the minimum standards of business practices represented in widely accepted global conventions.

A reference benchmark has not been designated for the purpose of attaining the environmental and/or social characteristics promoted by the Sub-Fund.

Information on:

(i) the investment strategy used to meet the environmental or social characteristics promoted by the Sub-Fund and the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance;

(ii) the proportion, if any, of the investments of the Sub-Fund in sustainable investments including, where relevant, the proportion of investments with direct exposure in investee entities and all other types of exposure to those entities;

(iii) a description of how the environmental or social characteristics promoted by the Sub-Fund and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the Sub-Fund are monitored throughout the lifecycle of the Sub-Fund and the related internal or external control mechanisms and the methodologies used to measure how the social or environmental characteristics promoted by the Sub-Fund are met;

(iv) a description of the data sources used to attain each of the environmental or social characteristics promoted by the Sub-Fund, the measures taken to ensure data quality, how data are processed and the proportion of data that are estimated; and

(v) any limitations to the methodologies and data used and how such limitations do not affect how the environmental or social characteristics promoted by the Sub-Fund are met.

is provided in the accompanying Full SFDR Website Disclosure document.

The Full SFDR Website Disclosure also provides a description of the due diligence carried out on the underlying assets of the Sub-Fund including the internal and external controls on that due diligence.

Engagement is not part of the environmental or social investment strategy and there are no management procedures applicable to sustainability-related controversies in investee companies.

No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

However, the Sub-Fund commits to investing 10% of Net Asset Value in SFDR Sustainable Investments.

The SFDR Sustainable Investments do not cause significant harm to any environmental or social sustainable investment objective because they are not categorised by external data provider(s) as “strongly misaligned" to the UN SDGs, nor are they in breach of the principal adverse impacts (“PAIs”) thresholds set by the Investment Manager, or where assessed under the EU Taxonomy, they must be compliant with the EU Taxonomy.

The Sub-Fund takes into account the following PAIs from:

Table 1 of Annex I of the Commission Delegated Regulation:

- 1) GHG Emissions: Scope 1, 2 and 3
- 2) Carbon Footprint: Scope 1, 2 and 3
- 3) GHG Intensity of Investee Companies: Scope 1, 2 and 3
- 4) Exposure to companies active in the fossil fuel sector
- 5) Share of non-renewable energy consumption and production
- 6) Energy consumption intensity per high impact climate sector: NACE A, B, C, D, E, F, G, H and L
- 7) Activities negatively affecting biodiversity-sensitive areas
- 8) Emissions to water
- 9) Hazardous waste and radioactive waste ratio
- 10) Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- 11) Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- 12) Unadjusted gender pay gap
- 13) Board gender diversity
- 14) Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)

It should also be noted that while each indicator in Table 1 of Annex I of the Commission Delegated Regulations is considered, it is currently not possible to calculate the carbon footprint of each potential SFDR Sustainable Investments as envisaged in Annex I.

The Sub-Fund's investment in an issuer is screened against the PAIs at the time of investment. Further, the PAIs are measured against certain defined thresholds which may then trigger an additional qualitative review by the Investment Manager to determine if they have been breached. Following this process, if a PAI is considered to be breached the relevant investment will be excluded from the Sub-Fund's allocation to SFDR Sustainable Investments.

PAI Data Availability

The Investment Manager is dependent upon information and data from third party data providers in order to be able to consider principal adverse impacts on sustainability factors. The availability and quality of such data impacts the extent to which each such PAI can be taken into account. In particular, the lack or incomplete reporting of metrics by some issuers means that there is currently only limited data on some adverse indicators. As such for some of the mandatory PAIs listed above, data coverage may be very low. The Investment Manager's analysis of adverse indicators relies on this third-party information and data, and where such information is not available or is incomplete, the Investment Manager's analysis of adverse indicators is necessarily limited. As the data availability improves over time, it is expected that PAIs can be applied to a greater portion of the Investment Manager's investable universe. This will allow for enhanced insight into the adverse impacts caused by issuers.

The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights (the "Responsible Business Practices") collectively cover a very broad range of areas of responsible business, encompassing everything from labour rights to consumer protection to support for internationally recognised human rights within a company's or issuer's sphere of influence.

SFDR Sustainable Investments are considered aligned with the Responsible Business Practices unless the issuer does not pass a broad controversy screen provided by a third party which either directly covers one or more of the Responsible Business Practices or is considered an appropriate proxy for one or more of the Responsible Business Practices. In should be noted that, in the absence of relevant data, SFDR Sustainable Investments will be assumed to be aligned with the Responsible Business Practices.

However, where the issuers invested in do not pass the screen referred to above, the Investment Manager retains discretion to establish alignment with the Responsible Business Practices solely on the basis of its own review of the issuer.

Environmental or social characteristics of the financial product

The Sub-Fund promotes good environmental and/or social characteristics through investment in issuers that seek to mitigate or avoid practices in certain activities that the Investment Manager deems to be environmentally and/or socially detrimental. This is achieved through the application of exclusionary criteria.

The exclusions result in investment in issuers that have a reduced exposure to tobacco production, thermal coal mining and power generation, controversial weapons production, unconventional oil and gas extraction, gambling, adult entertainment and cannabis production through the application of certain criteria. Issuers will also be excluded where, in the opinion of the Investment Manager, the issuers are deemed to have violated the minimum standards of business practices represented in widely accepted global conventions.

A reference benchmark has not been designated for the purpose of attaining the environmental and/or social characteristics promoted by the Sub-Fund.

Investment strategy

As set out in the Supplement, the Sub-Fund follows an actively managed absolute return credit strategy applied to an ESG optimised investment universe that seeks to generate returns in a range of different market environments that are not correlated with the overall performance of asset markets. Further details on the Sub-Fund's strategy are set out in the "Investment Strategy" section of the Supplement.

When making investment decisions, the Investment Manager also uses a combination of external and/or internal ESG research to evaluate an investment and will assess the overall suitability of an issuer based on the Investment Manager's proprietary ESG ratings. External ESG research will be sourced from third-party data providers.

The investment strategy is implemented in the investment process on a continuous basis by requiring the investments to comply with the binding elements described below both at time of purchase and on an ongoing basis.

Whilst the SFDR references four key areas of good governance (sound management structures, employee relations, remuneration of staff and tax compliance), the Investment Manager considers that a good governance assessment should cover a broad range of factors in relation to the system by which companies undertake their activities. The Investment Manager primarily considers this system through two processes. Firstly, and where relevant data is available, the Investment Manager will assess whether there are any known controversies in relation to a corporate entity's practices which demonstrate a severe violation of established norms thereby indicating a failure of broader governance mechanisms. External data providers will be used to support this assessment with governance oversight from relevant internal groups and companies deemed to fail this assessment will be excluded from investment. Secondly, the Investment Manager will also exclude any issuer which has the lowest overall fund-relevant ESG rating using the Investment Manager's own proprietary rating system. These ratings aim to provide an overall view of the controls and processes that a company employs to govern its business and the lowest overall ESG rating typically indicates a company with an insufficient framework to mitigate key ESG risks and a failure to meet baseline expectations for corporate governance.

The binding elements of the investment strategy used to select investments to attain each of the environmental or social characteristics promoted by the Sub-Fund are:

1) The Sub-Fund shall invest a minimum of 10% of Net Asset Value in aggregate in SFDR Sustainable Investments;
2) Exclude issuers as further detailed below. For the avoidance of doubt, the exclusions listed below are not used to identify investments meeting the definition of SFDR Sustainable Investments. The Sub-Fund shall exclude issuers that, in the opinion of the Investment Manager:

- Derive more than 5% of their revenue from the production of tobacco;
- Derive more than 5% of their revenue from thermal coal mining and/or more than 10% of revenue from thermal coal power generation, unless: a) The issue purchased is a use-of-proceeds impact bond which passes the Investment Manager's own assessment framework; and/or b) The issuer has a robust and clearly defined plan to reduce emissions in line with the Paris agreement goals, within the assessment of the Investment Manager; and/or c) The issuer has a clearly defined plan to exit coal mining and/or generation before (i) 2030 in the case of developed market domiciled issuers or (ii) 2040 in the case of emerging market domiciled issuers;
- Are involved in the production of controversial weapons;
- Derive more than 5% of revenues from unconventional oil and gas extraction unless: a) The exposure is achieved via a use of proceeds impact bond which meets the definition of an SFDR Sustainable Investment and passes the Investment Manager's own assessment framework. The framework considers, but is not limited to, the transparency around how proceeds raised by the issuance are allocated and the measurability of any impact which is achieved. Securities are rated dark green (best-in-class), light green (some weakness in sustainability criteria) or red (don't invest). Securities rated red will be excluded; and b) the Investment Manager believes the issuer has a robust, clearly defined, long-term plan to address its environmental impact; and c) the Investment Manager considers the instrument issued meets its ESG criteria;
- Derive more than 5% of their revenues from gambling related business activities;
- Derive more than 5% of their revenue from adult entertainment;
- Derive more than 5% of their revenue from cannabis production;
- in the opinion of the Investment Manager, are deemed to be involved in severe environmental, social or governance controversies (including significant violations of UN Global Compact Principles).

Proportion of investments

A minimum of 50% of Net Asset Value will be used to meet the environmental or social characteristics promoted by the Sub-Fund in accordance with the binding elements of the investment strategy.

The asset allocation diagram is intended to illustrate the planned asset allocation of this Sub-Fund. The Sub-Fund is committed to investing a minimum of 10% of Net Asset Value in aggregate in SFDR Sustainable Investments which have an environmental objective and/or a social objective, but the asset allocation between environmental and social objectives is not fixed and as such, the Sub-Fund does not commit to invest a minimum percentage of Net Asset Value in SFDR Sustainable Investments which have specifically an environmental objective or specifically a social objective.

The Sub-Fund promotes environmental or social characteristics using both an exclusionary approach and allocations to certain SFDR Sustainable Investments. The figure in #1 represents a combination of both approaches. The minimum allocation to SFDR Sustainable Investments is referenced in #1A. The figure in #1B below represents the proportion of the portfolio that has excluded certain types of investments as further detailed in '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?' above and therefore such proportion of the portfolio is aligned with the environmental or social characteristics promoted by the Sub-Fund through the absence of those investments.

While the Sub-Fund is committed to investing a minimum of 10% of Net Asset Value in SFDR Sustainable Investments which may include SFDR Sustainable Investments with a social objective, there is no commitment to invest a minimum percentage of Net Asset Value in SFDR Sustainable Investments with a social objective.

Notwithstanding that the Sub-Fund will invest a minimum of 10% of Net Asset Value in SFDR Sustainable Investments there is no minimum share of SFDR Sustainable Investments with an environmental objective that are not aligned with the EU Taxonomy.

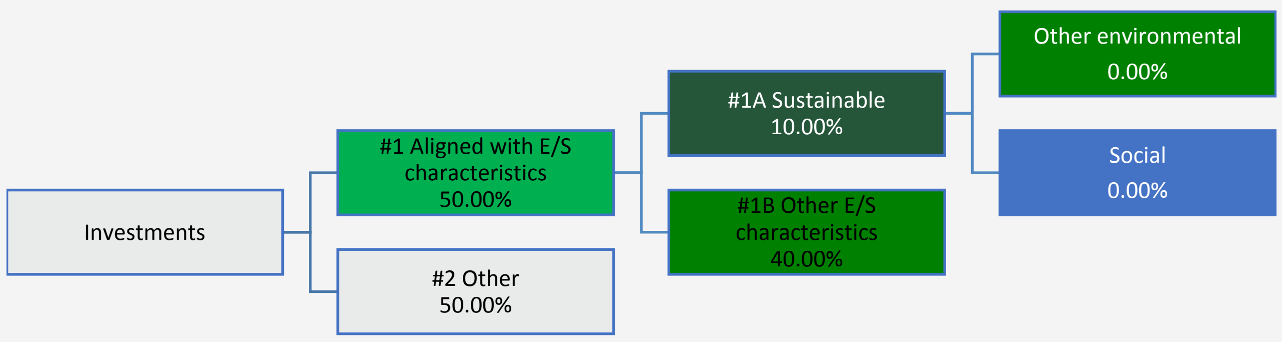
Where the Sub-Fund invests in SFDR Sustainable Investments with an environmental objective, such investments will not be Taxonomy-aligned. This is because the Investment Manager does not currently take into account the EU Criteria for Environmentally Sustainable Economic Activities in determining whether economic activities contribute to an environmental objective or not.

Investments included under "#2 Other" are:

- Liquid and near-cash assets including cash held are used for ancillary liquidity purposes and collateral to support FDI exposure
- Collective Investment Schemes (CIS) that are used for liquidity purposes
- Derivatives (FDI) that are used for hedging purposes

No minimum environment or social safeguards are considered for these investments.

Derivatives (FDI) can be used to attain the environmental or social characteristics promoted by the Sub-Fund by providing indirect exposure to, better scoring ESG names in line with the Sub-Fund's investment strategy and to provide synthetic short exposure to excluded issuers including those that have breached a PAI threshold set by the Investment Manager. For the avoidance of doubt, FDI are not used to gain exposure to SFDR Sustainable Investments.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category #1 Aligned with E/S characteristics covers:
- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.
- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Monitoring of environmental or social characteristics

Monitoring and oversight of the Sub-Fund's performance versus the environmental and social characteristics promoted and the sustainability indicators used to measure the attainment of the environmental and/or social characteristics is undertaken throughout the life cycle of the Sub-Fund by way of a regular review in an internal governance forum which uses a combination of internal and external data to assess positioning. The internal control mechanisms used are:

- Pre-trade warnings which appear in the trade system prior to trading to inform fund managers of a prohibition or limit.
- Post-trade warnings will also be reviewed by the monitoring team and escalated as appropriate.
- Oversight of internal exclusions lists is provided by the Insight Ratings and Exclusions Group ("REG") which is a Governance Committee within the Investment Manager. There are no specific external control mechanisms

Methodologies

In order to assess, measure and monitor the environmental and/or social characteristics promoted by the Sub-Fund, the Sub-Fund will employ the following methodologies:

1. For SFDR Sustainable Investments and their alignment to UN SDGs: Each applicable security is assessed according to the Investment Manager's assessment framework, which is designed to ascertain the level of contribution to the UN SDGs. Two frameworks are deployed for this assessment:
   - Use of Proceeds Impact Bonds: The Investment Manager employs an assessment framework that generally considers the following three components: issuer profile; framework of bond issuance and reporting and transparency.
   - Impact Issuers: The Investment Manager assesses issuers using external and/or internal data to determine the revenue alignment of such issuer's products and services with the UN SDGs. Where no external data is available, an assessment is conducted by the Investment Manager's ESG analysts and ratings are approved by the Investment Manager's 'Impact Committee' and reviewed at least annually.
2. Exclusion Policy: Exclusion lists, based upon the Investment Manager's Exclusion Policy set out in the Sub-Funds investment policy, are generated using internal and/or external data. The exclusion lists are used to create pre-trade warnings which appear in the trade system prior to trading to inform fund managers of a prohibition. Post-trade warnings will also be reviewed by the monitoring team and escalated as appropriate. The Insight Ratings and Exclusions Group ("REG") is a Governance Committee within the Investment Manager, which acts as a point of escalation for issues arising from internal exclusion list construction.
3. ESG Rating: Monitoring is performed at the Sub-Fund level based off available data. Certain limits are coded within the Investment Manager's systems and any breaches which move the Sub-Fund outside the limit are flagged for pre and post trade checks to ascertain whether any additional action should be taken.

Data sources and processing

1. Data Sources: The data sources used to attain the environmental or social characteristics promoted by the SubFund include externally sourced data including (but are not limited to) data from (i) external data providers including third party ESG data providers, universities, agencies, initiatives, and NGOs, (ii) relevant issuers including any publicly available information in relation to such issuers and (iii) internal data sourced by the Investment Manager's analysts or sustainability-focused research teams.
2. Measures taken to ensure data quality: In seeking to ensure the quality of data from external ESG data providers, the Investment Manager obtains such data from recognised and prominent data providers within the market based on its judgment and in accordance with its internal vendor selection process. Beyond this, the data is used broadly without further validation, except in exceptional cases as determined by the Investment Manager, where the Investment Manager may engage the data vendors or internal analysts to validate or revise the figures in question. For internally generated ratings, the REG aims to provide oversight over data inputs and outputs, including any collected data, to ensure identification of data quality issues, insofar as it is reasonably practicable, in the opinion of the Investment Manager.
3. How data is processed: Where external data is directly used, it will be received periodically via data feeds, and parsed into trade systems without cleansing. Where data is used to build proprietary systems including ratings and lists, data is processed by the Investment Manager's quantitative investment team and guideline monitoring team, depending on the nature of the data in question. Oversight of internally generated ratings and exclusions is provided by the REG.
4. The proportion of data that are estimated: Data estimation may be applied by external data providers. In this case, the proportion of estimated data varies depending on the datapoint. Data from third party vendors is in some cases limited, for example for the principal adverse impact indicators. Where there remain key data gaps, the Investment Manager may at times seek to estimate missing values according to its own proprietary methodology.

Limitations to methodologies and data

Please see below the following limitations to the methodologies and data sources referred to in Article 24, point (g) and (h):

- General - Methodologies and data sources underpinning the evaluation of a security or issuers' ESG profile are sometimes owned by third party ESG Providers and may be incomplete, inaccurate, inconsistent, or unavailable. As a result, there is a risk that the Investment Manager may incorrectly assess a security or issuer in the context of the environmental and social characteristics being promoted.
- Methodologies - SFDR Sustainable Investments alignment with UN SDGs: There is no standard and widely accepted market definition for the alignment measurement of a SFDR Sustainable Investment with the UN SDGs. While the Investment Manager seeks to adopt a robust approach as part of its assessment framework, the Investment Manager's application of relevant methodologies is necessarily limited.
- Data - PAIs: The Investment Manager is dependent upon information and data from third party data providers in order to be able to consider principal adverse impacts on sustainability factors. The availability and quality of such data impacts the extent to which each such PAI can be considered. In particular, the lack or incomplete reporting of metrics by some issuers means that there is currently only limited data on some adverse indicators. As such for some of the mandatory PAIs, data coverage may be very low. The Investment Manager's analysis of adverse indicators relies on this third-party information and data, and where such information is not available or is incomplete, the Investment Manager's analysis of adverse indicators is necessarily limited. As the data availability improves over time, it is expected that PAIs can be applied to a greater portion of the Investment Manager's investable universe. This will allow for enhanced insight into the adverse impacts caused by issuers.

The limitations noted above do not affect how the environmental and/or social characteristics promoted by the Sub-Fund are met because:

The Investment Manager has performed due diligence on a market-expected standard for what constitutes a SFDR Sustainable Investment and is comfortable with the methodology assumed.

The Investment Manager has undertaken an internal review of the methodologies used by the third-party data providers against the Environmental and Social characteristics promoted and, in its opinion, the data reviewed is of sufficient quality for use as one part of the Investment Manager's holistic investment management process.

Due diligence

The following due diligence is carried out on the underlying assets of the Sub-Fund:

1. SFDR Sustainable Investments: Each security is assessed according to the Investment Manager's assessment framework, which is designed to ascertain the level of contribution to the UN SDGs. Two frameworks are deployed for this assessment.
   - For Use of Proceeds Impact Bonds: The Investment Manager employs an assessment framework that generally considers the following three components: issuer profile; framework of bond issuance and reporting and transparency.
   - Impact Issuers: The Investment Manager assesses issuers using external and/or internal data to determine the revenue alignment of such issuer's products and services with the UN SDGs. Where no external data is available, an assessment is conducted by the Investment Manager's ESG analysts and ratings are approved by the Investment Manager's 'Impact Committee' and reviewed at least annually.
2. Good governance: The selection of investments is subject to due diligence processes to evaluate the system by which companies undertake their activities including their management structures, employee relations, remuneration of staff and tax compliance.
3. ESG Exclusions: Investment in any security should meet a minimum ESG standard defined by the exclusionary criteria to be eligible for consideration for investment.

The Sub-Fund follows a discretionary management approach and ESG factors are integrated into the underlying investment process. Analysts and portfolio managers are required to make a reasonable assessment of ESG risks and whether their materiality is represented in a security's price.

Internal controls are applied by the Responsible Investment Group, a governance group at the delegate Investment Manager which has overall oversight of ensuring effective implementation of ESG due diligence at asset class level. Internal audit and compliance functions also perform testing from time-to time. No specific external controls exist on the diligence.

Engagement policies

Engagement is not part of the environmental or social investment strategy of the Sub-Fund; however, engagement may form a part of the Investment Manager's overall ESG-integrated approach to investing.

Designated reference benchmark

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the Sub-Fund.