Swiss Life Funds (LUX)

Investment company with variable capital
(société d'investissement à capital variable)
Registered Office: 4a, rue Albert Borschette, L- 1246 Luxembourg, Luxembourg

Notice to the shareholders of the Bond ESG Global Corporates Short Term, Bond Euro Corporates and Bond ESG Emerging Markets Sovereigns sub-funds of Swiss Life Funds (LUX) (the "Company")

Prospectus of the Company dated August 2023

This notice is important and requires your immediate attention. If you are in any doubt about its content, please consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

Dear Shareholders,

We hereby inform you that the board of directors of the Company (the "Board of Directors") has resolved to update the prospectus of the Company (the "Prospectus"), and, in particular, to proceed with the following changes:

I. <u>To the attention of the shareholders of "Bond ESG Global Corporates Short Term" (referred to as the "Sub-Fund" in this section)</u>

a. <u>Amendments to the Sub-Fund's dedicated term sheet</u> (referred to as the "**Term Sheet**" in this section)

The Board of Directors has decided to amend the investment policy section of the Term Sheet to clarify that (i) the debt securities to/in which the Sub-Fund is exposed/investing may have fixed and variable interest and (ii) up to 2/3 of the Sub-Fund's net asset shall be invested in globally diversified portfolio of fixed and variable interest and short-term debt securities issued by corporates issuers.

With these contemplated amendments, the corporate bonds into which the Sub-Fund may invest will also have to have a minimum credit rating of BB- or higher by Standard & Poors or Ba3 or higher by Moody's or BB- or equivalent internal rating.

Other non-material rephrasing and wording adjustments have been implemented throughout the Term Sheet for consistency purposes with similar term sheets.

b. <u>Amendments to the pre-contractual disclosures of Commission Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, as amended, in relation the Sub-Fund (referred to as the "SFDR Annex" in this section)</u>

The Board of Directors has decided to amend the SFDR Annex to change the environmental and/or social characteristics promoted by the Sub-Fund from an approach based on the so-called ESG positive tilt and a negative screening to the so-called ESG significant approach complemented by regulatory, normative and sectorial exclusions.

As a result, the Sub-Fund will now aim to outperform its ESG reference universe (as represented by the reference index, i.e. Bloomberg MSCI Global Corporate Index 1-3), in the three following ways:

- higher overall ESG profile than its reference universe, reduced by the 20% of securities with the lowest ESG ratings (best-in-universe approach);
- reach lower carbon footprint (already applied by the Sub-Fund); and

- hold a higher level of companies that link executive pay to sustainability criteria.

The exclusions applied by the Sub-Fund will remain the same but as from now, issuers with either a CCC ESG rating *or* a red controversy will be excluded.

The percentage of investments in companies linking executive pay to sustainability factors will be a new sustainability indicator the Sub-Fund will use to measure the attainment of each of the environmental or social characteristics it promotes.

The changes mentioned above are reflected across the SFDR Annex and on the relevant webpage relating to the Sub-Fund.

These changes mentioned above shall take effect as of 19 September 2023. Shareholders who do not agree with these changes may request redemption of their shares free of charge during one month from the date of the notice.

II. To the attention of the shareholders of "Bond ESG Global Corporates Short Term" (referred to as the "Sub-Fund" in this section)

a. Conversion into an Article 8 product within the meaning of the SFDR (as defined below)

Please be informed that the Board of Directors has decided to introduce ESG criteria in the investment policy of the Sub-Fund through the application of (i) the so-called ESG significant approach, (ii) regulatory, normative and sectoral exclusions and restrictions and (iii) an active ownership with portfolio companies.

Accordingly, the Sub-Fund will aim to outperform its ESG reference universe (as represented by the reference index, i.e. Bloomberg Euro Aggregate Corporate Total Return Index), in the three following ways:

- higher overall ESG profile than its reference universe, reduced by the 20% of securities with a very low ESG ratings (best-in-universe approach);
- lower carbon footprint; and
- higher level of companies that link executive pay to sustainability criteria.

In addition, the Sub-Fund will mitigate sustainable risks by excluding or restricting issuers with a very low ESG performance, including ESG ratings and controversies and principal adverse impacts.

The Sub-Fund will further exclude or restrict investments in companies that are involved in controversial weapons (such as antipersonnel landmines, cluster munitions, biological, chemical or nuclear weapons) and issuers that fall under the Financial Action Task Force (FATF) blacklist.

The sub-fund is also not allowed to invest in issuers that are involved in severe ESG controversies, including breaches of the UN Global Compact principles, and that derive more than 10% of their revenues from thermal coal mining or trading. If an issuer is present in the portfolio before falling into these restricted categories, divestment will be carried out within a reasonable timeframe, unless the engagement with the relevant issuer to have it improve or remediate the ESG issue at stake is successful. During the engagement phase, new investments in the relevant issuer will be prohibited.

The Sub-Fund may finally seek to engage with portfolio companies on relevant ESG issues.

As from the entry into force of the changes mentioned above, the Sub-Fund will be considered as promoting a combination of environmental and social characteristics within the meaning of article 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "**SFDR**"). As such, the Sub-Fund must disclose information with respect to the characteristics promoted as well as how these characteristics are met. Therefore, the Board of Directors has decided to amend the Sub-Fund's dedicated term sheet (the "**Term Sheet**") accordingly and insert in Appendix 4 of the Prospectus the pre-contractual disclosures of Commission Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, as amended, describing the ESG characteristics of the Sub-Fund.

b. Name change

So that the name of the Sub-Fund is aligned and reflects its investment policy, the Board of Directors made the decision to change the Sub-Fund's name from "Bond Euro Corporates" into "Bond ESG Euro Corporates".

c. Clarification brought to the Sub-Fund's investment policy

The Board of Directors took the opportunity to clarify in the Term Sheet that the Sub-Fund may invest in debt securities with a below investment-grade rating.

This change shall take effect as of 19 September 2023. Shareholders who do not agree with the changes described above may request redemption of their shares free of charge during one month from the date of the notice.

III. To the attention of the shareholders of "Bond ESG Emerging Markets Sovereigns" (referred to as the "Sub-Fund" in this section)

a. Amendments to the Sub-Fund's dedicated term sheet (referred to as the "Term Sheet" in this section)

The Board of Directors has decided to amend the investment policy section of the Term Sheet to specify that the debt securities to/in which the Sub-Fund is exposed/investing may be classified either into a sovereign or corporate bucket and that at no time will less than 51% of the Sub-Fund's assets be invested in/exposed to debt securities falling into the emerging market sovereign bucket. The Board of Directors has also clarified that the remainder of the Sub-Fund's assets may be invested in/exposed to debt securities.

b. Amendments to the pre-contractual disclosures of Commission Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, as amended, in relation the Sub-Fund (referred to as the "SFDR Annex" in this section)

The Board of Directors has decided to amend the SFDR Annex to change the environmental and/or social characteristics promoted by the Sub-Fund from an approach based on the so-called ESG positive tilt to the so-called ESG significant approach.

The Sub-Fund will now apply a significant approach based on the Sustainable Development Goals (SDG) and the approach will differ depending on whether the debt securities fall within the sovereign or corporate bucket, primarily based on MSCI ESG classification.

The Sub-Fund will ensure that the SDG score of the assets issued by emerging markets sovereigns is higher than its ESG reference universe (as represented by the reference index, i.e. JP Morgan ESG EMBI Index).

In addition, the Sub-Fund will seek to mitigate sustainability risks by excluding or restricting:

- countries which do not guarantee their citizens the basic conditions for "living a self-determined life"; and
- corporate issuers with the lowest ESG performance according to MSCI, including ESG ratings and controversies and principal adverse impacts.

The Sub-Fund will further exclude or restrict investments in issuers or sectors that belong to prohibited lists defined by the management company of the Company.

The changes mentioned above is reflected across the SFDR Annex and on the relevant webpage relating to the Sub-Fund.

This change shall take effect as of 19 September 2023. Shareholders who do not agree with the changes mentioned above may request redemption of their shares free of charge during one month from the date of the notice.

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The above-mentioned changes constitute the main changes made to the Prospectus. Other minor changes with no material impact have been made to the Prospectus mainly for consistency purposes.

Capitalised terms used herein shall have the same meaning as provided in the Prospectus.

The Prospectus, the articles of association, the PRIIPs KID and the most recent annual and semi-annual reports are available free of charge from the Swiss representative.

Representative in Switzerland
Swiss Life Asset Management AG, General-Guisan-Quai 40, 8002 Zurich

Paying Agent in Switzerland
UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich

Zurich, 18 August 2023