Pre-contractual disclosure

the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name:
Swisscanto (LU) Bond Fund Sustainable Global High Yield

Legal entity identifier (LEI-Code):
549300QT8R0DJRSOJL97

Version:
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Sustainable investment objective

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?	
☒ **Yes**	☐ **No**
☒ It will make a minimum of **sustainable investments with an environmental objective**: 10%	☐ It promotes **Environmental/Social (E/S) characteristics** and while it does not have as ist objective a sustainable investment, it will a minimum proportion of _____% of sustainable investments.
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☒ It will make a minimum of **sustainable investments with a social objective**: 10%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**.

What is the sustainable investment objective of this financial product?

The primary sustainable investment objective of this financial product is the reduction of CO_2 emissions (quota of 80%) within the meaning of Article 9(3) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.

1. Reduction of CO_2e intensity

The Asset Management's investment activity for the portfolio is focused on a continuous reduction in the CO_2e intensity of investments in accordance with the Paris Climate Agreement. The Asset Management does not rely on an external reference benchmark aligned with the targets of the Paris Climate Agreement to achieve this objective. Instead, the Asset Management ensures, as part of the direct investment process, that the methodology requirements for EU Paris-aligned benchmarks under Delegated Regulation (EU) 2020/1818 are met, rather than the Paris climate target of 1.5 degrees, whereby: (i) greenhouse gas (GHG) emissions are reduced by at least 7.5% plus economic growth per annum; (ii) the weighting of green versus brown investments is at least four times that of the benchmark (as described in the interim report on climate benchmarks and ESG disclosures of the EU Technical Expert Group (TEG) on Sustainable Finance); and (iii) the exclusions of Delegated Regulation 2020/1818 are complied with.
In accordance with the active investment strategy without use of an external reference benchmark, the requirements of Delegated Regulation 2020/1818 in relation to exposure to climate-critical sectors and GHG intensity are not implemented in relative terms versus a benchmark, but by means of absolute objectives to reduce the CO_2e intensity of investments (pursuit of a decarbonisation trajectory).

In calculating the decarbonisation trajectory, we do not use Scope 3 GHG emissions due to insufficient data quality and incomplete data coverage, whilst awaiting better data coverage.

2. Sustainable investments in accordance with Article 9(2) SFDR

In addition to the reduction of CO_2e intensity, the Asset Management focuses on the securities of companies and the specific-purpose bonds of companies, supranational entities and governments (e.g. social, green or sustainable bonds), which, based on its assessment, make a contribution to sustainable objectives (sustainable investment within the meaning of Article 2(17) SFDR) relating to one or more of the United Nations Sustainable Development Goals (hereinafter the "SDGs").

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

The Asset Management uses a range of data points to measure the attainment of its sustainable investment objectives. It uses data from independent, third-party providers and proprietary qualitative and quantitative research in this process.

Sustainability indicators integrated with the investment process are then used to assess the attainment of the sustainable investment objectives:

1. Reduction of CO_2e intensity

CO_2e intensity for companies is defined as CO_2e emissions in relation to turnover (tonnes of CO_2e per USD million of turnover), and for government bonds as CO_2e emissions in relation to economic value added (tonnes of CO_2e per USD million of gross domestic product). Greenhouse gases with a global warming effect are included in accordance with the international Greenhouse Gas Protocol (GHG Protocol) (measured in CO_2 equivalents – CO_2e). Data of independent third parties is used to calculate CO_2e intensity. The Asset Management uses this data to calculate the relevant CO_2e intensity, taking account of data availability and quality, any methodology discrepancies and special cases.
The Asset Management defines a guideline for the average CO_2e intensity of the sub-fund's assets on an annual basis. The Asset Management defines the respective guideline each year on the basis of the target value for the global reduction of CO_2e emissions (at least 7.5% annually), which is based on the Paris Climate Agreement of 12 December 2015. The guideline for the average CO_2e intensity of the sub-fund's assets is calculated by discounting the CO_2e intensity of the assets included in the reference benchmark annually by the target value (7.5%) and global economic growth. The Asset Management uses a rolling arithmetic average of nominal economic growth over the last three years to calculate economic growth.

2. Exclusion criteria

The Asset Management uses exclusion criteria to identify an increased risk of harm to environmental and social values, or business activities that are considered high risk. These exclusion criteria are also used to establish an investment universe focused more specifically on investments that are aligned with these values.

The following activities correspond to the exclusions described in Delegated Regulation 2020/1818. The Asset Management has also determined other additional activities which result in the exclusion of companies from the investment universe:

- The production of weapons and munitions, including the following banned weapons:
  - Cluster bombs and munitions
  - Anti-personnel and landmines
  - Biological and chemical weapons
  - Nuclear weapons systems *
  - Nuclear weapons material *
  - Enriched uranium *
  - Blinding laser weapons
  - Incendiary weapons

- Manufacture of war technology
- Behaviour-based exclusions including those included in the list of the SVVK-ASIR (Swiss association for the promotion of responsible capital investment)
- Breaches of the UN Global Compact.
- Exploitative child labour
- Production of pornography
- Coal mining ** (ex metal production)
- Operation of nuclear plants **
- Uranium extraction
- Production of nuclear reactors **
- Genetic engineering: human medicine
- Production of tobacco products and cigarettes
- Alcohol production (> 5% turnover)
- Gambling (> 5% of turnover)
- Factory farming
- Coal reserves **
- Operation of fossil fuel power plants ** (>5% turnover)
- Natural gas extraction **
- Oil extraction **
- Conventional car manufacturers that do not have a comprehensive strategy for the transition to the use of alternative more environmentally friendly motors **
- Aircraft production **
- Airlines **
- Cruise ship operators **
- Genetic engineering (release of GMOs) **
- Unsustainable fishing and fish farming **
- Unsustainable forestry management **
- Non certified palm oil (<50% RSPO)

Exclusions for government issuers:

- Afghanistan
- Belarus
- Iran
- Libya
- Myanmar
- North Korea
- Russia
- Sudan
- South Sudan
- Syria
- Venezuela
- Zimbabwe

Further (additional) countries with:

- Countries with low levels of democracy and freedom (classified as “not free” in the "Freedom in the World" report published annually by Freedom House, Washington DC) ***
- Use of the death penalty ***
- High military budget > 4% of gross domestic product (GDP) ***
- Expanding nuclear energy sector (>50% of total) ***
- Non-signatory to the Paris Climate Agreement ***
- Non-signatory to the Convention on Biological Diversity (CBD) ***
- CPI score < 35 according to the Corruption Perceptions Index (CPI) of Transparency International ***
- Non-signatory to the Nuclear Non-Proliferation Treaty ***

The Asset Management reserves the right to exclude additional countries for reasons of business policy.

* Only in the case of proliferation contrary to the Non-Proliferation Treaty (NPT).
** Green bonds and sustainable bonds do not require exclusion providing the limits of Delegated Regulation (EU) 2020/1818 apply directly to all assets at project level. For green and sustainable bonds, issuers must use the proceeds raised through the issue of the green or sustainable bond for specific purposes. If this is the case, green bonds are used to raise capital for specific activities to mitigate or prevent adverse impacts on the environment. Sustainable bonds are also used to raise capital for specific activities to mitigate or prevent adverse impacts on the environment and on society. Investments in green bonds or sustainable bonds thus make a contribution to a positive impact in relation to the relevant exclusion criteria.
*** Green bonds and sustainable bonds do not require exclusion. For green, social and sustainable bonds, issuers must use the proceeds raised through the issue of the green or sustainable bond for specific purposes. If this is the case, green bonds are used to raise capital for specific activities to mitigate or prevent adverse impacts on the environment. Social bonds are used to raise capital for specific activities to reduce or prevent negative impacts on society. Sustainable bonds are also used to raise capital for specific activities to mitigate or prevent adverse impacts on the environment and on society.

3. Sustainable investments in accordance with Article 9(2) SFDR

The Asset Management focuses on the securities of companies and the specific-purpose bonds of companies, supranational entities and governments (e.g. social, green or sustainable bonds), which, based on its assessment, make a contribution to sustainable objectives relating to one or more of the SDGs. The products and services of companies (hereinafter "sustainable solutions") and specific-purpose bonds are assessed with regards to their contribution to the SDGs using the data of independent third-party providers. The turnover of companies is used to examine the proportion of business that has a positive or negative impact on one or more of the objectives. For the specific-purpose bonds of companies, supranational entities and governments, we assess whether the proceeds have a positive impact on one or more of the SDGs.

If a sub-fund no longer complies with the characteristics described in point 1, the Asset Management adjusts the portfolio by changing the weighting of the various securities or by replacing holdings with securities with lower CO_2e intensity, in accordance with the annual targets. The Asset Management ensures that the corresponding guideline is complied with on average over the year.

Investments that no longer comply with the characteristics described in points 2 – 3 are removed from the portfolio by an appropriate deadline.

The sub-fund does not use a reference benchmark to meet the described sustainable investment objectives.

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Issuers with a negative net contribution to the SDGs are removed from the investment universe of the financial product. The sub-fund also considers adverse impacts on sustainability factors (principal adverse impacts, hereinafter "PAIs"). The mandatory indicators in Annex I of the commission delegated regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 (hereafter "Annex I to Regulation (EU) 2019/2088") are used for this purpose. Issuers categorised by the Asset Management as causing significant harm on the basis of PAIs are excluded from the investment universe and the portfolio by an appropriate deadline.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

Any breaches of the following standards are considered when analysing investments for inclusion as sustainable investments: the UN Global Compact (UNGC), UN Guiding Principles on Business and Human Rights (UNGP), and the International Labour Organisation (ILO) Conventions. Serious breaches of these standards result in the exclusion from the investment universe and the portfolio by an appropriate deadline.

Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes,

The sub-fund considers principal adverse impacts (PAIs) on sustainability indicators. The mandatory indicators in Annex I to Regulation (EU) 2019/2088 are used for this purpose. Accordingly, issuers categorised by the Asset Management as causing significant harm on the basis of a PAI rating are excluded from the investment universe.
The Asset Management uses the data of third-party providers. Where this is not possible, the Asset Management will make reasonable efforts to obtain the data directly or to estimate this data in the best way possible.
The information regarding PAIs required under Article 11(2) of Regulation (EU) 2019/2088 is published in the Annual Report.

☐ No

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

The fund invests at least 51% of its assets in fixed or variable-interest securities ofissued by private and public-sector debtors in the rating range from Ba1 to Caa3 (Moody's) whereby if there is no official rating, a bank rating or an implicit rating can also be used. The portion of assets that does not have a rating does not exceed more than 15% of the fund's net assets. Up to 10% can be invested in distressed securities.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

1. Reduction of CO_2e intensity

The Asset Management's investment activity targets a continuous reduction in the CO_2e intensity of investments as follows:
The Asset Management defines a guideline for the average CO_2e intensity of the sub-fund's assets on an annual basis. The Asset Management defines the respective guideline each year on the basis of the target value for the global reduction of CO_2e emissions (at least 7.5% annually), which is based on the Paris Climate Agreement of 12 December 2015. The guideline for the average CO_2e intensity of the sub-fund's assets is calculated by discounting the CO_2e intensity of the assets included in the reference benchmark annually by the target value (7.5%) and global economic growth. The Asset Management uses a rolling arithmetic average of nominal economic growth over the last three years to calculate economic growth.

2. Exclusion criteria

The consideration of sustainability aspects includes the definition of exclusion criteria for business activities that the Asset Management judges to be high-risk (see above). These include the exclusions described in Delegated Regulation 2020/1818. The exclusion criteria are verified at least once a year for any changes or new information and adjusted accordingly.

3. Sustainable investments in accordance with Article 9(2) SFDR

The Asset Management invests in securities which, in its opinion, make a contribution to one or more sustainable objectives. The sustainable solutions of companies and the specific-purpose bonds of companies, supranational entities and governments (e.g. social, green or sustainable bonds) are assessed with regards to their contribution to the SDGs using the data of independent third-party providers. For this purpose, a proprietary model examines around 800 product and service solutions for their contribution to one or more of the SDG targets. This results in a matrix with approximately 85 solutions, where 70 are positive and 15 are negative solutions for the 169 SDG targets or the 17 SDGs. For this assessment, we verify what proportion of a company's turnover has a positive or negative impact on one or more of the SDGs. Qualitatively, this impact is divided into five categories and ranges from strongly positive, positive, neutral, negative to strongly negative. Turnover is also classified according to its contribution to environmental or social objectives. Only turnover classified as making a positive or strongly positive contribution to the SDGs is categorised as sustainable investment. For example, in the automotive sector, electric vehicles are considered to be a more climate-friendly transportation option (strongly positive) than hybrid vehicles (positive). The specific-purpose bonds of companies, supranational entities and governments qualify as sustainable investments if the proceeds have a positive impact on one or more of the SDGs. The turnover of issuers causing significant harm to environmental or social sustainable investment objectives cannot be included in the proportion of sustainable investment.

4. Investments in SDG leaders

When constructing the investment universe, the Asset Management considers the securities of issuers whose products and services or specific-purpose bonds make a significant contribution to the SDGs ("SDG leaders"). A significant contribution means at least 66.67% of turnover from a sustainable solution with a positive contribution, or 33.33% of turnover from a sustainable solution with a strongly positive contribution. In exceptional cases, an issuer may qualify as an SDG leader if it produces a key component of a sustainable solution, even if the 66.67% or 33.33% threshold is not met. Specific-purpose bonds also qualify as SDG leaders. As a result of the turnover requirements for inclusion in the investment universe, SDG leaders generally account for a high proportion of sustainable investments in accordance with Article 9(2).

5. Investments in ESG leaders

For the purposes of diversification, the Asset Management also includes securities in the investment universe that are assessed as above-average on a best-in-class basis relating to a sustainable economic approach using environmental, social and governance (ESG) criteria. These securities are referred to as ESG leaders. Proprietary ESG scores calculated by the Asset Management for companies and governments are used as the basis for identifying ESG leaders. These are based on the data of independent third-party providers and calculated using proprietary criteria, algorithms and weightings. The Asset Management considers the relevance of ESG criteria with regards to sustainability risks and opportunities. The ESG scores calculated cover a scale of 0 to 100, whereby 0 is the lowest value, 50 the average, and 100 the best.

ESG leaders are companies with an ESG score ≥ 50 and governments with an ESG score ≥ 66.67. In exceptional cases, ESG leaders may be defined on the basis of fundamental research even if their ESG score is under 50.

If an ESG leader generates turnover that qualifies as sustainable investment in accordance with Article 9(2) SFDR, this is also included in sustainable investments in accordance with Article 9(2) SFDR. However, as there is no minimum turnover requirement for ESG leaders, this typically represents a significantly lower proportion than for SDG leaders.

6. ESG integration

As part of the investment process, the Asset Management follows an approach which integrates environmental, social and governance (ESG) aspects. This means that environmental and/or social characteristics are automatically considered in addition to traditional financial analysis when selecting investments, in order to guarantee a positive contribution (opportunities) to ESG criteria and where applicable investment returns. There are therefore limited investments in ESG laggards. ESG laggards are companies within a specific sector or industry branch with particularly poor ESG scores versus their peers based on proprietary ESG scores.

The weighting of all positions in ESG laggards in the sub-fund is the same or lower than the weighting of all positions in ESG laggards in the sub-fund's benchmark.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

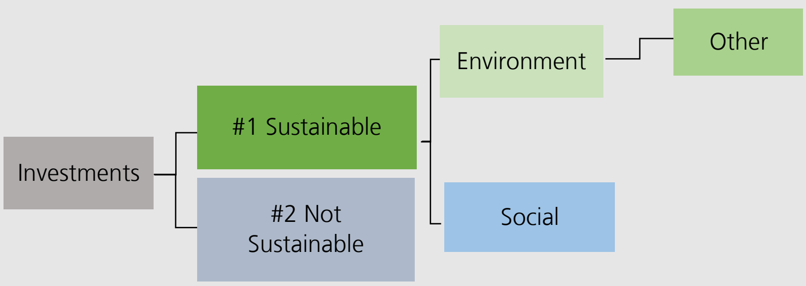
What is the policy to assess good governance practices of the investee companies?

Good governance is considered when analysing investments by verifying compliance with the following global standards: the UN Global Compact (UNGC), UN Guiding Principles on Business and Human Rights (UNGP), and the International Labour Organisation (ILO) Conventions. Any breach of these standards results in the exclusion of the issuer from the financial product's universe of investee companies.

What is the asset allocation and the minimum share of sustainable investments?

Asset allocation describes the share of investments in specific assets.

The Asset Management pursues the aforementioned sustainable investment objectives: (i) reduction of CO_2e intensity in accordance with Article 9(3) SFDR; and (ii) sustainable investment in accordance with Article 9(2) SFDR. The reduction of CO_2e intensity aligned with the 1.5-degree target of the Paris Climate Agreement is applied to 80% of the sub-fund's portfolio (excluding cash and derivatives) (#1 Sustainable). The Asset Management reserves the right to invest in other assets up to a maximum of 20% of the sub-fund's net assets (#2 Not Sustainable).
The Asset Management invests at least 20% of the net assets of the sub-fund in sustainable investments in accordance with Article 9(2) SFDR. Thereof, 10% in Environment and 10% in Social.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

How does the use of derivatives attain the sustainable investment objective?

Derivatives are not used to achieve the sustainable investment objective.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

0% of the portfolio. The fund does not pursue sustainable investments aligned with the EU taxonomy.

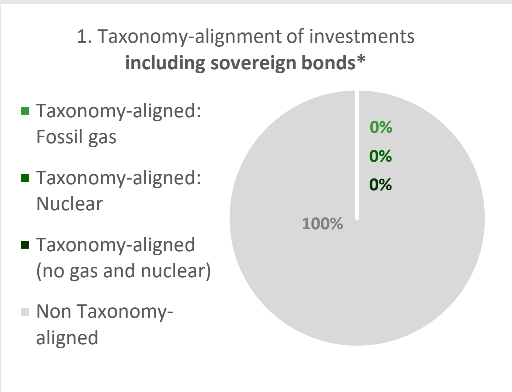
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU taxonomy[1]?

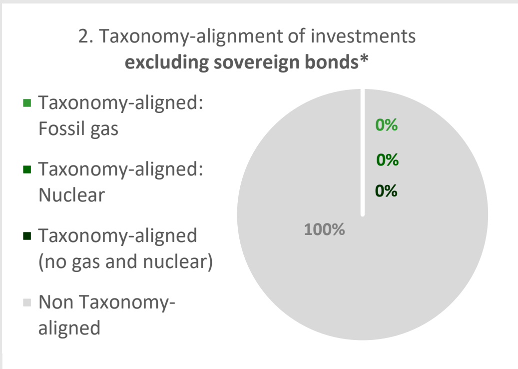
☐ Yes

☐ In fossil gas ☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





This graph represents 99% of the total investments.

* *For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

What is the minimum share of investments in transitional and enabling activities?

0% of the portfolio.

[1]Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum proportion of sustainable investments with an environmental objective is 10% of the portfolio.

What is the minimum share of sustainable investments with a social objective?

The minimum proportion of sustainable investments with a social objective is 10% of the portfolio.

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

Investments classified as "not sustainable" are all investments included in net assets after the deduction of sustainable investments. No investments other than sustainable investments are made. Derivatives and cash are excluded.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

  An index is not used as a reference benchmark to meet the sustainable investment objectives.

Where can I find more product specific information online?

Further information on the product-related sustainability policy of the sub-fund can be found on the following website:
https://products.swisscanto.com/products/product/LU0830970272.