Swisscanto
Asset Management
International S.A.

swisscanto

Pre-contractual disclosure

for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:
Swisscanto (LU) Equity Fund Systematic AI Responsible Small Caps

Legal entity identifier: (LEI-Code):
5493006R3S8PDES2LE27

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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.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective**: ___%	☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___5% 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:** ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments.**

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

What environmental and/or social characteristics are promoted by this financial product?

The sub-fund pursues an investment strategy that considers environmental and social characteristics. These characteristics include exclusion criteria, the integration of ESG considerations with the investment process, the reduction of CO_2e intensity and sustainable investments.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The Asset Management uses a range of data points to measure the attainment of the environmental and social characteristics promoted. 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 characteristics promoted:

1. Exclusion criteria

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

The following businesses/criteria result in the exclusion of companies:

- 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
- Manufacturer of war technology (> 5% turnover)
- 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 (excl. metals production; > 5% of turnover)
- Coal reserves (excl. metals production)

* Only in the case of proliferation contrary to the Non-Proliferation Treaty (NPT).

** In the event of breaches by companies of the UN Global Compact principles (UN standard on human rights, labour rights, the environment and anti-corruption) that are uncovered by a screening based on the data of an external data provider, where appropriate, the Asset Management will enter into dialogue with the company to urge them to change their behaviour. Any investments will be sold if there is no change in behaviour within an appropriate period of time. This is also the case if dialogue is considered inappropriate based on the severity of the breach.

2. ESG integration

The Asset Management integrates environmental (E), social (S) and governance (G) factors for companies into the investment process (ESG integration) in order to identify opportunities and risks prior to any investment decision. The assessment of the sustainability of a company regarding ESG criteria is carried out using proprietary ESG scores. These scores are calculated and measured using proprietary methods using data from independent, third-party providers and proprietary qualitative and quantitative research.

3. Reduction of CO_2e intensity

Additionally, the Asset Management's investment activity is focused on a continuous reduction in the CO_2e intensity of investments in accordance with the Paris Climate Agreement.

CO_2e intensity for companies is defined as CO_2e emissions in relation to turnover (tonnes of CO_2e per USD million of turnover). 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 Portfolio Manager uses this data to calculate the relevant CO_2e intensity, taking account of data availability and quality, any methodology discrepancies and special cases.

4. Sustainable investments

The Asset Management also invests in the securities of companies, 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"). The products and services of companies (hereinafter "sustainable solutions") 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.

Investments that no longer comply with the characteristics described in points 1-2 and 4 are removed from the portfolio by an appropriate deadline. If a sub-fund no longer complies with the characteristics described in point 3, 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.

The sub-fund does not use a reference benchmark to measure the described environmental and social characteristics.

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.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The Asset Management uses its SDG research to focus on securities which, based on its assessment, make a positive contribution to the SDGs. This means, for example, a company offering products and/or services that make a contribution to one or more of the SDGs.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

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

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 removed from 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? Details:

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 are removed from the portfolio by an appropriate deadline.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

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. The PAIs are taken into account in the investment process via the use of sustainable investments, exclusion criteria, the reduction of CO_2e intensity and ESG integration, and directly in the calculation of PAI scores.

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

What investment strategy does this financial product follow?

The fund invests at least 80% of its assets in equities and other equity securities and participation rights of small-cap companies from all over the world that are constituents of the MSCI World Small Cap Index. The selection of assets is based on a proprietary quantitative model.

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

- ***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?***

The Asset Management considers the environmental and social characteristics promoted by the sub-fund in the daily management of the portfolio. Implementation of the approach-specific limits are considered by the Asset Management when taking investment decisions on portfolio construction, and continuous compliance is ensured as part of ongoing portfolio monitoring.

1. 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). The exclusion criteria are verified at least once a year for any changes or new information and adjusted accordingly.

2. 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 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 on the basis of proprietary ESG scores. The ESG score is reviewed at least once a year for new circumstances and findings and adjusted if necessary.
The weight of all positions in ESG Laggards of the Sub-Fund is lower or equal to the weight of all positions in ESG Laggards of the Sub-Fund's Benchmark.

3. 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 4% 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 as at the end of 2019 annually by the target value (4%) 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.

4. Sustainable investments

The Asset Management invests inter alia in securities which, based on its assessment, make a positive contribution to the SDGs. The sustainable solutions of companies are examined 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. The contribution made to the SDGs is classified in one of five categories: strongly positive, positive, neutral, negative or strongly negative. For example, in the automotive sector, electric vehicles are considered to be a more climate-friendly transportation option (strongly positive) than hybrid vehicles (positive). 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. The turnover of issuers causing significant harm to environmental or social sustainable investment objectives cannot be included in the proportion of sustainable investment.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The fund follows an active investment strategy and does not use a reference universe. It is not possible to quantify the minimum rate to reduce the scope of eligible investments.

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 ?

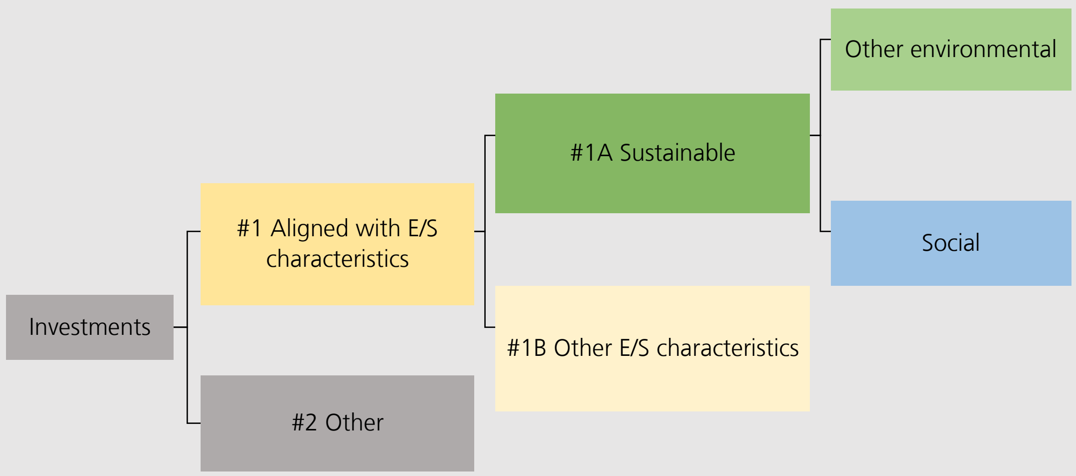
Good governance is considered when analysing investments by verifying compliance with the following global standards: the UN Global Compact (UNGC), UN Guiding Principles on Business and Human Rights (UNGP), and the International Labour Organisation (ILO) Conventions.

In the event of breaches by companies that are uncovered by a screening based on the data of an external data provider, where appropriate, the Asset Management will enter into dialogue with the company to urge them to change their behaviour. Any investments will be sold if there is no change in behaviour within an appropriate period of time. This is also the case if dialogue is considered inappropriate based on the severity of the breach.

Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

The Asset Management ensures that at least 67% of the net assets of the sub-fund pursue the promoted environmental and social characteristics in accordance with the table below (#1 Aligned with E/S characteristics). Thereof, a minimum of 5% sustainable investments are made (#1A Sustainable), which are split as a minimum of 2.5% Other Environmental and 2.5% Social. The rest of the investments are made in #1B Other E/S characteristics. The Asset Management restricts investments in other assets (#2 Other) that do not pursue environmental and/or social characteristics to 33% of the sub-fund's net assets.



#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.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives are only used to a limited extent for hedging purposes and do not pursue environmental or social characteristics.

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

0% of the portfolio. The fund does not pursue a sustainable investment 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

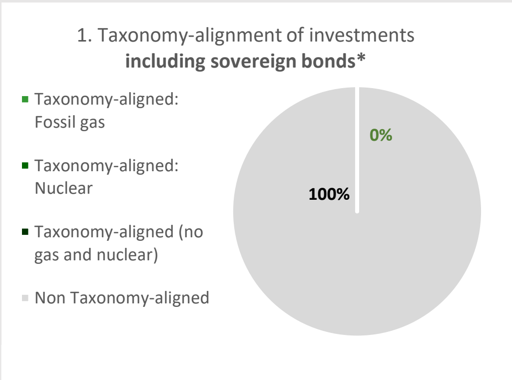
☒ No

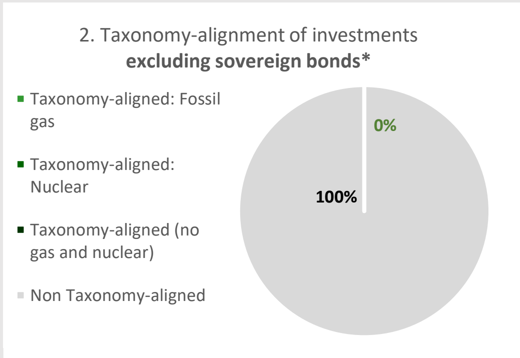
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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.

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 100% 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.

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

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

2.5% of the portfolio.

What is the minimum share of socially sustainable investments?

2.5% of the portfolio.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

This sub-fund may invest up to 33% of net sub-fund assets in assets that do not align with environmental and/or social characteristics (*#2 Other*). These assets may include any investments covered by the specific investment policy, including derivatives for hedging purposes and cash, and are used to pursue the investment strategy of the sub-fund. For these investments, minimum environmental and social safeguards are not generally applied.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

A specific index is not designated as a reference benchmark to determine whether the financial product is aligned with the environmental and/or social characteristics it promotes.

Where can I find more product specific information online?

More product-specific information can be found on the website:
https://products.swisscanto.com/products/product/LU1900093193.