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) Equity Fund Sustainable Digital Economy

Legal entity identifier (LEI-Code):
391200AMYD65CIALTW46

Version:
December 2024

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.

Sustainable investment objective

Does this financial product have a sustainable investment objective?	
☒ **Yes**	☐ **No**
☒ It will make a minimum of **sustainable investments with an environmental objective**: 30%	☐ 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**: 50%	☐ 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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

What is the sustainable investment objective of this financial product?

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

The Asset Management focuses 80% of the net assets of this sub-fund on 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 digital economy-related 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. Sustainable investments in accordance with Article 9(2) SFDR

The Asset Management focuses on the securities of companies which, based on its assessment, make a contribution to sustainable objectives relating, in particular, to one or more digital economy-related 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 determine the proportion of the business that has a positive or negative impact on one or more of these objectives. The main focus is on companies offering technologies, products or services related to the digital economy. In particular, companies in the Agriculture Technology, Healthcare & Life Sciences, Cybersecurity, Digital Banking, Could Computing, and IT Services segments will be targeted.

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 businesses/criteria result in exclusion:

- 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 (excl. metals 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)

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

Investments that no longer comply with the characteristics described in points 1–2 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 sub-fund invests at least 80% of its net assets in equities and other equity securities and participation rights of companies from all over the world which are committed to sustainable business models in the fields of digital technology and infrastructure.

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

1. 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 digital economy related sustainable objectives. 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, the Asset Management examines with a proprietary model 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, the proportion of a company's turnover, which has a positive or negative impact on one or more of the SDGs is verified. 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, we consider electric vehicles 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. The main focus is on companies offering technologies, products or services related to the digital economy. In particular, companies in the Agriculture Technology, Healthcare & Life Sciences, Cybersecurity, Digital Banking, Could Computing, and IT Services segments will be targeted. Sustainable investments are companies, which contributes with at least 40% of turnover from sustainable solutions with a positive contribution, or 20% of turnover from a sustainable solution with a strongly positive contribution. Companies that have optimized their value chain with regard to the digital economy are also counted as sustainable investments. Such companies are included as so-called Digital Economy Adopters based on a fundamental analysis. Accordingly, from criteria such as the area of operations and policy, the level of investment to promote the company's digital transformation of the company, the integration of a digital strategy into the company's entire business model, the degree of process automation in customer and employee activities, a Digital Economy Adopters Score is determined. Companies with an above-average score qualify as Digital Economy Adopters.

2. Exclusion criteria

The consideration of sustainability aspects includes the definition of exclusion criteria for business activities that the Asset Management considers to be high-risk, including, for example, the securities of companies manufacturing weapons or with coal reserves, etc. The exclusion criteria are verified at least once a year for any changes or new information and adjusted accordingly.

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 relevant guideline each year on the basis of the target for the global reduction in 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. Investments in SDG leaders

When constructing the investment universe, the Asset Management considers the securities of issuers whose products and services make a significant contribution, particularly to digital economy-related SDGs ("SDG leaders"). A significant contribution means at least 40% of turnover from a sustainable solution with a positive contribution, or 20% 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 40% or 20% threshold is not met. As a result of the turnover requirements for inclusion in the investment universe, SDG leaders generally account for a high proportion of sustainable investments.

5. 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 based on proprietary ESG scores. The ESG score verified at least once a year for any changes or new information and adjusted accordingly.
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.

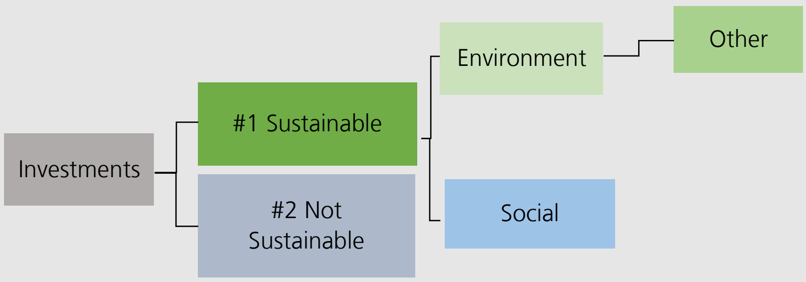
What is the policy to assess good governance practices of the investee companies?

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 invests at least 80% of the net assets of the sub-fund in sustainable investments in accordance with Article 9(2) SFDR (#1 Sustainable). Of this, at least 30% is invested in Environment and at least 50% in Social. The Asset Management reserves the right to also invest in other assets (#2 Not Sustainable).



#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?

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

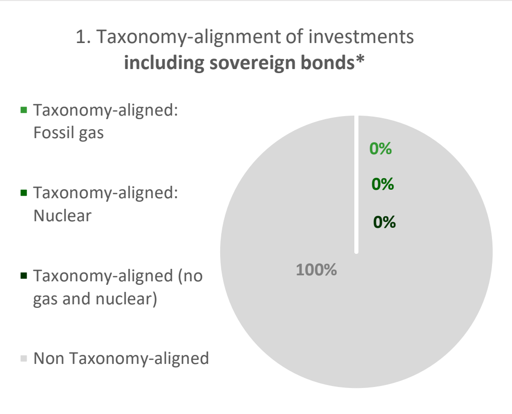
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

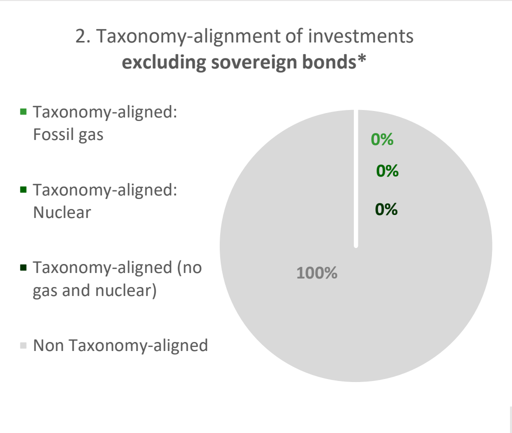
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU taxonomy[1]?

☐ 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 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.

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 share of sustainable investments with an environmental objective is 30% of the portfolio.

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

The minimum share of sustainable investments with a social objective is 50% 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/.