

**Product name:** Swisscanto (LU) Equity Fund Small & Mid Caps Japan  
**Legal entity identifier:** 549300B6H7H8TV6XMI68

## Environmental and/or social characteristics

**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.

Did this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> ___%	<input checked="" type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of <b>24.6%</b> of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>



### To what extent were the environmental and/or social characteristics promoted by this financial product met?

All investments have been made in accordance with the environmental and social characteristics listed below. The Fund has satisfied all binding elements that were set out in the pre-contractual disclosure, see next section where the indicators are shown.

### **Characteristic 1: Exclusion Criteria**

The Investment Manager negatively screens for investments based on the Investment Manager's exclusion list and controversy rating based on Sustainalytics data.

None of the existing investments conflicted with the exclusion policy, neither product- nor conduct-based. In addition, during the reporting period, no new investments were flagged based on the exclusion list.

None of the investments had a severe controversy (controversy rating of 5) and the majority of the investments had no controversies based on their controversy rating. Only 13 investments (18.1% of NAV) had a controversy rating of 1 (Low) or 2 (Moderate).

### **Characteristic 2: ESG integration**

The Investment Manager has integrated ESG factors into the investment decision-making process to identify ESG-related risks (and opportunities) prior to any investment decision. The assessment of ESG-related risks was based on data from independent, third-party providers; or in the absence of that, supplemented with a proprietary ESG risk assessment. The binding element for this characteristic is that the average, weighted over portfolio weighting, ESG risk rating of the Fund is lower than the benchmark.

For the ESG integration analysis based on Sustainalytics data, the data coverage was 69.4% (of NAV); for the other 26.8% (of NAV) missing<sup>1</sup>, the Investment Manager used its proprietary ESG Risk assessment. The analysis was repeated for each quarter-end. The Fund's ESG Risk rating is compared to the benchmark which consists of TOPIX Mid 400 and TOPIX Small (both weighing equally). The Fund had a lower ESG risk rating than the benchmark for each quarter-end. In addition, the benchmark value for 2022 has been corrected with respect to last year's periodic disclosure<sup>2</sup>. On average, the Fund's ESG risk rating is 26.06 and that of the benchmark 26.29, hence the Fund meets the binding element.

### **Sustainable investments**

While the Fund does not have as its objective a sustainable investment, the Investment Manager does assess the share of sustainable investments, by assessing the revenue-weighted contribution of each underlying holding to one or multiple United Nations Sustainable Development Goals; whether the holding does not do significant harm to any environmental or social sustainable investment objective; and whether the holding follows good governance practices. A binding element of the investment strategy is that the share of sustainable investments is at least 5%.

The Investment Manager has assessed the share of sustainable investments in the Fund. Due to a lack of complete and quality data regarding EU Taxonomy eligibility and alignment in the investable Small & Midcap universe of Japan, the criteria for substantial contribution to environmental or social objectives were based on contributions to one or multiple United Nations Sustainable Development Goals (SDGs). Due to data availability and quality considerations, the Investment Manager did not apply third-party data for

---

<sup>1</sup> Note that 3.9% (of NAV) cash doesn't allow for 100% data coverage.

<sup>2</sup> Last year 27.3 was reported for the benchmark, while this is corrected in this disclosure to 27.0; none of the conclusions are affected by this correction.

this SDG-contribution analysis, but conducts bottom-up research using annual reports and other available documentation, to determine revenue breakdowns of relevant activities. In this analysis, the Investment Manager has assessed the contribution of each underlying holding based on revenue-weighted contribution to a SDG. The result of this analysis was that the Fund was predominantly focused on social contributions, as 14.2% (revenue-weighted share of NAV) of the Fund contributed to SDGs with a social focus, whereas 10.3% (revenue-weighted share of NAV) contributed to SDGs with an environmental focus.

All other companies that contributed to an SDG also satisfied the Do No Significant Harm ('DNSH') and good governance ('GG') criteria. As was set out in the pre-contractual disclosure, the DNSH analysis was done based on a selected set of Principal Adverse Impact (PAI) indicators. For the GG analysis, an assessment was made of the available policies at the underlying investments. With a total of 24.6<sup>3</sup> (revenue-weighted share of NAV) of sustainable investments, the Fund meets the binding elements of 5%.

● **How did the sustainability indicators perform?**

**Characteristic 1: Exclusion Criteria**

Indicator	Value
Investments excluded according to exclusion policy	0
Average controversies rating	0.3

**Characteristic 2: ESG integration**

Indicator	Value	Benchmark
Weighted average ESG Risk Rating	26.06	26.29

**Sustainable Investments**

Indicator	Value
Revenue-weighted share of investments (% of NAV) that contribute to SDGs with an environmental focus	10.3%
Revenue-weighted share of investments (% of NAV) that contribute to SDGs with a social focus	14.2%

● **...and compared to previous periods?**

**Characteristic 1: Exclusion Criteria**

Indicator	2022	2023
Investments excluded according to exclusion policy	0	0
Average controversies rating	0.3	0.3

**Characteristic 2: ESG integration**

<sup>3</sup> This figure of 24.6% is the total of 10.3% and 14.2% and is due to the rounding of decimal places; the result is accurate.

**Sustainability indicators**

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

Indicator	2022	2022 Benchmark	2023	2023 Benchmark
Weighted average ESG Risk Rating	26.2	27.0	26.1	26.2

### Sustainable Investments

Indicator	2022	2023
Revenue-weighted share of investments (% of NAV) that contribute to SDGs with an environmental focus	3.5%	10.3%
Revenue-weighted share of investments (% of NAV) that contribute to SDGs with a social focus	14.0%	14.2%

- ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

The analysis shows that the Fund supports 6 SDGs through its holdings. These SDGs are, sorted by their rev-share of NAV allocation: Safe, resilient and sustainable cities and settlements (SDG 11), Industry, Innovation, and Infrastructure (SDG 9), Good Health and Well-Being (SDG 3), Affordable and Clean Energy (SDG 7), Decent work and economic growth (SDG 8), Responsible Consumption and Production (SDG 12), Quality Education (SDG 4), and Climate Action (SDG 13).

The Fund used the SDGs as a reference for sustainable investment objectives. The Fund did not focus on any of the SDGs in particular, as the Investment Manager is convinced that all SDGs are equally important and deeply interconnected.

- ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

All sustainable investments have been carefully checked on several indicators to ensure that no significant harm is caused to any sustainable objective.

In its sustainable investment analysis, the Fund assesses for each underlying holding, whether the investment does or may cause harm to any environmental or social sustainable investment objective. An investment is considered to do significant harm when it is active in the fossil fuel sector (PAI 4), involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (PAI 14), or when it has violated any of the UN Global Compact principles (PAI 10).

*How were the indicators for adverse impacts on sustainability factors taken into account?*

The indicators for adverse impacts on sustainability factors were used as input for the sustainable investment analysis, to assess whether underlying holdings may harm any other environmental or social objective (see above).

**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.

When the principal adverse impacts were considered unmanageable, the Fund considered excluding the investment.

— — — *Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund excluded investments that were exposed to severe controversies, as assessed by Sustainalytics' Controversies Research which covers OECD guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Moreover, the UNGC violations and Human Rights policies were explicitly monitored for the Fund in line with the DNSH and GG criteria. The Investment Manager confirmed that the sustainable investments were aligned with the respective guidelines and principles; only Nishi-Nippon Financial Holdings, Inc. does not have an explicit Human Rights policy.

*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 Union 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.*



### **How did this financial product consider principal adverse impacts on sustainability factors?**

The Investment Manager considers principal adverse impacts of its investment decisions on sustainability factors, both when making investment decisions and when evaluating the existing portfolio (as described in the previous section). When making investment decisions, the Investment Manager uses available data and information to inform a high-level assessment of the target investment's level of adverse impacts, and whether or not these impacts can be considered manageable.

The qualitative indicators that were also included in the DNSH analysis show that the Fund was not exposed to controversial weapons, but had a small exposure to the fossil fuel sector (3% of NAV): Hanwa Co. Ltd and Iwatani Corporation. The Fund also had a small exposure to violations of the UNGC (1% of NAV): Kyoei Steel Ltd. Kyoei Steel Ltd. was flagged to have a UNGC violation. The company was not aware of such a violation and contacted the data provider to discuss further upon advice by SPARX. The company was told by the data provider that it will be updated during the next integrated report. The Fund divested the company during the reporting period. The table below also includes data coverage (% of NAV) as the data availability is suboptimal; note that this also includes 4% cash.

Nr.	Principal adverse impact indicator	Unit	Value	Data coverage (% of NAV)	Value Previous Year
<b>1</b>	GHG emissions				
	Scope 1 GHG emissions	tCO2e	20,886	95%	48,870
	Scope 2 GHG emissions	tCO2e	5,530	95%	8,605
	Scope 3 GHG emissions	tCO2e	26,490	95%	48,184
	Total GHG emissions	tCO2e	52,907	95%	105,659
<b>2</b>	Carbon footprint	tCO2e/M€ invested	499.8	95%	961.7
<b>3</b>	GHG intensity of investee companies	tCO2e/M€ rev	76.8	95%	124.9
<b>4</b>	Exposure to companies active in the fossil fuel sector	% of NAV	3%	96%	3%
<b>5</b>	Share of non-renewable energy consumption and production	%	89%	29%	87%
<b>6</b>	Energy consumption intensity per high impact climate sector	GWh/M€ rev	1.3	39%	1.4
<b>7</b>	Activities negatively affecting biodiversity-sensitive areas	%	n/a	0%	n/a
<b>8</b>	Emissions to water	Tonne/M€ invested	0.00002	1%	n/a
<b>9</b>	Hazardous waste and radioactive waste ratio	Tonne/M€ invested	0.00017	7%	n/a
<b>10</b>	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	% of NAV	1%	94%	8%
<b>11</b>	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	% of NAV	n/a	0%	n/a
<b>12</b>	Unadjusted gender pay gap	%	44%	7%	n/a
<b>13</b>	Board gender diversity	%	14%	84%	11.6%
<b>14</b>	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	% of NAV	0%	94%	0%



## What were the top investments of this financial product?

The top 15 largest investments, based on the quarter-end averages are stated as follows.

Nr	Company	Industry	% Asset	Country
1	TOWA CORPORATION	Machinery	2.4	Japan
2	DAIHEN CORPORATION	Electric Appliances	2.2	Japan
3	Takasago Thermal Engineering Co.,Ltd.	Construction	2.1	Japan
4	TOKYO OHKA KOGYO CO.,LTD.	Chemicals	2.1	Japan
5	TOSEI CORPORATION	Real Estate	2.0	Japan
6	NIHON KOHDEN CORPORATION	Electric Appliances	2.0	Japan
7	TSUKISHIMA HOLDINGS CO., LTD.	Machinery	2.0	Japan
8	SAIZERIYA CO.,LTD.	Retail Trade	2.0	Japan
9	TADANO LTD.	Machinery	2.0	Japan
10	AMADA CO.,LTD.	Machinery	2.0	Japan
11	Nishimoto Co.,Ltd.	Wholesale Trade	1.9	Japan
12	Musashino Bank, Ltd.	Banks	1.9	Japan
13	J.FRONT RETAILING Co.,Ltd.	Retail Trade	1.9	Japan
14	OKAMURA CORPORATION	Other Products	1.9	Japan
15	NISSEI ASB MACHINE CO.,LTD.	Machinery	1.8	Japan

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01-04-2023 to 31-03-2024

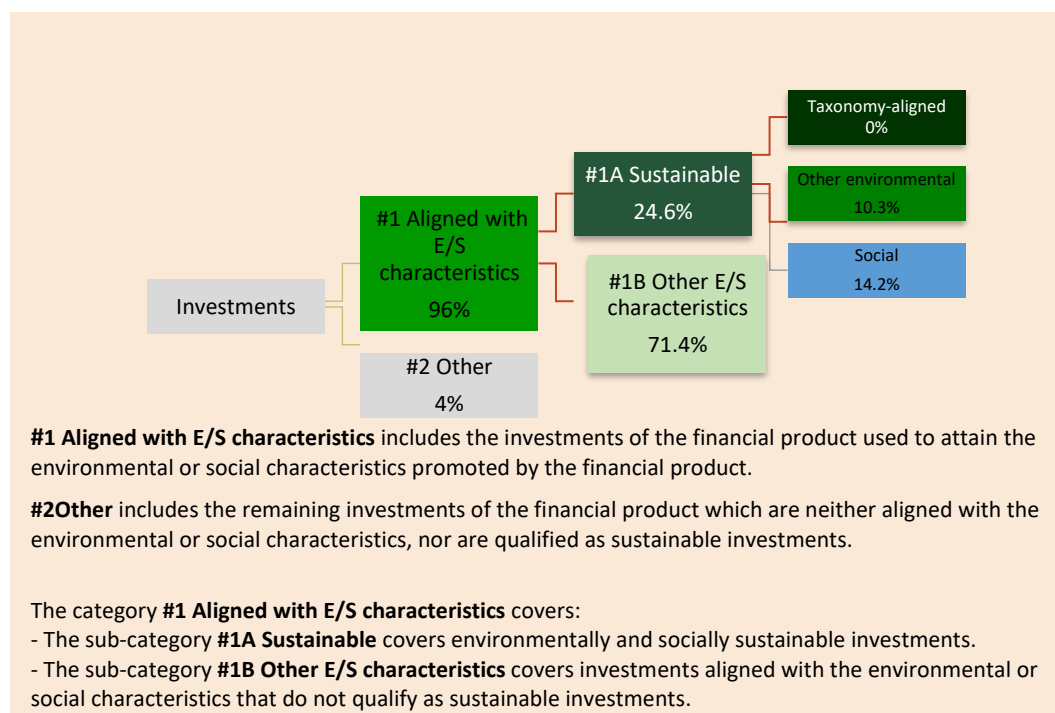


## What was the proportion of sustainability-related investments?

The share of investments aligned with environmental and social characteristics were 96% of NAV. The share of investments labelled as sustainable were 24.6% of NAV. Further information is shown below in the asset allocation.

### ● What was the asset allocation?

**Asset allocation** describes the share of investments in specific assets.



### ● In which economic sectors were the investments made?

GICS Sector	GICS industry group	% Assets
Information	Machinery	13%
Industrials	Electric Appliances	9%
Industrials	Services	8%
Consumer	Retail Trade	7%
Consumer	Wholesale Trade	7%
Industrials	Construction	5%
Materials	Other Products	3%
Consumer	Transportation Equipment	3%
Industrials	Land Transportation	3%
Information	Information & Communication	3%
Other		16%
Cash		4%



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.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



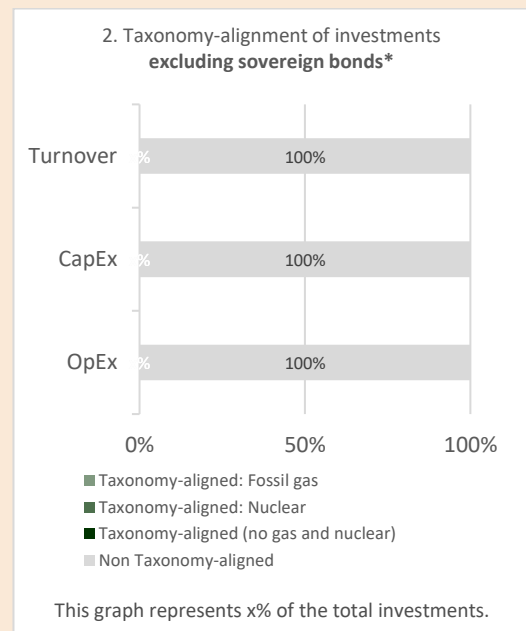
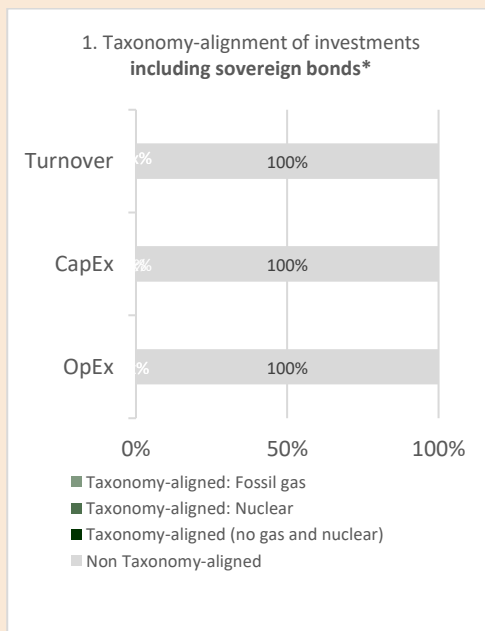
## To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Based on an initial analysis using Trucost data for Japanese equities, most companies (54 out of 84) have eligible activities (based on revenue) of EU Taxonomy. However, since data coverage among Japanese equities is limited and the quality of the data has not been validated, there are no indications for EU Taxonomy-aligned activity and no conclusions can (yet) be drawn. The Taxonomy alignment of the Fund therefore was 0%.

### ● Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>4</sup>?

- Yes
  - In fossil gas
  - In nuclear energy
- No

*The graphs below show in green the percentage of investments that were 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.*



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

<sup>4</sup> 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 economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- **What was the share of investments made in transitional and enabling activities?**

Since the Taxonomy alignment of the Fund was 0%, no statement can be made about the proportion of transitional and enabling activities.

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

Last year's reporting period showed a 0% alignment with the EU Taxonomy. This reporting period also shows a 0% Taxonomy alignment.



- **What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

Indicator	Value (% of NAV)
Share of sustainable investments (% of NAV) that contribute to SDGs with an environmental focus, do not do significant harm to any environmental or social sustainable investment objective, and follow good governance practices	10.3%



- **What was the share of socially sustainable investments?**

Indicator	Value (% of NAV)
Share of sustainable investments (% of NAV) that contribute to SDGs with a social focus, do not do significant harm to any environmental or social sustainable investment objective, and follow good governance practices	14.2%



- **What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

While the Fund aims to be fully invested, at times the Fund may hold cash for subscription redemption purposes. Since it concerns cash, minimum environmental and social safeguards are not relevant.

The "Other" category made up for 4% of NAV and consisted of cash.



- **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The Investment Manager has followed a framework to diligently monitor and report on the attainment of the sustainable investment objective and related sustainability indicators. The implementation of this framework required a thorough selection of relevant data sources, assessment methodology, as well as guiding the investment teams.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

In addition, the Investment Manager has ensured that ESG and sustainability considerations are fully integrated into the entire lifecycle of an investment to ensure the Fund can attain its sustainable investment objectives. As such, these considerations have been integrated at the following stages:

- Investment screening and analysis
- Investment valuation and selection
- Monitoring
- Divestment

For more information regarding engagement policy, please visit: “Policy on Compliance with the Japanese Stewardship Code”

SPARX Asset Management Co., Ltd. | [Stewardship Principles](#)

The Management Company's exercise of voting rights is based on Swiss and international corporate governance rules, generally accepted ESG best practice standards and the UN's Principles for Responsible Investment (UN PRI). The voting conduct is communicated in a timely and transparent manner at: [swisscanto.com/voting](http://swisscanto.com/voting). The relevant voting policy is available for inspection on this website. To exercise voting rights, the Management Company has commissioned an independent proxy adviser: Institutional Shareholder Services (ISS). The voting policy is available at:

<https://www.swisscanto-fondsleitungen.com/en/investment-stewardship.html>

The voting conduct is published at [swisscanto.com/voting](http://swisscanto.com/voting).



### How did this financial product perform compared to the reference benchmark?

No index has been determined as a benchmark to determine whether this financial product is aligned with the promoted environmental and/or social characteristics.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

● ***How does the reference benchmark differ from a broad market index?***

Not applicable.

● ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

Not applicable.

● ***How did this financial product perform compared with the reference benchmark?***

Not applicable.

● ***How did this financial product perform compared with the broad market index?***

Not applicable.