

## 4.9. Equity Environment & Biodiversity Impact


**Legal entity identifier:** 254900CMYC5QBVFOOT49

## 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: 80%**

☐ 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

☐ It will make a minimum of **sustainable investments with a social 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 \_\_\_\_% of sustainable investments

with an environmental objective in economic activities that 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 promotes E/S characteristics, but **will not make any sustainable investments**

**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.



## What is the sustainable investment objective of this financial product?

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

The sustainable investment objective of the sub-fund is to prevent and control pollution, protect marine and terrestrial ecosystems, or preserve biodiversity.

The sub-fund does not use a reference benchmark for the purposes of attaining its environmental objective.

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

The indicators used by the sub-fund are:

\* the contribution to support the United Nations Sustainable Development Goals (SDGs) 12, 14, 15, assessed via two different angles:

- Generation of revenues from contributing products and services equal or higher than 5%, as measured by an external data provider ("Solutions" angle),
- Or existence of a credible plan to reduce the negative environmental impacts of operations, assessed through a proprietary qualitative analysis ("Risk-mitigation" angle);

\* the integration of indicators into portfolio construction, such as:

- the portfolio's carbon footprint: this metric is measured in tCO<sub>2</sub>/MEUR (tons of carbon dioxide emissions per million of euro invested in the sub-fund) including all direct and indirect carbon emissions (scope 1, 2 and 3).
- percentage of revenues generated from recycling services (water, waste),
- Mean Species Abundance (MSAppb\*): MSA is a metric characterizing the intactness of ecosystems. The normalized score is expressed in MSAppb\*. MSAppb\* allows to aggregate static and dynamic impacts and expressed these impacts as a fraction of the surface area of respectively terrestrial or aquatic ecosystems.

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

Subject to availability of issuer data, the sub-fund applies investment criteria that include assessing the negative impact of issuers on environmental, social and governance issues. It also identifies and excludes from its investment universe those causing significant harm to an environmental or social objective as defined under SFDR. In particular, the sub-fund is not allowed to invest in issuers that have more than 5% cumulative revenues from products or services that negatively contribute to any of the SDGs (based on MSCI SDG contribution assessment).

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

The sub-fund takes into account principal adverse impacts on sustainability factors, and intends to mitigate its negative impact by limiting overall exposure to issuers with the worst PAI score.

The PAI score is derived from a proprietary model that translate each individual mandatory PAI indicators value into a score based on its severity (PAI indicators value are provided by an external data vendor). All individual PAI indicators scores are then

summed up to constitute the issuer PAI score. As per our methodology, the lower the resulting score, the better.

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

The sub-fund monitors the occurrence of controversies on environmental, social and governance issues and excludes issuers with the most severe ones through its exclusion criteria described above and below.

A severe breach means any detrimental impact made in violation of international standards set out in OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Issuers deemed to have violated these conventions are not considered as sustainable investments and are thus excluded.



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

- ☒ Yes, the sub-fund considers principal adverse impacts on sustainability factors, and intends to mitigate its negative impact by limiting overall exposure to issuers with the worst PAI score.

The PAI score is derived from a proprietary model that translate each individual mandatory PAI indicators value into a score based on its severity (PAI indicators value are provided by an external data vendor). All individual PAI indicators scores are then summed up to constitute the issuer PAI score. As per our methodology, the lower the resulting score, the better.

In accordance with Article 11, paragraph 2 of the SFDR, information on the principal adverse impacts on sustainability factors at the product level will be made available within the periodic disclosure for this Sub-Fund under the question: “How did this financial product consider principal adverse impacts on sustainability factors?”.

- ☐ No

**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 investment strategy does this financial product follow?

The sub-fund has a sustainable investment objective and manages its portfolio of investments according to the Swiss Life Asset Managers' Responsible Investment Policy. The sub-fund follows the following investment objective to achieve this objective:

### Positive environmental impact

The sub-fund seeks to achieve a positive environmental impact by investing in companies that contribute to prevent and control pollution, protect marine and terrestrial ecosystems, or preserve biodiversity. In particular, the investments made by the fund contribute to the following environmental objectives:

- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control,
- protection and restoration of biodiversity and ecosystems.

The Sub-fund takes explicitly into account how a company contributes to support the aforementioned UN SDGs (SDGs 12, 14 and 15).:

- "Responsible Consumption and Production" (SDG 12)
- "Life Below Water" (SDG 14)
- "Life on Land" (SDG 15)

Contribution on the UN SDGs means how the respective company offers products and services that are relevant for at least one of the three SDGs ("Solutions" angle), or aims at reducing the negative environmental impacts of its operations ("Risk-mitigation" angle). For the "Solutions" bucket, the classification of products and services, as well as the revenue share that companies attain from them, relies on MSCI ESG Research. For the "Risk-mitigation" bucket, the reduction of negative environmental impacts is assessed through a proprietary qualitative framework.

The strategy integrates sustainability indicators on a continuous basis as part of the stock selection process. Amongst others, the fund applies norms- based and activity-based exclusions, good governance policy and considers Principal Adverse Impacts in the investment process. In addition, issuers within the same sector or with similar activities will be analysed in the same manner.

- An exclusion of sectors and activities that are not relevant to Biodiversity is applied, based on work carried out with the Finance for Biodiversity Foundation (cf. below). We then align with the framework of the United Nations' Sustainable Development Goals and integrate indicators into portfolio construction, such as the portfolio's carbon footprint, recycling-related revenues and Mean Species Abundance. Issuers ranked in the worst 10% in terms of Mean Species Abundance (MSAppb\*) are excluded.
- To capture the biodiversity theme, we also rely on a foundation of scientific and academic indicators, essential for fine-tuning our stock selection. Overall, within the investment process more than 50% of the extra-financial indicators used are dedicated to the biodiversity theme.

Stocks are selected from this reduced investment universe, based on a Quantamental process (a blend of quantitative and fundamental analysis), and must comply with the binding elements described below. Up to 10% of the portfolio's AUM may be invested in issuers that are not covered by this quantamental process provided that these names have received a positive

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

assessment from a dedicated fundamental analysis. This fundamental analysis must demonstrate that the corresponding issuers are in line with the “Solutions” or with the “Risk-mitigation” angles, and with the DNSH and Good governance principles. This 10% bucket gives some flexibility to invest in issuers which may not be covered by external data providers because of a spin-off or an initial public offering (IPO), for example.

**Exclusions** The sub-fund is not allowed to invest in issuers:

- that are part of the sector’s exclusion list that are not relevant to biodiversity (energy equipment & services, oil gas and consumable fuels, banks, financial services, consumer finance, capital markets, mortgage REITs and Insurance).
- which are failing at least one of the ten UNGC principles
- which are involved in controversial weapons
- which generate a revenue of more than 10% with mining or selling thermal coal
- that have a cumulative negative contribution to any SDGs above 5% of their revenues (such as Tobacco, Fossil Fuels, Thermal Coal, Oil & Gas, Firearms ...) using MSCI SDG contribution assessment
- with a very low ESG performance, including ESG ratings and controversies and principal adverse impacts.
- The sub-fund applies the “Paris-Aligned Benchmark” exclusions and therefore is not allowed to invest in issuers:
  - involved in any activities related to controversial weapons;
  - involved in the cultivation and production of tobacco;
  - that violated the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
  - that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
  - that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
  - that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
  - that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100g CO<sub>2</sub> e/kWh.

If an issuer was present in the portfolio before falling into any of the additional exclusions mentioned above, the general case would be to divest from this issuer in a reasonable timeframe. However, in some specific cases, Swiss Life Asset Managers may decide to keep an issuer newly in breach and engage with the issuer if Swiss Life Asset Managers sees an opportunity for the issuer to improve and remediate the ESG issue at stake. During the engagement phase, new investments in the relevant issuer are prohibited until the outcome of the engagement is clear. If the engagement fails, divestment will be carried out and future investment in the relevant issuer will be prohibited, if it is a success the issuer will be reintroduced in the investible universe.

**Active ownership** Swiss Life Asset Managers may seek to engage and/or exercise its voting rights with portfolio companies on relevant ESG issues.

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

The sub-fund's binding elements are:

- contribution to support the three aforementioned UN SDGs (SDGs 12, 14 and 15) must come from revenues from products and services equal or higher than 5% per issuer ("Solutions "angle), or come from a credible plan to reduce the negative environmental impacts of its operations and to protect natural resources ("Risk-mitigation" angle);
- Integration of KPI into the portfolio construction;
- Portfolio weighted-average carbon footprint must be lower than the carbon footprint of the reference index (MSCI World);
- Portfolio weighted-average revenues generated from recycling solutions must be higher than the average recycling revenues of the reference index,
- Portfolio's weighted-average Mean Species Abundance (MSAppb\*) must be less than the lower of the Mean Species Abundance (MSAppb\*) of the reference index or a fixed level of 1500 MSAppb\*.
- the sub-fund is not allowed to invest in issuers that have more than 5% cumulative revenues from products or services that negatively contribute to any of the SDGs
- exclusion criteria (as described under "What investment strategy does this financial product follow?").

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

The sub-fund assesses companies' governance practices including:

- Sound management structures
- Employee relations
- Remuneration of staff
- Tax compliance

Good Governance is considered by the application of Swiss Life Asset Managers normative exclusions (i.e. breaches of the UN Global Compact) and assessment of material controversies, using both external data providers and internal qualitative research.

Swiss Life Asset Managers considers the following standards within this process: The UN Global Compact (UNGC), the UN Guiding Principles on Business and Human Rights (UNGPR), the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines) and the International Labour Organization Conventions (ILO).

Details are set out in Swiss Life Asset Managers Responsible Investment Policy (<http://www.swisslife-am.com/ri-policy>).

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

The sub-fund is expected to invest at least 80% of its NAV in companies that contribute to the attainment of the sustainable objective (#1. The sub-fund is allowed to invest the remainder of its NAV in cash, cash equivalents and/or in derivative instruments (#2 Not sustainable).

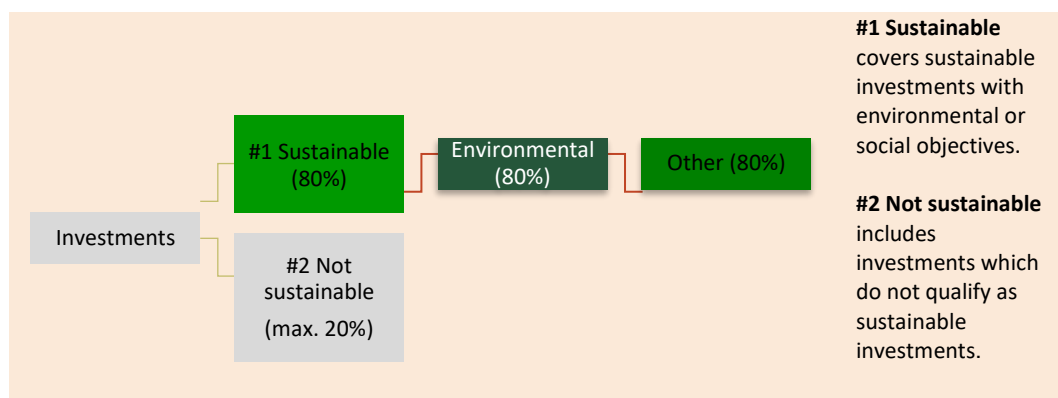
**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

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



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.



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

The sub-fund does not use derivatives to achieve its sustainable investment objective.



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

0%

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that c Taxonomy<sup>9</sup>?**

☐ 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.

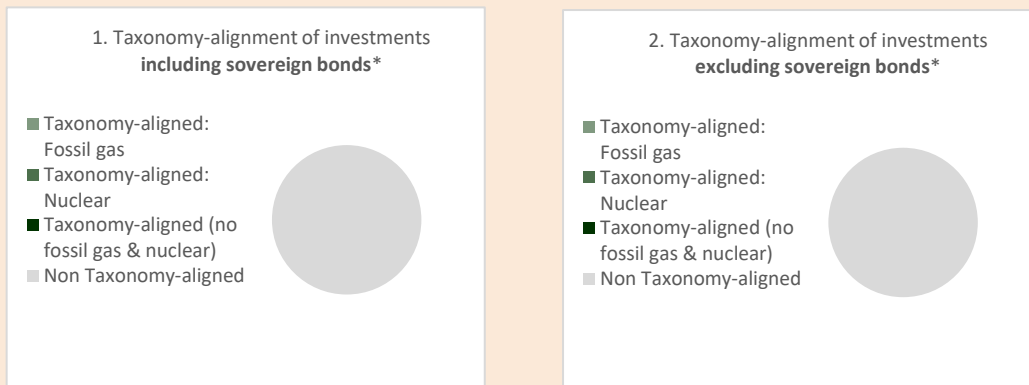
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**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.

<sup>9</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.



**The two graphs below show 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.**



*\*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%.



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

100% as the sub fund does not commit to invest in taxonomy aligned investments.



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

0%



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

These investments can only include derivatives used for hedging purposes, and/or cash and cash equivalent positions ensuring the sub-fund’s liquidity. Due to their specificities, these investments cannot be measured against ESG criteria.



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

No. The sub-fund uses a variety of ways to meet its sustainable objective, but does not use a reference benchmark for this purpose.

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

Not applicable.



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

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.



- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**  
<https://lu.swisslife-am.com/en/home/responsible-investment/sustainability-related-disclosures.html>.