

Swiss Life Funds (LUX)

Bond ESG Global Sovereigns

Legal entity identifier: 254900KLFKTZMD2F3A92

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Summary

This sub-fund falls within the scope of Article 8 under the Sustainable Finance Disclosure Regulation (SFDR) of the EU. The sub-fund promotes environmental and social characteristics but does not have as its objective a sustainable investment.

The sub-fund aims to outperform its reference universe, as represented by the ESG reference index, in three ways:

For Sovereign bucket

- Build a better ESG profile than its reference universe, reduced by the 20% of securities with the lowest ESG profile.
- Reach a lower average carbon intensity than the reference universe.
- Reach a better average corruption score, in comparison to the reference universe.

For Corporate bucket

- Build a better ESG profile than its reference universe, reduced by the 20% of securities with the lowest ESG profile.
- Hold a higher level of companies that link executive pay to sustainability criteria, compared to the reference universe.
- Reach a lower carbon footprint than the reference universe.

In addition, the sub-fund seeks to mitigate sustainability risks by excluding or restricting issuers with a very low ESG performance, including ESG ratings and controversies and principal adverse impacts.

All key performance indicators (KPIs) are fed from SDG (Sustainable Development Goals) score Index , for the investments in sovereign issuers or MSCI ESG into our portfolio management and risk system and are monitored on a daily basis by the investment controlling team and risk management team.

The sub-fund may seek to engage with portfolio companies on relevant ESG issues.

Please refer to the bottom of the document for a French and German translation of this summary.¹⁾

1) The English version of this summary is the legally binding version whereas the French and German summaries are translations only.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The sub-fund promotes following environment and/or social characteristics:

- higher overall environmental, social and governance (ESG) profile than its reference universe as represented by the ESG reference index
- for the sovereign bucket:
 - better average corruption score than the reference universe as represented by the ESG reference index
 - lower average carbon intensity than the reference universe as represented by the ESG reference index
- for the corporate bucket:
 - executive pay linked to sustainability criteria higher than its reference universe as represented by the ESG reference index
 - lower carbon footprint than its reference universe as represented by the ESG reference index.

Investment strategy

The sub-fund manages its portfolio of investments according to the Swiss Life Asset Managers' Responsible Investment Policy and Swiss Life Asset Managers' Transparency Code, and follows the following investment strategy:

ESG significant approach: The sub-fund aims to outperform on ESG characteristics its reference universe, as represented by the ESG reference index Bloomberg Global Aggregate Treasury and Government-Related index. In order to achieve this outperformance, the sub-fund implements complementary approaches, that are customized according to the nature of issuers which are in the portfolio:

Debt securities are either classified into a sovereign or corporate bucket for ESG purposes, primarily based on MSCI ESG classification or if necessary, by another appropriate approach.

Complementary approaches	Sovereign bucket	Corporate bucket
ESG significant approach	Build a better ESG profile than its reference universe, reduced by the 20% of securities with the lowest ESG profile. ESG profile of sovereign issuers is assessed through their score given by the Sustainable Development Goals Index (SDG Index).	Build a better ESG profile than its reference universe, reduced by the 20% of securities with the lowest ESG profile. ESG profile of corporate issuers is assessed through their MSCI ESG ratings.
Outperformance on KPI 1	Reach a lower average carbon intensity than the reference universe. Carbon	Hold a higher level of companies that link executive pay to

	intensity is measured in tons of national territorial greenhouse gas emissions per million euro of Gross Domestic Product	sustainability criteria, compared to the reference universe.
Outperformance on KPI 2	Reach a better average corruption score, in comparison to the reference universe. Corruption score is derived from the Corruption Perceptions Index, developed by Transparency International.	Reach a lower carbon footprint than the reference universe. Carbon footprint is measured in tCO ₂ /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).

In addition, the sub-fund seeks to mitigate sustainability risks by excluding or restricting issuers with a very low ESG performance, including ESG ratings and controversies and principal adverse impacts.

Regulatory exclusions: The sub-fund excludes investments in issuers involved in controversial weapons (such as antipersonnel landmines, cluster munitions, biological, chemical or nuclear weapons) and issuers that fall under the Financial Action Task Force (FATF) blacklist.

Normative and sectorial exclusions: The sub-fund is not allowed to invest in issuers:

- that are involved in severe ESG controversies, including breaches of the UN Global Compact principles,
- that derive more than 10% of their revenues from thermal coal mining or trading.

If an issuer was present in the portfolio before falling into the restricted categories 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 of the normative or sectorial exclusions criteria 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 with portfolio companies on relevant ESG issues.

The sub-fund's binding elements are:

- exclusion criteria mentioned above
- mitigation of sustainability risks by excluding or restricting issuers with a very low ESG performance, including ESG ratings and controversies and principal adverse impacts
- specifically for the investments in sovereign issuers:
 - higher average SDG Index score than the reference universe (after reducing 20% of the lowest rated securities in the reference universe)
 - lower carbon intensity than the reference universe

- better corruption perceptions index score than the reference universe,
- specifically for the investments in corporate issuers:
 - higher overall ESG profile than the reference universe (after reducing 20% of the lowest rated securities of the reference universe)
 - higher percentage of investments in companies linking executive pay to sustainability factors than the reference universe
 - lower carbon footprint than the reference universe
 - at least 90% of the assets (except cash and derivatives) are assessed on non-financial criteria.

Policy to assess good governance practices of the investee companies: The sub-fund assesses company decision-making processes and controls, as well as how management balances the interests of shareholders, employees, suppliers, customers, the community and other stakeholders. Based on ESG ratings and controversies assessments, the analysis of company governance includes:

- audit and financial reporting practices
- alignment between remuneration schemes and corporate strategy
- composition, effectiveness and oversight of the board
- company's ownership and control
- tax transparency
- business ethics issues such as fraud, executive misconduct, corrupt practices, money laundering, or anti-trust violations.

In addition, the sub-fund applies Swiss Life Asset Managers' normative exclusions to avoid issuers with poor governance practices.

Proportion of investments

The sub-fund is expected to invest at least 51% of its net asset value (NAV) directly in companies that integrate E/S characteristics. The sub-fund is allowed to invest the remainder of its NAV in cash, cash equivalents, companies that do not systematically integrate E/S characteristics, investments in other UCITS/UCIs and/or derivatives instruments.

Monitoring of environmental or social characteristics

The internal control procedures which aim to ensure compliance by the portfolio with the ESG requirements are implemented by several departments: portfolio management, risk department, Internal Control. The latter two departments are independent – they report hierarchically to a member of the board of directors of Swiss Life Funds (LUX) who does not have an operational management function. The independent nature of these departments ensures the impartiality of the controls that are carried out.

There are three levels of internal controls:

Level 1 controls: The ESG investment constraints are checked before each trade from the portfolio management in our core system.

Level 2 controls: The risk department in charge of monitoring ESG investment constraints carries out daily post-trade controls to ensure that the sub-fund is compliant with all restrictions.

Level 3 controls: The Internal Control department ensures that the above-mentioned tasks are carried out properly. To do so, Internal Control conducts random checks to ensure that:

- The ESG investment constraints have been configured correctly in the compliance manager tool,
- The ESG investment constraints have been monitored correctly by the local risk management teams,
- The departments involved in carrying out the level 1 controls have developed and complied with the procedure for carrying out these controls.

If internal control identifies anomalies, it issues recommendations with the aim of correcting them and then ensures these recommendations are implemented.

Methodologies

Sustainable Development Goals (SDG)

The SDG index score provides a comprehensive assessment of distance from targets based on the most current data available covering all 193 UN Member States. Where possible, the SDG index score uses official SDG indicators endorsed by the UN Statistical Commission. Where there are data gaps or insufficient data for an official indicator, we include other metrics from official and unofficial providers. The data included in this assessment come from a mix of official and non-official sources. Most (around two-thirds) are drawn from the databanks of international organizations (FAO, ILO, OECD, UNICEF, WHO, World Bank, and other sources) which follow extensive and rigorous data-validation processes.

As part of its ESG significant approach, the portfolio manager takes into account the Sustainable Development Goals (SDG) based on the SDG (Sustainable Development Goals) score Index. This approach intends to favor countries which are making progress towards achieving the SDGs. Debt securities are either classified into a sovereign or corporate bucket, primarily based on MSCI ESG classification or if necessary by another appropriate approach. The sub-fund ensures that its SDG score of the emerging markets sovereign part is higher than its reference universe represented by its ESG reference index.

MSCI

As part of its ESG analysis, the portfolio manager relies on the expertise of a recognized rating agency, MSCI ESG Research, and its ESG rating methodology.

The analysis is based on a set of criteria that are generic to all issuers and then sector-specific criteria. Depending on the sector, additional assessments can be carried out on specific criteria (e.g., renewable energy production for utilities, development of clean vehicles and passenger safety for the automotive industry, or green finance and efforts to promote access to financial services in the banking industry).

Among the criteria assessed on each of the 3 pillars, are:

- Environment: the level of greenhouse gas emissions, water consumption, waste recycling rate, etc.
- Social: health and well-being of employees, safety and quality of products, supplier selection process, etc.
- Governance: quality of the board of directors, executive compensation criteria, business ethics, etc.

For each of the criteria that apply, MSCI ESG evaluates two complementary elements:

- Risk exposure: MSCI ESG measures an issuer's exposure to risks which are related to a key criterion, considering its specificities (for example, the nature of its activities and the distribution of its geographical locations).
- Risk management: MSCI ESG evaluates the policies and processes implemented by an issuer, as well as the trend on relevant indicators to assess its performance (for example, obtention of environmental certifications or evolution of the accident rate, etc.).

PAI

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 external data vendors). 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.

For more information, please refer to the "Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors" and Swiss Life Asset Managers Luxembourg's responsible investment policy available on Swiss Life Asset Managers Luxembourg's website, which defines the process implemented to consider PAIs.

Data sources and processing

As part of its ESG analysis of issuers, the portfolio manager relies on internal and external data sources to attain each of the E/S characteristics promoted.

KPI	Data sources used to attain each of the environmental or social characteristics promoted	Measures taken to ensure data quality	Data processing	Proportion of data that are estimated
Sovereign bucket: Build a better ESG profile than its reference universe, reduced by the 20% of securities with the lowest ESG profile. ESG profile of sovereign issuers is assessed through their score given by the Sustainable Development Goals Index (SDG Index).	SDG Index	Input data is sourced from the SDG (Sustainable Development Goals) score Index. Broad data quality checks are conducted. Potential changes in measurements and definitions are carefully assessed each year.	Data is taken as it is from the data provider and fed into our portfolio management and risk system	none
Sovereign bucket: Reach a lower average carbon intensity than the reference universe. Carbon intensity is measured in tons of national territorial greenhouse gas emissions	MSCI ESG	The data from MSCI is fed via file transfer protocol (ftp) transfer. Before the data is stored in our portfolio and risk management	Data is taken as it is from the data provider and fed into our portfolio management and risk system	Data for Scope 3 are estimates

per million euro of Gross Domestic Product		systems, broad data quality checks are conducted. Several automated checks ensure good data quality in terms of format, mapping and consistency on a daily basis.		
Sovereign bucket: Reach a better average corruption score, in comparison to the reference universe. Corruption score is derived from the Corruption Perceptions Index, developed by Transparency International.	MSCI ESG		Data is taken as it is from the data provider and fed into our portfolio management and risk system	none
Corporate bucket: Build a better ESG profile than its reference universe, reduced by the 20% of securities with the lowest ESG profile. ESG profile of corporate issuers is assessed through their MSCI ESG ratings.	MSCI ESG		Data is taken as it is from the data provider and fed into our portfolio management and risk system	none
Corporate bucket: Hold a higher level of companies that link executive pay to sustainability criteria, compared to the reference universe.	MSCI ESG		Data is taken as it is from the data provider and fed into our portfolio management and risk system	Data for Scope 3 are estimates
Corporate bucket: Reach a lower carbon footprint than the reference universe. Carbon footprint is measured in tCO ₂ /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).	MSCI ESG		Data is taken as it is from the data provider and fed into our portfolio management and risk system	none

PAI Score	MSCI ESG + SLAM internal research		Data is taken as it is and fed into the proprietary Principal Adverse Impacts (PAI) scoring model to derive the PAI Score	none
Exclusions	<ul style="list-style-type: none"> • MSCI ESG • Financial Action Task Force (FATF) • PAX for Peace • Schweizer Verein für verantwortungsbewusste Kapitalanlagen (SVVK-ASIR) • SIX 		Data is taken as it is from the data provider and fed into our portfolio management and risk system	none

Limitations to methodologies and data

To determine the extra-financial quality of the securities in the portfolios, the sub-fund relies on various sources of data and methodologies such as the ESG methodology developed by MSCI and in particular on the ESG rating resulting from this model and data and scores from its proprietary PAI scoring model. The main methodological limitations can be summarized as follows:

Sustainable Development Goals

- The assessment model sees yearly changes, which makes it difficult to compare scores from year to year
- The SDG index score is updated just annually, which might lead to a time lag in terms of most recent governmental actions and policies.
- Despite great efforts from SDG index score, data gaps still occur for some indicators

MSCI ESG

- Missing or deficient disclosure by some issuers of information that is used as an input into the MSCI ESG rating model. This limitation is mitigated by MSCI ESG through alternative data sources external to the issuer to feed its model;
- Problem related to the quantity and quality of ESG data to be processed by MSCI ESG (large flow of information received on a continuous basis to be integrated into the ESG rating model): this limitation is mitigated by MSCI ESG by the use of artificial intelligence technologies and many analysts who work to transform raw data into relevant information;
- Problem related to the identification of information and factors relevant to ESG analysis, but which is addressed upstream of the MSCI ESG model for each category of issuers, according to their specificities: MSCI ESG uses a quantitative approach validated by the expertise of each sector specialist and the opinion of investors, to determine the most relevant ESG factors for a given sector or issuer.

PAI

- The PAI score is not adjusted by sector, and may therefore generate significant biases in favour of, or against, certain sectors.
- Some of the underlying data is not available, which means that all issuers are not assessed with the same level of initial raw information.

The portfolio manager mitigates the risk of having the attainment of the E/S characteristics affected by the limitations above, by applying different measures in the ESG approach (SDG score, ESG score, carbon footprint, pay-linked to sustainability, PAI score, etc.).

Due diligence

Direct investments: The portfolio manager conducts due diligence reviews of all internal and external data on an ongoing basis, and continuously assesses if new data providers can improve the analysis and models.

Indirect investments: The underlying funds managed by management companies outside the Swiss Life Group have their own methodologies for taking ESG criteria into account. An analysis of these methodologies, both quantitative and qualitative, is carried out by Swiss Life Asset Managers in order to ensure that the approaches are consistent.

Engagement policies

Swiss Life Asset Managers has an overarching engagement and voting activities approach which does not target any fund or product specifically, but rather investee companies.

Designated reference benchmark

The sub-fund uses a variety of ways to assess its environmental and/or social performance, but does not use a reference benchmark to assess the environmental and/or social characteristics it promotes.

Additional documentation and information: The periodic reporting of Swiss Life Funds (LUX) as well as its prospectus (including the SFDR precontractual appendices) are available from Swiss Life Asset Managers Luxembourg. This information is sent within one week on the shareholder's written request to Swiss Life Investor Service, Swiss Life Asset Managers Luxembourg, 4a rue Albert Borschette L-1246 Luxembourg, Grand Duchy of Luxembourg; by email to info@swisslife-am.com, or by telephone on +352 267 585 0. These contact details can also be used to request further information if necessary.

Résumé

Le présent compartiment relève du champ d'application de l'article 8 du règlement de l'UE sur la publication d'informations en matière de durabilité dans le secteur des services financiers (SFDR). Il promeut les caractéristiques environnementales et sociales, mais n'a pas pour objectif un investissement durable.

L'objectif du compartiment est de surperformer son univers de référence représenté par l'indice de référence ESG, et ce de trois manières :

Enveloppe souveraine

- Construire un meilleur profil ESG que son univers de référence, diminué des 20% de titres ayant le plus faible profil ESG.
- Atteindre une intensité carbone moyenne inférieure à celle de l'univers de référence.
- Atteindre un meilleur score moyen de corruption par rapport à l'univers de référence.

Enveloppe d'entreprises

- Construire un meilleur profil ESG que son univers de référence, diminué des 20% de titres ayant le plus faible profil ESG.
- Détenir un niveau plus élevé d'entreprises liant la rémunération des dirigeants à des critères de durabilité que son univers de référence.
- Atteindre une empreinte carbone inférieure à celle de l'univers de référence.

En outre, le compartiment vise à atténuer les risques de durabilité en excluant ou en limitant les émetteurs affichant des performances ESG très faibles, y compris les notations et les controverses ESG, de même que les principales incidences négatives.

Tous les indicateurs clés de performance (ICP) proviennent de l'indice de score ODD (objectifs de développement durable), pour les investissements en émetteurs souverains ou MSCI ESG dans notre système de gestion de portefeuille et de risque. Ils sont suivis quotidiennement par l'équipe chargée du contrôle des investissements et l'équipe de direction des risques.

Le compartiment peut chercher à s'engager avec des sociétés en portefeuille sur des thématiques ESG pertinentes.

Veillez vous reporter à la fin du document pour une version française et allemande du présent résumé.¹⁾

1) La version anglaise du présent résumé est la version juridiquement contraignante, alors que les résumés français et allemand ne sont que des traductions.

Zusammenfassung

Dieser Teilfonds fällt in den Anwendungsbereich von Artikel 8 der Sustainable Finance Disclosure Regulation (SFDR) der EU. Der Teilfonds fördert ökologische und soziale Eigenschaften, verfolgt jedoch nicht das Ziel einer nachhaltigen Anlage.

Der Teilfonds strebt eine Outperformance seines Referenzuniversums an, das durch den ESG-Referenzindex abgebildet wird, und dies in dreierlei Hinsicht:

Für die Staatsanleihenposition

- Aufbau eines besseren ESG-Profiles im Vergleich zum Referenzuniversum, verringert um die 20% der Titel mit dem schlechtesten ESG Profil.
- Erreichen einer tieferen durchschnittlichen CO₂-Intensität im Vergleich zum Referenzuniversum.
- Erreichen eines besseren durchschnittlichen Korruptionswerts im Vergleich zum Referenzuniversum.

Für die Firmenanleihenposition

- Aufbau eines besseren ESG-Profiles im Vergleich zum Referenzuniversum, verringert um die 20% der Titel mit dem schlechtesten ESG Profil.
- Berücksichtigung von mehr Unternehmen, welche die Vergütung des Managements an Nachhaltigkeitskriterien knüpfen, im Vergleich zum Referenzuniversum.
- Erreichen eines geringeren durchschnittlichen CO₂-Fussabdrucks im Vergleich zum Referenzuniversum.

Darüber hinaus will der Teilfonds Nachhaltigkeitsrisiken mindern, indem er Emittenten mit einer sehr geringen ESG-Performance, einschliesslich ESG-Ratings und -Kontroversen und wichtigster nachteiliger Auswirkungen, ausschliesst oder einschränkt.

Sämtliche Key Performance Indicators (KPI) werden aus dem SDG-Score-Index (bei Anlagen in staatliche Emittenten) oder aus MSCI ESG in das Portfoliomanagement- und Risikosystem eingespeist und täglich durch das Investment Controlling und das Risikomanagement überwacht.

Der Teilfonds kann in relevanten ESG-Themen mit den Portfoliogesellschaften zusammenarbeiten.

Eine französische und eine deutsche Übersetzung dieser Zusammenfassung finden Sie am Ende des Dokuments.¹⁾

1) Die englische Version dieser Zusammenfassung ist rechtlich verbindlich, bei der französischen und der deutschen Version handelt es sich lediglich um Übersetzungen.

Art. 10 SFDR Disclosure, published on 8 January 2024

Review of disclosures

As required by Article 12 of the SFDR, please find below the explanation of the amendments brought to the website disclosures, published in accordance with Article 10 of the SFDR:

Date	Explanations of amendments
8 January 2024	Initial document created

This is a regulatory document to meet the requirements of the Article 10 of the Sustainable Finance Disclosure Regulation (REGULATION (EU) 2019/2088 - SFDR) of the EU and not a marketing document. This document was produced with the greatest of care and to the best knowledge and belief. The information provided in this document reflects the actual information on the sub-fund of Swiss Life Funds (LUX). The information contained herein is exclusively intended for SFDR disclosure purposes, and should not be considered as an investment advice, investment recommendation, or a solicitation to buy or sell shares of Swiss Life Funds (LUX). Prior to any subscription, investors should obtain and carefully read the detailed information on the investment fund contained in all the regulatory documentation for each fund (in particular prospectus, articles of association, periodic reports, PRIIPS KIDs), which serve as the sole applicable legal basis for the purchase of fund shares. More information is available at www.swisslife-am.com. Source: Swiss Life Asset Managers / ©2022. All rights reserved. Customer Service: info@swisslife-am.com.