

Valid as of 17 June 2024

Product name: Balanced ESG

Legal entity identifier: 549300ZK53CNGEEI6A29

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?



Yes



No

It will make a minimum of **sustainable investments with an environmental objective:** ___%

- 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**¹

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

The Balanced ESG Strategy (Balanced ESG) invests primarily in funds that promote environmental and/or social characteristics (have an Article 8 designation under SFDR) or have a sustainable investment objective (have an Article 9 designation under SFDR¹). These underlying funds may promote a variety of environmental and social characteristics that they disclose in line with the requirements under SFDR, as applicable.

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

¹ This financial product does not commit to make a minimum proportion of sustainable investments, but may invest in underlying funds which make sustainable investments.



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

The proportion of the portfolio invested in funds with an SFDR Article 8 or 9 designation will be utilised to measure the attainment of the promoted environmental and social characteristics.

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

Not applicable

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

Not applicable

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

Not applicable

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

Not applicable

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

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

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

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.



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

Yes, _____

No

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

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

What investment strategy does this financial product follow?

Balanced ESG seeks to achieve long-term capital appreciation by investing primarily in equity and fixed income funds with the flexibility to invest globally across sectors and capitalisations, with a preference towards funds that promote environmental, social, and governance (“ESG”) factors into their investment process and/or focus on sustainable themes. The investment strategy is implemented via the maintenance of at least 80% of the strategy’s investments in funds with an SFDR Article 8 or 9 designation.

Environmental, social, and governance factors promoted by such funds may include:

- Environment: Environmental sustainability and innovation including a reduction of carbon emissions and protecting natural capital
- Social: respect for stakeholders including shareholders, employees, customers, suppliers, and communities
- Governance: accountable governance

The strategy aims to incorporate ESG analysis into the investment process in the following areas:

- Economic Analysis: The Balanced ESG portfolio management team evaluates the effects of economic cycle and financial conditions on the strategy and its investments.
- Market Analysis: Incorporation of the Balanced ESG portfolio management team’s perspectives on earnings, valuations, secular trends, and market sentiment including ongoing analysis of trends in ESG-related investment and valuation disparities.
- Portfolio Construction: The Balanced ESG portfolio management team flexibly adjusts the strategy’s asset allocation to reflect their views, leveraging financial and ESG data. ESG metrics are utilised to assess e.g., controversial activities associated with investments or carbon intensity of investments. Comparisons are made relative to traditional indices and views on ESG metrics may be considered alongside traditional considerations such as sector, size, region, volatility, etc.
- Vehicle Selection: Balanced ESG seeks to invest in funds that have the people, philosophy, and process in place to deliver financially, while promoting factors consistent with the aforementioned principles.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

Balanced ESG will maintain at least 80% of its investments in funds with an SFDR Article 8 or 9 designation.

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

Not applicable

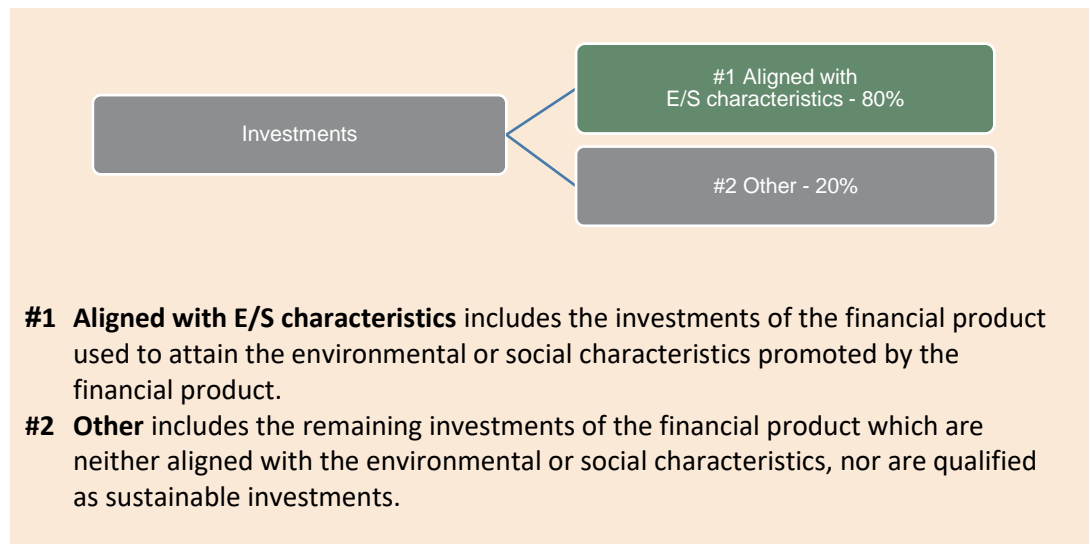
- **What is the policy to assess good governance practices of the investee companies?**

Balanced ESG will primarily hold funds with an SFDR Article 8 or 9 designation, and whose underlying investments resultantly follow good governance practices, as required by SFDR. Our manager selection process includes consideration of third-party provider classifications complemented by our own due diligence on sources of information including the funds own SFDR designation and disclosures.



What is the asset allocation planned for this financial product?

Balanced ESG seeks to maintain a minimum of 80% of the portfolio in investments that are aligned with the promoted environmental and social characteristics.



- #1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.
- #2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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

Not applicable

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

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to 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.



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

Not applicable

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy²?**

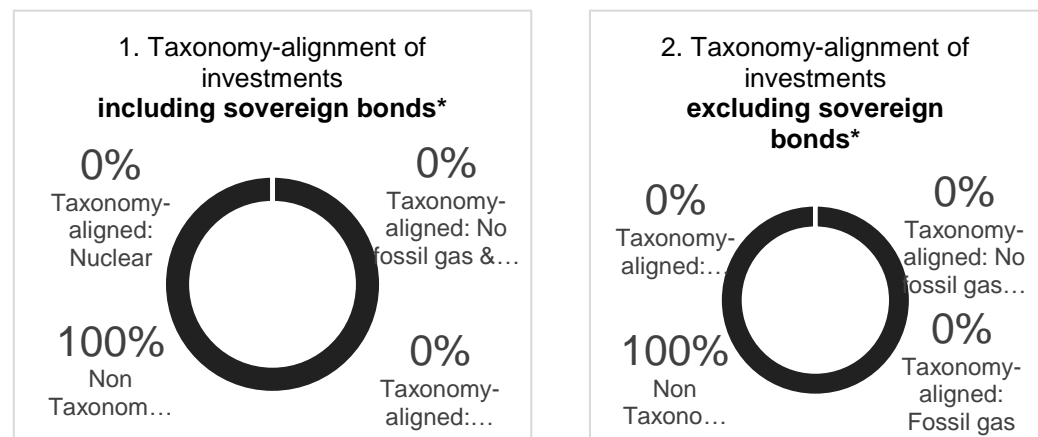
Yes:

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.



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

² 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.



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

- **What is the minimum share of investments in transitional and enabling activities?**

Not applicable



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

Not applicable



- **What is the minimum share of socially sustainable investments?**

Not applicable



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

Balanced ESG may, under normal market conditions, and for portfolio management reasons (including risk management purposes), hold a maximum of 20% of its total investments in instruments which are not classified as either Article 8 or 9 under SFDR (this includes cash).



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

No

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

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable

- **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:

Please refer to the 'SFDR Article 8 and 9 Product Disclosure' section of our website:

<https://privatebank.ipmorgan.com/eur/en/disclosures/sustainability-related-disclosures>

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