ELEVA Sustainable Impact Europe Fund

Sustainability-related website disclosure, Article 10 (SFDR)

Last update : 15/01/2024

Contents

A. Summary

ELEVA Sustainable Impact Europe Fund (the "Sub-Fund") holds a SRI label in France and a Belgian label "Towards Sustainability" and it is classified as an Article 9 fund according to the Sustainable Finance Disclosure Regulation (SFDR).

The Sub-Fund predominantly invests its net assets in the equity of corporate issuers with their registered office in Europe, which the Management Company considers having a positive contribution on social and/or environmental issues.

The main non-financial objective of the Sub-Fund is to invest in companies generating, through the products and/or services they sell, a positive contribution to social and/or environmental issues such as health and wellbeing, energy efficiency, renewable energies, sustainable mobility, smart building, sustainable infrastructure, etc.

At least 80% of the Sub-Fund (including cash and FDIs, if any) is invested in sustainable investments, with a minimum of sustainable investments with an environmental objective of 30% (i.e. in economic activities that do not necessarily qualify as environmentally sustainable under the EU Taxonomy) and a minimum of sustainable investment with a social objective of 30%. The sum of those two is always equal to at least 80%.

The Sub-Fund's investment process counts 4 steps being based on a combination of non-financial and financial criteria.

Step 1/ Strict Exclusion: the Management Company excludes companies from the initial investment universe which have significant negative impacts.
Step 2/ Positive ESG screening: the Eleva Sustainable Impact Europe Fund reduces its ESG investable universe compared to its initial investment universe by at least 25%.
Step 3/ Impact on social and/or environmental issues: the Eleva Sustainable Impact Europe Fund seeks to invest in companies whose products/services are deemed to make a positive contribution on social and/or environmental issues. These issues have been defined by the Management Company using a proprietary tool based on the UN SDGs framework.
Step 4/ Financial criteria: the final selection relies on financial criteria. Companies are finally assessed through fundamental financial analysis, liquidity and valuation metrics.

B. No significant harm to the sustainable investment objective

a. How the indicators for adverse impacts are taken into account

Indicators for adverse impacts on sustainability factors are taken into account, at the product level, in 3 different ways: through a set of exclusions, through several criteria analysed in the ESG analysis and by using binding ESG KPIs.

The Sub-Fund takes into consideration 14 principal adverse impact indicators and 2 optional ones (investments in companies without carbon emission reduction initiatives and investment in companies without workplace accident prevention policies).
• PAI 3, 4, 10 and 14 are taken into consideration in a quantitative way, with maximum exposure or thresholds in place (through Strict Exclusion or through the binding ESG key performance indicators)

• PAI 1, 2, 5, 6, 11, 13 and the 2 optional ones are taken into consideration in a qualitative way, mainly through the criteria analysed through ESG analysis.
• PAI 7, 8, 9, and 12 are only taken into consideration when the data is available (available data for these PAI is scarce). However, engagement on these topics may be conducted with companies to help improve disclosure.

b. How a sustainable investment is assessed as aligned with the OECD guidelines and the UN Guiding Principles

In line with the criteria required for the Belgian label "Towards Sustainability", the companies that have violated ILO (International Labour Organisation) Conventions, or one of the UN guiding principles on Business and Human Rights, or one of the UN Global Compact principles, or of the OECD Guidelines for Multinational Enterprises are excluded in this Sub-Fund.

C. Sustainable investment objective of the financial product

ELEVA Sustainable Impact Europe Fund holds a SRI label in France and a Belgian label "Towards Sustainability". It systematically and simultaneously integrates binding environmental, social and governance ("ESG") characteristics in its investment management process and intends to invest in companies generating, through the products and/or services they sell, a positive contribution to social and/or environmental issues. Indeed, the main non-financial objective of the Sub-Fund is to invest in companies generating, through the products and/or services they sell, a positive contribution to social and/or environmental issues such as health and wellbeing, energy efficiency, renewable energies, sustainable mobility, smart building, sustainable infrastructure, etc.

The investors' attention is drawn to the fact that an investment in the Sub-Fund does not generate a direct impact on the environment and society, but that the Sub-Fund seeks to select and invest in companies that meet the precise criteria defined in the investment policy.

D. Investment strategy

a. Investment strategy used to attain the sustainable investment objective

The Sub-Fund invests primarily in European equities (i.e. European Economic Area, UK, Switzerland). The Sub-Fund's investment process counts 4 steps being based on a combination of non-financial and financial criteria.

Step 1/ Strict Exclusion: the Management Company excludes companies from the initial investment universe which have significant negative impacts on specific ESG factors as follows:
• Norms-based screening: companies having violated ILO (International Labour Organisation) Conventions, or one of the UN guiding principles on Business and Human Rights, or one of the UN Global Compact principles, or of the OECD Guidelines for Multinational Enterprises
• Negative sectors screening: companies deriving more than 5% of their revenues in the following activities:

o Fossil fuels (including extraction, refining, trading and distribution of conventional and non-conventional oil & gas, thermal coal extraction, electricity production from oil, natural gas, coal or nuclear, activities related to nuclear power production)

o Tobacco (production and distribution)
o Alcohol (production and distribution)
o Weapons (the threshold is 0% for controversial weapons, in line with Ottawa and Oslo treaties)
o Adult entertainment
o Gambling.

Step 2/ Positive ESG screening: the Eleva Sustainable Impact Europe Fund reduces its ESG investable universe compared to its initial investment universe by at least 25% (i.e. elimination of the 25% worst issuers).
The Sub-Fund defines a binding minimum ESG score, that each company in the Sub-Fund's portfolio must as a minimum reach. The minimum score is 60/100 and this ensures that at least 25% of the initial investment universe is excluded further to the screening under steps 1 and 2. If at some point in time, the threshold of 60/100 is not sufficient to ensure a 25% reduction of the investment universe, this minimum ESG score could be revised upwards.
In the event that a company sees its internal ESG score drop below the minimum required by the Management Company for Eleva Sustainable Impact Europe Fund, the position on the issuer will be sold no later than 3 months after the score has been downgraded in the best interest of the Shareholders.
The Sub-Fund must show a better performance than its initial investment universe on the following two ESG key performance indicators: weighted average of companies' carbon intensity (in tons of CO_2 equivalent / million euros of sales) and exposure to UN Global Compact signatories (sum of the weights of the UN Global Compact signatories). In the event of non-compliance with this commitment, the Management Company has two Business Days to comply. The data coverage percentage has to reach at least 90% for the former and 70% for the latter.

Step 3/ Impact on social and/or environmental issues: the Eleva Sustainable Impact Europe Fund seeks to invest in companies whose products/services are deemed to make a positive contribution on social and/or environmental issues. These issues have been defined by the Management Company using a proprietary tool based on the UN SDGs framework. The UN SGDs framework encompasses, among others: health & well-being, energy efficiency, renewable energy, sustainable mobility, smart building, sustainable infrastructure, etc.
The positive contribution of each company is measured through the proportion of revenues of products and/or services which positively contribute to one or more of the UN SDGs. A minimum proportion of 20% of revenues in such products and/or services is required for a company to be eligible in the portfolio.

As a conclusion, 100% of the initial investment universe is screened according to this three-steps approach. The data sources used under steps from 1 to 3 (as relevant for each step) are mainly companies' public information, direct engagement with companies, brokers' research, financial press as well as a single external ESG data provider.

Step 4/ Financial criteria: the final selection relies on financial criteria. Companies are finally assessed through fundamental financial analysis, liquidity and valuation metrics.

b. Policy to assess good governance practices

Assessing company's governance practices is an integral part of the Management Company proprietary ESG Scoring methodology. Governance criteria (essentially located in the pillars Shareholders and Civil society) account for 30% to 40% of the ESG score, depending on a company's sector. A minimum score of 50/100 is required for the Governance pillar to qualify as a sustainable investment. As a reminder each investee company is scored on ESG criteria with the Management Company ESG scoring methodology.

For more details on our ESG methodology, please refer to ELEVA Capital Transparency code available in our website: https://www.elevacapital.com/lu/our-responsible-approach#for-further-information

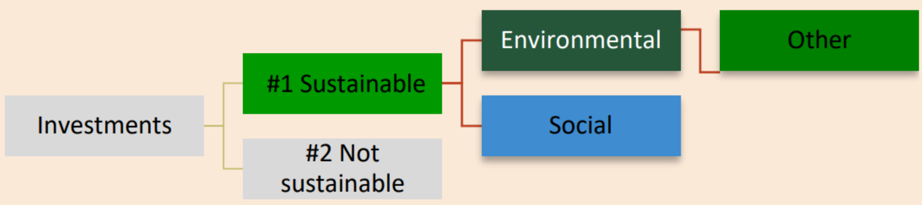
E. Proportion of investments

The Sub-Fund predominantly invests its net assets in the equity of corporate issuers with their registered office in Europe, which the Management Company considers having a positive contribution on social and/or environmental issues. To evaluate this contribution, the Management Company uses a proprietary methodology built around the UN SDGs and measures companies' revenues contributions to those Goals.

#1 Sustainable: At least 80% of the Sub-Fund (including cash and FDIs, if any) is invested in sustainable investments, with a minimum of sustainable investments with an environmental objective of 30% (i.e. in economic activities that do not necessarily qualify as environmentally sustainable under the EU Taxonomy) and a minimum of sustainable investment with a social objective of 30%. The sum of those two is always equal to at least 80%.
To qualify as sustainable investments (pass or fail), a company must generate at least 20% of its revenues with products and services contributing to one or more United Nations Sustainable Development Goals (UN SDGs) while at the same time not doing significant harm any environmental or social objective (captured through a set of Exclusions and a minimal ESG score of 60/100) and following good governance practices (i.e. with a minimum score of 50/100 on the Governance pillar). The objective, at the Sub-Fund level, is to have a weighted average revenue contribution to the SDGs of at least 40%.

#2 Not Sustainable: The Sub-Fund might invest, in aggregate, up to 20% of the Sub-Fund's Net Asset Value in:
- Cash (meaning bank deposit at sight, such as cash held in current accounts with a bank accessible at any time) that may be held for technical purposes and/or on a temporary basis.
- Financial derivatives instruments, for hedging purposes on a temporary basis.

The Sub-Fund does not consider any minimum environmental or social safeguards on these investments "#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.

F. Monitoring of environmental or social characteristics

The binding elements of the investment strategy used, are the following (systematically implemented prior to the investment):

• Strict Exclusion of companies from the initial investment universe which have significant negative impacts on specific ESG (norm-based and sector based).

• The Sub-Fund reduces its ESG investable universe compared to its initial investment universe by at least 25% (i.e. an elimination of the 25% worst issuers). The Sub-Fund defines a binding minimum ESG score, that each company in the Sub-Fund's portfolio must as a minimum reach.
The minimum score is 60/100 and this ensures that at least 25% of the initial investment universe is excluded further to the screening under steps 1 and 2. If at some point in time, the threshold of 60/100 is not sufficient to ensure a 25% reduction of the investment universe, this minimum ESG score could be revised upwards.

• The Sub-Fund must show a better performance than its initial investment universe on the following two ESG key performance indicators: weighted average of companies' carbon intensity (in tons of CO2 equivalent / million euros of sales) and exposure to UN Global Compact signatories (sum of the weights of the UN Global Compact signatories.

• For a company to enter the portfolio and to qualify as a sustainable investment, a minimum revenue contribution of 20% to one or more UN SDGs is required (pass or fail). In addition, at the portfolio level, the Sub-Fund has an objective to have a weighted average contribution to the SDGs of at least 40%.

• 100% of the initial investment universe is screened according to the steps described in section D.

• 80% Minimum of sustainable investments with an environmental objective and/or social objective

The Sub-Fund's strategy in relation to the ESG characteristics is an integral part of the Sub-Fund's investment strategy, which is continuously monitored via the risk control and related systems in place. In addition to ongoing monitoring, pre-trade controls are also performed.

G. Methodologies for environmental or social characteristics

The sustainability indicators used by the Sub-Fund are (i) ESG scoring, (ii) two ESG key performance indicators - carbon intensity, and exposure to the UN Global Compact signatories - and (iii) positive contribution to social and/or environmental issues, as further explained below.

(i) ESG Scoring: In the context of step 2 (positive ESG screening), the Management Company uses a proprietary tool to internally analyse and score the companies on ESG criteria from 0 (worst score) to 100 (best score). The analysed ESG criteria include, among others:

• Shareholders (i.e. Governance criteria): quality of management team (track record, alignment of interest with shareholders, etc.), quality of the board of directors (board efficiency, gender diversity, checks and balances, etc.), quality of the relationship with shareholders (quality of risk management and controls, financial communication, respect of minority shareholders, etc.);

• Employees (i.e. Social criteria): quality of human resources ("HR") management (HR policies, management of human capital, gender pay gap, etc.), employer brand equity (reputation as an employer, etc.), employees retention (employee training, turnover, etc.), safety & security (policy on accident prevention, history of accidents and risk management, etc.);

• Suppliers (i.e. a combination of Environmental, Social and Governance criteria): level of risk in the supply chain (complexity of supply chain, disruption risks, etc.), supply chain risk management and control (controls, audits, engagement on Corporate Social Responsibility issues, etc.);

• Civil Society (i.e. a combination of Social and Governance criteria): customers (products quality, customer satisfaction, etc.), state (fiscal behaviour, business ethics, process to monitor the compliance with UN Global Compact principles etc.), local communities (philanthropic approach, etc.);

• Planet (i.e. Environmental criteria): climate change (risks and policies, targets on carbon emissions reduction, performance on GHG emissions and intensity), energy management (risks and policies, share or non-renewable energy consumption/production, targets, performance on energy consumption), water (risks and policies, targets, performance), biodiversity and other (risks and policies, targets, performance), environmental impact of products (taxonomy-aligned products, exposure to fossil fuels, eco-design, circular economy etc.).

The scoring methodology includes penalties for controversies if any.

To be selected, each company has to have a minimum ESG score of 60/100. This minimum ESG score plays the role of "do no significant harm" test (pass if >= 60/100 or fail if <60/100)

(ii) ESG KPIs: the Sub-Fund must show a better performance than its initial investment universe on the following two ESG key performance indicators:

- Carbon intensity i.e. the weighted average of companies' carbon intensity (in tons of CO_2 equivalent / million euros of sales)
- exposure to the UN Global Compact signatories (sum of the weights of the UN Global Compact signatories).

For more details on the calculation methodology for these indicators, please refer to ELEVA Capital Transparency Code available on our website: https://www.elevacapital.com/lu/our-responsible-approach#for-further-information

(iii) Positive contribution: At step 3 (impact), the positive contribution of each company is measured through the proportion of revenues of products and/or services which positively contribute to one or more of the United Nations Sustainable Development Goals (the "UN SDGs"). To be selected and qualify as a sustainable investment each company has to generate at least 20% of its revenues with those types of products and services (pass or fail). In addition, at the Sub-Fund level, the weighted average revenue contribution to the UN Sustainable Development Goals, has to be above 40%.

H. Data sources and processing

The ESG process (ESG rating, voting, engagement and impact assessment) relies on several data sources:

• Corporate public documentation remains our main data source, either directly (annual reports, CSR reports, etc.) or indirectly (access via Bloomberg or via raw data collected by our ESG data provider).

• Meetings with companies and site visits also allow us to refine our analyses.

• Information produced by non-governmental organisations (NGOs) such as:
  - o The CDP (corporate ratings and responses) on topics of climate change, water and forest management.
  - o The Access to Medicine Index allows us to measure the involvement of pharmaceutical companies in the accessibility of their products to the poorest populations.
  - o Urgewald's Global Coal Exit List (GCEL), used as part of our coal policy and the resulting exclusion list.

• Databases that allow us to verify companies' engagement with CSR initiatives, for example:
  - o Alignment with UN Global Compact
  - o Commitment to the Science-Based Target Initiative

• Brokers' ESG research, whether thematic, sectoral, or on issuers in particular

• MSCI's ESG research, which we use primarily for:
  - o Establishing our exclusion lists
  - o Monitoring controversies
  - o Access to raw data from companies that feed into our internal ESG analysis model
  - o Reporting (carbon footprints, ESG impact indicators, etc.).

I. Limitations to methodologies and data

The main methodological limits associated to the ESG process are:

• The availability of data to conduct ESG and Impact analysis.

• The quality of the data used in the assessment of ESG quality and Impact.

• The comparability of data, as not all companies publish the same indicators.

• The use of proprietary methodologies, which relies on the experience and skills of the asset manager’s staff.

• The use of an external ESG data provider which may raise the following issues:
  - o Issues related to missing or incomplete information from some companies (for example relating to their capacity to manage their ESG risks) which have been used as input of data providers’ scoring model; this problem may be mitigated by those providers through the use of alternative data sources, external to the company, to feed their scoring models;
  - o Issues linked to the quantity and quality of ESG data to be processed by ESG data providers (significant flow of information to be integrated continuously into their ESG scoring model):

this problem may be mitigated through the use of technologies like artificial intelligence and the numerous analysts who work to transform raw data into relevant information;

o Issues linked to the identification of relevant factors for the ESG analysis conducted in accordance with the ESG data provider framework. This is usually set beforehands as each sector (and sometimes each company) has its own set of indicators deemed material by the ESG data provider and its own weightings: ESG data providers may use a quantitative approach validated by each sector specialist and investor feedback to determine the most relevant ESG factors for a given sector (or for a particular company if applicable).

J. Due diligence

ELEVA Capital has implemented a due diligence controls plan to ensure that the financial product is managed in accordance with the corresponding ESG rules.

• **Internal control:**

- **First level control**

  - **Monitoring compliance with exclusion rules**: the Risk team implements the exclusion lists, which are sent on a monthly basis by our ESG data provider, which to date is MSCI. There are two lists: one applied to all funds at ELEVA Capital and one, more demanding, which only applies to ELEVA Sustainable Impact Europe Sub-Fund, with an enhanced level of exclusions. Pre-trade control is set up as well as post-trade control.

  - **Monitoring compliance with minimum ESG ratings and the universe reduction rate**: the Risk team also monitors the existence of a pre-investment ESG score and compliance with the minimum ESG score. Compliance with the initial investment universe reduction rule is also verified. This is monitored through pre-trade checks and post-trade controls.

  - **Monitoring compliance with the minimum contribution to the SDGs and minimum share of sustainable investments**: to be selected and qualify as a sustainable investment, each company has to generate at least 20% of its revenues with those types of products and services (pass or fail). Compliance with this rule is subject to pre-trade checks and post trade controls. The Sub-Fund has a minimum level of contribution to the SDGs of 40% and a minimum share of 80% invested in sustainable investment, monitored daily by the Risk Team.

  - **Monitoring performance compliance on binding ESG performance indicators**: the Sub-Fund is required to comply with two binding ESG performance indicators, in accordance with the specifications of the French SRI label. These indicators are reported in the Sub-fund's monthly report.

- **Second level control**: The compliance department ensures a second level control that is integrated into the internal control system of the annual internal control plan. In addition, periodic monitoring of this process will occur at least once every three years. Periodic checks will be outsourced.

• **External control**: Having the SRI label in France, the Sub-fund is subject to external control by an accredited certification body. ELEVA Capital retained the EY auditor for the labelling of the Sub-Fund. This audit process includes an initial on site audit and then every 3 years, and annual part based audits. Elements controlled by the label certification entity include the existence and implementation of a binding ESG selection process leading to the reduction of the investment universe, the Sub-fund's ESG reporting and performance.

K. Engagement policies

Systematic engagement with investee companies is an integral part of our responsible investment policy. As active shareholders, we are committed to helping companies progress on their sustainability journey. We believe that companies improving their ESG credentials will better manage their risks.
Further information in relation to engagement policy carried out by ELEVA Capital can be found in Voting and Engagement policy available on our website https://www.elevacapital.com/lu/our-responsible-approach#for-further-information

L. Attainment of the sustainable objective

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

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The objective, at the Sub-Fund level, is to have a weighted average revenue contribution to the SDGs of at least 40%.

Disclaimer

ELEVA Capital is subjected to the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).
Regulation (EU) 2019/2088 was supplemented by Delegated Regulation (EU) 2022/1288 of 6 April 2022 which specifies the provisions of the Article 10 of SFDR to be made in terms of publication of information on sustainability, for submitted funds.
This present document is issued to disclose sustainability-related information on this product, in relation to the Article 10 of SFDR. Please refer to the prospectus of the fund and to the KID before making any final investment decisions.

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