

**ELEVA**  
CAPITAL

**Transparency Code**

**June 2023**

## Foreword

ELEVA Capital is an independent management company established in 2014, based in Paris and London. A signatory of the Principles for Responsible Investment since our inception, we are convinced that the asset management industry has an essential role to play in protecting the environment and participating in the emergence of a fairer society. Sharing the value we create with those most in need has been at the heart of ELEVA capital's purpose since inception. Our committed philanthropic approach is foundation on which we can build upon. Through our investments, we have an essential role to play in protecting the planet and participating in the emergence of a more equitable society.

At our level, we can amplify the impact we have on society through our investments. Our goal is to deliver a sustainable performance to our clients. We believe that the best way to do this is to invest in future-proof companies. Companies committed to an ambitious CSR<sup>1</sup> approach benefit from growth opportunities while properly managing their risks, these are two powerful drivers for long-term performance. Environmental, social and governance (ESG) criteria have financial consequences. We therefore believe that taking them into account in our management process and investment decisions enables us to achieve strong risk-adjusted performance. This is an integral part of our fiduciary duty.

Being a responsible investor is also contributing to improvements in ESG practices of companies in which we invest. This includes active participation at their general meetings and regular dialogue with management throughout the year. By allocating capital to the most virtuous companies, we also send a signal to others, encouraging them to redouble their efforts.

Our commitment to responsible investment is a long-term endeavour. In recent years, we have laid a solid foundation on which we will continue to build. The granting of the French State SRI label of all our Long only *equity funds* and the recent launch of an impact investing strategy are crucial steps attesting to the seriousness and sincerity of our commitment.

This transparency code applies to the entire range of long only equity *funds*, namely ELEVA Euroland Selection, ELEVA European Selection, ELEVA Leaders Small & Mid cap Europe and ELEVA Sustainable Impact Europe, which position themselves as socially responsible investment (SRI) funds. They represented 54% of our assets at 31/12/2022. It also contains information on ESG integration for the ELEVA Absolute Return Europe fund. This code is freely available on our website <https://www.elevacapital.com/en>.

We are committed to being as transparent as possible, within the regulatory framework and given the competitive environment in which we operate. The answers to the questions in this code are our sole responsibility. In addition, we are taking a step forward and will be mindful to develop this code so that it can always better meet our clients' requests.

**Update date:** 30/06/2023

**Data as at:** 31/12/2022

---

<sup>1</sup> Corporate Social Responsibility



# Contents

**1. List of funds covered by this Transparency Code**

**2. General data on the management company**

**3. General data on SRI funds presented in this  
Transparency Code**

**4. Management process**

**5. ESG monitoring**

**6. Impact measures and ESG reporting**

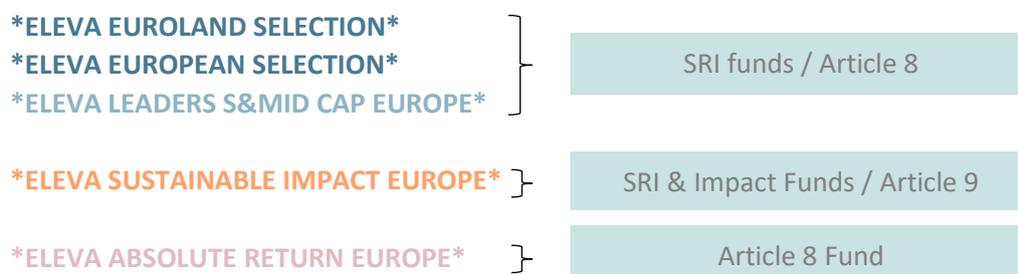


# 1. List of funds covered by this Transparency Code

	Dominant and complementary strategies	Main asset class	Exclusions in place for the fund	AuM at 31/12/2022 in EUR M	SFDR Classification	Labels	Link to related fund documentation
ELEVA Euroland Selection	Best in Universe Best Efforts Exclusions	European equities, mainly euro denominated	Tobacco, Controversial weapons, Nuclear weapons, Coal, Violation of the UN Global Compact, UN GPs, ILO convention and OECD guidelines for multinational enterprises violations	947	Article 8	SRI French State Label	<a href="https://www.elevacapital.com/en/funds/eleva-euroland-selection">https://www.elevacapital.com/en/funds/eleva-euroland-selection</a>
ELEVA European Selection	Best in Universe Best Efforts Exclusions	European equities	Tobacco, Controversial weapons, Nuclear weapons, Coal, Violation of the UN Global Compact, UN GPs, ILO convention and OECD guidelines for multinational enterprises violations	4 155	Article 8	SRI French State Label	<a href="https://www.elevacapital.com/en/funds/eleva-european-selection/">https://www.elevacapital.com/en/funds/eleva-european-selection/</a>
ELEVA Leaders Small & Mid Cap Europe	Best in Universe Best Efforts Exclusions	European equities	Tobacco, Controversial weapons, Nuclear weapons, Coal, Violation of the UN Global Compact, UN GPs, ILO convention and OECD guidelines for multinational enterprises violations	308	Article 8	SRI French State Label	<a href="https://www.elevacapital.com/en/funds/eleva-leaders-small-mid-cap-europe">https://www.elevacapital.com/en/funds/eleva-leaders-small-mid-cap-europe</a>
ELEVA Sustainable Impact Europe	Impact investing Best in Universe Exclusions	European equities (EEA + UK + Switzerland)	Tobacco, Alcohol, Pornography, Fossil fuel, Gambling, All weapons, UN Global Compact, UN GPs, ILO convention and OECD guidelines for multinational enterprises violations	52	Article 9	SRI French State Label Belgian Label Towards Sustainability	<a href="https://www.elevacapital.com/en/funds/eleva-sustainable-impact-europe">https://www.elevacapital.com/en/funds/eleva-sustainable-impact-europe</a>
ELEVA Absolute Return Europe	Best in Universe Best Efforts Exclusions	European equities	Tobacco, Controversial weapons, Nuclear weapons, Coal, Violation of the UN Global Compact, UN GPs, ILO convention and OECD guidelines for multinational enterprises violations	3 700	Article 8	-	<a href="https://www.elevacapital.com/en/funds/eleva-absolute-return-europe">https://www.elevacapital.com/en/funds/eleva-absolute-return-europe</a>

\* in accordance with ELEVA Capital's coal policy

Fund specific information is preceded by the fund name written in capital letters and between two asterisks:



## 2. General information about the fund management company

### 2.1. Name of the management company in charge of the funds to which this Code applies

ELEVA Capital  
 32, rue de Monceau  
 Capital 8 - Immeuble Murat Sud  
 4<sup>th</sup> Floor  
 75008 Paris, France  
<https://www.elevacapital.com/en>



## 2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

ELEVA Capital is an independent management company established in 2014, based in Paris and London. The Responsible Investor approach is an essential pillar of ELEVA Capital's CSR policy that also includes a highly engaged philanthropic dimension.

- **Philanthropic dimension:** Since the creation of ELEVA Capital, a partnership has been established between UNICEF and the management company through its Foundation. Each year, ELEVA Capital donates 9.9% of its profits to UNICEF to help the most vulnerable children. ELEVA Capital employees are involved in selecting what long term project are supported (more information available here: <https://www.elevacapital.com/en/eleva-foundation>)
- **Responsible investor approach:** ELEVA Capital has been a signatory of the Principles for Responsible Investment (PRI) since its inception. The first investment strategies launched by ELEVA Capital (ELEVA European Selection, ELEVA Euroland Selection, ELEVA Absolute Return Europe) are based on criteria for selecting companies that attach paramount importance to governance and in particular to the analysis of shareholding. These strategies particularly favour Family or Foundation owned businesses, allowing them to be managed with a long-term value creation perspective.

### How does responsible investing fit into the ELEVA CAPITAL range?

For us, responsible investing is about seeking performance by investing in companies that thrive over the long term by creating value for all their stakeholders, all the while minimising their environmental impact.

The basis of our approach is summarised below:



#### Analyse

- A proprietary methodology based on **the analysis of 5 stakeholders** offering a 360° view
- Analysing ESG criteria to fully understand **ESG risks and opportunities**
- Understanding the **financial implications of non-financial issues**
- Update of the ESG analysis on regular basis (at least every 2 years)



#### Pick

- Making very **well-informed investment decisions**
- Understanding the impact of money flows
- Exclusion policy to **avoid extreme risks and risk of betting against the trend**



#### Engage

- Helping companies to **improve on ESG issues**
- Capturing **the value creation from ESG improvement**



#### Vote

- Exercising our **responsibility as « co-owners »** of companies
- Sending signals on **what is acceptable or not when it comes to governance issues**



In practice, this approach applies to our long *only* equity funds, our Absolute Return Europe strategy (Long/Short) and the related mandates (i.e. 98% of our assets as of 31/12/2022). ELEVA Capital exercises its role as a responsible investor in three ways:

- **ESG integration (Article 8 funds with no SRI label).** Only the **\*ELEVA ABSOLUTE RETURN EUROPE\*** fund and one associated mandate follow this process, although the exclusion rules set out below also apply to the entire ELEVA Capital's range of funds. More information is available in the prospectus of the funds (precontractual appendix), available on ELEVA Capital website: <https://www.elevacapital.com/en>. This process consists of:
  - **Excluding certain sectors/practices:** Companies in the tobacco sector, companies involved in the manufacture and/or distribution of unconventional weapons (in accordance with the Oslo Accords and Ottawa Treaty), companies involved in the manufacture of nuclear weapons and company exposed to extreme controversies (violations of 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). ELEVA Capital also has set a coal policy in 2020. More details on exclusions in section 3.5. The stocks in the exclusion list are prohibited for both long and short books.
  - **Analysing the company's relations with its stakeholders:** For **\*ELEVA ABSOLUTE RETURN EUROPE\*** 's long book companies, we analyse the company's relationships with its five stakeholders: Shareholders, Employees, Suppliers, Civil Society, Planet. This materialises by awarding an ESG score that includes a penalty for controversies, if applicable. This analysis is conducted internally, by the entire management team and for all the criteria using a proprietary analysis methodology described in sections 3.3 and 3.5. The aim is to assess the extra financial risks to which companies are exposed. A minimum ESG rating of 40/100 is necessary to be able to pick a company in the long book. At least 90% of issuers (in number of issuers) are scored on ESG criteria. At any time, the average ESG score of the long book must be higher than that of its investment universe. For the short book, companies are analysed on ESG criteria (ELEVA Capital score if available, otherwise external ESG data provider score). This fund does not take any short position on companies with excellent ESG practices (i.e. with an ESG score > 80 / 100).
  - **Being an active shareholder:**
    - Systematic exercise of voting rights at shareholders general meetings by fund manager and analysts of the securities in the portfolios.
    - Systematic Individual engagement and, where appropriate, collective engagement with companies
- **Socially Responsible Investment (Article 8 fund with an SRI label):** **\*ELEVA EUROLAND SELECTION\***, **\*ELEVA EUROPEAN SELECTION\***, **\*ELEVA LEADERS S&MID CAP EUROPE\***  
This consists of:



- **Excluding certain sectors/practices:** Companies in the tobacco sector, companies involved in the manufacture and/or distribution of unconventional weapons (in accordance with the Oslo Accords and Ottawa Treaty), companies involved in the manufacture of nuclear weapons and companies exposed to extreme controversies (violations of 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). ELEVA Capital also has set a coal policy in place in 2020. More detail on exclusions in section 3.5.
  - **Analysing the company's relations with its stakeholders:** This analysis, completed prior to investment, is performed internally with proprietary tools for the companies in the portfolio. As discussed above, we analyse the company's relationships with its five stakeholders: Shareholders, Employees, Suppliers, Civil Society, Planet. This materialises by awarding an ESG score that includes a penalty for controversies, if any. This analysis is conducted by the management team for all criteria using the proprietary analysis methodology previously described.
  - **Selecting companies according to ESG criteria:** To be eligible for these funds, each company must reach a minimum ESG score set at 40/100 (see detail of the methodology in section 3.3). Moreover, the average ESG score of each of these funds must be higher than the average score of its investment universe after deducting the 20% with the worst ratings. This makes it possible to be in line with the criteria of the SRI French State label.
  - **Being an active shareholder:**
    - Systematic voting at general meetings exercised by fund managers and analysts in charge of companies in their portfolios.
    - Individual (systematic) engagement and collective engagement with companies
- **SRI & Impact Management (Article 9 fund):**  
**\*ELEVA SUSTAINABLE IMPACT EUROPE\***  
 It consists of:
    - **Excluding more sectors:** This fund implements an enhanced exclusion policy (see detail in section 3.5).
    - **Analysing the company's relations with its stakeholders:** This analysis, is systematic and completed prior to investment, is carried out in full internally for all portfolio companies. As discussed above, we analyse the company's relationships with all its stakeholders: Shareholders, Employees, Suppliers, Civil Society, Planet. This materialises by awarding an ESG score that includes a penalty for controversies, if any. This analysis is conducted by the management team for all criteria using the proprietary analysis methodology previously described.



- **Selecting the right companies:** To be eligible for the ELEVA Sustainable Impact Europe fund, each company must reach a minimum ESG score set at 60/100 (see detail of the methodology in section 3.3), resulting in a reduction level of the initial investment universe in excess of 25%. This is in line with the criteria of the SRI label in France and the *Towards Sustainability* label in Belgium.
- **Assessing positive impact:** To be eligible for the ELEVA Sustainable Impact Europe fund, each company must generate at least 20% of its revenue with products and services that have a positive contribution to one or more social and/or environmental topics. This is a net revenue calculation: the revenues, if any, generated by negative impact products are deducted from the positive impact revenues and the 20% threshold applies to this net figure. At the portfolio level, the fund has a minimum contribution target of 40%. To identify these issues, ELEVA Capital has developed a proprietary methodology based on the UN Sustainable Development Goals and the 169 targets that underpin them (see detail of the Impact methodology in section 4.1).
- **Being an active shareholder:**
  - Systematic voting at general meetings exercised by fund managers and analysts in charge of companies in their portfolios.
  - Systematic individual engagement with companies to share key findings of ESG analysis and topics on which they can improve. Portfolio companies can also be the subject of collective engagement campaigns.

More information on our responsible investor approach here:

<https://www.elevacapital.com/en/our-responsible-approach>

### 2.3. How does the company formalise its sustainable investment process?

ELEVA Capital's responsible investment approach is a long-term commitment whose requirements have steadily increased. It is set to continue to evolve in the coming years. The formalisation took place in several stages and has become more mature over the years.

The main steps were:

- 2014: Creation of ELEVA Capital and establishment of the partnership with UNICEF.
- 2015: Launch of ELEVA European Selection and ELEVA Absolute Return Europe funds, in which two of the four investment themes focus on governance issues (companies owned by families or foundations; change in management or shareholding). ELEVA Capital becomes a signatory of UN PRI.
- 2019: Implementation of the policy of exclusion and management of controversies. Formalisation of the voting and shareholder engagement process.



- 2020: Strengthening the ESG team from one to three people. Implementation of proprietary ESG rating methodology. Training the entire management team in ESG rating. Implementation of a coal policy. Launch of the ELEVA Sustainable Impact Europe fund and definition of a proprietary methodology to measure companies' contribution to the UN Sustainable Development Goals (SDGs).
- 2021: Accelerating the formalisation of the responsible investor approach with the implementation of minimum ESG scores for all long only *equity funds* and for ELEVA Absolute Return Europe's long book. SRI labelling (France) of the entire *long* only equity fund range. Engagement intensification, which becomes systematic after each ESG analysis. Establishment of a database for efficient management of ESG data. Creation of dedicated Responsible Investment pages on ELEVA Capital's website.
- 2022: Obtaining the Towards Sustainability label in Belgium for the ELEVA Sustainable Impact Europe fund.

As discussed above, efforts to formalise the approach have consisted of deploying methodologies, implementing ESG related processes, and training teams. Our goal was to achieve a true integration of ESG into the investment process. To do this, we have chosen to involve analysts and fund managers as much as possible in the ESG process and that is why team training has been an essential and decisive step.

Internal formalisation was achieved as follows:

- ESG analysis: The entire management team has been trained in the scoring of all 5 pillars of our methodology (Shareholders, Planet, Employees, Suppliers, Civil Society). Training materials have been developed for this purpose. The ESG team supports the learning curve by conducting regular training on topics that need to be deepened and by controlling the quality of all ratings produced, so as to ensure the homogeneity of ratings.
- Engagement: Managers and analysts are involved in the various engagement actions with the companies they monitor.
- Voting: Analysts and managers vote at all general meetings.
- Commercial department: The entire sales force has been trained in ESG, to understand its main principles and how ESG is deployed in fund management.

With the entry into force of the so-called Sustainable Finance Disclosure Regulation (SFDR), ELEVA Capital has further formalised its ESG approach to meet the requirements of this regulation.

- According to ELEVA Capital, an Article 8 fund **promotes environmental and social characteristics** as long as the following criteria are all met:



- Not invest in companies with controversial activities or practices (see exclusion criteria applying to all funds in section 3.5.).
- Invest in companies that have good ESG practices (best in universe) or that are on a trajectory to improve their ESG performance (best efforts) while having an ESG score equal to or greater than 40/100 (determined according to ELEVA Capital's methodology detailed in section 3.3.).
- Systematically engage with investee companies to encourage them to improve their ESG practices.
- According to ELEVA Capital, a company is considered a **sustainable investment** (pass or fail approach) if it meets all the following criteria:
  - Generate more than 20% of sales with products or services that contribute to one or more of the Sustainable Development Goals (SDGs) defined by the UN. This is a net contribution: any sales generated by products with a negative impact are deducted from sales with a positive impact, and the 20% threshold is applied to this net figure.
  - **Do no significant harm (DNSH).**
    - To qualify as a sustainable investment, a company must not be involved in activities that essentially have negative impacts (sector exclusions) or have controversial practices (normative exclusions). The normative and sectoral exclusions followed by the ELEVA Sustainable Impact Europe fund (see section 3.5.) are those retained to comply with the DNSH principle.
    - In addition, to qualify as a sustainable investment, a company must have good ESG practices, i.e. an ESG rating of at least 60/100. This demanding minimum ESG rating (which may include a controversy penalty, where applicable) is an additional element taken into account for compliance with the DNSH principle. For more information on the criteria considered in the ELEVA ESG rating, see section 3.3.
  - Have **good governance practices**: in addition to the normative exclusions, a minimum score of 50/100 on the Governance pillar is required (see section 3.3.) for a company to be considered as a sustainable investment.
- The **principal adverse impacts (PAI)** are taken into account quantitatively (exclusions or thresholds), qualitatively (through the ESG score) or partially when the information available is insufficient (engagement actions can then be carried out to encourage companies to improve their reporting). More information on how each fund takes PAIs into account is available in each funds' pre-contractual appendices within the Prospectus, available on the ELEVA Capital website: <https://www.elevacapital.com/en>.



## 2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?

- **Identifying ESG risks including those related to climate change:** The proprietary methodology for analysing the company's relationship with its stakeholders (ESG analysis methodology) is built in such a way as to consider all the most material ESG risks for the company analysed with regards to the sector of activity to which it belongs. This methodology is detailed in section 3.5.

In particular, within the Planet criterion and in the logic of double materiality, the Climate Change sub criterion focuses on:

- The company's exposure to climate change risks (physical and transition risks)
- Commitments made by the company to minimise its impact on climate change (forward looking approach)
- The company's past performance in reducing greenhouse gas emissions (in absolute and relative terms) and how these lend credibility to medium/long term commitments.

To reflect the urgency of the climate issue and the opportunity for all companies to contribute to it, the Climate Change sub criterion is systematically analysed, regardless of the sector, and therefore never has a 0% weighting.

- **Identifying ESG opportunities including those related to climate change:**
  - **Through the ESG analysis methodology**

Although highly focused on ESG risk analysis, our ESG analysis methodology also helps to identify ESG opportunities. Within the Planet criterion, the Environmental Impact of Products sub criterion allows us to analyse whether the company's products have positive or negative impacts on the environment in general and on climate change in particular. Ultimately, this criterion will align with the criteria defined by the European Taxonomy on Green Activities.
  - **Through the Impact methodology**

This proprietary methodology, which is detailed in section 4.1. helps to measure a companies' contribution to the SDGs, through the products and services they sell. Designed for impact management purposes, this methodology helps identify companies that have the ability to capture business opportunities related to sustainability. A number of SDGs are focused on tackling climate change (SDG 7: Clean and Affordable Energy, SDG 11: Cities and community, SDG 13: Tackling climate change). Our methodology therefore defines a set of activities that help solve the climate challenge and represent an array of business opportunities for the companies that produce them. These activities include, for example, renewable energy generation and financing, energy storage, equipment to reduce energy consumption, sustainable mobility, equipment to improve air quality, waste



management, construction of green buildings and materials improving their energy efficiency...

## 2.5. Which teams are involved in the management company's responsible investment activity?

Since the roll out of our ESG integration strategy across our Equity funds, the entire team of portfolio managers and analysts (12 people) has been involved in the activity of responsible investment. In particular, since the end of 2020, the entire team has been trained in ESG analysis and rating of companies. All use the same proprietary ESG analysis methodology and score the companies for which they are responsible. All criteria are analysed internally. This, in our view, allows for a true integration of ESG into the management process. For a given company, it is usually the same person who performs the ESG rating, writes the investment case, performs the financial model, votes at the general meeting and leads engagement with the company on ESG topics.

Of these 12 people, 3 are ESG specialists (2 managers and 1 analyst). Their role is:

- To manage the ELEVA Sustainable Impact Europe fund (concerns the 2 managers)
  
- To be responsible for ESG practice within ELEVA Capital. This includes:
  - Defining ESG and Impact methodologies, exclusion, voting, and engagement policies, and ensure their updating/evolution,
  
  - Taking part in market initiatives regarding responsible investment,
  
  - Ensuring the external recognition of ELEVA Capital's initiatives on these topics,
  
  - Coordinating regulatory oversight around responsible investment, in coordination with the Head of Compliance and Internal Control,
  
  - To abide the labelling process of funds,
  
  - Supporting the entire team of managers and analysts during their learning curve on all ESG topics. This is materialised by:
    - A systematic review of all ESG analyses/scoring (quality control role).
    - A supporting role to ensure pertinent engagement criteria is shared with companies.
    - A supportive role at the time of the general meeting season.
    - Undertaking ESG scorings of certain companies, including those that would be present in both the ELEVA Sustainable Impact Europe fund and other funds.
    - Training modules are offered throughout the year on foundational topics (the basics of responsible investment, proprietary ESG rating, voting policy update, etc.) as well as on topical topics (regulatory



developments, European taxonomy, etc.). Newcomers receive special attention in terms of training.

To a lesser extent, members of the following teams are involved in responsible investment:

- The Risk team (4 people) monitors compliance with exclusion rules, minimum ESG scores and contributes to the preparation of reports (including ESG indicators)
- The Compliance and Internal Control team (2 people) intervenes on regulatory aspects related to responsible investment
- The Sales team (12 people) is in charge of promoting externally responsible investment.

Access to information by all is facilitated: All ESG analyses/ratings produced are available to all ELEVA Capital employees. Specific training modules are also made available to other teams (Sales team, Risk team, Compliance and Internal Control team, etc.) so that the culture of responsible investment continues to spread throughout the company.

## 2.6. What is the number of SRI analysts and the number of SRI managers employed by the management company?

The ESG team consists of 3 people: 2 managers and 1 analyst. The managers are in charge of managing the ELEVA Sustainable Impact Europe fund as well as overseeing the ESG practice. The ESG analyst is primarily dedicated to supporting the investment management team in rolling out the ESG strategy.

## 2.7. In which Responsible Investment initiatives is the management company involved?

- **General initiatives:** ELEVA Capital has been a signatory of the PRI - Principles for Responsible Investment - since 2015
- **Environmental/Climate Initiatives:** We are signatories to the CDP.
- **Social initiatives:** We are a signatory of the Tobacco Free Portfolios initiative.

## 2.8. What is the total number of SRI assets under the company's management?

This Transparency Code has been established as part of the labelling process of the *long only* equity funds. Assets under management of these funds amounted to 5.5 billion euros as of 31/12/2021, and 6.2 billion by including the mandates associated with these funds.



## 2.9. What is the percentage of the management company's SRI assets relative to total AUM?

The *long only* SRI equity funds represent, as of 31/12/2021, 54% of total AUM of ELEVA Capital and 61% including mandates associated with these funds.

## 2.10. Which SRI funds open to the public are managed by the management company?

ELEVA Capital currently manages four SRI funds open to the public:

	ELEVA Euroland Selection
<b>Name</b>	
<b>Inception date</b>	10/07/2017
<b>Fund size as of 31/12/2022</b>	€947 million
<b>ESG strategies implemented</b>	Exclusion/Positive ESG Selection (Best in Universe, Best effort)/ <sup>2</sup>
<b>Benchmark</b>	EUROSTOXX Index Net Return
<b>Labels obtained and dates of first award</b>	French SRI label obtained in October 2021
<b>Website</b>	<a href="https://www.elevacapital.com/en/funds/eleva-euroland-selection">https://www.elevacapital.com/en/funds/eleva-euroland-selection</a>
<b>Name</b>	ELEVA European Selection
<b>Inception date</b>	26/01/2015
<b>Fund size as of 31/12/2022</b>	€4 155 million
<b>ESG strategies implemented</b>	Exclusion/Positive ESG Selection (Best in Universe, Best effort)/ <sup>3</sup>
<b>Benchmark</b>	STOXX Europe 600 Net Return EUR
<b>Labels obtained and dates of first award</b>	French SRI label obtained in October 2021
<b>Website</b>	<a href="https://www.elevacapital.com/en/funds/eleva-european-selection">https://www.elevacapital.com/en/funds/eleva-european-selection</a>
<b>Name</b>	ELEVA Leaders Small & Mid Cap Europe
<b>Inception date</b>	19/12/2018
<b>Fund size as of 31/12/2022</b>	€308 million
<b>ESG strategies implemented</b>	Exclusion/Positive ESG Selection (Best in Universe, Best effort)/ <sup>4</sup>
<b>Benchmark</b>	STOXX Europe Small 200 Net Return
<b>Labels obtained and dates of first award</b>	French SRI label obtained in October 2021
<b>Website</b>	<a href="https://www.elevacapital.com/en/funds/eleva-leaders-small-mid-cap-europe">https://www.elevacapital.com/en/funds/eleva-leaders-small-mid-cap-europe</a>

<sup>2</sup> As defined by the Global Sustainable Investment Alliance

<sup>3</sup> As defined by the Global Sustainable Investment Alliance

<sup>4</sup> As defined by the Global Sustainable Investment Alliance



<b>Name</b>	ELEVA Sustainable Impact Europe
<b>Inception date</b>	17/12/2020
<b>Fund size as of 31/12/2022</b>	€52 million
<b>ESG strategies implemented</b>	Exclusion/Positive ESG Selection (Best in Universe)/Impact Investing <sup>5</sup>
<b>Benchmark</b>	STOXX Europe 600 Net Return EUR
<b>Labels obtained and dates of first award</b>	French SRI label obtained in July 2021 and Belgian Towards Sustainability label obtained in April 2022
<b>Website</b>	<a href="https://www.elevacapital.com/en/funds/eleva-sustainable-impact-europe">https://www.elevacapital.com/en/funds/eleva-sustainable-impact-europe</a>

### 3. General information about the SRI funds that come under the scope of the Code

#### 3.1. What are the objectives of incorporating ESG criteria into the management process of the funds?

ELEVA Capital is an active management company whose teams implement a unique and disciplined investment philosophy. This conviction-based management uses a bottom-up approach for stock selection, with an active, flexible, and pragmatic approach. We are taking into account ESG criteria as an integral part of the fundamental analysis of the companies in which we invest. This allows us to identify new facets in our investment cases.

The objectives sought, through ESG analysis, include:

- **Detecting risks of an extra financial nature to which companies may be exposed.** Our ESG weighting system, based on the principle of double materiality<sup>6</sup> and inspired by available standards such as the SASB<sup>7</sup> Materiality Matrix allowing us to appropriately identify the ESG risks to which companies are exposed in accordance to their sector. Our rating system thus penalises more heavily companies that would poorly manage a risk to which they are highly exposed due to the nature of their business. Similarly, our score penalises more heavily a company that is underperforming in managing a topic (e.g.: Climate change) in which it has a strong impact. Although these risks are considered extra financial, their materialization often results in financial consequences and a lasting damage to the reputation of companies.
- **Identifying investment opportunities:** Companies that put sustainability at the heart of their strategy are those that we believe are best equipped to address the structural challenges facing our society. They can make their good ESG practises an integral

<sup>5</sup> As defined by the Global Sustainable Investment Alliance

<sup>6</sup> Impacts of the company's business on its stakeholders including the environment and impacts of extra financial topics on the company

<sup>7</sup> Sustainability Accounting Standards Board, a non-profit organisation whose goal is to work towards the standardisation of ESG data



independent performance driver. This gives them a real competitive advantage, allowing them to:

- Attract talent,
  - Reduce their costs (energy, water, use of chemicals, etc.)
  - Reduce their financing costs (e.g.: Issuance of green bonds, loans indexed to their ESG rating or to ESG objectives, etc.)
  - Route their capital expenditure towards sustainable assets that have a lower risk of becoming stranded assets
  - Specifically target their Research & Development efforts towards products that help solve major sustainability related challenges (e.g.: Health and wellbeing, energy efficiency, sustainable mobility...).
- **To exercise our fiduciary responsibility:** Aware that ESG issues impact corporate valuation in the medium to long term, it is our duty to our clients to consider them in the management of our funds. We are convinced that taking ESG into account is a potential performance factor that will generate sustainable performance for our clients over time.
  - **Promoting issuers' ESG best practices:** Our systematic engagement actions with the companies in which we are invested are a way of sending them signals about what we think is acceptable or not in terms of ESG practices. We find that engagement produces concrete behavioural changes on the ground.
  - **Intentionally generating positive social and/or environmental impacts**
    - \***ELEVA SUSTAINABLE IMPACT EUROPE\***: This fund invests in companies that contribute to one or more UN Sustainable Development Goals (SDGs) through the products and services they sell. These products and services in turn generate positive and concrete impacts in the real world, for example, in terms of energy savings, water, CO2 emissions reduction, access to healthcare... In addition, this fund has a Scale Up pocket in which we invest in small companies (< 1 billion € in market capitalization), that work on innovative products, in essence breakthroughs that aim to generate a systemic impact in case of success. We are prepared to support these companies over time and to help finance their liquidity needs if necessary. This fund is therefore intended to help finance a more equitable and more sustainable economy.

### 3.2. What internal and external means are used for ESG assessment of issuers forming the funds' investment universe?

The ESG assessment of issuers is primarily based on internal ESG research conducted by all members of the management team.



The internal resources are as follows:

- **ESG Team:** The ESG team consists of 3 people. 2 portfolio managers that oversee the management of the ELEVA Sustainable Impact Europe fund and responsible for the ESG Practice. They are supported by an ESG analyst, who is in charge of supporting the effort of rolling out the ESG strategy across all funds. This team actively participates in issuer ratings on ESG and quality control of all ratings produced by the other teams.
- **Other members of the management team:** The entire management team (5 portfolio managers and 4 analysts, in addition to the 3 members of the ESG team) was trained in ESG scoring. These analysts and portfolio managers oversee the ESG analysis and monitoring (ESG rating, voting, engagement) of issuers invested in their respective funds. They are supported on a daily basis with companies' ESG scoring and in their voting and engagement practices by the ESG team. This ensures that the entire team becomes more competent, and practices are harmonised.

This collective effort is enriched by many sources of data and information available to the teams:

- 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 these companies and site visits also allow us to refine our analyses.
- Information produced by non-governmental organisations (NGOs) such as:
  - The CDP (corporate ratings and responses) on topics of climate change, water and forest management.
  - The Access to Medicine Index allows us to measure the involvement of pharmaceutical companies in the accessibility of their products to the poorest populations.
  - 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:
  - Alignment with UN Global Compact
  - 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:
  - Establishing our exclusion lists
  - Monitoring controversies



- Access to raw data from companies that feed into our internal ESG analysis model.
- Reporting (carbon footprint, ESG impact indicators, etc.)

### 3.3. What ESG criteria are considered by the funds?

ELEVA Capital has developed a proprietary ESG analysis methodology based on the analysis of companies' relationships with all their stakeholders: shareholders, employees, suppliers, the planet and civil society (including its customers as well as the national governments and local communities in which they operate). This approach allows us to have a finer granularity by having the possibility to assign weights to a larger number of criteria.

Built according to the principles of double materiality, ELEVA Capital's extra financial analysis methodology captures both the impact of ESG risks and opportunities on the company (climate change, biodiversity decline, human resource scarcity, etc.) but also how the company impacts society and the planet (the company's impact on climate change, water resources, the health of its employees, etc.).

The criteria and sub criteria, with some examples of indicators, are listed below:

- **Shareholders:**
  - **Quality of the Management team:** *Management team's capital allocation history, compensation scheme, diversity of the executive committee, etc.*
  - **Quality of the Board of Directors:** *Board size, cognitive and gender diversity, Board independence...*
  - **Quality of shareholder relationship:** *Quality of external control, quality of communication and financial information, existence of anti-takeover mechanisms, etc.*
- **Employees:**
  - **Quality of human resources management:** *Job creation momentum, feminization, gender pay gap, presence of the HR function on the management committee...*
  - **Brand Quality Employer:** *Risk of a shortage of human resources, employee satisfaction, etc.*
  - **Talent retention:** *Training, employee turnover rate, employee shareholding*
  - **Occupational health and safety:** *safety and security (policy on accident prevention, history of accidents and risk management), absenteeism, OHSAS 18001/ISO 45001 certification...*



- **Suppliers:**
  - **Degree of risk in the supply chain:** *Supply chain complexity, exposure to controversial commodities...*
  - **Supply chain management and control:** *Quality of control exercised over suppliers, engagement on CSR topics, etc.*
  
- **Planet:**
  - **Climate change:** *Risks and policies related to climate change, targets on carbon emissions reduction, performance on GHG emissions and carbon intensity.*
  - **Energy Management:** *Commitments and targets to reduce energy consumption, change in energy consumption, performance on energy consumption, share of non-renewable energy consumption/production, etc.*
  - **Water management:** *Risks and policies, exposure to water stress, commitment to and targets for water consumption, changes in water consumption, etc.*
  - **Biodiversity and other:** *Risks and policies, commitments and targets for protecting biodiversity and/or waste management, changes in waste production, etc.*
  - **Product environmental impact:** *Share of revenue aligned with the Taxonomy, product life cycle management, exposure to fossil fuels, eco-design, circular economy etc.*
  
- **Civil Society:**
  - **Client relations:** *Customer satisfaction, product quality, data protection, cyber risk...*
  - **Relationship with national governments:** *Fiscal behaviour, business ethics, process to monitor the compliance with UN Global Compact principles.*
  - **Relations with local communities:** *Philanthropic approach...*

These criteria and the weight of each are differentiated by sector. This makes it possible to focus the analysis on a limited number of indicators, that are considered the most material for each sector. We thus avoid “the noise” that too many irrelevant indicators can create and leading to good score dispersion. The weighting scheme will be detailed in section 3.5.

All these criteria are analysed internally by all analysts and managers. Which make it possible to determine a score on a scale of 0 to 100. A penalty of up to -20 points can be applied to this score depending on the existence and severity of controversies surrounding the company. The analysis, ratings and conclusions are based on the qualitative contribution of the management team, whose internal rating model is powered by raw data from several sources (including



those of MSCI ESG Research), the information published by companies in their annual reports and the dialogue we maintain with them. The methodology is unique for all Equity funds.

To ensure intuitive reading of the ELEVA scores, the 5 pillars are broken down according to the three main pillars of extra financial criteria, E, S and G, as follows:



### 3.4. Which principles and criteria related to climate change are considered by the funds?

We are aware that climate change poses risks to the companies in which we invest but also that these companies have an impact, through their operations, on climate change. That is why we apply the principle of double materiality when considering climate change.

Criteria related to climate change (see below) are systematically analysed for each company, regardless of its sector. Based on the Materiality principle, our weighting scheme allocates varying weights to different criteria across sectors. These climate criteria may have different weights depending on the sector of ownership of the analysed firm. Nevertheless, it never assigns a 0% weighting to climate change related criteria, unlike other topics that are only analysed and rated for certain sectors. This is consistent with the urgency of this topic and our belief that any company, regardless of sector or size can (and must) contribute to the fight against climate change.

Within the Planet pillar, the Climate Change criterion specifically addresses 1) the risk that climate change poses to a company (physical and transition risks), 2) the impact the company can have on climate change (changes in its CO2 emissions) and the efforts it makes to reduce them (targets). The Environmental Impact of Products criterion addresses the topic of opportunities related to climate change, identifying companies that provide solutions through the products and services they sell. It also helps to identify companies whose products and services have negative environmental impacts (including the worsening of global warming).

- **Climate change risks:** Climate change puts companies at two types of risk. When these risks materialize, they can have financial consequences that are likely to affect the value of the assets and the company in which we invest:
  - **Physical risks:** They arise from extreme weather conditions such as rising temperatures, rising water levels, the occurrence of hurricanes... They can have significant financial consequences (destruction of assets, business stoppages, etc.) and result in revenue losses, cost increases (for example, the cost of insurance, agricultural commodities, etc.) and impairment losses on certain tangible assets (for example, factories located in flood zones, destruction of infrastructure, etc.).



- **Transition risks:** The implementation of increasingly ambitious climate policies, the transition to a low carbon economy and consumers' willingness to reorient their consumption habits can result in more stringent regulation and technological changes that can weaken companies/sectors with high CO2 emissions. This can lead to the introduction of a carbon price that can add to the costs of these companies and/or make certain assets (stranded assets) obsolete or unusable.
  - **Company impact on climate change through its operations:** We analyse the company's past CO2 emissions, its carbon intensity, and the evolution of these indicators over time. We also analyse the commitments and objectives it has set itself and the means it intends to implement to achieve these objectives. The actions taken by the company may result in additional costs or additional investments but, most often, in lower costs (e.g. lower energy costs if the company seeks to reduce its electricity consumption).
  - **Product environmental impact:** We analyse the nature of the products and their impact. For products with a positive impact, this criterion will be based on the European taxonomy. These products can contribute to the company's revenue growth and represent significant business opportunities, given the transition to a low carbon economy. On the other hand, a company that sells products with a negative environmental impact is exposed to lower demand for its products, because of changing consumption habits.
- \*ELEVA SUSTAINABLE IMPACT EUROPE\*:** In particular, this fund invests in companies that make a positive contribution to one or more UN SDGs (Sustainable Development Goals), through the products and services they sell. Two of them (SDG 7: Clean and Affordable Energy and SDG 13: Combating climate change) are directly linked to climate issues. The Impact screening filter (see investment process at 4.1.) leads to the selection of companies that generate more than 20% of their net revenue with products and services that provide solutions to the SDGs. For this fund, climate issues are therefore also integrated into stock selection.

All these criteria are taken into account in issuers' ESG rating which is conducted systematically for our SRI funds. In addition, as these risks and opportunities are likely to impact the value of companies - the transmission channel being through their turnover, costs, or capital expenditures - we consider them in the financial forecasts whenever they are material.

### 3.5. What is the ESG analysis and evaluation methodology (construction, assessment scale, etc.)?

Our responsible investment approach is based on 4 courses of action: analyse, select, engage and vote:



- **Analyse:** Each firm considered for investment in SRI and SRI & Impact funds is analysed based on ESG criteria. ELEVA Capital has developed a proprietary analysis methodology that aims to assess a company's behaviour towards its key stakeholders (see section 3.3). This analysis materialises in an ESG score from 0 to 100. It is conducted using information published by companies but also using raw data collected by our extra financial data provider (to date: MSCI) as well as other data sources (see § 3.2). It can be supplemented by an interview dedicated to ESG issues or by exchanging emails directly with companies.

ELEVA Capital's proprietary ESG analysis methodology was developed in 2020. It is based on major international standards (e.g. SASB's materiality Map®) and the findings of many academic studies that have tested over the years the relevance of a number of ESG criteria and their correlation with corporate financial performance. This methodology is intended to be modern and evolutionary. It will be reviewed at least annually.

- **Choosing ESG:** See section 3.3
- **Criteria weighting:** Our weighting scheme is largely based on the double materiality principles and in particular on SASB's Materiality Map®. Thus, for each of the eleven sectors weights have been defined with regards to the 5 pillars (Shareholders, Employees, Suppliers, Civil Society and Planet), as well as for each of the sub pillars. This allows:
  - A fine granularity by sector
  - A focus on analytical work on the most material topics
  - The elimination of noise/signal dilution that may result from considering too many criteria (non-material criteria for a given sector have a weighting of 0)

	1. Consumer goods	2. Extractives & minerals/processing	3. Financials	4. Food & Beverage & Chemicals	5. Healthcare	6. Infrastructure	7. Renew. resources & electricity	8. Auto, Cap. Goods	9. Services	10. Technology	11. Transportation
E	32%	42%	10%	45%	12%	37%	38%	30%	10%	18%	27%
S	30%	27%	43%	21%	43%	27%	25%	31%	57%	50%	44%
G	38%	32%	48%	34%	46%	37%	37%	40%	33%	31%	29%
<b>SHAREHOLDERS</b>	<b>30%</b>	<b>25%</b>	<b>35%</b>	<b>25%</b>	<b>30%</b>	<b>30%</b>	<b>30%</b>	<b>30%</b>	<b>30%</b>	<b>25%</b>	<b>25%</b>
1. Quality of the management team	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
2. Quality of the board	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
3. Quality of the relationship with shareholders	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
<b>EMPLOYEES</b>	<b>20%</b>	<b>20%</b>	<b>30%</b>	<b>10%</b>	<b>20%</b>	<b>20%</b>	<b>15%</b>	<b>15%</b>	<b>55%</b>	<b>40%</b>	<b>40%</b>
1. Quality of HR management	20%	30%	30%	20%	10%	35%	30%	10%	20%	20%	20%
2. Employer brand equity	25%	0%	20%	0%	30%	0%	0%	20%	30%	30%	5%
3. Employees retention	55%	0%	50%	40%	30%	20%	30%	20%	40%	40%	15%
4. Safety and security	0%	70%	0%	40%	30%	45%	40%	50%	10%	10%	60%
<b>SUPPLIERS</b>	<b>20%</b>	<b>5%</b>	<b>0%</b>	<b>15%</b>	<b>5%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>0%</b>	<b>10%</b>	<b>5%</b>
1. Level of risk in the supply chain	50%	0%	50%	50%	50%	100%	60%	60%	50%	60%	50%
2. Supply chain risk management and control	50%	100%	50%	50%	50%	0%	40%	40%	50%	40%	50%
<b>CIVIL SOCIETY</b>	<b>5%</b>	<b>10%</b>	<b>25%</b>	<b>10%</b>	<b>35%</b>	<b>10%</b>	<b>10%</b>	<b>15%</b>	<b>10%</b>	<b>10%</b>	<b>5%</b>
1. Clients	70%	0%	50%	60%	50%	50%	35%	60%	60%	60%	50%
2. States	30%	50%	50%	40%	40%	50%	35%	30%	30%	30%	50%
3. Local communities	0%	50%	0%	0%	10%	0%	30%	10%	10%	10%	0%
<b>PLANET</b>	<b>25%</b>	<b>40%</b>	<b>10%</b>	<b>40%</b>	<b>10%</b>	<b>35%</b>	<b>35%</b>	<b>25%</b>	<b>10%</b>	<b>15%</b>	<b>25%</b>
1. Climate change	10%	25%	50%	25%	50%	35%	15%	25%	50%	30%	30%
2. Energy management	30%	10%	0%	25%	50%	35%	25%	30%	50%	50%	30%
3. Water	30%	20%	0%	25%	0%	10%	30%	0%	0%	0%	0%
4. Biodiversity and others	0%	20%	0%	10%	0%	0%	0%	15%	0%	0%	20%
5. Environmental impact of products	30%	25%	50%	15%	0%	20%	20%	30%	0%	20%	20%



Moreover, the weighting scheme is constructed in such a way that performance, especially on social and environmental criteria, is much more valued than intentions (commitments and objectives of companies), which in turn are better rewarded than the mere presence of a policy (climate policy, water, etc.). This allows us to avoid transparency bias, often associated with ESG data providers and sometimes leads to greenwashing being wrongfully valued. It also allows us to have both a backward looking and a forward-looking approach, with past achievements giving credibility (or, on the contrary, questioning) to the objectives set.

- **Allocation of points:** For each sub criterion, a set of questions/indicators is proposed to arrive at the rating of the sub criterion. A scale is proposed to harmonise how to rate. Thus, each item that is to be rated has an adapted scale, guidelines (to which practices or values corresponds the minimum score/maximum score/average score...) and examples of good/bad practices.
- **Addressing controversies:** A malus can be applied to the final ESG score depending on the existence and severity of controversies. These are analysed using research from MSCI. The controversy malus ranges from 0 (no controversies or few low severity controversies) to -20 (existence of extremely serious controversies, including violations of the principles of the United Nations Global Compact).
- **Summary:** ESG analysis takes the form of an Excel file with a pillar tab that details the criteria, and sub criteria, and the responses made by managers with analysts for each of them as well as the ratings assigned for each of the sub criteria. The salient points (positive and negative) of each pillar are reflected in a Synthesis tab where a general conclusion is drafted.
- **Quality control:** All analysts and managers have been trained in corporate ESG rating. Nevertheless, in the learning and ramp up phase, the ESG team ensures quality control of all ESG analyses and ratings performed. This allows for harmonisation of practices.
- **Archiving:** All ESG analyses are individually archived in a proprietary database. This database centralizes the information, which is then used by the Risk team to carry out compliance checks.
- **Select:** SRI and SRI & Impact funds incorporate binding ESG filters into their management process.
  - **Exclusion:** Eleva Capital has an exclusion policy applicable to all funds and, for the ELEVA Sustainable Impact Europe fund, an augmented exclusion policy. Exclusion lists, unless otherwise stated, are MSCI sourced.
    - **For all funds:**
      - ❖ **Normative exclusions:** 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.

❖ **Sector exclusions:**

- **Unconventional weapons** (i.e.: Controversial weapons): In accordance with the Oslo Accords and Ottawa Treaty, all companies involved in the manufacture, distribution, sale and storage of anti-personnel mines and cluster bombs, as well as chemical, biological and depleted uranium weapons, are excluded from our funds. The threshold is set at 0% of revenue.
- **Tobacco:** Companies that generate more than 5% of their turnover in the tobacco sector are excluded.
- **Nuclear weapons:** Companies that generate more than 5% of their revenue in the field of nuclear weapons are excluded.
- **Thermal coal:** Eleva Capital has a coal policy that addresses coal and coal-based power generation, combines strict exclusion and engagement with companies, and is scalable over time (a minimum review annually). For 2021, the thresholds are as follows:
  1. **Thermal coal production** (mining, distribution): Excluded are companies that have programmes to expand their production capacity (source: Urgewald), produce more than 20 million tonnes of thermal coal and/or generate more than 8% of their revenue with this ore.
  2. **Thermal coal fired power generation:** Excluded are companies that have programmes to expand their production capacity (source: Urgewald), that have installed capacity of coal fired power plants more than 8 GW and/or that generate more than 30% of their revenue through the sale of electricity from thermal coal.  
If applicable, invested companies with residual exposure to thermal coal (below the threshold) are closely engaged.

- **For the fund \*ELEVA SUSTAINABLE IMPACT EUROPE\*:** This fund applies the previous exclusion policy and has in addition, its own exclusion policy, which is more demanding:

❖ **Normative exclusions:** the companies that have violated ILO (International Labour Organisation) Conventions, or one of the UN guiding principles on Business and Human Rights, from the UN Global Compact principles, or of the OECD Guidelines for Multinational Enterprises are excluded.



❖ **Sector exclusions:** companies that generate more than 5% of their revenue in one of the following industries are excluded:

– **Fossil fuels**

1. *Thermal Coal:* companies involved in the exploration, mining, extraction, transportation, distribution or refining of thermal coal or providing dedicated equipment or services to this sector. ELEVA Capital's coal policy also applies to this fund when it is more demanding than the 5% threshold of revenue. Companies with a residual exposure (i.e. >0% and <5%) to the above activities are also excluded if their absolute production of or capacity for thermal coal-related products/services are increasing.
2. *Oil and gas* (conventional and unconventional, the latter including tar/oil sand, shale oil, shale gas and Arctic drilling): companies involved in the exploration or extraction of oil&gas or providing dedicated equipment or services to this sector. Companies with a residual exposure (i.e. >0% and <5%) to unconventional oil&gas are also excluded if their absolute production of or capacity for unconventional oil&gas related products/services are increasing.
3. *Power generation:* companies involved in the generation of power/heat from non-renewable sources (i.e. from oil, natural gas, coal or nuclear power...) or providing dedicated equipment or services to this sector. Companies with a residual exposure (i.e. >0% and <5%) to coal or nuclear based energy are also excluded if a) their absolute production of or capacity for coal or nuclear based energy related products/services are structurally increasing, and/or b) their absolute production of or capacity for contributing products / services (e.g. renewable energies) are not increasing, and/or c) they do not have a target set at well-below 2°C or 1.5°C, or do not have a 'Business Ambition for 1.5°C' commitment with the Science Based Target initiative.

These exclusions enable the fund to comply with the criteria of the Towards Sustainability label in Belgium (QS standards).

- **Tobacco** (production and distribution)
- **Alcohol** (production and distribution)
- **Weapons** in the broad sense including:
  1. Companies related to cluster munitions, anti-personnel landmines, biological/chemical



weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons (including those containing white phosphorous) and/or non detectable fragments. This exclusion applies with a revenue threshold above 0%, in accordance with the Ottawa and Oslo conventions.

2. Companies manufacturing weapons systems, components, and related services.
3. Manufacturing and retailing of firearms and civilian ammunition.
4. Production of nuclear weapons. This exclusion applies with a revenue threshold above 0%.

- **Adult Entertainment**
- **Gambling.**

As mentioned above, exclusion lists are sourced from MSCI. For ELEVA Sustainable Impact Europe we also conduct a thorough analysis of products and services sold by the companies prior to the investment, as part of the Impact Assessment (see section 4.2). This plays a role of “safety net” in the application of the exclusion policy.

○ **Minimum ESG rating:**

**\*ELEVA EUROLAND SELECTION\***, **\*ELEVA EUROPEAN SELECTION\*** and **\*ELEVA LEADERS S&MID CAP EUROPE\***: These funds have a minimum ESG score of 40/100 (ESG score greater than or equal to 40/100). Moreover, in accordance with the specifications of the French SRI label, these funds are committed to have a significantly higher (i.e better) average ESG score than the average ESG score of their respective initial investment universe. The weighted average ESG score of each fund may in no way be lower than the ESG score of their initial investment universe after eliminating the 20% of the worst stocks.

Regarding ESG selectivity, these funds implement two approaches:

- Best in Universe, which consists of prioritising the highest rated companies from an ESG perspective, regardless of their industry. By selecting companies with good ESG practices, which result in good ESG ratings, we intend to give preference to companies that have good risk management.
- Best Effort, which consists of investing in companies that demonstrate an improvement (or good prospects) in their ESG practises or performance over time. By investing in these stocks, we intend to support these companies in their progression momentum on ESG issues through a tighter commitment and thus capture the performance attached to this improvement.

**\*ELEVA SUSTAINABLE IMPACT EUROPE\***: This fund has established a minimum ESG score such that the rate of reduction of the universe by



applying the exclusions and minimum ESG score filters is at least 25% in accordance with the requirements of the French SRI label and the Belgian label *Towards Sustainability*.

For this fund, the minimum ESG score has been set at 60/100 (ESG score greater than or equal to 60/100). If, at any given time, the 60/100 threshold is not sufficient to ensure a 25% reduction in the initial investment universe, this minimum ESG score will be revised upwards. With respect to ESG selectivity, this fund implements a *Best in Universe* approach, which consists of giving preference to the highest rated companies from an ESG perspective, regardless of their sector of activity. By selecting companies with good ESG practices, which results in good ESG ratings, we intend to give preference to companies that have good risk management.

- **Impact:** This filter only concerns the fund **\*ELEVA SUSTAINABLE IMPACT EUROPE\***. This fund has an impact filter that aims to select only companies whose products and services provide solutions to the SDGs.
- **Engaging:** Establishing a constructive dialogue on ESG issues with companies in which we are shareholders is an integral part of our investor responsibility. We are convinced that companies that make progress on ESG topics, because they improve their risk management, become more attractive employers, are more resource efficient and are more attractive to their consumers, thus giving themselves the means to improve their financial performance. They also become investable for an increasing number of investors. Our engagement efforts are twofold and are set to intensify over time:
  - **Individual engagement:** ESG analysis conducted internally allows us to properly identify each company's ESG strengths and weaknesses. This is the starting point for a focused and relevant engagement. Thus, after each analysis, we share with companies. lines of engagement, usually two or three, in which we encourage them to progress. These are concrete actions, focusing on material issues for the company, which we can monitor over time. There are many opportunities to engage with companies in which we are shareholders throughout the year. We take advantage of these meetings to remind managers and investor relations team of the areas of engagement that we have submitted to them and on which we expect improvements. Updating the ESG analysis, which takes place approximately every two years when we are still shareholders of the company, helps to verify whether the engagement has borne fruit.
  - **Collective engagement:** This is an escalation measure, when we do not see enough progress on ESG topics that seem critical to us. Partnering with other shareholders often gives more weight to discussions. These collective engagement actions may be at the initiative of ELEVA Capital or other asset managers that we decide to join when their engagement proposals seem relevant to us.
- **Voting:** Voting at general meetings is also an integral part of our responsibility as investors. This is a unique opportunity to send signals about what we think is



acceptable or not in ESG, and more specifically in governance. Also, ELEVA Capital commits to systematically vote at all general meetings of all companies invested across all its funds. Our voting policy is available on our website under *Responsible Investment*. We pay particular attention to resolutions that address social and environmental topics and do not hesitate to support them whenever they seem relevant to us. To support companies towards better practices, we engage with some of them before general meetings or after the vote to inform them of the reasons for our votes against. Our votes are instructed via the ISS platform, which also makes available its analyses on resolutions presented at general meetings.

### 3.6. How often is the ESG assessment of issuers reviewed? How are controversies managed?

- **Issuer ESG Assessment Update:** ESG analysis is updated approximately every two years for companies that are still in portfolios. Nevertheless, several events may lead to an update of the ESG analysis and rating at a shorter time, such as:
  - **Controversies:** The occurrence of a controversy that justifies the application of a larger malus or, on the contrary, the extinction of a controversy that justifies the reduction or suppression of the malus.
  - **Change in management team.**
  - **Presentation of a new ESG roadmap by the company.**

Although we do not use our extra financial data provider's ESG ratings for companies in SRI and SRI & Impact funds, we nevertheless receive alerts about rating changes made by this provider. This allows us to alert ourselves to any need to update our ESG ratings.

- **Managing controversies:** The analysis of controversies is conducted based on the research of MSCI and/or RepRisk.
  - **When rating ESG:** Controversies are analysed through MSCI Research. As explained in sections 3.3. and 3.5., the existence of controversies results in the application of a malus that can impact the ESG score (which ranges from 0 to 100) by a maximum of -20 points. The malus is calculated based on the severity level provided by MSCI (green, yellow, orange, red). It can be adjusted in rare cases, particularly if close engagement is underway with the company on the topic of the controversies or if the company has already implemented the necessary improvements.
  - **During the life of an investment:** The occurrence of a controversy and in particular whether it is serious enough to change the firm from category (e.g. from yellow to orange category) will result in the modification of the controversy malus. Alerts are in place with MSCI in order to be promptly informed of the occurrence of new controversies and any categorical changes. If this lowers the ESG rating below the required minimum threshold, the value will be divested, within three months, in the best interests of the holders.



## 4. Management process

### 4.1. How are ESG research results considered in portfolio construction?

All ELEVA Capital's long only equity funds incorporate ESG criteria and all stocks held in these portfolios (including long positions for the ELEVA Absolute Return fund) are rated on ESG criteria, according to the proprietary methodology of ELEVA Capital.

#### **\*ELEVA EUROLAND SELECTION\***

The investment process of this fund has 2 binding ESG filters that intervene upstream of the financial filters and help reduce the size of the initial investment universe.

The initial universe of the fund is composed of companies fulfilling the following criteria:

- Listed mainly in the Eurozone,
- With sufficient liquidity (to date: 2 million euros daily turnover)
- Having an ESG rating (source ELEVA Capital, or by default MSCI)
- With a market capitalisation of at least 5 billion euros or where the market capitalisation is less than 5 billion euros, the need to meet the following 2 criteria: High revenue growth and strong balance sheet

ESG filters are twofold:

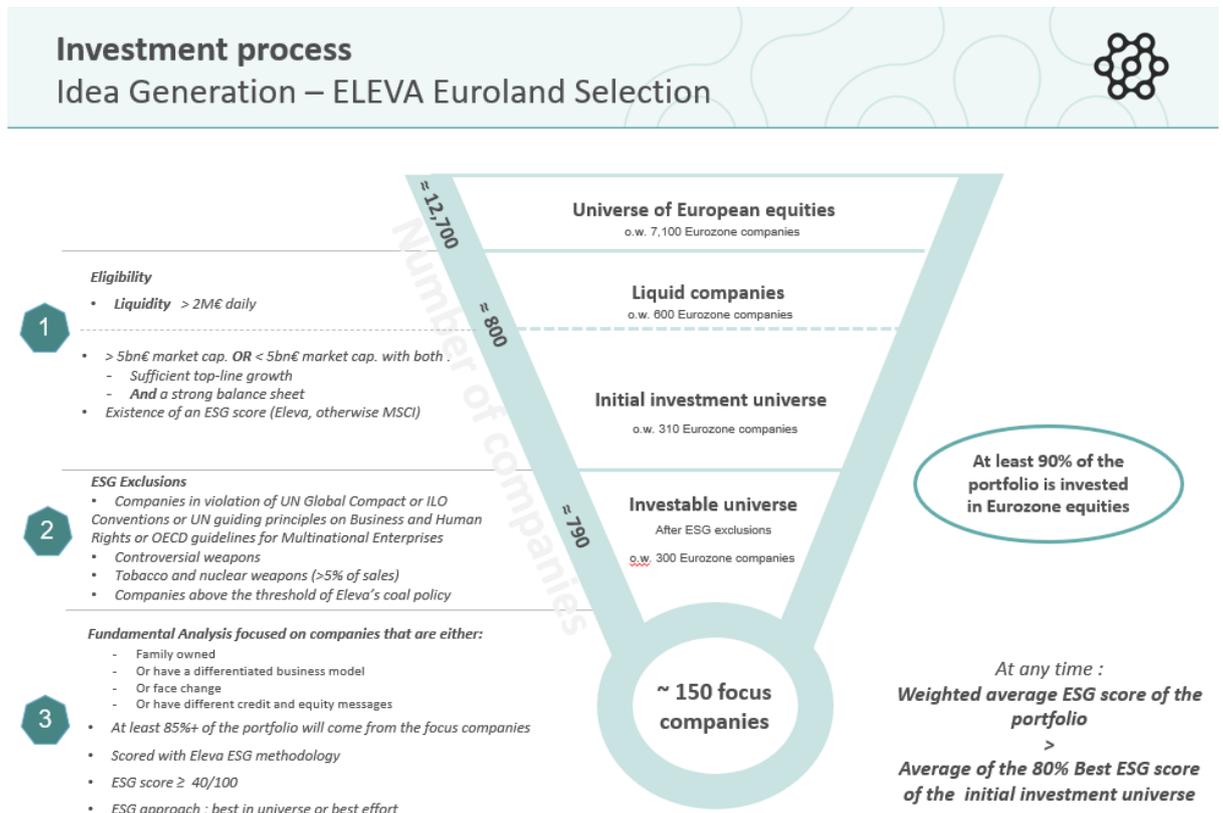
- **Exclusions:** The fund implements normative and sectoral exclusions, the full list of which is in section 3.5.
- **ESG Selection:** This step is crucial in stock selection and portfolio construction. Each company is analysed internally on ESG criteria and according to the ELEVA methodology (presented in sections 3.4. and 3.5). At all times, at least 90% of the fund (excluding cash) must be rated by ESG criteria, which means that the ESG rating must, in the vast majority of cases, be realized prior to investment. Notably, the 10% tolerance can be used to participate in IPOs or to invest in other funds. The management team has a maximum of one month to rate companies that were not rated prior to the investment. For a stock to be investable for this fund, it must have an ESG score greater than or equal to 40/100. In addition, and in accordance with the specifications of the French SRI label, the fund reduces its investment universe through the following methodology: The average ESG rating of the portfolio must be significantly higher (i.e. better) than the average ESG rating of the initial investment universe. The weighted average ESG rating of the portfolio may in no way be lower than the ESG rating of the fund's initial investment universe after eliminating the 20% of the worst stocks.

The fund is also committed to respecting two binding ESG criteria that influence portfolio construction. These indicators are listed and described in section 6.2. At this point in time, the fund has not committed to a minimum percentage of sustainable investment or to a minimum



percentage of investments aligned with the European Union taxonomy. The asset allocation presented as required by the SFDR regulation can be consulted in the fund's pre-contractual disclosure, which are included in the prospectus available on the ELEVA Capital website: <https://www.elevacapital.com/en>.

The investment process of the ELEVA Euroland Selection fund can be summarised as follows:



### \*ELEVA EUROPEAN SELECTION\*

The investment process of this fund has 2 binding ESG filters that intervene upstream of the financial filters and help reduce the size of the initial investment universe.

The initial universe of the fund is composed of companies fulfilling the following criteria:

- Listed in Europe,
- With sufficient liquidity (to date: 2 million euros exchanged per day)
- Having an ESG rating (source ELEVA Capital, or failing MSCI)
- With a market capitalisation of at least 5 billion euros or where the market capitalisation is less than 5 billion euros, the need to meet the following 2 criteria: High revenue growth and strong balance sheet

ESG filters are twofold:

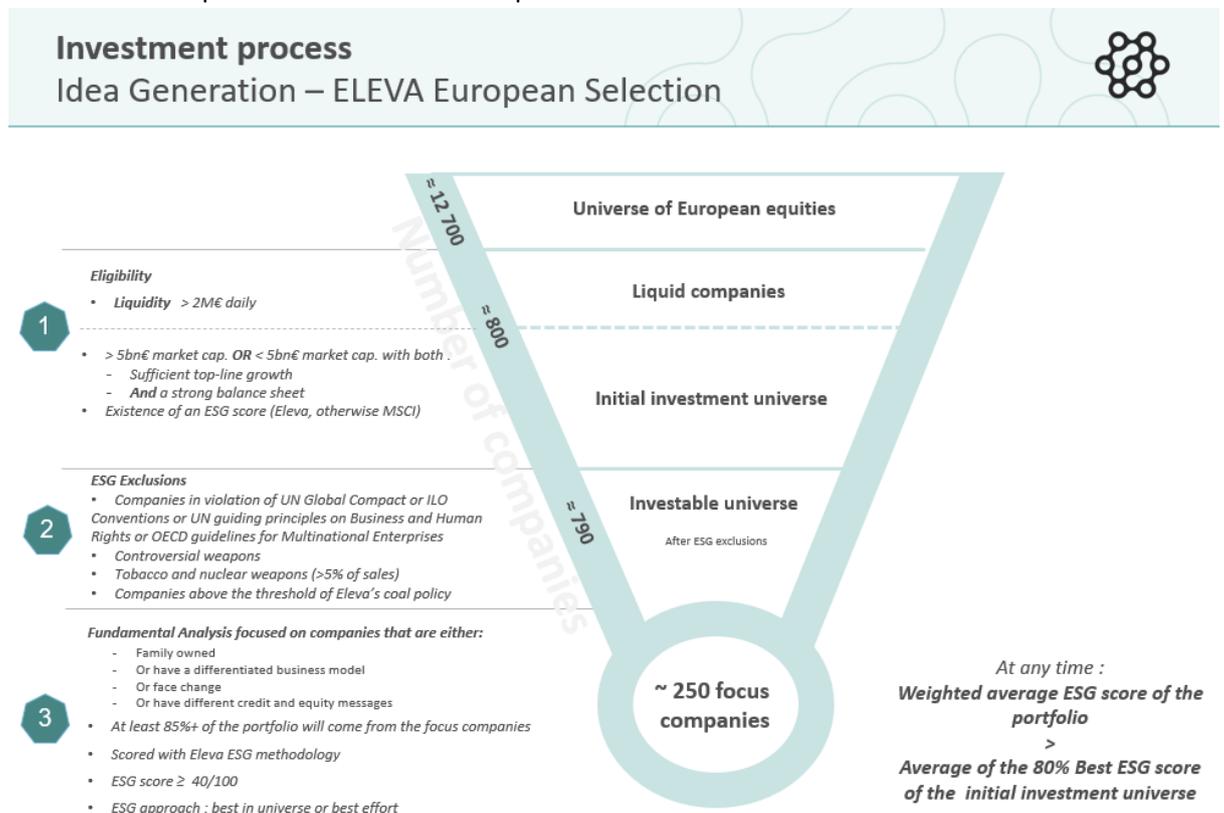
- **Exclusions:** The fund implements normative and sectoral exclusions, the full list of which is in section 3.5.



- ESG Selection:** This step is crucial in stock selection and portfolio construction. Each company is analysed internally on ESG criteria and according to the ELEVA methodology (presented in sections 3.4. and 3.5). At all times, at least 90% of the fund (excluding cash) must be rated on ESG criteria, which means that the ESG score must, in the vast majority of cases, be realized prior to investment. Notably, the 10% tolerance can be used to participate in IPOs or to invest in other funds. The management team has a maximum of one month to rate companies that were not rated prior to the investment. For a stock to be investable for this fund, it must have an ESG score greater than or equal to 40/100. In addition, and in accordance with the specifications of the French SRI label, the fund reduces its investment universe through the following methodology: The average ESG score of the portfolio must be significantly higher (i.e. better) than the average ESG rating of the initial investment universe. The weighted average ESG rating of the portfolio may in no way be lower than the ESG rating of the fund's initial investment universe after eliminating the 20% of the worst stocks.

The fund is also committed to respecting two binding ESG criteria that influence portfolio construction. These indicators are listed and described in section 6.2. At this point in time, the fund has not committed to a minimum percentage of sustainable investment or to a minimum percentage of investments aligned with the European Union taxonomy. The asset allocation presented as required by the SFDR regulation can be consulted in the fund's pre-contractual disclosure, which is included in the prospectus available on the ELEVA Capital website: <https://www.elevacapital.com/en>.

The investment process of the ELEVA European Selection fund can be summarised as follows:



### \*ELEVA LEADERS S&MID CAP EUROPE\*

The investment process of this fund has 2 binding ESG filters that intervene upstream of the financial filters and help reduce the size of the initial investment universe.

The initial universe of the fund is composed of companies fulfilling the following criteria:

- European companies predominantly small and mid cap (at least 90% of the universe),
- Market Leaders
- With sufficient liquidity (to date: 1 million euros exchanged per day)
- Having an ESG rating (source ELEVA Capital, or failing MSCI), for at least 80% of the universe

ESG filters are twofold:

- **Exclusions:** The fund implements normative and sectoral exclusions, the full list of which is in section 3.5.
- **ESG Selection:** This step is crucial in stock selection and portfolio construction. Each company is analysed internally on ESG criteria and according to the ELEVA methodology (presented in sections 3.4. and 3.5). At all times, at least 90% of the fund (excluding cash) must be rated on ESG criteria, which means that the ESG rating must, in the vast majority of cases, be realized prior to investment. Notably, the 10% tolerance can be used to participate in IPOs or to invest in other funds. The management team has a maximum of one month to rate companies that would not have been rated prior to the investment. For a stock to be investable for this fund, it must have an ESG score greater than or equal to 40/100. In addition, and in accordance with the specifications of the French SRI label, the fund reduces its investment universe through the following methodology: The average ESG rating of the portfolio must be significantly higher (i.e. better) than the average ESG rating of the initial investment universe. The weighted average ESG rating of the portfolio may in no way be lower than the ESG rating of the fund's initial investment universe after eliminating the 20% of the worst stocks.

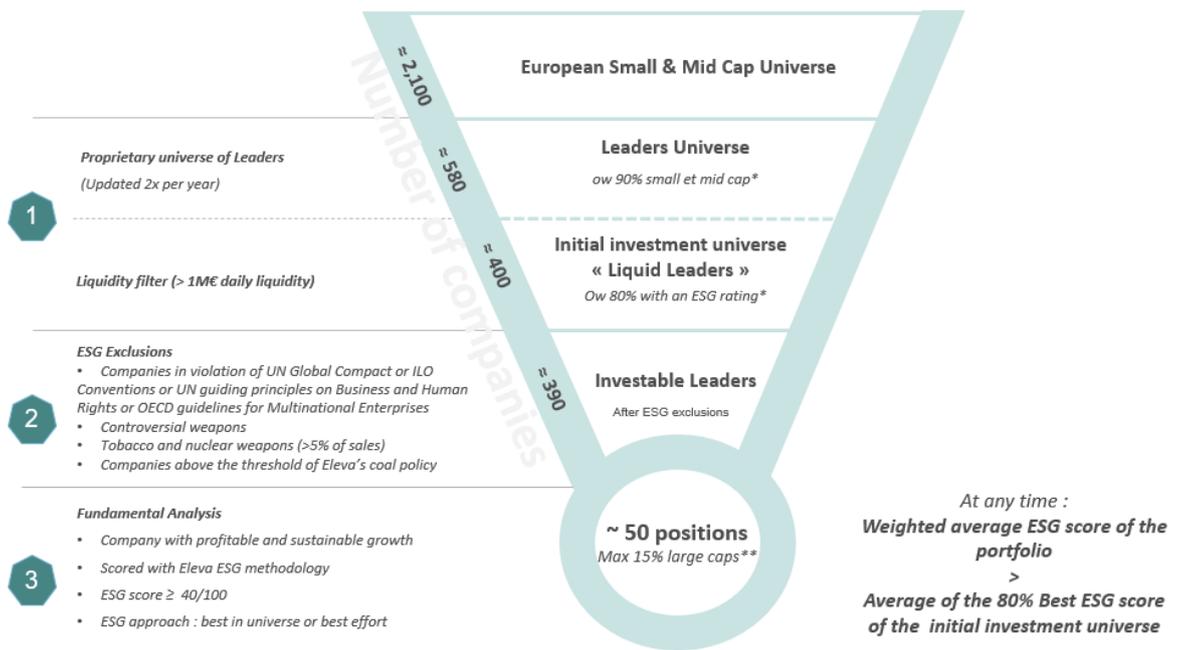
The fund is also committed to respecting two binding ESG criteria that influence portfolio construction. These indicators are listed and described in section 6.2. At this point in time, the fund has not committed to a minimum percentage of sustainable investment or to a minimum percentage of investments aligned with the European Union taxonomy. The asset allocation presented as required by the SFDR regulation can be consulted in the fund's pre-contractual disclosure, which is included in the prospectus available on the ELEVA Capital website: <https://www.elevacapital.com/en>.

The investment process of the ELEVA Leaders Small & Mid Cap Europe fund can be summarised as follows:



## Investment process

### Idea Generation – ELEVA Leaders Small & Mid Cap Europe



\* Source of ESG rating: ELEVA Capital, otherwise MSCI

\*\* Large Cap Leaders: European Leader companies that are not belonging to Stoxx Europe TM Mid / Small Index or companies above €15.4 bn market cap

### \*ELEVA SUSTAINABLE IMPACT EUROPE\*

The investment process of this fund has 3 binding ESG filters that intervene upstream of the financial filters and help reduce the size of the initial investment universe. The initial universe of the fund is composed of listed companies that have their registered office in Europe (European Economic Area, United Kingdom and Switzerland) and have an ESG rating (source ELEVA Capital, or failing MSCI).

- **Step 1: Exclusions.** The fund excludes from its investable universe activities that have a very negative social or environmental impact (sector exclusions) and/or companies that have violated the principles of the main international conventions (normative exclusions). The full list of excluded sectors/activities is given under 3.5. It complies with the requirements of the Belgian label *Towards Sustainability*.
- **Step 2: ESG Selection.** This step is crucial in stock selection and portfolio construction. Each company is analysed internally on ESG criteria and according to the ELEVA methodology (presented in sections 3.4. and 3.5) before any investment. For a stock to be investable for this fund, it must have an ESG score greater than or equal to 60/100. Applying steps 1 and 2 must lead to a universe reduction of at least 25%. Also, if at any time the 60/100 threshold is no longer sufficient to ensure a reduction of at least 25%, it will be increased accordingly. The universe reduction methodology applied by the fund therefore consists of a reduction of at least 25% of its ESG investable universe compared to the fund's initial investment universe (i.e. elimination of at least 25% of the worst scores).



- **Step 3: Impact.** The ELEVA Sustainable Impact Europe fund invests only in companies whose products or services are deemed to make a positive contribution to social and/or environmental issues. To define these topics, we use a proprietary methodology based on the UN Sustainable Development Goals (SDGs).

ELEVA's proprietary Impact methodology is based on our interpretation of the 17 SDGs and their 169 targets, and how they can apply to corporate activities. It was inspired by numerous UN led publications (including the Global Compact) for companies and investors. It also includes the Taxonomy produced by the SDI Asset owner platform. Considering these different sources, we selected 15 of the 17 SDGs (all except SDG 10 - Reduced Inequalities and 17 - Partnerships for achieving the Goals) in which we believe companies can contribute, through the products and services they market.

The infographic below gives some examples of activities for each SDG:

### Protect the Planet



#### Climate Actions



Solutions to adapt to climate change, low carbon products, renewable energy...

#### Water & natural resources



Access to clean water, water treatment, sustainable forestry...

#### Green cities



Affordable housing, sustainable transportation, waste management...

---

### Promote prosperity



#### Social Inclusion



Essential and affordable products, access to financial services...

#### Health & Well being



Drugs, health insurance, medical devices, road safety equipment...

#### Tech for good



Sustainable infrastructure, tools to improve public institution efficiency, fight against cyber criminality...

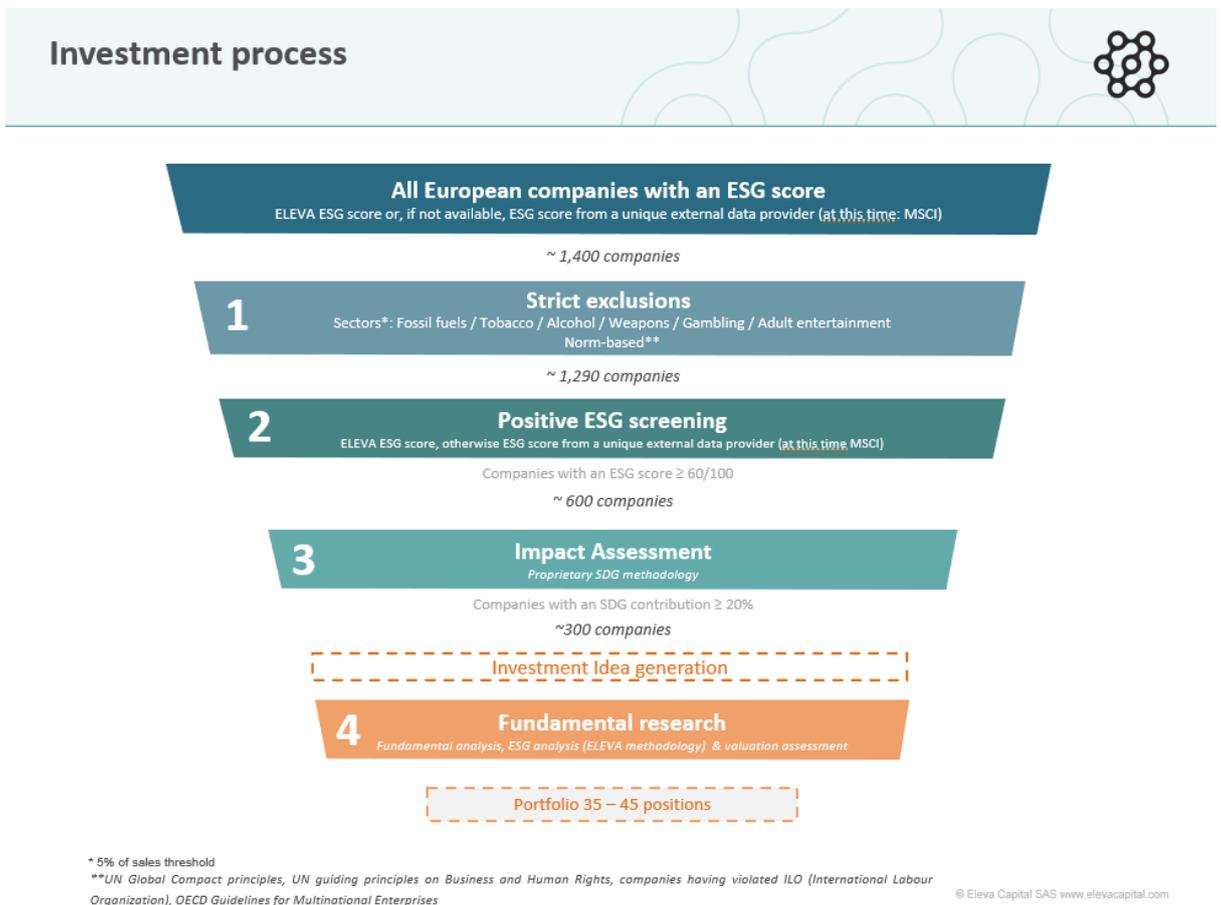
The positive contribution of each company is measured by calculating the proportion of revenue generated with products or services that contribute positively to one or more UN SDGs. To be eligible for the portfolio, a company must generate at least 20% of its revenue from this type of products or services. This is a net turnover threshold; thus, we deduct from this percentage the portion of turnover possibly achieved with products with essentially negative impacts. This indicator is expressed as a percentage and corresponds directly to the percentage of net sales, calculated as mentioned above. At the portfolio level, the minimum revenue alignment with the SDGs has to be above 40% (weighted average).

The fund is also committed to respecting two binding ESG criteria that influence portfolio construction. These indicators are listed and described in section 6.2. As an Article 9 fund (SFDR), the fund has also committed to a minimum of 80% sustainable investment (with a minimum of 30% sustainable investment with an environmental



objective and a minimum of 30% sustainable investment with a social objective, the sum of the two always being greater than or equal to 80%). The remaining 20% (maximum) may only be invested in cash. The definition of a sustainable investment is detailed in section 2.3. At this stage, the fund has not committed to a minimum percentage of investments aligned with the European taxonomy. The asset allocation presented as required by the SFDR regulation can be consulted in the fund's pre-contractual disclosure, which is included in the prospectus available on the ELEVA Capital website: <https://www.elevacapital.com/en>.

The investment process of the ELEVA Sustainable Impact Europe fund can be summarised as follows:



## 4.2. How are climate change criteria considered in portfolio construction?

- **Through the ESG score:** Climate change is a criterion in its own within the Planet pillar which, as discussed above, never has a 0% weighting, regardless of the sector. It is therefore systematically analysed and taken into account in the ESG score which is itself systematically taken into account in the management of our SRI and SRI & Impact funds, as well as in the Long book of the ELEVA Absolute Return Europe fund. The weight of the environmental criterion ranges from 5% (e.g. for service companies) to 40% (e.g. for the agribusiness or extractive industry).



- **Through binding ESG performance indicators:** All our labelled funds as well as the long book of **\*ELEVA ABSOLUTE RETURN EUROPE\*** have selected a binding ESG performance indicator in relation to climate change. Since, at any time, portfolios must be superior to their initial investment universe for a chosen indicator, this criterion is de facto integrated into the construction of portfolios.

**\*ELEVA EUROLAND SELECTION\***, **\*ELEVA EUROPEAN SELECTION\*** and **\*ELEVA LEADERS S&MID CAP EUROPE\*** and the long book of **\*ELEVA ABSOLUTE RETURN EUROPE\***

These funds use, as the first binding ESG performance indicator, the carbon footprint, expressed tons of CO2 equivalent per million euros invested.

**\*ELEVA SUSTAINABLE IMPACT EUROPE\***

This fund uses the weighted average of carbon intensities, expressed in tons of CO2 equivalent per million euros of revenue, as the first binding ESG performance indicator.

- **Through the Impact filter:**

**\*ELEVA SUSTAINABLE IMPACT EUROPE\***

For this fund, climate change related criteria are also taken into account when constructing the portfolio in a third way. In effect, we select companies that contribute to the SDGs, through the products and services they sell. Of these SDGs, 3 are directly related to climate change:

- SDG 7: Clean and Affordable Energy. Examples of activities: Renewable energy production, financing renewable energy production capacity, equipment to produce this type of energy, etc.
- SDG 11: Sustainable Cities and Communities. Examples of activities: Sustainable mobility, waste recycling, sustainable buildings, building materials and equipment improving the energy efficiency of buildings...
- SDG 13: Measures to combat climate change. Examples of activities: Prevention of climate change related natural disasters, instruments for measuring weather phenomena, products for capturing CO2, etc.

### 4.3. How are issuers in the fund's portfolio not subject to ESG analysis (excluding UCIs) considered?

**\*ELEVA EUROLAND SELECTION\***, **\*ELEVA EUROPEAN SELECTION\*** and **\*ELEVA LEADERS S&MID CAP EUROPE\***

Any issuer present in these funds is intended to be analysed and rated on ESG criteria. However, and in accordance with the specifications of the SRI label, 10% of the fund's assets under management (excluding cash) may be invested in unrated assets or issuers. The use of this 10% tolerance is very limited. For example, it may be used, on a temporary basis, to participate in IPO or block placements. In these cases, the management team has a maximum of a month to rate the company. This leeway can also be used to invest in other funds (ELEVA fund incubation for example, funds to invest cash, etc.).



#### **\*ELEVA SUSTAINABLE IMPACT EUROPE\***

For the ELEVA Sustainable Impact Europe fund, all issuers in the portfolio are subject to systematic and pre investment ESG analysis using the ELEVA Capital methodology. Thus, the ESG rating rate of issuers is still 100%.

#### **4.4. Has the ESG assessment process and/or management process changed over the past twelve months?**

- **Changes in the ESG assessment process:** The ESG assessment process has not changed over the last 12 months, with the exception of the list of normative exclusions, which has been strengthened. The concept of sustainable investment was introduced with the entry into force of the SFDR regulation. It is described in section 2.3.
- **Change in management processes:**  
**\*ELEVA EUROLAND SELECTION\***, **\*ELEVA EUROPEAN SELECTION\*** and **\*ELEVA LEADERS S&MID CAP EUROPE\***  
These funds have not changed their management process over the past 12 months.

#### **\*ELEVA SUSTAINABLE IMPACT EUROPE\***

With the entry into force of the SFDR regulation, the fund has set a target of a minimum percentage of sustainable investment as well as two underlying objectives (a minimum percentage of sustainable investment with an environmental objective and a minimum percentage of sustainable investment with a social objective). This did not lead to any change in the portfolio, which was already above these thresholds.

#### **4.5. Is a portion of the fund's assets invested in solidarity organisations?**

No, none of the SRI and SRI & Impact funds are a solidarity fund and are not invested in any solidarity organization.

At the level of the management company, ELEVA Capital set up, when it was created, a partnership with UNICEF through the ELEVA Foundation. Thus, 10% of ELEVA Capital's profits are paid to UNICEF. All ELEVA Capital funds contribute to this philanthropic partnership.

#### **4.6. Do funds practise securities lending/borrowing?**

##### **\*ELEVA EUROLAND SELECTION\*** and **\*ELEVA EUROPEAN SELECTION\***

As provided in their prospectus, these funds are permitted to engage in securities lending/borrowing. In the event of a loan, a procedure is in place to ensure that the securities are repatriated sufficiently in advance so that the funds can meet their commitment to vote at all general meetings.



**\*ELEVA SUSTAINABLE IMPACT EUROPE\*** and **\*ELEVA LEADERS S&MID CAP EUROPE\***  
These funds do not engage in securities lending/borrowing.

#### 4.7. Do funds use derivatives?

**\*ELEVA EUROLAND SELECTION\***, **\*ELEVA EUROPEAN SELECTION\*** and **\*ELEVA LEADERS S&MID CAP EUROPE\***

As mentioned in their prospectus, these funds are likely to use, on an ancillary basis, derivative instruments such as index or sector futures, stock options or CFDs. Use is limited to hedging or efficient portfolio management purposes. In any case, their use should not result in significantly or sustainably distorting the fund's ESG characteristics (i.e. temporary use). If such hedges are implemented, they will be limited to 10% of the fund's assets.

**\*ELEVA SUSTAINABLE IMPACT EUROPE\***

This fund does not typically use derivative instruments (index or sector futures). On the other hand, its prospectus allows this, on an ancillary basis and for hedging purposes only. If such hedges are implemented, they will be limited to 10% of the fund's assets. In any case, their use should not result in significantly or sustainably distorting of the fund's ESG characteristics (i.e. temporary use). The use of agricultural commodity derivatives is not permitted.

#### 4.8. Do the funds invest in UCIs?

**\*ELEVA EUROLAND SELECTION\***, **\*ELEVA EUROPEAN SELECTION\*** and **\*ELEVA LEADERS S&MID CAP EUROPE\***

These funds are permitted to invest up to 10% of their assets in other ELEVA funds (e.g. incubation of new funds) and/or in other UCIs/UCITS, such as UCIs/money market UCITS. If these funds are not SRI, they will be accounted for in the 10% tolerance ratio of assets/unrated issuers.

**\*ELEVA SUSTAINABLE IMPACT EUROPE\***

This fund is authorized to invest only for technical purposes (for example, for liquidity management purposes) and/or on a temporary basis up to a maximum of 10% of its net asset value in UCIs/money market UCITS. As far as possible, these UCIs/money market UCITS will be chosen in line with the fund's investment philosophy (taking into account binding ESG criteria, for example).

## 5. ESG monitoring

**5.1. What internal and/or external control procedures have been put in place to ensure that the portfolio complies with the ESG rules set for the management of the fund?**



- **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 including SRI funds (All ELEVA list) and one, more demanding, which only applies to SRI & Impact fund (Impact list) which has an enhanced level of requirement for exclusions. Pre-trade control is set-up in the order management system (OMS). This prevents the passage of any order on an excluded value, accord to the fund for which the order was passed. Post-trade control is also in place, to detect any value that would have become non investable, when updating the exclusion lists. When this case arises, the Risk team alerts the managers, who have 3 months to dispose of the position, ensuring the best interests of the holders. Compliance with this deadline is also monitored by the risk team.
    - **Monitoring compliance with minimum ESG ratings and the universe reduction rate:** The Risk team also monitors the existence of a pre investment ESG score (for at least 90% of the outstanding amount for SRI funds and 100% for SRI & Impact fund) and compliance with the minimum ESG score (including for the **\*ELEVA ABSOLUTE RETURN EUROPE\*** fund). Compliance with the initial investment universe reduction rule is also verified for SRI and SRI & Impact funds. Compliance with these rules is subject to a pre trade check, configured into the OMS, and which blocks any purchase of securities that do not respect these rules. Post trade control is also in place, to detect any value that would have become non investable, when updating the ESG score (for example, following the emergence of a controversy). When this case arises, the Risk team alerts the manager, who has 3 months to dispose of the position, in the best interests of the holders. Compliance with this deadline is also monitored by the risk team.
    - **Monitoring compliance with the minimum contribution to the SDGs (minimum revenue share):**  
**\*ELEVA SUSTAINABLE IMPACT EUROPE\*:** This fund has an additional filter related to its impact fund status. This is a minimum contribution criterion of the SDGs. To be investable, each company must generate at least 20% of its net revenue with products and services that meet one or more SDGs. ELEVA Capital has a database with the contribution to the SDGs of numerous companies. Compliance with these rules is subject to a pre trade control, configured into the OMS, and which blocks any purchase of securities that do not fulfil this condition of minimum share of turnover. Post trade control is also in place, to detect any value that would have become non investable, when updating the contribution to the SDGs (for example, following the



divestment of a business line). When this case arises, the Risk team alerts the managers, who have 3 months to dispose of the position, ensuring the best interests of the holders. Compliance with this deadline is also monitored by the risk team.

- **Monitoring performance compliance on binding ESG performance indicators.** SRI and SRI & Impact funds are required to comply with two binding ESG performance indicators, in accordance with the specifications of the French SRI label. The list of indicators by fund and how they are calculated can be found in section 6.2.

**\*ELEVA SUSTAINABLE IMPACT EUROPE\*:** This fund has set a target of contributing at least 40% to the SDGs across the fund. The fund also respects minimum thresholds for sustainable investments (and minimum sustainable investments with an environmental objective and minimum sustainable investments with a social objective).

All these indicators are monitored daily by the Risk Team. The Risk Team sends alerts when the gap between the fund and its initial investment universe is less than 10%. In case of an overreach, managers have 2 trading days to comply. These indicators are reported in the funds' monthly reports.

- **Second level control:** The Head of Compliance and Internal Control (RCCI) 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:** In addition to the outsourcing of external control referred to in the previous paragraph, funds holding the SRI label in France are subject to external control by an accredited certification body. Eleva Capital retained the EY auditor for the labelling of its SRI and SRI & Impact funds. 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 fund's ESG reporting and performance. In addition, the **\*ELEVA SUSTAINABLE IMPACT EUROPE\*** fund publishes an annual impact report whose data is verified by an external consultancy.



## 6. Impact measures and ESG reporting

### 6.1. How is the ESG quality of funds assessed?

The ESG quality of the funds is assessed through a number of metrics, calculated on a portfolio wide basis (weighted averages) and compared to those of each fund's initial investment universe. These indicators are included in each monthly report.

These indicators include the comparison of the fund's weighted average ESG rating with that of its initial investment universe, but also that of the E, S and G pillars taken individually. The rate of reduction of the initial investment universe after applying ESG filters (exclusion + ESG score) is also disclosed, in accordance with the requirements of the French SRI label.

### 6.2. Which ESG impact indicators are used by funds?

SRI and SRI & Impact funds use one indicator in each of the categories as required by the French SRI label, with the exception of two environmental indicators. Each indicator is provided for the portfolio and for the initial investment universe.

- **Environment:**
  - **Weighted average of carbon intensities** (in tons of CO2 equivalent/€ million of revenue).
    - **Reason for this choice:** This indicator measures portfolio exposure to carbon intensive firms. Since companies with high carbon intensity may face greater risks (including regulatory), this indicator gives a measure of **a portfolio's exposure to climate change risks**. The indicator is independent of companies' capital holdings.

- **Calculation formula:**

$$\sum_{i=1}^n W_i \times \frac{\text{company } eCO_2 \text{ emissions } i}{\text{company revenues } i}$$

With: n, the number of stocks in the portfolio and W, the weight of each company in the portfolio calculated on the invested portion (i.e., restated for cash, if applicable).

- **Portfolio carbon footprint** (tons of CO2 equivalent/€ million invested)
  - **Reasons for this choice:** We retained this indicator because it **measures a portfolio's contribution to climate change** and allows each holder of the fund to simply calculate the volume of CO2 emissions for which he is responsible. through his investment. The carbon footprint is calculated using scope 1 and 2 data, provided by MSCI.

- **Calculation formula:**



$$\frac{\sum_{i=1}^n (\text{ownership of company } i \text{ in } \% \times \text{company eCO2 emissions } i)}{\text{Fund assets under management in } \text{€}} \times 1.000.000$$

- **Social:**

- **Indicator used:** We used the weighted average growth rate of the workforce.
- **Reasons for this choice:** The idea is to approximate the job creation dynamics of each company which, in turn, is likely to influence the social climate of the company. The limit of this indicator is that the number of employees is rarely restated for changes in scope (acquisitions or disposals) and its relevance is not always assured.
- **Calculation formula:**

$$\sum_{i=1}^n \left( \frac{\text{headcount of the year } \mathbf{a}}{\text{headcount of the year } (\mathbf{a} - \mathbf{1})} - 1 \right) \times W_i$$

With: n, the number of stocks in the portfolio and W, the weight of each company in the portfolio calculated on the invested portion (i.e., restated for cash, if applicable) and **a** the last available reporting year.

- **Governance:**

- **Indicator used:** We used the weighted average of the share of women on the board/supervisory board.
- **Reasons for this choice:** Diversity makes the Board rich. Many academic studies have shown that diversity within corporate governance bodies is a source of economic performance.
- **Calculation formula:**

$$\sum_{i=1}^n \frac{\text{number of women on the Board of Directors}}{\text{Total number of Directors}} \times W_i$$

With n, the number of stocks in the portfolio and W the weight of each company in the portfolio on the invested portion (i.e., restated for cash).

- **Human Rights:**

- **Indicator used:** We selected the percentage of companies that are signatories of the UN Global Compact.
- **Reasons for these choices:** Global Compact signatories commit to align their strategy and operations with the ten universal principles related to human rights, labour, the environment, and the fight against corruption. According to the UN, this is the world's largest corporate sustainability initiative and thus provides adequate and meaningful data availability.



- **Calculation formula:**

$$\sum \text{Weights of Global Compact signatory companies}$$

The weight of each company in the portfolio is calculated on the invested portion (i.e., restated for cash, if applicable).

- **SDG related indicators:**

**\*ELEVA SUSTAINABLE IMPACT EUROPE\***: This fund, as an impact fund, implements a screening filter related to the SDGs since the fund selects only companies that contribute to the SDGs, through their products and services. Given that this fund is an impact fund, it implements SDG based screening filters to ensure that it only selects companies whose products and/or services contribute to the SDGs.

- **Indicator of exposure to sustainable themes:** The SDGs are grouped around 6 broad themes and each company, depending on its activity and the SDGs it contributes to is assigned to a theme (based on its dominant SDGs). These themes are:

- **Themes related to prosperity:**

- ❖ Social inclusion, bringing together SDGs 1, 2, 4, 5, and 8
    - ❖ Health and wellbeing: SDG 3
    - ❖ Tech for good, grouping together SDGs 9 and 16

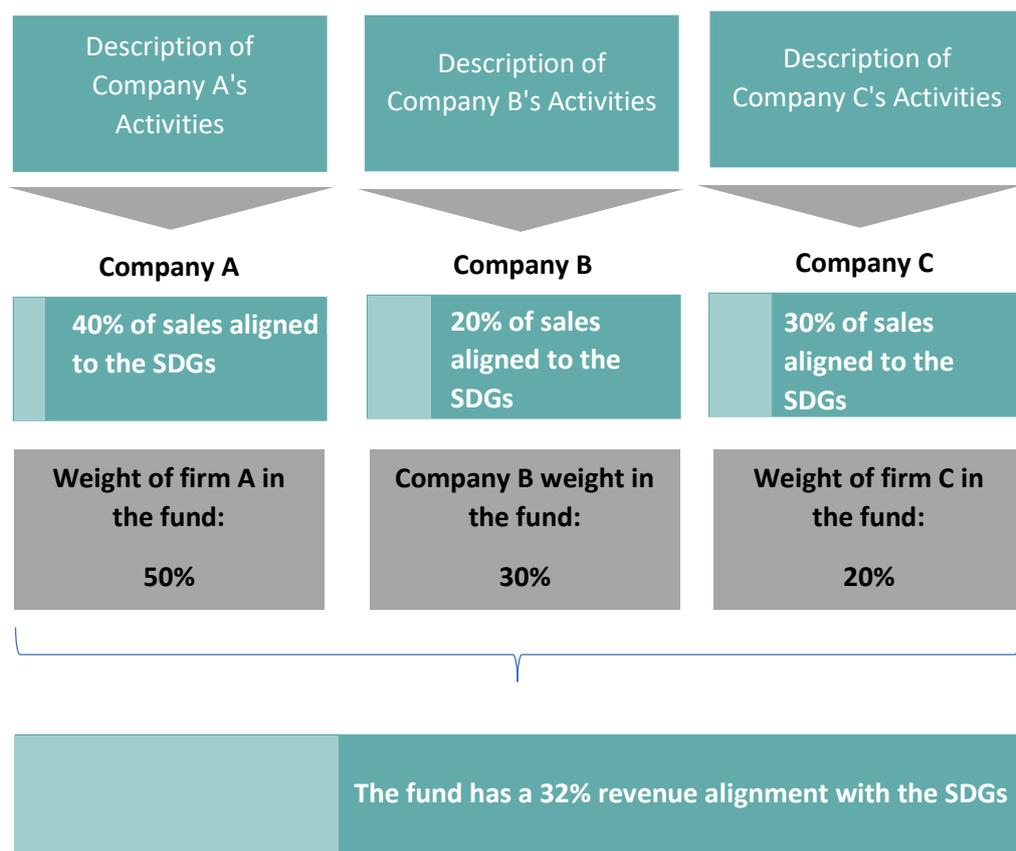
- **Themes related to the protection of the planet:**

- ❖ Climate action, bringing together SDGs 7 and 13
    - ❖ Water and natural resources, bringing together SDG 6, 12, 14, 15
    - ❖ Sustainable cities: SDG 11

Exposure to sustainable themes is calculated by aggregating, for each theme, the weights (calculated on the invested portion, i.e. restated for cash, if any) of the companies assigned to this theme. The sum of thematic exposures is therefore still equal to 100%.

- **SDG alignment indicator:** Each company's revenue is broken down between each of the SDGs it contributes to (to be eligible for the fund, each company *must* generate at least 20% of its net revenue (revenues) from products/services that contribute to the SDGs). For each company, the percentage of activity that is aligned with the SDGs is weighted by its weight in the portfolio (weight calculated on the invested portion, i.e. restated for cash, if any). We then sum up these products to obtain the percentage of alignment with the SDGs and the performance breakdown by SDG. At fund level, the contribution to the SDGs must be greater than or equal to 40%. The infographic below illustrates the calculation method:





Two binding ESG performance indicators were chosen for each fund under the French SRI label. Each fund commits to achieving a better result than its initial investment universe. The indicators used for each fund, calculated according to the formulas detailed above, are as follows:

**\*ELEVA EUROLAND SELECTION\***, **\*ELEVA EUROPEAN SELECTION\*** and the Long book of **\*ELEVA ABSOLUTE RETURN EUROPE\***

- Portfolio carbon footprint
- Proportion of United Nations Global Compact signatories

**\*ELEVA LEADERS S&MID CAP EUROPE**

- Portfolio carbon footprint
- Weighted average workforce growth rate

**\*ELEVA SUSTAINABLE IMPACT EUROPE\***

- Weighted average of portfolio carbon intensity
- Proportion of United Nations Global Compact signatories

The coverage rate for these indicators must be at least 90% for the former and at least 70% for the latter.



### 6.3. What are the media materials to inform investors about the fund's SRI management?

The following materials are available on ELEVA Capital's website, Responsible Investment section: <https://www.elevacapital.com/en/our-responsible-approach>

- Transparency Code
- Voting and engagement policy
- Annual report on ESG consideration and fund carbon footprints (Art 29)
- PRI Assessment Report

Inventories of SRI portfolios are also available online (with a delay).

In addition, the monthly reports of SRI funds contain extensive information related to SRI management, including ESG performance indicators.

#### **\*ELEVA SUSTAINABLE IMPACT EUROPE\***

For this fund, we publish an impact report annually.

### 6.4. Does the management company disclose the results of its voting policy and engagement policy?

ELEVA Capital publishes this information annually in a report, which is available on our website under Responsible Investment. In accordance with the requirements of the French SRI label, all votes at all general meetings are published on the page of each SRI fund.





ELEVA Capital SAS

32, rue de Monceau 75008 Paris - Capital 8 - Immeuble Murat Sud

With capital of €670,000

RCS PARIS 829,373,075 - TVA INTRACOM FR 76,829,373,075

Tel: +33 (0) 1 40 69 28 70

Management company approved by the Autorité des Marchés Financiers under number GP-17000015