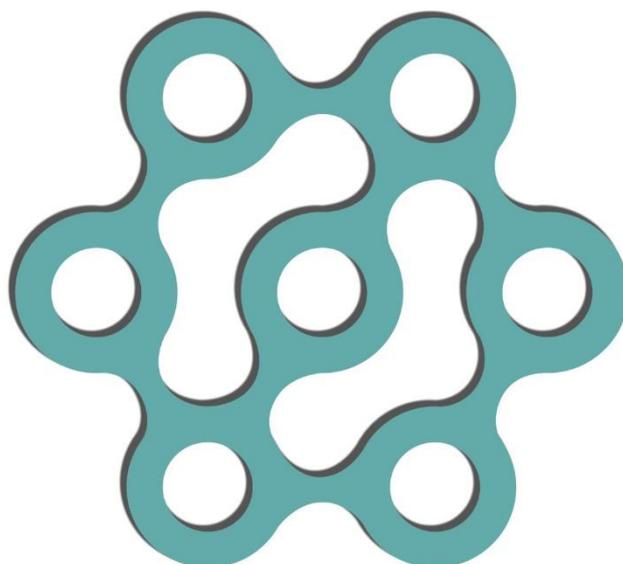


# **ELEVA Absolute Return Europe**

## **ESG Annual Report**

### **Response to the Article 29 of the Energy-Climate Law and SFDR Regulation**



As 31 December 2021

## Foreword

This report has been prepared in response to the Article 29 of the French Energy-Climate Law (n°2019-1147 of November 8, 2019) and to the Sustainable Finance Disclosure Regulation (SFDR). It covers ELEVA Absolute Return Europe as a fund classified Article 8.

An ESG annual report is available at the ELEVA Capital level. ESG annual reports are available for all article 8, article 9 and funds with more than € 500 million of assets under management. These documents complement ELEVA Capital's Transparency Code which describes ELEVA Capital's ESG approach, proprietary methodologies, and the resources dedicated to responsible investment.

The ELEVA Capital ESG annual report ("Response to the Article 29 and SFDR regulation") and the Transparency Code are available in the dedicated responsible approach section of our website: <https://www.elevacapital.com/en/our-responsible-approach#for-further-information>

ELEVA Capital is committed to a continuous improvement of its approach and reporting. Stakeholders' feedback and dialogue will always be welcomed.



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## 1. ELEVA Absolute Return Europe

ELEVA Absolute Return Europe is a fund classified article 8 according to SFDR regulation investing primarily in listed European equities and equity-related securities on both a long and short basis following an active investment strategy.

	Strategies	Main asset class	Exclusions in place***	AuM at 31/12/2021 in million EUR	Share of total AuM	SFDR Categorisation	Link to related fund
ELEVA Absolute Return Europe	Best in Universe* Best Efforts* Exclusions	European equities,	Tobacco, Controversial weapons, Nuclear weapons, Coal**, Violation of the UN Global Compact	3 890	33.4%	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>

\* For the long book only

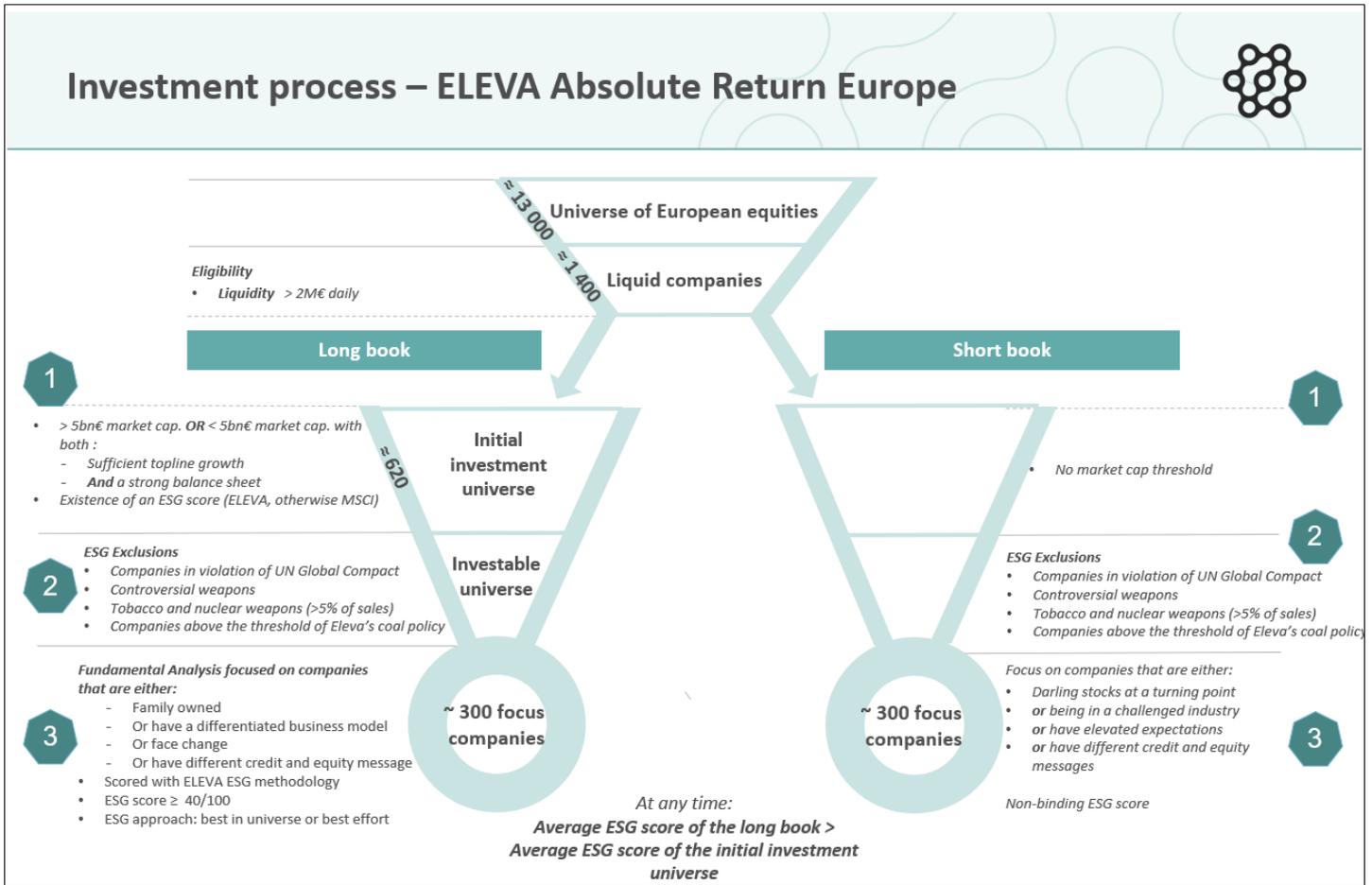
\*\* See our Coal policy: <https://www.elevacapital.com/en/our-responsible-approach#for-further-information>

\*\*\* More details on our exclusion policy (sectors, thresholds...) are available in our Transparency Code here <https://www.elevacapital.com/en/our-responsible-approach#for-further-information>



## Investment process

The investment process counts 3 steps, 2 being based on non-financial criteria.



1. **Exclusions (for the long and short book).** The fund applies to its initial investment universe the following set of exclusions:

Norm based	Sector based	
Voluntary basis	Regulatory Reasons	Voluntary basis
Companies having violated 1 or more UN Global Compact Principles	Controversial weapons, (including chemical, biological and depleted uranium-based weapons) (threshold : 0% of sales)	Tobacco Nuclear weapons (threshold : 5% of sales)  Coal*
		

\*Regarding the coal revenues thresholds, check our coal policy available here: <https://www.elevacapital.com/en/our-responsible-approach#for-further-information>



2. **Positive ESG Screening (for the long book only).** Companies are internally analysed based on their behaviour towards their 5 stakeholders (shareholders, employees, suppliers, civil society, the planet) and scored on ESG criteria (from 0 to 100). To be eligible for the long book of the portfolio, a minimum ESG score of 40/100 is required. The analysis includes, among others, the quality of the management team, the climate change performances or the management of the supply chain.

Transparency is at the heart of our responsible investor approach. For further information on ELEVA Absolute Return Europe:

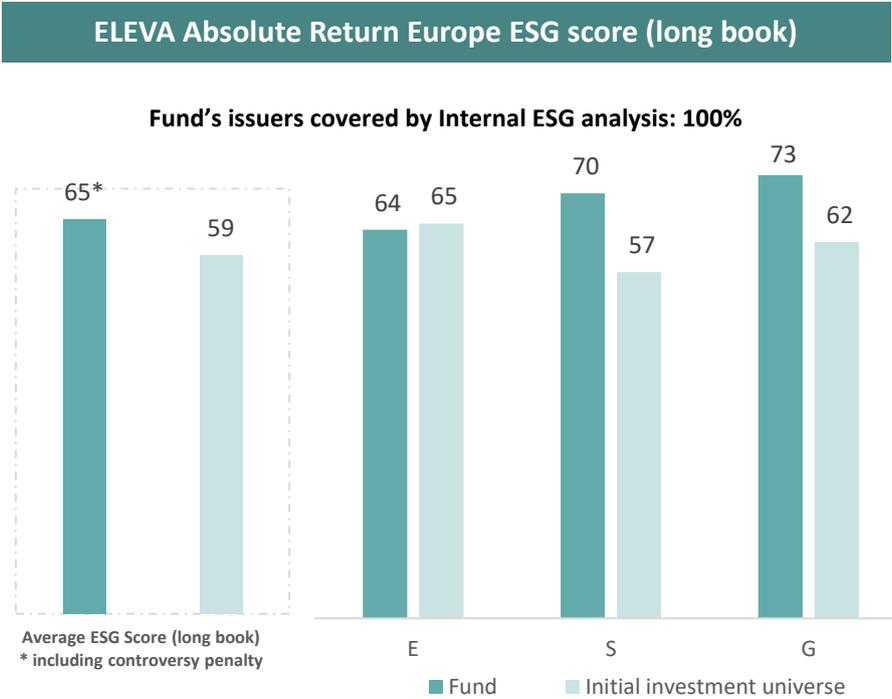
- ELEVA Capital Transparency Code, available on our website, in the Responsible Investment section: <https://www.elevacapital.com/en/our-responsible-approach#for-further-information>
- Prospectus, available on the fund's dedicated website: <https://www.elevacapital.com/en/funds/eleva-absolute-return-europe>



## 2. Sustainability performances

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. Any issuer present in the fund 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 outstanding amount 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. A minimum ESG score of 40/100 is necessary for a company to be considered as an investment in the long book of the fund. This ensures that at least 20% of the initial investment universe is excluded.

As of 31 December 2021, the average ESG score of the long book of the portfolio is 65/100. This compares to the 59/100 ESG score of its initial investment universe. The weighted ESG scores on S and G criteria higher than those of its initial investment universe:



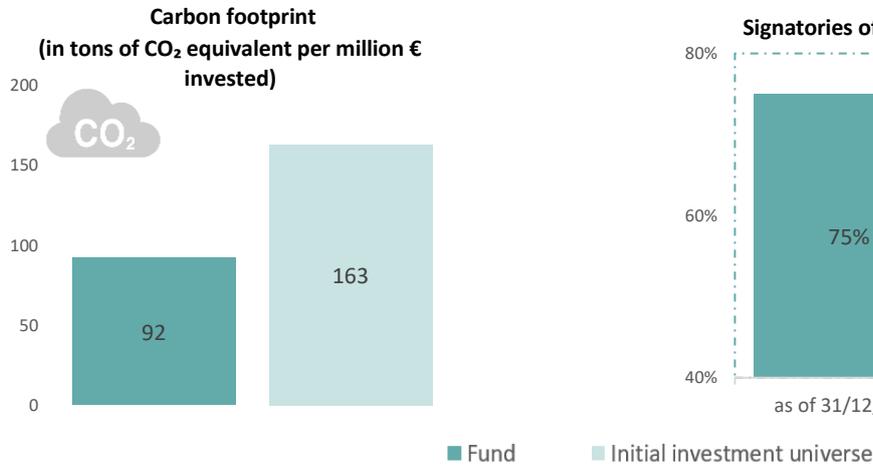
Source: Eleva, MSCI as of 31/12/2021

Moreover, the fund monitors the following two ESG key performance indicators of its long book against its initial investment universe (in a non-binding perspective):

- Carbon footprint (in tons of CO2 equivalent (scope 1+2) / million euros invested)
- signatories of the UN Global Compact (sum of the weights of the UN Global Compact signatories).

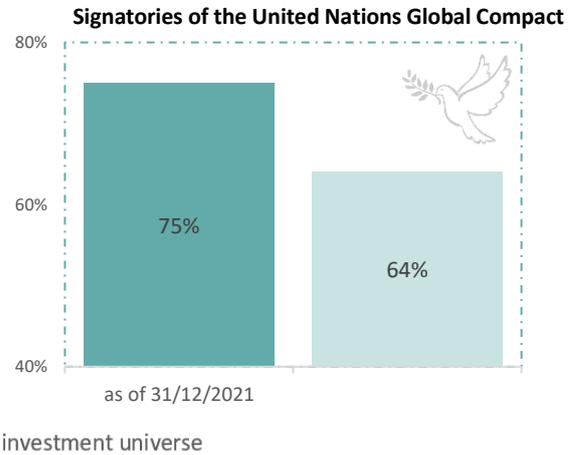


## CARBON PERFORMANCE (long book)



Source: MSCI as of 31/12/2021

## UN GLOBAL COMPACT SIGNATORIES (long book)



Source: ELEVA Capital as of 31/12/2021

As of 31 December 2021, the fund's long book average carbon footprint was 92 tons of CO<sub>2</sub> equivalent / million euros invested which is lower than its initial investment universe (163 tons of CO<sub>2</sub> equivalent / million euros invested). UN Global Signatories represented 75% of the fund's long book (vs 64% for the investment universe).

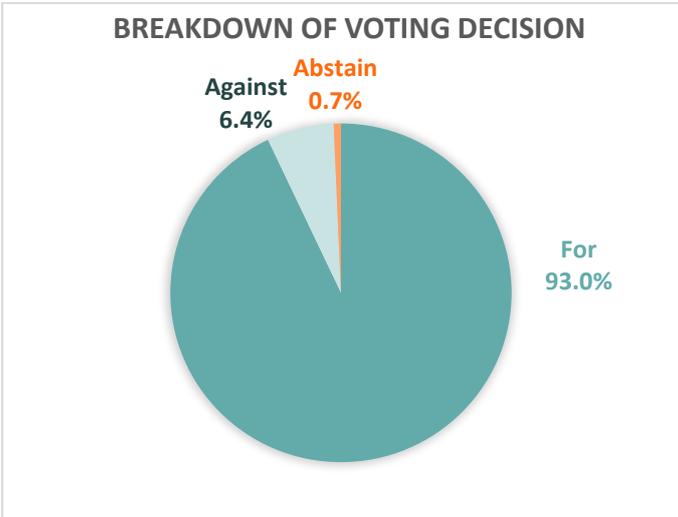
### 3. Voting and engagement

#### 3.1 Voting review in 2021

ELEVA Capital is committed to exercising its voting rights for all the equities held in its portfolios.

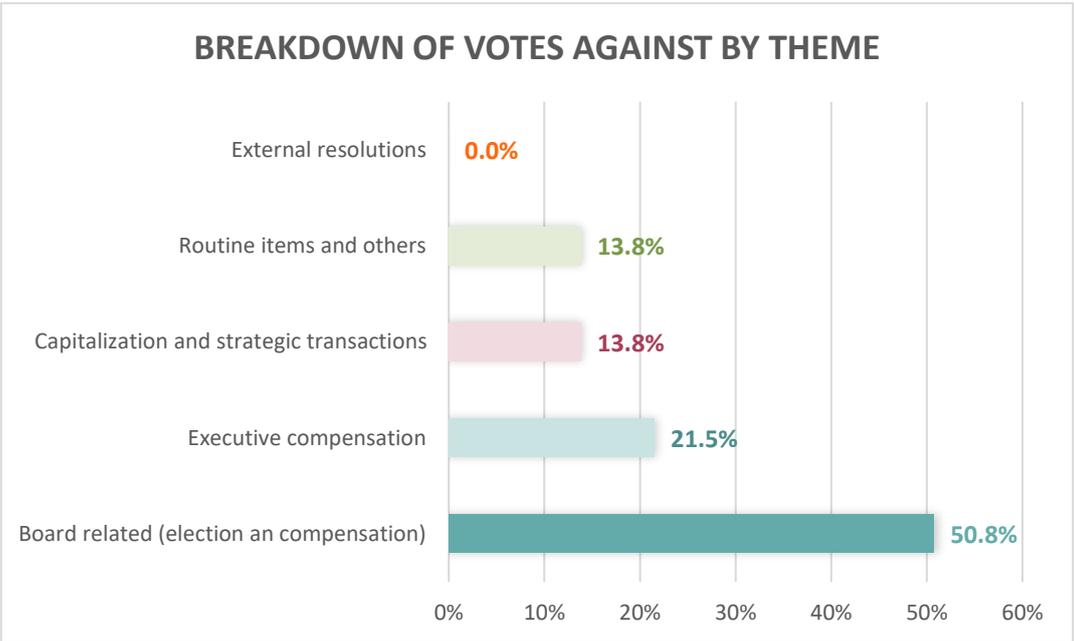
In 2021, ELEVA Capital voted at 64 AGMs for which ELEVA Absolute Return Europe held voting rights, i.e a 98.5% exercise rate. 1 meeting was not voted because of exceptional technical dysfunction during the transfer of voting instructions.

During these annual meetings, we voted on 1 067 resolutions (44 were non-voting items) – an average of 17 resolutions per shareholder meeting.



We voted “AGAINST” in 65 of the 1 023 voting resolutions, corresponding to a 6.4% opposition rate.

The resolutions that drew the most opposition from the fund were Board related (50.8% of total opposition votes) and about executive compensation (21.5% of total opposition votes).

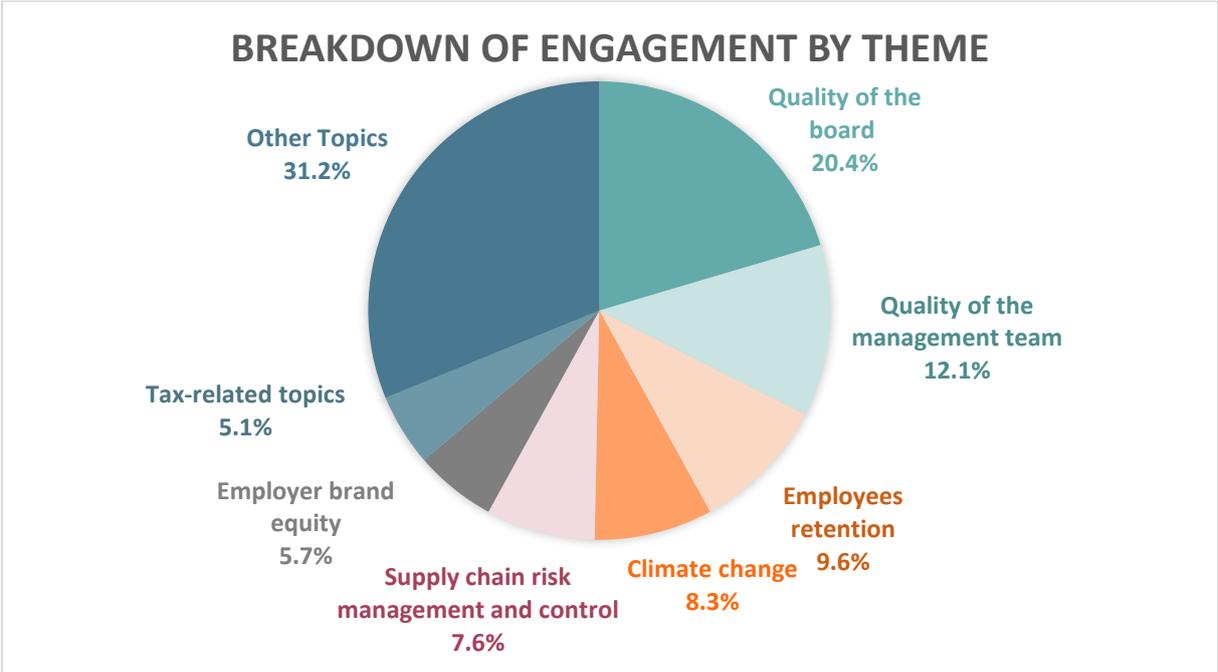


Regarding the environmental and social specific resolutions, ELEVA Absolute Return Europe supported:

- 1 resolution requesting country-by-country tax transparency
- 3 climate-related resolutions.

### 3.2 Engagement review in 2021

As of 31 December 2021, ELEVA Absolute Return Europe engaged with 98.2% of the companies held in the portfolio’s long book (54 companies), sharing with them a total of 157 areas of improvement. The remaining have been engaged in 2022.



We monitor these commitments to assess their degree of achievement over time. Updating the ESG analysis, which takes place about every two years when we are still shareholders of a company, helps to verify whether the engagement has borne fruit.

We track which topics have been “achieved”, “partially achieved” or “not achieved”. This sets the basis for re-engaging with the company. The re-engagement could be a reiteration of formerly discussed topics or, if topics were “achieved” or not relevant anymore, can be replaced by new engagement topics.

In 2021, ELEVA Absolute Return Europe did not reduce its investment in a company as a result of an engagement.



## 4. European Taxonomy and exposure to the fossil fuel sector

### 4.1 Taxonomy alignment

The data available today to calculate the Environmental Taxonomy alignment is mainly provided by data providers, such as MSCI, and is mainly based on estimates done by these providers.

At this point in time, we are unable to provide reliable Environmental taxonomy alignment figures for the fund as of 31/12/2021, as data providers mainly use estimates. Therefore, as recommended by the regulators, we do not publish taxonomy alignment for the year 2021.

For more details on taxonomy definition, please refer to the ESG Annual Report of ELEVA Capital (“Response to the Article 29 and SFDR regulation”) available here: <https://www.elevacapital.com/lu/our-responsible-approach#for-further-information>

### 4.2 Fossil fuel sector exposure

In parallel to the Taxonomy alignment, we assessed ELEVA Absolute Return Europe long book exposure to companies with activities including extraction, processing, storage, and transportation of petroleum products, natural gas, and thermal coal.

Two different calculations have been performed to assess the fund’s long book exposure to fossil fuels:

- Portfolio exposure to the fossil fuel sector: the assessment is done at the company level. We sum the weightings of all companies involved in the fossil fuel sector. As a baseline for comparison, we calculated the same metric for the initial universe according to the same methodology.

	In million EUR	In % of total weight	Coverage rate
ELEVA Absolute Return Europe exposure to the fossil fuel sector (long book)	254.7	9.2%	97.7%
Initial universe exposure to the fossil fuel sector		7.7%	97.0%

Source: MSCI (derived from publicly available information)

- Portfolio exposure to fossil fuel-related activities: the assessment is made at the economic activity level for each investee company. Only revenues linked to fossil fuel-related activities are taken into account. For each company, the percentage of activity that is linked to fossil fuel is weighted by its weight in the portfolio. These results are then summed up. This calculation is similar to the one performed to calculate the taxonomy alignment. As a baseline for comparison, we calculated the same metric for the initial universe according to the same methodology.



	In million EUR	In % of total weight
ELEVA Absolute Return Europe exposure to fossil fuel-related activities (long book)	93.0	3.4%
Initial universe exposure to fossil fuel-related activities		3.2%

Source: MSCI estimates



# 5. Strategy to align with the temperature targets of the Paris Agreement

## 5.1 Climate change consideration

Our commitment to fight climate change and to manage climate risks of our investments influence the investment process of our funds, from the definition of the investment universe and stock selection to portfolio construction. Climate change consideration is embedded in all the steps of our ESG approach followed by all our equity funds.

All details of our current practices related to climate change are disclosed in the ESG Annual Report of ELEVA Capital (“Response to the Article 29 and SFDR regulation”) available here: <https://www.elevacapital.com/en/our-responsible-approach#for-further-information>

## 5.2 Next steps

As a starting point to build a comprehensive climate strategy with a clear alignment with the Paris Agreement and time-bound objectives, ELEVA Capital took a subscription in 2022 to an MSCI dataset to measure the implied temperature rise of its portfolios. This tool helps us to appraise the actual base line and to start working on our roadmap to align our portfolios with the temperature objectives of the Paris Agreement.

As of 31/12/2021, the implied temperature rise of the long book of ELEVA Absolute Return Europe is 2.83°C, above the level calculated for its initial universe, as a base of comparison.

	In Celsius degrees	Coverage rate
ELEVA Absolute Return Europe Implied temperature rise (long book)	2.83	96.3%
Initial universe Implied temperature rise	2.40	96.8%

Source: MSCI

This metric gives us a picture on the fund’s positioning on the way towards the alignment with the Paris Agreement to limit global warming to well below 2 degrees Celsius. The next step will consist in setting intermediate temperature goals and reinforcing ELEVA Capital’s strategy on this topic.

MSCI Implied temperature rise methodology is available on the following website: <https://www.msci.com/documents/1296102/27422075/Implied-Temperature-Rise-Methodology-Summary.pdf>



## 6. Strategy for alignment with long-term biodiversity goals

As an Article 8 fund, ELEVA Absolute Return Europe is included in ELEVA Capital's general approach on the biodiversity topic for its long book.

The latter is developed in the ESG Annual Report of ELEVA Capital ("Response to the Article 29 and SFDR regulation") available here: <https://www.elevacapital.com/en/our-responsible-approach#for-further-information>



## 7. Approach to take into account ESG criteria in risk management

As an Article 8 fund, ELEVA Absolute Return Europe long book follows ELEVA Capital's approach on ESG risks management.

Thus, sustainability risks in our investments are identified, monitored and managed through scoring our companies on ESG criteria. Our ESG score reflects the sustainability risks a company is exposed to and how well managed they are.

More information is given in the ESG Annual Report of ELEVA Capital ("Response to the Article 29 and SFDR regulation") available here: <https://www.elevacapital.com/en/our-responsible-approach#for-further-information>



## 8. Statement on principal adverse impacts of investment decisions on sustainability factors

*As this statement is not compulsory for the year 2021, this section is published on a voluntary basis by ELEVA Capital using the tools and information available at the time of writing of this report. Metrics are calculated at ELEVA Absolute Return Europe portfolio's long book level. For indicators with a coverage rate below 50%, we decided to not publish the metric. The data used are from MSCI.*

<b>Financial market participant:</b> ELEVA Absolute Return Europe
<b>Summary</b> ELEVA Absolute Return Europe long book considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of ELEVA Capital This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2021.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	Metric	Impact FY2021	Coverage rate	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions in tons of CO <sub>2</sub> equivalent	130 620.7	96.3%	This metric is analysed in the planet pillar of our ESG scoring methodology
		Scope 2 GHG emissions in tons of CO <sub>2</sub> equivalent	45 415.6	96.3%	This metric is analysed in the planet pillar of our ESG scoring methodology
		Scope 3 GHG emissions in tons of CO <sub>2</sub> equivalent	1 101 461.0	96.3%	This metric is analysed in the planet pillar of our ESG scoring methodology



		Total GHG emissions in tons of CO <sub>2</sub> equivalent	1 277 497.3	96.3%	This metric is analysed in the planet pillar of our ESG scoring methodology
	2. Carbon footprint	Carbon footprint in tons of CO <sub>2</sub> equivalent per million EUR invested	461.5	96.3%	
	3. GHG intensity of investee companies	GHG intensity of investee companies in tons of CO <sub>2</sub> equivalent per million EUR of sales	1 085.1	96.7%	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	9.2%	97.7%	This metric is analysed in the planet pillar of our ESG scoring methodology
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	76.4%	90.7%	
	6. Energy consumption intensity per high impact sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Energy consumption intensity (NACE Code A) NA Energy consumption intensity (NACE Code B) 0.849 Energy consumption intensity (NACE Code C) 0.411 Energy consumption intensity (NACE Code D) 3.205 Energy consumption intensity (NACE Code E) 3.951	92.4%	This metric is analysed in the planet pillar of our ESG scoring methodology for all sectors except Financials



			Energy consumption intensity (NACE Code F) 0.124 Energy consumption intensity (NACE Code G) 0.235 Energy consumption intensity (NACE Code H) NA Energy consumption intensity (NACE Code L) 0.018		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	-	12.8%	As the coverage rate is below 50%, we decided to not publish the metric
Water	8. Emission to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	-	8.4%	As the coverage rate is below 50%, we decided to not publish the metric
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	-	49.1%	As the coverage rate is below 50%, we decided to not publish the metric



<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	96.7%	Binding indicator at ELEVA Capital level as it is part of the overall exclusion list
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	23.4%	93.8%	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-	33.0%	As the coverage rate is below 50%, we decided to not publish the metric
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	41.7%	96.7%	This metric is analysed in the Shareholders pillar of our ESG scoring methodology



	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	97.7%	Binding indicator at ELEVA Capital level as it is part of the overall exclusion policy
<b>OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS</b>					
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	53.1%	96.7%	
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	8.2%	97.7%	



# Concordance table with the Article 29 of the Energy-Climate Law and SFDR Regulation

Theme	Article 29 of the Energy-Climate law	SFDR	Corresponding section of this report
Adverse impacts		Description of the principal adverse sustainability impacts and indicators	Section 8
	Quantitative objective until 2030		Section 5.2
Alignment with Paris Agreement	Quantitative results		Section 5.2
	Methodology		Section 5.2
	Changes in the investment strategy: coal policy		Section 5.1
Alignment with long-term biodiversity goals	Respect of the objectives of the Convention on Biological Diversity		Section 6
	Impacts reduction analysis		Section 6
	Biodiversity footprint indicator		Section 6
Risk management	Identification, assessment and prioritization process and management of risks		Section 7
	Climate risks		Section 7
	Biodiversity loss risks		Section 7



## Disclaimer

This report has been written in compliance with the article 29 of the French Energy Climate Law (the decree implementing this article 29 of the energy-climate law (LEC) of 8 November 2019 was published on 27 May 2021). This report is a regulatory requirement for information purpose only.

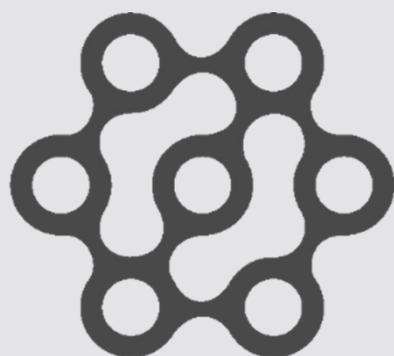
This report should not be considered as a marketing material nor an investment advice for ELEVA Capital products.

The information used to write this report has been obtained from a wide range of sources that ELEVA Capital considers to be accurate. The main sources are the annual report of companies mentioned in the report. Proprietary ESG (Environment, Social, Governance) scores are used. They are the latest available, and could be up to two years old, given the fact that these proprietary scores are updated at least every two years. Some ESG key performance indicators are calculated based on MSCI data.

The sources used to carry out this reporting are considered reliable, however ELEVA Capital declines all responsibility for any omission, error or inaccuracy. ELEVA Capital accepts no responsibility for any direct or indirect losses caused by the use of the information provided in this document. The information presented in this document is simplified, for more information please refer to the KIID and the prospectus of the relevant UCITS available on our website ([www.elevacapital.com](http://www.elevacapital.com)). The figures quoted relate to past years and past performance is not a reliable indicator of future performance.

The Fund's management company is ELEVA Capital S.A.S., a French société par actions simplifiée, registered with the Paris Trade and Companies Register under number 829 373 075 having its registered office at 32 rue de Monceau 75008 Paris, France. ELEVA is a French portfolio management company, duly authorised under number GP 17000015 and regulated by the Autorité des Marchés Financiers (the French supervisory authority).





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CAPITAL

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