APPENDIX E - ELEVA LEADERS SMALL & MID-CAP EUROPE FUND

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:
ELEVA Leaders Small & Mid-Cap Europe Fund

Legal entity identifier (LEI):
213800VVEQ4W3X4EP562

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Does this financial product have a sustainable investment objective?

☐ **Yes**

☒ **No**

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

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 30% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☒ with a social objective

☐ It will make a minimum of **sustainable investments with a social objective:** ___%

☐ It promotes E/S characteristics, but **will not make any sustainable investments**.

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

ELEVA LEADERS SMALL & MID-CAP EUROPE FUND (the "**Sub-Fund**") promotes a combination of environmental, social and governance ("**ESG**") characteristics. This Sub-Fund integrates binding ESG criteria in its investment management process. The main non-financial objective of ELEVA Leaders Small & Mid-Cap Europe Fund is to invest in companies with good ESG practices (*i.e.* best in universe) or companies that are on an improving path regarding ESG practices (*i.e.* best efforts) while excluding companies that would not have a minimum absolute ESG score (40/100). The Sub-Fund also seeks to help companies to improve their ESG practices by engaging in dialogue with them on a regular basis and by sharing with them areas of improvement on specific ESG topics.

The Sub-Fund seeks to invest in companies having a good behaviour towards their key stakeholders (Shareholders, Employees, Suppliers, Civil Society and the Planet). For instance, the Sub-Fund seeks to invest in companies with good corporate governance practices (e.g. Boards with gender and cognitive diversity and a sufficient level of independence), with good environmental and social practices (e.g. signatories of the UN Global Compact) and implementing carbon reduction measures (e.g. the Sub-Fund has an ESG KPI on carbon footprint).

The Sub-Fund invests in sustainable investments in the meaning of art. 2(17) SFDR.

While the Sub-Fund is managed with reference to the benchmark STOXX Europe Small 200 (the "**Benchmark**"), the Benchmark has not been designated for the purpose of attaining the ESG characteristics promoted by the Sub-Fund but for performance comparison and risk measurement purposes). In addition, ELEVA Capital S.A.S. (the "**Management Company**") is not constrained by the benchmark in its investment decisions; it is free to select securities which are part, or not, of the Benchmark. The Sub-Fund's holdings and the weightings of securities in the portfolio will consequently deviate from the composition of the Benchmark.

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

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

The sustainability indicators used by the Sub-Fund are (1) ESG scoring and (2) two Principal Adverse sustainability Indicators (PAI) – carbon footprint (Scope 1+2+3), and exposure to companies without processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises – as further explained below.

1. ESG Score

The ESG score will be available for at least 90% (in weight) of the invested pocket (*i.e.* excluding cash and cash equivalent). The 10% tolerance (companies/assets with no ESG score done internally) will be, but not exclusively, used for, among others, IPOs. Index FDIs, UCITS and Other UCIs are excluded from the calculation perimeter.

The Sub-Fund's investment process counts 3 steps being based on a combination of non-financial and financial criteria. The sustainability indicator used in the context of the non-financial part of the process is the ESG scoring. An ESG score established internally by the Management Company is used for invested companies. Where the internal ESG score is not available, an ESG score from a single external data provider can be used for companies within the investment universe.

The Management Company indeed uses a proprietary tool to internally analyse and score the companies on ESG criteria from 0 (worst score) to 100 (best score). The analysed ESG criteria include, among others:

- Shareholders (i.e. Governance criteria): quality of management team (track record, alignment of interest with shareholders, etc.), quality of the board of directors (board efficiency, gender diversity, checks and balances, etc.), quality of the relationship with shareholders (quality of risk management and controls, financial communication, respect of minority shareholders, etc.);
- Employees (i.e. Social criteria): quality of human resources ("**HR**") management (HR policies, management of human capital, gender pay gap, etc.), employer brand equity (reputation as an employer, etc.), employees retention (employee training, turnover, etc.), safety & security (policy on accident prevention, history of accidents and risk management, etc.);
- Suppliers (i.e. a combination of Environmental, Social and Governance criteria): level of risk in the supply chain (complexity of supply chain, disruption risks, etc.), supply chain risk management and control (controls, audits, engagement on Corporate Social Responsibility issues, etc.);
- Civil Society (i.e. a combination of Social and Governance criteria): customers (products quality, customer satisfaction, etc.), state (fiscal behaviour, business ethics, process to monitor the compliance with UN Global Compact principles etc.), local communities (philanthropic approach, etc.);

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

The scoring methodology includes penalties for controversies, if any.

2. ESG key performance indicators
The Sub-Fund must also show a better performance than its initial investment universe on two Principal Adverse sustainability Indicators (PAI):

- carbon footprint (in tons of CO2 equivalent/million euros invested, covering Scope 1+2+3); and
- exposure to companies without processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (sum of the weights).

The invested equities, long corporate single name FDIs, corporate bonds and money market instruments are in scope. Index FDIs, UCITS and Other UCIs, as well as cash and cash equivalent are excluded from the calculation perimeter.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?
In managing the Sub-Fund, the Management Company will invest in companies having a positive contribution through either:

- the products and/or services they sell: such companies can bring social and/or environmental benefits such as Social inclusion, Digitalisation, Industrial transformation, and Climate solutions (mitigation and/or adaptation). 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. The company must generate at least 20% of its revenue from this type of products or services. This is a net turnover threshold; thus, there is a further deduction from this percentage of the portion of turnover possibly achieved with products having potentially residual negative impacts (i.e. if not already excluded through the exclusion criteria). This indicator is expressed as a percentage and corresponds directly to the percentage of net sales, calculated as mentioned above.

- a credible climate strategy based on science-based targets: by adopting validated science-based targets, companies guarantee they actively contribute to Climate change mitigation. The Management Company will notably refer to trustworthy methodologies such as the Science Based Targets initiative (SBTi).

If an investee company meets either one of these two criteria, and provided it does not cause any significant harm (see below), it is considered a Sustainable Investment in its entirety in the sense of Article 2(17) SFDR.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?
In order to ensure that sustainable investments do not cause significant harm to any environmental or social sustainable investment objective, the Sub-Fund applies several rules:

- The companies defined here below will not be considered as sustainable investments: Companies having violated the UN Global Compact, UN Guiding Principles, ILO convention and OECD guidelines for multinational enterprises; involved in extremely severe controversies; exposed to controversial weapons, nuclear weapons, weapons in the broad sense, tobacco, palm oil, thermal coal, Oil & Gas (developers; conventional

and unconventional), power generation (carbon-intensive and non-renewable sources), alcohol, adult entertainment, and gambling.

In addition to the Management Company's exclusion policy, the Sub-Fund respects for sustainable investments the exclusion standard from the French SRI label (v3) and the Towards Sustainability Belgian label.

The Sub-Fund also respects for sustainable investments the Paris-Aligned Benchmark (PAB) exclusions.

For more information on the criteria and applicable thresholds, please refer to the ESG Policy and the Coal Policy, available on the ELEVA Capital website: https://www.elevacapital.com/en/our-responsible-approach#approach.

- Minimum ESG score of 60/100, which screens out companies with bad ESG practices and/or significant controversies, and a minimum governance score of 50/100. As explained in the following question, the ESG score captures many indicators for adverse impacts.

- The positive contribution assessment already contains a "Do No Significant Harm' component. When the positive contribution is generated by the products and/or service, the proportion of contributing revenue is netted by the portion of turnover possibly achieved with products having potentially residual negative impacts.

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

Indicators for adverse impacts on sustainability factors are taken into account, at the product level, through the set of exclusion, through the criteria analysed in the ESG analysis and through the binding ESG KPIs (please refer to the question "*What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?*"). Please also refer to the question "Does this financial product consider principal adverse impacts on sustainability factors?" for more details.

Principal adverse impact are not taken into consideration at the entity level.

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

Companies that have violated ILO (International Labour Organisation) Conventions, or one of the UN guiding principles on Business and Human Rights, or one of the UN Global Compact principles, or of the OECD Guidelines for Multinational Enterprises are excluded in this Sub-Fund.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.
The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.
Any other sustainable investments must also not significantly harm any environmental or social objectives.

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

- [x] Yes
- [ ] No

The Sub-Fund takes into consideration the 14 principal adverse impact indicators and 2 optional ones (investments in companies without carbon emission reduction initiatives and investment in companies without workplace accident prevention policies).

- PAI 2, 10, 11 and 14 are taken into consideration in a quantitative way, with maximum exposure or thresholds in place (through Strict Exclusion or through the binding ESG key performance indicators described above).
- PAI 1, 3, 4, 5, 6, 13 and the 2 optional ones are taken into consideration in a qualitative way, mainly through the criteria analysed during the ESG analysis.
- PAI 7, 8, 9, 12 are only taken into consideration when the data is available (available data for these PAI is scarce). However, engagement on these topics may be conducted with companies to help improve disclosure.

The information on principal adverse impacts will be available in the annual report of ELEVA UCITS FUND.

What investment strategy does this financial product follow?

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

The Sub-Fund implements several sustainable approaches under steps 2 and 3, as defined by the Global Sustainable Investment Alliance: exclusionary screening, norm-based screening, positive ESG screening (*i.e.* "best in universe" or "best efforts"). The Sub-Fund's investment process **counts 3 steps** being based on a combination of non-financial and financial criteria.

Step 1/ Liquidity filter and ESG score: within the proprietary "Leaders" universe, Sub-Fund excludes companies that do not have sufficient liquidity. The resulting "Liquid Leaders Universe" (*i.e.* the initial investment universe of the Sub-Fund) comprises companies of which more than 80% have an ESG score (*i.e.* an ESG score established internally by the Management Company and, where not available, an ESG score from a single external data provider).

Step 2/ Strict Exclusion: the Management Company excludes companies from the initial investment universe which have significant negative impacts on specific ESG factors.

Step 3/ Fundamental analysis: the Management Company does a fundamental analysis of each company which is considered for investment on financial criteria. The Management Company also performs an analysis on non-financial criteria. In case of timing constraints, the analysis on non-financial criteria can be conducted post-investment in compliance with the ESG coverage constraints of the Sub-Fund.

The methodology used for ESG selectivity is the following: the weighted average ESG score of the Sub-Fund has to be significantly higher (*i.e.* better) than the average ESG score of its initial investment universe. This implies that the weighted average ESG score of the Sub-Fund may in no case be lower than the average ESG score of the initial investment universe after elimination of the 20% worst companies.

The weight of issuers analysed and scored on ESG criteria with the ELEVA methodology must be higher than 90% of the invested pocket (*i.e.* excluding cash and cash equivalent). The 10% tolerance (companies/assets with no ESG score done internally) will be, but not exclusively, used for, among others, IPOs. Index FDIs, UCITS and Other UCIs are excluded from the calculation perimeter.

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

In addition, stricter criteria and strategy are applied for sustainable investment, as described in the above sections.

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

  The Sub-Fund excludes companies from the initial investment universe which have significant negative impacts on specific ESG factors as follows:

  Companies having violated the UN Global Compact, UN Guiding Principles, ILO convention and OECD guidelines for multinational enterprises; involved in extremely severe controversies; exposed to controversial weapons, nuclear weapons, tobacco, palm oil, and thermal coal.

  For more information on the criteria and applicable thresholds, please refer to the ESG Policy and the Coal Policy, available on the ELEVA Capital website: https://www.elevacapital.com/en/our-responsible-approach#approach.

  The main non-financial objective of the Sub-Fund is to invest in companies with good ESG practices (*i.e.* best in universe) or companies that are on an improving path regarding ESG practices (*i.e.* best efforts) while excluding companies that would not have a minimum absolute ESG score (40/100).

  The weight of issuers analysed and scored on ESG criteria with the ELEVA methodology must be higher than 90% of the invested pocket (*i.e.* excluding cash and cash equivalent).

  The Sub-Fund must also show a better performance than its initial investment universe on two Principal Adverse sustainability Indicators (PAI):

  - carbon footprint (in tons of CO2 equivalent/million euros invested, covering Scope 1+2+3); and
  - exposure to companies without processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (sum of the weights).

  Stricter criteria and strategy are applied for sustainable investment, as described in the above sections.

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

  A minimum ESG score of 40/100 is required for each company to enter the portfolio. In the event that a company sees its internal ESG score drop below the minimum required by the Management Company for the Sub-Fund (*i.e.* 40/100 score), the position on the company will be sold no later than 3 months after the score has been downgraded in the best interest of the shareholders.

  In the event that a sustainable investment sees its internal ESG score drop below the minimum required by the Management Company (*i.e.* 60/100 score), the position will not be considered as a sustainable investment but an investment in promoting ESG characteristics, provided its internal ESG score is minimum 40/100.

  The weighted average ESG score of the Sub-Fund has to be significantly higher (*i.e.* better) than the average ESG score of its initial investment universe. This implies that the weighted average ESG score of the Sub-Fund may in no case be lower than the average ESG score of the initial investment universe after elimination of the 20% worst companies.

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

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

  Assessing company's governance practices is an integral part of the Management Company proprietary ESG Scoring methodology (see the answer to question "*What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*"). Governance criteria (essentially located in the pillars Shareholders and Civil society) account for 30% to 40% of the ESG score, depending on a company's sector.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies;
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy;
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

What is the asset allocation planned for this financial product?

#1 Aligned with E/S characteristics: the Sub-Fund invests **at least 72%** of its net assets in assets that have been determined as "eligible" as per the ESG process in place (hence in investments that are aligned with the promoted environmental and social characteristics). For the sake of clarity, the minimum of 72% corresponds to 90% of 80%: 90% being the minimum weight of issuers analysed and scored on ESG criteria with the ELEVA methodology on the invested pocket and 80% being the minimum of the invested pocket (i.e. maximum 20% of cash and cash equivalent).

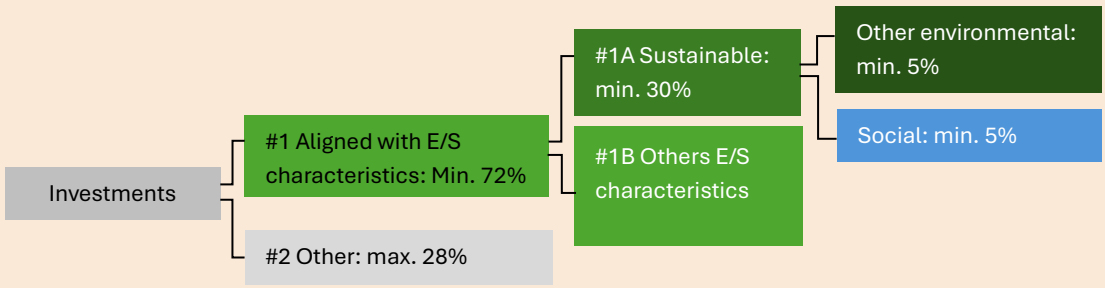
#1A Sustainable: among the investments aligned with the E/S characteristics, the Sub-Fund invests **at least 30%** of its net assets in assets that have been determine as "eligible" as per the sustainable investments process in place, in the meaning of art. 2(17) SFDR. In particular, the Sub-Fund will invest a minimum of sustainable investments with an environmental objective of 5% (*i.e.* in economic activities that do not necessarily qualify as environmentally sustainable under the EU Taxonomy) and a minimum of sustainable investment with a social objective of 5%. The sum of those two is always equal to at least 30%.

#1B Other E/S characteristics: these investments include investments that are not sustainable in the meaning of art. 2(17) SFDR but have fulfilled the promoted environmental and social characteristics by applying the Sub-Fund's ESG methodology in investment decision making (norm and sector-based exclusions, ESG scoring and that have been screened through the PAI assessment).

#2 Others: As a result, **up to 28%** of the Sub-Fund investments may not be aligned with the E/S characteristics.

*For more information regarding the investment categorised as "**#2 Other**" (i.e. notably the aim of their use and the safeguards in place), please refer to the element available under the question "What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?"*

A more detailed description of the specific asset allocation of this Sub-Fund can be found in the prospectus of this financial product.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics covers**:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

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

In managing the Sub-Fund, the Management Company may invest in FDIs such as index or sector futures, options on securities (including but not limited to options on equity and bonds)

and potentially CFDs (including but not limited to CFDs on actions and stocks), for hedging purposes. This must not have the consequence of significantly or lastingly distorting the Sub-Fund's ESG policy (*i.e.* temporary use). Derivative on agricultural commodities are not allowed.

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

Not applicable.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[31]?

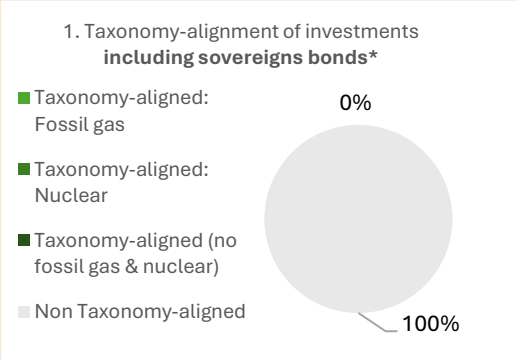
☐ Yes :

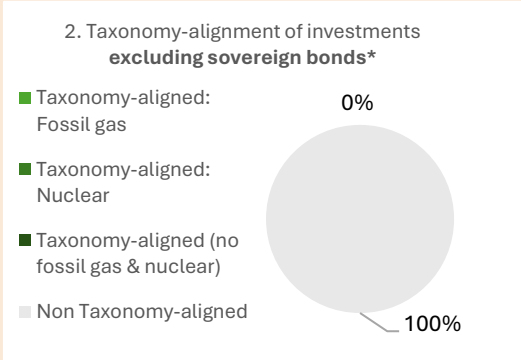
☐ In fossil gas ☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*

This graph represents 100% of the total investments.





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

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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

Not applicable.

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

The Sub-Fund has committed to a minimum proportion of sustainable investments with an environmental objective that do not necessarily qualify as environmentally sustainable under the EU Taxonomy of 5% (ex-ante). The sum of the proportion of sustainable investments with an environmental objective that do not necessarily qualify as environmentally sustainable under the EU Taxonomy and the proportion of sustainable investments with a social objective is always equal to at least 30%.

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

What is the minimum share of socially sustainable investments?

The Sub-Fund has committed to a minimum proportion of socially sustainable investments of 5% (ex-ante). The sum of the proportion of sustainable investments with an environmental objective that do not necessarily qualify as environmentally sustainable under the EU Taxonomy and the proportion of sustainable investments with a social objective is always equal to at least 30%.

[31] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?
The Sub-Fund might invest, in aggregate, up to 28% of the Sub-Fund's Net Asset Value in:

1. cash and cash equivalent;
2. index financial derivatives instruments;
3. companies with no ESG score done internally such as IPOs (initial public offering); or, among others,
4. UCITS and Other UCIs.

For the sake of clarity, the above-mentioned investments, in aggregate, will never exceed the total of 28% aforementioned.

These investments may be held for technical purposes and/or on a temporary basis and/or pending available information to score them on ESG criteria (e.g. IPOs).

The Sub-Fund does not consider any minimum environmental or social safeguards on these remaining investments "#2 Other".

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes? Not applicable.

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

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***
  Not applicable.
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***
  Not applicable.
- ***How does the designated index differ from a relevant broad market index?***
  Not applicable.
- ***Where can the methodology used for the calculation of the designated index be found?***
  Not applicable.

Where can I find more product specific information online?
More product-specific information can be found on the website:
https://www.elevacapital.com/en/our-responsible-approach ; and
https://www.elevacapital.com/lu/funds/eleva-leaders-small-mid-cap-europe