

## **LUX IM – SYCOMORE EUROPEAN EQUITIES**

Sustainability-related disclosures required for Article 8 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

### **Preamble**

**LUX IM – SYCOMORE EUROPEAN EQUITIES** (“the Sub-fund”) seeks capital appreciation through investments in equity securities, with a Socially Responsible Investment (SRI) process. The Sub-fund focuses on themes such as energy transition, management of sustainable resources, health and protection, nutrition and well-being, digital and communication.

The Sub-fund further intends to invest in issuers that qualify as sustainable investment in accordance with Article 2 (17) of Regulation (EU) 2019/2088 (“SFDR”).

The Sub-fund is not considering the EU criteria for environmentally sustainable economic activities as defined under the EU Taxonomy Regulation to determine the attainment of the sustainable environmental or social characteristics that it promotes.

At least 90% of the financial product’s assets are planned to be ESG aligned, 50% of the financial product’s assets will qualify as sustainable in accordance with article 2 (17) of the SFDR.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

## Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

Section	Regulatory Requirements	Disclosure
<b>Summary</b>  <b>Article 25 – SFDR II</b>	<p>In the website section ‘Summary’ referred to in Article 24, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that promote environmental or social characteristics. The summary section shall have a maximum length of two sides of A4-sized paper when printed.</p> <p>The website section ‘Summary’ referred to in Article 24, point (a), shall be provided in at least the following languages:</p> <p>(a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;</p> <p>(b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.</p>	<p>Please refer to the standardized 2 pager summary  <a href="https://www.bgfml.lu/site/en/home/sustainable.html">https://www.bgfml.lu/site/en/home/sustainable.html</a></p>
<b>No sustainable investment objective</b>  <b>Article 26 – SFDR L2</b>	<p>In the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), financial market participants shall insert the following statement: “This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.”</p> <p>Where the financial product commits to making one or more sustainable investments, financial market participants shall in the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), explain how the sustainable investment does not significantly harm any of the sustainable investment objectives, including all of the following:</p>	<p>This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.</p> <p>The Sub-fund will partially make sustainable investments with a social objective, based on at least one of the following criteria:</p> <ul style="list-style-type: none"> <li>On the societal side: investments with a Societal Contribution of products and services above or equal to +30%. Companies associated with a Societal Contribution above or equal to the selected threshold make a significant contribution to one or several of SDGs or the SDG’s targets.</li> <li>On the human capital side: <ul style="list-style-type: none"> <li>Investments with a Good Jobs Rating above or equal to 55/100</li> <li>Investments with a Happy@Work Environment rating above or equal to 4.5/5.</li> </ul> </li> </ul> <p>Companies associated with a Good Jobs Rating or a Happy@Work Environment rating above or equal to the selected thresholds therefore make a significant contribution to SDG 8.</p> <p>The Sub-fund will partially make sustainable investments with an environmental objective, based on the following criterion: investments with a Net Environmental Contribution (NEC) above or equal to +10%. Companies associated with a NEC above or equal to the selected threshold therefore make a significant contribution to the ecological transition and the climate change mitigation objectives.</p> <p>Four layers are implemented to avoid occurrence of significant harm to any environmental or social sustainable investment objective, on an ex ante basis, prior to any investment-decision.</p> <p>Indeed, investments targeted by one or more of the criteria below will not be considered as a sustainable investment:</p> <ol style="list-style-type: none"> <li>As per the Investment Manager’s SRI exclusion policy : activities are restricted for their controversial social or environmental impacts, as defined and revised annually in Sycomore AM’s core policy (applicable to all Sycomore AM’s direct investments),</li> </ol>

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		<p>and in the Socially Responsible Investment Policy (SRI) policy (applicable to all open-ended UCITs, mandates and dedicated funds managed according to an SRI strategy), such as: violations of fundamental rights (based on the United Nations Global Compact), controversial and nuclear weapons, conventional weapons and ammunitions, thermal coal, tobacco, pesticides, pornography, carbon-intensive energy generation, oil &amp; gas.</p> <p>2. Companies affected by a level 3/3 controversy: identified based on the Investment Manager's thorough analysis of controversies. The most severe controversy classification (-3 on Sycomore AM's scale, which ranges from 0 to -3) is considered a violation of one of the principles of the United Nations' Global Compact.</p> <p>3. SPICE rating below 3/5: The SPICE methodology, through its 90 criteria, covers all environmental, social and governance issues targeted by the indicators for adverse impacts on sustainability factors listed within the draft Regulatory Technical Standards. A lower rating, below 3/5, indicates a lower sustainability performance on one or more adverse impacts.</p> <p>4. As per Sycomore AM's Principle Adverse Impact (PAI) policy : a PAI policy applied to identify further potential significant harm across environmental and social matters targeted by the PAI indicators listed in Table 1 of Annex I is implemented. Companies meeting any exclusion criterion regarding GHG emissions, biodiversity, water, waste, gender equality, UN Global Compact principles/OECD Guidelines for Multinational Enterprises compliance, or controversial weapons, will not be reported as "sustainable".</p>
	<ul style="list-style-type: none"> <li>how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account;</li> </ul>	<p>Adverse impacts on sustainability factors involve indicators at two levels:</p> <p>1. For sustainable investments only: a PAI policy directly drawing from indicators of Table 1 of Annex I of the Commission Delegated Regulation (EU) 2022 / 1288 and any relevant indicators in Tables 2 and 3.</p> <p>2. For all investments of the financial product: the SPICE analysis framework, going through all issues targeted by all adverse sustainability indicators, with ability to use them to feed the analysis.</p> <p><b>PAI policy:</b> each sustainability factor targeted by Table 1 of Annex I was associated with an exclusion criterion</p> <p>Applicable to investee companies</p> <ul style="list-style-type: none"> <li>o GHG emissions</li> <li>o Biodiversity</li> <li>o Water</li> <li>o Waste</li> <li>o UN Global Compact principles/OECD Guidelines for Multinational Enterprises compliance</li> <li>o Gender equality</li> <li>o Controversial weapons</li> </ul> <p>Applicable to sovereigns and supranationals:</p>

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		<ul style="list-style-type: none"> <li>o GHG intensity</li> <li>o Investee countries subject to social violations</li> </ul> <p><b>SPICE rating:</b> The SPICE methodology, through its 90 criteria, covers all environmental, social and governance issues targeted by the indicators for adverse impacts on sustainability factors listed within the Regulatory Technical Standards.</p> <p>Out of the 46 adverse sustainable indicators applicable to investee companies – excluding one item dedicated to bond investments (14 principal adverse impact indicators listed in Table 1, as well as 32 additional adverse impact indicators listed in Table 2 and Table 3), 42 indicators (23 environmental indicators and 19 social indicators) tackle adverse impacts reviewed during the SPICE analysis, and 4 indicators (1 environmental indicator and 3 social indicators) relate to adverse impacts targeted by Sycomore AM's exclusion policy.</p> <p><b>Exclusion policy:</b> Finally, Sycomore AM's exclusion policy targets adverse sustainability impact indicators including controversial weapons, exposure to fossil fuel sector, chemical pesticide production, and more broadly was drafted to target companies in breach of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.</p>
	<ul style="list-style-type: none"> <li>▪ whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</li> </ul>	<p>The development of Sycomore AM's analysis framework "SPICE" as well as the exclusion policy have been inspired by the OECD's Guiding Principles for multinational companies, the United Nations' Global Compact, the International Labour Organization's international standards and the UN Guiding Principles on Business and Human Rights. To assess the fundamental value of a company, analysts systematically examine how a firm interacts with its stakeholders. This fundamental analysis is designed to understand strategic challenges, business models, management quality and degree of involvement, and the risks and opportunities faced by the company. Sycomore AM has also defined its Human Rights Policy in compliance with the UN Guiding Principles on Business and Human Rights.</p> <p>Despite the above-described due diligence set to detect potential breaches of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, actual compliance of the analyzed issuers can never be guaranteed.</p>
<p><b>Environmental or social characteristics of the financial product</b></p> <p><b>Article 27 – SFDR L2</b></p>	In the website section 'Environmental or social characteristics of the financial product' referred to in Article 24, point (c), financial market participants shall describe the environmental or social characteristics that the financial products promotes.	The Sub-fund seeks capital appreciation through investments in equity securities, with a Socially Responsible Investment (SRI) process. The Sub-fund focuses on themes such as energy transition, management of sustainable resources, health and protection, nutrition and well-being, digital and communication

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Investment strategy	In the website section 'Investment strategy' referred to in Article 24, point (d), financial market participants shall describe all of the following:	
Article 28 – SFDR L2	<ul style="list-style-type: none"> <li>the investment strategy used to meet the environmental or social characteristics promoted by the financial product;</li> </ul>	<p>The Sub-fund seeks capital appreciation through investments in equity securities which the Investment Manager believes are attractive in providing long-term capital growth and compliant with the SRI process.</p> <p>The Sub-fund essentially invests in fully paid equity securities issued by companies listed on stock exchanges (qualifying as Regulated Markets). The Sub-fund will have a direct and indirect exposure of at least 75% of its net assets to equity securities issued by companies listed on stock exchanges of any European country. Direct and indirect exposure to equity securities issued by non-European companies will not exceed 25% of the Sub-fund's net assets. The Sub-fund is totally unconstrained in terms of market capitalization of securities.</p> <p>The Investment Manager integrates the ESG analysis within the investments' selection process, as follows:</p> <p>ESG (Environment, Social and Governance) analysis, being simultaneously and fully integrated into the investment process, is conducted through the Investment Manager (Sycomore Asset Management)'s proprietary "SPICE" methodology. SPICE is the acronym for the Investment Manager's extra-financial methodology. It aims in particular to understand the distribution of the value created by a company between all its stakeholders (society and suppliers, people – i.e. employees, investors, clients and environment), the Investment Manager's conviction being that an equitable sharing of the value between its stakeholders is determinant to ensure its sustainable growth.</p> <p>This methodology leads to a SPICE rating from 1 to 5 (5 being the highest rate).</p> <p>In addition, the investment universe of the Sub-fund is built according to specific criteria into the overall SPICE methodology (see next item on binding elements of the investment strategy).</p> <p>The Sub-fund selection criteria "net environmental contribution, societal contribution of products and services, good jobs rating, percentage of women in key management roles, and influence &amp; proactivity" contribute analyzing a company's exposure and/or contribution to the United Nations Sustainable Development Goals (SDGs).</p> <p>More specifically, the assessment of the net environmental contribution (NEC) analyses the positive and negative impacts of companies and their products and services on five issues (climate, biodiversity, water, waste/resources and air quality) directly related to environmental SDGs 2, 6, 7, 9, 11, 12, 13, 14 and 15. The assessment of the societal contribution of products and services is based on the analysis of positive and negative contributions from business activities under three pillars (access and inclusion, health and security, economic and human progress) and refers explicitly to SDGs 1, 3, 4, 6, 7, 8, 9, 10, 11, 12, 16 and 17. The evaluation of the good jobs rating is founded on the analysis of the quantity, quality &amp; inclusion and geography of the jobs created by a company, and it mainly relates to SDG 8. The evaluation of the female representation in key management roles is linked to SDG 5. The analysis of the influence &amp; proactivity of a company, and therefore of its ability to engage in societal issues externally, beyond compliance with existing regulations, through strong public commitments, partnerships with other actors and the use of its</p>



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		<p>influence, refers to SDG 17. Beyond those selection criteria, the SPICE methodology itself allows to analyse a company’s exposure and/or contribution to the United Nations Sustainable Development Goals (SDGs). Within the People pillar, our approach to evaluating human capital in the company refers explicitly to SDGs 3, 4, 5, 8 and 10 on social issues such as health, lifelong learning, gender equality, full employment, decent work and reducing inequality. Target investments are subject to the following filters, in order to assess their eligibility for investment by the Sub-fund and thus to measure the attainment of the pursued environmental and social characteristics:</p> <ul style="list-style-type: none"> <li>a filter of selection: investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund</li> <li>a filter of exclusions</li> </ul>
	<ul style="list-style-type: none"> <li>the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.</li> </ul>	<p>Governance is part of the SPICE analysis, including a dedicated governance section within the “I” section involving a significant focus on management structures, and governance items embedded into the other parts of the analysis framework, notably employee relations and remuneration of staff within the “P” section, and tax practices within the “S” section. Overall governance of issues associated with each type of stakeholder (Society, People, Investors, Clients and the Environment) is addressed in each according section.</p> <p>Further requirements to exclude from the investable universe insufficient governance practices from the “G” section, associated with a minimum threshold, can be found in Sycomore AM’s exclusion policy.</p>
<p><b>Proportion of investments</b></p> <p><b>Article 29 – SFDR L2</b></p>	<p>In the website section ‘Proportion of investments’ referred to in Article 24, point (e), financial market participants shall insert the information referred to in Article 14 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.</p>	<p>The Sub-Fund will invest at least 90% of its net assets in investments that are aligned to the promoted environmental and/or social characteristics. (# 1).</p> <p>The minimum proportion of sustainable investments is 50% (#1A), of which a minimum of 0% have an environmental objective (which is aligned with the EU Taxonomy), a minimum of 1% have an environmental objective (which is not aligned with the EU Taxonomy) and a minimum of 1% have a social objective. The underlying of derivatives are subject to the SRI process described above in the investment policy. The use of the derivatives must be compliant and consistent with the Sub-fund’s long-term objectives. The use of the derivatives cannot lead to significantly or lastingly distort the ESG process. The Sub-fund may not hold a short position via derivatives in a stock selected through the ESG selection process</p> <pre> graph LR     Investments --&gt; N1["#1 Aligned with E/S characteristics Min. 90%"]     Investments --&gt; N2["#2 Other"]     N1 --&gt; N1A["#1A Sustainable Min. 50%"]     N1 --&gt; N1B["#1B Other E/S characteristics"]     N1A --&gt; N1A1["Other environmental"]     N1A --&gt; N1A2["Social"]   </pre>

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		<p>#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.</p> <p>#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.</p> <p>The category #1 Aligned with E/S characteristics covers:</p> <ul style="list-style-type: none"> <li>- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.</li> <li>- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.</li> </ul> <p>To classify as sustainable investments, target issuers meet minimum thresholds on the below proprietary metrics:</p> <p><u>Sustainable investments with a social objective:</u> based on at least one of the following criteria:</p> <ul style="list-style-type: none"> <li>• On the societal side: Societal Contribution of products and services above or equal to +30%.</li> <li>• On the human capital side: <ul style="list-style-type: none"> <li>o Good Jobs Rating above or equal to 55/100</li> <li>o Happy@Work Environment rating above or equal to 4.5/5.</li> </ul> </li> </ul> <p><u>Sustainable investments with an environmental objective:</u> NEC above or equal to +10%</p> <p>A target issuer that passes such minimum thresholds is considered as sustainable in its entirety.</p> <p>Investments included under “#2 Other” relate to derivatives used for hedging purpose, to cash held as ancillary liquidity or to cash equivalent such as sovereign bonds.</p> <p>Bonds, other international debt securities and short-term negotiable securities from public issuers are selected through an in-house rating of the issuing State strictly above 2.5 on a scale of 5 (5 being the highest rate), the State being thus considered as sufficiently sustainable and inclusive.</p> <p>Cash and derivatives held for hedging purpose, by nature, are not subject to any minimum environmental or social safeguards.</p>
<p><b>Monitoring of environmental or social characteristics</b></p> <p><b>Article 30 – SFDR L2</b></p>	<p>In the website section ‘Monitoring of environmental or social characteristics’ referred to in Article 24, point (f), financial market participants shall describe how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.</p>	<p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <p>Two main filters, one of exclusion and one of selection, are used.</p> <ul style="list-style-type: none"> <li>▪ A filter of selection – to be eligible as an investment, companies must be sustainable either through: <ul style="list-style-type: none"> <li>o Their products and services, which requires either: <ul style="list-style-type: none"> <li>i) a Net Environmental Contribution (NEC) equal or above 10% or</li> <li>ii) a Societal contribution of products and services equal or above 10%; or</li> </ul> </li> <li>o Their practices, with a specific focus on one of the following themes :</li> </ul> </li> </ul>

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		<p>i) Either Employment: Good Jobs Rating equal or above 45 or leadership (<math>\geq 70</math>) in one of the Good Jobs Rating's constituents (Job Quantity, Job Quality, Job Geography).</p> <p>ii) Gender Diversity : Women in key management roles equal or above European equities investment universe average</p> <p>iii) Or Leadership in practices: Green flag in the analysis of « Influence and Proactivity » in Society pillar of SPICE.</p> <ul style="list-style-type: none"> <li>▪ A filter of exclusion: <ul style="list-style-type: none"> <li>○ The main ESG risks: any company which presents risks in terms of sustainable development. Identified risks include inadequate non-financial practices and performance likely to jeopardize the competitiveness of companies. A company is thus excluded if: <ul style="list-style-type: none"> <li>(i) it is involved in activities identified in the Investment Manager's SRI exclusion policy for their controversial social or environmental impacts, or</li> <li>(ii) its SPICE overall rating is equal or less than 3/5,</li> <li>(iii) it is affected by a level 3/3 controversy. <ul style="list-style-type: none"> <li>○ A filter to exclude companies which are rated less than 3/5 in the business model subsegment of the Investors pillar of SPICE.</li> </ul> </li> </ul> </li> </ul> </li> </ul> <p>Compliance of above filters is to be met by all investments of the financial product.</p>
<b>Methodologies for environmental or social characteristics</b>  <b>Article 31 – SFDR L2</b>	In the website section 'Methodologies for environmental or social characteristics' referred to in Article 24, point (g), financial market participants shall describe the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on the above-described filters of selection and exclusion and consideration of principal adverse impacts (see 'Monitoring of the sustainable investment objective').</p> <p>Internal controls are in place in respect of investment decision making for the Sub-fund. These include, but are not limited to, pre-trade and post-trade controls to ensure all applicable binding elements are observed at all times and independent oversight by risk management functions as required.</p> <p>The Investment Manager of the Sub-fund is using internal research activity complemented with external research and data from specialised external providers.</p>
<b>Data sources and processing</b>  <b>Article 32 – SFDR L2</b>	<p>In the website section 'Data sources and processing' referred to in Article 24, point (h), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> <li>▪ the data sources used to attain each of the environmental or social characteristics promoted by the financial product;</li> <li>▪ the measures taken to ensure data quality;</li> <li>▪ how data are processed;</li> </ul>	<p>The investment manager of the Sub-fund is using internal research activity complemented with external research and data from specialised external providers or directly provided by the issuers. All data is aggregated in in-house ESG scoring methodology "SPICE".</p>



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	<ul style="list-style-type: none"> <li>the proportion of data that are estimated.</li> </ul>	SPICE uses a majority of real data from company reporting. The Investment Manager does not have yet precise statistics on what is estimated or real knowing that SPICE is based on 90 qualitative and quantitative criteria, with classic ESG raw indicators such as diversity in the workforce or GHG emissions and more advanced indicators such as the NEC, CS etc. which, due to their methodologies, are partly based on estimates.
<b>Limitations to methodologies and data</b>  <b>Article 33 – SFDR L2</b>	<p>In the website section ‘Limitations to methodologies and data’ referred to in Article 24, point (i), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> <li>any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h);</li> </ul>	
	<ul style="list-style-type: none"> <li>how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.</li> </ul>	Methodologies implemented by Sycomore AM are based on a qualitative and quantitative analysis of companies’ ESG data. ESG data, whether sourced from external and/or internal sources is by nature subject to experience and skills of Sycomore AM’s analysts. Despite robust methodological frameworks, a part of subjectivity and discretion remains in the interpretation and use of ESG data. However, ESG information from third parties data may be incomplete, incorrect or unavailable. ESG data providers are private companies that provide ESG data for a variety of issuers. They may therefore change the valuation of issuers or instruments at their discretion. The ESG approach may evolve over time, due to the refinement of investment decision making processes to reflect ESG factors and risks, and/or due to legal and regulatory developments. Finally, the application of ESG criteria to the investment process may exclude securities from certain issuers for non-financial reasons and, as a result, may result in the loss of certain available market opportunities for funds that do not use ESG or sustainability criteria.
<b>Due Diligence</b>  <b>Article 34 – SFDR L2</b>	In the website section ‘Due diligence’ referred to in Article 24, point (j), financial market participants shall describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.	In order to qualify for initial investment, the investments must comply with the binding elements applied by the Sub-fund. This compliance has to be ensured by the Investment Manager through pre-trade compliance mechanism in place.
<b>Engagement policies</b>  <b>Article 35 – SFDR L2</b>	In the website section ‘Engagement policies’ referred to in Article 24, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.	The Investment Manager operates engagement policies that are about encouraging companies to improve their sustainability practices over the long term by suggesting areas for improvement as part of a constructive dialogue and long-term monitoring process. Shareholder engagement is a key feature of our role as responsible investors seeking to generate impacts, with a view to developing more sustainable business models able to meet today’s societal and environmental challenges.
<b>Designated reference benchmark – Optional</b>  <b>Article 36 – SFDR L2</b>	In the website section ‘Designated reference benchmark’ referred to in Article 24, point (l), financial market participants shall describe whether an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product, and how that index is aligned with the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated.	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

