

LUX IM – SYCOMORE NEXT GENERATION (“Sub-fund”)
Sustainability-related disclosures required for Article 8 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

| Section | Disclosure |
|---|--|
| No sustainable investment objective | <p>The Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.</p> <p>The Sub-fund will allocate a minimum of 25% of its assets in sustainable investments in accordance with Article 2 (17) SFDR.</p> <p>The Sub-fund will partially make sustainable investments with a social objective, based on at least one of the following criteria as measured by proprietary metrics:</p> <ul style="list-style-type: none"> On the societal side: investments with a Societal Contribution of products and services above or equal to +30%. The Societal Contribution metric combines the positive and negative societal contributions of a company's products and services. On the human capital side: <ul style="list-style-type: none"> Investments with a Good Jobs Rating above or equal to 55/100 Investments with a Happy@Work Environment rating above or equal to 4.5/5. <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 based on a proprietary metric: 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> |
| Environmental or social characteristics of the financial product | <p>The Sub-fund seeks to provide total return over the medium to long term, based on a discretionary allocation of its net assets among several asset classes and based on a discretionary allocation of its net assets among several asset classes. The process of researching and selecting shares and bonds of private-sector issuers in the investment universe in all cases includes binding extra-financial criteria and overweights companies whose ESG criteria are consistent with the objective of sustainable growth., Extra-financial criteria are used to exclude businesses carrying major sustainable development risks and to favour companies that are addressing societal and environmental issues for the benefit of future generations. Our stock picking is currently dominated by three key themes: fulfilment at work, the energy and environmental transition, and quality of life.</p> |
| Investment strategy | <p>The objective of the Sub-fund is to provide total return over the medium to long term. This objective will be effected through a flexible and diversified allocation to various asset classes with focus on sectors positively affected by long-term trends related to the next generations (including healthcare, ageing population, robotics and technology and energy efficiency). In order to achieve its investment objective, the Sub-fund will invest in a diversified portfolio of eligible transferable securities issued by companies listed on stock exchanges (qualifying as Regulated Markets), Governments and sovereign/supranational entities without any limitation in terms of currency, industry and geographic allocation – overall exposure to emerging markets will not exceed 50% of the Sub-fund's net assets. Depending on markets opportunities the Sub-fund's investments may be focused in a specific geographic area. Investments in high yield bonds with a rating between BB+ and CCC from Standard & Poor's or equivalent rating from another recognized agency will not exceed 50% of the Sub-fund's net assets. The Sub-fund's direct and indirect exposure to equity markets may range from 0% to 50% of the Sub-fund's net assets.</p> <p>The Investment Manager integrates the ESG analysis within the investments' selection process, as follows: 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. This methodology leads to a SPICE rating from 1 to 5 (5 being the highest rate).</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. Sycomore AM SPICE methodology also aims at assessing companies' contributions to the United Nations Sustainable Development Goals (SDGs). Target investments are subject to the following sustainability indicators, 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"> A filter of exclusion: exclusion of target issuers involved in controversial conduct and/or activities; A filter of selection: investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund. Consideration of principal adverse impacts (PAI) <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.</p> |
| Proportion of investments | <p>The Sub-Fund will invest at least 50% of its net assets in investments that are aligned to the promoted environmental and/or social characteristics. (# 1). The minimum proportion of sustainable investments is 25% (#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.</p> <p>To classify as sustainable investments, target issuers meet minimum thresholds on the below proprietary metrics:</p> |

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| | <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"> On the societal side: Societal Contribution of products and services above or equal to +30%. On the human capital side: <ul style="list-style-type: none"> Good Jobs Rating above or equal to 55/100 Happy@Work Environment rating above or equal to 4.5/5. <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> <pre> graph LR Investments --> N1["#1 Aligned with E/S characteristics Min. 50%"] Investments --> N2["#2 Other"] N1 --> N1A["#1A Sustainable Min. 25%"] N1 --> N1B["#1B Other E/S characteristics"] N1A --> N1A1["Other environmental"] N1A --> N1A2["Social"] </pre> |
| Monitoring of environmental or social characteristics | <p>The Investment Manager integrates the ESG analysis within the following investments selection processes:</p> <ul style="list-style-type: none"> A filter of exclusion: exclusion of target issuers involved in controversial conduct and/or activities; A filter of selection: investment in companies that contribute to the environmental and social objectives pursued by the Sub-fund. <p>The following binding elements are used to select investments to attain the characteristics promoted:</p> <p>For corporate issuers:</p> <ul style="list-style-type: none"> A filter of selection: based on the SPICE rating above 2.5/5 and minimum threshold on proprietary metrics Happy @ Work or Net Environmental Contribution (NEC) or Societal contribution or Good in Tech; A filter of exclusion: based on the SRI exclusion policy adopted by Sycomore and/or a level 3/3 controversy <p>For sovereign issuers:</p> <ul style="list-style-type: none"> A filter of selection: based on the Sycomore country rating above 1 on any given pillar of the rating; A filter of exclusion: based on the countries not signatories of the United Nations Charter <p>At Sub-fund level, the Investment Manager aims at having a better result compared to the Sub-fund’s investment universe on the two following indicators:</p> <ul style="list-style-type: none"> Net Environmental Contribution Societal contribution of products and services |
| Methodologies for environmental or social characteristics | <p>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on a filter of exclusion, a filter of selection and consideration of principal adverse impacts.</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> |
| Data sources and processing | <p>The data sources used to attain the stated environmental and social characteristics is obtained from 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> |
| Limitations to methodologies and data | <p>The limitations to the attainment of the promoted environmental and social characteristics are deemed non-material for the attainment of the environmental or social characteristics promoted by the Sub-fund</p> |
| Due Diligence | <p>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.</p> |
| Engagement Policies | <p>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</p> |
| Designated reference benchmark | <p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p> |