

LUX IM – ESG SYCOMORE GLOBAL HAPPINESS

Sustainability-related disclosures required for Article 9 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

Preamble

LUX IM – ESG SYCOMORE GLOBAL HAPPINESS (“the Sub-fund”) aims to provide capital growth over the long term, through a thematic SRI strategy, by investing in companies valuing their human capital as a core pillar for sustainable development.

The Sub-fund invests at least 80% of its net assets in issuers that qualify as sustainable investment in accordance with Article 2 (17) of Regulation (EU) 2019/2088 (“SFDR”), being sustainable investments with a social objective, as measured by the societal and human capital contribution of their products, services and practices.

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.


There is no reference benchmark designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

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| Summary SFDR L2 Article 37, 38 | <p>In the website section ‘Summary’ referred to in Article 37, 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 have sustainable investment as their objective. 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 37, 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 https://www.bgfml.lu/site/en/home/sustainable.html</p> |
| No significant harm to the sustainable investment objective SFDR L2 Article 39 | <p>In the website section ‘No significant harm to the sustainable investment objective’ referred to in Article 37, point (b), financial market participants shall explain whether and why the investments of the financial product do no significantly harm any of the sustainable investment objectives, and provide all of the following information:</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. Indeed, investments targeted by one or more of the criteria below will not be considered as a sustainable investment:</p> <ul style="list-style-type: none"> As per the Investment Manager’s SRI exclusion policy : activities are excluded for their controversial social or environmental impacts, as defined in Sycomore AM’s core policy (applicable to all Sycomore AM’s direct investments), 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, controversial and nuclear weapons, conventional weapons and ammunitions, thermal coal, tobacco, pesticides, pornography, carbon-intensive energy generation, oil & gas; 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 range from 0 to -3) is considered a violation of one of the principles of the United Nations’ Global Compact. 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. 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 be reported as “not sustainable”. |

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| | <p>a) 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;</p> | <p>Adverse impacts on sustainability factors involve indicators at two levels:</p> <ol style="list-style-type: none"> 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. 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>PAI policy: 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"> o GHG emissions o Biodiversity o Water o Waste o UN Global Compact principles/OECD Guidelines for Multinational Enterprises compliance o Gender equality o Controversial weapons <p>Applicable to sovereigns and supranationals:</p> <ul style="list-style-type: none"> o GHG intensity o Investee countries subject to social violations <p>SPICE rating:</p> <p>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>Exclusion policy: 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> |

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| | b) 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. | <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> |
| Sustainable investment objective of the financial product SFDR L2 Article 40 | In the website section 'Sustainable investment objective of the financial product' referred to in Article 37, point (c), financial market participants shall describe the sustainable investment objective of the financial product. | <p>The Sub-fund aims to provide capital growth over the long term, through a thematic SRI strategy, by investing in companies valuing their human capital as a core pillar for sustainable development. The Sub-fund invests in issuers that qualify as sustainable investment in accordance with Article 2 (17) of Regulation (EU) 2019/2088 ("SFDR").</p> <p>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.</p> |
| Investment strategy SFDR L2 Article 41 | <p>In the website section 'Investment strategy' referred to in Article 37, point (d), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> the investment strategy used to attain the sustainable investment objective; | <p>The Sub-fund aims to provide capital growth over the long term through a diversified exposure to companies which value human capital and the well-being of their employees as a key performance driver for long term growth. The security selection process relies on a rigorous financial fundamentals' analysis. The Sub-fund essentially invests in fully paid equity securities issued by companies listed on stock exchanges, qualifying as Regulated Markets, without any limitation in terms of geographic, currency and market capitalization – for the avoidance of doubt the Sub-fund may invest in small sized capitalisation companies up to 20% of its net assets. The Sub-fund's exposure to emerging markets will not represent more than 10% of the Sub-fund's net assets.</p> <p>ESG analysis (Environment, Social, Governance) is a fully integrated component in the fundamental analysis of companies in the investment universe, conducted according to Sycomore AM's proprietary analysis and rating methodology, 'SPICE'. 'SPICE' is the English acronym for the global financial and non-financial analysis methodology presented in the diagram below (Suppliers & Society, People, Investors, Customers, Environment). It aims specifically to understand the distribution of value created by a company among all its stakeholders (investors, environment, customers, employees, suppliers and civil society. The investment manager believes that an equitable sharing of value between the stakeholders is an important factor in the development of a company.</p> <p>The investment universe of the Sub-fund is built according to specific criteria into the overall SPICE methodology (see Monitoring of the sustainable investment objective).</p> <p>The SPICE methodology also contributes to analyzing a company's exposure and/or contribution to the United Nations Sustainable Development Goals (SDGs).</p> <p>Within the People pillar, the 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</p> |

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| | | employment, decent work and reducing inequality. Within the Society & Suppliers pillar, the assessment of the societal contribution is based on the analysis of positive and negative contributions from business activities under 4 pillars (access and inclusion, health and security, economic and human progress and employment) and refers explicitly to SDGs 1, 3, 4, 6, 7, 8, 9, 10, 11, 12, 16 and 17. Within the Environment pillar, the assessment of the net environmental contribution (NEC) analyses the positive and negative impacts of companies and their products and services on 5 issues (climate, biodiversity, water, waste/resources and air quality) directly related to environmental SDGs 2, 6, 7, 9, 11, 12, 13, 14 and 15. |
| | <ul style="list-style-type: none"> 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. | <p>Governance is part of the SPICE analysis, including a dedicated governance section (“G” 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> |
| Proportion of investments SFDR L2 Article 42 | In the website section ‘Proportion of investments’ referred to in Article 37, point (e), financial market participants shall insert the information referred to in the section ‘What is the asset allocation and the minimum share of sustainable investments?’ in the template set out in Annex III to this Regulation and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities. | <p>The Sub-fund invests at least 80% of its net asset value in investments that qualify as sustainable investments under Article 2 (17) SFDR. Aforementioned binding elements of the investment strategy, used to select the investments to attain the sustainable investment objective of this financial product, are required for any investment of the Sub-fund (excluding derivatives or cash held for liquidity purposes).</p>  <pre> graph LR Investments --> S1["#1 Sustainable Min 80%"] Investments --> S2["#2 Not Sustainable"] S1 --> Social </pre> <p>#1 Sustainable covers sustainable investments with environmental or social objectives. #2 Not Sustainable includes investments which do not qualify as sustainable investments. To classify as sustainable investments, target issuers meet minimum thresholds on the below proprietary metrics and exclusion criteria: <u>Sustainable investments with a social objective:</u></p> <ul style="list-style-type: none"> Happy@Work Environment rating above or equal 4.5/5; or Societal Contribution of products and services above or equal to +30%; or Good Jobs Rating above or equal to 55/100; Exclusion of companies involved in activities identified in Sycomore AM SRI exclusion policy for their controversial social or environmental impacts; Exclusion of companies with a SPICE rating below 3/5; |

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| | | <ul style="list-style-type: none"> Exclusion of companies affected by a severe controversy (rating 3/3 in Sycomore AM controversies rating tool) or targeted by Sycomore AM's Principle Adverse Impact (PAI) policy. <p>A target issuer that passes such minimum thresholds and exclusion criteria is considered as sustainable in its entirety.</p> <p>The Sub-fund does not make any commitment regarding a minimum extent of sustainable investments with an environmental objective aligned with the EU Taxonomy.</p> <p>The policy for using derivatives, whose underlying assets are subject to the SPICE analysis process, is compatible with the objectives of the Sub-fund and consistent with its inclusion in a long-term perspective. It is not intended to significantly or permanently distort the ESG selection policy. The use of derivatives is limited to the exposure to securities in which the Sub-fund is invested. The Sub-fund may not hold a short position in any asset selected as ESG, according to its own method of ESG asset selection.</p> <p>Investments included under “#2 Not sustainable” relate only to either (i) derivatives used for hedging purpose or (ii) cash held as ancillary liquidity. Cash and derivatives held for hedging purposes, by their nature, cannot be subject to any minimum environmental or social safeguards.</p> |
| Monitoring of the sustainable investment objective SFDR L2 Article 43 | <p>In the website section ‘Monitoring of the sustainable investment objective’ referred to in Article 37, point (f), financial market participants shall describe how the sustainable investment objective and the sustainability indicators used to measure the attainment of the sustainable investment objective are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.</p> | <p>In order to attain the sustainable investment objective, the eligibility of target issuers is assessed based on the following sustainability indicators.</p> <ul style="list-style-type: none"> At investment level, the Sub-fund will make sustainable investments with a social objective based on the following set of selection and exclusion filters, applicable to all investments of the financial product: A filter of selection to identify sustainable investments with a social objective, based on the following criteria: <ul style="list-style-type: none"> companies with a Happy@Work Environment rating above or equal to 4.5/5 or companies with a Societal Contribution of products and services above or equal to +30% or companies with a Good Jobs Rating above or equal to 55/100 <p>Companies associated with a Good Jobs Rating or a Happy@Work Environment rating above or equal to the selected thresholds make a significant contribution to SDG 8. Companies associated with a Societal Contribution above or equal to the selected threshold therefore make a significant contribution to one or several of SDGs or the SDG's targets.</p> <p>The fund pays particular attention to human capital, for which companies will be selected based on the Happy @ Work Environment rating.</p> <ul style="list-style-type: none"> A filter of exclusion: 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"> it is involved in activities identified in Sycomore AM SRI exclusion policy for their controversial social or environmental impacts, or it obtained a SPICE rating below 3/5, or it is affected by a severe controversy (rating 3/3 in Sycomore AM controversies rating tool); or it is targeted by Sycomore AM's Principle Adverse Impact (PAI) policy. |

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| Methodologies SFDR L2 Article 44 | In the website section ‘Methodologies’ referred to in Article 37, point (g), financial market participants shall describe the methodologies to measure the attainment of the sustainable investment objective and how the sustainability indicators to measure the attainment of that sustainable investment objective are used. | <p>In order to attain the sustainable investment objective, the eligibility of target issuers is assessed based on the above-described negative screening and positive screening procedures (see ‘Monitoring of the sustainable investment objective’ above).</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. The data is used to determine and monitor whether the investments are aligned with the sustainable investment objective of the Sub-fund at any time.</p> |
| Data sources and processing SFDR L2 Article 45 | <p>In the website section ‘Data sources and processing’ referred to in Article 37, point (h), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> the data sources used to attain the sustainable investment objective of the financial product; the measures taken to ensure data quality; how data are processed; the proportion of data that are estimated. | <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> <p>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.</p> |
| Limitations to methodologies and data SFDR L2 Article 46 | <p>In the website section ‘Limitations to methodologies and data’ referred to in Article 37, point (i), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> any limitations to the methodologies referred to in Article 37, point (g), and to the data sources referred to in Article 37, point (h); why such limitations do not affect the attainment of the sustainable investment objective. | <p>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.</p> <p>Based on the details above, there is no material effect on the attainment of the sustainable investment objective of the Sub-fund.</p> |

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| Due diligence SFDR L2 Article 47 | In the website section 'Due diligence' referred to in Article 37, 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. |
| Engagement policies SFDR L2 Article 48 | In the website section 'Engagement policies' referred to in Article 37, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the sustainable investment objective, 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. |
| Attainment of the sustainable investment objective SFDR L2 Article 49 | In the website section 'Attainment of the sustainable investment objective' referred to in Article 37 point (l), financial market participants shall describe all of the following: | |
| | a) for financial products that have sustainable investment as their objective and for which an index has been designated as a reference benchmark, how that index is aligned with the sustainable investment objective of 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 sustainable investment objective. |
| | b) for financial products that have a reduction in carbon emissions as their objective, a statement that the reference benchmark qualifies as an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b), of Regulation (EU) 2016/1011, and a hyperlink to where the methodology used for the calculation of those benchmarks can be found. | Not applicable. |
| | Where the information referred to in paragraph 1 a) is published on the website of the administrator of the reference benchmark, a hyperlink shall be provided to that information. | Not applicable. |
| | Where no EU Climate Transition Benchmark or EU Paris-aligned Benchmark as defined in Article 3, points 23a and 23b, of Regulation (EU) 2016/1011 is available, the website section 'Attainment of the sustainable investment objective' referred to in Article 38 point (l), of this Regulation shall mention that fact and explain how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the objectives of the Paris Agreement. Financial market participants shall explain the extent to which the financial product complies with the | Not applicable. |

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| | methodological requirements set out in Delegated Regulation (EU) 2020/1818. | |