

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

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.

Product name : PHILEAS LS EUROPE

Legal entity identifier: 549300KJH19BBMOATF53

Environmental and/or social characteristics

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

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 1% 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 promotes E/S characteristics, but **will not make any sustainable investments**



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

The fund takes into account environmental, social and governance (ESG) practices in its investment process. This ESG integration is based on a methodology combining exclusion mechanisms, internal rating and external rating.

With regard to internal analysis, the environmental and social characteristics promoted by the fund include the following dimensions:

- Environment:
 - o Decarbonation :
 - o Pollution and waste
- Social :
 - o Human capital:
 - o Societal capital:
 - o Product Impact:

No specific index has been designated as a benchmark to determine whether the financial product is aligned with the environmental and/or social characteristics it promotes.

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

Internal analysis

For the internal analysis, our tool is based on a qualitative analysis of the sensitivity of the companies in our monitoring universe (approximately 340 stocks) to six ESG themes. Each of these themes is rated on a scale of 5, integrating the notions of both risk and opportunity, with scores ranging from -2 (high risk, low opportunity) to +2 (low risk, high opportunity).

The environmental and social issues analyzed are as follows:

Environment:

Decarbonation: analysis of direct and indirect footprint (scope 1-2-3), impact analysis (products contributing to emissions reduction), implementation of an emissions reduction policy, emissions reduction trajectory

Pollution and waste: recyclability, packaging, waste and toxic emissions

Social:

Human capital: quality of social relations, attractiveness for talent, health and safety in the workplace

Societal capital: customer/supplier/authority relations

Product impact: health impact, product security, data security

External analysis

The indicators mentioned above are complemented by a battery of external indicators collected via Sustainalytics and S&P Trucost. Their criteria are adapted to the sector and the challenges of each of the companies analyzed, and - for Sustainalytics - take into account the company's exposure to the risks related to the indicator and the company's management of these risks.

The main sustainability indicators used are as follows:

Environment:

- Existence of an environmental policy
- Existence of biodiversity preservation programs
- Carbon footprint and other greenhouse gases
- Policy to reduce carbon footprint and other greenhouse gases
- Renewable energy use policy
- Waste and effluent management
- Recycling programs and circular economy
- Water consumption intensity

Social :

- Non-discrimination policy
- Human rights programs
- Gender pay gap
- Involvement in community projects
- Employee turnover rate
- Use of temporary workers
- Training and education
- Workplace safety
- Occupational health
- Free association

● ***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 ?***

External rating - Carbon footprint

The fund is committed to maintaining a carbon footprint that is significantly lower than the benchmark (source: S&P Trucost)

Internal rating

As mentioned above, the company's methodology is based on assigning a score between -2 and +2 to a battery of ESG criteria. The fund's objective is to have a positive overall net score (long position scores - short position scores) on the following three criteria at all times:

- Decarbonation
- Human capital
- Governance

The data relating to these objectives are published in the fund's monthly newsletters.

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 ?

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

This financial product takes into account the 14 mandatory indicators of Table 1 of Annex I of the European Commission's Delegated Regulation (EU) 2022/1288, and also includes the following 2 additional indicators: companies without a water management policy, companies without an accident prevention policy.

This approach is complemented by the implementation of two exclusion lists:

- ➔ An external exclusion list (>160 companies), distributed by NORGES BANK, a leading responsible investment pension fund (<https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies>). This list excludes certain companies on the basis of the products and services they offer and/or behaviors that can be attributed to them.

Products

Tobacco, coal or coal-based energy production, nuclear weapons, controversial weapons (cluster bombs and landmines), arms exports to countries subject to international sanctions.

Behaviors

Human rights violations, severe environmental damage, governance failures in managing greenhouse gas emissions, corruption, serious violations of basic ethical standards.

- ➔ An internal exclusion list based on actual or potential controversies.

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

The use of the Norges Bank exclusion list mentioned above specifically targets certain behaviors that violate the above principles. Non-compliant companies on the list are de facto excluded from the investable universe.

The consideration of PINs, and in particular the use of the following social PINs, completes the approach:

- Violation of the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises,
- Lack of processes and mechanisms to monitor compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises.

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.

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 ?

Yes, The product considers the Principal Adverse Impacts on the sustainability factors, calculating the various indicators related to the adverse impacts and applying exclusion filters as described above.

No



What investment strategy does this financial product follow ?

The fund follows an investment strategy based on fundamental analysis of companies.

The investment process is based on the following steps

- Strategic diagnosis: competitive advantages, strengths and weaknesses of the company
- Accounting validation: validation of the quality of the financial information
- Financial analysis
- ESG analysis
- Valuation

ESG analysis is based on a proprietary rating system based on a qualitative analysis of the sensitivity of the companies in our monitoring universe (approximately 340 stocks) to six ESG themes. Each of these themes is rated on a scale of 5 integrating the notions of both risk and opportunity, with scores ranging from -2 (high risk, low opportunity) to +2 (low risk, high opportunity).

The ESG themes analyzed are as follows:

1. Decarbonation
2. Pollution and waste
3. Human capital
4. Societal capital
5. Product impact
6. Governance

This internal ESG analysis is also fed by external inputs from several databases (Sustainalytics, S&P Trucost).

● ***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 ?***

As detailed above, the fund applies several levels of constraints:

- Application of a filter of sectoral and normative exclusions,
- Application of a filter linked to controversies
- Maintaining a carbon footprint (scope 1 and 2) below the reference universe (source: S&P Trucost)
- Maintain a positive overall internal net rating (long position ratings - short position ratings) on the following 3 criteria at all times:
 - Decarbonation
 - Human capital
 - Governance

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

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

Not applicable. The exclusion filters allow to reduce the investment universe. However, there is no minimum exclusion rate.

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

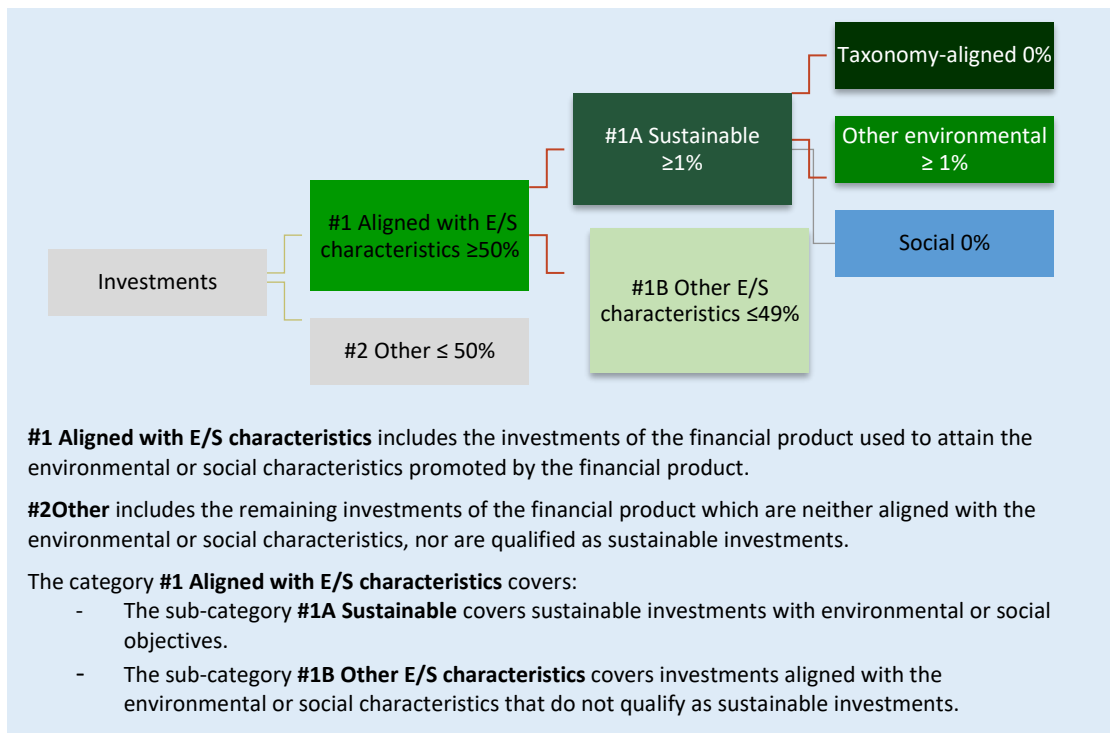
The policy of evaluating corporate governance practices is one of the six ESG themes rated internally and one of the three themes for which the fund strives to maintain a positive overall net rating at all times (long minus short ratings). The governance criteria assessed are

- Competence of the management team:
 - For the CEO: legitimacy in the business, track record, managerial capacity, leadership and structure of the compensation package
 - For the management committee: composition, diversity, relevance of the functions represented and commitment to CSR issues.
- Countervailing powers: sources of countervailing power within the Board, anticipation of the succession of the Chief Executive Officer, adequacy of the profiles of directors with the needs of the company, male/female diversity of the Board, geographical diversity, availability and involvement of directors.
- Respect for minority shareholders: one share-one vote principles and anti-takeover mechanisms, transparency of financial information.

What is the asset allocation planned for this financial product ?

The financial product invests at least 1% of its assets in assets that have been deemed to be sustainable investments (#1A Sustainable).

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



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



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.

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

The financial product uses derivatives, notably for hedging purposes as part of its long-short management.

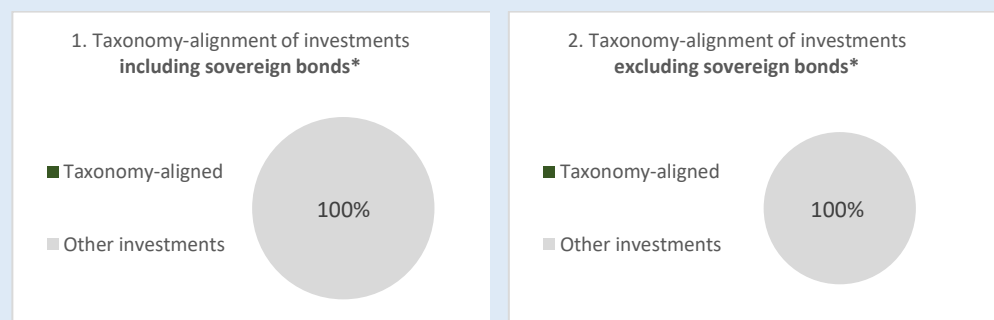
The underlying companies are subject to the same ESG analysis as the other companies in which the fund is invested, based on their notional exposure. Attention is paid to the overall net rating of the portfolio (rating of long positions - rating of positions used as hedges via derivatives). By maintaining a positive overall net rating, the management team ensures that the weighted average ratings of long positions are positive and higher than those of positions used as hedges.



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

The financial product may invest in environmentally sustainable economic activities, however the investments of this financial product do not take into account the European Union criteria for environmentally sustainable economic activities. The financial product commits to a 0% alignment with the European Taxonomy.

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.*



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

● **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 minimum share of sustainable investments with an environmental objective that are not aligned with the EU taxonomy is 1%.

What is the minimum share of socially sustainable investments ?

The fund does not target any minimum proportion of socially sustainable investments (as defined in Article 2(17) of the SFDR Regulation).

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.

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 investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards ?

Investments included in the "#2 Other" category will consist of cash (held on an ancillary basis or for risk balancing purposes). Cash does not have environmental or social guarantees.



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

- *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

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



Where can I find more product specific information online ?

More product-specific information can be found on the website:

More information about the management company's extra-financial approach can be found on its website: www.phileas-am.fr