

## Appendix II

### 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:** Heptagon European Focus Equity Fund  
**Legal entity identifier:** 549300Z6OKMP639Z0P98

## 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 \_\_\_% 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 characteristics promoted by the Fund consist of investing in companies that may exhibit E/S characteristics such as:

- Improving greenhouse gas (GHG) emissions;
- Improving energy/electricity usage development;
- Transparency and disclosure of environmental and social reports;
- Lack of material environmental and/or social controversies;
- Human rights considerations;
- Overall good environmental practices;

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

- Employee diversity; and
- Alignment with UN Sustainable Development goals.

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

The Sub-Investment Manager screens investments according to the following environmental and social criteria which may vary depending on the sector as well as data availability:

**Environment:**

- Greenhouse gas (GHG) emission development;
- Improving energy/electricity usage and development;
- Improving renewable energy/electricity usage development; and
- Improving waste and water consumption development.

**Social:**

- Fair wages/salaries;
- Ethical supply-chain product sourcing and outsourcing to 3rd party supplies;
- Employee diversity;
- Women's participation to units of sales and in terms of overall headcount; and,
- Women's executive participation in terms of the overall management structure.

When assessing these metrics, the Sub-Investment Manager initially looks for improving companies' absolute data, or for ongoing improvement in E/S productivity, and analyses data points, where measurable, as a percentage of sales and by employee, for example:

- Environment: improvement of GHG/water/waste per unit of sales and per employee
- Social: improvement of women/female executives per unit of sales and per employee

Together with internal analysis, the Sub-Investment Manager uses an independent global ESG provider to enhance the ranking of businesses based on ESG criteria, and looks at ESG risk ratings, "momentum" scores, and controversies:

- Exclusion criteria that eliminates non-grata industries;
- Seeking to avoid businesses regarded as harmful to society – a belief that 'doing well and doing good is mutually dependent' for being a good long term-investment;
- Seeking investment candidates which prioritise ESG-friendly products and whose goal should comply with a circular economy.

● ***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?***

**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.

N/A

**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?**

N/A

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

N/A

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

N/A



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

Yes, \_\_\_\_\_

No



**What investment strategy does this financial product follow?**

The Fund aims to achieve its investment objective by investing primarily in a concentrated portfolio of equity securities of companies located in European OECD-member countries which are listed or traded on Recognised Markets. The investment objective of the Fund is to provide long-term capital appreciation by investing in European equities. The Fund will invest at least 80% of its net assets in companies that the Sub-Investment Manager believes adhere to the Fund's environmental, social and governance ("ESG") criteria, as set out below.

The Fund employs a high conviction, bottom-up, low turnover, research driven strategy with a focus on companies that exhibit sustainable long-term growth. Rigorous fundamental analysis is utilised to identify companies believed to have intrinsic value greater than market valuations.

ESG considerations are essential to the investment process, the Fund aims to exclude companies that are directly involved in, and/or derive significant revenue from industries or product lines in areas such as gambling, weapons, or tobacco and engages in active dialogue with companies to foster good ESG practices and improve the sustainability profile of companies in the long-term. The Fund also avoids commodity or energy stocks and does not generally invest in purely financial sectors as these are deemed to be closely integrated with a slow-growing economy. The Fund favours large-capitalised stocks with adequate free-float liquidity and more concentrated business models over those widely diversified.

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

The Sub-Investment Manager seeks to engage in active dialogue with the management teams of companies to foster good ESG practices. The Sub-Investment Manager further seeks to monitor and engage with companies for ESG accountability using proxy voting and shareholder engagement. The Sub-Investment Manager believes that this plays an important role of raising the sustainability profile of companies in the long-term.

The above supplemental ESG analysis will be conducted by the Sub-Investment Manager alongside a further combination of quantitative, qualitative, and fundamental analysis to construct the portfolio.

● ***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?***

In addition to the environmental and social characteristics promoted, the Fund aims to exclude companies that are directly involved in, and/or derive significant revenue from, industries or product lines that include:

- fossil fuel extraction;
- tobacco;
- adult entertainment;
- gambling; and
- weapons.

The Sub-Investment Manager also aims to exclude companies with known serious violations of internationally recognised norms and standards such as, but not limited to, the UN Global Compact, that the Sub-Investment Manager believes do not show a positive outlook. To qualify as an investable stock in the Fund, each company is subject to a combination of quantitative and qualitative analysis and a comprehensive in-house due diligence process performed in different areas of a company.

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

The Fund has an initial investable universe of approximately 6,000 companies located Europe which are listed or traded on the stock exchanges of European OECD-member countries. The Fund may select constituents from the Benchmark which captures large and mid-cap representation across 15 developed markets countries in Europe. With 436 constituents, the Benchmark covers approximately 85% of the free float-adjusted market capitalisation across the European developed markets equity universe. However, as the Fund is actively managed, securities selection is not constrained by the Benchmark. The Fund has full flexibility to invest in securities not represented in the Benchmark.

Firstly, the Sub-Investment Manager conducts research on long-term themes, screens for attractive business and applies ESG exclusion criteria. ESG screening criteria and exclusions result in the investable universe being reduced by roughly 5,200 companies or at least 20%. By applying further selection criteria utilized to help identify well placed businesses, the process results in a focused watch list of approximately 35-45 companies. Through subsequent financial modelling, valuation, due diligence and company specific ESG considerations, the Sub-Investment Manager will have a final portfolio that consists of approximately 20-25 companies.

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

The Sub-Investment Manager is a signatory to the UN Principles for Responsible Investment (the “UNPRI”). As a signatory to the UNPRI the good governance practices of investee companies are assessed prior to making an investment and periodically thereafter, the Sub-Investment Manager screens:

- accounting and/ or governance practices such as avoidance of accounting red flags, reporting in English, adherence to IFRS, timely and consistent reporting and tax transparency;
- board transparency level;
- quality of board;
- board remuneration; and
- seeks to avoid dual share class structures.



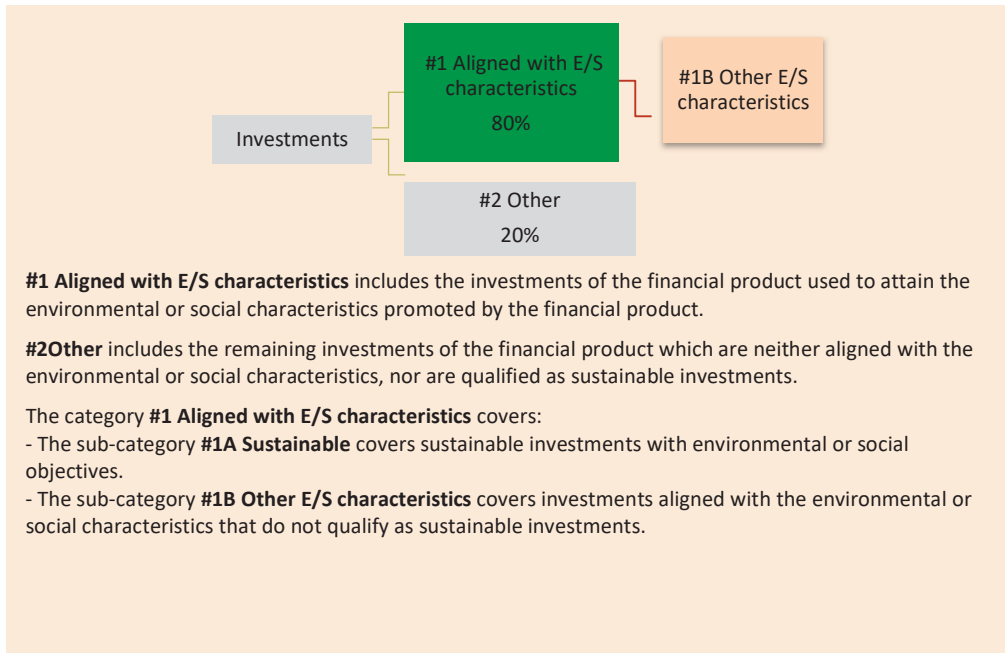
**What is the asset allocation planned for this financial product?**

**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.

In order to meet the environmental or social characteristics promoted, the Fund will invest at least 80% of its equity exposure in companies aligned with the ESG characteristics of the Fund but that may not be classified as sustainable investments as defined under SFDR. The remainder could be held in companies that may not match the Fund’s ESG criteria in its entirety or in cash or cash equivalents, nevertheless, all investments excluding cash and equivalents go through the same screening process and are made with ESG considerations. The strategy therefore follows a significant ESG integration approach as all equity investments are screened with ESG considerations. The Fund is mostly exposed to the following sectors: consumer discretionary, consumer staples, health care, industrial, information technology and materials.



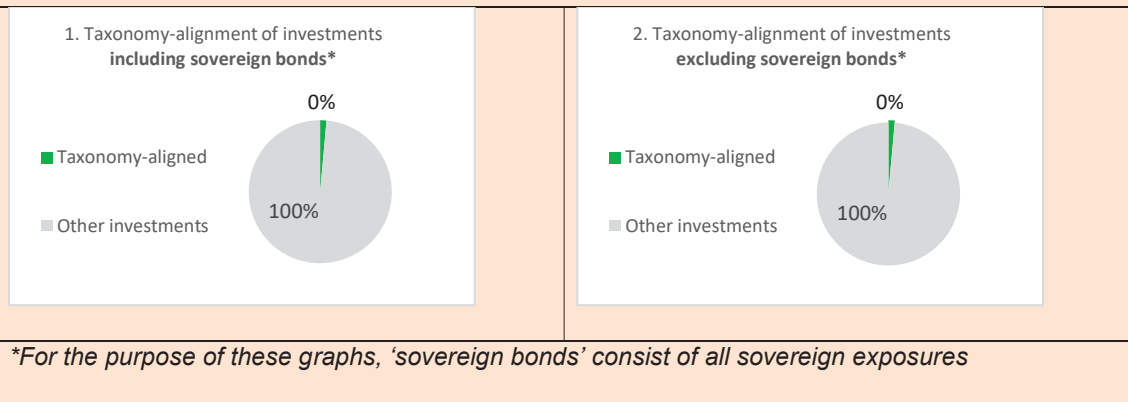
- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivative instruments are not used for investment purposes. However, the Fund may employ techniques and instruments for the purposes of efficient portfolio management and hedging under the conditions and within the limits laid down by the Central Bank.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU 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.*



**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?**

N/A

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

N/A

**What is the minimum share of socially sustainable investments?**

N/A

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

The purpose of any investments made by the Fund that may be classified as “#2 other” within the SFDR is mainly for efficient portfolio management, liquidity management or hedging purposes. There could also be

investments in companies that may not match the Fund's ESG criteria in its entirety but have the adequate minimum safeguards, achieved through exclusions at the outset and strict investment screening criteria.



**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?**

No

**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?***

No

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

No

- ***How does the designated index differ from a relevant broad market index?***

No

- ***Where can the methodology used for the calculation of the designated index be found?***

No



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**  
<https://www.heptagon-capital.com/european-focus-sfdr/>