

## 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

Product name: GEMEQUITY

Legal entity identifier: 969500N1B6C986BLVK65

### Environmental and/or social characteristics

**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.

#### Does this financial product have a sustainable investment objective?

 Yes

 No

 It will make a minimum of **sustainable investments with an environmental 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 15% of sustainable investment

 in economic activities that qualify as environmentally sustainable under the EU Taxonomy

 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

 with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

 with a social objective

 It will make a minimum of **sustainable investments with an 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 responsible investment strategy is based on ESG criteria highlighting the environmental and/or social characteristics promoted by this financial product, such as companies taking into account environmental risks, reducing the environmental impact of companies in terms of air pollution, improving working conditions, promoting gender equality, protecting employees.

The benchmark for the financial product is the MSCI Emerging Markets. The index does not promote specific environmental and social characteristics.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

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

Within the framework of this financial product, research on environmental and social criteria is carried out through official publications of the companies, exchanges between the fund's management team and the management team of these companies, as well as with the support of rating agencies such as Sustainalytics and S&P Global (ex. Trucost). All companies promoted by the financial product are rated and analysed internally. The main sustainability indicators used to measure the achievement of each of the environmental or social characteristics promoted by the financial product are the following:

**Environment:**

The company's activity is the starting point for the environmental analysis. Due to its investment theme (detailed in the section "What investment strategy does this financial product follow?"), the financial product invests in companies with low environmental impact.

The main environmental indicators are the following:

Carbon intensity or WACI (Weighted Average Carbon Intensity). This indicator measures CO2 emissions in relation to the company's turnover. Our calculations are based on data from S&P Global (formerly Trucost). Thus, to be considered sustainable, the company's carbon intensity must be 20% lower than that of the benchmark.

Net Zero CO2 Emissions target: With the signing of the Paris Agreements, a number of countries have committed to reduce and eventually neutralise their country's CO2 emissions. A growing number of companies are following these recommendations. Thus, in order to be considered a sustainable investment, a company must have a zero emissions target.

Scope 1 & 2 GHG emissions: CO2 emissions are divided into 3 measurability groups. Scope 1 includes greenhouse gas emissions directly related to the manufacturing of products or services. Scope 2 groups together the greenhouse gas emissions linked to the energy consumption required to manufacture the product or service. Companies must publish both indicators in order to be eligible for the sustainable investment framework.

Energy consumption and production: while analysing the company, the management teams consider for the rating the source of energy used in the production process and/or the contribution of renewable energy to the products.

**Social :**

Training rate: the financial product promotes the continuous education of employees and their well-being. Thus a training rate of at least 20 hours per year per employee is required for a company to qualify as a sustainable investment.

Gender parity: the financial product is committed to promoting the participation of women in the workplace. Thus, a company is considered a sustainable investment when the number of women employees exceeds 20% of the salary base. Also, we monitor the share of women on the board of directors and for any company where the share of women is less than 10%, we commit to vote against the appointment of a male member at the General Meetings.

Human rights: with the support of the Sustainalytics platform, the financial product excludes any company with Level 5 in human rights controversy.

- ***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?***

The sustainable investment objectives that the financial product partially intends to achieve are to contribute to the achievement of the United Nations Sustainable Development Goals (SDGs). The focus is on five goals in particular. The adoption of the SDGs is systematically recommended to emerging companies. The latter are assessed on the scope of their commitment based on internal rating but also with the analysis of specialised partners (Sustainalytics and S&P Global). The SDGs are taken into account both at the operational level (company commitment) and the revenue streaming level (business impact).

The fund also aims to encourage and strengthen companies' commitment to sustainability. For example, on the social aspect, the promotion of gender parity is considered a cornerstone, as well as the reduction of GHG emissions regarding environmental commitment.

- ***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?***

To ensure that the sustainable investments of the financial product will not significantly harm an environmental or social objective (DNSH), Gemway Assets has established a list of normative and sectoral exclusions: tobacco production, weapons, anti-personnel mines, unconventional fossil fuels, pornography, genome technology, coal exploration.

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

As Gemway Assets is a management company with less than 500 employees, the consideration of PAIs is voluntary. The management company is therefore not required to consider negative sustainability impacts. Where the company chooses not to follow the provisions of the regulation, it is required to explain why implementation is not relevant to its scale under the "Comply or Explain" principle.

In this context, the Fund is not required to consider negative impacts at present. Given the geographical area concerned, i.e. emerging markets, information is not available with the same transparency as in the area where disclosure legislation is in force. However, the management company engages not to invest directly in coal exploration companies. Companies involved in the exploration and production of non-conventional fossil fuels are also excluded, with a tolerance threshold of maximum 5% of turnover.

The financial product collects and monitors more than 10 environmental and social indicators such as Scope 1, 2 and 3 greenhouse gas emissions; carbon footprint; carbon intensity; hazardous waste; water consumption; water recycling; violations of the UN Global Compact principles and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises; gender pay gap and supplementary health cover.

The financial product also commits to keeping the carbon intensity measured by the WACI 20% below that of the benchmark.

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

The portfolio managers monitor the alignment of the companies in which the financial product invests with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on

**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.

Business and Human Rights, and the ten principles of the UN Global Compact. The financial product is based on data published by the supplier Sustainalytics.

The financial product has not established a minimum threshold. However, at the end of December 2022, 78.6% of the financial product is aligned with the ten principles of the UN Global Compact (source: Sustainalytics).

*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, \_\_\_\_\_
- No



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

The financial product implements a financial strategy based on investment in emerging growth stocks, selected in particular for the sustainability of their business model and the quality of their management. The investment theme of the financial product is the enrichment of the middle classes in emerging countries. Thus the financial product systematically integrates ESG criteria into its financial management which has an impact on the selection of securities in the portfolio.

The extra-financial approach integrated into the investment strategy of this financial product is detailed below. The selection of securities is subject to normative and sectoral exclusions.

First, the reference universe is adjusted for normative and sectoral exclusions:

- Anti-personnel landmines and cluster munitions
- Military equipment and defence systems
- Unconventional oil and gas production (shale oil and gas)
- Genome technology
- Pornographic content \*
- Tobacco and cigarette production \*
- Company involved in human rights abuses (not a Sustainalytics level 5 controversy)
- Direct investment in a coal mining company

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

Nb: a maximum limit of 5% of consolidated turnover is imposed (either directly or through subsidiaries), unless the sector is marked with an "\*", in which case 0% exposure is required.

In a second step, the financial product applies a Best In Class selection. The securities in the reference universe are then classified by sector and the lowest 20% of companies are eliminated. Hence the universe is being adjusted. The rating is achieved through the rating provided by Sustainalytics.

The financial product also tracks Controversies with the support of Sustainalytics. This score measures the level of severity of a company's controversies rated from 0 to 5 (5 being the strongest controversy). Any company that falls into a Level 5 Controversy is divested as soon as possible. A Level 4 Controversy results in the company being placed on Close Watch. If the management team judges the controversy to be an operational risk for the company, the company is divested. Where the stock is not covered by Sustainalytics, all analysis is brought in-house.

Gemway Assets is committed to conducting nearly 300 interviews with emerging companies per year to ensure first-hand information and proximity to the field and management teams.

For the financial product, ESG analyses are intrinsically a risk management tool. In 2015, the company signed the UN PRI and the CDP. Since then, the company has partnered with Sustainalytics and Trucost (now S&P Global) to measure ESG parameters. In January 2021, the financial product received the Label ISR, the French government's label for sustainable investment.

The ESG rating coverage of the portfolio must be 100% at all times. The companies in the portfolio are rated internally, using the Sustainalytics rating as a starting point. This is an ESG risk-based rating. The management teams follow the Sustainalytics classifications (corporate governance, ethics, product governance, supply chain, human rights etc.). The management team then adjusts the final rating taking into account the Sustainability Objectives promoted by the company at operational and revenue level. The quality of communication and transparency is a source of ESG bonus, as is the nature of the activity. Any activity that reduces greenhouse gas emissions and gender inequality receives a bonus. Conversely, any activity that is detrimental to these two main criteria is penalised by a malus. Controversies are also a source of malus.

The result is an internal score called EM ESG.

- ***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 mentioned in the previous section, constraints are imposed by the policy of normative and sectoral exclusions, the Best In Class approach and controversies. They narrow the investment universe.

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

The investment universe of the financial product is adjusted by excluding the bottom 20% of companies in each sector in terms of ESG EM score. The analysis of the benchmark universe is based on the Sustainalytics rating.

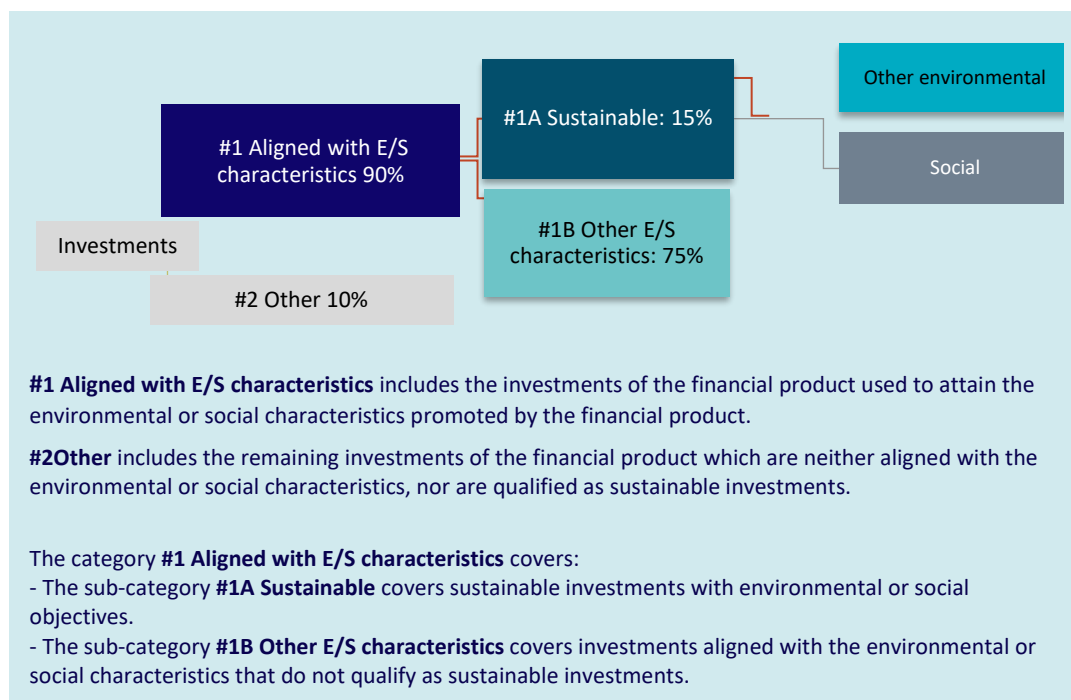
- ***What is the policy to assess good governance practices of the investee companies?***

The governance criterion accounts for 60% of our ESG score. In assigning a score, the investment team considers several factors such as the quality and experience of management and the board of directors, respect for minority shareholders, separation between shareholders and management,

## **GemEquity – Annexe II SFDR Article 8**

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

identity of shareholders, existence of founder pledges, regulatory risk, level of gender parity and existence of diversity and parity policies, transparency of communication with investors, remuneration and benefits, and other factors, regulatory risk, level of gender balance and existence of diversity and gender policies, transparency of investor communication, board remuneration and independence, employee turnover and remuneration structure, benefits and tax compliance. We gather as much information as possible on these topics through our ESG questionnaire and during our dedicated ESG interviews with investee companies.



**Asset allocation** describes the share of investments in specific assets.



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

The financial product invests at least 90% of its net assets in assets that have been considered "eligible" according to the ESG process in place - i.e. in investments that are aligned with the promoted environmental and social characteristics (#1 Aligned with I/O characteristics).

A maximum of 10% of the net assets are not aligned with these characteristics (#2 Other).

The financial product invests at least 15% of its assets in assets that have been deemed to be sustainable investments (#1A Sustainable).

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

Not applicable



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

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

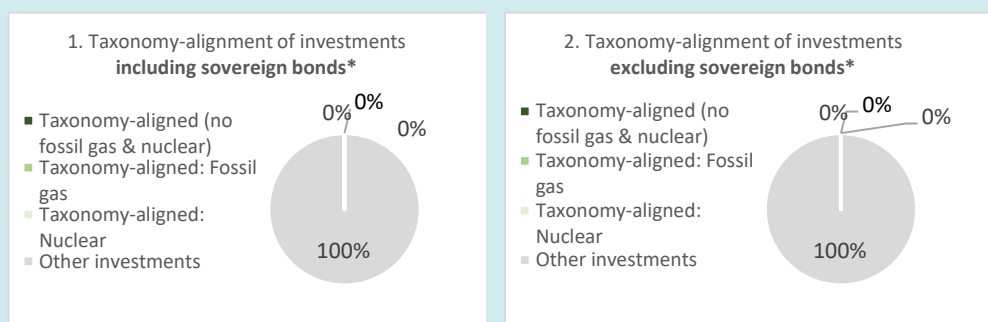
Taxonomy-aligned activities are expressed as a share of:

- **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.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with EU Taxonomy?**

Yes  
 In fossil gas  In nuclear energy  
 No

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

**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?**

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 15%.



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

The minimum share of socially sustainable investments is 15% of the net assets of the product.



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

Investments under "#2 Other" are related to fossil fuels and mining as well as cash. As the entire portfolio is subject to a best-in-class approach, companies invested in these two sectors are also selected according to ESG criteria. Environmental and social analyses are particularly rigorous in these sectors.





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

### 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



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

More information on the management company's extra-financial approach can be found in ESG documents such as the ESG Report, the Article 29 Report, the Transparency Code and the SFDR - Article 10 policy, which are available on the management company's website (<https://www.gemway.com/fr/approche-esg-isr>).