

# QUEST MANAGEMENT, SICAV

## APPENDIX A – SUSTAINABILITY DISCLOSURES

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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Quest Cleantech Fund

Legal entity identifier: 549300EHDHJ70JEP2A17

## 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 25% 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?

#### 1. Thematic approach/positive screening:

The Sub-Fund is mainly investing in cleantech companies. The Sub-Fund focuses on companies with environmental characteristics that provide products and services related to (without being exhaustive):

- Climate change mitigation, such as renewable energy, energy efficiency, clean transport;

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- Climate change adaptation, such as draught and flood protection, climate-resilient infrastructure, climate adaptation services;
- Sustainable use and protection of water and marine resources, such as water management, water-saving technologies, protection and restoration of marine ecosystems;
- Transition to a circular economy, such as waste management, recycling, durable and recyclable products, circular design and packaging;
- Pollution prevention and control, such as reducing air, water and soil pollution;
- Protection and restoration of biodiversity and ecosystems, such as sustainable agriculture and aquaculture.

Additionally, the Sub-Fund is investing in companies with social characteristics that provide products and services that ensure healthy lives and promote well-being, in areas such as (without being exhaustive): healthy food, healthcare, safety, leisure and education.

Some companies in which the Sub-Fund is investing can contribute to multiple objectives and characteristics.

## **2. Negative screening**

Companies involved in harmful activities that could lead to potential negative impacts on sustainability factors, are excluded. These relate to:

- companies involved in any activities related to controversial weapons<sup>1</sup>;
- companies involved in the cultivation and production of tobacco;
- companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and
- companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh.

The investment manager can apply additional or stricter exclusion criteria in the portfolio construction process.

Direct involvement: a tolerance threshold of 5% of revenues is accepted for any direct involvement in general defined as production and wholesale trade of the products generated from the above-mentioned activities. However, a zero tolerance or zero threshold level for exclusion is set forward for the companies with an involvement in controversial weapons and for a direct exposure for cultivation and production of tobacco. The tolerance maximum threshold is set at 1% of revenues for coal production. Indirect involvement: Maximum 25% of the activities of a company can be in

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<sup>1</sup> controversial weapons shall mean antipersonnel mines, cluster munitions, chemical weapons and biological weapons.

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products or services dedicated to activities listed in the product-based exclusions, such as the delivery of components, delivery of dedicated services or distribution of products.

Normative screening: Also excluded are companies with undesirable behavior related to the areas of human rights, labor rights, environmental challenges and responsibilities and anti-corruption.

### 3. Good governance

The Investment Manager regularly analyses good governance practices of the portfolio companies, such as:

- Sound management structures;
- Employee relations;
- Remuneration;
- Tax Compliance.

### 4. Active ownership:

The Sub-Fund is an active shareholder, investing a significant part of its assets under management in small to medium-sized quoted growth companies in Europe. As such, the Investment Manager engages with portfolio companies on an ongoing basis during informal contacts or through a formal process of engagement with the management to informally discuss and promote ESG-related issues.

Voting rights will be exercised as much as possible. For some investments or geographies it may not be in the best interest of the fund and its shareholders to exercise voting rights, for example for efficiency or cost reasons.

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

Following indicators were defined to measure the attainment of the environmental and/or social characteristics promoted by this Sub-Fund:

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

- Percentage of the portfolio/fund assets on positive screening list composed by the Investment Manager based on the investment areas stated in the investment policy;
- Percentage of the fund assets invested in “sustainable investments”;
- Percentage of the portfolio/fund assets in line with exclusion criteria;
- Percentage of the portfolio/fund assets invested in companies with good governance score;
  - Number of the portfolio holdings where voting rights were exercised on Annual General Meetings and Extraordinary General Meetings;

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- ***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 Sub-Fund intends to partially invest in companies that have a significant exposure to activities related to the following objectives:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystems;
- Ensuring healthy lives and promoting well-being.

- ***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?***

**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 Sub-Fund considers an investment sustainable if it does no significant harm to any environmental or social objective, by applying exclusions and taking into account indicators for adverse impact.

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

Adverse impact indicators are being selected and monitored on an ongoing basis by the Investment Manager. Extreme negative outliers will be analysed more into detail and respective actions will be taken on a case by case basis (e.g. engagement with the respective companies or even exclusion of the respective asset) with the general goal to reduce adverse impacts.

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

The Sub-Fund excludes companies that are in breach with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The alignment is checked with external databases.

*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.

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

☒ Yes, This Sub-Fund considers principal adverse impact indicators by fulfilling its binding exclusion policy. Furthermore, adverse impact indicators are being selected and monitored on an ongoing basis by the Investment Manager. Extreme negative outliers will be analysed more into detail and respective actions will be taken on a case-by-case basis (e.g. engagement with the respective companies or even exclusion of the respective asset) with the general goal to reduce adverse impacts.

☐ No



## What investment strategy does this financial product follow?

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

The Sub-Fund promotes environmental or social characteristics and is considered a financial product according to Article 8 (1) SFDR and while it does not have as its objective a sustainable investment, it will have a proportion of its portfolio invested in sustainable investments.

The objective of the Sub-Fund is to achieve long-term capital growth.

The Sub-Fund is actively managed.

The Sub-Fund invests primarily in transferable securities of corporations domiciled in developed countries, but limited investments may be made in the transferable securities of corporations in developing countries.

The Sub-Fund does not use derivative instruments.

Ancillary liquid assets limited to bank deposits at sight represent maximum 20% of the net assets of the Sub-Fund, except in extraordinary unfavourable market conditions and for a period strictly necessary when circumstances so require and the investors' interests so justify. The Sub-Fund does not invest in other bank deposits, money market instruments and money market funds.

The important characteristics of the investment philosophy are:

- Stock picking with GARP approach (growth at a reasonable price)
- Concentrated portfolio (typically 20-30 stocks)
- Focus on European small & mid caps
- Dynamic buy-and-hold strategy

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● ***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?***

- The Investment Manager regularly monitors the environmental and social characteristics of the portfolio companies and all portfolio companies should be part of the positive screening list composed by the Investment Manager based on the investment areas stated in the investment policy;
- At least 25% of the fund assets invested in “sustainable investments”, i.e. companies that have a significant exposure to activities related to the environmental or social objectives of the Sub-Fund. This can for instance be estimated by the percentage of total revenues derived from environmental impact themes, the percentage of total revenues derived from social impact themes, or the percentage of total eligible revenues covered by the EU Taxonomy Regulation;
- Fulfilment of the Paris-aligned benchmark exclusion criteria as further detailed in section “*What environmental and/or social characteristics are promoted by this financial product?*” above.

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

The reduction rate (by number of issuers) resulting from the application of the different sustainability strategies is more than 90%: the initial “investable universe” of stocks listed in developed markets of more than 10,000 stocks is reduced to a screened “investment universe” for the Sub-Fund of less than 1000 stocks.

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

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

The Investment Manager regularly analyses good governance practices of the portfolio companies, such as:

- Sound management structures;
- Employee relations;
- Remuneration;
- Tax Compliance.



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

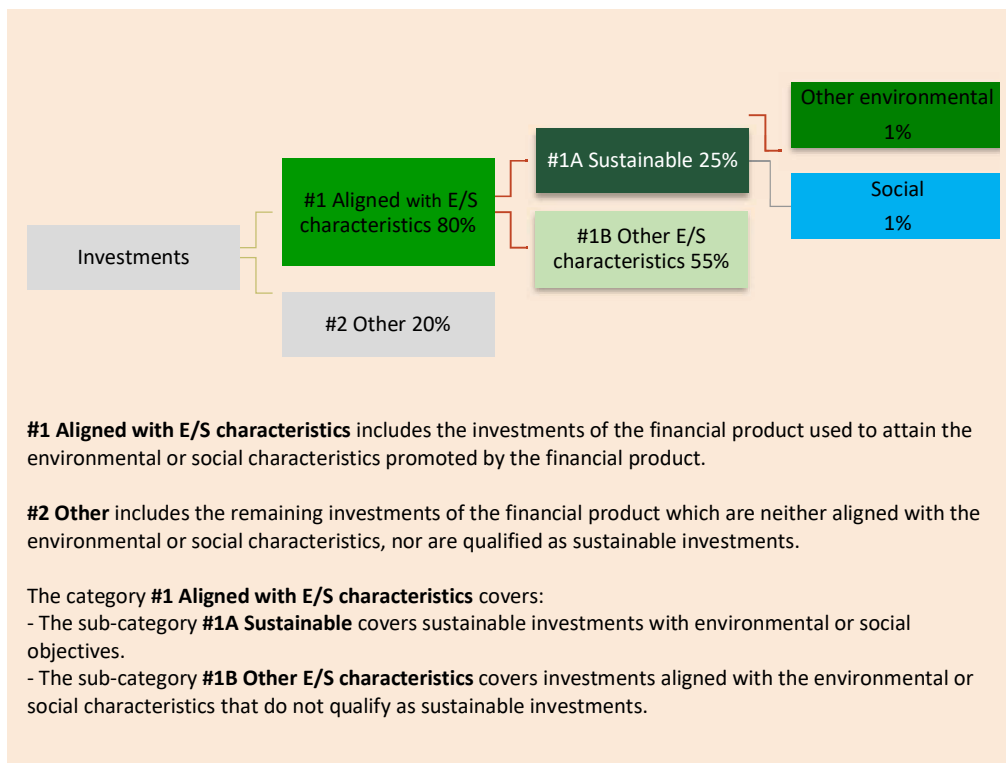
**Asset allocation** describes the share of investments in specific assets.

The Sub-Fund is at least 80% aligned with E/S characteristics (#1 Aligned with E/S characteristics) and invests up to 20% in Other (#2 Other). At least 25% are allocated to sustainable investments (#1A Sustainable) and the remainder will be invested in investments aligned with other environmental and/or social characteristics (#1B Other E/S characteristics).

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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.



To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules. **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.



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

The Sub-Fund does not use derivative instruments.



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

The Sub-Fund takes into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation and its alignment to this Taxonomy Regulation is calculated. Currently, only estimates taxonomy figures are available. Consequently, due to the lack of reliable data, the minimum taxonomy alignment for the Sub-Fund is set at 0%.

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- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>2</sup>?



Yes

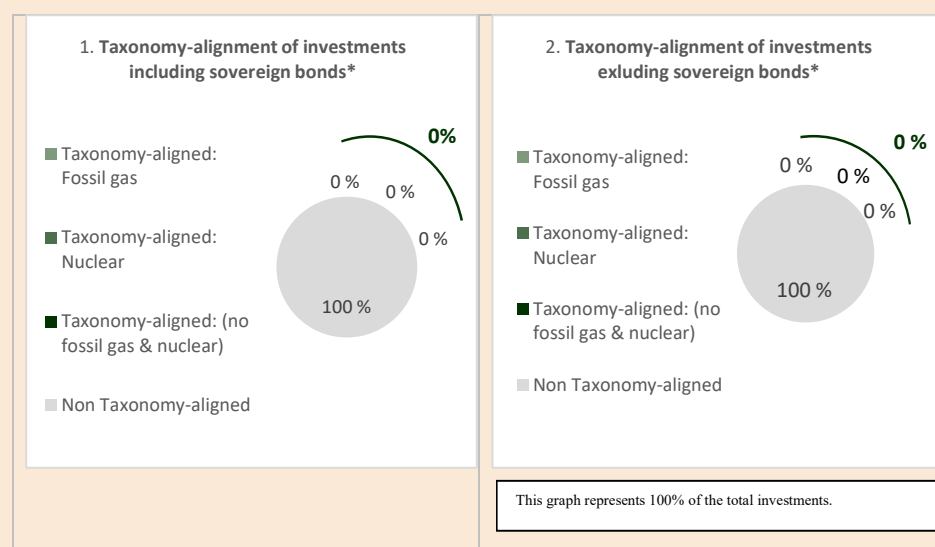


In fossil gas ☐ in nuclear energy



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

- What is the minimum share of investments in transitional and enabling activities?



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

Due to the lack of reliable data, the minimum taxonomy alignment for the Sub-Fund is set at 0% of the net asset value. This minimum can be reviewed when sufficient reliable data is available.



**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 is set at 25%. There is no fixed split between sustainable investments with an environmental objective and socially sustainable investments. Additionally, some companies in which the Sub-Fund is

<sup>2</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



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investing can contribute to multiple objectives and characteristics. The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is therefore set at 1%.



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

The minimum share of sustainable investments is set at 25%. There is no fixed split between sustainable investments with an environmental objective and socially sustainable investments. Additionally, some companies in which the Sub-Fund is investing can contribute to multiple objectives and characteristics. The minimum share of socially sustainable investments is therefore set at 1%.



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

Other investments include ancillary liquid assets limited to bank deposits at sight.



## 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?

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

No.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

N/A.

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

N/A.

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

N/A.

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

N/A.



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

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

[https://vpfs.vpfundsolutions.vpbank.com/page/productdetails?isin=LU1699953201&country=LU&investorType=institutionel&locale=en\\_GB#es](https://vpfs.vpfundsolutions.vpbank.com/page/productdetails?isin=LU1699953201&country=LU&investorType=institutionel&locale=en_GB#es)