

## 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

**Product name:** Driehaus Emerging Markets Equity Fund

**Legal entity identifier:** 549300N15SH1J38TR077

## Environmental and/or social characteristics

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

Yes  No

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ____% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It promotes <b>Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ____%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

**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.



### 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:

- Transparency and disclosure of environmental and social reports
- Efficient management of pollution and water usage;
- Efficient waste management;
- Lack of material environmental and/or social controversies;
- Human rights considerations;
- Overall good environmental practices;
- Employee diversity;

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

- Positive third-party ESG and controversy ratings;
- Expected improvement in ESG practices, factors and ratings; 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?***

Materiality of environmental and social indicators analysed to measure the attainment of the environmental and social characteristics may vary considerably from industry to industry and from company to company, and may be dependent on data availability. These may include, but are not limited to:

Environment:

- Greenhouse gas (“GHG”) emissions/revenues;
- Management of pollution;
- Management of water usage; and
- Waste management

Social:

- Percentage of female employees;
- Contribution to local communities/ regeneration;
- Avoidance of controversies; and
- Supply chains.

When assessing these indicators, together with the consideration of governance factors and qualitative data, the Sub-Investment Manager also aims to understand:

- a positive rate of change, progress in respect of the company’s environmental and social objectives and disclosures; and
- areas for improvement, which leads to further engagement with investee/potential companies.

● ***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?***

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

**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.



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

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

The Fund considers principal adverse impacts on sustainability factors

The Sub-Investment Manager, at the outset excludes certain companies from the investment universe of the Fund due to involvement in controversial weapons and violations of the UN Global Compact Principles.

The Sub-Investment Manager applies ESG exclusion criteria (as outlined above) and engages with investee companies through a principal adverse impact process whereby the risk management team of the Sub-Investment Manager runs a principal adverse impact report using an SFDR solutions tool provided by a third-party vendor. The report is run at portfolio level and includes aggregated data for principal adverse impacts indicators as outlined above. The risk management team will review each investee company's performance on the principal adverse impacts indicators against the Benchmark to determine if any investee companies are performing negatively.

If any investee company has been identified as performing negatively, the Sub-Investment Manager may: (i) carry out internal research to find any existing ESG information for the investee company; (ii) if no information is available, the Sub-Investment Manager may engage with the management of the investee company; and (iii) if no information is available following the steps taken at (i) and (ii), the Sub-Investment Manager will document this.

While the Sub-Investment Manager may decide not to pursue a particular investment in light of a negative score, it is not automatically precluded from engaging with such companies in order to understand the accuracy of such negative score and whether management's practices are improving over time.

The impact of the Fund's investment against the above indicators will continue to be monitored on a regular basis.

Information on principal adverse impacts on sustainability factors will be disclosed in the Fund's annual report.

No



## What investment strategy does this financial product follow?

The Fund will mainly invest in equity securities of companies in emerging markets which are listed or traded on Recognised Markets. Emerging markets are countries outside the United States, most of Western Europe, Canada and Japan, that have economies, that the Sub-Investment Manager believes are growing. Under normal market conditions, the Fund will invest at least 80% of its net assets in equity securities of emerging market companies.

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

ESG considerations are a meaningful component in the Sub-Investment Manager's framework for assessing a company's management, corporate culture and strategy alignment. The Sub-Investment Manager excludes companies directly involved in the activities described below and seeks to invest in companies that amongst others, meet the environmental and social characteristics described above and governance practices as described below.

The Sub-Investment Manager also seeks to engage in active dialogue with the management teams of companies to discuss ESG practices. The Sub-Investment Manager further seeks to monitor and engage with companies for ESG accountability through the use of 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.

● ***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 will seek to exclude companies that the Sub-Investment Manager deems, as part of its investment research, to be directly involved in the following product involvements where the company derives significant revenue from such activities as further defined below (unless otherwise indicated):

- adult entertainment production (>5% revenue);
- adult entertainment distribution (>10% revenue);
- thermal coal extraction (>5% revenue), power generation (>10% revenue) and supporting products/services (>5% revenue);
- metallurgical coal mining (>5% revenue);
- gambling manufacturing (>5% revenue) and gambling operations (>5% revenue);
- tobacco production and manufacturing (>5% revenue);
- tobacco related products or services (>10% revenue) and tobacco distribution (>10% revenue); and
- non-controversial/small arms weapons manufacturing (>5% revenue), small arms distribution (>10% revenue), riot control equipment manufacturing (absolute exclusion) and military contracting manufacturing (>5% revenue).

In addition to the above-mentioned industries, the Fund will seek to exclude:

- Companies that have direct involvement in the production and/or distribution of controversial weapons, namely antipersonnel landmines, cluster munitions, biological and chemical weapons (absolute exclusion).
- Companies which the Sub-Investment Manager ultimately determines have known serious violations of the UN Global Compact that the Sub-Investment Manager believes do not show a positive outlook.
- Companies that are on the Norges Bank (NBIM) exclusion list. The Sub-Investment Manager believes that excluding companies on the NBIM exclusion list supports the promotion of the environmental and social characteristics of the Fund. The exclusion list can be found at: <https://www.nbim.no/en/responsible-investment/ethical-exclusions/exclusion-of-companies/>

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

To qualify as an investable stock in the Fund, the Sub-Investment Manager will subject any potential company to various quantitative and qualitative analyses.

These considerations are then linked to the exclusion criteria as outlined in this Supplement to ensure that the E/S characteristics of this Fund are met.

- Approximately 24,000 companies comprise the initial investable universe: first elimination phase is implemented through the use of quantitative criteria, application of ESG exclusion criteria, removal of companies that show low ESG ratings and bottom quartile quality measures;
- Approximately 800 companies are then identified: the Sub-Investment Manager seeks to identify differentiated business models, with strong earnings growth potential over a medium-to-long term horizon and strong or improving ESG footprints;
- The Sub-Investment Manager then builds a focus list of approximately 250 stocks and seeks to identify positive earnings inflections, attractive relative valuations and active risk management; and
- Finally, the Sub-Investment Manager constructs a portfolio of approximately 100 companies which are; undergoing positive change, diversified by region, sector and growth profile, and with strong or improving ESG attributes.

● ***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.

Within the emerging markets, governance standards generally lack compared to developed market, nevertheless, the Sub-Investment Manager places high focus on governance as (1) a differentiating factor within the asset class and (2) as an essential tool for limiting downside risk in the Fund. The following factors are analysed:

- assessment of the company’s overall governance risks;
  - assessment of shareholding structures with preference for less complicated structures;
  - disclosures and accounting standards; and
  - engagement with portfolio companies on governance issues.



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

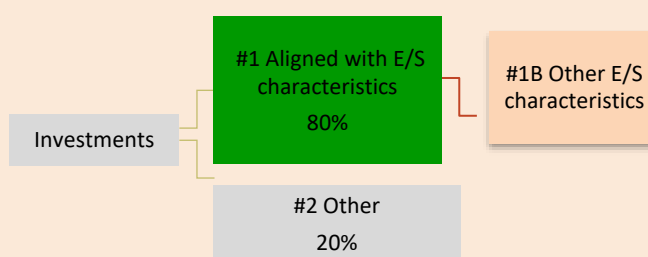
**Asset allocation** describes the share of investments in specific assets.

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.

The Fund aims to achieve its investment objective by investing primarily in a portfolio of equity securities and common stocks of companies in emerging markets which are listed or traded on Recognised Markets. The Fund may also hold cash or cash equivalents, and the Fund may use derivative instruments for the purposes of efficient portfolio management and hedging under the conditions and within the limits laid down by the Central Bank.

All Fund investments go through the same screening and investment process and are made with environmental and social considerations, which may vary from industry to industry and from company to company. Therefore under normal circumstances, in order to meet the environmental or social characteristics promoted, the Fund is generally expected to invest at least 80% of its equity exposure in companies aligned with the E/S characteristics of the Fund but that may not be classified as sustainable investments as defined under the 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.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## ● 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?

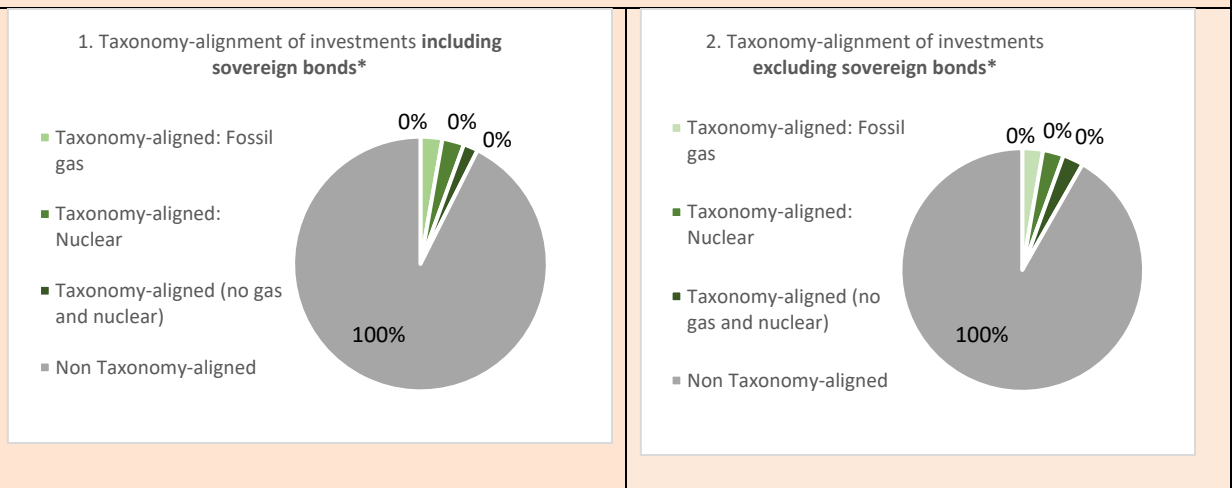
- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes:
- In fossil gas       In nuclear energy
- No

**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.

*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?**

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

<sup>1</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.



**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

- ***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

**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:**

<https://www.heptagon-capital.com/driehaus-emerging-markets-equity-fund>