

# European SRI Transparency Code

31 July 2022

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income. All information pertaining to the European SRI Transparency Code can be found at the following website: <http://www.eurosif.org>. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on February 19, 2018.

## I REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

## I TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

## I GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

## I COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions, and should state this in their response.

### Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Heptagon Capital<sup>1</sup>. We have been involved in SRI since 2019 and welcome the European SRI Transparency Code.

This is our second statement of commitment and covers the period 1st August 2022 to July 31st, 2023. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

### Compliance with the Transparency Code

Heptagon Capital is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Heptagon Capital meets the full recommendations of the European SRI Transparency Code.

31st July 2022

### Eurosif classification of Sustainable and Responsible Investment<sup>2</sup> strategies

**Sustainability Themed Investment:** investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection:** approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening:** screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

**Exclusion of Holdings from Investment Universe:** an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

**Integration of ESG Factors into Financial Analysis:** the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and

---

<sup>1</sup> Heptagon Capital includes Heptagon Capital Limited (which is the investment manager of the Heptagon UCITS funds) and Heptagon Capital LLP (which is the sub-investment manager of the European Focus and Future Trends UCITS funds).

<sup>2</sup> Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016.

appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

**Engagement and Voting on Sustainability Matters:** engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

**Impact Investing:** impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances<sup>3</sup>. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French fonds solidaires.

## **I** Contents

1. List of funds covered by the Code
2. General information about the fund management company
3. General information about the SRI fund(s) that come under the scope of the Code
4. Investment process
5. ESG controls
6. Impact measures and ESG reporting

---

<sup>3</sup> Global Impact Investing Network (GIIN), "What is Impact Investing?", <http://www.thegiin.org/cgi-bin/iowa/investing/index.html>, 2012

## 1. List of funds covered by the Code

Funds	Dominant/ preferred SRI strategy	Asset class	Exclusions standards and norms	Fund capital as at 31 December 2021	Other labels	Links to relevant documents
<a href="#">Heptagon – Future Trends Equity fund</a>	Sustainability Themed/ESG Integration	Actively managed – international shares	<ul style="list-style-type: none"> <li>- Controversial weapons</li> <li>- Alcohol</li> <li>- Tobacco</li> <li>- Arms</li> <li>- Nuclear power</li> <li>- Gambling</li> <li>- Pornography</li> <li>- CO2 intensive (including coal)</li> </ul>	USD 190.63m	N/A	<ul style="list-style-type: none"> <li>- <a href="#">KIID</a></li> <li>- <a href="#">Prospectus</a></li> <li>- <a href="#">Sustainability Report</a></li> <li>- <a href="#">Fund Factsheet</a></li> <li>- <a href="#">Fund Presentation</a></li> </ul>
<a href="#">Heptagon – European Focus Equity fund</a>	ESG Integration/ Exclusions	Actively managed – Euro area country shares	<ul style="list-style-type: none"> <li>- CO2 intensive (including coal)</li> <li>- Tobacco</li> <li>- Pornography</li> <li>- Gambling</li> <li>- Arms</li> <li>- Controversial weapons</li> </ul>	EUR 134.58m	N/A	<ul style="list-style-type: none"> <li>- <a href="#">KIID</a></li> <li>- <a href="#">Prospectus</a></li> <li>- <a href="#">Sustainability Report</a></li> <li>- <a href="#">Fund Factsheet</a></li> <li>- <a href="#">Fund Presentation</a></li> </ul>

## 2. General information about the fund management company

### 2.1. Name of the fund management company that manages the applicant fund(s)

Heptagon Capital  
 63 Brook Street  
 London W1K 4HS  
 United Kingdom  
 Tel: +44 207 070 1800  
<https://www.heptagon-capital.com/>  
 Contact : [rupert.davies@heptagon-capital.com](mailto:rupert.davies@heptagon-capital.com)

### 2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

Heptagon Capital, founded in London in 2005, is a leading provider of asset management services and investment solutions to Institutional Investors, Family Offices and Ultra High Net Worth Individuals. The core of Heptagon's business is identifying truly exceptional boutique managers who focus on their risk adjusted returns rather than on an index or benchmark, are below the radar in our regions and not currently accessible to Heptagon's investors and share our sustainable investing philosophy & principles.

Our approach to ESG has been to promote sustainable investing in a way that is transparent and puts our clients' interests first and considers the diversity of our independent investment teams. Through active dialogue with the investment managers, and in line with their investment styles, each manager is responsible for defining and determining the potential impact of ESG risks on their investments. We believe that this is the best way to meaningfully integrate ESG factors and to ensure long-term sustainability. Our aim is to primarily offer ESG portfolios on our UCITS platform, and to fully integrate ESG in our in-house Funds.

Furthermore, we maintain an active dialogue with every investment team to gauge potential areas of improvement in this field as the landscape of ESG continues to evolve. As active investors, many of our investment teams engage with the management of companies. This proactive involvement helps them develop an in-depth understanding of their individual companies and supports their company's management conversations around ESG concerns. We support this active engagement as we believe that this will positively impact the long-term results of our client's investments.

Heptagon Capital engages with our investment managers on the UCITS platform to enhance their integration of ESG considerations in the investment process. Further, Heptagon Capital intends to make it a principle to only add new funds onto the UCITS platform with ESG integration and we are currently working with our existing funds to enhance their own ESG processes. On the External Manager Platform side, Heptagon Capital is looking to partner up with more sustainable Funds such as sustainability themed funds.

Our ESG framework is being reviewed on a regular basis to ensure that our funds' environmental, social and governance credentials continue to enable our independent investment teams to drive sustainable quality investment, through responsible asset management.

More information on our ESG approach can be found here:

<https://www.heptagon-capital.com/esg/>

### 2.3 How does the company formalise its sustainable investment process?

Heptagon Capital's ESG and Engagement & Proxy Voting policies outlines our approach to integrating ESG considerations into our investment and engagement processes, as well as our commitments to responsible investment.

#### *Heptagon ESG Policy*

[Heptagon-Capital-ESG-Policy-1.pdf](#)

#### *Engagement & Proxy Voting Policy<sup>4</sup>*

[Heptagon-Proxy-Voting-and-Engagement-Policy-2020.pdf](#)

### 2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?<sup>5</sup>

Heptagon Capital believes that the incorporation of ESG factors, including those linked to climate change within the investment process can mitigate risk and lead to enhanced long-term returns. Foremost, we consider material ESG criteria that may present a significant sustainability, financial, reputational and/or regulatory risks that can negatively impact investment returns if they are not appropriately managed. Each investment team has the responsibility to integrate ESG criteria in their individual investment processes with a view to mitigate such risks and enhance returns through investment opportunities.

ESG indicators that are considered during the investment decision making process may include (but are not limited to):

- Greenhouse gas (GHG) emissions reduction targets

---

<sup>4</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES

<sup>5</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

- Energy efficiency
- Natural resource management
- Sustainability transparency and disclosures
- Lack of material environmental and/or social controversies.
- Human rights considerations.
- Labour standards
- Diversity, equality & inclusion
- Alignment with UN Sustainable Development Goals.
- Good corporate governance practices

All our in-house funds and several of our UCITS sub-investment teams incorporate ESG factors in their investment process. We respect that varying investment styles and asset classes will incorporate ESG factors to different degrees. As such, they consider various ESG factors alongside their conventional financial analyses and incorporate them in accordance with their suitability to the investment philosophy. We maintain an active dialogue with every investment team to gauge potential areas of improvement in this field as the landscape of ESG continues to evolve.

As active investors, many of our investment teams engage with the management of companies. This proactive involvement helps them develop an in-depth understanding of their individual companies and supports their company's management conversations around ESG concerns. We support this active engagement as we believe that this will positively impact the long-term results of our client's investments.

#### 2.5 How many employees are directly involved in the company's sustainable investment activity?

At Heptagon, the internal ESG committee is made up of 4 senior level employees and has a further 2 employees that are directly involved with the wider sustainable investment strategy of the company. Furthermore, the investment teams conduct their own sustainable investment activities, which in turn is overseen by the ESG committee.

#### 2.6 Is the company involved in any RI initiatives?

Heptagon Capital became a UNPRI signatory in July 2019

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles For Responsible Investment <input type="checkbox"/> SIFs - Sustainable Investment Fora <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Other (please specify)

## 2.7 What is the total number of SRI assets under the company's management?

As of 31st December 2021, ESG integrated strategies represented approximately USD 4075.75m of assets under management.

## 3. *General information about the fund management company*

### 3.1 What is (are) the fund(s) aiming to achieve by integrating ESG factors?

The Funds integrate ESG factors alongside traditional financial analysis within the investment process with the aim to mitigate risk and lead to enhanced long-term returns, our funds covered by the code have two distinct ESG investment approaches:

- Future Trends Equity fund focus is on identifying the trends which the portfolio manager believes will grow in importance going forward and then finding the businesses which are best placed to benefit from them. The future trends identified naturally align with the United Nations Sustainable Development Goals. By integrating ESG factors into the investment process the portfolio manager aims to be owners of businesses that also seek to align themselves with these goals.
- European Focus Equity fund employs a high conviction, bottom-up, low turnover, research driven strategy with a focus on fundamental analysis in addition to the best-performing or most improved companies as identified by ESG analysis and exhibit sustainable long-term growth. Rigorous fundamental analysis is also utilised to identify companies in good-and-sustainable industries that are believed to have intrinsic value greater than market valuations.

By integrating ESG factors into the investment process the portfolio manager also seeks out companies that are aligned with the United Nations Sustainable Development Goals.

Both Funds also seek to avoid companies with poor ESG risk management assessments or that are involved in negative business activities which are not in line with our ESG policies and principles and deemed to be detrimental to good-and-sustainable long-term business opportunities.

For further information on our ESG integrated funds can be found here:

<https://www.heptagon-capital.com/esg>

### 3.2 What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

To qualify as an investable stock in the Funds, each company is subject to a combination of quantitative and qualitative analysis and a comprehensive in-house due diligence process where analysis is performed on areas such as business strategy, market position, long-term growth prospects in conjunction with material ESG criteria (see below 3.3).

The in-house due diligence is supported with various data sources and ESG data providers including, company reports, news, ESG ratings and research from Bloomberg, Sustainalytics, MSCI ESG Research and Thomson Reuters etc.

### 3.3 What ESG criteria are taken into account by the fund(s)?

ESG indicators that are considered during the investment decision making process may include (but are not



limited to):

- Greenhouse gas (GHG) emissions reduction targets
- Energy efficiency
- Natural resource management
- Sustainability transparency and disclosures
- Lack of material environmental and/or social controversies.
- Human rights considerations.
- Labour standards
- Diversity, equality & inclusion
- Alignment with UN Sustainable Development Goals.
- Good corporate governance practices

The Funds will also consider more holistic external fund ratings from agencies such as, Morningstar and MSCI ESG Research.

### 3.4 What principles and criteria linked to climate change are taken into account in the fund(s)?<sup>6</sup>

The Funds use a combination of quantitative and qualitative factors linked to climate change such as GHG emissions or alignment with UN SDGs. Furthermore, the Funds expect boards to have clear Net Zero policies in place and/or carbon reduction commitments. If this not the case, the Funds will engage with their investee companies to establish a clear commitment to reduce carbon emissions and appropriately manage their climate risk. The Funds also take objective climate linked considerations such as GHG emissions into account when doing company peer analysis.

### 3.5 What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

ESG considerations are essential to the investment process to qualify as an investable stock in the Funds, 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.

- Future Trends Equity fund: seeks to invest in a diverse range of businesses offering exposure to key thematic trends that naturally align with the UN SDGs. Portfolio construction is conducted bottom-up, with an emphasis on quantitative and qualitative factors as well as ESG considerations. The Fund aims to exclude companies that are directly involved in, and/or derive significant revenue from carbon intensive industries or product lines in areas such as gambling, weapons, alcohol, or tobacco etc and engages in active dialogue with companies to foster good ESG practices and improve the sustainability profile in the long-term. Through the implementation of ESG criteria, an initial universe of 2,000+ companies result into a focused watch list of 30-40 companies, and a final stock portfolio of 20-25 companies. The portfolio 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. Based around a combination of third-party data and internal proprietary analysis there is a correlation between ESG ranking and position size within the Fund.
- European Focus Equity fund: The initial investment universe has approximately 6,000 stocks. The Fund aims to exclude companies that are directly involved in, and/or derive significant revenue from carbon intensive

<sup>6</sup> Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code); <https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>



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. As a result of an elimination phase that includes the exclusion criteria, as well further ESG filters and strict governance criteria, 5,200 companies are excluded. The portfolio manager will then do further research on 800 companies, out of which 35-45 companies qualify to go on the Fund's list. The final portfolio will normally consist of 20-25 companies.

### 3.6 How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

The Funds are actively managed and will normally consist of approximately 20-25 companies. As such ESG evaluation on all Portfolio holdings is conducted on an ongoing basis. Several tools, such as Bloomberg, news articles and MSCI ESG Research to monitor controversies. Should a controversy arise, depending on its severity, the portfolio managers immediately review the investment case and will divest the position

The portfolio managers publish regular SRI reports which highlights the positioning of businesses in the funds and their progress in respect of ESG objectives. They also meet regularly with all businesses and actively engage with them on ESG matters as well as partaking in all proxy votes.

## 4. *Investment Process*

### 4.1 How are the results of the ESG research integrated into portfolio construction?

Portfolio construction is conducted bottom-up, with an emphasis on quantitative and qualitative factors as well as ESG considerations. ESG positioning is one of the factors taken into consideration when assessing positions within the Funds, in addition to valuation, diversification and conviction. The positions within the Funds with larger weights have improved ESG credentials. The Funds have an exclusion list which restricts investments in certain harmful industries or with environmental and/or social controversies.

### 4.2 How are the criteria specific to climate change integrated into portfolio construction?<sup>7</sup>

Climate risk is incorporated in the environmental analysis of a company's business model and receives additional consideration compared with some of the other environmental factors. The fundamental investment process of the Funds naturally excludes carbon intensive sectors such as mining, energy, and utilities and as a result have been designated as Low Carbon Funds by an external ratings provider. The Funds actively engage with their investee companies on their carbon reduction or net zero.

### 4.3 How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?<sup>8</sup>

All stocks in the Funds are subject to ESG analysis. Where no external ESG data is available the ESG analysis is carried based on the portfolio manager's own fundamental research.

### 4.4 Has the ESG evaluation or investment process changed in the last 12 months?

The ESG integration process has not significantly changed in the last 12 months, however we continue to enhance our existing sustainable investment practices and engage with the portfolio companies on material ESG issues to drive a positive outcome in ESG related policies and disclosures.

### 4.5 Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

<sup>7</sup> Reference to Article 173 of the French TECV Act and HLEG recommendations on DISCLOSURE

<sup>8</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)

Social factors are incorporated into the Funds in a manner that is consistent with Environmental and Governance considerations. For Heptagon Future Trends Equity Fund Investee companies' alignment with the United Nations Sustainable Development Goals is regularly assessed and the majority have clear commitments to further improve Social aspects, such as financial inclusion or gender diversity, inclusion & equality. The Funds actively engage with their investee companies to disclose the progress they make in pursuing their environmental social and governance goals in their Sustainability and/or Annual reports.

#### 4.6 Does (do) the fund(s) engage in securities lending activities?

No, the Funds do not engage in securities lending activities.

#### Does (do) the fund(s) use derivative instruments?

No, the Funds do not use derivative instruments.

#### 4.7 Does (do) the fund(s) invest in mutual funds?

The Funds do not invest in mutual funds.

### 5. *ESG Controls*

#### 5.1 What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?<sup>9</sup>

- PRI annual assessment, Heptagon Capital has been a signatory to the UN PRI since 2019 and responds to the questionnaire every year. Heptagon Capital seeks to continually enhance its ESG framework and implementation of the six PRI principles. These efforts are led by the firm's Head of ESG in partnership with each UCITS investment team.
- Every in-house portfolio manager is required to integrate ESG considerations into the investment decision making process. portfolio managers and analysts have access to a range of external ESG tools and research when assessing the eligibility of a new company for the funds' investment universe.
- Pre-investment due diligence assessment: Any business identified as having a high probability of a potential sustainability risk impacting future returns would not be included in the final portfolio. This pre-investment due diligence assessment, together with adherence to exclusion criteria and selection process, decreases potential negative impacts of sustainability risks on returns at the outset.
- Ongoing assessment: Where there is a marked deterioration in sustainability of a business, evidenced both by quantitative factors such as a decline in ESG risk ratings noted by an independent global provider and factors such as negative perceptions over a business' operating practices, the portfolio manager will seek to engage with the business' management, and if unsatisfactory, potentially exit from the investment.
- Firm level compliance checks of ESG rules are integrated within the investment policy and UCITS guidelines. Monitoring of the Funds compliance is carried out via internal risk monitoring tools that automatically compare investment restrictions, guidelines, and risk parameters to the Fund's current positions. These tools utilize market data feeds and mathematical models to perform the monitoring. The results of the monitoring are reviewed and approved by senior personnel on a regular basis.

---

<sup>9</sup> Reference to Article 173 of the French TECV Act

- The Fund's Depository, Brown Brothers Harriman Trustee Services (Ireland) Ltd also independently monitors adherence of the Funds to the investment policies.
- Internal Investment and ESG committees evaluate the investments of the Funds and ensure these adhere to the investment process and portfolio construction, not only environmental, social and governance considerations but every step of the investment process.

## 6. *Impact measures and ESG reporting*

### 6.1 How is the ESG quality of the fund(s) assessed?

The ESG quality of the Funds is assessed monthly by Heptagon Capital's ESG committee chaired by the CIO, formed of senior level management and the firm's Head of ESG. The committee reviews the material ESG risk factors, engagement opportunities and overall ESG ratings of the in-house managed Funds using specialist providers such as Morningstar, MSCI ESG Research, and Sustainalytics.

### 6.2 What ESG indicators are used by the fund(s)?<sup>10</sup>

Heptagon Capital's internal ESG research is carried out by the portfolio managers alongside traditional fundamental, bottom-up financial evaluation of individual investment opportunities on a company-by company basis. The ESG integration process is supported by the firm's Head of ESG and incorporates external research from specialised third party ESG data providers.

ESG indicators that are considered during the investment decision making process may include (but are not limited to):

- Greenhouse gas (GHG) emissions reduction targets
- Energy efficiency
- Natural resource management
- Sustainability transparency and disclosures
- Lack of material environmental and/or social controversies.
- Human rights considerations.
- Labour standards
- Diversity, equality & inclusion
- Alignment with UN Sustainable Development Goals.
- Good corporate governance practices

### 6.3 What communication resources are used to provide investors with information about the SRI management of the fund(s)?

- Portfolio manager commentary (monthly)
- Sustainability Reports (quarterly/semi-annually)
- ESG themed articles

Further information is available on an on request, including ESG fund ratings, corporate case studies and selected external research notes.

---

<sup>10</sup> Reference to Article 173 of the French TECV Act

6.4 Does the fund management company publish the results of its voting and engagement policies?<sup>11</sup>

Heptagon Capital currently does not publish the results of its voting and engagement policies at the firm level. Individual investment teams may publish reports on their ESG activities, and further information on their investment process, proxy voting and engagement activities is available upon request.

---

<sup>11</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE

## I Important Information

Past performance is not an indication or guarantee of future performance and no representation or warranty is made regarding future performance. This communication is for information purposes only. It is not an invitation or inducement to engage in investment activity. The document is provided for information purposes only and does not constitute investment advice or any recommendation to buy, or sell or otherwise transact in any investments. The document is not intended to be construed as investment research. The contents of this document are based upon sources of information which Heptagon Capital believes to be reliable. However, except to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to the accuracy or completeness of this document or its contents and, Heptagon Capital, its affiliate companies and its members, officers, employees, agents and advisors do not accept any liability or responsibility in respect of the information or any views expressed herein. Opinions expressed whether in general or in both on the performance of individual investments and in a wider economic context represent the views of the contributor at the time of preparation. Where this document provides forward looking statements which are based on relevant reports, current opinions, expectations and projections, actual results could differ materially from those anticipated in such statements. All opinions and estimates included in the document are subject to change without notice and Heptagon Capital is under no obligation to update or revise information contained in the document. Furthermore, Heptagon Capital disclaims any liability for any loss, damage, costs or expenses (including direct, indirect, special and consequential) howsoever arising which any person may suffer or incur as a result of viewing or utilizing any information included in this document.

The document is protected by copyright. The use of any trademarks and logos displayed in the document without Heptagon Capital's prior written consent is strictly prohibited. Information in the document must not be published or redistributed without Heptagon Capital's prior written consent.

For all definitions of the financial terms used within this document, please refer to the glossary on our website <https://www.heptagoncapital.com/glossary>

## I Risk Warnings

The Fund is subject to special risk considerations including geographic concentration risk, portfolio concentration risk and operational risk. The investment return and principal value of an investment will fluctuate so that the investor's shares, when redeemed, may be worth more or less than their original cost. Any investor should consider the investment objectives, risks and charges and expenses of the fund carefully before investing. Where an investment is denominated in a currency other than the investor's currency, changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment.

## I SFDR

Heptagon Future Trends Equity Fund & Heptagon European Focus Equity Fund have been classified as an Article 8 for the purposes of the EU's Sustainable Finance Disclosure Regulation ('SFDR'). The Fund promotes environmental and/or social characteristics but does not have sustainable investment as its primary objective. It might invest partially in assets that have a sustainable objective, for instance assets that are qualified as sustainable according to EU classifications but does not place significantly higher importance on the environmental objective of each underlying investment. Please see prospectus for further information on the Funds environmental and/or social characteristics and relevant sustainability risks and principal adverse impacts which may impact the Fund's performance.

Authorised Regulated by the Financial Conduct Authority (FRN 403304)

## I Disclaimers

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and S&P Global Market Intelligence ("S&P") and is licensed for use by Heptagon Fund plc. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.