

# Lemanik SICAV's ESG Methodology

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## 1. Introduction

Lemanik Invest (hereafter the "investment manager"), in its evaluation of the different factors that can influence the success of Lemanik SICAV (hereafter "the Fund") includes qualitative and quantitative ESG characteristics. We are aware that both aspects can have a positive impact on the Fund's public opinion, its business operations, its productivity and consequently on its financial performance.

We believe that taking ESG aspects into account can minimize volatility within a fund, as these aspects are well correlated with ethical practice, respect for communities and the environment, and more sustainable business practices.

Including ESG factors fits perfectly with Lemanik SICAV's investment, which seeks to limit the sustainability risk for its clients. In addition, ESG conscious funds act to some extent in the direction of greater efficiency and therefore higher returns. We believe that investing in such funds promotes good practices while remaining within the investment strategy of the fund as described in the prospectus.

### a. Objective of the document

This document aims at presenting in details the methodology that has been selected to include ESG considerations into the Fund. In line with the ESG policy of Lemanik Invest SA, Lemanik SICAV portfolio uses the same tools and the same governance for its ESG methodology. However, it also intends to broaden its ESG selection approach as for all SFDR article 8 sub-funds of Lemanik SICAV.

## b. Scope

The methodology detailed below is intended to be applied to all SFDR article 8 funds of Lemanik SICAV.

<b>Name of the sub-fund</b>	<b>SFDR Classification</b>	<b>ESG methodology aligned</b>	<b>Comment(s)</b>
1. LEMANIK SICAV – ASIAN OPPORTUNITY	Article 8	Partially	For further details, please refer to c. <i>Specific approach</i>
2. LEMANIK SICAV – EUROPEAN DIVIDEND PRESERVATION	Article 8	Y	-
3. LEMANIK SICAV - SELECTED BOND	Article 8	Y	-
4. LEMANIK SICAV – ACTIVE SHORT-TERM CREDIT	Article 8	Y	-
5. LEMANIK SICAV – EUROPEAN SPECIAL SITUATIONS	Article 8	Y	-
6. LEMANIK SICAV – SPRING	Article 8	Y	-
7. LEMANIK SICAV – EUROPEAN FLEXIBLE BOND	Article 8	Y	-
8. LEMANIK SICAV – HIGH GROWTH	Article 8	Y	-
9. LEMANIK SICAV – GLOBAL EQUITY OPPORTUNITIES	Article 8	Y	-
10. LEMANIK SICAV – FLEX QUANTITATIVE HR6	Article 6	N	Out of scope as of today
11. LEMANIK SICAV – GLOBAL STRATEGY FUND	Article 8	Y	-

## 2. ESG Investing Governance

ESG Investing strategy is a key part in the daily operations and investment processes of Lemanik Invest. As described below, ESG Investing strategy bundles the internal ESG capabilities of all actors involved.

An investment decision and the selection of a potential investment are the result of close cooperation between:

- General Management: it defines the sustainability strategy for the entire Company, sets specific targets based on ESG principles and monitors implementation of this Directive.
- Investment Committee: it monitors the investment process with reference to ESG issues and authorizes any departures from long-term objectives. For each fund, the Investment Committee defines common standards, such as the identification and classification of investment sectors and the exclusion of particular investment solutions and/or types.
- Portfolio Manager: he/she is responsible for selecting those securities within his/her own sub-fund that best comply with the Company's ESG policy. He/she provides feedbacks and proposes solutions within the Investment Committee regarding sustainable investments. He/she is provided with a tailor-made internal tool that allows him/her to evaluate the ESG score and to perform the PAI screening for each security on a pre-trade basis.
- ESG analyst: he/she is responsible of the analysis of ESG for each sub-fund and the quality of the information provided to the Investment Committee to select the investments regarding that topic. He/she also reviews the investment of the sub-fund every month to update the portfolio in case of changes in the scoring or scope of the exclusion list and informs the Investment Committee.
- Risk Manager: he/she is responsible for managing the exclusion lists, as well as for drawing up all reporting documentation in good time. He/she supports Portfolio Managers in allocating an internal rating correctly and in good times.

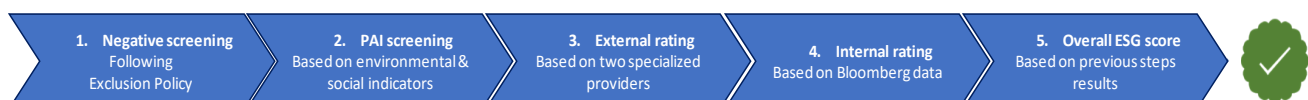
A periodical monitoring quarterly of the investments is carried out to ensure compliance with the ESG standards. Moreover, Lemanik Invest has designed an internal governance process in case of non-compliance with these standards (described under Section 5. Divesting Policy of the document).

## 3. ESG methodology

### a. Pre-investment screening

As outlined in the graph below, every potential investment goes through a 5 steps pre-investment screening.

#### Pre-investment Screening graph



## Step 1: Negative screening with exclusion policy

First, companies are screened according to Sustainable Investments and ESG Risks' exclusion list of Lemanik Invest, as recapped below:

- Investments are prohibited in companies that produce, stockpile or transfer cluster munitions or anti-personnel mines according the Oslo Convention on Cluster Munitions, subsequently ratified by Luxembourg Government.
- In response to annexation of Crimea and to the war of aggression against Ukraine, investments are prohibited in the companies targeted to sanctions that EU adopted against Russia, Belarus and Iran.
- Investments are prohibited in companies included in the exclusion list drawn up by the Council on Ethics for the Norwegian Government Pension Fund Global.

If a company has not been included in the exclusion lists and according to this ESG methodology, an investment is considered sustainable under the following circumstances:

- Investments certified as compliant with ESG criteria (e.g. Green Bonds);
- Companies that have signed up to the United Nations Global Compact;
- Companies that have signed up to the Principles for Responsible Investment (PRI);
- Companies that comply with eligible ESG criteria according to the rating methodology of Lemanik Invest (described later in the document).

## Step 2: PAI screening

Disputes and serious violations of international rules, which are referred as "ESG critical events", are often related to adverse impacts on sustainability, for example a significant adverse impact on the environment, child labour, etc. In addition, these cases can suggest an inadequate management of sustainability risks by a company or a government.

In order to properly understand the impact of ESG critical events for the investment companies, the Investment Manager carries out a selection of PAI that are materials to the sub-funds managed by Lemanik Sicav in order to assess their adverse impact. For the creation of these indicators, the Investment Manager leveraged on the formulas of Principal Adverse Impacts from draft Regulatory Technical Standards, and he/she uses ESG data provided by external providers such as Bloomberg to calculate the PAIs performance.

Based on this high-level analysis, relevant PAIs are being selected for the investments of the sub-funds. Depending on the performance of the selected indicators, a positive screening is made to select the investment of the sub-fund.

Example of relevant PAIs at sub-fund level:

Indicator Name	Indicator Description	Units/ Threshold	Link with PAI
Exposure to companies active in the fossil fuel sector	Share of investments in investee companies active in the fossil fuel sector means companies that derive any revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite. Methodology: Maximum 10% of the assets invested in companies with revenues >50% from fossil fuels.	%	PAI <b>Exposure to companies active in the fossil fuel sector.</b>
Exposure to controversial weapons	Exclusion of companies involved in the production of controversial weapons.	%	PAI <b>Exposure to controversial weapons</b>

### Step 3: External ESG rating

Lemanik Invest has decided to integrate external ratings in its ESG methodology based on Bloomberg available scores. Below is the detailed methodology on how Lemanik selects the investments classified as ESG, knowing that:

- ESG score 1 (risk score) is between 0 to 100 (best from lowest score)
- ESG score 2 is between 0 to 100 (lowest from best score)

First level of analysis		Second level of analysis	
Score 1 <= 40	ESG	-	ESG
Score 1 > 40	OUT	Score 2 >= 70	ESG
		Score 2 < 70	OUT
		Score 2 = na	OUT
Score 1 = na	NA	Score 2 >= 50	ESG
		Score 2 < 50	OUT
		Score 2 = na	NA

Legend:

"ESG" means the investment is included in the ESG selection

"OUT" means the investment is out of the ESG selection

"NA" means the investment is not in the scope of the external assessments

### Step 4: Internal ESG Rating

Lemanik Invest has decided to integrate an internal rating for each ESG pillar based on Bloomberg data, as described below:

#### - Environment

For environmental considerations, the Investment Manager has identified eight relevant criteria for the analysis of the investments.

Criteria
Energy Efficiency Policy

<i>Emissions Reduction Initiatives</i>
<i>Climate Change Policy</i>
<i>Environmental Quality Management Policy</i>
<i>Waste Reduction Policy</i>
<i>Water Policy</i>
<i>Green Building Policy</i>
<i>Biodiversity Policy</i>

Depending on each criteria and the data availability, the investment is classified with or without environmental considerations:

- If at least 5 criteria's data are missing, the investment is classified as not having enough data ("N/A").
- If at least 50% of Lemanik rating has positive score, the investment is considered as including environmental considerations ("E").
- If less than 50% of Lemanik rating has positive score, the investment is considered as excluding environmental considerations ("OUT").

- **Social**

For social considerations, the Investment Manager has identified six relevant criteria for the analysis of the investments.

<b>Criteria</b>
<i>Training Policy</i>
<i>Health and Safety Policy</i>
<i>Human Rights Policy</i>
<i>Equal Opportunity Policy</i>
<i>Fair Remuneration Policy</i>
<i>Policy Against Child Labor</i>

Depending on each criteria and the data availability, the investment is classified with or without social considerations:

- If at least 4 criteria's data are missing, the investment is classified as having not enough data ("N/A").
- If at least 50% of Lemanik rating has positive score, the investment is considered as including social considerations ("S").
- If less than 50% of Lemanik rating has positive score, the investment is considered as excluding social considerations ("OUT").

- **Governance**

For governance considerations, the Investment Manager has identified four relevant criteria for the analysis of the investments.

<b>Criteria</b>
<i>CSR/Sustainability Committee (Y/N)</i>
<i>CSR/Sustainability Committee</i>
<i>Business Ethics Policy</i>
<i>Anti-Bribery Ethics Policy</i>

Depending on each criteria and the data availability, the investment is classified with or without governance considerations:

- If at least 3 criteria's data are missing, the investment is classified as having not enough data ("N/A").
- If at least 50% of Lemanik rating has positive score, the investment is considered as including governance considerations ("G").
- If less than 50% of Lemanik rating has positive score, the investment is considered as excluding governance considerations ("OUT").

Added to this, the below securities types are out of scope for Lemanik Internal Ratings since the look through on the members of the Indices/Funds are hard to be tracked or considered as out of scope of the ESG methodology:

- Cash
- ETC on Gold
- Funds
- Futures on Indices
- CDS on Indices
- TRS

## Step 5: ESG Global Score

Based on the previous internal and external rating results, an overall ESG Global Score is given to the investment and kept in the sub-fund portfolio. The ESG Global Score is calculated as detailed below:

1. The security is considered with an "**ESG Global**" score in the 6 situations below:
  - the external rating score is "ESG"
  - the external rating score is "OUT" and the internal rating score integrates the 3 Environment, Social and Governance considerations;
  - the external rating score is "N/A" and the internal rating score integrates the 3 Environment, Social and Governance considerations.
  - The security is compliant with ESG criteria (e.g. Green Bonds);
  - The issuer has signed up to the United Nations Global Compact;
  - The issuer has signed up to the Principles for Responsible Investment (PRI);
2. The security is considered with an "**OUT**" score in the 2 situations below:
  - the external rating score is "N/A" and the internal rating score does not integrate at least one of the 3 Environment, Social and Governance considerations ("OUT");
  - the external rating score is "**OUT**" and the internal rating score does not integrate at least one of the 3 Environment, Social and Governance considerations ("OUT" or "N/A").

3. The security is considered with an “**N/A**” score if the external rating score is “N/A” and the internal rating score is “N/A”.
4. The security is considered with an “**EXCLUDED**” score if the security is included in one of the exclusion lists, as per Step 1 (the internal rating score is not considered in this case).

Investment in any companies not included in the exclusion lists that do not have an overall rating or that have an overall rating “OUT” is only possible up to a maximum aggregate limit of 50% of the sub-fund’s total invested amounts in securities.

## b. Checks and Reviews

Lemanik Invest mainly invests in line with the investment strategy of each sub-fund, rather than focusing on the issuing countries. At the same time, the Fund does try to avoid investments in countries that violate basic principles such as those mentioned in the United Nations Global Compact. Lemanik also tries to avoid investments in countries subject to major sanctions as defined by the United Nations and the European Union.

In its capacity as Investment Manager, Lemanik Invest, carries out pre-compliance checks to ensure that no investments are made directly in companies that produce cluster munitions and anti-personnel mines. These checks are carried out on a pre-trade basis. In addition, second-level monitoring is carried out by the post-compliance team of the Management Company, Lemanik Asset Management SA, as part of its post-compliance activity and risk management for the fund. These checks are carried out on a daily basis. The list is reviewed quarterly and shared between the parties.

In addition, Lemanik Invest carries out a post-trade analysis on portfolios in order to identify any positions involving issuers classified by Bloomberg as belonging to the Aerospace and Defense sector. If identified, these positions are discussed with the portfolio manager and analyzed on a case-by-case basis.

Lemanik Invest carries out pre-compliance checks to ensure that no investments are made in Sanctioned Countries companies targeted by restrictive measures imposed by the European Union.

At the sub-fund level, there is a continuous review made by Lemanik Invest to ensure the ESG characteristics are still relevant with the fund and the sub-fund sustainable investments. This review is made on a quarterly basis.



### c. Specific approach

For some securities, a specific approach has been added to this ESG methodology as described below.

<b>Securities</b>	<b>Specificities</b>	<b>Explanation</b>
CDS Single Name	ESG Analysis is focused on the underlying of the security	Lemanik does not invest in CDS with underlying excluded by the exclusion list drawn up by the Council on Ethics for the Norwegian Government Pension Fund Global
Government Bond	Additional analysis with the use of the Country Risk Rating list provided by the Management Company. If the Country has a "Very High" or "High" Risk, the security is "OUT" Otherwise, it is considered "ESG"	Lemanik does not invest in Government Bonds issued by Countries "Restricted" according to the Country Risk Rating list provided by the Management Company
Supranational Bond	Additional ESG analysis when considering this type of security	Lemanik does not invest in Supranational Bonds where the proceeds are used in projects that cause environmental damages
ETF	Analysis of the geographic allocation and the Country Risk Rating to evaluate the security accordingly	Lemanik does not invest in ETF with members listed in Countries "Restricted" according to the Country Risk Rating list provided by the Management Company

For the sub-fund LEMANIK SICAV – ASIAN OPPORTUNITY, Lemanik Invest has decided not to incorporate the PAI indicators' calculation defined in "Step 2: PAI screening" of the ESG methodology. However, the sub-fund will follow the other steps of the methodology and will be qualified as Article 8 as per the SFDR as such.

### d. Divesting Policy

If the extra-financial factors drive the investment to exclusion (e.g., exclusion list, controversy monitoring), the portfolio managers are given one month to fully divest the position.

Given the periodically screening after an investment was acquired, it could be observed that investments change their ESG criteria. Amongst others, a simple reason could be that the auditors have observed non-alignment of their ESG targets / criteria or lack of reporting. Consequently, these events could have a negative impact on the stock price of that investments or simply the immediate divestment could lead to a higher loss than if done over a longer period of time.

### e. Voting and Engagement

As our activity must always be in the best interest of our investors, we also must always act in accordance with our ESG ambition and have this reflected in the voting processes of our investments, when we are invited to. Although our primary intention is not to influence the board of the investments, the Investment Manager will ensure each vote acts in the best interest of the investors by protecting their rights and is in line with Lemanik Asset Management's Code of Conduct which promotes



transparency, integrity and avoid any conflicts of interest should we vote. All data about the voting process would then be communicated to our compliance department, in particular the evidence that decisions have been taken in the best interest of our investors. Any major event that affected our investors' best interest would be subject to a communication / disclosure in the annual Financial Statements, providing reasons for the divestment for example and impacts on the over performance of the fund.