

# **Article 10 (SFDR) Website Disclosures**

## **Article 8 Fund**

**CapitalatWork Foyer Umbrella - ESG Bonds at work**

**Product name: CapitalatWork Foyer Umbrella – ESG Bonds at Work**  
**Legal Entity Identifier: 54930064Z2T40XEKVT07**

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: \_\_%**

**promotes environmental and social (E/S) characteristics** and, although it does not have sustainable investment as its objective, it will contain a minimum proportion of 10% sustainable investment

having an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy

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

having a social objective

It promotes E/S characteristics, but **will not make sustainable investments**



## Summary

This document provides you with information about this sub-fund in relation to the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR EU 2019/2088). This is not a marketing document. The information is required by law to help you understand the sustainability characteristics and/or the objectives and risks of this sub-fund. We advise you to read it together with other relevant documents on this fund, including the prospectus and its annex, so that you can make an informed decision on whether to invest.



## No sustainable investment objective

It promotes E/S characteristics and a minimum of 10% of the portfolio will invest in green, sustainable or social bonds for which there will be a sustainable investment objective



## Social and environmental characteristics of the financial product

### **What are the social and environmental characteristics promoted by the financial product?**

The sub-fund promotes environmental and social characteristics using a “best-in-class” approach. This means that it selects only the bonds of companies that have the best performance on the sustainable characteristics explained below. These characteristics apply at bond issuer level.

The corporate bond issuers selected when the investment decisions are made have positive environmental, social and governance prospects since they must comply with the requirements of the CapitalatWork methodology in terms of SRI (socially responsible investment).

This methodology itself follows the “best-in-class” approach based on rating criteria from the data provider Sustainalytics and reflecting the three central pillars;

- Environmental factors include: Carbon – Clean activities; Emissions, effluents and waste and Resource use.
- Social factors include: Human rights; Human capital; Privacy and data security.
- The governance factors cover: Corporate governance; Business ethics; Corruption.

The environmental and social characteristics promoted by the financial product are based on a selection of indicators of adverse impact on sustainability factors.

The financial product:

- Aims to promote companies that are not active in the fossil fuel sector (PAI 4)
- Aims to promote companies that do not violate any of the 10 principles of the United Nations Global Compact (PAI 10)
- Aims to promote companies and issuers that are not involved in unethical or controversial activities such as the manufacture of controversial weapons (PAI 14), nuclear energy, tobacco and pornography
- Aims to promote companies and issuers that are not involved in activities with significant adverse impacts such as Arctic oil and gas exploration, oil sand extraction, and extraction and/or production of oil and/or shale gas as well as thermal coal
- Aims to promote investments in countries with no violations of social norms, within the meaning of international treaties and conventions, United Nations principles or, where applicable, national law (PAI 16)

Sustainable investment

- A minimum of 10% of the portfolio in green, sustainable or social bonds. Selection will be based on alignment of green, social or sustainability bonds with ICMA, CBI or LMA criteria for corporate issued bonds and are subject to independent external review (e.g. Sustainalytics). ESG due diligence is applied to the issuers/beneficiaries of these instruments and takes into account the environmental, social and governance aspects of the projects financed.

In addition to corporate bonds, the sub-fund also invests in bonds issued by public institutions, sovereign states or supranational organisations.

For sovereign bonds, the sub-fund excludes:

- States which have not ratified or implemented in equivalent national legislation the eight fundamental conventions identified in the declaration of the International Labour Organization (ILO) on fundamental rights and principles at work and at least half of the eighteen main international human rights treaties
- States that haven't signed the Paris Agreement, the United Nations Convention on Biological Diversity and the Treaty on the Non-Proliferation of Nuclear Weapons
- States with particularly high military budgets (> 4% of GDP)
- States considered by the FATF as jurisdictions with strategic deficiencies in the fight against money laundering and terrorist financing
- States with a Transparency International Corruption Perception Index of less than 40/100
- States qualified as "Not Free" by Freedom House's Freedom in the World Report

For reasons of diversification or hedging (currency risk), investments in public debt instruments issued by issuers of main (non-EURO) reserve currencies (i.e. the United States, Japan and the United Kingdom) which do not meet the above criteria, are permitted up to a maximum of 30% (in total) of the portfolio. This threshold may be temporarily exceeded in the event of extraordinary market conditions.



## Investment strategy

### **What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?**

The investment strategy is based primarily on a responsible methodology that incorporates the following elements:

- Exclusion of controversial industries and businesses
- Comparison of companies based on environmental, social and governance (ESG) criteria with investment in securities whose issuers have an above-average ESG risk rating and which rank in the top 40% of their peer groups
- In addition, the financial product:
  - ✓ aims to promote companies that are not active in the fossil fuel sector (PAI 4)
  - ✓ aims to promote companies that do not violate any of the 10 principles of the United Nations Global Compact (PAI 10)
  - ✓ Aims to promote companies and issuers that are not involved in unethical or controversial activities such as the manufacture of controversial weapons (PAI 14), nuclear energy, tobacco and pornography
  - ✓ Aims to promote companies and issuers that are not involved in activities with significant adverse impacts such as Arctic oil and gas exploration, oil sand extraction, and extraction and/or production of oil and/or shale gas as well as thermal coal
  - ✓ Aims to promote investments in countries with no violations of social norms, within the meaning of international treaties and conventions, United Nations principles or, where applicable, national law (PAI 16)

#### Sustainable investment

- A minimum of 10% of the portfolio in green, sustainable or social bonds. Selection will be based on alignment of green, social or sustainability bonds with ICMA, CBI or LMA criteria for corporate issued bonds and are subject to independent external review (e.g. Sustainalytics). ESG due diligence is applied to the issuers/beneficiaries of these instruments and takes into account the environmental, social and governance aspects of the projects financed.

In order to respect the environmental and social characteristics promoted by the sub-fund, CapitalatWork applies a responsible methodology called "Socially Responsible Investment". Potential investments are assessed to ensure their alignment with the criteria defined in this methodology.



## Proportion of investments

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

The minimum proportion of the sub-fund that is used to promote environmental and social characteristics is 80%.

A minimum of 10% of investments will be made in green, social or sustainable bonds.

Please note that for this sub-fund, CapitalatWork invests in types of assets that are aligned with environmental or social characteristics, based on the SRI methodology set out above. However, due to the unreliability and unavailability of data for certain types of assets (for example: derivatives, cash), CapitalatWork is currently unable to identify precisely the environmental or social characteristics with which they are aligned. Consequently, CapitalatWork invests in assets aligned with environmental or social characteristics on a best efforts basis. Please note that in all cases, potential investments will be assessed according to the responsible methodology defined by CapitalatWork.

The remaining 20% will be an asset allocation with the aim of holding a percentage in cash as well as investments aligned with the exclusion strategy but not meeting E/S characteristics. This category may also include listed derivatives with a view to interest rate and currency risk management. The investment strategy as described above does not apply to these products.



## Controls on social and environmental characteristics

Please note that controversies are also assessed for the “environmental” and “social” pillars, even though this issue does not relate to these two pillars.

CapitalatWork ensures that the companies in which we invest are not involved in environmental, social or governance controversies. Governance controversies are assessed in the following areas:

- Governance incidents
- Public policy incidents
- Business ethics incidents

When an incident has been detected as being relevant from an ESG point of view, it is classified and the company receives a score from 1 to 5 (1 = low impact, 5 = significant impact).

Each company is then assigned an overall score, corresponding to the highest level of controversy reached among the possible ongoing controversies for the company in question. This process ensures that material controversies do not go unnoticed. CapitalatWork excludes companies with a controversy level of 5, and examines on a case-by-case basis the need to exclude companies with a controversy level of 3 (significant) or 4 (high). During the Level 3 or 4 controversy review process, we investigate the basis of the controversy, its intensity and the parties involved. We then decide whether to retain or liquidate our investment in the company depending on the severity of the controversy’s impact.



## Method

Our "Socially Responsible Investment" methodology is based on the following framework:

(1) CapitalatWork uses a "best-in-class" stock-picking method. CapitalatWork limits its investments to securities whose issuer has been assigned an above-average ESG risk rating and which rank in the top 40% of their peer groups. These peer groups are defined by "Sustainalytics" and are broadly similar to the Global Industry Classification Standard (GICS). The ESG risk rating assesses the extent to which a company's ESG risk is considered important and unmanaged. The ESG risk ratings provided by Sustainalytics are shown on a scale from 100 (the worst rating) to 0 (the best rating) and companies are ranked.

(2) Using its global controversy assessment methodology, Sustainalytics rates companies' involvement in controversies and incidents involving various ESG issues on a scale of 1 to 5, with the least serious controversies falling into category 1 and the most severe in category 5. We consider category 1 and 2 investments to be eligible. Category 3 and 4 investments are deemed to be appropriate, on a case-by-case basis, after peer review by the management team. Investments in bonds where the issuer falls into category 5 are prohibited. There is no minimum investment percentage for each type of category.

The following E, S and G issues are incorporated into the assessment process leading to the ESG risk rating:

- Environmental factors include the following aspects: Carbon – Clean activities; Emissions, effluents and waste; Resource use.
- Social factors include the following aspects: Human rights; Human capital; Privacy and data security.
- Governance factors cover the following aspects: Corporate governance; Business ethics; Corruption.

(3) In addition, the financial product promotes environmental and social characteristics based on a selection of indicators of adverse impact on sustainability factors.

The financial product:

- Aims to promote companies that are not active in the fossil fuel sector (PAI 4)
- Aims to promote companies that do not violate any of the 10 principles of the United Nations Global Compact (PAI 10)
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Sustainable investment

- A minimum of 10% of the portfolio in green, sustainable or social bonds. Selection will be based on alignment of green, social or sustainability bonds with ICMA, CBI or LMA criteria for corporate issued bonds and undergo independent external review (e.g. Sustainalytics). ESG due diligence is applied to the issuers/beneficiaries of these instruments and takes into account the environmental, social and governance aspects of the projects financed.

For investments in public institutions, sovereign states or supranational organisations, CapitalatWork only includes issuers with a high-quality, democratic and fair political regime, limits its investments to OECD member countries and excludes issuers subject to significant sanctions as defined by the United Nations and the European Union.



## Source and processing of data

The fund uses the following data sources:

1. The exclusion process uses several data sources such as Sustainalytics, and data provided by companies,
2. The exclusion process for controversial behaviour uses data from Sustainalytics and ISS,
3. The proxy voting process uses data drawn from internal processes,
4. The fund's ESG scores are based on data from Sustainalytics.
5. The fund's sustainability risk assessment is based on data from Sustainalytics.
6. The selection of green, sustainable or social bonds is made on the basis of information provided by the Luxembourg Green Exchange



## Limitations of the methods and data

The main limitation to the methodology or data source is the lack of company disclosure. Like many other financial market operators, we have difficulty in finding adequate information on the principal adverse impacts. To overcome this problem, we have used several data providers, since each has its own strengths and weaknesses. We do not expect the corporate reporting to change significantly before the introduction of the CSRD, planned for 2025.

Regarding methodology, we often see discrepancies in how data providers deal with certain topics. For example, for GHG emissions, some providers combine company reporting with modelled data. It is common to find that reported data may vary from vendor to vendor due to conflicting policies, quality assurance, and other case-by-case factors. We are not alone in this opinion, as evidenced by numerous reports from industry associations and trade bodies such as EuroSIF and IOSCO on the quality and transparency of ESG data products.

Our environmental objectives are mainly linked to more established themes: controversial weapons, fossil fuels and observance of the 10 principles of the United Nations Global Compact. Nowadays there is much more disclosure in these areas and we are therefore able to assess a satisfactory proportion of our universe to be able to perform tasks such as exclusions and comparisons between the portfolio and the benchmark.



## Due diligence

CapitalatWork Foyer Group SA has integrated the sustainability aspects of investment strategies into appropriate procedures and due diligence processes for the selection and monitoring of investments, among other things taking into account the risk appetite of CapitalatWork Foyer Group SA and sustainability risk management policies.





### Engagement policy

**Is an engagement strategy part of the social or environmental investment policy?**

- Yes
- No

CapitalatWork does not have the intention of playing an active engagement and voting role with its investments. Interaction is limited to contacts with the CFO or Investor Relations, within the framework of financial analysis.



**When an index is designated as a benchmark to achieve the environmental or social characteristics promoted by the financial product, "Designated Benchmark"**

**Has a benchmark been designated to achieve the environmental or social characteristics?**

- Yes
- No