

# **SFDR Article 8 – Website Disclosures**

**Product Name:** Boussard & Gavaudan Long Term Value (the “**Fund**”)

**Legal entity identifier:** 221000MOH9ERKEXVZ50

## Summary

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The Fund aims to engage with companies to promote the transition away from carbon and promote good governance practices.

### Environmental characteristics

The Fund promotes the transition away from carbon, particularly in the power generation sector. The Fund will not invest in issuers related to greenfield or brownfield thermal coal mines, coal plants, and related infrastructure (including completely new sites or sites with previous developments which have been shut down).

Attainment of the environmental characteristics being promoted by the Fund is measured on a qualitative basis by the ESG Committee of the Management Company (the “ESG Committee”), by considering the impact of engagement on carbon emissions in the power generation sector. The Management Company’s ESG Committee reviews carbon emissions data for the power generation sector as a whole and the carbon emissions data for its investments to determine the attainment of transition away from carbon in the power generation sector.

Boussard and Gavaudan Gestion (“the Management Company” or “BG”), acting in respect of the Fund, considers principal adverse impacts on sustainability factors and takes into account a variety of indicators in this respect when formulating an investment thesis where they are available and relevant to the characteristics the Fund seeks to promote. Indicators such as carbon emissions, as calculated under the principal adverse impacts indicators, are reviewed. The thesis is reviewed by the Investment Committee who designs the investment strategy considering data from indicators which could affect the risk profile of an investment.

### Governance

The Fund’s investment process examines the governance structures within a company and the actions of insiders. Assessing a company’s corporate governance practices is a key part of the Management Company’s investment process as companies which are well governed and operate transparently are best placed to increase shareholder value over time.

The Management Company uses an industry standard third-party data provider to provide systematic governance ratings on corporate issuers. Where a corporate issuer is identified as falling below the “good governance practices” standard, the corporate issuer is added to an exclusion list preventing any investment in the corporate issuer’s securities.

The Fund does not have a reference benchmark designated for the purpose of attaining the environmental or social characteristics it promotes.

### Summary - Proportion of Investments

The Fund commits to a minimum of 51% of its investments being in line with its policy.

### Summary – Data sources and processing

The Fund obtains ESG data from a reputable third-party provider which is widely used in the industry. In addition the Fund has access to alternate sources of data.

### Summary – Limitations to methodologies and data

Data provided by third-party data providers is subject to limitations in regards to the completeness and accuracy with the methodology being limited by the timeliness of updates.

### Summary – Due diligence

Material fundamental positions are researched and reviewed by in-house sector specialist analysts.

## Summary – Engagement policies

Engagement with investee companies often forms part of the initial due diligence conducted by analysts on potential investments and is also part of the firm’s ongoing monitoring and oversight of investments. Engagement is particularly relevant where governance issues are identified or to encourage a company to transition away from carbon.

## **No sustainable investment objective**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

## **Environmental or social characteristics of the financial product**

The Fund promotes the transition away from carbon, particularly in the power generation sector.

The Fund will not invest in issuers related to greenfield or brownfield thermal coal mines, coal plants, and related infrastructure.

With greenfield investing, a company will build its own, brand new facilities from the ground up. Brownfield investment happens when a company purchases or leases an existing facility.

The Fund aims to engage with companies to promote the transition away from carbon and promote good governance practices.

## **Investment strategy**

*(a) the investment strategy used to meet the environmental or social characteristics promoted by the financial product*

The Fund is actively managed and is not managed in reference to any benchmark.

The Fund does not follow a best-in-class selection approach to integrate ESG factors.

Through its investment strategy, BG seeks to promote the transition to a low carbon economy by focusing its efforts on the power generation sector, one of the largest contributors of greenhouse gas emissions. To this end, the Management Company currently excludes investment in greenfield or brownfield thermal coal mines, coal plants, and related infrastructure.

BG has also implemented a targeted and specific policy regarding near term investment in companies reliant on coal for their revenues. The aim of this policy is to encourage decarbonisation through engagement, considering that a total exclusion would not necessarily be the most constructive or effective approach to achieving a transition away from coal. Instead of a total exclusion, BG has instead elected to engage with companies to encourage a shift away from coal from within. This approach supports companies taking steps in the right direction, securing their long-term success and ensuring investors benefit from the re-rating of the company.

*(b) the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance*

The Fund’s investment process examines the governance structures within a company and the actions of insiders. Assessing a company’s corporate governance practices is a key part of the Management Company’s investment process as companies which are well governed and operate transparently are best placed to increase shareholder value over time.

The key elements of the Good Governance Assessment Policy are outlined below:

The Management Company uses an industry standard third-party data provider to provide systematic governance ratings on corporate issuers. Where a corporate issuer is identified as falling below the “good governance practices” standard, the corporate issuer is added to an exclusion list preventing any investment in the corporate issuer’s securities.

In addition to the systematic governance rating, for the Fund's material fundamental positions, investment analysts are responsible for assessing governance and the ongoing monitoring of the governance practices of the companies in which they invest.

Where a company has governance issues identified by the third-party data provider and the Management Company conducts its own in-depth analysis and concludes that the issues identified do not affect the good governance practices of the corporate issuer, the Management Company's own in-house analysis will prevail and investment in the corporate issuer's securities will not be restricted. The analysis and any related engagement with the corporate issuer is documented.

## **Proportion of investments**

The Fund commits to having a minimum of 51% of its investments aligned with its ESG policy and the environmental characteristics promoted by the fund.

This minimum commitment includes both direct and indirect exposure gained through the use of derivatives.

## **Monitoring of environmental or social characteristics**

Attainment of the environmental characteristics being promoted by the Fund is measured on a qualitative basis by the ESG Committee of the Management Company (the "ESG Committee"), by considering the impact of engagement on carbon emissions in the power generation sector. The Management Company's ESG Committee reviews carbon emissions data for the power generation sector as a whole and the carbon emissions data for its investments to determine the attainment of transition away from carbon in the power generation sector.

While the Management Company reviews ESG scores provided by an external provider in respect of its most material investments as well as at overall portfolio level and looks at overall carbon emissions, the Management Company does not see ESG scores or any other metrics as an indicator of attainment of the environmental characteristics of the Fund per se, but instead believes that they can be used to identify areas that require improvement. Where relevant, these metrics are used to trigger engagement with the issuer.

In the event of a material negative change following investment by the Fund, the ESG Committee will flag the change to the Investment Committee who will in turn determine how best to either liquidate the position, if appropriate, or where applicable, take action to remediate the situation through active engagement with the issuer, either independently or in collaboration with fellow shareholders.

In accordance with the Management Company's Engagement Policy which is available on the Management Company's website. In summary, where the Management Company identifies concerns or opportunities that could promote the transition away from carbon and maintain shareholder value, the Management Company will typically engage with the company by seeking a meeting with their management. Where possible and permitted by legislation, the Management Company may seek to engage with companies collaboratively with other investors in order to augment the impact of its engagement.

## **Methodologies for environmental or social characteristics**

The Fund will not invest in issuers related to greenfield or brownfield thermal coal mines, coal plants, and related infrastructure (including completely new sites or sites with previous developments which have been shut down).

This element is binding as companies involved in greenfield or brownfield thermal coal mines are placed on an exclusion list with prohibits investment in the restricted companies. Investments in greenfield and brownfield coal mines, coal plants and related infrastructure are considered inconsistent with our aim of assisting the transition away from carbon in the energy sector.

The Management Company, acting in respect of the Fund, considers principal adverse impacts on sustainability factors and takes into account a variety of indicators in this respect when formulating an investment thesis where they are available and relevant to the characteristics the Fund seeks to promote. Indicators such as carbon emissions, as calculated under the principal adverse impacts indicators, are reviewed. The thesis is reviewed by the Investment

Committee who designs the investment strategy considering data from indicators which could affect the risk profile of an investment.

Attainment of the environmental characteristics being promoted by the Compartment is measured on a qualitative basis by the ESG Committee of the Management Company (the “ESG Committee”), by considering the impact of engagement on carbon emissions in the power generation sector. The Management Company’s ESG Committee reviews carbon emissions data for the power generation sector as a whole and the carbon emissions data for its investments to determine the attainment of transition away from carbon in the power generation sector.

While the Management Company reviews ESG scores provided by an external provider in respect of its most material investments as well as at overall portfolio level and looks at overall carbon emissions, the Management Company does not see ESG scores or any other metrics as an indicator of attainment of the environmental characteristics of the Compartment per se, but instead believes that they can be used to identify areas that require improvement. Where relevant, these metrics are used to trigger engagement with the issuer.

Information on the Fund’s principal adverse impacts will be made available in the annual report pursuant to Article 11(2) SFDR.

## **Data sources and processing**

### ***What data sources are used to attain each of the environmental or social characteristics promoted by the Fund?***

The Management Company uses an industry standard third-party data providers to provide emissions data and details on greenfield and brownfield thermal coal activity.

### ***What measures are taken to ensure data quality?***

Data is sourced from reputable sources which are widely used in the industry. Where a data issue is suspected in-house analysts compare data to that available from other sources.

### ***How is that data processed?***

Data is processed manually by our in-house analysts.

### ***What is the proportion of data which are estimated?***

Where data is not available estimates may be used. The proportion of estimated data varies depending on the holdings within the portfolio but is typically around 30% of the total.

## **Limitations to methodologies and data**

BG’s approach is subject to limitations in regards to the availability and accuracy of ESG data provided by our third-party data providers. The Management Company has selected an industry leading provider with some of the highest coverage available to limit the impact of accuracy and coverage issues.

Another limitation of the methodology and data is the time lag between a company engaging in greenfield or brownfield coal infrastructure, identification of this activity by the third-party data providers and its implementation into BG’s exclusion list. To mitigate this, BG’s internal analysts review fundamental positions and where an issue in relation to coal is identified it is reviewed in-house.

BG is conscious of the limitations of its data sources and methodologies and seeks to mitigate adverse effects where possible. Despite the data limitations the Fund’s overall ability to promote the transition away from carbon is not affected.

## Due diligence

BG's specialised sector analysts use their extensive knowledge and experience in their sector to make investment recommendations to the firm's Investment Committee. The Committee reviews the investment thesis and evaluates the merits of an investment. As well as conducting its own proprietary research, BG sources investment research from third parties to compliment and contrast the views of its analysts while also gaining access to industry specialists.

Engagement with investee companies often forms part of the initial due diligence conducted by analysts on potential investments and is also part of the firm's ongoing monitoring and oversight of investments.

## Engagement policies

Engagement with investee companies often forms part of the initial due diligence conducted by analysts on potential investments and is also part of the firm's ongoing monitoring and oversight of investments. Engagement is particularly relevant where governance issues are identified or to encourage a company to transition away from carbon.

BG engages with investee companies in several different ways: direct one-on-one meetings with a company's management, group meetings with other investors and the investee company, attendance at industry conference and investor days. This enables BG's analysts to engage with the investee company in a variety of settings whilst also providing valuable insight into other investors and potential investors in the company. BG engages with company management to improve its understanding of the company's business, culture and governance process and also to discuss any specific concerns or opportunities that the analyst would like more detail on. Areas of interest and engagement may typically include:

- Corporate capital and financing structure
- Divergence by the company from its stated strategic objectives.
- Controversies that arise with potential to impact shareholder value, including environmental, social and governance matters.

Where BG takes an equity position, depending on the investment thesis and size of the position, BG may, on its own or in conjunction with other investors, seek to change an investee company's behaviour in order to better realise value for shareholders. Influencing investee company behaviour is achieved through frequent direct engagement with the investee company's management.

Further information is available in BG's Engagement Policy available here: [https://www.boussard-gavaudan.com/files/upload/Regulatory-disclosure/Engagement\\_Policy\\_2020\\_FINAL.pdf](https://www.boussard-gavaudan.com/files/upload/Regulatory-disclosure/Engagement_Policy_2020_FINAL.pdf)

## Designated reference benchmark

The Fund does not have a reference benchmark designated for the purpose of attaining the environmental or social characteristics it promotes.