

Generation IM

Long-term Equity Fund

SFDR Article 10 Disclosure

This Fund is categorised as an Article 8 Fund for the purposes of SFDR.

(a) Summary

Section	Summary
No sustainable investment objective	<p>This Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment. While the Fund makes no minimum % commitment to making sustainable investments as defined by SFDR, where the Fund does make SFDR sustainable investments it will seek to ensure through pre-investment due diligence that such investments:</p> <ul style="list-style-type: none">• do not significantly harm any of the other sustainable investment objectives set out under SFDR, including taking into account the Minimum PAI Indicators referred to in section (b) below,• are appropriately aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and• where relevant (for potentially EU taxonomy-aligned investments), do not significantly harm any of the other sustainable investment objectives set out under the relevant EU Taxonomy category.
Environmental or social characteristics of the financial product	<p>The Fund promotes the following environmental or social characteristics:</p> <ul style="list-style-type: none">• Transformational change to drive to a net-zero, prosperous, equitable, healthy and safe society.• To invest in high-quality, sustainable businesses run by long-term orientated management teams.• To apply the investment process in a manner intended to move away from particular companies where sustainability risks are considered more prevalent.• To engage with portfolio companies to provide guidance on issues of sustainability where it has insight and expertise and to nurture ambition with the

	<p>intention of protecting and enhancing the value of portfolio investments.</p> <ul style="list-style-type: none"> • A positive environmental and/or social contribution towards a more sustainable future via system-level changes, through the products and services that portfolio companies of the Fund produce. <p>The definition of these characteristics is a dynamic matter, not binding and has the potential to evolve.</p>
Investment strategy	<p>The full investment strategy of the Fund is set out in the Program Overview for the Fund. The Fund targets mid-to-late-stage growth businesses that it considers aligned with Generation's System Positive Framework. Generation will ask five questions to assess whether target companies fit this framework:</p> <ul style="list-style-type: none"> • What are the systemic shifts required to make the sector truly sustainable? • Does the company stand to benefit from a sustainable transition? • Does the business and management team have a long-term orientation? • Does the company have levers available to catalyse a system level change? • Is the company mobilising effective coalitions for systems change? <p>The businesses that the Fund intends to pursue will typically possess characteristics that, in the opinion of Generation, make them suitable for long-term investment (for example, resilient business models involving recurring revenues and/or long-term contracts, and a management and/or ownership structure that Generation believes will facilitate strong long-term alignment).</p>
Proportion of investments	<p>In normal market conditions, when fully invested the Fund expects to have a minimum of 85% of its assets invested in investments aligned with environmental and social characteristics and a maximum of 15% of its assets invested in other assets.</p>
Monitoring of environmental or social characteristics	<p>Generation uses a suite of indicators to measure the attainment of the Fund's promoted environmental and social characteristics, including investment-specific sustainability indicators, and a suite of cross-portfolio indicators designed to capture social and environmental outcomes which, from the coming into force of SFDR Level 2, have been supplemented by the relevant PAI indicators.</p>
Methodologies for environmental or social characteristics	<p>Investment-specific sustainability indicators used to measure contribution to the investment-specific social or environmental objective are designed in partnership with the portfolio company itself. These indicators are typically selected based on a combination of factors and strive to capture the 'additional' effect of the product or service on the</p>

	<p>specific social or environmental objective versus the status quo or business as usual.</p> <p>The methodologies applied to measure the cross-portfolio measures vary according to the nature of the metric. Guidance is provided for portfolio companies in order to maximise consistency in calculation. This guidance is aligned to regulatory definitions, where relevant.</p>
Data sources and processing	<p>Generation aims to use primary data sources where possible by working closely with portfolio companies, supplemented with third party data providers, desktop research, as well as interviews and discussions with industry and subject matter experts. But in some cases data may be estimated.</p>
Limitations to methodologies and data	<p>The breadth of Generation’s overarching mission makes it hard to quantify the outcomes of all aspects associated with the actions underlying the attainment of the environmental and social characteristics promoted by the Fund. Generation has selected indicators that focus particularly on the contribution of the investee companies’ products and services to specific social or environmental objectives, as well as cross-portfolio sustainability performance indicators. There remain significant gaps in corporate sustainability reporting, and a lack of relevant, comparable, reliable and publicly available sustainability data on companies. Sustainability (including PAI indicator) data often relies on the data collection and assessment efforts of third parties and delays in accessing disclosures or inaccuracies in the data supplied will be beyond Generation’s control. Even where data is available, its impact and/or interpretation may be disputed. This is particularly the case for sustainability indicators that draw on third-party assessments.</p>
Due diligence	<p>Due diligence carried out on underlying assets of the Fund, and the associated internal and external controls on that due diligence, is set out in Generation’s approach to Sustainability in the Investment Process.</p>
Engagement policies	<p>The engagement policies implemented in support of the environmental and social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies, are set out in Generation’s Stewardship and Engagement Policy.</p>
Designated reference benchmark	<p>Generation has not designated an index as a reference benchmark for the purposes of measuring the attainment of the environmental or social characteristics promoted by the Fund.</p>

The above table is intended to be treated as a summary of the following disclosures and does not purport to be complete.

(b) No sustainable investment objective

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

While the Fund makes no minimum % commitment to making sustainable investments as defined by SFDR, this does not necessarily mean the Fund will not in practice make any sustainable investments as defined by SFDR. If the Fund does make SFDR sustainable investments the Fund will seek to ensure through pre-investment due diligence that such investments:

- do not significantly harm any of the other sustainable investment objectives set out under SFDR, which includes taking into account the Minimum PAI Indicators listed in the [PAI Assessment Policy](#) as well as additional voluntary indicators for principal adverse impacts as Generation may determine from time to time.
- are appropriately aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
- If they qualify as an environmentally sustainable SFDR investment which is potentially taxonomy aligned, do not significantly harm any of the other sustainable investment objectives set out under the relevant EU Taxonomy category.

(c) Environmental or social characteristics of the financial product

The Fund promotes the following environmental or social characteristics:

1. Transformational change to drive to a net-zero, prosperous, equitable, healthy and safe society.
2. To invest in high-quality, sustainable businesses run by long-term orientated management teams.
3. To apply the investment process in a manner intended to move away from particular companies where sustainability risks are considered more prevalent.
4. To engage with portfolio companies to provide guidance on issues of sustainability where it has insight and expertise and to nurture ambition with the intention of protecting and enhancing the value of portfolio investments.
5. A positive environmental and/or social contribution towards a more sustainable future, via system-level changes, through the products and services that portfolio companies of the Fund produce.

The definition of these characteristics is a dynamic matter and consequently, for the avoidance of doubt, they are not binding obligations on Generation and have the potential to evolve.

(d) Investment strategy

The full investment strategy of the Fund is set out in the Program Overview for the Fund.

The Fund targets mid-to-late-stage growth businesses that it considers aligned with Generation's System Positive (SP) Framework, in addition to detailed business quality and management quality criteria.

Generation will ask five questions to assess whether target companies fit this SP Framework:

- What are the systemic shifts required to make the sector truly sustainable?
- Does the company stand to benefit from a sustainable transition?
- Does the business and management team have a long-term orientation?
- Does the company have levers available to catalyse a system level change?
- Is the company mobilising effective coalitions for systems change?

The businesses that the Fund intends to pursue will typically possess characteristics that, in the opinion of Generation, make them suitable for long-term investment (for example, resilient business models involving recurring revenues and/or long-term contracts, and a management and/or ownership structure that Generation believes will facilitate strong long-term alignment).

In addition, pre-investment due diligence for all investments is designed to contain an assessment of the governance quality of a potential investment. This assessment includes a detailed examination of management quality, which encompasses strategy, operations, culture, capital allocation, alignment, governance and people. Concerns or controversies relating to management structures, employee relations, staff remuneration and tax compliance are considered as part of this examination.

These elements ensure that Generation analyses each potential investment's potential to contribute to the attainment of the environmental and social characteristics promoted by the Fund.

The Fund aims to deliver attractive risk adjusted returns although there is no guarantee this aim can be achieved.

(e) Proportion of investments

The Fund promotes environmental and social characteristics without having as its objective sustainable investment as defined by SFDR.

In normal market conditions, when fully invested the Fund expects to have a minimum of 85% of its assets invested in investments aligned with environmental and social characteristics and a maximum of 15% of its assets invested in other assets.

These are the asset allocation parameters expected to apply in normal market conditions, but may not apply in all circumstances and are subject to any different limits set out in the Fund's Program Overview.

(f) Monitoring of environmental or social characteristics

Generation uses a suite of indicators to measure the outcome of the actions underlying the attainment of the Fund's promoted environmental and social characteristics.

For each investment of the Fund, Generation defines (i) the specific environmental or social objective to which that investment contributes, through the products and services produced (ii) an investment-specific sustainability indicator ("product impact KPIs") that the team will use to measure the investment's contribution to that objective over the life of the investment.

In addition to investment-specific sustainability indicators, Generation monitors a suite of cross-portfolio indicators (“corporate ESG performance KPIs”) designed to capture the social and environmental outcomes produced by the business operations of the underlying investments as a whole, along with governance maturity-related indicators. These indicators support Generation’s monitoring of both characteristics mentioned in (c) and, from the coming into force of SFDR Level 2, have been supplemented by the PAI indicators referred to in (b).

Both the investment-specific sustainability indicators and cross-portfolio indicators are monitored by Generation, at minimum, on an annual basis. Data on these indicators is predominantly received directly from portfolio companies (in some cases, gathered and computed with the support of the company’s or Generation’s consultant partners), and is subject to quality assurance, review, and challenge by Generation.

A prospective investment’s potential to contribute to the investment-specific social or environmental objective, and performance on the investment-specific sustainability indicator (or a proxy thereof) is also assessed during due diligence. This information, along with material financial, operational and valuation information, is used by Generation to inform the Fund’s decision to invest.

(g) Methodologies for environmental or social characteristics

Investment-specific sustainability indicators used to measure an individual investment’s contribution to the investment-specific social or environmental objective are designed in partnership with the portfolio company itself, leveraging Generation’s in-house expertise in impact measurement and management methodologies, such as logic models (also called ‘theory of change’) and impact measurement frameworks laid out by industry initiatives such as the Impact Management Project (IMP). These indicators are typically selected based on a combination of factors (accuracy, precision, feasibility of measurement), and strive to capture the ‘additional’ effect of the product or service on the specific social or environmental objective versus the status quo or business as usual. Measurement methodologies deployed include bespoke environmental impact modelling, building on the long tradition of Lifecycle Analyses (LCAs) and, to capture the impact of a product or service on the social outcomes experienced by a customer or client, beneficiary surveys.

The methodologies applied to measure the aforementioned cross-portfolio measures vary according to the nature of the metric. Guidance is provided for portfolio companies in order to maximise consistency in calculation. This guidance is aligned to regulatory definitions, where relevant (for example, the case of the PAI indicators mentioned in (b)); where there is no regulatory definition, wherever possible, guidance is aligned with what the general partner determines to be widely-accepted standards. As an example, in the case of a metric designed to capture the portfolio company’s portfolio GHG emissions (carbon footprint), guidance requires calculation methodologies to be in line with the GHG protocol.

(h) Data sources and processing

Generation, in its management of the Fund, aims to use primary data sources whenever possible by working closely with our portfolio companies. This primary data is supplemented with 3rd party data providers, desktop research, as well as interviews and discussions with industry and subject matter experts.

In addition to partnering with our portfolio companies so that they have an advanced understanding of the technical protocol and expectations for data collection and measurement, we also perform reviews of supplied information for accuracy, completeness, and fair presentation.

Data is provided by our portfolio companies directly to our investment team for processing and analysis.

In some cases data may be estimated. The proportion estimated may vary dependent on the data and the company in question.

(i) Limitations to methodologies and data

Because of the breadth of Generation's overarching mission as a firm, it is hard to quantify the outcomes of all aspects associated with the actions underlying the attainment of the environmental and social characteristics promoted by the Fund. For this Fund, Generation has selected indicators that focus particularly on the contribution of the investee companies' products and services to specific social or environmental objectives, as well as the aforementioned cross-portfolio sustainability performance indicators. Generation will supplement its reporting on these indicators with regular reporting on its activities in support of its mission in its wider client reporting.

In addition, there remain significant gaps in corporate sustainability reporting, including as a result of a lack of regulatory requirements of companies in many jurisdictions to make appropriate sustainability disclosures. This results in a lack of relevant, comparable, reliable and publicly available sustainability data on companies. This is true of the sustainability indicators used to measure the outcomes of the activities designed to achieve the social and environmental characteristics promoted by the Fund, as noted above, as well as for the PAI indicators that Generation considers as per its [PAI Assessment Policy](#). This can represent an impediment to a comprehensive and accurate assessment of these sustainability and PAI indicators.

Finally, sustainability data often relies on the data collection and assessment efforts of third parties and delays in accessing disclosures or inaccuracies in the data supplied will be beyond Generation's control. Even where data is available, its impact and/or interpretation may be disputed. The assessment of sustainability performance of an investment is therefore expected to be dynamic and to change over time as the data sources develop.

(j) Due diligence

Due diligence carried out on underlying assets of the Fund and the associated internal and external controls on that due diligence, is set out in Generation's approach to [Sustainability in the Investment Process](#).

(k) Engagement policies

The engagement policies implemented in support of the environmental and social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies, are set out in Generation's [Stewardship and Engagement Policy](#).

(l) Designated reference benchmark

Generation has not designated an index as a reference benchmark for the purposes of measuring the attainment of the environmental or social characteristics promoted by the Fund.