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DNCA INVESTMENTS

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Sustainable investment objective of the fund

The Sub-Fund is managed taking into account sustainable and responsible management principles and has a sustainable investment objective as defined in article 9 SFDR. The Sub-Fund is managed taking into account responsible and sustainable principles and targets issuers with a significant exposure as a percentage of their revenues to the 17 United Nations Sustainable Development Goals; with a minimum threshold of 50% of the consolidated revenue of all issuers in the portfolio (excluding cash, derivatives and money market funds)

To be eligible to the investment universe, issuers must comply with the following criteria which are based on a "pass-fail" approach:

In order to be eligible for the investment universe, issuers must comply with the following criteria on a pass-fail basis:

- **Minimum 5% of revenue contributing to the SDGs and to a sustainable activity,** according to the internal sustainable classification of sustainable transition activities (demographic transition and/or health transition and/or economic transition and/or lifestyle transition and/or ecological transition).
- **Minimum Corporate Responsibility rating of 4 out of 10 (**taking into account controversies and major negative impacts - PAIs) combined with the exclusion policy, incorporating the principle of not causing significant harm to any environmental or social objective (see below),
- **The minimum rating of 2 out of 10 on governance** (good corporate governance practices).

Within this framework, the investment process based on stock and bond picking takes into account an internal Corporate Responsibility rating based on an extra-financial analysis via the proprietary tool developed by the management company (ABA), with a "best in universe" approach. There may be a sector bias.

Similarly, the investment process takes into account an internal Responsibility rating of public issuers (such as countries) based on extra-financial analysis via the proprietary tool developed by the management company.

The sub-fund does not use a benchmark in order to achieve its sustainable investment objective.

The investment process and selection of stocks and bonds focuses on the positive impacts that companies generate through their activities, products and services. The objective is to identify whether a company contributes to the sustainable transition according to the UN Sustainable Development Goals framework:

- Demographic transition (reference to SDGs 3, 4 and 11) including the following activities: Access to basic goods and services, Inclusion of seniors, Access to education, Access to housing and comfort, Public transport, traffic regulation;

- Medical transition (reference to MDG 3) including the following activities: Access to medical care, Healthy food and sport, Medical diagnostics, Fighting endemic diseases, Advanced medicine, Medical robotization, Personal care;

- Economic transition (reference to SDGs 9 and 12) including the following activities: Access to connectivity, Access to financial products, Certification, quality, product traceability, Sustainable infrastructure developments, Digitalisation of trade, Efficiency of the productive apparatus, Performance logistics, Sustainable tourism;

- Lifestyle transition (reference to SDGs 8, 9, 11 and 12) including the following activities: Personal Safety, Artificial Intelligence, Sustainable Mobility, Circular Economy, Sustainable Packaging, Collaborative Consumption, Eco-design;

- and ecological transition (reference to SDGs 6, 7, 12, 14 and 15) including the following activities: Water treatment and management efficiency, Energy infrastructure development, Waste recovery, Marine biodiversity protection, Terrestrial biodiversity protection, Sustainable agriculture.

DNSH principle & sustainable investment objective

The sustainable investments targeted by the fund are selected to comply with the “Do not significantly harm” principle.

Negative impacts of issuers' activities on environmental and social objectives are directly integrated into the Corporate Responsibility rating in the ABA tool (integrating the main negative impacts), which may lead to a downgrade of the ABA rating below the minimum.
In addition to the integration of key negative impacts into the Corporate Responsibility rating in the ABA tool, DNCA Finance has implemented a negative sustainability impact management policy and a climate trajectory.

In this context, the management company has put in place an exclusion policy:

- **Thermal coal and non-conventional hydrocarbons:** the management company will progressively exclude issuers involved in these activities
- **Controversial weapons**: issuers excluded from all of the management company's portfolios.
- **Non-compliance with the UN Global Compact:** issuers in severe non-compliance with the principles of the UN Global Compact and included in the list of "Worst offenders" maintained by the management company and excluded from all the management company's portfolios.

The minimum rating of 4 out of 10 (Corporate Responsibility from the ABA tool) is therefore consistent with the objective of not causing significant harm to social and environmental objectives.

Investment strategy

In line with the management team's fundamental approach, the investment process is based on the following three steps:

- The first step is to exclude companies with high corporate responsibility risks (minimum score of 4/10 in our internal model). This selection meets the requirements of the French SRI label.
- The second stage is based on the selection of companies identified to meet the Fund's sustainable strategy objective
- - The third step is to build a portfolio based on fundamental analysis and the liquidity and valuation of the companies under consideration.

In promoting these characteristics, the fund will take into account the following ESG issues, among others:

- Environment: greenhouse gas emissions, air pollution, water pollution, water consumption, land use, etc.
- Social: excessive executive pay, gender inequality, health and safety issues, child labour, etc.
- Governance: monitoring corruption and bribery, tax evasion, etc.
- Overall ESG quality rating.

ABA rating: a proprietary tool for analysing and rating Corporate Responsibility and Sustainable Transition

The analysis of Corporate Responsibility makes it possible to anticipate the risks of companies, particularly in their interactions with their stakeholders: employees, suppliers, customers, local communities, shareholders, etc., regardless of their sector of activity.

Corporate Responsibility is analysed according to 4 extra-financial axes of analysis taking into account the ESG criteria:

- Shareholder responsibility (including accounting risks, board quality, management quality, etc.)
- Social responsibility (including working conditions, diversity policy, accidentology, training policy, etc.)
- Social responsibility (tax optimisation, corruption, respect for local communities or respect for personal data)

- Environmental responsibility (including environmental management policy, consideration of biodiversity issues, etc.).

Each aspect is assessed independently by the Management Company and weighted according to its importance to the company. Each pillar is then broken down into a set of criteria, according to materiality (correlation with economic performance), of which there are approximately 25 in total.

The Sustainable Transition pillar offers an analysis of the positive contributions of a company through its activities, products and services, identifying whether a company contributes to the Sustainable Transition, in which area(s) and in what proportion. Five macroeconomic transitions are identified: demography (inclusion of the elderly, access to education, etc.), medicine (diagnosis, fight against endemic diseases, etc.), economy (access to financial services, digitisation of exchanges, etc.), lifestyle (eco-design, collaborative consumption, etc.) and ecology (water treatment, renewable energy, etc.). Around 34 activities contributing positively to the sustainable transition were identified and integrated into the model.

Investment strategy guidelines

The fund implements a strategy through two binding axes: exclusions applied to the entire management company and specific exclusions linked to the fund's strategy

Exclusions applied to the entire management company, thus to the fund:

- Exclusions based on violations of the UN Global Compact: after analysis and decision by the Management Department, companies are included in the list of "worst offenders" established by DNCA Finance
- Exclusions of companies involved in unconventional hydrocarbon production activities and thermal coal activities (thermal coal production and coal-based power generation). These companies will be gradually excluded from the portfolios according to the table below:

Activities	From 2022	Companies based in the European Union or OECD		Non-OECD based companies	
		Exclusion from December 2027	Exclusion from December 2030	Exclusion from December 2030	Exclusion from December 2040
Thermal coal production	From 10% of revenue	From 5% of revenue	Final exit (0% revenue)	From 5% of revenue	Final exit (0% revenue)
Coal-fired power generation	From 10% of revenue	From 5% of revenue	Final exit (0% revenue)	From 5% of revenue	Final exit (0% revenue)

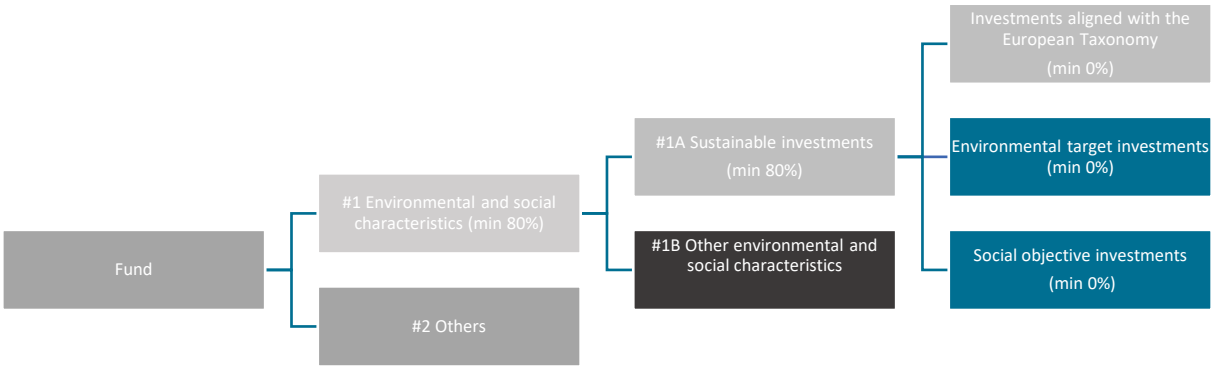
Activities		Exclusion from December 2027	Exclusion from December 2030	Exclusion from December 2030	Exclusion from December 2040
Hydrocarbon production non-conventional	From 10% of revenue	From 5% of revenue	Final exit (0% revenue)	From 5% of revenue	From 5% of revenue

Specific exclusions related to the fund's strategy

- Exclusion of issuers with a high risk profile in terms of Corporate Responsibility ABA (score below 4/10)
- Sectoral exclusions as defined in the exclusion policy issued by the management company.

Planned proportion of sustainable investment

The fund invests at least 80% of its net assets in assets with environmental and social characteristics. At least 100% of these investments are considered sustainable investments (excluding derivatives, cash and money market funds)



Monitoring of the sustainable investment objective

In line with its sustainability risk management policy and its negative impact management policy, DNCA Finance monitors the exposure of its portfolios to certain ESG indicators, including the indicators selected for the fund; exposure levels and trends are calculated and disseminated to all management teams via daily updated dashboards.

More specifically, indicators corresponding to the sustainable investment objective are monitored:

- Corporate Responsibility rating of the ABA proprietary tool
- Percentage of turnover of companies contributing to a UN Sustainable Development Goal, according to DNCA Finance's internal sustainable investment classification

An alert system is being set up, based on these same indicators, the criteria and trigger levels of which vary according to the type of UCI concerned. Four levels of vigilance are used to measure and alert: green, yellow, orange and red (maximum risk and possible decision to disinvest by the Sustainable Investment Monitoring Committee).

Methods

Indicators used by the fund

The fund strategy uses the following sustainability indicators:

- Corporate Responsibility rating from the proprietary ABA (Above and Beyond Analysis) tool: the main sustainability indicator used by the fund is the ABA rating (see investment strategy) for Corporate Responsibility, divided into four pillars (see below).
- The rating of the transition to a sustainable economy: the management company completes its analysis with an assessment of the exposure of companies to the transition to a sustainable economy. This rating is based on five pillars: demographic transition, health transition, economic transition, lifestyle transition and ecological transition.
- Exposure to the UN Sustainable Development Goals (SDGs): the management company assesses for each company the proportion of revenues linked to one of the 17 UN Sustainable Development Goals.
- Carbon data: carbon footprint (ton of CO2/$M invested) of the fund's portfolio,
- Carbon intensity: (t CO2/$m of revenue) of the fund's portfolio.

ABA methodology Corporate Responsibility

The ABA Corporate Responsibility methodology is based on 4 pillars: shareholder responsibility, environmental responsibility, social responsibility, and societal responsibility. Each pillar is rated independently by the Management Company and weighted according to its importance to the target

company. Each pillar is broken down into a set of criteria, selected according to their materiality (correlation with the company's economic performance), of which there are about 25 in total. These criteria can be the quality of board evaluation, CEO remuneration, impact on biodiversity, climate policy and energy efficiency, etc.

Responsibility axis	Criteria	Indicators
Shareholder Responsibility	Respect for minority shareholders	Structure of the control
		Existence of anti-takeover pill, voting restrictions
	Quality of management	Size and composition of the comex
		Rotation of leaders, existence of countervailing power
		Quality of the strategy
	Independence of the Board and committees	Independence rate of the Board and committees
		Separation of powers CEO/Chairman
		Composition and size of the Board, directors' fees
	Remuneration of the CEO	Transparency of remuneration
		Consistency of the variable with objectives and results
		Relevance of bonus criteria, conflict in GA
	Accounting risks	History of accounting disputes (10 years)
		Change in accounting methods/reporting
		Independence of CACs
	Quality of financial communication	Trust in guidance and transparency
		History of profit warnings
		Accessibility of management
Environmental Responsibility	Environmental management	Existence of an EMS and scope of reporting
		Quality and consistency of reporting, target figures
		Existence of governance in case of high contribution
	Climate policy and energy efficiency	Implementation of an energy efficiency policy
		Precise reporting and quantified objectives
	Regulation and Certification	Process certification
		Integration of sector-related regulations
		Industrial accident history
	Biodiversity impact and externalities	Managing positive contributions to biodiversity and reporting
		Integration of the issues upstream of the projects
		History of pollution or nuisance
Social responsibility	Corporate culture and HR management	Position of HR in the company hierarchy
		Leadership and culture typology
		Growth model and restructuring management
	Health and Safety	Setting up CHSCT committees and procedures
		History of accidents at work, level of reporting
		Transparency and scope of indicators
	Social climate and working conditions	Quality of social dialogue, strike days, absenteeism
		History of social conflicts
		Quality of working conditions and compliance with laws
	Training and career management	Training plan and age pyramid
		Specific transition issues in the area
		Employee seniority and internal development policy
	Promoting diversity	Share of women among employees
		Share of women in management teams
		Talent attraction programme
	Attractiveness and recruitment	Attractiveness of the company's sector (Glassdoor rating, average salary/FTE)
		Talent attraction programme
		Ability to recruit key skills
Social responsibility	Product quality, safety and traceability	Product quality control process
		Quality defect history
		Consumer safety issues
	Innovation capacity	Internal or external R&D management
		Price flexibility and brand power
		Product renewal and sector risk & strong disruption
	Supply chain management	Supply chain control and model (integrated or highly outsourced)
		History of supply chain failure
	Customer satisfaction and market share gains	Customer satisfaction monitoring policy
		Evolution of the PDM
		Quality of the B-to-B distribution network
		Customer complaint history
	Respect for local communities and human rights	Respecting human rights, facilitating the right to operate
		Integration of local communities
		History of local conflicts
	Cybersecurity and personal data protection	Using personal data as a business model
		Protection of sensitive data and privacy
		Protection mechanisms against cyber attacks
	Corruption and business ethics	Governance and corruption prevention process
		Operations in countries at risk
		History of corrupt or unethical practices

Responsibility axis	Criteria	Indicators
	Fiscal coherence	Alignment of the tax rate with the local economic presence
		Presence in tax havens
		Evolution of tax rates over 10 years.

The analysis allows DNCA Finance to rate Corporate Responsibility out of 10: the fund can only invest in securities of issuers with a rating above 4/10.

Internal sustainable investment classification

DNCA Finance has established an "internal sustainability rating" to link the business activities concerned to the United Nations Sustainable Development Goals (SDGs). The analysts measure the contribution of the issuers' activity to a sustainable objective (part of revenue contributing to one or more of the SDGs).

This internal sustainability classification allows DNCA to classify certain companies as "sustainable", if the following conditions are met:

- At least 5% of revenue contributing to a sustainable activity according to the internal sustainable classification
- Corporate Responsibility rating above 2/10, implying that the company does not significantly undermine any other sustainable objective and complies with the UN Global Compact (the fund has a stricter limit and cannot invest in issuers with a rating below 4/10)
- Good governance practices through the exclusion of issuers with a governance rating below 2

Data sources and processing

In order to meet the principles of its responsible investment policy and the new environmental and regulatory challenges, DNCA Finance issued a call for tenders at the end of 2021 to :

- Improving and making more reliable the data of issuers, including indicators of climate and biodiversity impacts and effects
- Enter information on activities aligned with the European Taxonomy
- Enrich the existing ESG analysis process (notably through the integration of physical and climatic risks) and enable its systematic use (through the use of an "ABA Quant" rating assessed on the entire investment universe)
- Broadening the scope of other ESG processes

At the end of this tender, this external data will be integrated into DNCA Finance's information system and the associated user processes, with an operational target in 2023.

Data sources used

In addition to the proprietary model consisting of a detailed analysis carried out exclusively in-house by DNCA Finance teams and based on data directly from issuers, DNCA Finance also uses external service providers:

Service providers used :

Provider	**Use**
MSCI	Raw data / companies
	Taxonomy
	Main Negative Impacts (PAI)
	Physical and transitional risk (Climate VAR)
ISS ESG	Sectoral exclusions
	Controversies

Provider	Use
	ESG data States
ISS Ethix	Controversial weapons
ISS Proxy Exchange	Advice on voting at GAs
CDP	Carbon data
	Water and land use data
CDP Temperature Ratings	Induced temperature

Measures taken to ensure data quality

The compliance of data with DNCA Finance's needs and uses in its operations, decision-making and reporting is ensured through the participation of business teams in the selection and definition of data control processes.

In addition, DNCA Finance implements a process to control the quality and completeness of the data used in the various ESG processes.

These checks include

- Checking the presence and completeness of data required for ESG processes and additional information/metadata
- Checking the validity of the data with regard to data types/formats, compliance with intervals and codes/references
- Duplicate check
- Checking the consistency and relevance of the data received, monitoring variations in values and identifying statistical outliers

Data processing methods

Data from suppliers is centralised and stored in a data warehouse and checked. When an anomaly is detected, an alert is issued to the Data team (in charge of data quality), for manual handling and intervention by the business teams if necessary. Possible actions:

- Retention of previous data
- Identification of an alternative data source
- Temporary abandonment of data

The data is then distributed to the various processing applications.

These data are used to feed :

- Rating of private issuers (Corporate Responsibility, mainly based on raw data), via the proprietary ABA tool
- Rating of public issuers via the proprietary ABA tool
- The overall process of managing sustainability risks and negative impacts on sustainability factors
- Exclusionary processes.

Information on the proportion of estimated data can be provided at a later stage.

Limitations to methods and data

The methodologies used by DNCA Finance are based on data from the companies themselves and/or collected by DNCA Finance via the data providers described above.

The regulations on extra-financial reporting by companies are changing, and more and more data will be available in the coming years, with greater reliability. However, all this data is complex and difficult to collect, especially for multi-faceted multinationals.

Limitations encountered today on ESG data can be :

- Limits to access and relevance of information
    - Consistency of information
    - Transnational homogeneity
    - Homogeneity of methodologies
    - Depth of information
    - Stability of information over time
- Limitations related to investment universes
    - Geographical coverage
    - Sector coverage
    - Capitalization size coverage
    - Type of asset: interest rate products, money market products, etc.

The relevance, consistency and reliability of data will improve in the coming years as companies take ownership of the subject and stakeholders share best practice.

Furthermore, some technologies such as climate risk calculation or induced temperature are still based on very theoretical models and estimates.

The methodologies used by DNCA Finance are therefore constantly improving but cannot claim to be completely infallible;

The data quality control process outlined above aims to limit these issues and not compromise the achievement of environmental and social characteristics.

Due diligence

DNCA Finance has implemented a "Negative Impact Management Policy" that allows it to conduct due diligence on the impact of investment decisions on "sustainability factors". According to the SFDR Regulation, sustainability factors are "environmental, social and labour issues, respect for human rights and the fight against corruption and bribery" (Article 2 of the Regulation). This "negative impact management policy" applies to the fund.

DNCA Finance's negative impact analysis is based on three principles:

- Compliance with major international standards in the field of social responsibility (guidelines set by the UN, ILO and OECD) when selecting issuers
- Contributing to the achievement of the United Nations Sustainable Development Goals
- Contribution to energy, ecological and social transitions, including the Paris Climate Agreement and the objectives of the Convention on Biological Diversity

DNCA Finance will have a due diligence mechanism, which will consist of :

- Identify the nature of the negative impacts (ESG impacts) associated with its investment activities
- Assess and prioritise negative impacts
- Controlling (preventing, mitigating, stopping) some of the negative impacts
- Monitor the implementation of results (measure the effectiveness of actions)
- Adjust the strategy for managing negative impacts if necessary

The principles adopted by DNCA Finance are :

- The management of impacts for which DNCA Finance has quantitative targets (carbon footprint and induced temperature of portfolios in particular, according to the Environmental Policy)
- Measuring for steering biodiversity footprint indicators: water management and land use
- The measurement of other negative impacts allowing for an observation and ownership phase, as well as quality control of the data used

DNCA Finance implements an alert system based on the behaviour of the negative impact indicators monitored. In the case of the fund, these alerts are based on :

- Carbon emission indicators and induced temperature (all managed and controllable assets), from a threshold (example: induced temperature of the portfolio above 2.5°)

Engagement policy

In line with its shareholder engagement policy and in line with its sustainability risk and negative impact management, DNCA Finance is implementing an engagement process with the companies in which it invests.

In particular, specific engagement actions are triggered with issuers according to the levels of vigilance achieved: exposure of these issuers to certain sustainability risk indicators or their involvement in certain negative impacts.

DNCA Finance distinguishes three engagement targets:

- Proactive engagement
- Responsive engagement
- Collective engagement

Proactive engagement

DNCA Finance's proactive engagement aims to encourage companies to develop better transparency and management of their ESG issues through ongoing dialogue.

Targets are determined according to the themes DNCA considers important, DNCA's equity stake in the company (control) and the issuer's weight in assets under management.

Proactive engagement interactions and details of engagement campaigns with targeted issuers are presented in DNCA's annual engagement report.

Responsive engagement

DNCA Finance's reactive engagement process is an escalation process that builds on the alert system in place for sustainability risk and negative impact management and is based on the following parameters

- Sustainability risk parameters :
    - Low absolute level or negative change in ABA liability risk ratings of corporate issuers (see *"ABA Quant rating process for corporate issuers"*);
    - Accumulation of controversies or controversy deemed "severe" (via ISS-ESG) (see *"controversy analysis process"*);
    - Level of climate-related VaR for private issuers (via MSCI) ;
- Parameters for negative sustainability impacts
    - Negative change in "material" indicators monitored for private issuers (via MSCI): carbon footprint; induced temperature ;
    - UNGC violation (via MSCI).

The escalation process is based on an alert system identical to that of the sustainability risk and negative impact management processes, with four levels: green, yellow, orange and red. The red level may lead to a decision to divest after a decision by the Sustainable Investment Monitoring Committee.

Collaborative engagement

DNCA Finance also participates in collective initiatives for coordinated and/or collaborative actions to promote best practices on systemic or cross-cutting issues, concerning :

- Certain issuers (e.g. without a climate strategy, with targets below those set by the Paris Agreement, or with climate trajectory results above targets) or a group of issuers focused on an industry or investment theme (e.g. climate change, human capital);
- ESG issues that may generate sustainability risks and/or negative sustainability impacts (e.g. climate strategy not aligned with the Paris Agreement).
- Compliance with the principles of the Task Force on Climate related Financial Disclosure (TCFD) and the Task Force on Nature related Financial Disclosure (TNFD)

Achieving the sustainable investment objective

The sub-fund's sustainable investment objective is achieved through DNCA Finance's extra-financial analysis and the use of the "internal sustainable investment classification" (see above). No index is used to achieve this objective.