

SUSTAINABILITY RISK MANAGEMENT POLICY



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I. PREAMBLE

As a responsible investor, DNCA Finance believes that Environmental, Social and Governance (ESG) factors may have a significant impact on financial performance.

DNCA Finance's investments are firmly focused on long-term performance, taking into account all the risks and opportunities faced by issuers, including companies, organisations and sovereign states.

Accordingly, DNCA Finance's risk management approach, and more specifically its management of financial risks linked to environmental, social or governance events ("sustainability risks"), forms an integral part of its responsible investment policy, which is centred on ESG analysis and integration processes within investment decisions:



This "Sustainability Risk Management Policy" meets the requirements of the European SFDR Regulation (Article 3) and Article 29 of the French Energy and Climate Law¹ ("a document setting out the policy for taking environmental, social and governance-quality criteria into account in the investment strategy").

¹ Decree No. 2021-663 of 27 May 2021 implementing Article L. 533-22-1 of the French Monetary and Financial Code.

II. DEFINITIONS

A number of concepts are used in the “Sustainability Risk Management Policy”; the main ones are defined below.

A. Sustainability Risks

1. Sustainability Risks / General Overview

The European SFDR Regulation defines sustainability risks as “an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment” (Article 2).

Examples of sustainability risks include:

SUSTAINABILITY RISKS

Environmental	Social	Governance
- Environmental-impact controversies (pollution, poor waste management, biodiversity damage), with legal consequences for the company, including the risk of fines and litigation. - Failure to adapt to climate-change mitigation and the Energy and Ecological Transition (EET), resulting in obsolete business models (internal-combustion engines, coal production, etc.). - Production facilities or buildings, whether operated by the company or one of its suppliers, exposed to extreme weather events that may cause damage or disrupt the production chain.	- Inadequate workforce and skills planning, and unsuitable human resources (insufficient training, employee disengagement or inadequate resourcing), making it difficult to maintain production and meet client needs. - Serious human-rights violations (forced labour, child labour), resulting in legal consequences (litigation, fines) and commercial consequences (consumer boycotts, reputational risk). - A harmful workplace environment leading to a wave of suicides, with legal consequences (litigation) and commercial consequences (reputational damage, consumer boycotts).	- Lack of effective checks and balances in the company's management (excessive concentration of power, or insufficient competence or involvement of directors), leading to poor decisions that undermine the company's economic performance. - Corruption, lack of integrity, tax evasion and conflicts of interest, resulting in legal consequences for the company (including fines), financial penalties and restricted access to certain markets. - The absence or inadequacy of risk-management arrangements within the company, including in relation to environmental and social risks, potentially resulting in excessive, unmeasured risk-taking and poor economic performance.

2. Climate change-specific sustainability risks

Climate change affects issuers' financial performance and, consequently, the risk-return profile of the securities they issue. Climate-related risks are generally classified into two categories:

- Physical risks: risks associated with the physical impacts of climate change on issuers' activities, arising for example from extreme temperatures, flooding, storms or wildfires.
- Transition risks: risks associated with the transition to a low-carbon economy, for example policy, technological, supply and demand changes in certain sectors.

By way of illustration, the following climate-related risks are defined by the TCFD (Task Force on Climate-related Financial Disclosures):

Climate-Related Risk Categories ²		Sub-categories	Illustrations: risks arising from...
Physical risks	Risks related to the physical impacts of global warming	Acute risks	• Extreme weather events, such as storms, hurricanes and floods.
		Chronic risks	• Changes in precipitation patterns and extreme weather-pattern volatility. • Rising temperatures and chronic heatwaves. • Sea-level rise.
		Policy and legal risks	• Higher carbon-emissions prices through the introduction of carbon-pricing mechanisms. • Enhanced greenhouse-gas (GHG) emissions reporting requirements. • Regulations affecting existing products and services. • Litigation relating to environmental liability or non-compliance.
Transition risks	Risks related to the transition to a low-carbon economy	Technological risks	• Substitution of existing products and services with lower-GHG-emitting alternatives. • Insufficient investment in new technologies. • Costs associated with the transition to low-carbon technologies.
		Market risks	• Changes in consumer behaviour. • Market uncertainty. • High costs of low-carbon raw materials.
		Reputational risks	• Changes in consumer preferences. • Stigmatisation of an industry sector. • Increased stakeholder concern or negative reactions.

3. Sustainability Risks Specific to Biodiversity Loss

Similarly, biodiversity loss may give rise to potential economic and financial losses for issuers. However, analytical tools, technologies and data remain limited in availability and maturity.

As with climate change, two types of risk are distinguished in relation to biodiversity loss: physical risks and transition risks. The TNFD (Taskforce on Nature-related Financial Disclosures) defines them as “the set of financial risks and opportunities for an organisation arising from impacts on nature and/or dependencies on nature”.³

- Nature-related physical risks and opportunities: “Physical risks resulting from the loss of natural habitats may be classified as event-driven (acute) or as relating to longer-term changes (chronic) in how natural ecosystems function, or cease to function. Physical risks may have financial consequences for organisations, including direct damage to assets; loss of ecosystem services, whether local or regional, that are essential to production processes or employee well-being; and indirect impacts resulting from supply-chain disruption. (...) Examples include local and regional financial losses in the agricultural sector resulting from declining insect pollinators, and global financial losses in the pharmaceutical and technology sectors due to reduced genetic biodiversity hampering research and development.”³
- Transition risks and opportunities: “The transition to a nature-positive economy may lead to significant policy, legal, technological and commercial changes. (...) Such risks include reputational, compliance, corporate-liability and litigation risks. In some cases, an asset may become unprofitable or overvalued. Transition opportunities may arise where companies derive a financial benefit from changes in market preferences or demand that reward their positive impact on nature.”³

Sustainability risks specific to climate change and biodiversity loss are detailed in DNCA Finance’s “Environmental Policy”.

B. Principal Adverse Impacts on Sustainability Factors

“Sustainability risks” (extra-financial events that may affect the value of portfolios managed by DNCA Finance) must be distinguished from “principal adverse impacts on sustainability factors” (the consequences of DNCA Finance’s investment decisions on sustainability factors). Under the SFDR, sustainability factors are “environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters” (Article 2).

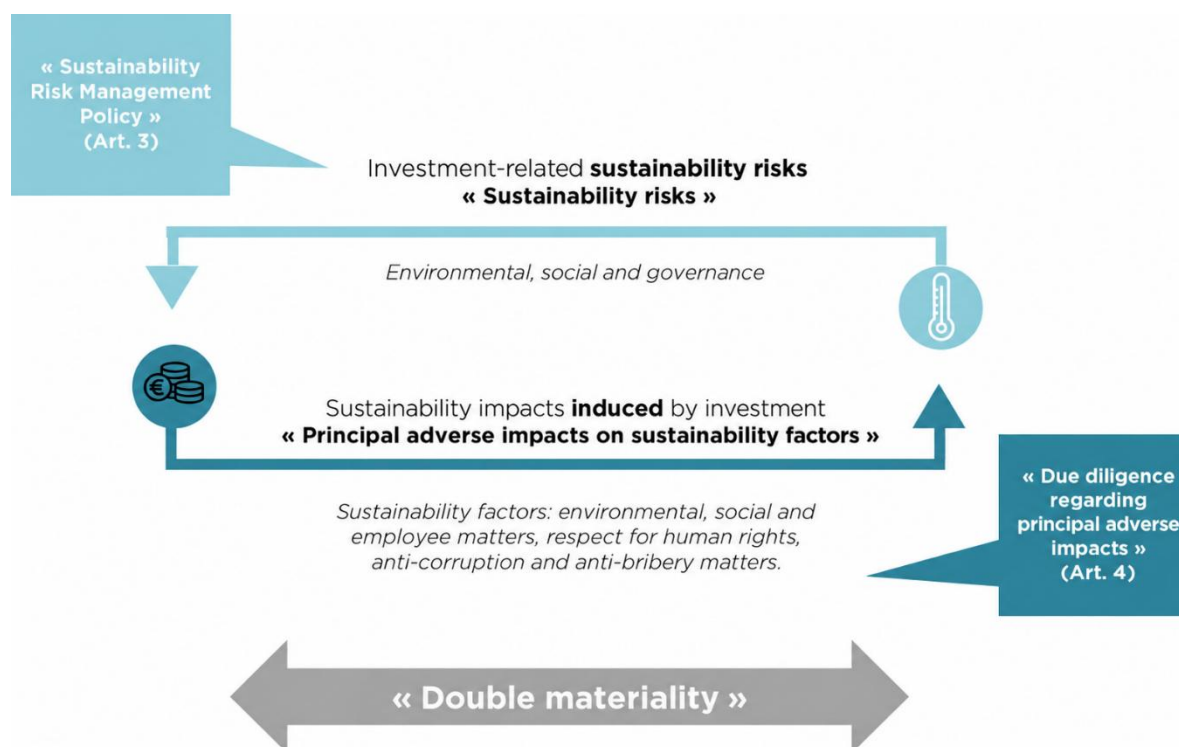
² Source: Final Recommendations Report, TCFD (Task-force on Climate-related Financial Disclosure)

³ Source : « Proposition de portée technique – Recommandations pour le TNFD », TNFD, juin 2021

These “adverse impacts” are subject to additional transparency requirements under Article 4 of the same Regulation. DNCA Finance’s “Policy for Managing Principal Adverse Impacts on Sustainability Factors” is set out in a separate document.

C. Interactions Between “Sustainability Risks” and “Principal Adverse Impacts on Sustainability Factors”

The management of “sustainability risks” must not be separated from the management of “principal adverse impacts on sustainability factors”, as the two are intrinsically linked (see “double materiality”).



There are transmission mechanisms between the two dimensions of “double materiality”, as highlighted when the SFDR was introduced. Issuers (companies, organisations and sovereign states) are increasingly held accountable for the impacts (“adverse impacts”) they generate on the environment, society and all stakeholders, including pollution, human-rights violations and failures to comply with business ethics. Such impacts may result in litigation, financial penalties, reduced consumer confidence and reputational damage, which in turn can lead to weaker economic and financial performance and therefore constitute an actual sustainability risk.

The management of sustainability risks in financial-asset portfolios must be carried out in parallel with efforts to limit the adverse impacts generated by those portfolios.

III. GUIDING PRINCIPLES, POLICY SCOPE AND CONDITIONS OF APPLICATION

A. Guiding Principles of the Policy

DNCA Finance's responsible investment policy is based on the conviction that long-term investment management must encompass all the risks and opportunities faced by issuers.

DNCA Finance's analysis of risks and opportunities relies on two complementary levers: "risk management" ("Responsibility Risk") and the "identification of opportunities linked to the sustainable transition" ("Sustainable Economic Transition").

DNCA Finance's sustainability risk management is based on the analysis of the various sustainability risks referred to on page 4—environmental, social and governance risks—under the "Responsibility Risk" framework, supplemented by climate-risk analysis, including physical and transition risks linked to climate change.

B. Scope of the Sustainability Risk Management Policy

The Sustainability Risk Management Policy applies across all asset classes managed by DNCA Finance. Its implementation is tailored to the type of assets managed and the investment strategies pursued.

C. Conditions of Application

The Sustainability Risk Management Policy is applied within a framework subject to certain constraints:

- ESG data quality: DNCA Finance's investment and risk-management processes rely on the analysis of external data provided primarily by issuers and ESG data providers. DNCA Finance has established a process to assess the quality of ESG data received from its providers. However, it cannot guarantee the accuracy of such data or remedy methodological and cultural biases introduced by data providers.
- Methodological maturity: DNCA Finance is aware of the technical limitations resulting from the still-developing maturity of analytical technologies, particularly in relation to climate and biodiversity. It therefore adopts a continuous-improvement approach to ESG processes in order to address these limitations.

Accordingly, DNCA Finance has adopted a gradual approach to implementing its ESG policies, enabling pragmatic application and the integration of ESG considerations throughout its value chain..

C. ESG Data Sourcing

In order to meet the principles of its Responsible Investment Policy and address new environmental and regulatory challenges, DNCA Finance has engaged external ESG data providers and is enhancing its processes in order to:

- Improve the quality and reliability of issuer data, as well as indicators of climate- and biodiversity-related impacts and adverse impacts.
- Provide information on activities aligned with the EU Taxonomy.
- Enhance the existing Responsible Investment analysis process, particularly through the integration of physical and climate risks, and enable its systematic use through an "ABA Quant" rating applied across the entire investment universe.
- Extend the scope of other ESG processes.

The integration of this data into the information system has been completed, and it will be progressively incorporated into the control processes planned for 2025.

IV. GOVERNANCE

A. DNCA Finance ESG Governance

DNCA Finance has adapted its governance arrangements in order to better implement its Responsible Investment Policy, of which the Environmental Policy is one component.

ESG governance is therefore structured around several committees:

- Sustainable Development and Investment Committee (DID Committee)
- Sustainable Investment Committee (ID Committee)
- Sustainable Investment Monitoring Committee (SID Committee)
- Cross-Functional Sustainable Investment Committee (TID Committee)

1. Sustainable Development and Investment Committee (DID Committee)

The DID Committee's purpose is to define the strategic direction of DNCA Finance's CSR and Sustainable Investment policies, including climate-related priorities, in line with the ESG guidelines established by the Supervisory Board.

It comprises members of the Executive Committee, the Head of Compliance and Internal Control (RCCI), the Head of SRI Management, and representatives of the main functions, including the Responsible Investment management and expertise team, Risk, Marketing, Legal and Sales.

Its main responsibilities are to:

- Determine the strategic direction for corporate social responsibility and responsible investment.
 - Translate and incorporate DNCA Finance shareholders' expectations regarding corporate social responsibility and sustainable investment.
 - Set DNCA Finance's CSR commitments as a company, including commitments relating to its investment activities.
- Define and update policies relating to:
 - Sustainable development and its components.
 - Responsible investment and its components.
 - The design of policies.
 - The evolution of policies.
- Review the operational implementation of SRI policies over the previous year, in particular through the preparation of related reporting, and draw lessons from this review in order to revise strategic directions and/or SRI policies.

2. Sustainable Investment Committee (ID Committee)

The ID Committee's purpose is to define, implement and oversee Sustainable Investment processes.

It comprises the Head of the Responsible Investment Management and Expertise team, the General Secretary of Asset Management, one representative from each investment-management team, one representative from the Compliance team and one representative from the Risk team.

Its main responsibilities are to:

- Define SRI processes, including in particular:
 - ESG rating processes.
 - Exclusion processes.
 - Selectivity processes.
 - Sustainability risk management processes.
 - Principal adverse impact management processes.
 - Fund labelling processes.
 - Engagement and voting processes.
 - Climate trajectory management processes.
- Implement and monitor SRI processes:
 - Ensure the operational implementation of the DID Committee's strategic Responsible Investment guidelines.
 - Monitor portfolio temperature alignment against the trajectory determined by the DID Committee.
 - Assess the deployment of SRI processes and achievement of the objectives set by the DID Committee.

Sustainability Risk Management Policy

- Decide on proposals from subordinate committees to amend SRI processes.
- Submit proposals to amend SRI policies to the DID Committee.

3. Sustainable Investment Monitoring Committee (SID Committee)

The SID Committee's purpose is to monitor all developments relating to the Exclusion Policy and identified principal adverse impacts.

It comprises the Head of the Responsible Investment Management and Expertise team, the General Secretary of Asset Management, and at least one representative from the Compliance team and one representative from the Risk team.

Its main responsibilities are to:

- Review the Exclusion Policy.
- Validate, document and maintain an audit trail and justification for changes made to the exclusion lists.
- Monitor and manage identified principal adverse impacts.

4. Cross-Functional Sustainable Investment Committee (TID Committee)

The TID Committee's purpose is to define, implement and oversee the operational processes that support and govern Sustainable Investment.

It comprises the Operations Department, the Responsible Investment Management and Expertise team, and the Risk, Marketing, Legal, Sales, Data, Compliance and Middle Office teams.

Its main responsibilities are to:

- Define, scope and monitor the project(s) to be implemented:
 - Define objectives and the roadmap.
 - Define project workstreams.
 - Appoint action owners.
 - Estimate the resources required, including time and workload.
 - Define the timetable in accordance with objectives and business constraints.
 - Monitor actions and compliance with key milestones.
- Monitor and support operational processes within business teams, including the following matters addressed by the Data Committee:
 - ESG data sourcing.
 - Data-flow processing.
 - ESG data structuring (data dictionary / reference framework).
 - ESG data quality control.
 - ESG data dissemination, from the reference framework to relevant business tools.
- Report the information needed to assess the operational implementation of Sustainable Investment functional processes during the preceding year, in particular for reporting such as the engagement report, the Article 29 Energy and Climate Law report, SFDR Annex I, and similar disclosures.

B. Risk Committee

Monitoring of sustainability risks, based on the indicators and technologies set out in Section V.B.1, *Integration into the Risk Control Framework*, is incorporated into DNCA Finance's risk control framework. Monitoring of sustainability-related financial risks is being progressively deployed.

The indicators currently monitored are as follows:

- Minimum ABA rating for corporate, sovereign and commodity issuers.
- Average portfolio ABA rating.
- Portfolio ABA-rating coverage rate.
- ESG rating of external UCITS/CIS, derived from ESG due diligence conducted by DNCA Finance teams on external management companies and collective investment schemes, together with the "sustainability risk" sub-score within that rating.
- Internal and external controversy indicators.
- Climate-related financial risk indicators (Climate VaR) for a limited scope of funds

⁴ Funds with net assets exceeding EUR 500 million, and Article 9 SFDR funds.

The integration of sustainability risks into DNCA Finance's risk-control framework will meet the requirements of Article 29 of the French Energy and Climate Law and its implementing decree of 28 May 2021 (Article 8).

The Risk Committee, the central body within the risk-management framework, meets every six months. It comprises the three senior executives (the Managing Partner of the *société en commandite simple*, the Deputy Chief Executive Officer responsible for Operations, and the Head of Asset Management or their representative), the Head of the Risk Department and the Head of Compliance and Internal Control (RCCI).

The Risk Committee's remit includes, in particular:

- Present developments in the risk management policy, procedures and risk mapping.
- Report on progress made in implementing recommendations arising from inspections and audits.
- Report on material issues relating to market, concentration, credit, counterparty, foreign-exchange, liquidity, valuation and sustainability risks.
- Present monitoring of funds subject to VaR, back-testing and stress testing.
- Monitor investment-management styles.
- Take any decision required to remedy an anomaly identified by the Risk Department and subject to an escalation procedure.
- Oversee constraint-monitoring processes.
- Monitor sustainability, reputational and controversy risks.

V. IMPLEMENTATION OF THE SUSTAINABILITY RISK MANAGEMENT POLICY

A. Consideration of Sustainability Risks in the Investment Process

1. Risk Indicators Used by DNCA Finance

DNCA Finance has selected several types of indicators to measure and manage sustainability risks, the main ones being:

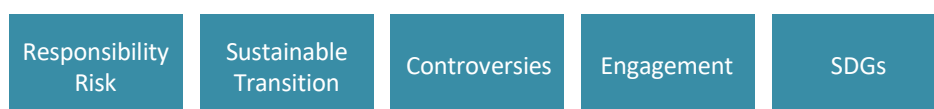
- ABA ratings for corporate, sovereign and commodity issuers.
- Controversies monitored through ABA for corporate and sovereign issuers.
- ESG ratings for external collective investment schemes and management companies, following ESG due diligence carried out by DNCA Finance teams, together with the “sustainability risks” sub-score within those ratings.
- Climate-related financial risk indicators (Climate VaR).
- Exposure to certain fossil-energy categories and/or sectors identified in DNCA Finance’s Exclusion Policy.
- Biodiversity indicators linked to the monitoring of principal adverse impacts, such as water use and land management.

These indicators are tailored to the type of assets managed and the investment strategies pursued.

a) Issuer Ratings

(1) ABA Corporate Issuers

DNCA Finance has developed a proprietary ABA rating tool, “Above and Beyond Analysis”. This model is structured around five independent and complementary analytical pillars applicable to every company held in the funds:



SDGs: United Nations Sustainable Development Goals

In addition, a climate pillar and a positive-contribution pillar have been developed for certain funds.



The aim is to provide detailed analysis that adds value to traditional financial analysis. This analysis is carried out exclusively in-house by DNCA Finance teams and is based on data provided by issuers.

ABA analysis is deployed across DNCA Finance’s active investment universe, covering approximately 900 issuers, including all corporate securities held in portfolios. To extend coverage across its investment universes, DNCA Finance has developed an “ABA Quant” rating, based on raw data from external data providers, for issuers that have not undergone qualitative ABA analysis.

The “Responsibility Risk” pillar is a core indicator in the analysis of sustainability risks.

This pillar is scored out of 10 and comprises four themes: shareholder responsibility, environmental responsibility, social responsibility and societal responsibility. Each theme is designed to reflect the issues that are most material to issuers, namely the correlation between the criteria and a company’s economic performance. The number of criteria is deliberately limited to 24 and is supported by around 100 underlying raw KPIs.



The analysis of each theme is based on a combination of qualitative and quantitative criteria.

The “Responsibility Risk” rating therefore reflects the quality of a company's overall approach as an economic participant, irrespective of its sector of activity.

The “Responsibility Risk” rating is performed on an ongoing basis by DNCA Finance analysts. Analysis under the “Controversies” pillar, described below, supplements this “Responsibility Risk” rating in light of alerts and current developments.

(2) ABA Countries (Sovereign Issuers)

DNCA Finance has developed a quantitative ESG rating for sovereign issuers. The purpose of this rating is to assess all public issuers (sovereign states) in an automated and systematic manner, in accordance with DNCA Finance's proprietary model.

DNCA Finance has established its own assessment framework, which is largely populated with indicators sourced from ISS ESG.

The quantitative rating process for public issuers is based on:

- A proprietary DNCA Finance analytical framework.
- Conversion of ISS ESG data points into DNCA ratings.
- A proprietary DNCA Finance weighting methodology.
- Systematic consideration of controversies (see Section V.A.1(b)(2)).

DNCA Finance's quantitative rating for public issuers is expressed on a scale from 0 to 10, with 10 being the highest rating.

ISS relies, in particular, on sources such as national and supranational bodies, research institutes and international NGOs.

The sovereign-issuer assessment framework is based on four pillars:

- Governance
- Societal
- Social
- Environmental

Each of these pillars comprises different criteria, using associated KPIs. DNCA Finance relies on scores ranging from 1 to 4, with 4 being the highest score, and raw data from ISS ESG to align them with the indicators selected by DNCA Finance. Using this data and these scores, DNCA Finance assigns sovereign issuers an ESG performance rating ranging from 0 to 10, with 10 being the highest rating. A score of 0 is assigned where data is missing for a selected indicator (“Not collected” or “Not Meaningful”).

Diagram of the conversion of ISS ESG data into DNCA ratings

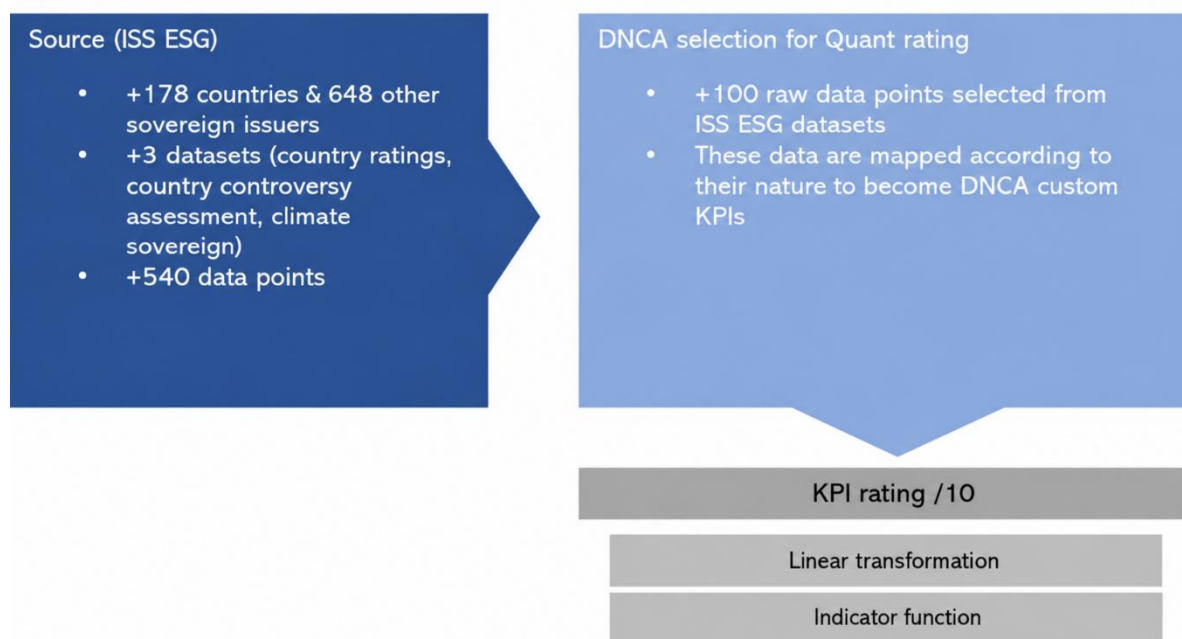


Diagram of the Quant Rating Scale for Sovereign Issuers



Where appropriate and at the analyst's discretion, an adjustment (positive or negative) may be applied to the sovereign issuer's overall rating to reflect circumstances specific to that issuer.

(3) ABA Commodities

DNCA Finance has developed a dedicated commodities analysis module, comprising a "Responsibility Risk" rating and a "Transition Analysis" rating.

The Responsibility Risk rating is based on three pillars:

- Environmental
- Social
- Societal

The Environmental pillar is equally divided between a bottom-up rating (impact related to commodity production) and a top-down rating (related to the country of origin of production):

- For the bottom-up rating, the Commodities team monitors three criteria: CO₂ emissions, water consumption and tailings waste. It uses quantitative data drawn from reports issued by agencies, associations and governmental or non-governmental institutes. The team normalises these criteria relative to the investment universe under review in order to obtain a bottom-up environmental rating between 0 and 10.
- The top-down rating is calculated on the basis of producing countries' respective shares of global production of the commodity concerned and their environmental ratings, as derived from the ABA Countries module.

The Social and Societal pillars are calculated on a top-down basis, using producing countries' respective weights and their corresponding social and societal ratings, as derived from the ABA Countries module.

The aggregation of these three pillars produces a Responsibility Risk rating. The Environmental pillar carries a 60% weighting, while each of the other two pillars carries a 20% weighting.

b) Controversy Analysis

(1) Corporate Issuers

The ABA Controversies pillar enables the monitoring of issuers' controversy levels using the typology applied in the "Responsibility Risk" analysis: shareholder, environmental, social and societal controversies.

Controversies are identified through DNCA Finance's analysis of information using its proprietary model. Targeted information is screened daily, using a keyword list, through an algorithm and a dedicated human resource. This analysis is supplemented by external data from rating agencies and broker research.

The objective is to compare the principles stated by issuers with observed reality and to establish an alert base for portfolio managers. Each controversy is classified by theme—shareholder, social, environmental or societal—and is subject to a full analysis and report. Following this work, controversies are differentiated according to their severity and assigned a score from 1 to 4, with 4 being the most severe..



A controversy gradually loses its impact over time, by one point every three years.

DNCA Finance uses this analysis as an early-warning indicator when a controversy is substantiated, rather than as a systematic sanctioning tool. Given the international scope of issuers and the abundance of available information, each situation requires a distinction between isolated cases and major alerts. Nevertheless, a succession of isolated cases may indicate a widespread breach across the company.

Each controversy score results in a discount of varying magnitude, from 10% to 50%, being applied to the rating of each pillar—shareholder, social, environmental and societal—and to the ABA "Responsibility Risk" rating. Where no controversy is identified, a 10% bonus is applied.

(2) Sovereign issuers

DNCA Finance incorporates controversies related to sovereign issuers into the ABA Sovereigns rating tool.

Controversies sourced from ISS ESG are automatically assigned to one of the four pillars referred to in point (a)(2), in accordance with the following table:

ISS ESG Controversy Theme	DNCA Pillar
Child labour	Social
Discrimination	Social
Freedom of association	Social
Money laundering	Governance
Freedom of the press	Governance
Human rights	Social
Labour rights	Social
Torture	Governance

(3) Commodities

DNCA Finance incorporates commodity-related controversies into the ABA rating tool through the ratings of the countries where those commodities are produced.

c) *Exposure to climate- and biodiversity-related physical and transition risks*

(1) Exposure to climate risks and Climate VaR

Climate change may have direct or indirect consequences for the economic and financial performance of companies, states or organisations, as discussed in Chapter II.A.2 – Climate change-specific sustainability risks.

Several methods exist for calculating the climate-change-related financial risk of portfolios. Since 2024, DNCA Finance has reported a Climate VaR indicator, provided by MSCI, for certain funds (funds with net assets exceeding €500 million, as well as SFDR Article 9 funds). MSCI's Climate VaR model measures the potential impact of different climate scenarios on the valuation of portfolio companies.

Climate VaR indicates, in percentage points, the potential impact of climate-change effects on the value of companies (EVIC) over the period to 2100. It incorporates three types of climate-change impacts:

- Policy risks
- Technology opportunities
- Physical risks and opportunities

These risks are described in greater detail in DNCA Finance's "Environmental Policy".

For each of the three types of impact, the model estimates future costs and revenues based on the scenario and the company, then applies financial modelling to determine the resulting impact on the company's valuation.

(2) Exposure to biodiversity-loss-related risks

Financial risks specifically related to biodiversity loss remain very difficult to measure given the current state of knowledge, technology, data and available analytical tools. Therefore, pending progress in methods for measuring and managing biodiversity-related financial risks, DNCA Finance has chosen not to use specific indicators in the short term.

However, DNCA Finance incorporates, wherever possible, issuers' impact on biodiversity and related externalities into its ABA "Liability Risk" analysis.

d) *Other risk-monitoring indicators*

DNCA Finance uses numerous other ESG indicators provided by various data providers, including:

- Issuers' sector exposures (energy production, hydrocarbon production, etc.)
- Other raw data (CO₂ emissions, fossil fuel reserves, etc.)

Ces indicateurs font partie des informations alimentant l'outil de notation ABA.

2. Use of indicators and alert system

a) Monitoring of all exposures

Dashboards showing portfolio exposure to the selected indicators are updated regularly and used by all portfolio managers.

b) Alert System

DNCA Finance is currently developing an ESG alert system based on changes in ESG indicators (with a target completion date of end-2025).

The thresholds and types of alerts will depend on the portfolio's investment strategy and may, for example, be based on:

- Changes in the "Responsibility Risk" score and/or the crossing of a predefined threshold (depending on the investment strategy).
- The crossing of controversy score thresholds, taking into account the severity and/or frequency of controversies.

At a later stage, alerts based on Climate Value at Risk (Climate VaR) are also envisaged, triggered by changes in Climate VaR and/or breaches of predefined limits, depending on the investment strategy.

c) Integration into the Investment Management Process

Depending on changes in exposures and alerts triggered, portfolio managers may adjust their investment decisions as follows, depending on the investment strategy:

- Initiate or accelerate an engagement process (see Section V.D – Link with DNCA Finance's Engagement Policy).
- Reassess the assumptions underlying the investment case.
- Adjust the position weighting.

d) Establishment of a "Worst Offenders" List

DNCA Finance has established a "Worst Offenders" list comprising issuers presenting the highest risks from an Environmental, Social and Governance (ESG) responsibility perspective. This list is drawn up based on major controversies, including violations of the principles of the United Nations Global Compact, following an assessment by members of the Responsible Investment Management and Expertise team, and subject to approval by the Sustainable Investment Monitoring Committee (SID Committee).

Holdings in securities issued by entities included on the "Worst Offenders" list are subject to the provisions set out in DNCA Finance's Exclusion Policy. In this context, blocking pre-trade restrictions and post-trade controls are configured within the relevant systems. Where applicable, the securities are divested as quickly as possible, taking into account market conditions and acting in the best interests of investors.

B. Sustainability Risk Control Process

1. Integration into the Risk Control Framework

DNCA Finance integrates sustainability risk into its financial risk control framework (as data becomes available) through dashboards presented to the Risk Committees, as described in the Risk Management Policy.

Description of Environmental, Social and Governance Risks

Risk Characterisation

Risk Segmentation:

- Environmental risks, including:
 - Physical risks: Exposure to the physical consequences of environmental factors, such as climate change or biodiversity loss.
 - Transition risks: Exposure to changes arising from the environmental transition, including litigation and liability risks.
- Social risks
- Governance risks

2. Indicators Used in Risk Monitoring and Control

The main indicators used in the sustainability risk monitoring and control process, as they become available, are as follows:

- ABA ratings (corporate issuers, sovereign issuers and commodities).
- Controversy-related score deductions assessed through ABA (corporate issuers), or controversy indicators provided by external data providers.
- ESG ratings of external investment funds, based on ESG due diligence assessments conducted by DNCA Finance's teams on external asset management companies and investment funds, including the "Sustainability Risk" sub-score within these ratings.
- Climate-related financial risk indicators (Climate Value at Risk – Climate VaR).

These indicators are described in Section A.1 – Risk Indicators Used by DNCA Finance.

Taking into account market developments in terms of data availability, quality and methodologies, DNCA Finance will further enhance its risk monitoring and control process by incorporating additional indicators.

3. Setting Exposure Limits and Monitoring Alerts

Depending on the investment strategies and commitments of the various portfolios, limits based on ESG indicators are being progressively implemented in fund prospectuses, the Exclusion Policy and the internal risk limit framework:

- Minimum "Responsibility Risk" score.
- Maximum exposure to certain sectors.
- Climate Value at Risk (Climate VaR) limit (forthcoming).

In accordance with DNCA Finance's internal procedures governing the monitoring of regulatory and statutory constraints and internal limits, an alert threshold may be established to anticipate the risk of breaching a limit, thereby enabling portfolio managers to adjust their portfolios accordingly.

Furthermore, the Risk Control function, acting as a supplementary first line of control (Level 1 bis), ensures compliance with the "Worst Offenders" list (described in Section A.2.d), while the Funds Operations and Reporting team performs the first-level controls.

C. Link with DNCA Finance's Exclusion Policy

DNCA Finance's Exclusion Policy directly contributes to its sustainability risk management policy by protecting the portfolios concerned against financial risks associated with certain ESG-related issues (e.g. exposure to the thermal coal production sector).

The document entitled "DNCA Finance Exclusion Policy", available on the company's website, provides details on:

- Exclusions relating to controversial weapons (applicable to all DNCA Finance funds).
- Sectoral exclusions (or maximum sector exposure limits), depending on the investment strategy. These sectors may include, in particular:

Sustainability Risk Management Policy

- Tobacco production.
- Electricity generation from fossil fuels.
- Unconventional oil and gas production.
- Exclusions relating to violations of the United Nations Global Compact principles.

The application of sustainability risk management principles may lead to further enhancements to the Exclusion Policy.

D. Link with DNCA Finance's Engagement Policy

As a responsible investor, DNCA Finance places the utmost importance on maintaining an ongoing dialogue with the issuers in which it invests. DNCA Finance's shareholder engagement approach is detailed in its "Engagement Policy" document.

This engagement approach enables DNCA Finance to:

- Encourage issuers to adopt best practices.
- Gain an in-depth understanding of the company's strategy and how it integrates sustainability risks.

The Engagement Policy therefore directly contributes to DNCA Finance's sustainability risk management framework. The level of engagement and dialogue is determined by the level of sustainability risk.

DNCA Finance distinguishes between two approaches to engaging with companies:

- Dialogue with issuers
- Shareholder or investor engagement

1. Dialogue with Issuers

As a conviction-driven asset manager, DNCA Finance considers it essential to meet regularly with issuers in which it invests or is considering investing. This applies to both financial analysis and Socially Responsible Investment (SRI) analysis. These meetings provide an opportunity to question company management on its strategy and the extent to which its implementation takes into account the interests of all stakeholders. Such discussions provide valuable insights into the actual level of integration of SRI considerations and the company's corporate culture.

The information gathered during these meetings makes a significant contribution to the quality and responsiveness of our SRI research.

The number of interactions with issuers is detailed in DNCA Finance's Engagement Report. (https://www.dnca-investments.com/documents/40?locale=fr&country_code=FR)

2. Shareholder or Investor Engagement

Convinced that improving the practices of the issuers in which it invests helps protect portfolio value, DNCA Finance has established an engagement approach aimed at encouraging issuers to better integrate ESG considerations into their practices.

More broadly, DNCA Finance believes that its fiduciary duty extends beyond selecting the best investments to encouraging better practices and greater transparency among issuers.

DNCA Finance distinguishes between two types of shareholder engagement:

- Reactive engagement, following a controversy or a specific incident.
- Proactive engagement, aimed at encouraging issuers to improve transparency and strengthen their management of ESG issues.

Both types of engagement are subject to a formalised engagement process, as detailed in the “Engagement Policy” document. This process is structured as follows:

- Identification of engagement targets:
 - Reactive engagement: In-depth analysis of controversies; systematic engagement with issuers facing controversies deemed “severe”.
 - Proactive engagement: Based on a combination of several factors:
 - The size of DNCA Finance’s investment in the company.
 - The company’s inclusion in Socially Responsible Investment (SRI) funds, warranting increased scrutiny of ESG risks.
 - An unfavourable “Responsibility Risk” score, indicating inadequate management of ESG risks.
- Implementation of the engagement process:
 - Establishment of an engagement plan (objectives, indicators to monitor progress and assess the success of the engagement, designated contacts, and estimated duration of the engagement process).
 - Discussions with the company in accordance with the engagement plan.
 - Monitoring of the engagement process through the ABA tool (status: “ongoing” or “achieved”), including the assessment of positive or negative developments.
- Reporting: The outcomes of the engagement process are communicated to the relevant portfolio managers and are subject to dedicated client reporting through the Annual Engagement Report.

Escalation procedures may be initiated if the targeted company fails to respond or does not take appropriate measures to address the identified issues or shortcomings. These escalation procedures are determined on a case-by-case basis in collaboration with the portfolio management teams.

3. Collaborative Engagement

DNCA Finance joins forces with other investors to convey a collective message to companies over which it might have limited influence when acting independently. In certain cases, collaborative engagement can help achieve better outcomes with issuers.

DNCA Finance conducts its collaborative engagement activities through direct relationships with other investors and participation in collaborative engagement initiatives involving numerous international investors.

4. Integration of the Engagement Approach into the Analysis Framework and Investment Decisions

a) Integration into ESG Analysis

Dialogue with the companies in which DNCA Finance invests is an invaluable source of added value for our analysis, whether financial or specifically ESG-related. Accordingly, we systematically record all dialogue and engagement activities in our proprietary ABA tool, in order to adjust, where appropriate, the company’s “Responsibility Risk” or “Sustainable Transition” ratings, and to maintain a record of our regular interactions with the management of the companies in which we invest.

b) Integration into Investment Decisions

The outcomes of engagement activities are incorporated into our ESG analysis through our proprietary ABA tool and may, in particular, affect a company’s “Responsibility Risk” score. This score, which is available to all portfolio managers, provides an indication of the company’s level of ESG risk and has a direct impact on whether it is included in the eligible investment universe of SRI funds.

Engagement outcomes are systematically communicated to the portfolio management teams through the ABA tool and, where warranted by developments, directly during investment management committee meetings. Portfolio managers are systematically invited to participate in engagement meetings with companies held in their portfolios.

c) *Integration with Our Voting Policy*

As an active, conviction-driven investor, DNCA Finance places the utmost importance on effectively exercising its voting rights to ensure that companies are managed in the best interests of its investor clients.

To this end, DNCA Finance regularly engages in dialogue with the companies in which it holds shares ahead of their Annual General Meetings, in order to discuss proposed resolutions and, where appropriate, explain its voting decisions to company management.

Furthermore, DNCA Finance places particular emphasis on shareholder dialogue concerning environmental and social resolutions, which provide an opportunity to reaffirm its commitment to these issues and communicate its expectations to company management.

d) *Escalation Procedure*

Escalation procedures may be initiated by the Responsible Investment Management and Expertise team, in collaboration with the relevant portfolio management teams, if the targeted company fails to respond or does not take appropriate measures to address the identified issues or shortcomings.

These escalation procedures are determined on a case-by-case basis by the Responsible Investment Management and Expertise team, in collaboration with the relevant portfolio management teams, and are detailed in our Shareholder Engagement Policy and Voting Policy. (https://www.dnca-investments.com/documents/40?locale=fr&country_code=FR).

E. Operating Principles: Continuous Improvement

For its Sustainability Risk Management Policy, as for all its ESG policies, DNCA Finance adopts a continuous improvement approach based on the following steps:

- Definition of objectives.
- Definition of indicators.
- Measurement of these indicators and comparison of the results against the objectives.
- Review and adjustment of the strategy based on the results.

Furthermore, DNCA Finance participates in several sustainable finance initiatives and working groups and actively monitors industry best practices, emerging technologies, analytical approaches, new indicators and other developments, with a view to continuously improving its Responsible Investment Policy and better addressing ESG challenges, particularly those relating to climate and biodiversity risks.

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