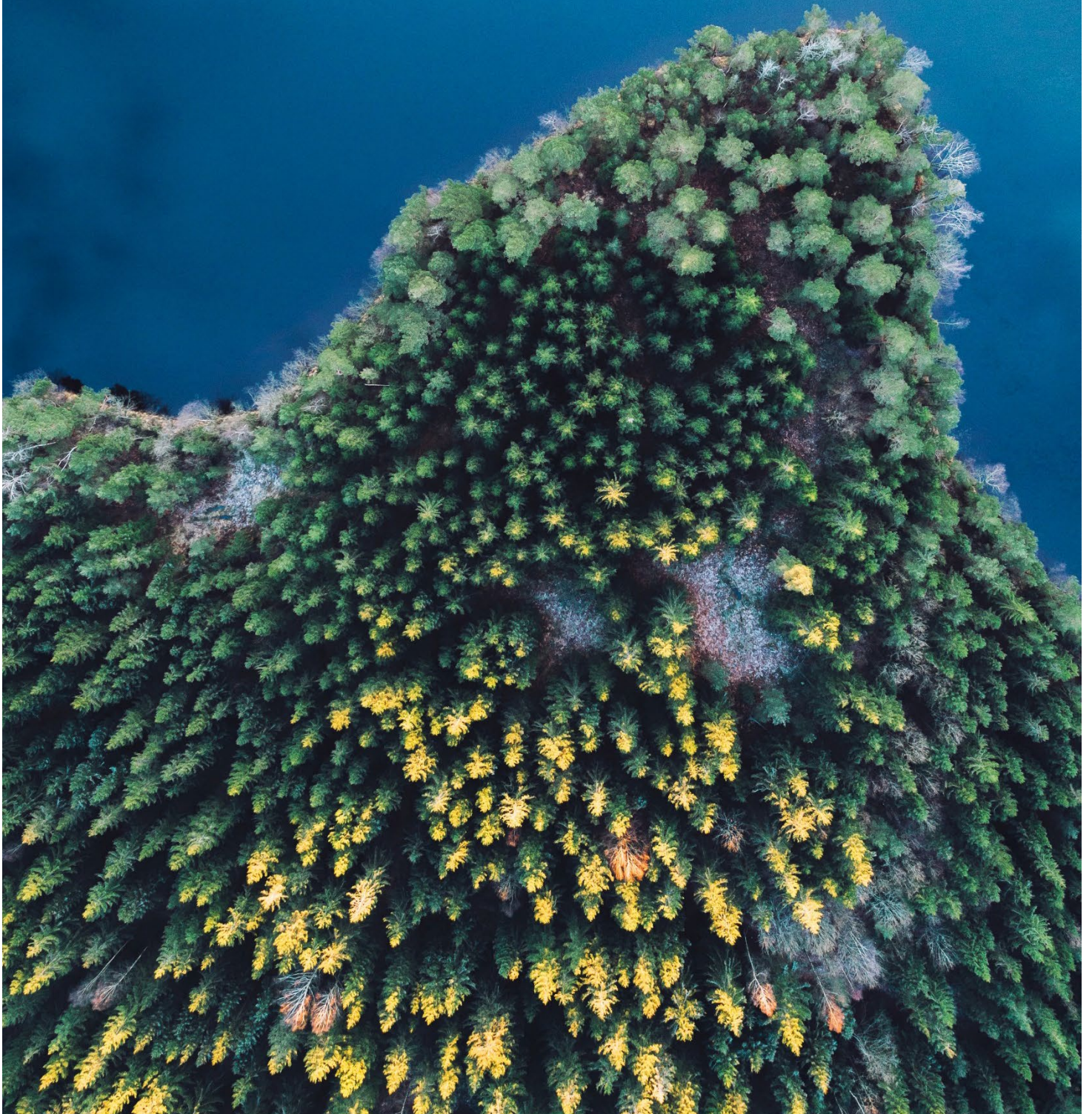




ENVIRONMENTAL POLICY

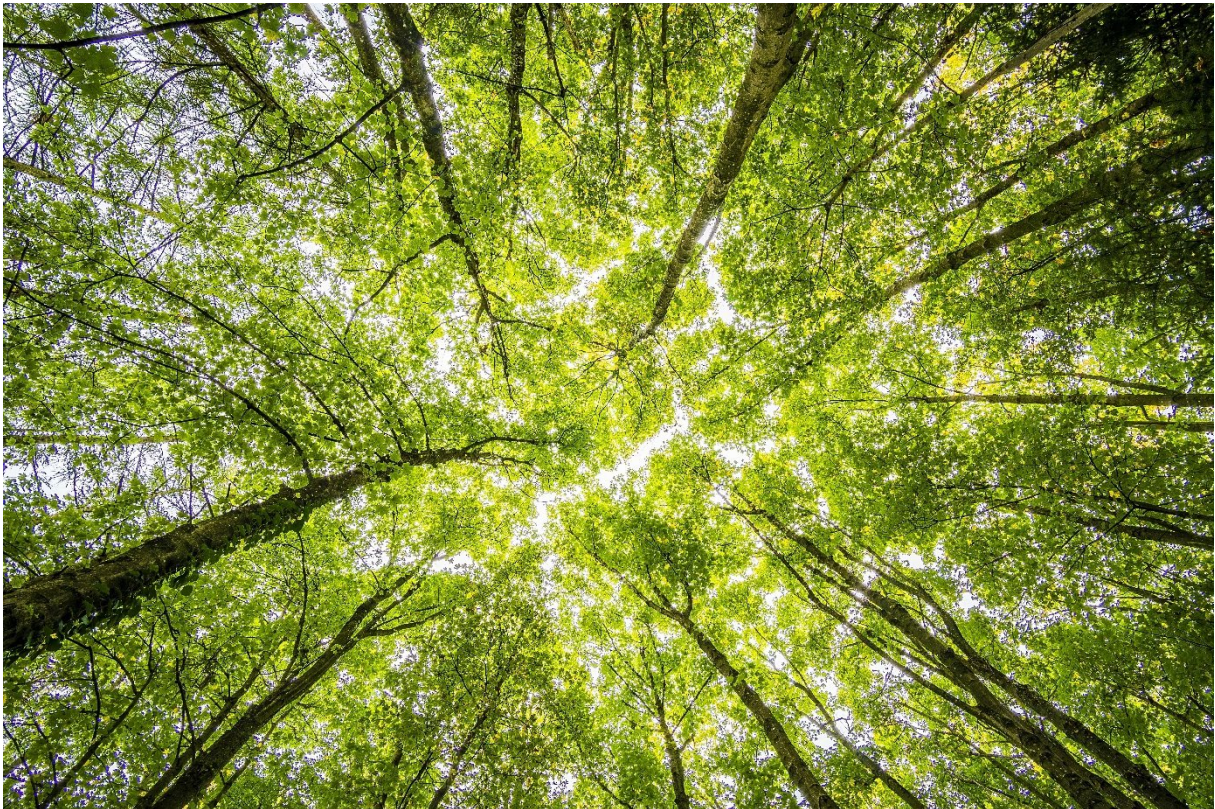


I. PREAMBLE	4
II. BACKGROUND	5
2.1 Environmental issues	5
2.2 Climate change issues	5
2.3 Biodiversity issues	8
III. DEFINITIONS.....	11
3.1 Alignment 2° and Paris Agreement.....	11
3.2 Alignment with the International Objectives of the Convention on Biological Diversity	11
3.3 Climate risks.....	11
3.4 Risks related to the erosion of biodiversity	12
IV. FRAMEWORK AND INITIATIVES.....	14
4.1 Engagements and initiatives.....	14
4.2 Alignment and reference framework	15
V. PRINCIPLES, SCOPE AND CONDITIONS OF APPLICATION	16
5.1 Guiding principles of the policy.....	16
5.2 Scope of the policy	17
5.3 Conditions of application.....	17
VI. GOVERNANCE.....	18
6.1 ESG Governance	18
6.2 Risk Committee.....	20
VII. MEANS OF THE POLICY	21
7.1 Team and human resources.....	21
7.2 Tools	21
7.3 ESG data sourcing.....	22
VIII. STRATEGY.....	23
8.1 Paris Agreement Alignment Strategy.....	23
8.2 Strategy for alignment with the international objectives of the Convention for Biological Diversity.....	24
IX. IMPLEMENTATION OF THE ENVIRONMENTAL POLICY.....	25
9.1 Operating principles.....	25
9.2 Main indicators selected by DNCA Finance.....	25
9.3 System for integrating information into the investment and risk management process.....	28
9.4 Link to the exclusion policy.....	30
9.5 Link to the engagement policy.....	31
APPENDICES	34
10.1 Aichi Targets	34
10.2 Objectives European Commission / 2030 Biodiversity Strategy.....	35

FOREWORD

In 2021, DNCA Finance has initiated a large-scale project to overhaul the supply of ESG data and to review all ESG processes deployed within the management company.

This Environmental Policy will be fully operational at the end of this project (2023), and will be adjusted when the associated processes are finalized.



I. PREAMBLE

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

DNCA Finance’s investments are resolutely geared towards long-term performance that takes into account all the risks and opportunities faced by issuers (companies, organizations and governments).

DNCA Finance places particular emphasis on taking into account environmental issues, including climate and biodiversity erosion, both in the analysis of portfolio risks and in the analysis of the impacts that the portfolio may generate. In particular, as part of the "Portfolio Climate Trajectory", DNCA Finance is committed to a progressive approach to reducing GHG (greenhouse gas) emissions and aligning with the Paris Agreement to limit global warming. GHG emissions, a major negative impact of financial portfolios, are thus the negative impact on which DNCA Finance is focusing its efforts.

The Environmental Policy is an integral part of DNCA Finance’s Responsible Investment Policy, of which it is one component.



II. BACKGROUND

2.1 Environmental issues

Human activities (related to energy, transportation, industry, livestock, agriculture, etc.) exert direct and indirect pressures on the environment such as

- Excessive consumption of water, energy and natural resources
- Energy production from unconventional hydrocarbons
- Greenhouse gas (GHG) emission intensity
- The intensity of stratospheric ozone depleting emissions
- The intensity of air pollutants: nitrogen oxides (NOX), sulfur oxides (SOX), etc.
- Abusive dumping resulting in soil, water and air pollution
- The production of hazardous waste
- Activities negatively affecting biodiversity-sensitive areas

These pressures exerted by human activities on the environment have direct impacts on the human condition, such as:

- The food crisis
- Access to health care
- The threat to health (dehydration, cardiovascular disease, lung disease, cancer, etc.)
- Reduction in the quality / availability of drinking water
- The impact of environmental disasters (floods, droughts, etc.)
- Working conditions in hot weather, especially when combined with high humidity
- Population displacement due to climate change

These environmental impacts can also translate into financial impacts through the potential deterioration of the stock market value of the companies in which we are invested.

DNCA Finance is aware of the different pressures of its investments on the environment and, at the same time, of the financial risks related to the environment. DNCA Finance has chosen to take into account all environmental issues in its responsible investment policy.

A particular focus is placed on climate risk, and to a lesser extent, on biodiversity erosion, for two reasons:

The seriousness and urgency of the risks of climate change and biodiversity erosion have been emphasized on many occasions, particularly at the COP (Conference of the Parties)

Climate is an area with the most comprehensive data and the most advanced analysis technologies

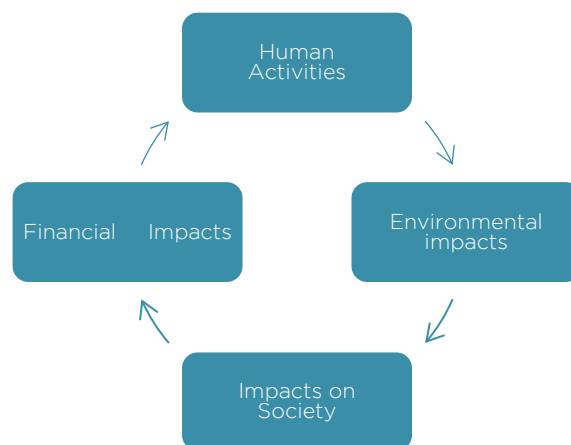
2.2 Climate change issues

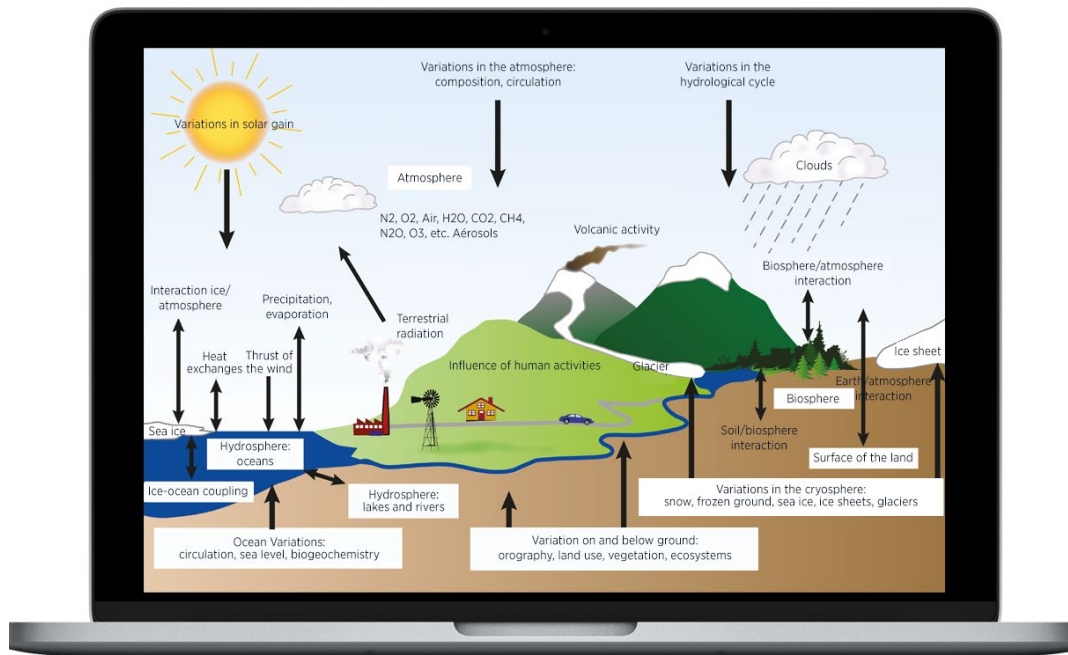
The notion of "climate" refers mainly to the "atmosphere", which is the gaseous envelope of the Earth and one of the 5 components of the "climate system":

- Atmosphere
- Hydrosphere (liquid water)
- Cryosphere (solid water)
- Land area (biomass)
- Biosphere (living things)

The components of the climate system are constantly interacting through numerous physical, chemical and biological processes. This ensemble acts and influences the temperatures, winds and precipitations we have been facing daily for centuries.

Cycle of human impacts

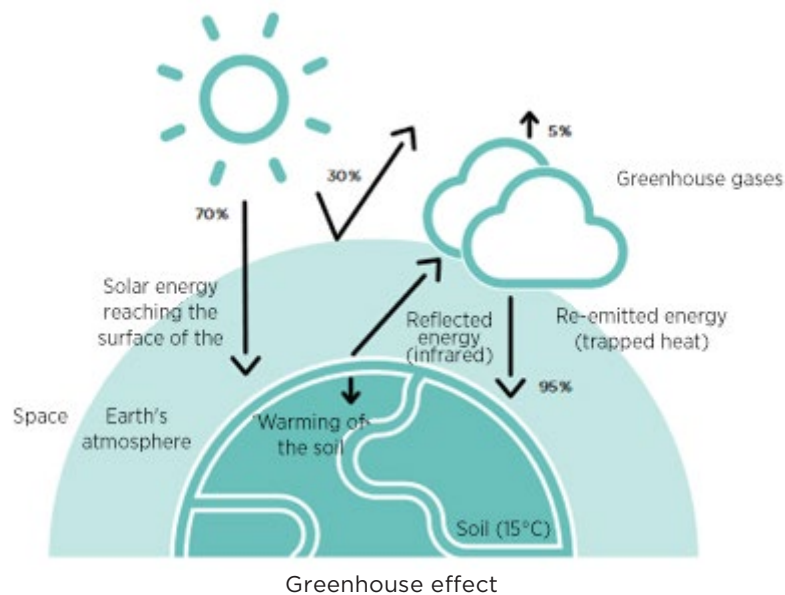




Climate System Components - Simplified representation of the climate system components, their processes and interactions

Source: IPCC Report No. 4 - Scientific Elements <https://www.ipcc.ch/site/assets/uploads/2020/02/ar4-wg1-sum-vol-fr.pdf>

The Earth system is in balance between the solar energy received and the radiation re-emitted to space. Greenhouse gases such as carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) or fluorinated gases (chlorofluorocarbons (CFCs), hydrofluorocarbons (HFCs), etc.), present naturally and in small quantities in the atmosphere, form a "barrier" around the Earth that allows to retain the terrestrial heat coming from the sun, this is the "greenhouse effect". This natural phenomenon is defined as the imbalance between the radiation received from the sun and that emitted by the earth (radiative forcing), which results in a net absorption of energy that warms the earth.



Source: DNCA Finance "8 keys to understanding the climate"

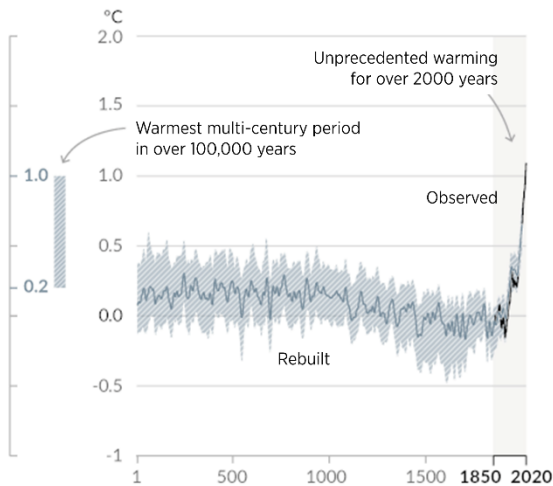
The IPCC (Intergovernmental Panel on Climate Change)¹ shows that warming is unprecedented in the last 2000 years, and that it continues to accelerate:

- The Earth's average temperature increased by 1.09°C between the periods 1850-1900 and 2010-2020
- 2021 was one of the 6 warmest years since pre-industrial times
- If global emissions remain at their current level, warming is expected to exceed 2°C by 2050

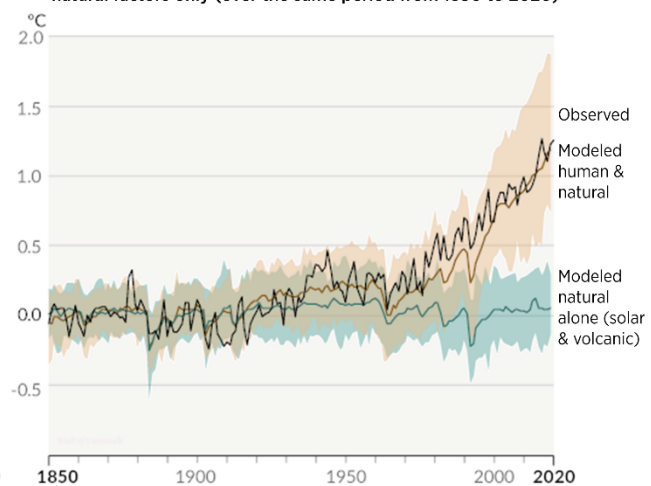
¹ The 6th IPCC report was published in part between August 2021 and April 2022 (groups I to III) .

- If emissions continue to increase, the trajectory would lead to +4°C or even +5°C by 2100

a) Global surface temperature variations (decadal average) as reconstructed (1-2000) and observed (1850-2020)

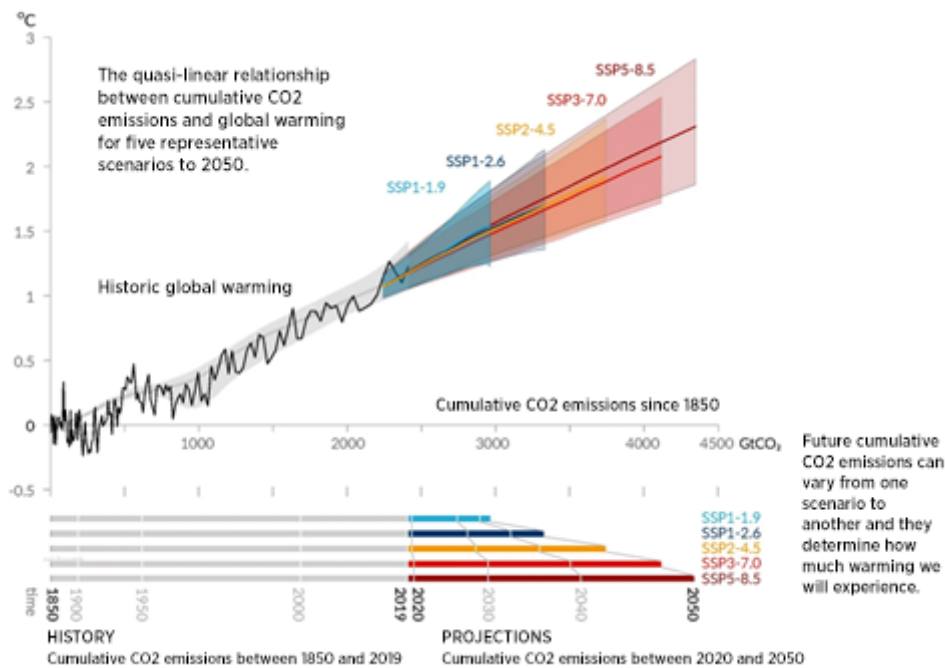


b) Global surface temperature variations (annual average) as observed and modeled with human and natural factors and natural factors only (over the same period from 1850 to 2020)



Evolution of global surface temperature compared to 1850-1900. Source " 6th IPCC report - SPM " - <https://www.ipcc.ch/report/ar6/wg1/figures/summary-for-policymakers>

The IPCC describes the future temperature evolution according to 5 different Shared Socioeconomic Pathways (SSPs) that open a wide range of plausible futures for GHG emissions. With the exception of SSP1-1.9, all greenhouse gas emission scenarios will exceed the global warming threshold of +1.5°C in the near future (between 2021 and 2040) and will remain above +1.5°C until the end of the century.























Quasi-linear relationship between cumulative CO2 emissions and global surface temperature increase - Source " IPCC 6th report - SPM " - <https://www.ipcc.ch/report/ar6/wg1/figures/summary-for-policymakers>

The IPCC links global warming to the increase in the concentration of GHGs in the atmosphere, attributing the cause of this concentration to human (anthropogenic) emissions, linked to the exploitation of fossil reserves (mainly coal, oil and natural gas). By emitting greenhouse gases (GHG) linked to the exploitation of fossil reserves, humanity has caused rapid and widespread changes in the atmosphere, the cryosphere (land and sea ice), the biosphere (living beings) and the oceans.

Climate change has many environmental consequences, including

- The melting of the cryosphere (+12% every 10 years since 1960, in the northern hemisphere)
- Changing precipitation patterns (heavy precipitation has become more frequent and intense)
- The increase in extreme weather events such as storms, cyclones, floods, droughts

	+1,1°	+1,5°	+2°	+4
Temperature Extreme event with a 10% probability of occurrence each year	 +1,1°	 +1,9°	 +2,6°	 +5,1°
Drought Frequency of occurrence of an extreme drought event (10-year return period) is multiplied by x	 X2	 X2,4	 X3,1	 X5,1
Precipitation Frequency of occurrence of an extreme precipitation event (10-year return period) is multiplied by x	 X1,3	 X1,5	 X1,8	 X2,8
Snow cover Evolution of the global snow cover (%)	 -2%	 -5%	 -9%	 -25%
Cyclones Proportion of intense tropical cyclones in the world (%)	 +10%	 +13%	 +30%	 +30%

Changes in selected climate variables at four global warming levels (°C)

Source: from the 6th Technical Summary of the IPCC report

One of the main long-term consequences of temperature increase is the rise in global sea level, which has already increased by 20 cm since the beginning of the 19th century. The ocean is integrating the changes and is responding slowly but persistently to global warming. Once the process begins, global sea level will continue to rise for thousands of years.

With the continuation of global warming, the projection of each region will increasingly experience simultaneous and multiple changes in climatic factors generating impacts. These changes will be more generalized and/or pronounced, depending on the geographical areas that are more or less vulnerable to the consequences of climate disruption.

2.3 Biodiversity issues

The IPBES², the IPCC equivalent for biodiversity, defines biological diversity as "the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

This definition highlights the notion of diversity in space and time of ecosystems, genes, species and the interactions that link them. It is a very broad definition that encompasses living organisms and the physico-chemical relationships that are established between them.

The notion of biodiversity refers to many concepts, in particular, those of "natural capital" and "ecosystem services":

- Natural capital": this is the stock of renewable and non-renewable resources (plants, animals, air, water, soil, minerals) that together provide benefits to humans
- Ecosystemic and abiotic services": these are the benefits for humans created by natural capital. They concern supply (fresh water, agricultural products, etc.), regulation (of water, air, climate, etc.), cultivation and self-maintenance (natural processes necessary for the production of other services such as soil formation).

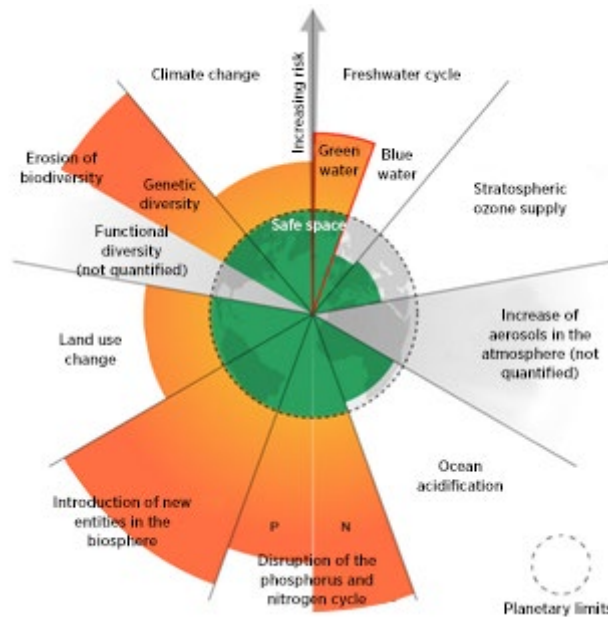
² The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) is the intergovernmental body that assesses the state of biodiversity and ecosystem services in response to requests from governments, the private sector and civil society. The mission of IPBES is to strengthen the science-policy interface with respect to biodiversity and ecosystem services for the conservation and sustainable use of biodiversity, long-term human well-being and sustainable development.

The IPBES identifies human activity, through 5 pressures, as the main factor explaining the erosion of biodiversity:

- Changes in land and sea use
- Direct exploitation of living organisms
- Climate change
- Pollution
- The invasion of exotic species

The seriousness of the erosion of biodiversity is such that it is considered to be the environmental issue that would most endanger the human species, well beyond the risks caused by global warming. Thus, genetic diversity is the most important environmental issue for which the safety thresholds for humans have already been exceeded (see graph below).

In 2009, Johan Rockström and 28 international scientists identified the processes that regulate the stability and resilience of the Earth system. They propose a quantitative measure of the planetary boundaries within which humanity can continue to develop and prosper. In 2022, the planetary boundary of freshwater has been crossed and joins the five others already crossed.



Planetary Boundaries - Source "Planetary Boundaries" -

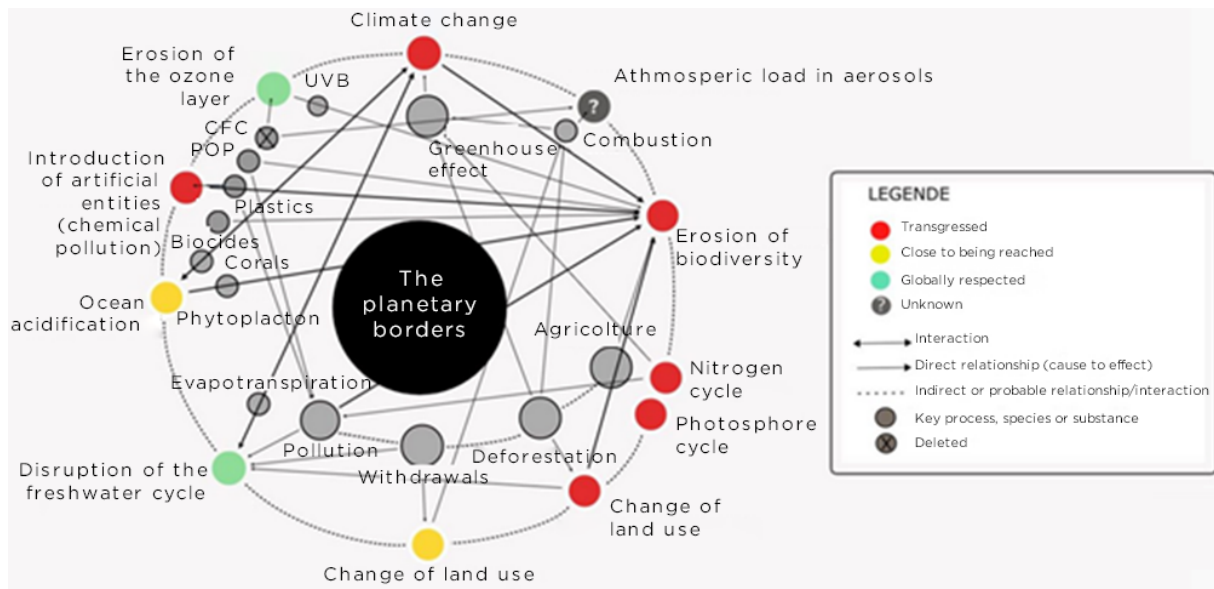
<https://www.stockholmresilience.org/research/planetary-boundaries.html> Credits: Wang-Erladsson et al (2022) Stockholm Resilience Center

The depletion of the natural capital stock generated by the degradation of biodiversity leads to a contraction of ecosystem services, with serious consequences for the human condition, due to a loss of climate regulation, the emergence of diseases, the decrease in pollination (cf. food production), the reduction in the production of biomass or fibers, etc...



Source: FIR, Iceberg Data Lab, A2 Consulting

The regulatory processes interact and disruption of one affects the regulation and/or resilience of the others.



Planetary boundaries and their interactions - Source " Tour d'horizon des limites planétaires, Ex naturae " - <https://exnaturae.org/tour-dhorizon-des-limites-planetaires/>

At the same time, since companies exploit natural capital in their activities (directly or indirectly via their supply chain), their proper functioning is affected. The business models of companies, and thus the financial system as a whole, are therefore also threatened by the loss of biodiversity.

Biodiversity and climate are intimately linked. Climate change is one of the root causes of the erosion of biodiversity currently observed, but the degradation of biodiversity, particularly of carbon sinks, also increases global warming.

III. DEFINITIONS

3.1 Alignment 2° and Paris Agreement

Adopted in December 2015 at COP21, the Paris Agreement³ establishes an international framework for cooperation on climate change that includes the goals of limiting warming "well below 2°C, and continuing action to limit it to 1.5°C" (Article 2), and achieving a global balance between greenhouse gas emissions and removals in the second half of the 21st century (carbon neutrality) (Article 4).

Since COP 21 and the Paris Agreement, climate change mitigation and adaptation must be part of the daily agenda of the private and public sectors. For the financial sector, the agenda is defined in the key objectives agreed at COP 21: "Make financial flows consistent with a low greenhouse gas emission and climate resilient development pathway."

3.2 Alignment with the International Objectives of the Convention on Biological Diversity

The tenth Conference of the Parties (COP10) of the Convention on Biological Diversity (CBD), which took place in Nagoya (Japan) in 2010, resulted in a "Strategic Plan for Biological Diversity for the Planet", including the 20 detailed and quantified Aichi Targets⁴ for biodiversity for the period 2011-2020. These 20 targets were approved by the 120 ministers and heads of delegation present in Nagoya. They constitute a general international framework, which has been adopted by the European Commission as well as France to establish its National Strategy for Biodiversity 2011-2020 (2nd National Low Carbon Strategy). These objectives are detailed in the annex 10.1 - Aichi Targets.

These targets are currently being reviewed by COP15, scheduled for August 2022 in Kunming, China (see section VIII.B.2).

3.3 Climate risks

Climate change has an impact on the financial performance of issuers and, consequently, on the risk-return profile of the securities they issue. Climate risks are generally classified into two categories:

- Physical risks: risks associated with the physical impacts of climate change on the activities of emitters resulting, for example, from extreme temperatures, floods, storms or forest fires
- Transition risks: risks associated with the transition to a low-carbon economy, for example: changes in policy, technology, or supply and demand in certain sectors.

³ <https://www.un.org/fr/climatechange/paris-agreement>

⁴ <https://www.cbd.int/doc/strategic-plan/2011-2020/Aichi-Targets-FR.pdf>

The following are the climate risks defined by the TCFD (Task-force on Climate-related Financial Disclosure):

Climate risk categories ⁵		Subcategories	Illustrations: risks from...
Physical hazards	Risks related to the physical impacts of global warming	Acute risks	<ul style="list-style-type: none"> Extreme weather events, such as storms, hurricanes, floods
		Chronic risks	<ul style="list-style-type: none"> Changing precipitation and extreme volatility in weather patterns Rising temperatures and chronic heat waves Sea level rise
Transition risks	Risks related to the transition to a low-carbon economy	Political and legal risks	<ul style="list-style-type: none"> Increasing the price of carbon emissions (through the implementation of carbon pricing mechanisms) Strengthened reporting obligations on GHG emissions Regulations on existing products and services Litigation
		Technological risks	<ul style="list-style-type: none"> Substitution of existing products and services for less GHG-emitting alternatives Insufficient investment in new technologies Costs of the transition to low-carbon technologies
		Market risks	<ul style="list-style-type: none"> Changing consumer behavior Market uncertainties High cost of raw materials
		Reputation risks	<ul style="list-style-type: none"> Changes in consumer preferences Stigmatization of an industry Increased concern or negative reaction from stakeholders

3.4 Risks related to the erosion of biodiversity

Similarly, the erosion of biodiversity can be a source of potential economic and financial losses for issuers. However, the means of analysis, the technologies and the data are still very limited and not yet mature.

In the case of biodiversity loss, as with climate change, there are two types of risk: physical risks and transition risks. These risks are described by the TNFD (Task-force on Nature-related Financial Disclosure) as "all the financial risks and opportunities for the organization resulting from impacts on nature and/or dependency on nature"⁶.

The TNFD aims to support the financial market by providing a framework for organizations to report and act on nature-related risks in order to divert global financial flows from nature-damaging activities to nature-positive activities.

Biodiversity risks are described by the TNFD as follows:

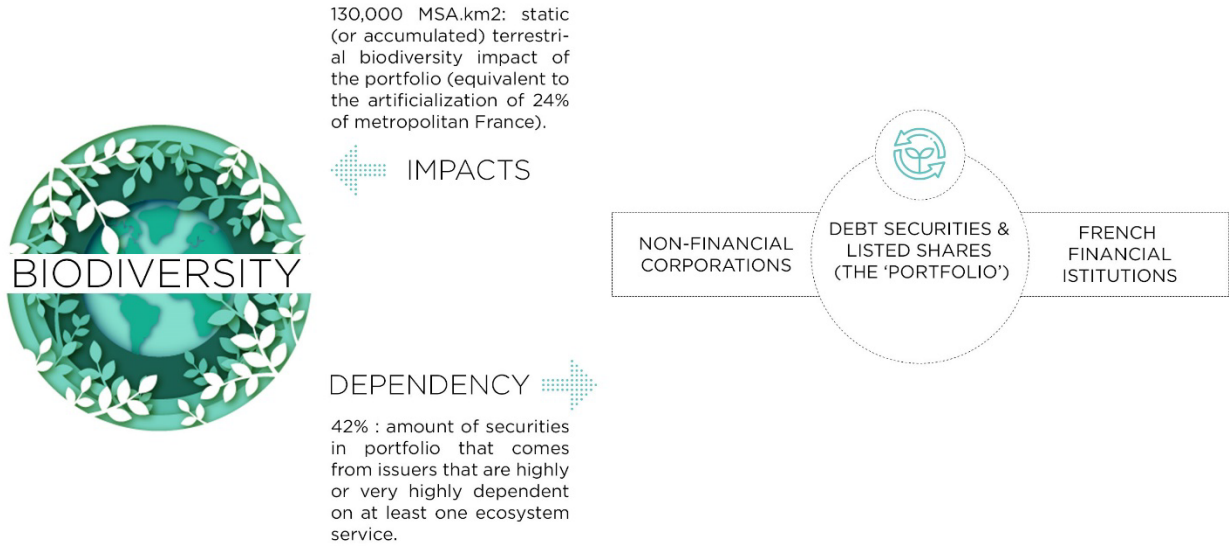
- Physical risks and opportunities related to nature: physical risks resulting from the loss of natural environments that can be classified as being caused by events (acute) or related to longer-term transformations (chronic) in the way natural ecosystems function or cease to function.
 - Financial consequences for organizations, such as:
 - Direct damage to assets
 - Loss of ecosystem services (local and regional) essential for production processes or employee well-being
 - Indirect impacts from supply chain disruption.
 - Examples:
 - Local and regional financial losses to the agricultural sector resulting from the decline of insect pollinators
 - Financial losses of the pharmaceutical and technology sectors worldwide due to reduced genetic biodiversity hindering research and development.
- Transition risks and opportunities: risks associated with the significant political, legal, technological, and business changes involved in the transition to a nature-positive economy.

⁵ Source: *Final Recommendations Report, TCFD (Task-force on Climate-related Financial Disclosure)*

⁶ Source: *"Proposed Technical Scope - Recommendations for the TNFD", TNFD*

- o Consequences for the organization: reputational risk, compliance risk, liability risk, litigation risk
- o An asset may become unprofitable or overvalued
- o Transitional opportunities may arise when companies benefit financially from changes in market preferences/demands that reward their positive impact on nature

The Banque de France estimates that 42% of the value of stocks and bonds held by French financial institutions is issued by companies that are highly dependent on at least one ecosystem service.



Source: "A "Silent Spring" for the Financial System? Exploring Biodiversity-Related Financial Risks in France", August 2021, Banque de France

IV. FRAMEWORK AND INITIATIVES

4.1 Engagements and initiatives

(A) Contribution to international goals

DNCA Finance's Environmental Policy is in line with the contribution to international objectives by the Conference of the Parties: Paris Agreement and the objectives of the Convention for Biological Diversity (see above).

(B) Engagements and initiatives

DNCA Finance affirms its engagement through initiatives aimed at promoting and advancing responsible investment practices, particularly those related to the fight against global warming and biodiversity loss:

Initiatives	Membership date	Main missions
Principles for Responsible Investments <i>Signatory of:</i> 	2017	<ul style="list-style-type: none"> Help investors incorporate environmental, social, and corporate governance considerations into investment decision-making and asset practices, thereby improving long-term returns for recipients
Carbon Disclosure Project 	2018	<ul style="list-style-type: none"> Help disclose the environmental impact of companies Enable investors, businesses, cities, and national and regional governments to make the right choices today to build a thriving economy that works for people and the planet over the long term
Climate 100+ 	2021	<ul style="list-style-type: none"> Put pressure on the world's largest greenhouse gas emitting companies to ensure that they take the necessary measures
TCFD 	2021	<ul style="list-style-type: none"> Encourage companies and organizations to be transparent about their climate risks, in order to make investments in these companies more secure
AFG / Sustainable Finance Commission 	2018	<ul style="list-style-type: none"> Publish annual statistics on responsible investment Promote the SRI Label and the work on the evolution of its specifications Support asset management companies on the application of SFDR, Taxonomy, Article 29 of the LEC Revise the guide to developing a coal strategy Launch working groups around themes such as biodiversity, conventional energy and impact investing

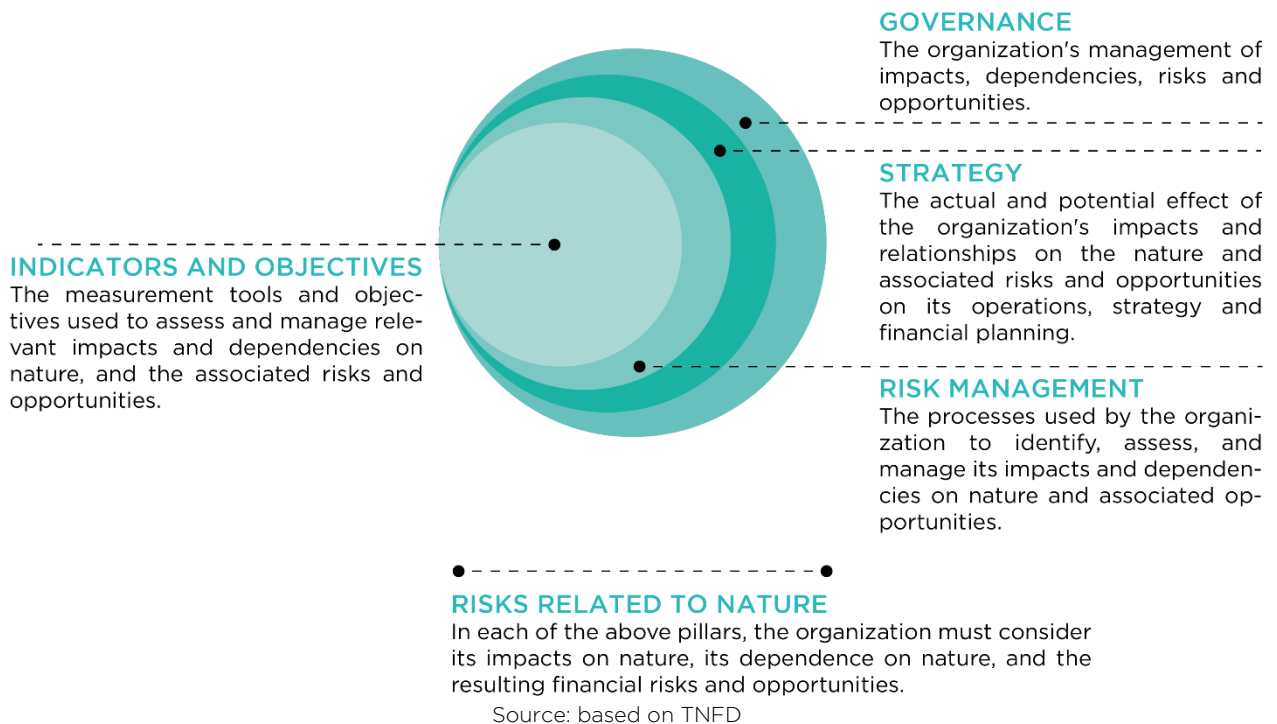
4.2 Alignment and reference framework

DNCA Finance's Environmental Policy adopts the reporting framework recommended by the Task Force on Climate-related Financial Disclosure (TCFD).

- Governance: description of the organization around climate risks and opportunities
- Strategy: current and potential impacts of climate-related risks and opportunities on the company's business model, strategy and financial forecasts
- Risk management: processes adopted by the organization to identify, assess and manage climate risks
- Objectives and indicators: objectives and indicators used to assess and manage climate risks and opportunities



Similarly, with regard to risks related to biodiversity erosion, DNCA Finance adopts the reference framework recommended by the TNFD.



V. PRINCIPLES, SCOPE AND CONDITIONS OF APPLICATION

5.1 Guiding principles of the policy

DNCA Finance's Environmental Policy is based on a twofold approach:

- Contributing to the limitation of negative impacts and the achievement of international objectives, including the fight against climate change and biodiversity loss
- Taking into account environmental financial risks, in particular the risks of climate change and biodiversity erosion, whether physical or transitional

(A) Compliance with major international standards in terms of social responsibility

DNCA Finance fully supports the guidelines set by the UN and OECD⁷ on environmental issues.

(B) Contribution to the achievement of the Sustainable Development Goals

DNCA Finance supports the UN's Sustainable Development Goals (SDGs)⁸. The environmental policy is a natural part of the contribution to achieving these goals.

DNCA Finance has developed tools to measure the contribution of companies to the SDGs, taking into account the capacity of the private sector to offer solutions (products and services) that contribute to the SDGs and their associated sub-criteria.

In this context, several SDGs have been identified to address these issues. The SDGs that have not been directly selected correspond to targeted engagements for States and non-governmental organizations.



Among the identified SDGs, some are directly related to the environment:

- SDG 6: Access to safe water and sanitation
- SDG 7: Use of renewable energy
- SDG #14: Protection of aquatic fauna and flora
- SDG #15: Protection of terrestrial fauna and flora

(C) Contribution to energy, ecological and social transitions

DNCA Finance pays particular attention to the objective of combating climate change, in line with the 2015 Paris Climate Agreement. This agreement aims to promote actions in favor of the energy and ecological transition, and more generally in favor of environmental protection; it incorporates the desire to align financial asset portfolios with the "2-degree trajectory".

The European Commission's objective⁹ is even more ambitious, including carbon neutrality in 2050 and a reduction of at least 55% of GHG emissions compared to 1990.

DNCA Finance is also committed to contributing to the preservation of biodiversity, in particular with reference to the Convention on Biological Diversity¹⁰, as well as to the objectives of the European Commission, which should be set during the year 2022¹¹

⁷ "ILO Tripartite Declaration on Multinational Enterprises and Social Policy" (2017) (https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_124923.pdf), "UN Guiding Principles on Business and Human Rights" (2011) (https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_FR.pdf) and "OECD Guidelines for Multinational Enterprises" (2011) (<https://www.oecd.org/fr/daf/inv/mne/2011102-fr.pdf>).

⁸ Developed after COP 21, the "Sustainable Development Goals" (SDGs) are composed of 5 general global goals summarized as the "5Ps" (people, prosperity, planet, peace, partnerships) and 17 specific global goals that 193 UN member states committed in 2015 to achieve over the next few years (2015-2030), as part of the "Agenda 2030" program.

⁹ "A Green Pact for Europe", European Commission, https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_fr

¹⁰ <https://www.un.org/fr/observances/biological-diversity-day/convention>

¹¹ "Biodiversity Strategy 2030", European Commission, https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_fr

(D) Integration of sustainability issues, including climate risks, into risk analysis

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

DNCA Finance's analysis of risks and opportunities is based on two levers: "risk management" and "identifying opportunities related to sustainable transition".

Among these risks and opportunities, environmental issues occupy a central place, with physical and transitional risks linked to climate change and the erosion of biodiversity.

5.2 Scope of the policy

DNCA Finance's Environmental Policy is deployed on all assets managed by the following teams, with the exception of portfolios for which external constraints (e.g. terms of a management mandate) make application impossible:

- Mixed funds
- Flexible funds
- Europe and International Growth funds
- Multi-management
- Thematic equities
- European equities - All cap Quality Growth
- Absolute performance equities
- European Value equities
- Multi-strategy bonds
- Emerging markets equities
- European small cap equities
- Convertible Bonds
- Beyond range of funds

The Policy is adapted according to the type of assets under management and the strategies adopted.

5.3 Conditions of application

The application of the Environmental Policy is carried out within a framework conditioned by certain constraints:

- ESG data quality: DNCA Finance's investment and risk management processes rely on the analysis of external data provided mainly by issuers and ESG data providers. DNCA Finance will implement a quality control process for ESG data received from its suppliers. However, DNCA Finance cannot guarantee the accuracy of the data nor can it remedy the methodological and cultural biases introduced by the data providers
- The maturity of methodologies: DNCA Finance is aware of the technical limitations due to the emerging maturity of analytical technologies, particularly with regards to climate and biodiversity. It opts for an approach of continuous improvement of ESG processes to overcome these shortcomings

DNCA Finance has therefore opted for the principle of gradual deployment of ESG policies, in order to allow for pragmatic application and integration of ESG issues in all links of its value chain.

VI. GOVERNANCE

6.1 ESG Governance

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

ESG governance is thus made up of several bodies:

- Sustainable Development and Investment Committee
- Sustainable Investment Committee
- Sustainable Investment Monitoring Committee
- Transverse Sustainable Investment Committee

(A) Sustainable Development and Investment Committee

The objective of the Sustainable Development and Investment Committee is to define the strategic orientations of DNCA Finance’s CSR and Sustainable Investment policies, including orientations concerning climate and biodiversity, in line with the ESG orientations of the Supervisory Board.

It is composed of the members of the Executive Committee, the Head of Compliance, the Head of the SRI Department, as well as representatives of the main functions (management and expertise in Responsible Investment, risk, marketing, legal, sales, etc.).

Chief Executive Officer (CEO)
Associate Director
Chief Investment Officer (CIO)
Head of the SRI Department
Deputy-head of SRI Department
Head of Compliance
Head of Risks
Head of Marketing
Head of Legal
Head of Sales
Chief Financial Officer
Head of Projects

Its main missions are to :

- Determining strategic orientations in terms of corporate social responsibility and responsible investment
 - Translate and take into account DNCA Finance’s shareholders’ orientations in terms of social responsibility and sustainable investment
 - Establish the CSR engagements of DNCA Finance as a company, including engagements in the investment function
- Define and evolve SRI policies:
 - Sustainable development and its components
 - Responsible investing and its components :
 - Policy Design:
 - Policy development (based on proposals from the ID Committee, the Operational CSR Committee, other committees and all stakeholders, including shareholders)
- To assess the operational implementation of SRI policies over the past year, in particular through the production of associated reports (DPEF, engagement report, Art. 29 of the LEC, Annex 1 SFDR, etc.), and to draw lessons from this in order to revise the strategic orientations / SRI policies

(B) Sustainable Investment Committee

The objective of the Sustainable Investment Committee is to define, deploy and monitor the Sustainable Investment processes.

It is composed of the Head of the Responsible Investment Management and Expertise Unit, the General Secretary of Management, one representative per management team, one representative of the Compliance team and one representative of the Risk team.

Head of the SRI Department
Head of Compliance
General secretary
Head of Risks
Head of Projects

Its main missions are to :

- Define SRI processes, including:
 - Rating process for private issuers
 - Rating process for sovereign issuers
 - Exclusion process
 - SRI selectivity process
 - Sustainability risk management process
 - Negative Impact Steering Process
 - Fund labelling process
 - Engagement and Voting Process
 - Climate trajectory management process
- Deploy and monitor SRI processes:
 - Ensure the operational deployment of the strategic guidelines for Responsible Investment of the Development and Sustainable Investment Committee (DID Committee)
 - Manage the temperature of the portfolios according to the trajectory decided by the DID Committee
 - Take stock of the deployment of SRI processes and the achievement of the objectives set by the DID Committee
 - Arbitrate proposals for changes in the SRI processes of subordinate committees
 - Submit proposals for changes in SRI policies to the DID Committee

(C) Sustainable Investment Monitoring Committee

The objective of the Sustainable Investment Monitoring Committee is to monitor all developments related to the exclusion policy and the negative impacts identified.

It is composed of the Head of the Responsible Investment Management and Expertise Unit, the General Secretary of the Management Department, and at least one representative of the Compliance team and one representative of the Risk team.

Head of the SRI Department
Head of Compliance
General secretary
Head of Risks
Head of Projects

Its main missions are to :

- Reviewing the exclusion policy
- Validate and maintain traceability and justification of changes to the exclusion lists
- Track and monitor identified negative impacts

(D) Transverse Sustainable Investment Committee

The objective of the Transverse Sustainable Investment Committee is to define, deploy and monitor the operational processes that support and frame Sustainable Investment.

It is composed of the Operations Department, the Responsible Investment management and expertise division, and the risk, marketing, legal, sales, data, compliance and middle office teams.

Head of the SRI Department
Head of Compliance
General secretary
Head of Risks
Head of Projects
Head of Marketing
Head of Legal
Head of Sales
Head of RFP
Chief Data Officer
Head of Middle Office

Its main missions are to :

- Define, frame and monitor the project(s) to be implemented:
 - Define the objectives and the roadmap
 - Define the subdivision
 - Designate those responsible for the actions
 - Estimate the consumption of necessary resources (time, expenses)
 - Define the schedule according to business objectives and constraints
 - Monitor actions and compliance with major milestones
- Monitor and support business team operational processes, including the following items deployed at the Data Committee level:
 - ESG data sourcing
 - Flow instruction
 - ESG data structuring (data dictionary / repository)
 - Quality control of ESG data
 - Dissemination of ESG data (from the repository to possible business tools)
- Provide the information necessary to define the assessment of the operational implementation of the ID functional processes over the past year, in particular to produce reporting such as the engagement report, the Art. 29 of the LEC report, Annex 1 SFDR, etc.

6.2 Risk Committee

The monitoring of financial risks related to the environment, including physical and climate transition risks and biodiversity loss, is integrated into DNCA Finance's risk management system (the monitoring will be operational following the project to overhaul the supply of ESG data mentioned in chapter 7.3 - ESG data sourcing).

This integration of sustainability risks into DNCA Finance's risk management meets the expectations of Article 29 of the French Climate and Energy Law and its implementing decree of 28 May 2021 (Article 8).

The Risk Committee, the central body of the risk management system, meets every six months. It is composed of the three senior managers (the General Manager of the Partnership, the Managing Director in charge of Operations and the Director of Management or his representative), the Head of the Risk Department and the RCCI.

The purpose of the Risk Committee is to:

- To present the evolution of the risk management policy, procedures, and mapping
- To draw up the status of the recommendations resulting from the inspection and the audits
- Report on significant issues related to market, concentration, credit, counterparty, foreign exchange, liquidity, valuation, and sustainability risks
- To present a follow-up of the funds in VaR, backtesting and stress tests
- Follow up on management styles
- Take any decision to regularize an anomaly identified by the Risk Department and subject to an escalation procedure Monitor constraints and performance

VII. MEANS OF THE POLICY

7.1 Team and human resources

A Responsible Investment management and expertise unit has been created to manage and develop the following activities

- Carry out ESG analysis of issuers and validate ESG analysis carried out by other management teams, if applicable
- Develop and deploy the ABA ("Above and Beyond Analysis") proprietary ESG analysis model
- Manage the SRI investment process and the management of funds that include ESG criteria
- Design Responsible Investment reports at the SGP level (Article 29 of the Energy and Climate Law)
- Monitor transparency engagements: extra-financial reporting of funds, transparency code, information for clients, climate trajectory
- Manage the labelling of SRI funds

The Responsible Investment management and expertise division is made up of: managers, SRI analysts, IT engineer and policy officer.

In addition, all managers have access to ESG information and can use it directly in their management process.

7.2 Tools

(A) ABA proprietary tool

DNCA Finance has developed a proprietary ABA "Above and Beyond Analysis" rating tool. This model is built around five independent and complementary analysis pillars applicable to any company invested in the funds:



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



The objective is to provide a 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 from issuers.

ABA analysis is deployed on DNCA Finance's active management universe, i.e. approximately 900 issuers (including all corporate securities in the portfolio). In order to extend the coverage to the investment universe, an ESG data tender has been finalized and will allow DNCA Finance to build an "ABA Quant" rating (See C-ESG data sourcing).

(B) Tool for calculating and distributing the temperature induced by the "Temperature" portfolios

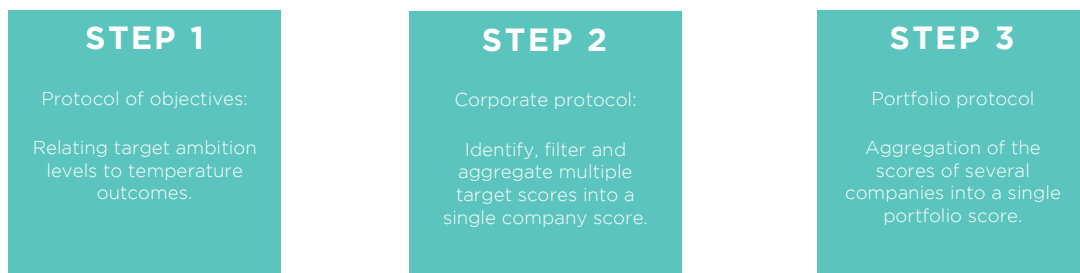
In 2019, DNCA Finance developed a model for climate analysis of issuers, based on the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), the IPCC's International Energy Agency (IEA) energy scenarios and the Science Based Targets (SBTi) initiative.

DNCA Finance uses the Carbon Disclosure Project (CDP) temperature scores to monitor the temperature trajectory of its investments. The CDP temperature score database provides a temperature trajectory for nearly 4,000 companies, based on their greenhouse gas emission reduction targets and covering the value chain (scope 1, 2 and 3)¹² of each company. This methodology was selected in line with DNCA Finance's philosophy of relying only on company data to produce its own analyses.

¹² The "scopes" are defined by the GHG Protocol. Scope 1: greenhouse gases (GHGs) emitted directly by the company during its activity, Scope 2: GHGs emitted by energy consumption, Scope 3: indirect emissions (upstream scope 3: supply chain; downstream scope 3: customers and distributors)

CDP's temperature score methodology is one of the Science Based Target methodologies officially used to enable investors to set GHG emission reduction targets for their investment portfolios (SBTi for financial institutions).

The CDP divides its methodology into three steps:



Source: CDP/WWF Temperature Assessment Methodology

Thus, in order to convert GHG emission reduction targets into temperature scores, scenarios are defined. The CDP uses the 1.5°C database of the Integrated Assessment Modelling Consortium (IAMC) composed of more than 400 scenarios. It selects the most relevant scenarios by excluding those that rely on a significant amount of GHG capture and storage.

The CDP assumes that there is a linear relationship between the evolution of common target indicators (e.g., absolute emissions, carbon intensity per revenue or product sold) over specific time periods corresponding to the companies' target setting horizons and the resulting global warming in 2100.

DNCA Finance has developed "ABA Temp", a tool for aggregating CDP temperature scores at the portfolio level and disseminating this induced temperature to manager and financial analyst teams. As a result, the teams in charge of investments have access to a portfolio temperature dashboard. The "ABA Temp" tool allows them to analyze the ex-post temperature of their portfolios and to integrate this dimension in their investment decisions.

7.3 ESG data sourcing

To meet new environmental and regulatory challenges, DNCA Finance launched a major project at the end of 2021 to overhaul the sourcing of all its ESG data in order to :

- Improve and making more reliable the data of issuers, and the indicators of impact and incidence on climate and biodiversity
- Enter information on activities aligned with the European Taxonomy
- Enriching the existing SRI analysis process (in particular through the integration of physical and climatic risks) and enabling its systematic use (through the use of an "ABA Quant" rating assessed on the entire investment universe)
- Expand the scope of other ESG processes

The application of the Responsible Investment Policy will be implemented following this call for tenders, the integration of the data into the information system and the processes of use.

VIII. STRATEGY

8.1 Paris Agreement Alignment Strategy

With the publication of the "Climate Trajectory" document in 2021, DNCA Finance positioned itself as a player in the fight against climate change and alignment with the Paris Agreement and the limitation of global warming to 2° by the year 2100 (see chapter 3.1 - 2° alignment and the Paris Agreement).

DNCA Finance has voluntarily adopted a qualitative and pragmatic approach, giving priority to the quality of measurements and the appropriation of analysis technologies before the precise determination of quantitative objectives.

DNCA Finance's objectives are of two kinds:

- Short-term qualitative objectives
- Medium and long term quantitative ambitions

(A) Short-term objectives

DNCA Finance wishes to further develop the methodologies for measuring and analyzing data related to global warming:

- Measurement of carbon footprints including scope 3
- Methodology for calculating induced temperatures from carbon emissions

In addition, DNCA Finance is already integrating climate issues into its "Engagement Policy": dialogue with companies, support for climate resolutions.

DNCA Finance's short-term objectives (2021-2022) are as follows

- Improved data coverage
- Improved temperature analysis to include comparison with absolute carbon emissions, carbon footprint, carbon intensity and change between 2020 and 2021
- Dialogue with the 10 "worst contributors"¹³ in terms of induced temperature assessment
- Dialogue with the 10 companies without a climate target and representing the largest exposure in terms of assets under management¹⁴
- Support for climate resolutions
- Implementation of management tools to achieve medium-term objectives

(B) Climate objectives: strategic principle

DNCA Finance's climate strategy is in line with the 2015 Paris Agreement:

- Limit the warming of temperatures to 2°, if possible to 1.5° in 2100 compared to the pre-industrial era (1890)
- Aiming for carbon neutrality by 2100

(C) Ambitions in the medium and long term

DNCA Finance is giving itself the opportunity to refine the targets to be achieved in a later phase, once data coverage is improved and technologies are fully appropriate. This will allow DNCA Finance to achieve its ambitions regarding alignment with the Paris Agreement.

Medium-term ambitions (2025-2030):

- Decrease in the average temperature index of DNCA Finance portfolios (compared to 12/31/20)
- Reduction of the average carbon intensity of DNCA Finance portfolios (compared to 12/31/20)
- Decrease in the share of funds that are not aligned with a 2° temperature¹⁵

Long-term ambitions:

- 100% of the securities in the portfolio should have a validated 2-degree alignment

¹³ DNCA Finance performs a climate performance attribution; "poor contributors" combine a high induced temperature and a significant weight in DNCA Finance's overall portfolio

¹⁴ These are the 10 companies with the highest weight in DNCA Finance's overall portfolio with zero transparency on climate strategy and targets

¹⁵ Alignment 2 is performed by CDP or SBTi (Sciences Based Target Initiatives). DNCA Finance wishes to use an observation and analysis phase of these two methodologies

- 100% of the funds should be 2-degree aligned
- Alignment with the objectives of the European Commission

8.2 Strategy for alignment with the international objectives of the Convention for Biological Diversity

The international objectives of the Convention for Biological Diversity are being revised, as are those of the European Commission.

DNCA Finance prefers to deepen the analysis and the appropriation of the stakes, methods and indicators in an appropriation phase before setting more precise objectives.

(A) Short-term objectives

DNCA Finance focuses initially on methodologies and data:

- Understanding and maturity of selected biodiversity indicators
- Identification of priority objectives and associated indicators
- Dialogue with companies exposed to biodiversity-related risks
- Improved data coverage
- Exposure measurements
- Supporting resolutions on biodiversity issues

DNCA Finance integrates certain biodiversity-related issues into its proprietary ABA analysis tool for all of its funds, both in the "Responsibility Risk" rating and in the "Sustainable Economic Transition" rating.

Finally, biodiversity impacts are one of the issues of DNCA Finance's Engagement Policy (see chapter 9.5 - Link to the engagement policy).

(B) Biodiversity objectives: strategic principles

In the context of a lack of harmonized data and standardization of methodologies, DNCA Finance has not yet set targets for 2030, but has placed its reflection and research on biodiversity erosion in the context of the contribution of the Kyoto Protocol to the global climate change process:

- To the ambitions proposed in the first draft of the post-2020 global biodiversity framework of the Convention for Biological Diversity (<https://www.cbd.int/article/draft-1-global-biodiversity-framework>)
- To the European Commission's strategy (see annex) 10.2 - European Commission objectives / 2030 Biodiversity Strategy)
- Compliance with global environmental limits (<https://www.stockholmresilience.org/research/planetary-boundarie>)

IX. IMPLEMENTATION OF THE ENVIRONMENTAL POLICY

9.1 Operating principles

For the Environmental Policy as for all its ESG policies, DNCA Finance adopts a principle of continuous improvement:

- Definition of objectives
- Definition of indicators
- Establishment of the result of these indicators, and comparison with the objectives
- Revision of strategy based on results

In addition, DNCA Finance participates in several initiatives related to Sustainable Finance and working groups and is actively monitoring market practices, new technologies, analyses, new indicators, etc. in order to improve its policy and better respond to ESG issues, particularly with regard to the alignment of portfolios with international, climate and biodiversity objectives.

9.2 Main indicators selected by DNCA Finance

- (A) Gross indicators
 - (i) Climate-related indicators

The indicators monitored by DNCA Finance are :

- CO2 emissions (in tons of CO2 equivalent per year) in absolute terms and in million euros invested
- Implied temperature (in temperature score)

The indicators monitored are aggregated at the portfolio level as follows:

- CO2 emissions scope 1 + 2 (in tons of CO2 equivalent per year per million euros invested)

$$\sum_n^i \frac{\text{Investment value}_i}{\text{Company value}_i} \times \text{Emission scope 1 + 2}_i$$

- Default temperature
 - In its methodology, CDP and WWF propose and compare seven different weighting methods for aggregating company temperature scores at the portfolio or index level (step 3).
 - DNCA Finance has selected two of them: the Enterprise Owned Temperature Score (EOTS) and the Weighted Average Temperature Score (WATS).
 - For the WATS method, the temperature scores are weighted by the portfolio weights. In other words, the aggregate portfolio score is the weighted average of the individual temperature scores. While this approach is simple and promotes methodological harmonization, it does not account for GHG emissions. As a result, exposure to high-impact companies is not readable with this approach.
 - For the EOTS method, the temperature scores are weighted by the share of emissions held in the total emissions held. This means that the aggregate score is the emissions owned weighted average of the individual temperature scores. Held emissions are calculated relative to the held share of the company's value (EV). Despite the fact that this method is more complicated to calculate than the previous one because it requires additional financial data on the company, this method incorporates GHG emissions into the calculation and more accurately reflects exposure to high-impact companies.

Emissions-Owned Temperature Score (EOTS)	The temperature scores are weighted by the share of emissions held in the total emissions (scope 1 and 2) held.	$\sum_n^i \left(\left(\frac{\text{Investment value}_i \times \text{Carbon emissions}_i}{\text{Company value}} \right) \times \text{TS}_i \right)$ TS : temperature score
Weighted temperature score of the portfolio (WATS)	The temperature scores are weighted by the portfolio weights.	$\sum_n^i (\text{Portfolio weight}_i \times \text{Temperature score}_i)$

(ii) *Indicators related to biodiversity*

In the short term, DNCA Finance uses indicators of pressure on biodiversity from the CDP:

- Water consumption (in megalitres per year)
- Land use for agricultural / forestry production (in hectares per year)

DNCA Finance is aware of the low coverage rates that biodiversity indicators can have, especially those provided by the CDP on water consumption and land use. DNCA Finance will use the period of observation and appropriation of available methodologies and data to study the integration of additional biodiversity footprint indicators.

The indicators monitored are aggregated at the portfolio level as follows (weighted according to the share of enterprise value held in the portfolio):

- Water use (in megalitres per year per million euros invested)

$$\sum_n^i \frac{\text{Investment value}_i}{\text{Company value}_i} \times \text{Water use}_i$$

- Land use for agricultural / forestry production (in hectares per year per million euros invested)

$$\sum_n^i \frac{\text{Investment value}_i}{\text{Company value}_i} \times \text{Land use}_i$$

(iii) *Other Risk Monitoring Indicators*

DNCA Finance uses many other ESG indicators provided by different data providers, such as:

- Sectoral exposures of issuers (fossil fuels, etc.)
- Other raw data (CO2 emissions, fossil fuel reserves...)

(B) *Scores and sub-scores*

(i) *Liability risk rating of corporate issuers*

DNCA Finance has developed a proprietary ABA "Above and Beyond Analysis" rating tool, described in chapter 7.2(A) - Proprietary ABA tool

One of the 4 pillars of analysis is environmental responsibility, described opposite.

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

The "Risk of responsibility" rating is carried out by DNCA Finance analysts on an ongoing basis. The analysis of the "Dialogue" and "Controversy" pillars, below, makes it possible to complete this "Risk of responsibility" rating according to alerts and current events.

(ii) *Indicators based on ESG scores of sovereign issuers :*

To improve the ESG risk of sovereign issuers, DNCA Finance will rely on the rating agency ISS from 2022.

The ISS ESG Country Rating complements the financial analysis with extra-financial information that may have an impact on the creditworthiness of sovereign issuers and measures the ESG performance of investments in these issuers.

ISS uses several types of data in advance of determining ESG scores:

- Quantitative data: World Bank, Food and Agriculture Organization (FAO), International Energy Agency (IEA), international research institutes such as the Stockholm International Peace Research Institute (SIPRI)
- Scores, quantitative results of analyses by international NGOs like Germanwatch, International Trade Union Confederation (ITUC), Tax Justice Network or Transparency International
- Qualitative data based on reports: "World Social Protection Report" (ILO), "Finding on the Worst Forms of Child Labor" (US Department of Labor), "Country Reports on Human Rights Practices" (US Department of State), "Report on Death Sentences and Executions" (Amnesty International)

DNCA Finance plans to enhance the existing ABA model for public issuers by using raw data and ESG sub-scores provided by ISS.

(C) Controversies: Indicator of controversies monitored in the ABA tool

The ABA Controversy pillar tracks the level of controversy of issuers by using the typology used in the "Risk of Responsibility" analysis: shareholder controversies, environmental controversies, social controversies, and societal controversies.

Controversies are derived from DNCA Finance's analysis of information using its proprietary model. A daily screening of targeted information is performed (list of keywords) through an algorithm and a dedicated human resource. In addition, this analysis is completed with external data (rating agencies and broker research).

The aim is to match the principles laid down by issuers with the reality observed and to provide a basis for alerts to managers. Each controversy, classified according to theme (shareholder, social, environmental, and societal), is the subject of a complete analysis and a report. At the end of this work, the controversies are distinguished according to their level of seriousness to obtain a score from 1 to 4 (4 being the worst score).

DNCA Finance uses this analysis as a leading indicator when it is tangible and not as a systematic sanctioning tool. Indeed, the international dimension of issuers and the profusion of information mean that isolated cases must be distinguished from major alerts in each situation. However, a succession of isolated cases may, for example, be indicative of a generalized violation at the level of the entire company.

The score of each controversy applies a more or less significant discount (from 10 to 50%) to the rating of each pillar (shareholder, social, environmental, and societal) and to the ABA "Responsibility Risk".

(D) Exposure to physical and transitional risks related to climate and biodiversity

There are several methods to calculate the financial risk of portfolios related to climate change. DNCA Finance will integrate in 2023 the Climate VaR indicators provided by MSCI. MSCI's Climate VaR model measures the potential impact of different climate scenarios on the valuation of individual securities. Climate VaR indicates, in percentage points, what the potential impact of climate change effects could be on the market value of a security, over the 2100 horizon. It incorporates 3 types of climate change impacts:

- Political risks: the extent to which a company could be impacted by political decisions (regulations) to reduce GHG emissions. MSCI performs this analysis by referring to a detailed quantitative analysis of existing climate policies, as well as several climate scenarios developed by global climate research institutes.
- Technology opportunities: the extent to which a company can benefit from the transition to a low-carbon economy by offering new low-carbon products and services. For this analysis, MSCI uses unique data sets on current low-carbon revenues as well as low-carbon patents held by companies.
- Physical risks and opportunities: the extent to which a company may be impacted by asset destruction or business disruption due to climate change. The model incorporates both chronic risks (gradual changes in temperature, precipitation, snowfall, and wind) and acute risks (coastal flooding and tropical cyclones); the specific location of company facilities is considered.

For all three types of impacts, the model calculates estimates of future costs and revenues based on the scenarios chosen by the management company, and then applies financial modeling to deduce the impacts on the valuation of the stock.

Financial risks specifically related to biodiversity loss are still very difficult to measure given the current state of knowledge, technology, data and analytical tools available. For this reason, pending progress on methods to measure and manage biodiversity-related financial risks, DNCA Finance has chosen not to use **specific** indicators in the short term.

9.3 System for integrating information into the investment and risk management process

(A) Due diligence mechanism for negative impacts on climate and biodiversity

DNCA Finance has a due diligence mechanism, which consists of :

- Identify the nature of the negative impacts (climate and biodiversity impacts) associated with its investment activities
- Assess and prioritize negative impacts
- Manage (prevent, mitigate, stop) some of the negative impacts
- Monitor the implementation of results (measure the effectiveness of actions)
- Adjust negative impact management strategy if necessary

This mechanism is consistent with that described in the OECD's "Responsible business conduct for institutional investors - Key considerations for due diligence under the OECD Guidelines for Multinational Enterprises", 2017.

DNCA Finance aims to strengthen the dashboards for monitoring negative impacts by the end of 2022; these dashboards will remain available to managers and will be communicated to members of the Sustainable Investment Monitoring Committee. They include the indicators described in chapter 9.2 "Main indicators selected by DNCA Finance".

The principles adopted by DNCA Finance are :

- Impact management for funds for which DNCA Finance has quantitative targets (e.g. carbon footprint and induced temperature of portfolios) (see 8.1(C) - Ambitions)
- Measuring and monitoring biodiversity footprint indicators: water consumption and land use

To achieve the negative impact objectives, DNCA Finance can act through several channels:

- Via investment decisions (analysis, investment, reduction, reinforcement, disinvestment)
- Through the exclusion policy (see chapter 9.4 - Link to the exclusion policy)
- Via the engagement policy, with dialogue and action with the company's management (see chapter 9.5 - Link with the engagement policy)

(B) Alert system and use of indicators

(i) *Monitoring of all exposures*

Management charts showing portfolio exposure to selected indicators are updated regularly and used by all managers.

(ii) *Alert system*

DNCA Finance has scheduled the development of an alert system (start of the project planned by the end of 2022):

These alerts, whose triggering threshold and type depend on the portfolio strategy, can be based on, for example

- Induced portfolio temperature above 2.5°.
- The variation of the "Environmental Responsibility Risk" rating and/or the crossing of a certain threshold (depending on the management strategies)
- Variation in upstream indicators, identified as material according to the sector (e.g. variation in GHG emissions for very fuel-intensive sectors)
- The appearance of environmental controversies, graduated according to their severity and frequency
- Variation in Climate VAR and/or crossing of Climate VAR limits (depending on management strategies)
- Exposure to sensitive carbon-intensive sectors

(iii) *Integration into the management process*

Depending on the evolution of exposures and alerts, the managers may have to adjust investment decisions as follows, depending on the management strategies:

- Review the investment case
- Initiate or accelerate an engagement process (see 9.5 - Link to Engagement Policy)
- Lighten, divest, or strengthen the position
- Putting under supervision if necessary

(iv) *Integration into the risk management system*

DNCA Finance integrates environmental risks into its financial risk management system, including (as data becomes available) the following:

- Description of environmental risks
- Risk characterization
- Segmentation of 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 brought about by the ecological transition, including litigation and liability risks
- Indication of the economic sectors and geographical areas affected by these risks, where relevant and available
- Description of the indicators used to identify significant risks

The monitoring of these environmental risks is integrated into DNCA Finance's overall risk management system; as part of this process, management charts are presented to the Risk Committee.

(v) *Exposure limits*

Depending on the management strategies and engagements of the various portfolios, limits on ESG indicators are gradually being introduced in the prospectuses, the exclusion policy, and the internal limit system - for example:

- Minimum score "Liability risk" (already in effect)
- Maximum exposure to certain sectors (already in effect)
- Limit of VAR Climate (to come)
- Higher carbon footprint than the benchmark (already effective)

In accordance with DNCA Finance's internal procedure for monitoring constraints, an alert threshold can be defined to anticipate the risk of exceeding the limit.

(C) Summary of the use of indicators

Type	Examples of indicators	Source	Commentary / examples	Investment process	Managing negative impacts	Integration into the risk control system
Raw data	Carbon footprint indicators (emissions, intensity...)	Rating agencies	Tons of CO2 equivalent of invested companies or organizations, gross, related to investments or sales	✓	✓	
	Induced temperature	Rating agencies	Temperature induced by CO2 equivalent emissions	✓	✓	
	Water consumption	Rating agencies	Water consumption in megalitres per million invested	✓	✓	
	Sector exposure	Rating agencies	Thermal coal exposure, measured as a % of revenues	✓	✓	
Ratings	Environmental "Liability Risk" Score	DNCA Finance	Established by DNCA Finance analysts based on 4 pillars (shareholder responsibility, environmental responsibility, social responsibility, societal responsibility) Qualitative rating (in-depth analysis by DNCA Finance) or quantitative rating (based on raw indicators only)	✓		✓
	ISS ESG Country Rating, environmental pillar	Rating agencies	Rating of sovereign issuers	✓		✓
Controversies	Environmental controversies followed in ABA	DNCA Finance	Environmental controversies, based on data providers or DNCA Finance research, integrated into the ABA tool	✓		✓
	Controversies	Rating agencies	Environmental controversies	✓		✓
VAR	VAR Climate	Rating agencies	Climate VAR to measure the potential loss (in %) due to physical or transitional (technological and regulatory) climate risks	✓		✓

9.4 Link to the exclusion policy

DNCA Finance's exclusion policy contributes directly to the environmental policy, by avoiding issuers that contribute most to climate change and biodiversity deterioration, as well as by protecting the portfolios concerned against the financial risks linked to certain ESG themes (e.g. exposure to the thermal coal production sector, etc.)

The "DNCA Finance Exclusion Policy" document details the sector exclusions (or maximum sector exposures), depending on the management strategy. These sectors can be :

- Fossil fuel-based electricity generation

- Production of unconventional oil and gas

The application of the principles of the environmental policy may lead to the modification of the exclusion policy.

9.5 Link to the engagement policy

As a responsible investor, DNCA Finance attaches the utmost importance to maintaining a constant dialogue with the issuers in which it invests. DNCA Finance's shareholder engagement is detailed in the "Engagement Policy" document. This engagement approach allows DNCA Finance to:

- Encourage issuers to adopt best practices
- To benefit from a detailed understanding of the company's strategy and its integration of sustainability risks

The engagement policy thus contributes directly to DNCA Finance's sustainability risk management. The level of engagement and dialogue depends on the level of sustainability risk.

DNCA Finance distinguishes two ways of interacting with companies:

- Dialogue with issuers
- Shareholder or investor engagement

(A) Dialogue with issuers

As a conviction-based manager, DNCA Finance considers it fundamental to meet very regularly with the issuers in which it invests or plans to invest. This is the case for both financial and SRI analysis. These meetings allow us to question the company's management on its strategy and the extent to which its implementation integrates the interests of all stakeholders. These discussions provide a very relevant picture of the degree of real integration of SRI issues and the company's culture.

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

The number of contacts with issuers is described in the DNCA Finance Engagement Report (<https://www.dnca-investments.com/isr/Rapport%20d%27engagement%20et%20Rapport%20de%20vote%202021.pdf>)

A particular focus is placed on climate-related engagement. DNCA Finance identifies the 10 issuers that contribute the most to its carbon footprint and the 10 least transparent issuers and initiates an engagement process with these issuers.

In addition, DNCA Finance is participating in the "Climate 100+" campaign

(B) Shareholder or investor engagement

DNCA Finance believes that improving the practices of the issuers in which we invest helps to protect the value of portfolios and has implemented an engagement to encourage issuers to take better account of ESG issues. More generally, DNCA Finance believes that it is our fiduciary responsibility not only to select the best investments, but also to encourage better practices and greater transparency from issuers.

DNCA Finance distinguishes two types of shareholder engagement:

- Reactive engagement, following a controversy or a particular incident
- Proactive engagement, to encourage issuers to develop better transparency and management of their ESG issues

These two cases are subject to a formalized engagement process, detailed in the "Engagement Policy" document.

Escalation procedures can be triggered if the target company refuses to respond or does not put in place the appropriate means to address the identified problems or weaknesses. These escalation procedures are determined on a case-by-case basis in collaboration with the management teams.

(C) Collaborative engagement

DNCA Finance partners with other investors to bring a message to companies where it could have limited influence acting alone. Collaborative action can, in some cases, achieve better results with issuers.

DNCA Finance drives its collaborative engagement activity through direct contact with investors and participation in engagement initiatives involving many international investors.

(D) The environment, one of the 5 priorities of DNCA Finance's engagement

DNCA Finance wants all companies to take environmental and climate issues into account, at least in the context of managing the associated risks. DNCA Finance encourages all companies to adopt a comprehensive environmental and climate change strategy, and that the management of this strategy be integrated in a similar way to the usual strategic aspects. This strategy should be accompanied by clear and quantifiable targets for improving the companies' footprint. DNCA Finance expects regular publication of information on the evolution of the company's environmental footprint.

DNCA Finance supports the implementation of transparency standards that allow for harmonization and comparability between companies, such as the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

DNCA Finance wants the environmental strategy not to be limited to companies' own operations, but to include all stakeholders. Thus, it must include the entire value chain: upstream suppliers, company operations, and the product life cycle at the customers. Innovation also plays a central role in meeting the challenges, so it is important that these environmental aspects are integrated from the first phases of product or service design.

The following issues should be considered, in a transparent manner:

- Climate: as part of its engagement to the climate, DNCA Finance encourages all companies to communicate and reduce their greenhouse gas emissions, by limiting and reducing energy consumption to ensure more sustainable growth.
- Water management: Water management is one aspect of environmental policies that also has societal implications. DNCA Finance encourages companies to limit and reduce their water consumption, especially drinking water, a resource whose preservation is vital. In addition, some geographical areas are particularly sensitive to water stress conditions, and DNCA Finance expects exposed companies to be aware and vigilant. In addition, DNCA Finance encourages companies to join the CDP on this issue and to publish their data annually.
- Waste management: Waste management is a major source of pollution. Certain topics such as the use of plastic and packaging are at the heart of current environmental concerns. DNCA Finance wants companies to inform about the nature of waste generated and the practices they have put in place regarding recycling and waste recovery, encouraging them to find innovative solutions. Furthermore, the circular economy offers interesting perspectives to adapt our economy to a more rational management of waste and DNCA Finance encourages all companies that could contribute to it.
- Protection of biodiversity: biodiversity issues can take several forms: impact on the territory, fauna, and flora. Economic growth must be in line with their preservation. DNCA Finance encourages companies to assess and limit their impact on biodiversity, depending on their use of land or sea. DNCA Finance encourages the preservation of forest and marine areas, with responsible labels allowing companies to certify their reasoned approach.

DNCA Finance is convinced that placing environmental issues at the heart of its contact with companies makes it easier for them to adopt a sustainable development approach. This positioning also creates a virtuous circle supporting companies that provide solutions.

(E) Integration of the engagement approach into the analysis model and investment decisions

(i) Integration with ABA ESG analysis

Dialogue with issuers is an invaluable source of added value in analyses, whether financial or specifically ESG. All dialogue and engagement actions are thus integrated into two complementary tools:

- The proprietary ABA tool, in order to adjust, if necessary, the "Risk of Responsibility" or "Transition" rating of the company, and in order to keep track of exchanges with the management of the invested issuers
- The ResearchPool (RMS) tool, in which managers complete all information relating to discussions with issuers

(ii) Integration with investment decisions

The results of the engagement actions are integrated into the ESG analysis and can notably impact the "Responsibility Risk" rating. This rating, which is distributed to all management teams, gives an indication of the level of ESG risk and has a direct impact on whether or not a fund is included in the eligible universe of SRI funds.

Managers are systematically invited to participate in engagement meetings with the issuers they hold in their portfolio.

The application of sustainability risk management principles may lead to the adjustment of the engagement policy.

APPENDICES

10.1 Aichi Targets

Strategic Goal A: Manage the underlying causes of biodiversity loss by integrating biodiversity across government and society.



Objective 1

By 2020, at the latest, people are aware of the value of biological diversity and the actions they can take to conserve and sustainably use it.



Objective 2

By 2020, at the latest, biodiversity values have been integrated into national and local development and poverty reduction strategies and planning processes, and incorporated into national accounts, as appropriate, and reporting systems.



Objective 3

By 2020 at the latest, incentives, including subsidies harmful to biological diversity, are eliminated, phased out or reformed, to minimize or avoid adverse impacts, and positive incentives for the conservation and sustainable use of biological diversity are developed and applied, in a manner consistent and harmonized with the provisions of the Convention and existing international obligations, considering national socio-economic conditions.



Objective 4

By 2020 at the latest, governments, businesses and stakeholders at all levels have acted, or implemented plans, to ensure sustainable production and consumption and to keep the use of natural resources within safe ecological limits.

Strategic Goal B: Reduce direct pressures on biological diversity and encourage sustainable use



Objective 5

By 2020, the rate of loss of all natural habitats, including forests, is reduced by at least half and where possible to near zero, and habitat degradation and fragmentation are significantly reduced.



Objective 6

By 2020, all fish and aquatic invertebrate and plant stocks are managed and harvested sustainably, legally and using ecosystem-based approaches so that overfishing is avoided, recovery plans and measures are in place for all depleted species, fisheries do not have significant adverse impacts on threatened species and vulnerable ecosystems, and the impact of fisheries on stocks, species and ecosystems is within safe ecological limits.



Objective 7

By 2020, areas used for agriculture, aquaculture and forestry are managed sustainably to ensure the conservation of biological diversity.



Objective 8

By 2020, pollution, including excess nutrients, is reduced to levels that are not detrimental to ecosystem function and biological diversity.



Objective 9

By 2020, invasive alien species and pathways are identified and prioritized, priority species are controlled or eradicated, and measures are in place to manage pathways to prevent the introduction and establishment of these species.



Objective 10

By 2015, the many anthropogenic pressures on coral reefs and other vulnerable marine and coastal ecosystems affected by climate change or ocean acidification are minimized to maintain their integrity and functioning.

Strategic Goal C: Improve the status of biological diversity by safeguarding ecosystems, species, and genetic diversity



Objective 11

By 2020, at least 17% of terrestrial and inland water areas and 10% of marine and coastal areas, including areas of particular importance for biodiversity and ecosystem services, are conserved through ecologically representative and well-connected networks of effectively and equitably managed protected areas and other effective area-based conservation measures, and integrated across the landscape and seascape



Objective 12

By 2020, the extinction of known threatened species is prevented and their conservation status, particularly of those most in decline, is improved and maintained.



Objective 13

By 2020, the genetic diversity of crops, livestock, domestic animals, and poor relatives, including other species of socio-economic or cultural value, is conserved, and strategies are developed and implemented to minimize genetic erosion and safeguard their genetic diversity.

Strategic Goal D: Enhance the benefits to all from biological diversity and ecosystem services



Objective 14

By 2020, ecosystems that provide essential services, especially water, and contribute to health, livelihoods and well-being are restored and safeguarded, taking into account the needs of women, indigenous and local communities, and poor and vulnerable people.



Objective 15

By 2020, the resilience of ecosystems and the contribution of biodiversity to carbon stocks are improved, through conservation and restoration measures, including the restoration of at least 15% of degraded ecosystems, thereby contributing to climate change mitigation and adaptation, and combating desertification.



Objective 16

By 2015, the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising out of their Utilization is in force and operational, in accordance with national legislation.

Strategic Goal E: Strengthen implementation through participatory planning, knowledge management and capacity building



Objective 17

By 2015, all Parties have developed and adopted as a policy instrument, and begun to implement, an effective, participatory and up-to-date national biodiversity strategy and action plan.



Objective 18

By 2020, traditional knowledge, innovations and practices of indigenous and local communities relevant to the conservation and sustainable use of biological diversity, as well as their sustainable customary use, are respected, subject to national legislation and existing international obligations, and are fully integrated and taken into account in the implementation of the Convention, with the full and effective participation of indigenous and local communities, at all relevant levels



Objective 19

By 2020, the knowledge, scientific basis and technologies associated with biological diversity, its values, functioning, status and trends, and the consequences of its loss, are improved, widely shared, and transferred, and applied.



Objective 20

By 2020 at the latest, the mobilization of financial resources for the effective implementation of the Strategic Plan for Biodiversity 2011-2020 from all sources and in accordance with the consolidated and agreed mechanism of the Resource Mobilization Strategy will have increased significantly from current levels. This target will be subject to change based on resource needs assessments to be conducted and reported by Parties.

10.2 Objectives European Commission / 2030 Biodiversity Strategy

- To establish, on the scale of the European Union, a vast network of protected areas, on land and at sea.
- Launch a European nature restoration plan¹⁶.
- Put in place measures to enable the changes necessary for transformation.
- Introduce measures to address the global biodiversity challenge.

¹⁶ Binding nature restoration goals are expected by the end of 2021.

DNCA Investments is a brand of DNCA Finance.

This document does not constitute an offer to subscribe or investment advice. This document may not be reproduced, distributed or communicated, in whole or in part, without prior authorization from the management company. Access to the products and services presented may be subject to restrictions with regard to certain persons or countries. The tax treatment depends on the situation of each individual. The DICI must be given to the subscriber prior to each subscription. For full information on the strategic orientations and all fees, please consult the prospectus, the DICI and other regulatory information available on our website www.dnca-investments.com or on request free of charge from the management company's headquarters.

DNCA Finance - 19 place Vendôme, 75001 Paris - Phone: +33 (0)1 58 62 55 00

Email : dnca@dnca-investments.com - dnca-investments.com

Management company approved by the Autorité des Marchés Financiers under number GP 00-030 dated August 18, 2000. Non-independent investment advisor within the meaning of the MIFID II Directive.

DNCA
INVESTMENTS

DNCA Finance
19 Place Vendôme - 75001 Paris
Tel: +33 (0)1 58 62 55 00

Contact: dnca@dnca-investments.com
dnca-investments.com