DNCA INVESTMENTS

ESG* INTEGRATION POLICY

DECEMBER 2020

RESPONSIBLE EQUITY MANAGEMENT QUALITY GARP

This document summarises the ESG* integration policy within DNCA's Quality GARP responsible management. For us, it is a statement of engagement that structures our approach as a responsible investor by outlining our method of taking environmental, social and governance criteria into account when analysing companies and throughout the portfolio management process, as well as our approach to dialogue with companies, which feeds into our analysis at all stages of the research and management process.

We also intend to share our methodology and analysis tools, as well as the main exclusion, voting & engagement policies, in a very transparent way.

RESPONSIBLE INVESTOR APPROACH

PRINCIPLES & VALUES

Our approach as a **responsible investor** is based on our **knowledge of companies**, their ecosystem (competitors, customers, suppliers, technology) and their management team. The **long-term relationship** that we build with management teams takes the form of frequent interviews, which are our main source of information on companies. **Shareholder dialogue,** the establishment of a shareholder-management dialogue, has been at the heart of our approach as a responsible investor for many years.

The integration of environmental, social and governance criteria has enriched our dialogue with companies and now allows us to have a much deeper understanding of the companies in which we invest.

Our approach **as a responsible investor** is based first and foremost on our values. Our mission is to deliver high and sustainable performance to our clients, but not at any price. On the one hand, we do not seek to take undue risks that could jeopardise our clients' capital. On the other hand, we do not intend to finance on behalf of our clients, companies whose activities are not in line with **our ethical standards**. Our exclusion policies ensure this.

Through **dialogue,** true to our **humanist values,** we also use our power as a shareholder to encourage companies to be more transparent and to find economically viable and socially responsible solutions to E, S & G issues.

Our voting and engagement policy is also part of this approach. In addition to our duty to vote as a responsible shareholder, we engage in dialogue with management teams prior to general meetings in order to promote transparency and the improvement of governance practices. As we also wish to set an example as a responsible investor, we make available to the public all the votes cast at the general meetings in which we have participated.

**ESG. This international acronym is used by the financial industry to define the Environmental, Social and Governance (ESG) criteria that generally constitute the three pillars of extra-financial analysis. They are taken into account in socially responsible management.*

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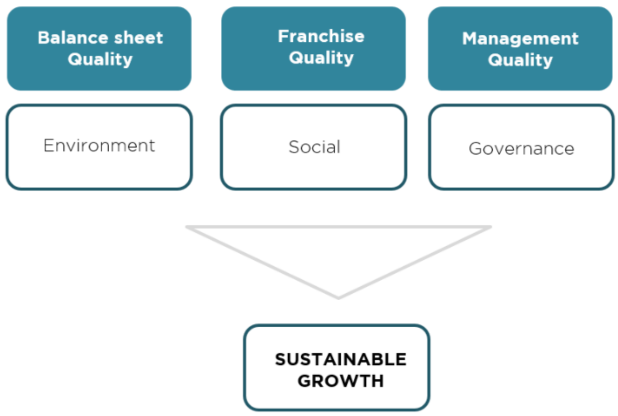
QUALITY RESPONSIBLE GROWTH AT A REASONABLE PRICE INVESTMENT POLICY

Our mission as a responsible investor is to deliver a high and sustainable return on investment to our clients. To accomplish our mission, we believe in focusing on quality and growth stocks to achieve the best risk/return trade-off. Growth is a prerequisite because without earnings growth, a stock's performance cannot be sustainable. We have found that over a 5-year horizon, a stock's performance is perfectly correlated with its earnings growth over 5 years. Nevertheless, to be sure of obtaining this performance, we must have a high probability of obtaining the estimated growth scenario. To do so, our mission is to select quality growth companies and not to overpay for this quality and growth.

At Quality GARP management, by quality, we mean the quality of the franchise (strength of the business model: competitive intensity, competitive advantages, market share, innovation), the quality of the management (vision, ability to allocate capital appropriately, experience) and the strength of the balance sheet. Extra-financial or ESG* elements naturally enrich and complete our quality assessment. Indeed, environmental risks related to a company's products and services can be considered as a liability that weakens the balance sheet, and social risks are for us a strong signal that the franchise is weakening. Finally, governance and management are naturally linked.



Our ESG* approach is both comprehensive and integrated. E, S and G risks are factored into our assessment of overall company quality (quality analysis and ESG* analysis) and opportunities are captured in our growth scenario and quality analysis.

Our statistical studies show that companies that take ESG* criteria into account benefit from higher earnings growth than competitors that do not do so over time. We also apply a specific ESG* risk premium in our valuation model.

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DIALOGUE WITH COMPANIES CORE TO OUR APPROACH

Meetings with company executives are an essential principle of the research and investment process.

Indeed, it allows the analysts to gather the information necessary to establish whether the company has the quality, growth and ESG* best practice levels required to be eligible for inclusion in the Quality GARP portfolios.

Moreover, a tool summarises all the elements to be checked in order to assess the quality and compliance of the company's ESG* best practices.

The qualitative part of the proprietary quality assessment tool lists the questions to be asked and the quantitative part proposes indicators showing the strengths and weaknesses of the company under analysis. These indicators allow to direct the dialogue towards the points of vigilance to be deepened with the management.

Beyond the usefulness of collecting valuable information directly from management teams, dialogue with management teams also helps us to use our power as shareholders to encourage companies to be more transparent and to improve their environmental, social and governance practices.

SCOPE OF THE ESG INTREGATION POLICY

All DNCA Finance Responsible Quality GARP funds are intended to apply this policy. The roll-out is progressive: Europe and Emerging Markets first, developed World and European Midcaps. Some funds are therefore temporarily not covered by this policy.

Some SRI* funds, however, go further in terms of integration with their own SRI* exclusion policy and a more ambitious ESG* portfolio objective, in line with the requirements of the SRI* benchmark.

ESG ANALYSIS INTEGRATED WITH FUNDAMENTAL ANALYSIS

Initially, using the quality and ESG* tools, the analyst/portfolio-manager determines whether the levels of quality and good ESG* practices are high enough to retain the company considered as potentially eligible for the Quality GARP portfolios based on the quantitative information collected by the quality and ESG* assessment tools and on the qualitative basis of the information collected during meetings with the company's management. On the quality and ESG* dimensions, the scores range from 0 to 20 and a score below 10 on either analysis results in exclusion from the investment universe.

Secondly, in the case of proven pre-eligibility, the analyst/portfolio-manager carries out a 5-year profit projection exercise which determines a forecast growth rate over 5 years that is considered realistic. As an indication, a forecast average annual growth rate of more than 5% over 5 years is considered a minimum requirement to be eligible for the Quality GARP Responsible Portfolios.

ESG* criteria are considered through our proprietary ESG* assessment tool. There is no sectoral approach. For each company, the analysis is based on quantitative and qualitative data. The quantitative data comes from an internal pre-diagnosis tool based on a "Best in Universe" ESG* approach and from the companies' extra-financial reports. The qualitative assessment is the responsibility of the management and is based on factual data and interviews with company executives. Companies are assessed on a rating scale and are only included in the portfolio if they achieve the average.

ESG* analysis is carried out on an ongoing basis according to changes in the data published by the companies (annual frequency) and additional information gathered from current events and, above all, during meetings with the management teams.

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ESG* ANALYSIS CRITERIA

Within the proprietary ESG* analysis model, the research team evaluates each covered company based on more than 38 quantitative indicators and 17 qualitative criteria organized around the 3 pillars E, S and G. Each score assigned ranges from 0 to 20. The quantitative and qualitative parts each count for half. The average of the 3 pillars constitutes the final ESG* score.

Pillar E, S, and G scores consider the following:

ENVIRONMENT:

The E rating reflects the company's **environmental responsibility** performance. The pillar covers the environmental footprint of the company throughout its value chain, as well as the environmental impact of the products and services provided by the company. We particularly value companies that implement a holistic CSR strategy that includes environmental awareness in both the product design and the industrial process as well as the environmental benefit to the customer.

The main criteria used in the analysis are:

- The existence of **environmental policies**: responsible procurement policy, CO2 reduction policy, energy efficiency policy, water policy
- **CO2, energy, and water intensity**: we track CO2 production, water, and energy consumption per unit of sales (a methodology that does not penalize growing companies) and monitor their evolution: the environmental footprint is as important as the dynamics of the company in our evaluation.
- **The environmental impact of products:** we value companies that work on improving the environmental impact of their products.
- **Responsible waste management**: existence of a waste policy, reduction of waste production, participation in the development of a **circular economy.**

SOCIAL:

Through the social pillar, we seek to assess the **social responsibility** of companies in relation to key stakeholders such as employees, customers, and suppliers. Below are the main aspects addressed by the analysis model:

- **Suppliers:** The analysis focuses on the company's control over the practices of their suppliers and subcontractors. We favor companies that have developed a responsible purchasing policy and company-supplier collaboration to lead to more sustainable practices.
- **Employees**: we value companies that have implemented a real human capital development strategy. A true consideration of human resources in the company should encourage the recruitment and retention of talent. We favor companies that **create jobs.** We evaluate the company's responsibility in terms of **employee safety.** Finally, in terms of **diversity,** we have chosen to value companies where women have as much chance to reach management positions as men.
- **Customers:** the analysis ensures above all that the quality and safety of the products are assured by the company.

GOVERNANCE:

We analyze the quality of the company's governance.

- **Management:** We assess whether the corporate governance ensures a good protection of minority shareholders and whether the company's control bodies (board of directors or supervisory board) show a good balance of powers and allow the proper definition and execution of the company's strategy.

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- **Alignment of interests:** We also favor companies that ensure a good alignment of interests between shareholders and the management team, through the analysis of the compensation policy of the executives and the management shareholding.
- **Fiscal responsibility, ethics, and transparency:** we favor companies with a good level of transparency in financial and non-financial communication. In addition, we assess whether the company is fiscally responsible and whether the accounting honestly reflects the company's operational and financial performance. Finally, we ensure that the company contributes to the fight against corruption and respects human rights in all countries where it operates.

Our proprietary ESG* tool is fed by a Refinitiv (ex-Thomson Reuters) feed of raw extra-financial data collected from companies' annual reports. This data is then reprocessed in our proprietary ESG* database to produce an indicative quantitative assessment for analysts. For example, we collect quantitative data on the CO2 emissions of each company, from which we calculate a CO2 intensity per unit of sales. This calculation then allows us to position the company in relation to the entire investment universe.

The ESG* rating scale ranges from 0 to 20. The general principle is that of the "Best in Universe" method. The ESG* score obtained is then used to classify the companies in the investment universe into quintiles.

VALUATION & INTEGRATION ESG

As soon as the analyst-manager is convinced that the investment in question has sufficient quality, ESG* best practices and projected growth characteristics to be fully eligible for the Responsible Growth Quality investment universe, it carries out a valuation exercise using a proprietary valuation tool that discounts projected earnings and dividends to five years and estimates a potential gain at 12 and 60 months, clearly indicating first whether the five-year growth is correctly anticipated by the market and second whether the time window is appropriate to exploit the inefficiency observed.

It should be noted that the analyst-manager must take into account the quality and ESG* assessments he has made in his valuation model. The analyst-manager will thus modify the discount rate of his model by applying a quality and/or ESG* risk premium according to the level of quality and ESG* of the analysed company.

PORTFOLIO CONSTRUCTION

QUALITY RESPONSIBLE GROWTH UNIVERSE

Stock selection is the main source of added value expected for DNCA Finance's Responsible Quality Garp portfolios. As such, portfolio construction is essentially "bottom-up" (bottom-up management seeks to directly identify, on a case-by-case basis, promising companies whose securities are undervalued).

Equity portfolios are exclusively composed of securities belonging to the Quality Responsible Growth (QCR) investment universe. The QCR universe is the result of the application of the exclusion policies and the application of the quality and ESG* filters (exclusion of ratings below 10). Finally, all companies in the QCR universe must demonstrate a minimum growth in earnings of more than 5% per year (on average) over the next 5 years.

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INTEGRATION OF ESG* INTO PORTFOLIO CONSTRUCTION OBJECTIVES:

The aim of portfolio construction is to select the best stocks in terms of quality, ESG*, growth and appreciation potential within the Quality Responsible Growth universe. A proprietary portfolio construction tool has been created for this purpose.

Overall, the investment committees try to ensure that their portfolio always outperforms the benchmark on each of the construction criteria: quality, ESG*, 5-year growth and potential revaluation. It should be noted that our ESG* and Quality scores impact the valuation model and therefore naturally influence our portfolio construction.

SRI* funds have an ESG* portfolio target corresponding to the ESG* rating of the first 4 quintiles of the index. In practice, we rank the companies in the investment universe by quintile. We eliminate the quintile with the lowest scores. We then recalculate the ESG* score of the "cleaned" index (which we will call the SRI* benchmark) rebased to 100%. The funds must always have an ESG* rating higher than the ESG* rating of the SRI* benchmark.

INVESTMENT/DISINVESTMENT

Investments can only be completed after the analyst has presented to the Investment Committee all the analytical tools demonstrating that the stock is eligible for our investment universe.

Divestments may be made after the potential for revaluation has been exhausted, the ESG* and/or quality rating has been downgraded, or there has been a serious controversy that runs counter to our values as a responsible investor.

A RESPONSIBLE INVESTMENT MANAGEMENT TEAM

Given its fully integrated approach, the entire Quality GARP Responsible Equity team of analysts and managers is dedicated to responsible investment. All analyst-managers participate, in their role as analyst and/or manager, in the Quality GARP responsible equity management strategy.

The responsible investment activity is supervised by : Léa Dunand-Chatellet, Head of Responsible Investment.

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The research team is composed of more than 30 analysts and managers, based in Paris and Singapore. The entire team integrates ESG* analysis in their assessment of the overall quality of companies. The Responsible Quality Garp European All-Caps, European Small and Mid-Cap, Emerging and Multi-Thematic management teams are mainly dedicated to socially responsible investment.

The management team is structured in investment committees. Each geographic or thematic investment strategy has its own investment committee:

Geographical strategies	Thematic strategies
Euro All-Caps Committee	Dividend Growers Committee
Europe All-Caps Committee	New World Committee
France All-Caps Committee	Smart Cities Committee
Emerging All-Caps Committee	Europe Small Caps & Mid-Caps Committee

Each investment committee is composed of three analysts-managers, including at least one senior analyst-manager. The investment committees integrate ESG* into the investment cases presented to them by the analysts as well as into the portfolio construction process using our proprietary tool.

Lastly, three ESG* and Governance specialists (3 FTEs) complete this system. These specialists oversee data collection, administration of extra-financial databases, ESG* training for analysts, and the development, maintenance and improvement of tools dedicated to responsible investment (ESG* analysis, ESG* reporting and voting, engagement).

A UNIQUE, DIGITAL, INTEGRATED AND COLLABORATIVE RESEARCH PLATFORM

Fundamental analysis and company valuations are carried out on a unique and proprietary research platform that brings together all our analysis and valuation tools. This platform consists of a database of historical financial and extra-financial data (over 5 and 3 years respectively), as well as qualitative analyses gathered and synthesized by analysts during their meetings with management teams. On a regular basis, the analysts feed their models on growth prospects, competitive advantages, prospective information provided by the companies as well as our ESG* performance indicators.

This platform consists of several tools:

- **The quality analysis model** (business model strength, management quality and financial strength) allows analysts to assess a company's eligibility for our responsible growth quality investment universe
- **The ESG* analysis model** complements the quality analysis model by allowing for an assessment of the company's social responsibility.

These two complementary models make it possible to exclude all companies that do not meet our standards in terms of quality or ESG* responsibility.

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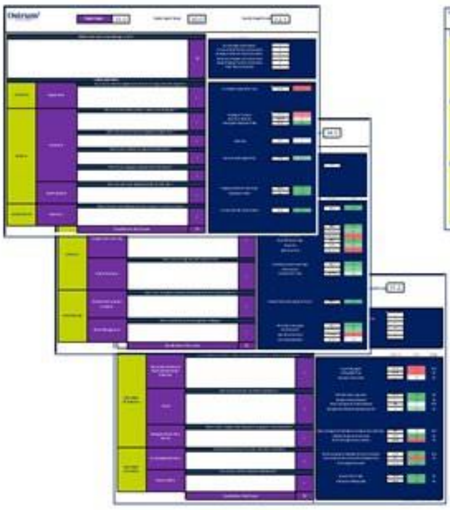
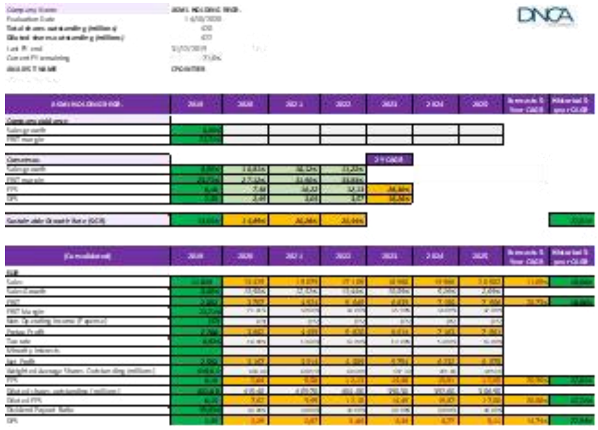
ESG* ANALYSE MODEL

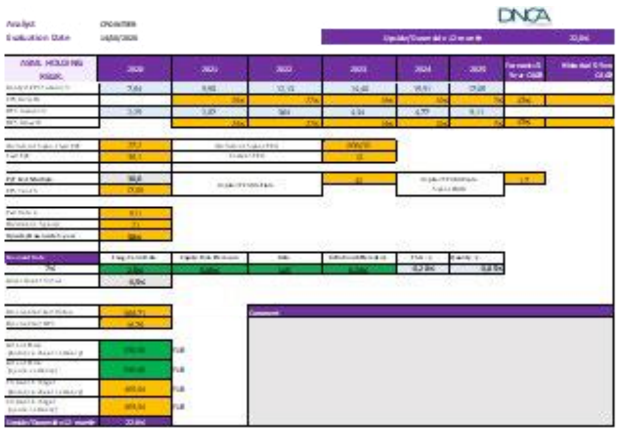


QUALITY ANALYSE MODEL

- **The earnings projection model** allows analysts to assess the growth potential of companies and excludes any company that does not have a minimum of 5% earnings growth over a 5-year horizon.



- **The valuation model** takes into account: the scenario of the earnings projection model, the level of quality through a specific quality risk premium and the degree of responsibility of companies through a specific ESG* risk premium. This tool aims to allow the discipline of the management teams in terms of entry and exit timing on the securities of the companies in our investment universe.



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- **The portfolio construction model** provides the various investment committees with a tool that allows them to obtain all the elements of internal research, to calculate the financial and extra-financial indicators of the portfolios (potential for revaluation, ESG* rating, 5-year growth potential, social and environmental indicators, and the portfolio's financial profile). Our quantitative research team is working to turn this tool into a second-generation decision-making tool by working with the portfolio and the stocks in our investment universe to propose investment ideas and/or trade-offs, to find the portfolio that shows the best balance between quality, ESG*, growth and potential for revaluation.

The entire platform and analysis models are developed in-house. They are intended to be enriched as we progress in terms of reflection on the research process.

CONTROVERSIES MONITORING

DNCA Finance's Quality GARP management team monitors controversies in the quality and responsible growth investment universe using external data sources (press, Refinitiv (ex-Thomson-Reuters)).

Today, past controversies reveal practices that are not in line with the declarations and policies of the companies being monitored. This allows us to enrich our analysis, to question the management teams on these events in order to understand the state of mind of the company: denial, transparency, action plan?

If a controversy arises regarding one of the companies in our portfolio, we engage in a dialogue with the company. Depending on the company's responses and the severity of the controversy, the consequences can range from a change in ESG* rating, and therefore an increase in the ESG* risk premium in our valuation model, to partial or total divestment of the position.

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EXCLUSION POLICIES

The exclusion policies defined and deployed by DNCA Finance aim to identify issuers that are excluded from the Quality GARP investment universe due to their activity, geographical location, operation, reputation, and breach of international standards. The list of issuers targeted by the sector policies is updated every year. The exclusion policies apply to all investments of Quality GARP responsible funds on all asset classes. For our dedicated funds, the choice is up to the mandate holder to keep our exclusion policy.

Policy to exclude companies involved in controversial weapons activities:

In line with the Ottawa Convention and the Oslo Treaty signed by many countries, including France, DNCA Finance excludes from all of its portfolios actors involved in the production, use, stockpiling, marketing, and transfer of anti-personnel mines (APMs) and cluster bombs.

Coal exclusion policy :

DNCA Responsible Quality GARP excludes companies whose revenues are predominantly dependent on the extraction or use of coal.

Tobacco exclusion policy :

DNCA Responsible Quality GARP is committed to no longer supporting the tobacco sector, whose activity goes against the Sustainable Development Goals of the United Nations Development Program and whose social impacts are particularly negative. DNCA Responsible Quality GARP therefore excludes companies that manufacture tobacco products.

"Worst offenders" exclusion policy:

DNCA Responsible Quality GARP is committed to excluding from its investments, companies with serious and proven violations of a set of fundamental international standards. DNCA Responsible Quality GARP therefore excludes companies for which the following are proven

- severe controversies to the principles of the United Nations Global Compact
- requests investigated by the OECD National Contact Points for non-compliance with the OECD Guidelines for Multinational Enterprises.

SRI* equity exclusion policy :

DNCA Responsible Quality GARP's SRI* exclusion policy applies to all investments in SRI*-labelled equity funds under its management. It specifies the excluded activities and the means allocated to ensure its proper application. This policy has three dimensions. First, companies that do not respect our humanist, environmental or business ethics values are excluded from our SRI* investment universe. Second, companies whose ESG* risk seems too high to us will also be excluded from our SRI* investment universe. Finally, in the event of severe controversy and management denial or refusal to dialogue, the company may be excluded from our SRI* investment universe.

VOTE & ENGAGEMENT POLICY :

DNCA Finance exercises the voting rights attached to the securities held in the portfolio which DNCA manages directly or by delegation and for which it is responsible for exercising them and aims to vote systematically for all securities held in the portfolio by any managed UCI benefiting from the "SRI UCI" label.

As a matter of principle, DNCA shall make every effort to vote at all General Meetings relating to the securities held in the portfolio of any SRI Fund, provided that, by way of exception, DNCA may not vote at as many of these General Meetings as possible.

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The proportion of General Meetings at which DNCA votes during the year for any SRI fund is specifically disclosed in the "Report on the exercise of voting rights" for the year in question.

- Specific voting outside the above rules at the request of management teams.
- DNCA votes at General Meetings requiring that the securities concerned be blocked during the period between the registration of the securities and the vote.

ENGAGEMENT :

Quality Garp Responsible Management of DNCA Finance has placed engagement at the heart of its Responsible Investor approach. The equity research team engages in constructive and continuous dialogue with portfolio companies to :

- Better understand their environmental, social and governance practices.
- Use the power conferred by voting rights to encourage management teams to improve the transparency and ESG* practices of their company.

DIALOGUE

TRANSPARENCY	SPECIFIC ESG ISSUES	NEW ESG RISKS
Thanks to our regular dialogue with companies, we encourage them to publish their extra-financial data	Our team systematically interviews management teams as soon as the ESG analysis model identifies specific areas of concern for each company.	New risks are far from being properly managed by all companies, with cybersecurity and data protection at the top of the list.

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