

Publication of sustainability information

EUROSE

Summary

EUROSE is a fund managed by DNCA Finance.

The Fund promotes environmental and social characteristics within the meaning of Article 8 of the European Regulation (EU) 2019/2088 known as Sustainable Finance Disclosure (SFDR) and although it does not have sustainable investment as its objective, it contains a minimum share of 20% of sustainable investments.

The characteristics promoted by the Fund are Governance, Environment and Societal criteria. In promoting these characteristics, the Fund will take into account ESG factors specific to each pillar.

The Fund is managed using ABA (Above and Beyond Analysis), an internally developed analysis tool, and a strict Exclusion policy.

The investment strategy applied to the Fund is based on the selection of the investment universe combining a financial and non-financial approach; the allocation to asset classes according to the analysis of the investment environment and the risk appetite of the management team and; the selection of securities based on a fundamental analysis of issuers from the point of view of the minority shareholder and/or the bond creditor, taking into account ESG criteria and the valuation of the instruments.

As such, the Fund aims to invest at least 80% of its net assets in investments that comply with the environmental and social characteristics it promotes, and 20% of these assets are directly invested in sustainable investments.

To assess whether investments comply with these characteristics, checks are carried out using indicators (such as the ABA internal rating method for private and public issuers). The data used in this context comes mainly from public sources and external service provider databases. Consequently, there may be limits to the availability and quality of this data.

In addition, DNCA Finance has implemented due diligence on underlying assets by monitoring for controversies and applying exclusions based on the results of ESG analysis, as well as a shareholder engagement policy as part of its responsible investment approach.

The Fund does not have a benchmark indicator to meet the environmental or social characteristics promoted by the financial product.

Sustainable investment

This financial product promotes environmental or social characteristics, and although its objective is not sustainable investment, the Fund contains a minimum of 20% sustainable investments.

These investments do not materially prejudice any of the sustainable investment objectives insofar as the negative impacts of corporate activities on social and environmental objectives are directly integrated into the ABA Corporate Responsibility Rating (which integrates indicators of negative impacts on sustainability factors in Table 1 of Appendix 1 of the SFDR RTS), and may result in a downgrade of the ABA rating below the minimum rating.

In addition to integrating the main negative impacts into the Corporate Responsibility Rating in the ABA tool, DNCA Finance has implemented a Policy for Managing Sustainability Adverse Impacts and a climate trajectory.

In this context, DNCA Finance implements the following exclusions in line with its Exclusion policy:

- **Thermal coal and unconventional oil & gas:** DNCA Finance will progressively exclude companies involved in thermal coal and unconventional oil & gas activities;

- **Controversial weapons:** issuers are excluded from all DNCA Finance portfolios;
- **Non-compliance with the United Nations Global Compact:** issuers who have committed serious breaches of the principles of the United Nations Global Compact are included in DNCA Finance's "Worst offenders" list, and are excluded from all portfolios.

In addition, the main negative impacts are included in the Key Performance Indicators (KPIs) collected for the analysis. Issuers with serious major negative impacts will be given a poor corporate responsibility rating (ABA). A minimum score of 2 out of 10 is therefore in line with the approach of not causing significant harm to environmental or social objectives.

Finally, issuers who do not respect the principles of the United Nations Global Compact are rated poorly in terms of corporate responsibility according to the ABA tool.

Issuers subject to controversy or serious violations of the United Nations Global Compact principles (human rights or anti-corruption) on the basis of the internal approach are excluded from the portfolio via the Worst Offenders List once the internal analysis has been completed.

The internal approach enables DNCA Finance to draw up a list of issuers identified as violating the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and which have been qualified as a "serious offence" by DNCA Finance's Ethics Committee. These issuers are therefore included in an exclusion list of "worst offenders" and are prohibited from investing.

To carry out this analysis, DNCA Finance uses the database of an external data provider:

- 1) Extract issuers with "standards-based" alerts;
- 2) Eliminate irrelevant issuers;
- 3) Quantitative analysis of violations by DNCA Finance's Ethics Committee;
- 4) Inclusion of issuers identified as having committed a "serious violation" in the list of worst offenders.

Environmental or social characteristics of the financial product

The characteristics promoted by the Fund are governance, the environment and social and Societal criteria.

The Fund is managed using ABA (Above and Beyond Analysis), an environmental, social and governance analysis tool developed in-house.

In promoting these characteristics, the Fund will take into account the following ESG factors in particular:

- **Environmental:** GHG emitters, air pollution, water pollution, water consumption, land use, etc;
- **Social:** Exorbitant CEO compensation, gender inequality, health and safety issues, child labor, etc.; and
- **Governance:** Monitoring of corruption and influence peddling, tax evasion, etc.
- **Overall ESG quality rating.**

Within this framework, for private issuers, the investment process based on stock picking takes into account an internal rating concerning corporate responsibility, based on a non-financial analysis carried out using a tool developed in-house by DNCA Finance, using the "best in universe" method. There may be a sector bias.

For public issuers, the investment and security selection process takes into account an internal rating linked to the responsibility of public issuers such as countries on the basis of a non-financial analysis using a proprietary tool developed in-house by the management company, with a minimum rating methodological approach.

The Fund does not use a benchmark index to achieve the ESG characteristics it promotes.

Investment strategy

The investment process applied to the Fund is based on these three factors:

- **Selection of the investment universe** combining a financial and non-financial approach, in particular, excluding stocks with a high risk profile in terms of corporate responsibility risk (rating below 2/10 according to the internal ESG tool) or exposed to major controversies;
- **Allocation to asset classes** based on analysis of the investment environment and the management team's risk appetite;

- **Security selection** based on a fundamental analysis of issuers from the point of view of the minority shareholder and/or bond creditor, taking into account ESG criteria and instrument valuation.

ABA rating: ABA is our in-house developed tool for analyzing and rating corporate responsibility.

The field of corporate responsibility is an extremely useful source of information for anticipating corporate risks, particularly in their interactions with stakeholders such as employees, suppliers, clients, local communities and shareholders, whatever their sector of activity.

Corporate responsibility is analyzed by the ABA tool according to four fundamental principles:

- **Shareholder responsibility**: including accounting risks, board quality, management quality, etc;
- **Social responsibility**: including working conditions, diversity policy, accidentology, training policy, etc;
- **Societal responsibility**: including tax optimization, corruption, respect for local communities and personal data;
- **Environmental responsibility**: including environmental management policy, consideration of biodiversity issues, etc.

Each fundamental principle is independently rated by DNCA Finance and weighted according to its importance for the target company. Each component is broken down into a set of criteria, selected according to their relative importance (correlation with economic performance), of which there are several in total. These criteria include the quality of board evaluation, CEO compensation, impact on biodiversity, climate policy and energy efficiency, etc.

In addition, monitoring the level of controversy is directly taken into account in Corporate responsibility and can affect the rating.

This in-depth analysis, which combines qualitative and quantitative research, results in a rating out of 10.

In addition, for investments in public issuers, this asset class is subject to a 7-dimensional non-financial analysis including:

- **Governance**: Rule of law, Respect for freedoms, Quality of institutions and regulatory framework
- **Politics**: Democratic life
- **Health**: Demographics and quality of life
- **Education and training**
- **Social cohesion**: Inequalities, Employment, Social protection
- **Climate**: Risks and energy policy
- **Ecosystems**: Resources and protection

All investments in this asset class are subject to an in-depth analysis of these dimensions and a rating that is taken into account in the investment decision.

Proportion of investments

The Fund aims to invest at least 80% of its net assets in environmentally and socially compliant investments, with 20% of these assets invested directly in sustainable investments.

The remainder of the Fund's net assets will consist of derivatives, deposits, cash and money market funds used to manage portfolio liquidity or reduce any specific financial risk.

Checking environmental and social characteristics

To assess whether investments comply with the environmental or social characteristics promoted by the Fund, checks are carried out using the following indicators:

- ABA internal rating ;
- The rating of the transition to a sustainable economy;
- Portfolio carbon footprint (expressed in tCO2/million USD invested);
- Exposure to the United Nations Sustainable Development Goals (SDGs);
- Climate profile;
- The proportion of the Fund's portfolio invested in controversial issuers.

These indicators are systematically defined, implemented and monitored by the management team.

DNCA Finance has also set up a Responsible Investment control system comprising both pre-trade and post-trade controls.

Pre-trade controls cover the minimum "Responsibility Risk" rating and the absence of a rating. The only purpose of an alert on the absence of a rating is to inform the SRI team. Checks are archived by the CRD tool, which has its own audit trail. In the case of sector exclusions, the Risk Department uses CRD to monitor the correct application of sector constraints relating to lists of issuers (see *Exclusion policy*). Issuers on the "worst offenders" list are also monitored pre-trade by the Risk Department.

The post-trade controls listed below are integrated into the constraint monitoring system:

- No investments are made in issuers targeted by Exclusion policies;
- The minimum AIM, sustainable transition and climate (transition/contribution) ratings are respected.

Methods

The methods used to determine whether social or environmental characteristics have been achieved differ according to whether issuers are private or public.

For private issuers, the sustainability indicators used by the Fund are as follows:

- **Above and Beyond Analysis** (ABA, the in-house tool) **corporate responsibility rating**: the main sustainability indicator used by the Fund is the ABA rating (see "Investment strategy" section) based on Corporate Responsibility and divided into four fundamental principles: shareholder responsibility, environmental responsibility, societal responsibility and social responsibility;
- **Rating the transition to a sustainable economy**: DNCA Finance concludes this analysis with an assessment of companies' exposure to the "transition to a sustainable economy". This rating is based on five fundamental principles: demographic transition, health transition, economic transition, lifestyle transition and ecological transition;
- **Exposure to the United Nations' Sustainable development goals**: For each company, DNCA Finance assesses the proportion of revenues linked to one of the 17 United Nations Sustainable development goals;
- **Carbon data**: carbon footprint (t CO2/m\$ invested) of the Fund's portfolio;
- **Carbon emissions intensity** (t CO2/\$ invested) of the Fund's portfolio.

For public issuers, the sustainability indicators used by the Fund are as follows:

- **Above and Beyond Analysis** (ABA, the internal tool): a model designed to assess public issuers on the basis of four fundamental principles: governance, environment, social and societal criteria;
- **Climate profile**: DNCA Finance concludes this analysis with an assessment of issuers' climate profile based on energy composition and evolution, carbon intensity evolution and resource stock;
- **Carbon data**: carbon footprint (t CO2/\$m debt) of the Fund's portfolio;
- **Carbon emitters intensity** (t CO2/m\$ GDP) of the Fund's portfolio;
- The proportion of the Fund's portfolio invested in **controversial issuers** based on a number of criteria, such as respect for freedom, child labor, human rights, torture practices, money laundering, etc.

Data sources and processing

The data used to achieve each of the environmental or social characteristics promoted by the Fund come from public sources, databases from specialized external service providers, direct dialogue with issuers and internal analysis carried out by DNCA Finance.

DNCA Finance has chosen to rely on an internal model, ABA ("Above and Beyond Analysis"), with the aim of offering a rating whose entire construction we control, with information from companies making up the bulk of the data used. In this context, the data is mastered and integrated into a proprietary analysis grid.

As part of its responsible investment approach, DNCA Finance specifies that the data used in its proprietary ABA rating model comes exclusively from **public information provided by issuers**. These data are audited, published and reflect the

operational reality of the companies. Thus, the entire ESG rating methodology applied by DNCA Finance to private issuers is based on real data, to the exclusion of any estimated or modeled data.

Estimated data is only used when it is sourced **from specialized external service providers** (such as MSCI, CDP or equivalent), and concerns specific cases such as the drawing up of exclusion lists (normative or sectoral) or the calculation of DNCA Finance's climate trajectory, as presented in particular in the Environmental Pressures report. This approach bears witness to our commitment to both transparency and rigorous integration of ESG criteria into our investment processes.

In order to meet the principles of its responsible investment policy, as well as new environmental and regulatory challenges, DNCA Finance has **acquired external ESG data suppliers**, and is implementing a project to enrich its processes, with a view to :

- Improve the reliability of issuers' data and indicators of impact on climate and biodiversity;
- Fill in information on activities aligned with the EU Taxonomy;
- Enrich the existing ESG analysis process (notably by integrating physical and climate risks) and enable its systematic use (via the use of an "ABA Quant" rating assessed over the entire investment universe);
- Extend the scope of application of other ESG processes.

The integration of these data into the information system has been implemented and they are gradually being incorporated.

Service providers used :

| Prestataire | Utilisation |
|-------------------------|---|
| MSCI | Données brutes / entreprises |
| | Taxonomie |
| | Principales Incidences Négative (PAI) |
| | Risque physique et de transition (VAR Climat) |
| ISS Ethix | Armes controversées |
| ISS Proxy Exchange | Conseil pour le vote aux AG |
| CDP | Données Carbone |
| | Données eau et usage des sols |
| CDP Temperature Ratings | Température induite |

Finally, DNCA Finance has set up a quality control process for ESG data received from its suppliers, notably through the establishment of a cross-functional sustainable investment committee, one of whose missions is to monitor and support the operational processes of the business teams, including the following points deployed at data committee level (ESG data sourcing, flow instruction, ESG data structuring (data dictionary/repository), distribution of ESG data from the repository to any business tools).

ESG analysis of securities is carried out under the supervision of the Responsible Investment team. Using the ABA tool, it reviews the analysis of responsibility risk, the analysis of the contribution to sustainability, the monitoring of controversies and newsflow, and meetings with company directors. The analysis is carried out exclusively in-house, and does not include any ratings from external agencies.

Limitations to methods and data

The approach adopted by DNCA Finance's management teams to construct their ESG analysis may present several limitations, in particular :

- **The availability and quality of ESG data** provided by the companies analyzed;
- **Differences in coverage** between sectors or geographical areas;
- **methodological differences** between data providers.

These limitations may affect the comparability and accuracy of ESG assessments, but do not influence the extent to which the promoted environmental or social characteristics are achieved, as DNCA Finance opts for a continuous approach to ESG processes in order to overcome these shortcomings. DNCA Finance has therefore opted for a gradual

approach to the Deployment of ESG policies, to enable a pragmatic application and integration of ESG issues throughout its value chain.

Due diligence

DNCA Finance has implemented due diligence on underlying assets by monitoring controversies and applying exclusions based on the results of ESG analysis.

Investments are reviewed in line with the responsible investment policy and the exclusion policy.

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

- Identifying the nature of the negative impacts (ESG impacts) associated with its investment activities;
- Evaluating and prioritizing negative impacts;
- Managing (preventing, mitigating, stopping) some of the negative impacts;
- Monitor the implementation of results (measure the effectiveness of actions);
- Adjust the negative impact management strategy if necessary.

The principles adopted by DNCA Finance are :

- Management of impacts for which DNCA Finance targets quantitative objectives (carbon footprint and induced temperature of portfolios in particular);
- Measuring and steering biodiversity footprint indicators: water management and land use.

Engagement policies

DNCA Finance implements a shareholder engagement policy as part of its responsible investment approach.

This policy is based in particular on :

- **Regular dialogue with companies**, to assess how effectively ESG issues are taken into account;
- **Proactive engagement**, aimed at encouraging companies to improve their transparency and management of ESG issues;
- **Reactive engagement**, triggered in response to a controversy or significant incident.

This policy is described in the "**Shareholder engagement & voting policy**" document available on the DNCA Finance website (<https://www.dnca-investments.com/documents/40>).

In addition, DNCA Finance analyzes and qualifies the controversies to which companies are subject, both in terms of corporate responsibility and compliance with the United Nations Global Compact. This process makes it possible to qualify the major or severe nature of the controversies and, where appropriate, to classify the company concerned as a Worst Offender. Companies thus qualified as Worst Offenders are excluded from the eligible investment universe. This policy is described in the "**Exclusion policy**" document available on the DNCA Finance website (<https://www.dnca-investments.com/documents/7>).

Benchmark index

The Fund's benchmark index does not meet the environmental or social criteria promoted by the Fund.