Sustainability disclosure

DNCA INVEST - VALUE EUROPE

Summary

DNCA INVEST - VALUE EUROPE is a sub-fund of the Luxembourg SICAV DNCA Invest managed by DNCA Finance.

The Sub-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) but does not have sustainable investment as its objective.

The characteristics promoted by the Sub-Fund are Governance, the Environment as well as social and societal criteria. In promoting these characteristics, the Sub-Fund will take into account ESG factors specific to each pillar.

The Sub-Fund's management is based on ABA (Above and Beyond Analysis), an analysis tool developed in-house, and on a restrictive exclusion policy.
The investment strategy applied to the Compartment is based on the selection of the investment universe combining a financial and extra-financial approach; the structuring of the portfolio with a macroeconomic approach and the construction of the portfolio taking into account regulatory constraints and the investment process in order to establish the final selection.

To this end, the Compartment aims to invest at least 80% of its net assets in investments that comply with the environmental and social characteristics it promotes.

To assess whether investments comply with these characteristics, checks are carried out using indicators (e.g. the ABA internal rating method). The data used for this purpose comes from public sources and external databases. Consequently, there may be limits to the availability and quality of this data.

In addition, DNCA Finance has implemented a due diligence process for the underlying assets, 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 investor approach.

The sub-fund has no benchmark to match the environmental or social characteristics promoted by the financial product.

Sustainable investment

This financial product promotes environmental or social characteristics, but does not aim f o r sustainable investment.

Environmental or social characteristics of the financial product

The characteristics promoted by the Sub-Fund are governance, environmental, social and societal criteria.
and social criteria.

The Sub-Fund's management is based on the environmental, social and governance analysis tool, developed by internally: ABA (Above and Beyond Analysis).

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

- Environment: GHG emissions, air pollution, water pollution, water consumption, land use, etc ;

- Social: Exorbitant CEO compensation, gender inequality, health and safety issues, child labor, etc;
- Governance: Monitoring of corruption and influence peddling, tax evasion, etc.
- Overall ESG quality rating.

Thus, the investment process and the resulting selection of shares and bonds in private companies take account of an internal rating concerning both the responsibility and sustainability of companies, based on an extra-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.

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

Investment strategy

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

- Selection of the investment universe combining a financial (quantitative and micro-economic) and extra-financial (qualitative) approach in two successive stages:
  - Selection of issuers according to the financial approach described above;
  - The exclusion of issuers that present a high risk profile in terms of corporate responsibility (rating below 2/10 in the proprietary ESG tool) or that are exposed to major controversies. This extra-financial filter excludes a minimum of 20% of issuers based on the extra-financial analysis described above.
- Portfolio structuring with a macroeconomic approach;
- Construction of the portfolio, taking into account regulatory constraints and the investment process to establish the final selection.

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

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

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

- Shareholder responsibility: board of directors and senior management, accounting practices and financial risks, etc ;

- Environmental responsibility: environmental footprint of the production chain and product life cycle or responsible sourcing, energy and water consumption, company CO2 emissions and waste management, etc ;
- Responsibility towards workers: in terms of ethics and working conditions on the production line, treatment of employees, safety, well-being, diversity, staff representation, wages, quality of products or services sold, etc.; and
- Social responsibility: product quality, safety and traceability, respect for local communities and human rights human rights, 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), numbering around 25 in all. These criteria include the quality of board evaluation, CEO remuneration, 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.

Proportion of investments

The Sub-Fund aims to invest at least 80% of its net assets in environmentally and socially responsible investments.

The remainder of the Sub-Fund's net assets will be invested in derivative financial instruments, for hedging and/or exposure and/or efficient portfolio management purposes, as well as in sight deposits, money market funds, money market instruments and other deposits for liquidity purposes.

Control of environmental or social characteristics

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

- ABA internal rating;
- Transition to a sustainable economy rating;
- The portfolio's carbon footprint (expressed in tCO2/million USD invested);
- Exposure to the United Nations Sustainable Development Goals (SDGs);

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. With regard to sectoral exclusions, the Risk Department uses CRD to monitor the correct application of sectoral constraints on issuer lists (*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 constraints monitoring system:

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

Methods

The methods used to determine whether the Sub-Fund has met its social or environmental criteria are as follows Sub-Fund are as follows:

- Above and Beyond Analysis (ABA, the in-house tool) corporate responsibility rating: the main sustainability indicator used by the Sub-Fund is the ABA rating (see "Investment Strategy" section) based on Corporate Responsibility and divided into four core principles: shareholder responsibility, environmental responsibility, employer responsibility, societal 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
  DNCA Finance evaluates for each company 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 Sub-Fund's portfolio;
- Carbon emissions intensity (t CO2/m$ invested) of the Sub-Fund's portfolio.

Data sources and processing

The data used to achieve each of the environmental or social characteristics promoted by the Sub-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. This data is controlled 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 are only used when they are provided by specialized external service providers (such as MSCI, CDP or equivalents) and only in specific cases, such as when drawing up exclusion lists (normative or sector-based) or calculating DNCA Finance's climate trajectory, as presented in the Environmental Pressures report. This approach reflects a commitment to both transparency and rigor in the integration of ESG criteria into investment processes.

In order to meet the principles of its responsible investment policy and the 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 :

- Improving and making more reliable data on issuers, and indicators of impact and impact on climate and biodiversity;
- Provide information on activities in line with the European Taxonomy;
- Enrich the existing ESG analysis process (notably by integrating physical and climatic risks) and enable its systematic use (via the use of an "ABA Quant" rating assessed on 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 Echange	Conseil pour le vote aux AG
CDP	Données Carbone
	Données eau et usage des sols
CDP Temperature Ratings	Température induite

Lastly, DNCA Finance has set up a process for controlling the quality of ESG data received from its suppliers, notably through the creation of a cross-functional sustainable investment committee, one of whose missions is to monitor and support the operational processes of 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 responsibility risk analysis, analysis of contribution to sustainable transition, 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.

Limits to methods and data

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

- The availability and quality of ESG data provided by the companies analyzed;
- Differences in coverage by sector or geographical area;
- 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 also opted for a progressive 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 through controversy monitoring and the application of exclusions based on the results of ESG analysis.

Investments are thus reviewed in accordance with the responsible investment p o l i c y 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;
- Controlling (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.

Commitment policies

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

This policy is based on :

- Regular dialogue with companies, enabling us 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 and 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 le document "*Politique d'exclusion*" available on le site de DNCA Finance https://www.dnca-investments.com/documents/7).

Benchmark index

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