Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that it does not cause significant harm to any of these objectives and that the companies benefiting from the investments apply good governance practices.

The EU taxonomy is a classification system established by Regulation (EU) 2020/852, which lists **environmentally sustainable economic activities.** This regulation does not list socially sustainable economic activities. Sustainable investments with an environmental objective are not necessarily aligned with the taxonomy.

Pre-contractual information for financial products referred to in Article 8(1), (2) and (2a) of Regulation (EU) 2019/2088 and in the first paragraph of Article 6 of Regulation (EU) 2020/852

DNCA ACTIONS EURO PME **Legal entity identifier: 969500GPTBJFDDISS108**

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes	**No**
● ☐ It will achieve a minimum level of **sustainable investments with an environmental objective:** ____%	○ ☒ It **promotes environmental and social characteristics (E/S)** and, although it does not have sustainable investment as its objective to invest sustainably, it will contain a minimum proportion minimum of 0% sustainable investments
☐ in activities that are considered environmentally sustainable under the EU taxonomy	☐ with an environmental objective in economic activities that are considered environmentally sustainable under the EU taxonomy
☐ in economic activities that are not considered environmentally sustainable under the EU taxonomy	☐ with an environmental objective in economic activities that are not considered environmentally sustainable under the EU taxonomy
	☐ with a social objective
☐ He will make a minimum **of sustainable investments with a social objective**: _____%	☒ It promotes E/S characteristics, but **will not make sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

Sustainability indicators assess the extent to which the environmental or social characteristics promoted by the financial product are achieved.

The Fund promotes governance, environmental, social and societal characteristics.
The fund management team uses a proprietary tool that integrates environmental, social and and governance: ABA (*Above and Beyond Analysis*).

In promoting these characteristics, the fund will take into account the following ESG issues in particular:

- Environment: greenhouse gas emissions, air pollution, water pollution, consumption water consumption, land use, etc.
- Social: excessive executive remuneration, gender inequality, health and safety issues, child labour, etc.
- Governance: monitoring of corruption and bribery, tax evasion, etc.
- Overall ESG quality rating.

In this context, the *stock-picking* investment process takes into account an internal corporate responsibility rating based on extra-financial analysis using a proprietary tool developed by the management company (ABA), with a "*best in universe*" approach. There may be sector bias.

The fund does not use a benchmark indicator in order to achieve the ESG characteristics promoted by the fund.

What sustainability indicators are used to measure the achievement of each of the environmental or social characteristics promoted by the financial product?

The sustainability indicators used by the fund for private issuers are:

- The Corporate Responsibility rating from the proprietary ABA (Above and Beyond Analysis) tool: the main sustainability indicator used by the fund is the ABA rating (see investment strategy) for Corporate Responsibility, divided into four pillars: shareholder responsibility, environmental responsibility, societal responsibility and social responsibility.
- The transition to a sustainable economy rating: the management company completes its analysis with an assessment of companies' exposure to the transition to a sustainable economy. This rating is based on five pillars: demographic transition, health transition, economic transition, lifestyle transition and ecological transition.
- Exposure to the UN Sustainable Development Goals (SDGs): the management company assesses for each company the share of revenue linked to one of the 17 UN Sustainable Development Goals.
- Carbon data: carbon footprint (tonnes of CO2/million dollars invested) of the fund's portfolio,
- Carbon intensity: (tonnes of CO2/million dollars of revenue) of the fund's portfolio.

What are the sustainable investment objectives that the financial product intends to partially achieve? And how does sustainable investment contribute to these objectives?

Not applicable.

To what extent do the sustainable investments that the financial product intends to make in part not cause significant harm to an environmental or social sustainable investment objective?

Not applicable.

How have indicators relating to adverse impacts been taken into account?

Not applicable.

To what extent are sustainable investments consistent with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

Not applicable.



Does this financial product take into account the main negative impacts on sustainability factors?

✖ Yes _____

The EU taxonomy establishes a "do no significant harm" principle, whereby investments aligned with the taxonomy should not cause significant harm to the objectives of the EU taxonomy, accompanied by specific EU criteria.

The principle of "do no significant harm" applies only to investments underlying the financial product that take into account the European Union's criteria for environmentally sustainable economic activities. Investments underlying the remaining portion of this financial product do not take into account the European Union's criteria for environmentally sustainable economic activities.

Any other sustainable investment must also not cause significant harm to environmental or social objectives.

The fund takes into account the main negative impacts on sustainability factors:

- The main negative impacts are included in the Corporate Responsibility rating (see below).

- The management company has implemented a policy for managing negative impacts on sustainability, measuring the main negative impacts. The policy aims primarily to monitor and reduce contributions to climate change (CO2 emissions, CO2 intensity, implicit temperatures), in line with DNCA Finance's Climate Trajectory objectives.

In addition, the sub-fund aims to achieve a better rating than its investment universe on the following indicators:
-Carbon footprint: This indicator is expressed in tonnes of CO2/million euros invested in the fund's portfolio
- energy consumption intensity per sector with a high climate impact.

Further information can be found in the fund's annual report.

No

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.



What investment strategy does this financial product follow?

In summary, the investment process consists of three successive stages:

- Selection of the universe using a dual financial and extra-financial approach, in particular by excluding stocks with a high risk profile in terms of corporate responsibility (rating below 2/10 in the proprietary ESG model) or exposed to major controversies;
- Portfolio construction based on a macroeconomic approach;
- Fundamental analysis taking into account ESG criteria and the valuation of selected securities.

The ABA rating: a proprietary tool for analysing and rating corporate responsibility.
Corporate Responsibility analysis makes it possible to anticipate risks for companies, particularly in their interactions with stakeholders: employees, suppliers, customers, local communities, shareholders, etc., regardless of their sector of activity.
Corporate responsibility is analysed according to four non-financial criteria based on ESG criteria:

- Shareholder responsibility (including accounting risks, quality of advice, quality of management, etc.)
- Social responsibility (including working conditions, diversity policy, accident rates, training policy, etc.)
- Societal responsibility (tax optimisation, corruption, respect for local communities and personal data, etc.)
- Environmental responsibility (including environmental management policy, consideration of biodiversity issues, etc.).

Each pillar is rated independently by the Management Company and weighted according to its importance in relation to the target company. Each pillar is broken down into a set of criteria, selected on the basis of materiality (correlation with the company's economic performance), of which there are approximately 25 in total (as listed in the table below). These criteria may include the quality of the board of directors' assessment, the CEO's remuneration, the impact on biodiversity, climate policy and energy efficiency, etc.

Responsibility axis	*Criteria*	*Indicators*
Shareholder responsibility	*Respect for minority shareholders*	*Control structure* *Existence of anti-takeover pills, limitation of voting*
	Quality of management	*Size and composition of the executive committee* *Rotation of executives, existence of countervailing power* *Quality of strategy*
	Independence of the Board and committees	*Independence rate of the Board and committees* *Separation of powers between CEO and Chairman* *Composition and size of the Board, attendance fees* *attendance*
	Remuneration of the CEO	*Transparency of remuneration* *Consistency of variable remuneration with objectives and* *results* *Relevance of bonus criteria, conflict at AGM*
	Accounting risks	*History of accounting disputes (10 years)* *Change in methods/reporting accountant*
Responsibility	*Criteria*	*Indicators*
		Independence of statutory auditors

	Quality of financial reporting	*Confidence in guidance and transparency* *History of profit warnings* *Accessibility of management*
Environmental responsibility	*Environmental management*	*Existence of an internal control system and reporting scope* *Quality and consistency of reporting, quantified objectives* *quantified* *Existence of governance in the event of significant* *contribution*
	Climate and energy efficiency policy	*Implementation of an energy efficiency policy policy* *Accurate reporting and quantified targets*
	Regulation and certification	*Process certification* *Integration of sector-related regulations* *Industrial accident history*
	Impact on biodiversity and externalities	*Management of positive contributions to biodiversity and reporting* *Integration of issues upstream of projects* *History of pollution or nuisances*
Social responsibility	*Corporate culture and management* *HR*	*Position of HR in the company hierarchy* *the company* *Leadership and culture typology* *Growth model and management of restructuring*
	Health and safety	*Establishment of committees and procedures* *Health and Safety Committee* *History of workplace accidents, level of reporting* *Transparency and scope of indicators*
	Social climate and working conditions	*Quality of social dialogue, strike days, absenteeism* *History of labour disputes* *Quality of working conditions and compliance of laws*
	Training and career management	*Training plan and age pyramid* *Specific transition issues in the sector* *Employee seniority and internal promotion policy* *Internal promotion policy*
	Promotion of diversity	*Proportion of women among employees* *Proportion of women among management teams* *Programme to attract talent* *Talent attraction programme*
	Attractiveness and recruitment	*Attractiveness of the company's sector (Glassdoor rating, average salary/FTE)* *Talent attraction programme* *Ability to recruit key skills*
Social responsibility	*Product quality, safety and traceability*	*Product quality control process* *History of quality defects* *Consumer safety issues*
	Innovation capacity	*Internal or external management of R&D* *Price flexibility and brand power* *Product renewal and sector risk & major disruption*
	Supply chain management management	*Supply chain control and model (integrated or high outsourcing)* *Supply chain defect history* *Supply chain*
	Customer satisfaction and market share gains	*Customer satisfaction monitoring policy* *Market share evolution* *Quality of the B2B distribution network* *History of customer complaints*
	Respect for local communities and human rights	*Respect for human rights, ease of right to operate* *Integration of local communities* *History of local conflicts*
	Cybersecurity and personal data protection	*Use of personal data as a business model* *Protection of sensitive data and respect of privacy* *Mechanisms for protection against cyber attacks*
	Corruption and business ethics	*Governance and corruption prevention processes* *corruption* *Operations in high-risk countries* *History of corruption or lack thereof ethics*
	Fiscal consistency	*Alignment of tax rates with local economic presence* *Presence in tax havens* *Changes in tax rates over 10 years.*

In addition, monitoring the level of controversy is taken directly into account in the assessment of Corporate Responsibility and may affect the rating.
This internal analysis, combined with qualitative and quantitative research, leads to a rating out of 10.

Good governance practices relate to sound management structures, staff relations, staff remuneration and compliance with tax obligations.

What constraints are defined in the investment strategy for selecting investments in order to achieve each of the environmental or social characteristics promoted by this financial product? On the one hand, the fund implements a strategy based on two constraints: exclusions applied to the entire management company and specific exclusions related to the strategy.
Exclusions applied to the entire management company:

- Exclusions based on violations of the United Nations Global Compact: after analysis and decision by the Ethics Committee in the presence of the Management Department, companies are included in the list of "*worst offenders"* established by DNCA Finance and,
- Exclusions of companies involved in unconventional hydrocarbon production and thermal coal activities (thermal coal production and coal-fired power generation). These companies are gradually excluded from the portfolios according to the table below:

Activities	***From 2022***	***Companies headquartered in the European Union or OECD***		***Companies headquartered outside the OECD***	
		Exclusion from December 2027	***Exclusion from December 2030***	***Exclusion from December 2030***	***Exclusion from December 2040***
Thermal coal production	*From 10% of turnover*	*From 5% of turnover*	*Permanent exit (0% of turnover)*	*From 5% of turnover*	*Permanent exit (0% of turnover)*
Electricity generation from coal	*From 10% of turnover*	*From 5% of turnover*	*Permanent exit (0% turnover)*	*From 5% of turnover*	*Permanent exit (0% of turnover)*

Activities		***Exclusion from December 2027***	***Exclusion from December 2030***	***Exclusion from December 2030***	***Exclusion from December 2040***
Production of unconventional hydrocarbons	*From 10% of turnover*	*From 5% of turnover*	*Permanent exit (0% of turnover)*	*From 5% of turnover*	*From 5% of turnover*

Specific exclusions related to the fund's strategy concern:

- The exclusion of issuers with a high risk profile in terms of corporate responsibility (rating below 2 out of 10)
- Sector exclusions as defined in the exclusion policy issued by the management company.

The exclusions applied, which are detailed in the management company's "Exclusion Policy" and "Responsible Investment Policy", are binding. Further details on this subject are available on the management company's website (https://www.dnca-investments.com/expertises/isr). Details of the fund's exclusion policy are also available on request from the Management Company.

In addition, a strict policy of exclusion of controversial weapons and sectoral exclusion is in place.
and available on the management company's website (https://www.dnca-investments.com/expertises/isr).

The fund excludes at least 30% of the worst equity issuers from its investment universe and conducts extra-financial analysis of at least 90% of the securities held by the sub-fund. As such, the sub-fund will not invest in these issuers.

To what extent does the financial product undertake to reduce its investment scope before applying this investment strategy? The fund applies a minimum reduction of 30% to its investment universe using a "*best in universe*" approach, as described in the prospectus.

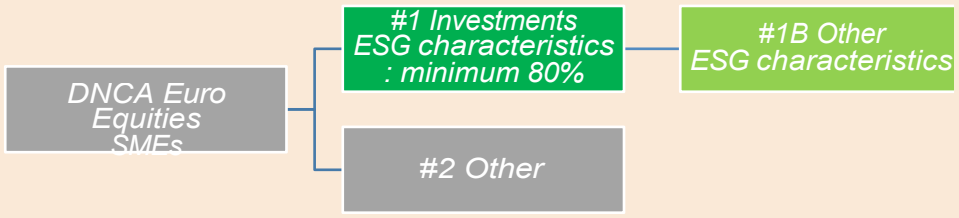
Activities aligned with the taxonomy are expressed as a percentage:
- **Of turnover to** reflect the share of revenue from green activities of the companies benefiting from the investments
- **Capital expenditure** (CapEx) to show the green investments made by the companies benefiting from the investments, for example for a transition to a green economy
- **Operating expenditure** (OpEx) to reflect operational activities

What policy is implemented to assess the good governance practices of the companies in which the financial product invests?

Governance is one of the areas assessed in Corporate Responsibility: Shareholder Responsibility. It is rated on a scale of 1 to 10 based on six criteria: management quality, board and committee quality, chairman's remuneration, financial communication quality, accounting risks and respect for minority shareholders. Around 30 performance indicators are used to assess governance practices in relation to these six criteria. In addition, controversies relating to good governance practices have an impact on the overall rating.

What is the planned asset allocation for this financial product?

The fund invests at least 80% of its net assets in assets with environmental and social characteristics. 0% of these investments are considered sustainable investments.



Asset **allocation** describes the proportion of investments in specific assets.

#1 Aligned with E/S characteristics includes investments of the financial product used for achieve the environmental or social characteristics promoted by the financial product.

#2 Other: Includes the remaining investments of the financial product that are neither aligned with
environmental or social characteristics, nor qualified as sustainable investments.

Category **#1 Aligned with ES characteristics** covers:
- Sub-category **#1B Other ES characteristics** covers investments aligned with environmental or social characteristics that are not classified as sustainable investments.

How does the use of derivatives enable the environmental or social characteristics promoted by the financial product to be achieved?

The fund does not invest in derivatives aimed at achieving the environmental and social characteristics promoted by the fund.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU taxonomy?

Not applicable.

To be compliant with the EU taxonomy, the criteria applicable to fossil gas include emissions limitations and the transition to renewable electricity or low-carbon fuels by the end of 2035. With regard to nuclear energy , the criteria include comprehensive rules on nuclear safety and waste management.

Enabling activities directly allow other activities to contribute substantially to the achieving an environmental objective.

Transitional activities are activities for which there are not yet low-carbon alternatives and, among other things, whose Greenhouse gas emission levels correspond to the best achievable performance.

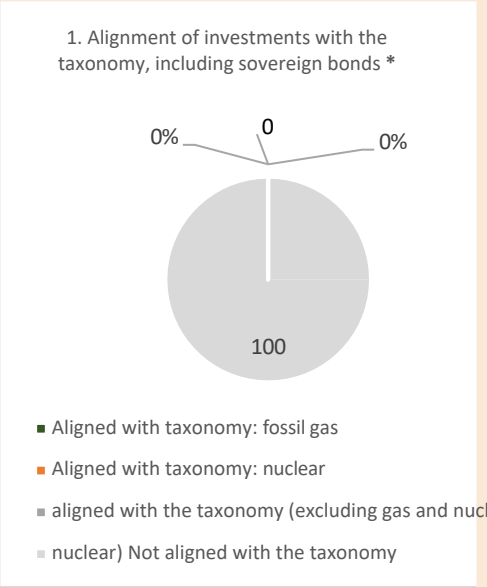
Does the financial product invest in fossil gas and/or nuclear energy activities that are in line with the EU taxonomy[1] ?

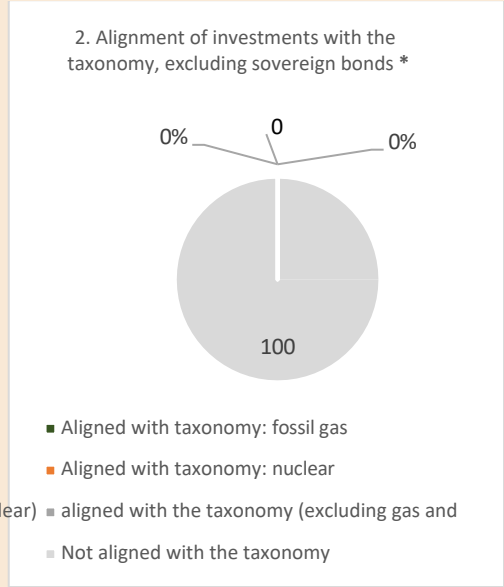
☐ Yes:

☐ In the gas ☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments aligned with the EU taxonomy. Given that there is no appropriate methodology for determining the alignment of sovereign bonds* with the taxonomy, the first chart shows alignment with the taxonomy relative to all investments in the financial product, including sovereign bonds, while the second chart shows alignment with the taxonomy relative only to investments in the financial product other than sovereign bonds.





** For the purposes of these charts, "sovereign bonds" include all sovereign exposures.*

What is the minimum proportion of investments in transitional and enabling activities?

The minimum proportion of investments in transitional and enabling activities is 0%.

What is the minimum proportion of sustainable investments with an environmental objective that are not aligned with the EU taxonomy?

Not applicable.

The symbol represents sustainable investments with an environmental objective that do not take into account the criteria applicable to environmentally sustainable economic activities under the taxonomy.

[1] Activities related to fossil gas and/or nuclear energy will only be compliant with the EU taxonomy if they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any of the objectives of the EU taxonomy – see explanatory note in the left margin. All criteria applicable to economic activities in the fossil gas and nuclear energy sectors that comply with the EU taxonomy are set out in Commission Delegated Regulation (EU) 2022/1214.

What is the minimum proportion of socially sustainable investments?

Not applicable.

What investments are included in category "#2 Other", what is their purpose, and do any environmental or social safeguards apply to them?

The fund may invest in derivatives, deposits, cash and money market funds. These instruments are included in the "#2 Other" category and are not intended to provide minimum environmental or social safeguards. These instruments may be used by the management company to manage the fund's liquidity or to reduce any specific risk (e.g. currency risk).

There are no minimum environmental or social guarantees associated with these asset categories.

Has a specific index been designated as a benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics it promotes?

The fund's benchmark is not intended to be aligned with the environmental and/or social characteristics promoted by the fund.

Are the **benchmarks** indices used to measure whether the financial product achieves the environmental or social characteristics it promotes?

- ***How is the benchmark index continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

- ***How is the alignment of the investment strategy with the index methodology ensured at all times?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the method used to calculate the designated index be found?***

Not applicable.

Where can I find more product-specific information online?

Further information about the product is available on the website: https://www.dnca-investments.com/fonds/dnca-actions-euro-pme/parts/r-fr0011891506