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

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: DNCA INVEST - ALPHA BONDS
Legal entity identifier: 213800W9ILGNEXADIF81

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective: ___%**	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective: ___%**	☒ It promotes E/S characteristics, but **will not make any sustainable investments**

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

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

The management of the Sub-Fund relies on the proprietary analysis tool on environment, social and governance: ABA (Above and Beyond Analysis).

As part of the promotion of such characteristics, the Sub-Fund will in particular consider the following ESG matters for public issuers:

- Environment: carbon intensity and consumption energy mix breakdown.
- Social: respect of international standards (child labor, discrimination, freedom of association, money laundering, labor rights, human rights, freedom of press and torture.

- Governance: Accord de Paris signatory, UN-Biodiversity convention signatory, coal, exit policy, nuclear weapon non proliferation agreement.

- Global ESG risk rating and coverage.

In this way, for private issuers, the investment process and resulting stock and bond picking take into account internal scoring with respect to both corporate responsibility and sustainability of companies based on an extra-financial analysis trough a proprietary tool developed internally by the Management Company, with the "best in universe" method. There may be a sector bias.

For public issuers, the investment process and resulting picking take into account internal scoring with respect to responsibility of public issuers such as country based on an extra-financial analysis trough a proprietary tool developed internally by the Management Company, with a minimum rating approach method (as further explained below under the investment strategy section).

The Sub-Fund does not use a benchmark for the purpose of attaining the ESG Characteristics promoted by the Sub-Fund.

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

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The sustainability indicators used by the Sub-Fund are for private issuers:

- The "Above and Beyond Analysis" ("ABA", the proprietary tool) Corporate Responsibility Score: the main sustainability indicator used by the Sub-Fund is the ABA scoring (see part "Investment Strategy") based on the Corporate Responsibility and divided into four pillars: shareholder responsibility, environmental responsibility, employer responsibility, societal responsibility.

- The Transition to a Sustainable Economy Score: the Management Company completes this analysis by an assessment of companies' exposure to "Transition to a Sustainable Economy". This score is based on five pillars: demographic transition, healthcare transition, economic transition, lifestyle transition and ecologic transition.

- Exposure to UN Sustainable Development Goals: the Management Company assesses for each company the part of revenues linked to one of the 17 Sustainable Development Goals of United Nations.

- Carbon data: carbon footprint (t CO2/m$ invested) of the Sub-Fund's portfolio.

- Carbon intensity (t CO2/m$ revenues) of the Sub-Fund's portfolio.

For public issuers, the sustainability indicators used are the following:

- The "Above and Beyond Analysis" ("ABA", the proprietary tool): a dedicated model to rate public issuers based on four pillars: governance, environment, social and society.

- The Climate Profile: the Management Company completes this analysis by an assessment of issuers' Climate Profile based on energy mix and evolution, carbon intensity and resources stock.
- Carbon data: carbon footprint (t CO2/m$ debt) of the Sub-Fund's portfolio.
- Carbon intensity (t CO2/m$ GDP) of the Sub-Funds' portfolio.
- The proportion of the Sub-Fund's portfolio in the controversial issuers based on several criteria such as: respect of freedom, child labor, human rights, torture practices, money laundering, etc.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

Not Applicable.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Not Applicable.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not Applicable.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not Applicable.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

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

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes, _____

For private issuers, the Sub-Fund is taking into account the principal adverse impacts on sustainability factors.

- The Principal Adverse Impact ("PAI") analysis is part of the Corporate Responsibility Rating (See below)

- The Management Company is implementing an Adverse Impact on Sustainability Policy, measuring the PAI. The Policy first intend to monitor the contributions to climate change (CO2 emissions, CO2 intensity, implied temperature) in the context of the "Climate Trajectory" objectives.

For public issuers, the Sub-Fund is taking into account the principal adverse impacts on sustainability factors.

- The Principal Adverse Impact analysis is part of the Country Rating (See below).

- The Management Company is implementing an Adverse Impact on Sustainability Policy, measuring the PAI. The Policy first intend to monitor the contributions to climate change (CO2 intensity) and social issues (Country submitted to social violation, average income inequality score) and corruption (average corruption score).

Further information may be found in the annual report in respect of the Sub-Fund.

☐ No

What investment strategy does this financial product follow?

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

The investment process applied to the Sub-Fund is based on the selection of the investment universe combining a financial and extra-financial approach in particular by excluding issuers which have a severe risk profile in terms of corporate responsibility or country score (notably rating below 2/10 in the ESG proprietary tool).

The ABA scoring: proprietary tool of analysis and Corporate Responsibility Rating Corporate responsibility is a useful information's pool used to anticipate companies' risks especially looking at the interplay with their stakeholders: employees, supply chains, clients, local communities, and shareholders, regardless of the sector of activities.

For private issuers, the ABA analysis of corporate responsibility is broken down into four pillars:

- shareholders responsibility (board of directors and general management, accounting practices and financial risks, etc.),

- environmental responsibility (environmental footprint of the production chain and product life cycle or responsible supply, energy consumption and water consumption, company CO2 emissions and management of waste, etc.),

- responsibility towards workers ethics and working conditions of the production chain, treatment of employees – safety, well-being, diversity, employee representation, wages, quality of products or services sold, etc.), and

- societal responsibility (Product quality, safety and traceability, respect of local communities and human rights, etc).

Each pillar is rated independently by the Management Company and weighted in accordance to how material it is for the targeted company. Each pillar is broken down into a set of criteria, selected in accordance to the materiality (correlation with the economic performance), which are around 25 in total (as listed in the below table). Those criteria can be quality of board assessment, CEO remuneration, impact on biodiversity, climate policy and energy efficiency, etc.

Shareholder Responsibility	Respect for minority	Control structure
		Poison pill, limitation of votes
	Quality of Management	Size and composition of the ExCom
		Rotation of leaders, checks and balances
		Quality of the strategy
	Independence of Board and committees	Independence rate of the Board and its committees
		Separation of powers of the CEO/Chair
		Composition and size of the Board, fees and attendance
	CEO compensation	Transparence of compensation
		Variable compensation consistent with objectives and results
		ESG criteria in the variable compensation
	Accounting Risks	History of accounting irregularities (10 years)
		Change in accounting methods/reporting
		Independence of the statutory auditors
	Quality of financial reporting	Trust in guidance and transparency
		Profit warning history
		Access to management
Environmental Responsibility	Environmental management	Environmental Management System (EMS) and reporting scope
		Quality and consistency of reporting, quantified objectives
		Governance: dedicated director
	Climate policy and energy efficiency	Implementation of an energy efficiency policy
		Precise reporting and quantified objectives (scope 1, 2 and 3, CO2 emissions, carbon intensity)
	Regulation and certification	Perimeter of the environmental certification process
		Integration of regulations related to the sector
		Revenue associated with green/brown activities

	Impact on biodiversity and externalities	Management of positive contributions to biodiversity and reporting
		Integration of upstream issues in projects
		History of accidents or pollution
		Water consumption
		Waste recycling
Employer Responsibility	Corporate culture and HR management	HR's position in the company's hierarchy
		Leadership and culture type
		Distribution of full-time employees (FTEs)
		Employee share ownership
	Health and safety	Establishment of committees and procedures for hygiene, safety and working conditions
		Workplace accident history, lever of reporting (accident frequency, gravity, number of fatalities)
		Transparency and scope of indicators
	Labor relations and working conditions	Quality of social dialogue, average absenteeism, turnover rates
		History of employee conflicts
		Quality of working conditions and compliance with legislation
	Training and career management	Training pan and age pyramid
		Sector-specific transition issues
		Employee seniority and internal mobility policy
		Training budget, number of training hours/employee
	Promoting diversity	Share of women among employees
		Share of women on management teams
		Promotion of local managers
	Attractiveness and recruitment	Attractiveness of the sector and the company (Glassdoor rating, average salary/FTE)
		Talent attraction program
		Ability to hire people with key skills
Societal Responsibility	Product quality, safety and traceability	Product quality control process
		History of quality defects
		Consumer safety issues
	Innovation capacity and pricing power	Internal or external R&D management
		Employees dedicated to R&D, R&D budget
		Pricing power and brand power
	Supply chain management	Supply chain control and model (integrated or heavy outsourcing), limitation of cascading suppliers
		History of supply chain failure
		ESG included in the contracts with suppliers
	Customer satisfaction and market share gains	Customer satisfaction monitoring policy, change in market share
		Organic growth trends
		Quality of the B-to-B distribution network
		Customer complaint history

	Respect for local communities and human rights	Respect for human rights, facilitating the right to operate
		Integration of local communities
		History of local conflicts
	Cybersecurity & the protection of personal data	Use of personal data as a business model
		Protection of sensitive data and privacy
		Protection mechanisms against cyber attacks
	Corruption and business ethics	Governance and corruption prevention process
		Operations in high-risk countries
		History of corrupt or unethical practices

Furthermore, the monitoring of the level of controversy is taken into account directly in the corporate responsibility and may affect the rating.

This in-depth analysis, combining qualitative and quantitative research, leads to a rating out of 10.

Moreover, with respect to investments in public issuers, this asset class is subject to an extra-financial analysis in 4 dimensions comprising:

- ESG risk analysis,
- International standards infraction,
- International convention engagement,
- Climate profile.

ESG risks analysis is made of 4 pillars, rate from 0 to 10:

- Governance: this pillar reviews Rule of law and respect for freedom, Quality and transparency of institutions and regulatory framework, Military status and defense, Democracy.
- Environment: this pillar reviews Agriculture, Climate change, Energy, Waste management and recycling.
- Social: this pillar reviews Education and training, Job, Health.
- Society: Living conditions, freedom and respect for fundamental rights, Inequalities.

International standards infraction is a binary approach to qualify the infraction to: Child labor, Discrimination, Freedom of association, Money laundering, Labor rights, Human rights, Freedom of press and Torture practices.

International convention engagement is a binary approach to identify the commitment to SDGs (UN Sustainable Development Goals), Kyoto Protocol, Accord de Paris, UN-Biodiversity Convention, coal exit, coal power capacity, nuclear weapons non proliferation Treaty and fight against money laundering and the financing of terrorism.

Climate profile is a combination of Energy mix, evolution of the Energy mix, Carbon intensity and primary energy reserve.

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

The Sub-Fund implements its strategy within two types of binding elements: exclusions applied for the Management Company, and exclusions specific to the strategy.

1. Exclusions applied for the Management Company:

- Exclusion based on United Nations Global Compact breaches: after analysis and decision by the Management Company, companies are listed by the Management Company on a "worst offenders" list and excluded from all portfolios.

- Exclusion related to the Management Company engagement to disinvest in non-conventional oil and gas activities and coal activities based on sector activities, according to the table below:

Activities	**Exclusion from March 2022**	**Issuers having their registered office in the European Union or in the EOCD**		**Issuers having their registered office outside of the EOCD**	
		Exclusion from December 2027	**Exclusion from December 2030**	**Exclusion from December 2030**	**Exclusion from December 2040**
Thermal Coal Production	From 10% of the revenues	From 5% of the revenues	Definitive exit (0% of the revenues)	From 5% of the revenues	Definitive exit (0% of the revenues)
Coal-based electricity generation	From 10% of the revenues	From 5% of the revenues	Definitive exit (0% of the revenues)	From 5% of the revenues	Definitive exit (0% of the revenues)

Activities		**Exclusion from December 2030**	**Exclusion from December 2040**	**Exclusion from December 2030**	**Exclusion from December 2040**
Production of unconventional oil of gas	From 10% of the revenues	From 5% of the revenues	Definitive exit (0% of the revenues)	From 5% of the revenues	Definitive exit (0% of the revenues

2. Exclusions specific to the strategy followed by the Sub-Fund:

- Exclusions of private issuers which have a "Severe Risk" profile in terms of Corporate Responsibility or country score for public issuers. Rating below 2 out of 10 within our internal rating,

- Sectorial exclusion as defined in the Management Company's Exclusion Policy.

The above-mentioned applied exclusions which are further detailed in the Management Company's "Exclusion Policy" and "Responsible Investor Policy" are binding and further details thereon are available on the website of the Management Company (https://www.dnca-investments.com/lu/areas-of-expertise/sri). Details of the Sub-Fund's exclusion policy are also available from the Management Company upon request.

Moreover, a strict controversial weapons exclusion and sectorial exclusion policy is implemented and is available on the website of the Management Company (https://www.dnca-investments.com/lu/areas-of-expertise/sri).

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Sub-Fund does not apply a minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy. Nevertheless, the achievement of the extra-financial strategy through the Corporate Responsibility and the controversies and sectorial exclusion policy is consequently leading to reduce of the scope of the investment universe.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

For private issuers, the Governance is one the assessment axes of the Corporate Responsibility: The Shareholder Responsibility. It is rated out of 10 based on 6 criteria: sound management structures (i.e. the quality of the management the board and committees of the issuer), overall issuers' remuneration of staff (focusing on the CEO's remuneration) and tax compliance (alignment of the tax rate with the local economic presence, presence in tax havens, change in the tax rate over 10 years), a good employee relation, the quality of the financial communication, the accounting risks and the respect for minority shareholders. Around thirty KPIs allow the assessment of the governance practices associated with these 6 criteria. In addition, controversies related to the good governance practices impact the overall rating.

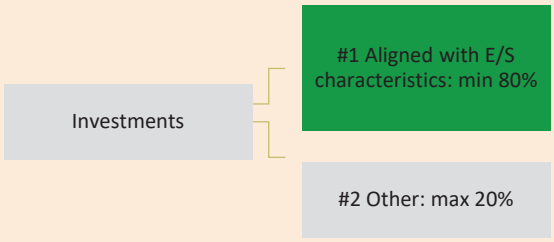
For public issuers, the Governance is one of the assessment axes. It is rated out of 10 based on 4 pillars: Rule of law and respect for freedoms, Quality of institutions and regulatory framework, Democratic life and Military status and defense. Around twenty KPIs allow the assessment of the governance practices associated with these 4 pillars.

What is the asset allocation planned for this financial product?

The Sub-Fund intends to invest 80% minimum of its net assets in investments aligned with the environmental and social characteristics it promotes. The remaining portion of the Fund's investment portfolio ("#2Other") will consist of financial derivative instruments for hedging/arbitrage/relative value or exposure strategy and/or efficient portfolio management purposes as well as deposits at sight, money market funds, money market instruments and other deposits for liquidity purposes.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



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

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

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

  The Sub-Fund does not invest in financial derivative instruments in order to attain the environmental or social characteristics it promotes.

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

Not applicable.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[20]?**

☐ Yes:

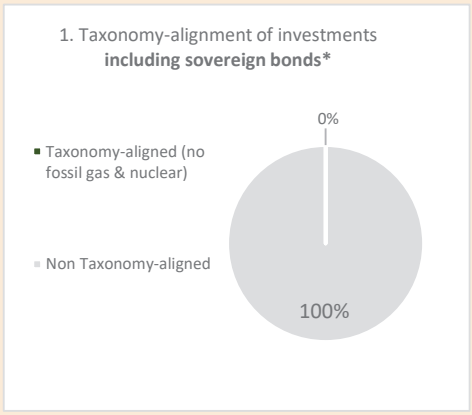
☐ In fossil gas ☐ In nuclear energy

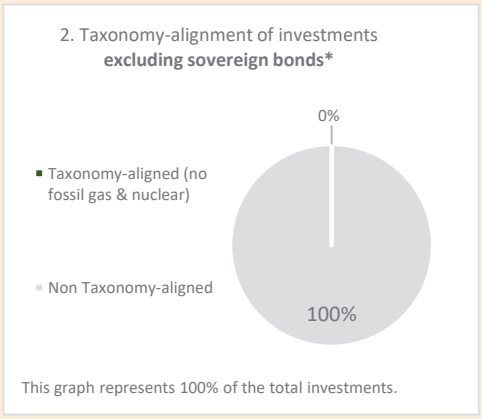
☒ No

[20] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules. **Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective. **Transitional activities are** activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





* *For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

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

0%

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

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

Not applicable.

What is the minimum share of socially sustainable investments?

Not applicable.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The Sub-Fund may also invest in financial derivative instruments for hedging/arbitrage/relative value or exposure strategy and/or efficient portfolio management purposes as well as in deposits at sight, money market funds, money market instruments and other deposits on an ancillary basis for liquidity purposes.

There are no specific environmental or social safeguards linked to the use of financial derivative instruments and other assets included under "#02 Other".

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

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

The reference benchmark of the Sub-Fund does not intend to be consistent with the environmental or social characteristics promoted by the Sub-Fund.

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

  N/A

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

  N/A

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

  N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

  N/A

Where can I find more product specific information online?

More product-specific information can be found on the website: https://www.dnca-investments.com/lu/funds/dnca-invest-alpha-bonds/units/b-lu1694789535 by clicking on section "Documents" and accesssing the ESG inforation under the sub-section "SRI Documents".