

Disclosure of Sustainability Information

DNCA INVEST – FLEX INFLATION

Summary

DNCA INVEST – FLEX INFLATION 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 European Regulation (EU) 2019/2088, known as the Sustainable Finance Disclosure Regulation (SFDR), but does not have sustainable investment as its objective.

The characteristics promoted by the Sub-Fund are Governance, Environment, and 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 relies on the internally developed ABA (Above and Beyond Analysis) analytical tool, applicable to both private and public issuers, and on a binding exclusion policy.

The investment strategy applied to the Sub-Fund is based on the selection of the investment universe, combining a financial and non-financial approach, and the selection of securities based on fundamental analysis, taking into account ESG criteria as well as the valuation of the instruments.

As such, the Sub-Fund aims to invest at least 80% of its net assets in investments that align with the environmental and social characteristics it promotes.

To assess whether investments comply with these characteristics, checks are performed using indicators (e.g., the ABA internal rating method for private and public issuers). The data used in this context comes primarily from public sources and databases of external providers. Consequently, limitations regarding the availability and quality of this data may exist.

Furthermore, DNCA Finance has implemented due diligence regarding the underlying assets through monitoring of controversies and the application of exclusions based on the results of the ESG analysis, as well as a shareholder engagement policy as part of its responsible investment approach.

The Sub-Fund does not have a benchmark to measure compliance with the environmental or social characteristics promoted by the financial product.

Sustainable Investment

This financial product promotes environmental or social characteristics but does not aim for sustainable investment.

Environmental or social characteristics of the financial product

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

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

In promoting these characteristics, the Sub-Fund will take into account the following ESG factors for private issuers:

- **Environment:** GHG emissions, nature conservation, global climate adaptation and risks, land use, etc.;
- **Social:** Social security system, education, poverty, women's employment, working conditions, non-discrimination, etc.;
- **Governance:** Rule of law, perception of corruption, political stability, human rights, violent conflicts, etc.;
- **Overall ESG quality rating.**

Thus, for private issuers, the investment process and the resulting bond selection take into account an internal rating regarding both corporate responsibility and sustainability, based on an extra-financial analysis conducted using a tool developed in-house by DNCA Finance, employing the “best-in-universe” method. A sectoral bias may exist.

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

- **Environment:** Carbon intensity and distribution of energy consumption;
- **Social:** Compliance with international standards (child labor, discrimination, freedom of association, money laundering, labor rights, human rights, freedom of the press, and torture);
- **Governance:** Signatory to the Paris Agreement, signatory to the United Nations Convention on Biological Diversity, coal, phase-out policy, Nuclear Non-Proliferation Treaty;
- **ESG quality rating and comprehensive coverage.**

For public issuers, the investment process and the resulting selection take into account an internal rating regarding the responsibility of public issuers such as countries, based on a non-financial analysis using a proprietary tool developed in-house by DNCA Finance, with a minimum rating methodology.

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

Investment Strategy

The investment process applied to the Sub-Fund is based on the following two steps:

- **Selection of the investment universe** combining a financial and non-financial approach, in particular by excluding issuers that present a high-risk profile in terms of corporate responsibility or country score (rating below 2/10 according to the internal ESG tool) or are exposed to major controversies;
- **Selection of securities** based on fundamental analysis, taking into account ESG criteria and the valuation of the instruments.

The ABA Rating: ABA is the internally developed analysis tool for corporate responsibility ratings.

The field of corporate responsibility is a rich source of information that is extremely useful for anticipating corporate risks, particularly in their interactions with stakeholders: employees, suppliers, customers, local communities, shareholders, etc., regardless of their industry.

For private issuers, corporate responsibility is analyzed by the ABA tool according to four fundamental principles:

- **Shareholder responsibility:** board of directors and executive management, accounting practices and financial risks, etc.;
- **Environmental responsibility:** the environmental footprint of the production chain and the product’s life cycle or responsible sourcing, energy and water consumption, the company’s CO2 emissions and waste management, etc.;
- **Responsibility toward workers:** regarding ethics and working conditions in the production chain, treatment of employees, safety, well-being, diversity, employee representation, wages, and the quality of products or services sold, etc.; and
- **Social responsibility:** product quality, safety, and traceability; respect for local communities and human rights; etc.

Each fundamental principle is independently scored by DNCA Finance and weighted according to its importance to the target company. Each component is broken down into a set of criteria, selected based on their relative importance (correlation with economic performance), totaling approximately 25 in all. These criteria include the quality of the board of directors’ evaluation, CEO compensation, impact on biodiversity, climate policy, and energy efficiency, etc.

In addition, monitoring the level of controversy is directly factored into corporate responsibility and can affect the rating.

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

With regard to investments in public issuers, this asset class is subject to a non-financial analysis based on four fundamental principles, including:

- ESG risk analysis;
- Violation of international standards;
- Adherence to international conventions;
- Climate profile.

The ESG risk analysis is based on four fundamental principles, rated on a scale of 0 to 10:

- **Governance:** this component covers the rule of law and respect for freedom, the quality and transparency of institutions and the regulatory framework, military status and defense, and democracy;
- **Environment:** this pillar covers agriculture, climate change, energy, waste management, and recycling;
- **Social:** This pillar focuses on education and training, employment, and health;
- **Society:** living conditions, freedom, and respect for fundamental rights, and inequality.

The definition of violations of international standards is based on a binary approach aimed at identifying any violations in the following areas: child labor, discrimination, freedom of association, money laundering, labor rights, human rights, freedom of the press, and torture.

Commitment to international conventions is a binary approach aimed at identifying commitment to the SDGs (United Nations Sustainable Development Goals), the Kyoto Protocol, the Paris Agreement, the United Nations Convention on Biological Diversity, coal phase-out, coal-fired electricity generation capacity, the Treaty on the Non-Proliferation of Nuclear Weapons, and the fight against money laundering and terrorist financing.

The climate profile is a combination of energy mix and its evolution, carbon intensity, and primary energy stock.

Investment Allocation

The Sub-Fund aims to invest at least 80% of its net assets in investments that comply with environmental and social criteria.

The remaining portion of the Sub-Fund's net assets will consist of derivative financial instruments for hedging and/or increasing exposure and/or efficient portfolio management, as well as demand deposits, money market funds, money market instruments, and other deposits for liquidity purposes.

Monitoring of Environmental or Social Characteristics

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

- The internal ABA rating for public and private issuers;
- The 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);
- The climate profile and level of controversy of issuers.

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

In addition, DNCA Finance has implemented a Responsible Investment control framework comprising both pre-trade and post-trade controls.

Pre-trade controls focus on the minimum "Liability Risk" rating and the absence of a rating. The sole purpose of the alert regarding the absence of a rating is to inform the SRI team. Controls are archived by the CRD tool, which has its own audit trail. With regard to sector exclusions, the Risk Department monitors, via CRD, the proper application of sector constraints relating to 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 constraint monitoring system:

- No investments are made in issuers targeted by exclusion policies;

- The minimum AIM, sustainable transition, and climate (transition/contribution) ratings are met.

Methods

The methods used to determine compliance with social or environmental criteria differ depending on whether issuers are private or public.

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

- The “Above and Beyond Analysis” (ABA, the internal tool) **corporate responsibility rating**: the main sustainability indicator used by the Sub-Fund is the ABA rating (see the “Investment Strategy” section), which is based on corporate responsibility and divided into four fundamental principles: shareholder responsibility, environmental responsibility, employer responsibility, and social responsibility;
- The **“Transition to a Sustainable Economy” rating**: 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**: DNCA Finance assesses, for each company, the portion of revenue linked to one of the 17 United Nations Sustainable Development Goals;
- **Carbon data**: carbon footprint (t CO₂/\$1 million invested) of the Sub-Fund’s portfolio;
- **The carbon emissions intensity** (t CO₂/\$ million invested) of the Sub-Fund’s portfolio.

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

- The **“Above and Beyond Analysis”** (ABA, the internal tool): a model designed to assess public issuers based on four fundamental principles: governance, environment, social, and society;
- **Climate profile**: DNCA Finance concludes this analysis with an assessment of issuers’ climate profiles based on energy mix and trends, carbon emissions intensity, and resource stock;
- **Carbon data**: carbon footprint (t CO₂/\$1 million of debt) of the Sub-Fund’s portfolio;
- **The carbon emissions intensity** (t CO₂/\$1 million GDP) of the Sub-Fund’s portfolio;
- The proportion of the Sub-Fund’s portfolio in **controversial issuers** based on several criteria such as respect for freedom, child labor, human rights, torture practices, money laundering, etc.

Data Sources and Processing

The data used to assess each of the environmental or social characteristics promoted by the Sub-Fund comes from public sources, databases provided by specialized external vendors, direct dialogue with issuers, and internal analysis conducted by DNCA Finance.

DNCA Finance has chosen to rely on an internal model, ABA (“Above and Beyond Analysis”), with the aim of providing a rating for which we control the entire construction process, as information provided by companies constitutes the majority of the data used. In this context, this data is verified and integrated into a proprietary analysis framework.

As part of its responsible investment approach, DNCA Finance specifies that the data used in its proprietary ABA rating model is derived exclusively **from public information provided by issuers**. This data is audited, published, and reflects the operational reality of the companies. Thus, the entire ESG rating methodology applied by DNCA Finance to private issuers is based on actual data, excluding any estimated or modeled data.

Estimated data is used only when it comes **from specialized external providers** (such as MSCI, CDP, or equivalents) and pertains to specific cases, such as the development of exclusion lists (normative or sector-specific) or the calculation of DNCA Finance’s climate trajectory, as presented in particular in the environmental pressures report. This approach demonstrates a commitment to both transparency and rigor in the integration of ESG criteria into investment processes.

To align with the principles of its responsible investment policy and address new environmental and regulatory challenges, DNCA Finance has **engaged external ESG data providers** and is implementing a project to enhance its processes, with the aim of:

- Improve and enhance the reliability of issuer data, as well as indicators of impact and effects on the climate and biodiversity;
- Provide information on activities aligned with the European Taxonomy;

- Enhance the existing ESG analysis process (notably by integrating physical and climate risks) and enable its systematic use (through the use of an “ABA Quant” rating applied across the entire investment universe);
- Expand the scope of other ESG processes.

The integration of this data into the information system has been implemented, and the data is being progressively 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 is implementing a quality control process for ESG data received from its suppliers, notably through the establishment of a cross-functional sustainable investment committee whose missions include monitoring and supporting the operational processes of the business teams, including the following initiatives deployed at the data committee level (ESG data sourcing, data flow processing, structuring of ESG data (data dictionary/repository), and distribution of ESG data from the repository to relevant business tools).

The ESG analysis of securities is conducted under the supervision of the management and expertise division, the Responsible Investment Team. Using the ABA tool, it reviews liability risk analysis, analysis of contributions to the sustainable transition, monitoring of controversies and news flow, and meetings with company executives. The analysis is conducted exclusively in-house and does not incorporate any ratings from external agencies.

Limitations of Methods and Data

The approach adopted by DNCA Finance’s management teams to construct their ESG analysis may have several limitations, including:

- **The availability and quality of ESG data** provided by the companies analyzed;
- **Differences in coverage** across sectors or geographic regions;
- **Differences in methodologies** among various data providers.

These limitations may affect the comparability and accuracy of ESG assessments but do not impact the extent to which the promoted environmental or social characteristics are achieved, as DNCA Finance adopts a continuous approach to ESG processes to address these shortcomings. Furthermore, DNCA Finance has adopted a phased approach to the implementation of ESG policies to enable a pragmatic application and integration of ESG issues across its value chain.

Due Diligence

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

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

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

- Identifying the nature of negative impacts (ESG impacts) associated with its investment activities;
- Assessing and prioritizing negative impacts;
- Managing (preventing, mitigating, or stopping) certain negative impacts;
- Monitoring the implementation of results (measuring the effectiveness of actions);
- Adjusting the strategy for managing negative impacts if necessary.

The principles adopted by DNCA Finance are:

- Managing impacts for which DNCA Finance sets quantitative targets (notably carbon footprint and portfolio-induced temperature);
- Measuring to manage 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**, enabling an assessment of how effectively ESG issues are being addressed;
- **Proactive engagement**, aimed at encouraging companies to improve their transparency and management of ESG issues;
- **Reactive engagement**, initiated in response to a controversy or significant incident.

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

Furthermore, DNCA Finance analyzes and classifies controversies involving companies, whether related to corporate responsibility or compliance with the United Nations Global Compact. This process allows for the classification of controversies as major or severe and, where applicable, the designation of the company in question as a "Worst Offender." Companies designated 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

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