

#01

SRI LETTER
FROM DNCA

APRIL 2019

LIVE BEYOND



2019 A CULTURE OF RESPONSIBILITY

Will the new strategic challenges and new business performance levers be driven by responsibility? The Pacte law currently being discussed at the National Assembly aims to encourage companies to make their social and environmental commitment into a strategic driver. Over two decades, corporate responsibility has shifted from a philosophical concept to economic reality. This is how Responsible Investing (SRI) has managed to achieve double-digit growth with over 300Bn€ outstandings in France at the end of 2017.

Based on the conviction that extra-financial factors matter to long term performance, in 2018 DNCA launched its department of expertise dedicated to Responsible Investing. Through a proprietary ESG analysis model, ABA (Above and Beyond Analysis), the objective is to offer innovative and transparent SRI management. The DNCA INVEST BEYOND range includes six funds whose management is driven by the principles of corporate responsibility and sustainable development.

We are pleased to launch DNCA's SRI Letter and share with you our commitments and expertise.

LÉA DUNAND CHATELLET
HEAD OF RESPONSIBLE INVESTING

DNCA
INVESTMENTS

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THE VIEW OF CARTOONING FOR PEACE



BADO, Canada
*"Establish sustainable
modes of consumption
and production".*

E D I T O R I A L



GILLES VERMOT DESROCHES

Director of sustainable development

PERFORMANCE IS INEXTRICABLY LINKED TO MEASURABLE RESULTS

Schneider Electric has developed a tool to measure and manage its sustainable development policy: Schneider Sustainability Impact 2018-2020. It includes 21 commitments in line with the Group's 5 challenges for sustainable development: climate, circular economy / biodiversity, health and fairness, ethics and development / access to electricity. It is audited annually by a third party. For more than 15 years, the Group has had clear and ambitious targets driven by its long-term ambitions to achieve the goals set out by COP21 and the United Nations.



KEY FIGURES

25.7 Bn€
of turnover in 2018

142,000
employees in more than 100 countries

~5%
of turnover invested in R&D

42%
of 2018 turnover realised in new economies companies analysed

Any social, societal or environmental initiative must be measurable

Performing sustainable development for energy optimisation and growth, to create a sustainable future and attractive and meaningful business.

Schneider Electric went from the electricity business to energy management as of the second half of the twentieth century, to become a world leader in energy and efficiency. Today, its key business integrates the challenge of reducing carbon emissions, managing energy consumption, and excellence in industrial efficiency.

Sustainable development is a key differentiator in the Group's strategy, which is integrated into each of its actions, decisions, innovations and initiatives. For Schneider Electric, sustainable development is not a vague hope of making the planet greener. We believe that access to electricity is a fundamental right and that energy plays a critical role in meeting the UN's 17 Sustainable Development goals and in addressing the challenges of climate change, biodiversity and fair development. A truly relevant vision of sustainable development cannot neglect human rights, ethics and issues relating to health and fairness.

We are reminded of the climate emergency every day. It is vital to reduce climate change if we are to avoid a catastrophe that will extend far beyond climate change, causing disturbance for all companies and hampering prosperity and global balances. Today, to meet the challenges of climate change and global trends, be it urbanisation, industrialisation and digitalisation, Schneider Electric puts its policy and the appeal of its offer in line with all stakeholders. The Group's overall strategy is to generate solutions by incorporating all innovations, including the digital revolution, to effectively build the energy transition and industrial development. The goal is to bring to market the least expensive and most efficient solutions. This commitment not only concerns investors but also employees: 142,000 employees in more than 100 countries and 300,000 indirect employees, in full-time equivalent positions, at our suppliers.

For Schneider Electric, sustainable development fuels and moulds economic development, as a fundamental pillar of any business' success and purpose. By working towards a more sustainable world, Schneider Electric not only preserves the health of society and the planet, but also encourages innovation and prosperity here and now.

About Schneider Electric

Schneider Electric has been leading the digital transformation of energy management and automation systems in the residential sector, buildings, data centres, infrastructure and industries. Operating in more than 100 countries, Schneider Electric is the undisputed leader in energy management - medium voltage, low voltage and secure energy, and automation systems. The ecosystem we have built enables us to work on our open platform with a broad community of partners, integrators and developers to provide our customers with both control and operational efficiency in real time. At Schneider Electric, we are firm believers that our employees and partners make the difference. They allow us to go even further in innovation, diversity and sustainable development. As such, every day we address each person's needs, everywhere and at all times, to enrich life, Life is On.



LÉA DUNAND CHATELLET & ALIX CHOSSION

SINCE THE START OF 2019, SRI FOR DNCA IS

67
companies met with

57
companies analysed

6
funds that received the SRI label

DNCA Invest Beyond, a responsible investment approach based on a proprietary model

In the 2000s, less than 10% of listed companies disclosed their environment and social impacts or published a CSR report (Corporate Social Responsibility report). The first SRI funds were based on a limited set of indicators based on ethical and sectoral considerations.

Today, more than 3,000 companies worldwide release a CSR report and have created a dedicated department at the highest echelons of management (Executive Committee and Board level). ESG indicators provide a second reading of companies based on the integration of social and environmental concerns within their business operations and relations with employees, suppliers, shareholders and local communities. The indicators compare companies and provide investors with relevant risk analysis tools.

Over the years, new thematic investment strategies have emerged to address the challenges of sustainable development, i.e. development that meets the needs of today without compromising the ability of future generations to meet theirs. Identifying companies that are best positioned to address global challenges and contribute positively to the sustainable economic transition constitutes a tremendous source of investment opportunities.

It is based on these beliefs that DNCA developed its proprietary analytical model ABA (Above & Beyond Analysis). This is how we enrich our investment process with extra-financial criteria and identify companies with risks or opportunities related to sustainable development and CSR. This information is a key element in building the investment universe of our SRI bond, mixed and equity portfolios in the DNCA Invest Beyond range.

T R O U S N -



An ESG analysis combining the identification of responsibility risks and the contribution to sustainable economic transition



ABA (Above & Beyond Analysis), an ESG scoring model for companies based on internal research, updated in real time and shared with all investment teams



DNCA Invest Beyond, a range of bond, mixed and equity funds bearing the SRI label with dedicated ESG reporting, including environmental and social impact measures



Conviction-based fund management and the will to support the sustainable economic transition



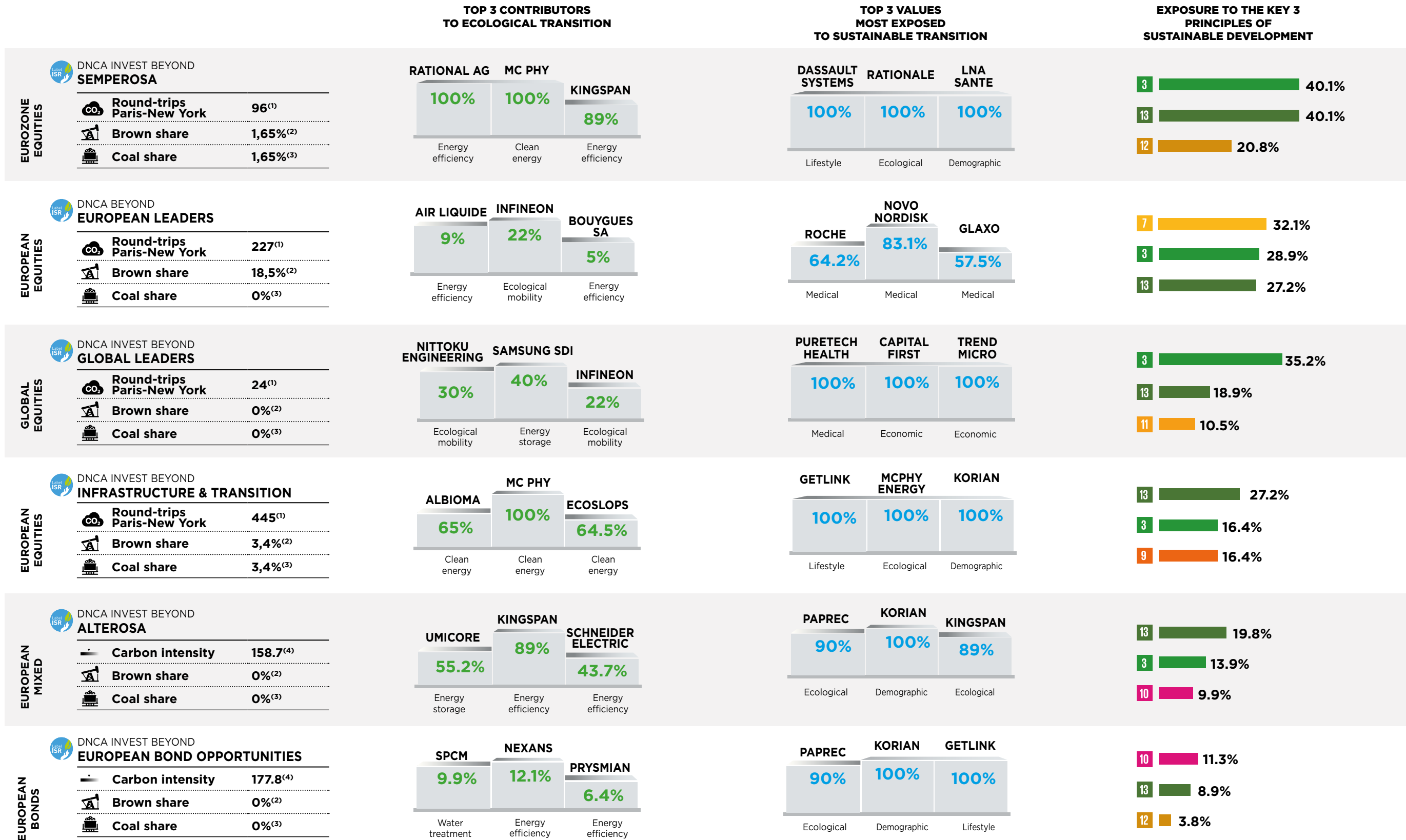
5 sustainable transitions

to invest impactfully

- Demographic
- Medical
- Economic
- Lifestyle
- Ecological

For DNCA, measuring extra-financial performance is a key issue. In the interest of transparency, we strive to demonstrate the contribution to sustainable development of our funds and the companies in which we invest through simple, indicators.

These indicators are calculated based on the data published by companies and our internal research. They are linked to the 17 SDGs (Sustainable Development Goals) defined in September 2015 by United Nations.



Definitions: ⁽¹⁾ Round-trip flights Paris-New York: CO2 emissions per million € invested. ⁽²⁾ "Brown" share: Share of companies generating over 30% of their revenue from the extraction, production and refining of oil and gas, mining, or from the production of coal-based electricity. ⁽³⁾ Coal share: Share of companies generating over 30% of their revenue from the extraction or production of coal-based electricity. ⁽⁴⁾ Carbon intensity: CO2 emissions (scope 1 and 2) per million € of turnover.

Data at 28/02/2019. Companies in the portfolio as at 28/02/2019. Source: DNCA Finance. The information presented above does not constitute any contractually binding element or investment advice. Past performance is not a reliable indicator of future performance. The funds mentioned offer no guarantee of returns or performance and have a risk of capital loss. We invite you to read the prospectus, the DICI and other regulatory information available at www.dnca-investments.com.





BY ALIX CHOSSON
SRI analyst
at DNCA

The carbon footprint of a milk carton is 45% lower than a plastic bottle.

Each year, French forests store 80 million tons of CO₂, i.e. 20% of national greenhouse gas emissions

Forest makes up 70% of the Swedish territory and wood resources have doubled in 100 years

WOOD IS DEAD. LONG LIVE WOOD!



The forest and paper industry has long been regarded as somewhat outdated and triggered little enthusiasm from investors.

Our view is that wood, in all its forms, will be at the heart of the transition to a more circular economy. And not just in packaging and construction. Wood has an enormous potential, from biofuels to biochemistry, through to bio-composite materials and even energy storage. Moreover, forests will play a key role in the fight against global warming.

The oil companies Total and Shell have interestingly recently indicated their interest in forest assets as they seek out "carbon sinks" to offset emissions from their fossil fuel activities.

We went to Finland and Sweden to meet with some of the leading companies in the sector. We visited several production sites which are very large industrial complexes in the middle of the forest with fully integrated operations (all parts of the wood are used to generate the energy of the site and its vicinity).

We retained three key conclusions from these discussions: 1) wood is at the heart of the transition to the circular economy; 2) the forest and paper industry is being transformed, driven by innovation; 3) companies in the sector still face social risks, particularly in the renewal of skills.

COMPANIES MET WITH


BILLERUDKORSNÄS


SCA


STORAENSO


The Biofore Company **UPM**

WOOD IS A KEY LINK IN THE CIRCULAR ECONOMY

Whether it's the war against plastic, the shift to bio-sourced materials, or the production of zero-carbon energy, we believe that wood will take centre stage in the evolution of our consumption trends with the transition from a linear model to a more circular one. Wood is, by nature, a renewable resource and in most cases recyclable. Although counter-intuitive, cutting wood can actually be beneficial from a carbon perspective, especially if we replant more trees than we cut down! Indeed, a growing forest absorbs more CO₂ than an old forest. As such, the key is the sustainability of forest management, a topic we discussed extensively with the companies we visited.

Forest, in essence, is a long-life asset: in most cases, trees are only cut down after 60 years. This means we need to ensure that we replant more trees than we cut down. For example, the annual net forest growth is 1.4% at SCA and 0.4% at Stora Enso. The rest of the wood usually comes from individual owners who are required to comply with strict forest management standards in Scandinavian countries. And the vast majority of the wood used by the major players also comes from FSC* or PEFC**-certified forests.

* Forest Stewardship Council. ** Pan European Forest Certification.

A RAPIDLY CHANGING SECTOR THANKS TO INNOVATION

The forest and paper business has long been seen as "out of date", industrially heavy and not very innovative. The reality on the ground is rather different. Innovation is at the heart of the strategy of most large groups in order to withstand competition from Asia and Latin America, while diversifying their activities beyond packaging. Stora Enso - where we visited the new R&D centre on bio-materials - spent € 149 million on R&D in 2018, i.e. 1.4% of its turnover.

UPM is working to launch a bio-refinery with a potential capacity of 500,000 tons (compared to the current 100,000 tons) to address not only the biofuels market but also the high potential biochemistry market, which seek to replace petrochemicals in many applications.

Most companies we met are also working on connected packaging and self-adhesive labels, innovations which will be key for developing e-commerce and deploying more efficient logistics. We believe that companies' ability to innovate will be crucial to ensuring the sustainable growth of their business, which is also a key focus of our ESG analysis.



HUMAN CAPITAL, A KEY ISSUE OF SUSTAINABILITY

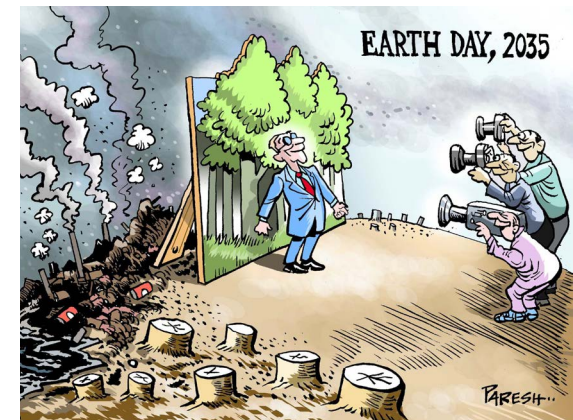
While we firmly believe that the forest and paper industry is at the heart of the ecological transition, the fact remains that the companies we met all face a major challenge in preserving their skills. It was clear to us that most production sites we visited are facing diversity and age pyramid issues, as confirmed by the figures and our discussions with management.

Of course, the automation and sophistication of IT systems (a trend the scale of which we saw on site) should help reduce some labour needs in the most difficult jobs.

Yet all companies are facing major recruitment and training challenges to preserve their core skills, as indeed, for some technical positions, training can take up to 6-7 years.

Our discussions with management on this key issue led us to identify major differences in the ability of the various companies we met with to manage this human challenge.

THE VIEW OF CARTOONING FOR PEACE



Paresh, India

"Protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, tackle desertification, halt and reverse land degradation, and end the loss of biodiversity"





THE VIEW OF CARTOONING FOR PEACE

Created in 2006 on the initiative of Kofi Annan, Nobel Peace Prize and former Secretary General of the UN, along with the press cartoonist Plantu, Cartooning for Peace is an international network of artists who are committed to promoting freedom of expression, human rights and mutual respect between people of different cultures or beliefs through the universal language of press illustrations. www.cartooningforpeace.org



Bousiko, Haiti

"Conserve and sustainably use the oceans, seas and marine resources for sustainable development".

154^{Bn€}

THE AMOUNT OF NATIONAL ENERGY EXPENDITURE

In France, households, businesses and governments spent in total € 154 billion on their energy consumption in 2017. Energy accounts for 8.5% of household budgets. This percentage increased by 0.2% in 2017, mainly due to higher fuel prices. Note that the energy independence rate fell by half a point in 2017, to 53%.

Source: INSEE

38%

THE PERCENTAGE OF COAL IN THE GLOBAL ENERGY MIX

After dropping in 2016, the production of coal-based electricity rose again in 2017 and 2018. This took place while, according to the Carbon Tracker study, 40% of coal-fired power plants in the world are not profitable.

Source: Carbon Tracker

86%

OF PLASTIC POLLUTION ON EUROPEAN BEACHES IS MADE UP OF DISPOSABLE PLASTIC ITEMS.

The new European Directive on single-use plastic will ban disposable plastic objects, straws, cotton swabs, disposable plates and cutlery, coffee stirrers... It will also be required to achieve a 77% separate collection rate for other plastic items by 2025. The final version of the Directive is expected to be adopted in June 2019.

Source: European Commission

THE FAR SIDE OF THE MOON

Fifty years after Neil Armstrong took the first steps on the Moon, our natural satellite is once again creating new interest and excitement. On 2 January, China landed its Chang'e-4 module on the far side of the Moon. The mission is twofold. In addition to a series of sophisticated instruments for studying the lunar surface, the landing module also carried an aluminum alloy container filled with plant seeds and insects.

This aluminum greenhouse placed on the surface of the Moon is hoped to allow researchers to observe the growth process of plants and animals on the Moon. Yet the space race has more than merely scientific motivations. Researchers also suspect that in this part of the Moon, there may be a very high concentration of helium 3, a non-radioactive gas considered to be a huge source of energy.



SWITZERLAND: SOLAR ENERGY GENERATED WITH SNOW

According to a group of researchers, winter solar energy production could be increased by installing photovoltaic panels in high mountain areas. The study published in the journal Proceedings of the National Academy of Sciences shows that the production deficit resulting from the phase-out of nuclear power could be better offset by constructing photovoltaic plants in the mountains than through modules on the roofs of the plateau, since every square meter produces not only more power but also at a better time. Cited in the SLF* report.

*Institute for snow and avalanche research SLF.

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