DNCA INVEST

Société d'investissement à capital variable
Registered Office: 60, avenue J.F. Kennedy L-1855 Luxembourg, Grand-Duchy of Luxembourg,
R.C.S. Luxembourg B 125.012
(the "**Fund**")

NOTICE TO THE SHAREHOLDERS
OF DNCA INVEST – BEYOND CLIMATE

Luxembourg, 30 September 2021

Dear Shareholder,

The board of directors of the Fund (the "**Board of Directors**") would like to inform you of important changes relating to the Fund's sub-fund DNCA INVEST – BEYOND CLIMATE (the "**Sub-Fund**").

Terms not otherwise defined in this notice will have the same meaning as those defined in the Fund's current prospectus (the "Prospectus").

The Board of Directors has decided to update the investment policy of the Sub-Fund in order to add further details with respect to the investment universe of the Sub-Fund and enhance the disclosures related to the responsible investment policy as applied by the Fund's management company in view of its classification as Article 9 under Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**") in order to align the classification with the integration of an objective of reduction in carbon emissions in the investment policy. The amendment of the SFDR classification will not involve any rebalancing of the portfolio nor additional market-related transaction costs.

This update involves an amendment of (i) the investment objective and (ii) the investment strategy applicable to the Sub-Fund (the "**Changes**").

(i) Investment Objective:

As part of the disclosure enhancement of the responsible investment policy as further described in section (ii) below, the investment objective of the Sub-Fund will be amended as follows (changes are underlined below):

"*The Sub-Fund seeks to outperform the following index denominated in Euro: Euro Stoxx Net Return (Bloomberg ticker: SXXT Index) calculated with dividends net of withholding taxes reinvested, over the recommended investment term. <u>Investors' attention is drawn to the fact that the management style is discretionary and integrates environmental, social / societal and governance (ESG) criteria</u>.*"

(ii) Investment strategy

The Board of Directors has decided to update as follows the investment strategy of the Sub-Fund in order to (i) upgrade the Sub-Fund from Article 8 to Article 9 under SFDR and (ii) add further details in relation to (a) the Sub-Fund's investment universe and (b) the description of the responsible investment policy as already applied by the Management Company (changes are underlined below):

"*The investment strategy is based on a climate strategy which combines the classic requirements of risk and financial return with the low carbon transition requirements in line with the Paris Agreement as signed on 22 April 2016 (the "Paris Agreement").*

~~*The Sub-Fund promotes environmental and/or social characteristics within the meaning of Article 8 of SFDR.*~~

The Sub-Fund has as its objective sustainable investment within the meaning of Article 9 of SFDR. The Sub-Fund aims to align the economy on a path of at least 2 degrees. This objective is materialized by an average decrease of the portfolio carbon intensity of at least 2,5% each year by comparing the carbon intensity of each consolidated company in the Sub-Fund with the carbon intensity of the previous year. In addition, the investment strategy is oriented towards a contributive economy to the climate issues resulting in avoided CO2 emissions greater than the induced CO2 emissions (scope 1 and 2).

The Sub-Fund considers, at least, the following objectives, and proceed to the reporting of this ESG indicators as part of the monitoring and the evolution of the portfolio's ESG performance:

- *Environment: GHG emissions, airborne pollution, waterborne pollution, water consumption, land use, etc.*
- *Social: compensation, gender inequality, health and safety, child labor, etc.*
- *Governance: corruption and bribery, tax avoidance, etc.*
- *Global ESG quality rating.*

The initial investment universe, which include up to 2500 issuers, which may belong to the EURO STOXX index and the Stoxx Europe 600 index as well as stocks identified by the Management Company based on the financial and extra-financial analysis, having already been invested in recent past years. The SRI approach is applied on the selected issuers from the initial investment universe.

From this initial investment universe, are excluded issuers with controversies or in severe breach to UN Global Compact Principles (example: human rights or fight against corruption) based on the internal approach. Moreover, a strict controversial weapons analysis exclusion policy is implemented and is available on the website of the Management Company (https://www.dnca-investments.com/lu/areas-of-expertise/sri).

It is a conviction fund intended to be concentrated on a small number of issuers (i.e. on or around 45 issuers) (the latter not being an investment limit), selected according to ESG criteria, in line with socially responsible investing ("SRI") management.

The ESG and climate analysis of issuers is carried out using the ABA model (Above and Beyond Analysis). The research and the ratings are conducted exclusively in-house based on corporate disclosures and our continuous dialogue with companies.

The risk exists that the models used to make these investment decisions do not perform the tasks they were designed to.

The model defines the eligible investment universe by combining the two concepts of corporate responsibility and sustainable transition and also adding different modules such as the monitoring of daily information, the analyze of controversies, the link with the SDGs adopted by the United Nations, the in-house impact analysis and the assessment of the relevant climate related risks.

The Sub-Fund integrates ESG criteria with regard to direct investments including the definition of the investment universe and the reporting for all companies with the "best in universe" method. There may be a sector bias.

The analysis of corporate responsibility is broken down into four aspects: 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 and society responsibility (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.). Each aspect is rated independently *and weighted in accordance to how material it is for the company. Each dimension is broken down into a set of criteria, which are around 25 in total. This in-depth analysis, combining qualitative and quantitative research leads to a rating out of 10.*

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

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

The sustainable transition focuses on the positive impacts' companies generate through their activities, products and services. The aim is to identify whether a company contributes to the sustainable transition. In the model, this pillar has been broken down into 5 major themes: demographic transition (inclusion of senior citizens, access to education, etc.), medical transition (access to care, medical diagnostics, control of endemic diseases, etc.), economic transition (infrastructure development, digitalization, access to connectivity, etc.), lifestyle transition (extension of product lifestyle, circular economy, sustainable mobility, etc.) and ecological transition (renewable energies, biodiversity, green mobility, etc.). Around 34 activities which contribute to the sustainable transition have been identified and integrated into the model.

In addition, the management style proposed aims to achieve to climate objectives of the Paris Agreement, combined with an approach broadened to other positive impacts relating to sustainable development and, in particular, the Sustainable Development Goals ("SDGs") adopted by the United Nations.

The investment process is geared towards long-term performance that integrates all the risks and challenges faced by companies. The investment choices result of a fundamental analysis of companies which, as part of a climate strategy, is combined with an in-depth and detailed analysis of the positioning of each company within the low carbon transition.

A proprietary "transition / contribution" climate methodology allows the management team to identify companies that have put in place appropriate efforts to decarbonize their activities in line with the objectives of the Paris Agreement (i.e. "keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius"). The analysis and the internal rating are based on factual data published by the companies, which may be incomplete or inaccurate, as well as continuous dialogue with company managers.

The internal rating integrated to the stock-picking process aims to avoid any risk linked to the decarbonization of the global economy (transition analysis) while identifying opportunities linked to the development of low carbon solutions (contribution analysis). Each company is positioned on a matrix combining its transition and contribution ratings (climate matrix transition/contribution) which is used to define the eligible universe. The results of this proprietary "transition / contribution" climate methodology will be binding on the Management Company.

Moreover, a proprietary climate risk analysis is systematically carried out for all the companies selected in the portfolio of the Sub-Fund. This in-house proprietary methodology is aligned with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures – https://www.fsb-tcfd.org/). Each company is analyzed according to its specific exposure to climate transition risks (as classified in 4 categories: (i) science & technology, (ii) legal & regulatory, (iii) environment and (iv) social trends) and according to how the company manages these risks (governance, strategy, risks management and objectives).

The Sub-Fund selects companies aligned with the objectives of the Paris Agreement. At this stage, the reference scenario selected is the IEA Sustainable Development Scenario, which is built on a decarbonization trajectory in line with the Paris Agreement.

The Sub-Fund integrates also ESG criteria with regard to direct investments including the definition of the investment universe and the reporting for all companies. The Sub-Fund is managed taking into consideration corporate responsibility and sustainable development principles in accordance with the requirements of the French SRI label, from which the Sub-Fund benefits, with especially involves proceeding to the extra-financial analysis on at least 90% of the asset of the Sub-Fund and which involves to exclude at least 20% of the worst issuers of shares from its investment universe and therefore not investing in these issuers.

Hence, the SRI investment process is based on successive stages combining extra-financial and financial analysis:

- *The first step is to exclude companies with high corporate responsibility risks (minimum score of 4/10 in our proprietary model). This selection fulfills the conditions of the French SRI label.*
- *The second step is based on the selection of companies identified to meet the Sub-Fund's climate management objective according to the categories described above and according to the "transition/contribution" eligibility matrix~~.~~ and the reduction in carbon emission in view of achieving the long-term global warming objectives of the Paris Agreement*
- *The third step is to build a portfolio pursuant to a fundamental analysis, the liquidity and the valuation of the companies considered."*

There will be no other changes to the Sub-Fund's investment policy. In particular, the other characteristics of the Sub-Fund remain unchanged.

If you deem that the Changes do no longer meet your investments requirements, you may apply for redemption of your shares, free of charge, until 2 November 2021 at 12:00 noon (Luxembourg time).

The Changes will be included in the next update of the Prospectus and the KIIDs of the Sub-Fund which may be obtained free of charge upon request at the Fund's registered office at the address stated above.

Our sales team remain at your disposal should you need additional information about the Changes.

Yours faithfully,

The Board of Directors
DNCA INVEST